ANNUAL REPORT **2009**

BUSINESS
achievements
success
balance
expansion
TRUST

IBL BANK s.a.l.

INTRODUCTION

2009 witnessed a kind of recovery in the financial markets while fundamentals of the global economy remained unstable. 2009 was a successful year for IBL Bank as we achieved important objectives set in our Strategic Business Plan. In 2009, we recorded a stronger than pier growth and the highest growth in volume realized by IBL Bank.

The 2009 Annual Report sheds the light on our solid balance sheet and profitability growth, which was reflected by major financial results. Enjoy reading our numbers throughout these pages…which are also illustrated by numbers and financial figures to emphasize this field of success.

1

IBL BANK

IBL BANK S.A.L.

ANNUAL REPORT 2009

IBL BANK

MANAGEMENT ANALYSIS

CONSOLIDATED

BRANCHES

ABOUT THE BANK
HISTORY

CHAIRMAN'S **LETTER**

Salim Habib
Chairman General Manager

In the wake of the international financial crisis, the year 2009 witnessed on one hand a recovery in the financial markets while fundamentals of the global economy remained unstable, and on the other hand an international political will to strengthen regulation and controls over banks.

In this environment, we are witnessing the emergence of a new set of rules and regulations to reinforce the Basel II Accord in parallel to a change in the International Accounting Standards to both of which we abide.

Given these new challenges facing the international banking systems, and based on papers already published and the preliminary assessment realized by our staff, IBL Bank should be already compliant with the new regulations to come.

This achievement is of course the result of our Business Strategy that ensures not only high growth but also and foremost Financial Conservatism showed by:

A Capital Adequacy Ratio (CAR 2) of 16% thanks to a strong equity base mainly constituted of Tier I Capital (one of the main changes and challenges of the Amended Basel 2 Accord to come)

A strong liquidity present on both sides of the

CHAIRMAN'S **LETTER**

balance-sheet evidenced by recurrent and core deposits on one hand and liquid assets on the other hand.

Strong Risk Management Practices as we, at IBL Bank, as the whole Lebanese banking sector, have a showed and proved track record of resilience to extreme stress scenarios:

In fact, the Lebanese banking sector has successfully weathered extreme scenarios ranging from the assassination of Prime Minister Hariri (2005) to the July War (2006) to the absence of political power (2007) to an international financial crisis with an international shortage of Liquidity (2008-2009). This resilience to stress scenarios gives us great confidence in the future.

Regarding our operating environment, Lebanon for the last couple of years, has been in the spotlight for its successful resilience to the international economic downturn. In fact, the Country's economic indicators turned all green in 2009:

Real GDP growth is estimated at 9% in 2009 during a year of global contraction after registering an estimated growth of 9.3% in 2008 and 7.5% in 2007. This growth led to the continued downward trend of Lebanon's Gross Public Debt to GDP ratio since 2006 albeit remaining high at 156%.

Capital Inflows reached USD 20.6 billion resulting in a cumulative Balance of payments surplus of USD 7.9 billion in 2009.

As a consequence, the Foreign Assets of the Central Bank increased by USD 8.6 billion during 2009 to reach USD 28.3 billon excluding the gold reserves estimated to USD 10 billion.

This increase shows the high confidence in the Local currency as the Central Bank intervened continuously on the market to absorb surpluses in Foreign Currencies resulting in BDL's foreign assets covering 112% of LBP money supply

Within this context, IBL Bank registered a successful year 2009, by achieving important objectives set in our Strategic Business Plan.

In fact during 2009 we recorded a stronger than pier growth and the highest growth in volume realized by IBL Bank.

IBL's significant involvement and role in its social, cultural, and economic environment helped the bank achieve a number of major qualitative achievements.

The response to these initiatives has materially enhanced IBL's market position, perception, and brand awareness. Below, is a list of selected initiatives undertaken by IBL over the course of 2009:

• We have put in place the Riad Salameh Forum at IBL Bank, which materializes our will to honor the Governor of the Central Bank for the achievements he realized not only for the Lebanese banking sector but also for the Lebanese Economy in general.

Indeed, we have set-up a platform of economic interaction at IBL Bank Head-Office which we dedicated to H.E. Mr. Riad Salameh, who honored us with his presence at the Inauguration.

• In addition, coming from our strong belief in Lebanese Unity, IBL Bank was proudly the sole private sponsor of a Football Game played by major Lebanese political figures representing all Lebanese political parties, for cementing the Lebanese unity.

• Moreover, we continued our sponsorship of the Champville Basket-Ball Team who has recently won the highly competitive Lebanese Basket-Ball Championship.

• Finally, IBL Bank is now 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.

IBL witnessed solid balance sheet and profitability growth in 2009, which was reflected by major financial results. Below, is a list which highlights the core of IBL's financial performance:

• IBL Bank continued its expansion during 2009, with total assets growing by 24% to reach USD 2.6 billion. This growth was led by an increase of our total deposits by 24% during 2009 as well as by a 22% jump of our Shareholders' Equity, which resulted in IBL's Capital Adequacy Ratio according to Basel 1 reaching 46% and 15.9% according to the Basel 2 Accord while the minimum required ratio is 8%.

• Furthermore, IBL Bank remained and for the last five consecutive years, one of the most profitable bank in the Alpha group with a Return on Average Equity (ROAE) of 19% in 2009.

Our profitability is also evidenced by an increase of 8% of our Net Income during 2009 as well as a Return on Average Assets as high as 1.2% while our cost-to-income ratio, despite massive investments in Human Capital and technology, remaining as low as 35% in 2009 - the lowest of the Alpha Group which realized an average of 51%.

• Regarding our regional expansion, 2009 is another successful year. In fact, and as planned we successfully realized major achievements attaining our goal of value creation and growth, through regional diversification in Erbil - Iraq, Cyprus and Brazil.

As a result of our highly satisfactory foreign operations, with all our branches achieving their targets and operating as planned, the Bank applied and received the Central Bank approval to open and operate a second branch in Baghdad – Iraq, which should be operational in the fourth quarter of 2010.

Finally, I would like to express my sincere thanks to the Board of Directors and the Bank's managers and staff for their continuous support and precious insights to push the Bank towards higher summits.

Salim Habib

Chairman – General Manager

HISTORY OF THE BANK

The Bank traces its roots back to 1961 when it was established by a group of investors led by Mr. Joseph Saab.

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 was 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 the top national banks.

While the Bank was ranked fifty-sixth in Lebanon in terms of total assets in 1999, according to Bankdata the Bank is now part of the Alpha Group of Banks (the group of biggest Lebanese banks) and is ranked twelfth in terms of total assets as at December 31, 2009.

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 USD 437 million in 2000 to reach more than USD 2.6 billion at the end of 2009, meaning an increase of almost 500%.

Despite its strong expansion in total assets since 2000, the Bank translated this growth into enhanced financial profits, with the net income attaining USD 27.9 million in the end of 2009 after taxes and reserves, representing an improvement of more than 1892% over net income of USD 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.

Deposits topped at USD 2.3 billion in 2009 from USD 384 million in 2000.

Furthermore, the actual shareholders, having a policy of continuously improving the capital levels of the Bank, decided to go for a capital increase of USD 20 million in February 2008, raising the Share Capital from USD 9.6 million in 2000 to USD 55.7 million in 2008, and to another Capital increase in 2009 to take the Share Capital to more than USD 86 million, while the Total Shareholders' Equity grew from USD 18 million as at December 2000 to USD 193 million as at December 2009.

Currently, the Bank has 16 active branches spread all over Lebanon, one new branch under constitution in Lebanon, one active representative office in Sao-Paolo – Brazil, and 2 Branches abroad opened during 2008: the first in Europe (Cyprus - Limassol), and the Second in Iraq (Erbil).

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.

The strong growth the Bank has achieved since 1998, has been accompanied and fostered by continuous investments in Human Capital, either organically through seminars, training and effective Human Resources management or externally by recruiting skilled managers and dynamic young staff.

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

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

IBL Bank Headquarters - Achrafieh, Beirut.

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
MM. Euromena Intercontinental Holding sal Represented by Mr. Romen Mathieu	Member
Me. Ziad Fakhoury	Secretary of the Board

LEGAL ADVISORS AND AUDITORS

Cabinet Me. Rizkallah Makhlouf	
Me. Rizkallah Makhlouf	Legal Advisor
Fakhoury & Fakhoury Law Firm (Chawki Fakhoury & Associates)	
Me. Ziad Fakhoury	Legal Advisor
MM. Deloitte & Touche	External Auditors

GENERAL MANAGEMENT

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Deputy General Manager
Dr. Tony J. Ghorayeb	Advisor to the President
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. Antoine Achou	Manager Treasury Back-office
Mr. Salim Jabaji	Advisor Information Technology
Mr. Elie Hlayel	Head of Information Technology
Me. 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
Mr. Karim Habib	Head of Financial Control Unit
Mr. Roland Abou Khater	Head of Representative office Sao Paolo-Brazil
Miss Ishtar Zulfa	Head of Erbil branch Iraq
Mr. Pierre Rouhana	Head of Limassol branch Cyprus

COMMITTEES

The Bank has several functional Committees including the Management Committee, the Internal Audit Committee, the Asset-Liability Committee, the Senior Credit Committee, the Junior Credit Committee, the Non Performing Loans Committee, the Compliance Committee, the Security Committee, the IT and Organization Committee, the Retail Credit Committee, the Human Resources Committee, the Procurement Committee, and the follow-up committee for subsidiaries abroad.

MANAGEMENT COMMITTEE

The Management Committee acts as an advisory body to the Chairman General Manager on all issues relating to the Bank's general policies. 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 defines the Bank's medium and long-term goals and strategies, and the business plan for achieving these goals. It outlines the Bank's medium and long-term growth plans, including branch networks and recommends the improvement of the Bank's organization structure, in case of need.

INTERNAL AUDIT COMMITTEE

The Internal Audit Committee, which is composed of three members of the Board of Directors, 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 ALCO is responsible for setting up and supervising the implementation of asset/liability management policy, which the Treasury is responsible to execute. Its primary objective is to oversee the management of the balance sheet structure and liquidity, monitor the market risk levels,analyse the Bank's financial ratios and the reports on the sources and utilizations of funds, 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 sets up the framework for credit risks, sectorial distributions, classification and provisioning policies, subject to the Board of Directors for 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.

JUNIOR CREDIT COMMITTEE

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.

NON PERFORMING LOAN COMMITTEE

The NPL committee has for responsibilities to review and take decisions on cases handed over by the Credit Committee or by the Head of the commercial banking department (SME, Corporate, Retail), follow up on cases handed over to the Legal Department, recommend actions on cases, approve settlements, and propose adequate provisions to the Management Committee.

COMPLIANCE COMMITTEE

The Compliance Committee is responsible of checking the good 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.

SECURITY COMMITTEE

The Security Committee is responsible for the Human security within the Bank's premises. It works altogether 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.

IT AND ORGANIZATION COMMITTEE

The mission of the IT and Organization Committee is to optimize the performance and the Bank's organization, ensure the coherence and simplification of procedures, revise the structures in line with new technologies, new products and business lines introduced to the Bank, enforce the application of best practices, study the annual IT budget, decide and follow-up on new IT and telecommunication projects.

RETAIL CREDIT COMMITTEE

The Retail Credit Committee has for role 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, follow-up on relevant granted loans and facilities, review and approve amendments, renewals and cancellations of respective loans and facilities.

HUMAN RESOURCES COMMITTEE

This committee validates HR procedures as recruitment, career development ,performance appraisals, promotions and salaries as well as variable remunerations that are linked to employee performance. It studies the HR annual budget and makes recommendations to the Management Committee.The Human Resources Committee appoves loans to employees.

PROCUREMENT COMMITTEE

The purpose 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.

FOLLOW UP COMMITTEE FOR SUBSIDIARIES ABROAD

This Committee has been created in regulation of the BDL Basic Decision No 9671 and in order to support and control our Abroad Network activities (Branches and Representative Office) in Iraq, Cyprus and Brazil.

Structured of Senior Executives and Experts in Risk Management, the Follow-up Committee for Subsidiaries Abroad reviews and observes closely our abroad activities based on annual business plans, quarterly reports, monthly financial statements, external and internal audit reports as well as the reports of the Control Authorities in the Host Country.

MAIN ACTIVITIES

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 22 and 1 abroad.

Our branch network likewise grew in 2009 to reach 16 local branches, a branch in Limassol, Cyprus, a branch in Erbil, 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.

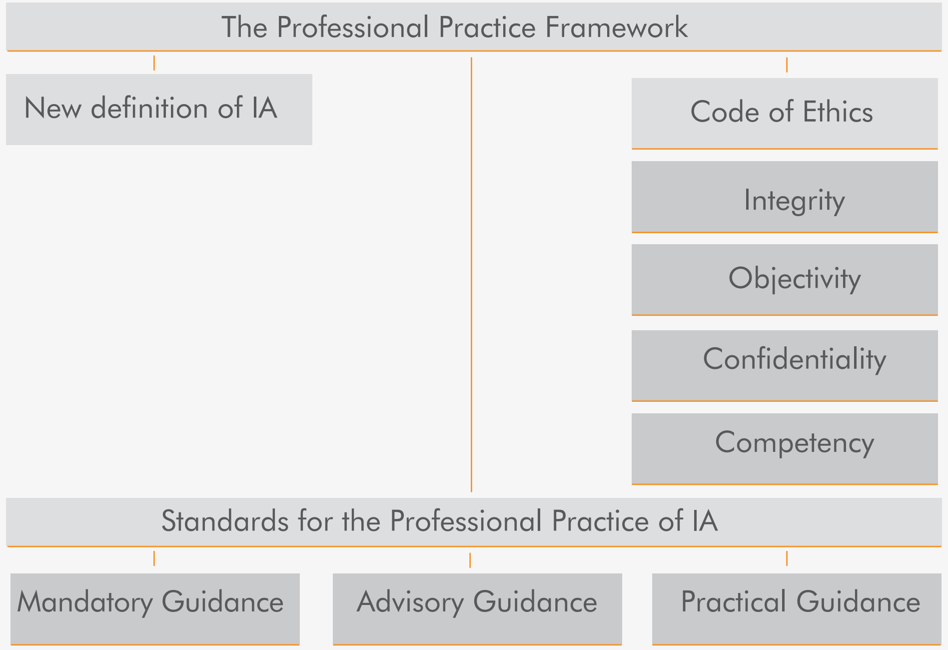
TREASURY AND CAPITAL MARKETS OPERATIONS

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



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.
- Carry out its responsibilities independently.
- Follow up with management on action taken in response to audit findings and recommendations.

INTERNAL AUDIT

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.

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.

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

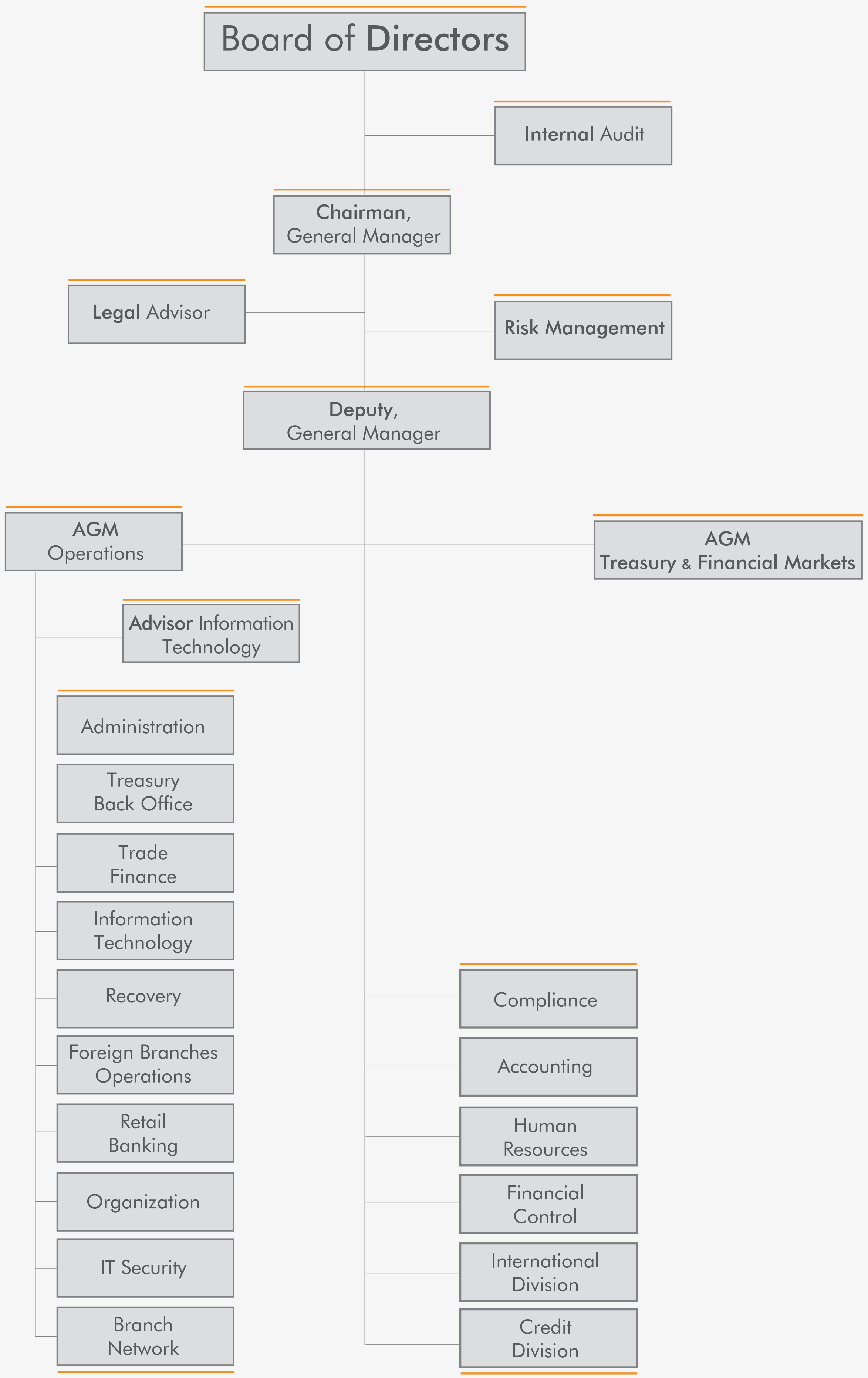
The Organizational and Methods Department's mission is to carry out organizational reviews at different levels to improve efficiency, work procedures, and methods.

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.



During 2009, we implemented:

A. Branch Network Expansion:

During the last years, the Bank has undergone a substantial process of modernization and harmonization of its branches in order to support its image as a leading bank on the market, and to rationalize the workflow, so as to enhance branches' productivity and customers' satisfaction. As such, and in the final stages of this Harmonization process, we have instituted a unified and compulsory dress to all our employees.

In addition, the Bank continued its process of branch network expansion to serve better its clientele and ensure a wider presence on the Lebanese territory by inaugurating a new Branch in Elyssar- Mazraat Yachou (Mount Lebanon) and having a new branch under construction in Balamand (North Lebanon) while the Board of Directors approved the opening of 4 new branches in Lebanon.

B. Electronic Distribution Channels:

First, the Bank acquired a state-of-the-art SMS Banking software, adding a new distribution channel at the service of its customers. This system allows our customers to follow their accounts from the ease of their mobile phone, with complete serenity and confidentiality.

In addition, the Bank has launched a new Website in order to serve and inform better its Clients and Correspondent Banks.

C. New Product: Home Loan in LBP

IBL Bank, as usual, launched a very innovative retail product on the Lebanese Market. Our retail team was the first to react on BDL incentives circular to be the first bank to offer Home Loans in local currency.

This product was a great success with IBL benefiting from its first mover advantage as the rest of the banking sector followed months later.

D. Human Capital Development:

During 2009, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, the development of Human Capital is linked to the amelioration of Productivity.

Consequently, 2009 was rich in investments, in training and in recruitment of new talents, as we make sure to manage our Human Resources in the most effective and efficient manner.

Finally, given our emphasis on staff professional development, over 66 managers and staff, assisted to 57 different external seminars throughout the year in Lebanon and abroad, meaning 126 total participations, not counting the continuous internal effort of training and skills enhancement of our staff.

COMPLIANCE & ANTI MONEY LAUNDERING

COMPLIANCE & ANTI MONEY LAUNDERING

• Banking Compliance has become a vital tool to conduct 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 standard to be applied by every staff member in each area of activity.

• 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 aim and prevent any regulatory sanctions, materiel financial loss, or loss to reputation.
IBL BANK SAL is always committed to strict monitoring of suspicious transactions that could involve Money Laundering and Terrorist Financing.

• Although AML & CFT have always been a key of consideration of IBL Bank. We have recently increased efforts to ensure that the bank remains ahead of the curve both in terms of internal controls as well as practical application in the area. For this purpose:

• The compliance committee has adopted AML & CFT Manual of procedures in order to help all staff to identify the right procedures, to be followed in order to prevent the occurrence of any illicit operation; this Manual is a clear indication of the seriousness of our Institution in its commitment to its content.

• Moreover, we worked on the implementation of the latest version, for our automated systems, AML Reporter, for screening and monitoring all Banking transactions, and the DNFS (Designated Names Filtering System) for filtering of all account opening and entities, and both systems are implemented at the Compliance Department and the branch network level.

• The Bank has provided appropriate staff with additional training, especially with our Regulatory Body the SIC (Special Investigation Commission) at the Central Bank of Lebanon.

• Furthermore, and due to IBL Bank abroad expansion the Compliance Department has developed, adequate procedure that meets with the European Standards (Eurosystem) Limassol Branch, and Central Bank of Iraq Laws and Regulations (Erbil Branch).

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 45.81% while measured under Basle 2 this ratio stands at 15.88%, way above the notional 8% set by Basle.

ECONOMICAL **EVENTS**

THE 35TH ICA CONGRESS

IBL Bank was the main sponsor of the 35th ICA Congress held at the Phoenicia Intercontinental Hotel from October 22 to 25, under the theme of "Beirut 2009, a place that treasures bonds".

IBL Bank held the opening dinner ceremony on October 22, 2009, launching the congress in style, with the presence of eminent local and International financial personalities and key persons.

The kick-off of the business sessions came right after the official inauguration of the exhibition hosting 20 local and international banks, financial institutions and service providers. As for the working panels, speakers shared their views and expertise with the audience through their presentations.

The 35th InterArab Cambist Association Congress brought together 545 delegates and guests from around the globe as well as 32 exhibitors. It was a perfect forum to ameliorate existing friendships and develop new ones.

ECONOMICAL **EVENTS**

"THE SAUDI FUND FOR DEVELOPMENT" CONFERENCE

IBL Bank hosted "The Saudi Fund for Development" conference in the "Riad Salameh Forum" on the 3rd of December 2009, during which Fund's Professionals explained about the Saudi Trade Exports' Financing offered by The Saudi Fund for Development - Saudi Export Program through IBL Bank s.a.l.

In fact, the Saudi Export Program (SEP) aims at playing a role in the diversification of Saudi sources of revenue through providing the necessary financing and guaranteeing facilities for the development of Saudi non-crude oil exports.

In this regard, a Line of Credit was allocated by the Fund to IBL Bank s.a.l to provide the necessary financing for Lebanese importers exporting Goods and Services from the Kingdom of Saudi Arabia.

ECONOMICAL EVENTS

THE RIAD SALAMEH FORUM OPENING CEREMONY

IBL Bank inaugurated The "Riad Salameh Forum @ IBL Bank", a platform for discussion on economic, banking and financial topics, in the presence of H.E. Riad Salameh, Governor of the Central Bank of Lebanon.

IBL Bank established this forum in recognition of "the outstanding achievements" that H.E. Governor Riad Salameh has earned since his appointment in 1992 as Central Governor. The 8th floor of the IBL Bank headquarters in Achrafieh is dedicated to the Forum that is set to become a platform for progress that will bring together experts in the banking, economic and financial fields in order to discuss emerging trends and challenges and put forward ideas and solutions that can bring about economic and social betterment.

The forum offers participants the opportunity to tackle pressing issues, generate ideas and share their expertise. In addition, the Forum aims at launching debate by addressing key local, regional and international issues and trends related to finance, and will maintain an open dialogue between experts in order to come up with sustainable solutions that will shape the future of the economy.

The Forum will hold many conferences in the presence of prominent speakers and experts who will debate challenges and identify ways to address them. The yearly agenda of the Forum will be announced at the beginning of the year and will cover the conference's themes.

The Forum has its own website at www.ibl.com.lb/RiadSalamehForum.aspx that is an open platform for discussion.

CULTURAL EVENTS

THE NDU-IAU CONFERENCE

As part of its constant support of educational activities, IBL Bank was the main sponsor of the NDU-IAU co-organized international Conference held from November 4 to 6, 2009 on the topic of "The Role of Higher Education in Fostering Inter-Cultural Dialogue and Understanding".

The Bank also hosted the dinner held at Le Royal Hotel, Dbayeh.

The Conference brought together close to 200 participants from some 37 countries including higher educational leaders, scholars and students to discuss how higher education today contributes, or could contribute, to creating a culture of dialogue at the institutional, local, regional and international levels.

The two days of debate and discussion have been both very enriching and enjoyable.

The theme is in line with the IAU's goal to promote cooperation and understanding at the international, regional and national levels and contribute to freedom and justice, human dignity and solidarity through teaching and learning, research and service.

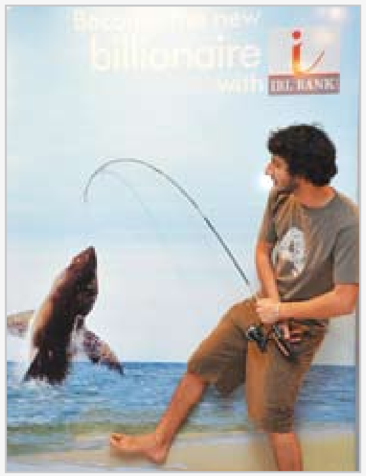
CULTURAL EVENTS

THE NIGHT OF THE ADEATERS

IBL Bank was the main official sponsor of the renown "night of the adeaters" by Jean-Marie Bouriscot screened on November 7 and 8 at Unesco Palace. IBL welcomed every adeater at the main gate with a delicious chocolate treat to start up in a sweet way.

During this event, IBL Bank proposed a new concept related to the theme of advertising, offering every attendee the opportunity to take a special picture in front of one of its advertising visuals in order to become the star of the ad, and take it home as a souvenir of the evening. Adeaters enjoyed posing in front of the dream home of the "home loan" ad, as well as with the fishing cane to get their big catch in the "lucky4life" ad, and some of them showcased their creativity in their poses, as they went barefoot for fishing for example!

The pictures taken home were a symbol of how IBL Bank can see the star in every single one of its clients to make him shine and let his dreams count!



SOCIAL EVENTS

THE ANNUAL STAFF DINNER

The annual staff dinner uniting all the family members of IBL Bank was held on December 19, 2009 at the Habtoor Grand Hotel where the board of directors, employees and managers enjoyed the dinner together in a festive ambience.

This dinner showed IBL Bank's united big family enjoying their time together far from the stress of daily working hours shared at the offices, as they danced the night away waving goodbye to a fruitful year, and preparing themselves for the new year 2010 planned to be rich in new deals and experiences.

DENTISTS' DINNER

IBL Bank also organized the "Soirée des dentistes de l'USJ" on the 28th of August 2009, at Edde Sands in celebration of their annual dinner.

"ORDRE DES INGÉNIEURS" DINNER

IBL Bank organized the "Ordre des ingénieurs" annual dinner on the 31st of October 2009 at Phoenicia Intercontinental Hotel.

IRAQI TRAINING SESSIONS

Within the framework of its constant support to the Iraqi banking industry, IBL Bank s.a.l has continued during 2009 and 2010 in extending training sessions in trade finance to many Iraqi banks' Staff at the premises of its Training Center at the Head Office in Beirut.

This picture illustrates the Senior Clerks of Iraqi Middle East Investment Bank who have followed satisfactorily an extensive training session (2 weeks) at IBL Bank with the Chairman and General Manager awarding each of them an official certificate with his congratulations.

SOCIAL EVENTS

ONE TEAM

Lebanese political leaders from all horizons have marked the 35th anniversary of the outbreak of the civil war with a football match to show their unity.

"We are one team" was the slogan for the 30 minute friendly football match played by ministers, MPs and major Lebanese political figures representing all Lebanese political parties, including the actual prime minister H.E Mr. Saad Hariri and in the presence of all political leaderships in Lebanon including H.E Mr. Michel Suleiman, president of the republic and H.E Mr. Nabih Berri, Speaker of the cabinet for cementing the Lebanese unity.

This initiative was launched with the collaboration of IBL Bank, who wished to contribute in its own way to this unique union of Lebanese politicians, shedding the light on the importance of the "one team" slogan, and expressing IBL's deep commitment to its environment and strong belief in Lebanese Unity.

The game was broadcast live by national channels.

THE CHAMPVILLE BASKETBALL TEAM

The Champville Basketball Team, with the support of IBL Bank, wins the Lebanese basketball cup

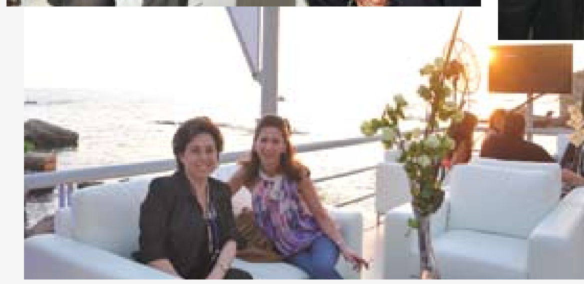
IBL Bank continued its social involvement by the sponsoring of sports and young talents with its support of the Champville Basket Ball team who has won the highly competitive and most loved and watched sports event in Lebanon: The Basket Ball Championship - Antoine Choueiri Cup.

The players received the cup from Mrs. Choueiri who congratulated them for their good play.

IBL Bank, the official partner of the Champville Club, wishes to congratulate them for this well deserved victory, wishing them a bright future full of success.

Byblos International Festival 2010 is 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, IBL Bank is proud to be the official sponsor of the 2010 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 Bank 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!

...à la prochaine !!!

LAUNCHING

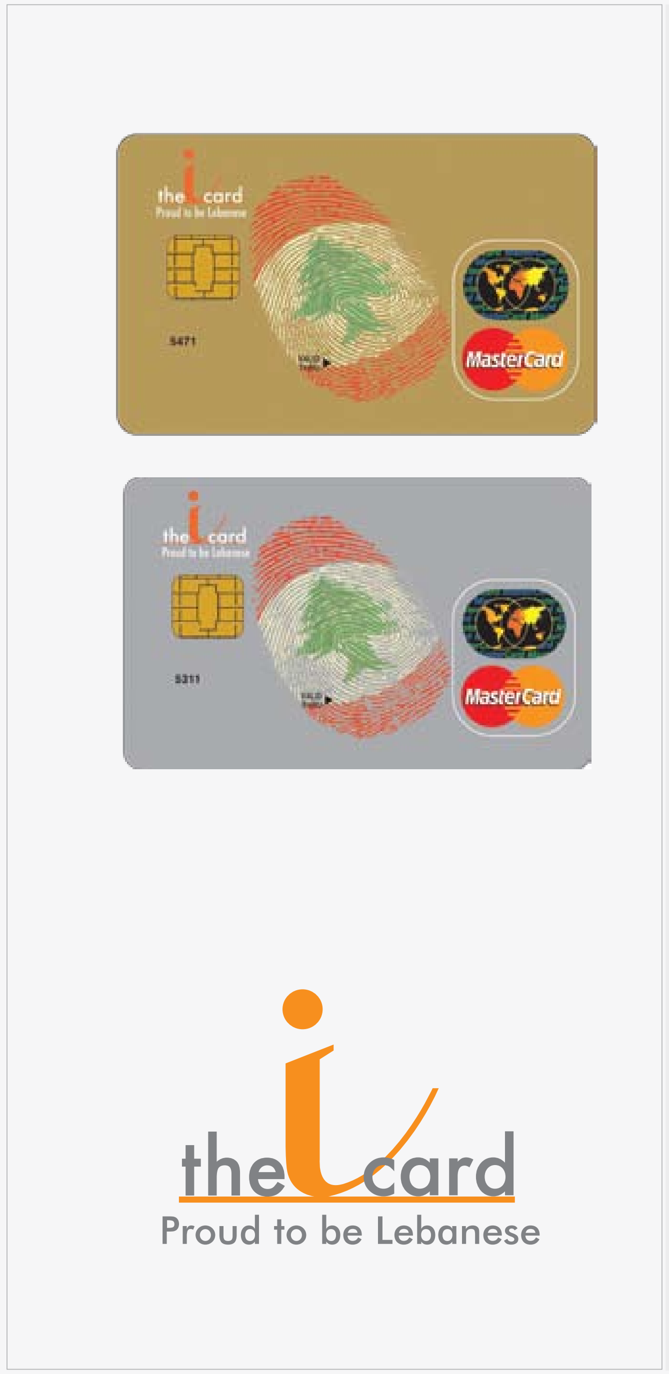
THE i CARD

IBL Bank introduced the first credit card in Lebanese pounds enabling its holder to pay in local currency.

The Icard MasterCard is another easy payment solution from IBL Bank, making wallets lighter and balances more comfortable.

Moreover, we have embedded with the card a Chartis travel insurance accepted at all embassies for Visa requests, and including: Emergency hospitalization abroad, Delay and loss of luggage coverage, Flight delays compensation, Passport loss, etc.

With the Icard, the Lebanese can be proud of their currency, and carry their identity wherever they go, as a distinctive fingerprint.



LAUNCHING

MY HOME

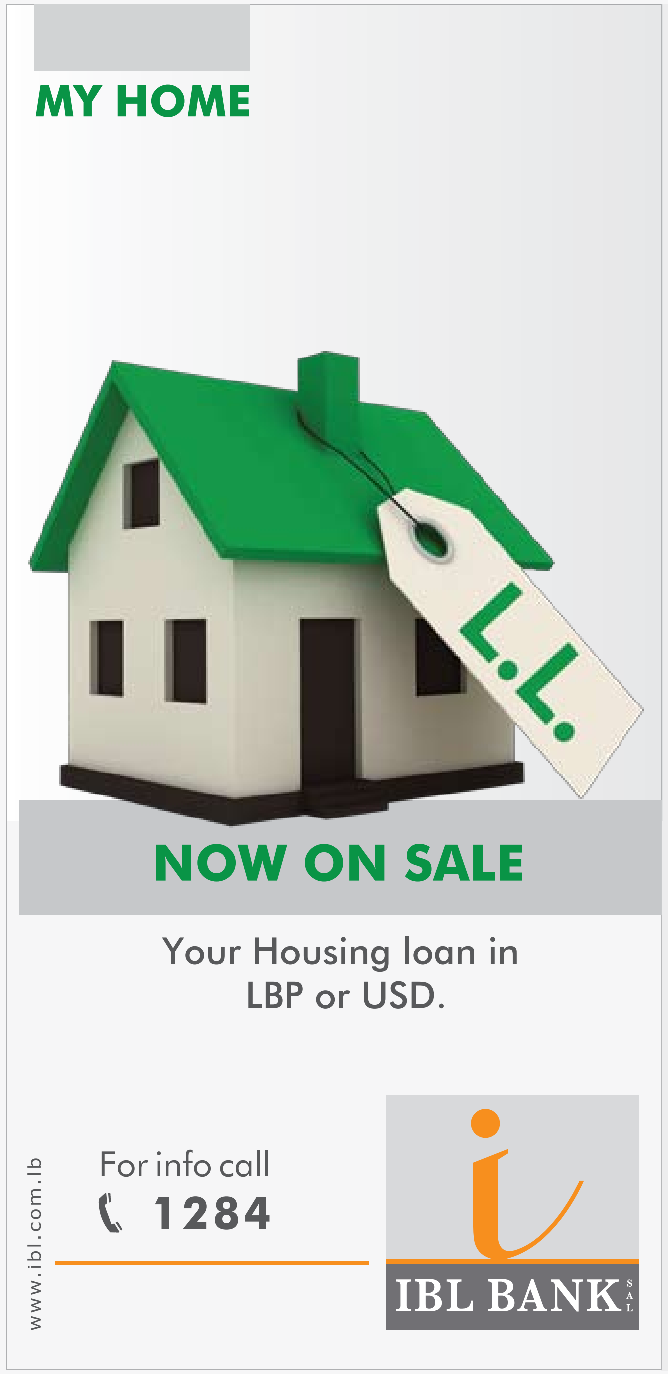
Adding on its extensive list of retail products and interesting loans, IBL Bank was the first in Lebanon to launch the special Home Loan in Lebanese pounds offering the best conditions on the market.

My Home is the perfect Housing Loan as it offers the most favorable conditions for every person interested to own the house of his dreams.

- Everyone can apply for this loan (Minimum age: 21)
- Unlimited loan amount
- Repayment period: up to 15 years for the LBP plan and up to 30 years for the USD plan

Moreover, the My Home product in Lebanese Pounds, offers additional valuable advantages:

- A grace period that can extend up to 4 years
- File fees and evaluation fees offered by IBL Bank
- Benefit from very competitive Life and Property insurance rates
- The option of pre-paying a maximum of 10% of the remaining capital each year without penalty.



2 MANAGEMENT ANALYSIS

MANAGEMENT ANALYSIS

IBL BANK S.A.L.

KEY FIGURES

AS AT 31 DECEMBER	2009 million LBP	% GROWTH 2008/2009	2008 million LBP	% GROWTH 2007/2008	2007 million LBP	% GROWTH 2006/2007	2006 million LBP	% GROWTH 2005/2006	2005 million LBP
Total Assets	3,922,966	23.78	3,169,244	17.22	2,703,598	11.01	2,435,503	7.19	2,272,081
Customer Deposits	3,539,377	24.11	2,851,705	17.96	2,417,615	13.33	2,133,231	3.74	2,056,291
Shareholders' Equity	290,707	21.77	238,742	40.52	169,893	12.54	150,956	69.81	88,897
Loans & Advances to Customers and Related Parties	399,120	-15.23	470,849	51.86	310,053	-1.61	315,119	-8.73	345,260
Income for the Year	42,008	8.25	38,808	26.88	30,586	3.21	29,634	31.85	22,476
Liquidity Ratio in LBP	110.01%		111,49%		109.97%		108.20%		104.27%
Liquidity Ratio in FCY	80.79%		71,26%		80.83%		76.85%		69.31%
Liquidity Ratio in LL & FCY	95.32%		90.50%		92.81%		91.10%		86.65%
Return on Average Assets	1.18%		1.32%		1.19%		1.26%		0.98%
Return on Average Equity	18.73%		22.88%		23.47%		31.57%		38.55%

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

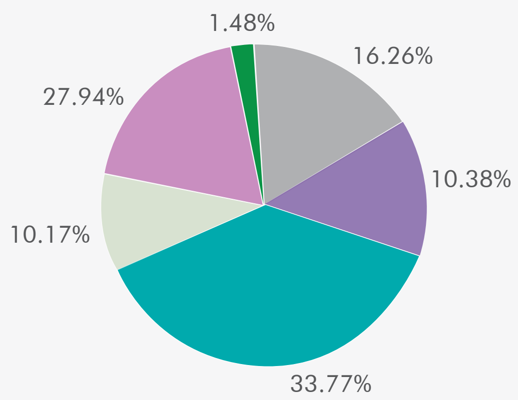
USES OF **FUNDS**

Balance Sheet Structure - Assets in %	END 2009	END 2008
Cash, compulsory reserves and deposits at Central Banks	16.26%	46.39%
Deposits with Banks and Financial Institutions	10.38%	5.61%
Loans to Banks	33.77%	3.12%
Loans and Advances to customers and related parties	10.17%	14.86%
Investment Securities	27.94%	28.39%
Other Assets	1.48%	1.63%
	100.00%	**100.00%**

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

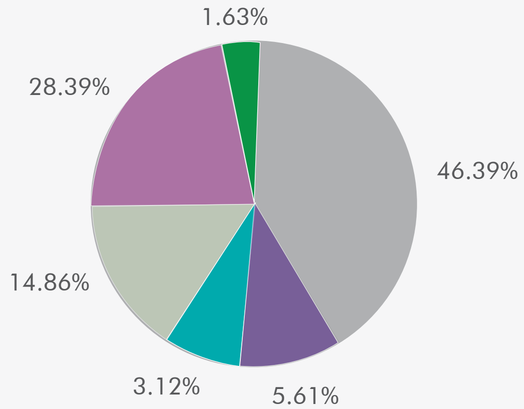
END 2009

- Cash, compulsoty reserves and deposits at Central Banks
- Loans to Banks
- Investment Securities
- Deposits with Banks and Financial Institutions
- Loans and Advances to Customers and Related Parties
- Other Assets



END 2008

- Cash, compulsoty reserves and deposits at Central Banks
- Loans to Banks
- Investment Securities
- Deposits with Banks and Financial Institutions
- Loans and Advances to Customers and Related Parties
- Other Assets



IBL Bank's strategy focuses on the maintenance of high-quality assets and a strong liquid portfolio of investments. This is reflected in IBL Bank's return on average assets ratio reaching 1.18% as at 31 December 2009.

Interest earning assets represented 92.67% of total assets at 31 December 2009 as compared to 91.61% at 31 December 2008.

The proportion of "cash, compulsory reserves and deposits at Central Banks" decreased to 16.26% at 31 December 2009 from 46.39% at 31 December 2008, as Long Term Deposits at the Central Bank were reinvested after maturing in the more liquid Certificates of Deposits issued by the Central Bank.

As such, "Loans to Banks" which are recorded at amortized cost, have their share of total assets rising to 33.77% in 2009 up from 3.12% in 2008. The certificates of deposit issued by the Central Bank of Lebanon constitute 94.81% of the total "loans to Banks".

The share of Loans and advances granted to customers and related parties dropped to 10.17% of total assets at 31 December 2009 from 14.86% at 31 December 2008, while the share of "deposits with Banks and financial institutions" increased from 5.61% to 10.38% in 2009

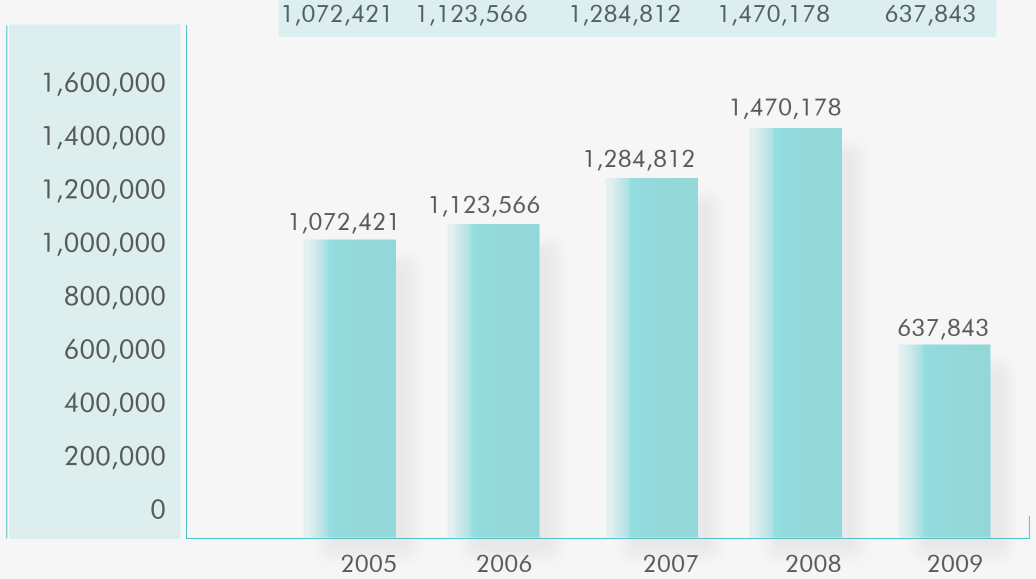
The ratio of "Investment securities" to total assets remained stable at 27.94% at the year end 31 December 2009 as compared to 28.39% at the year end 31 December 2008.

"Other Assets" represented 1.48% of total assets as at 31 December 2009 down from 1.63% as at 31 December 2008. They are mainly constituted of Property and equipment in a percentage of 48.58% of total "Other Assets" as compared to 52.47% as at 31 December 2008. Assets acquired in satisfaction of debts represented 30.55% of total" other assets" at the year end December 2009 as compared to 35.08% at the year end December 2008.

CASH, COMPULSORY RESERVES AND **DEPOSITS AT CENTRAL BANKS**

(in millions of LBP)

2005	2006	2007	2008	2009
1,072,421	1,123,566	1,284,812	1,470,178	637,843



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 2009		END 2008	
Cash on hand	19,531	3.06%	17,048	1.16%
Non-interest earning accounts	209,893	32.91%	197,241	13.42%
Interest earning accounts	408,419	64.03%	1,255,889	85.42%
	637,843	**100.00%**	**1,470,178**	**100.00%**

"Cash, compulsory reserves and deposits at Central Banks" stood at LBP 637,843 million at the year end 2009 down from LBP 1,470,178 million at the year end 2008. This drop is mainly due to the fact that LBP 592,700 million of Long Term deposits at the Central Bank matured during 2009.

Non-interest earning accounts constituted 32.91% of total" Cash, compulsory reserves and desposits at Central Banks" as at end December 2009, compared to 13.42% as at end December 2008. This material increase in percentages comes from the decrease of the total "Cash, compulsory reserves and deposits at Central Banks" while the non-interest bearing accounts remained quasi stable.

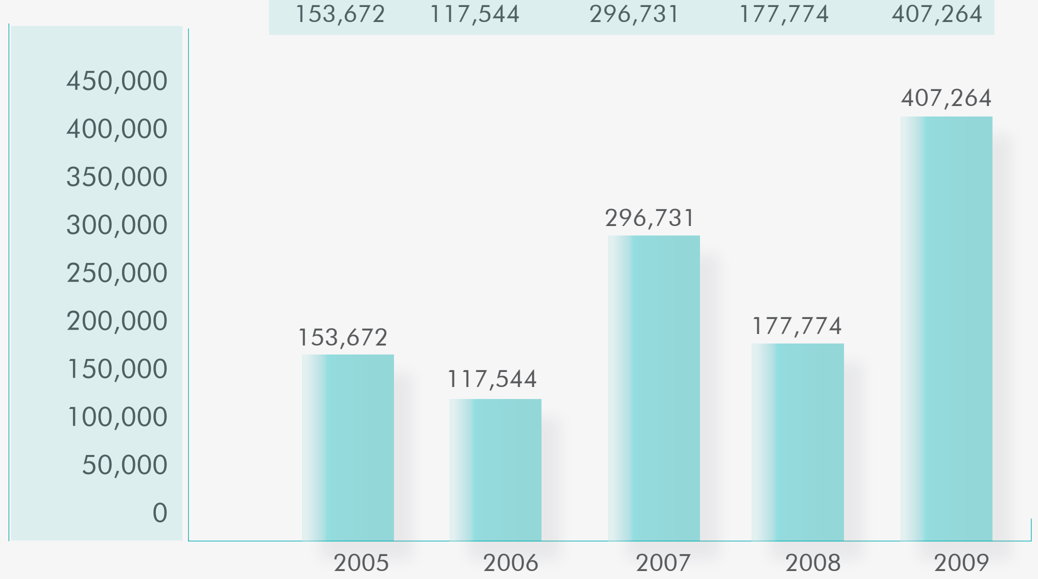
The non-interest bearing accounts represent balances held by the Bank at the Central Bank of Lebanon in compliance with the obligatory reserve requirements for all banks operating in Lebanon on commitments in Lebanese Pounds calculated on the basis of 25% of sight and 15% of term commitments, in addition to the current account with the Central Bank of Kurdistan, Iraq.

Interest earning accounts are constituted of term placements with the Central Bank of Lebanon and represented 64.03% of total "Cash, compulsory reserves and deposits at Central Banks", at the year end December 2009 as compared to 85.42% at the year end December 2008. They also include the equivalent in foreign currencies of LBP 328 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 customer's deposits in foreign currencies.

DEPOSITS WITH BANKS AND **FINANCIAL INSTITUTIONS**

(in millions of LBP)

2005	2006	2007	2008	2009
153,672	117,544	296,731	177,774	407,264



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

IBL Bank's deposits with Banks and Financial Institutions increased from LBP 177,774 million at the end of December 2008 to LBP 407,264 million at the end of December 2009 to constitute 10.38% of total assets as at end of December 2009 as compared to 5.61% as at end of December 2008, showing the Bank's eagerness to always remain liquid. Term placements constituted 84.18% of total "Deposits with Banks and Financial Institutions" as at 31 December 2009 up from 57.25% as at 31 December 2008.

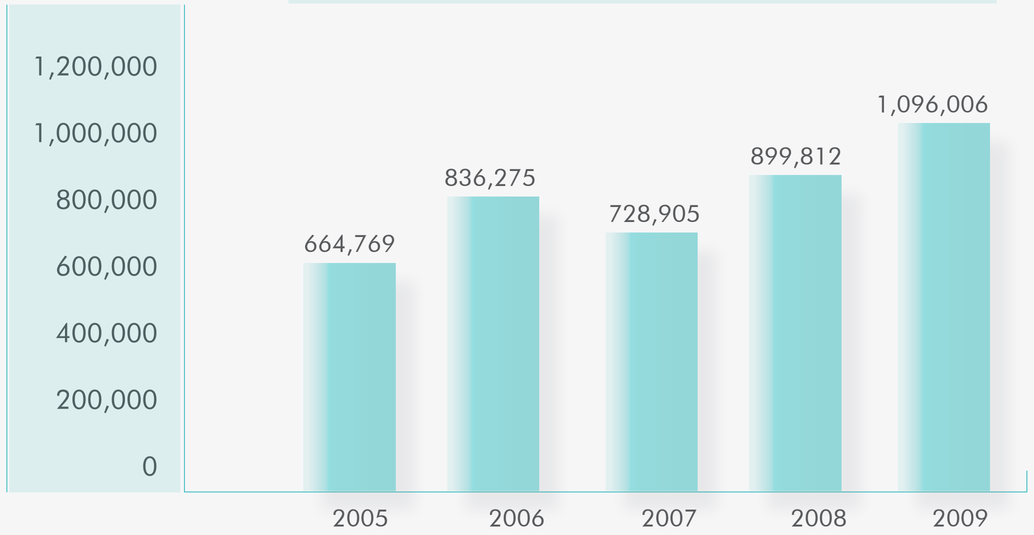
As for previous years, more than 96% of the current and term deposits are denominated in foreign currencies. Deposits with banks and financial institutions include an amount of LBP 10,707 million as at end of December 2009 subject to right of setoff by the related correspondents against banking facilities to finance documentary credit transactions. 95.68% of term placements and pledged deposits as at 31 December 2009 mature during the year 2010.

Deposits with banks and financial institutions are distributed by geographical location as follows: 3.85 % in Lebanon and 96.15% in other low risk countries, mainly in Europe and the USA.

INVESTMENT **SECURITIES**

(in millions of LBP)

2005	2006	2007	2008	2009
664,769	836,275	728,905	899,812	1,096,006



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

As a percentage of total assets, the Bank's securities portfolio represented 27.94% as at end of December 2009 as compared to 28.39% as at end of December 2008. The securities portfolio which is mainly constituted of Treasury bills, Sovereign Bonds and Certificates of deposit issued by the Central Bank of Lebanon, rose from LBP 899,812 million as at end of December 2008 to LBP 1,096,006 million as at end of December 2009 ,meaning an increase of 21.80%. The foreign currency denominated investment securities constituted 68.12% of the total in 2009 as compared to 69.68% in 2008.

At the year end 31 December 2009, IBL's securities portfolio was composed of 52.96% of Available for sale securities, 44.32% of Held to maturity securities and 2.72% 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.

At the year end December 2009, IBL's Available for sale investment securities portfolio was mainly constituted of: Certificates of deposit issued by Central Bank of Lebanon with a percentage of 47.70%, Lebanese Government Bonds with a percentage of 31.93% and Lebanese Treasury Bills with a percentage of 17.45% . Interest revenues on these securities are recognized based on their respective yields.

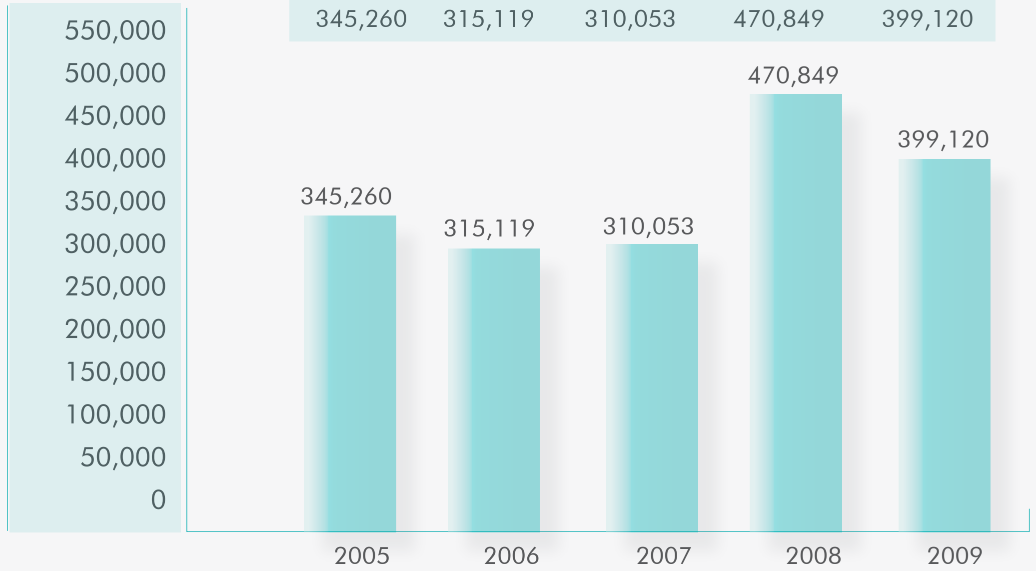
- Held to maturity Investment are non-derivative assets with fixed or determinable payments and fixed maturity and they are classified as held to maturity when the Bank has the positive intention and ability to hold these investments to maturity. At the year end December 2009, Lebanese Government bonds constituted 58.46% of total held to maturity securities while the certificates of deposits issued by Central Bank of Lebanon represented 39.83%.

- 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. Changes in fair value of these securities are recognized immediately in the income statement. Held for trading securities are constituted of Eurobonds maturing on March 2013.

LOANS AND ADVANCES TO CUSTOMERS AND **RELATED PARTIES**

(in millions of LBP)

2005	2006	2007	2008	2009
345,260	315,119	310,053	470,849	399,120



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

As at 31 December 2009 "Loans and advances to customers and related parties" (net of provisions for doubtful debts and reserved interests) amounted to LBP 399,120 million as compared to LBP 470,849 million as at 31 December 2008, reflecting a year-on-year decrease of 15.23%. A significant proportion of the Bank's loans and facilities are secured by prime and enforceable guarantees. The types of collateral include cash collateral, prime real estate mortgages, bank guarantees and securities. In fact, loan portfolio to customers is secured up to 87% by Cash Collaterals. The ratio of net loans and advances to total deposits remained relatively low at 11.28% as at 31 December 2009 as compared to 16.51% as at 31 December 2008. Loans to related parties constituted 7.77% of the total loans portfolio as at 31 December 2009 as compared to 4.87% as at 31 December 2008.

They consist mainly in direct facilities to principal shareholders authorized 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 aggregate 5% of the Bank's shareholders equity, and as such, the Bank is in compliance with article 152 of the code of Money and Credit. The secured loans granted to related parties are covered to the extent of LBP 17 billion by pledged deposits. IBL Bank's loan portfolio is predominantly (88%) constituted of Foreign Currency Loans and Advances. This is the consequence of prevailing economic conditions setting a higher interest rate on Lebanese Pounds accounts as compared to Foreign Currency accounts, rendering borrowing in Local currency unattractive.

However, we anticipate a decrease of the dollarization rate of loans, following to the introduction by the Central Bank, in July 2009, of new incentives measures to encourage lending in Lebanese Pounds through the reduction of reserve requirements on Lebanese Pounds denominated deposits.

IBL Bank continued its policy of maintaining high levels of provisions set against Non-Performing Loans (NPLs) through increasing those provisions by LBP 2,055 million as additional provisions charge during 2009. Consequently, total provisions and suspended interests on Non-Performing Loans amounted to LBP 75,615 million as at 31 December 2009, which represented 17.04% of the total loan portfolio, and led to a NPL to total loan ratio as low as 3.20%

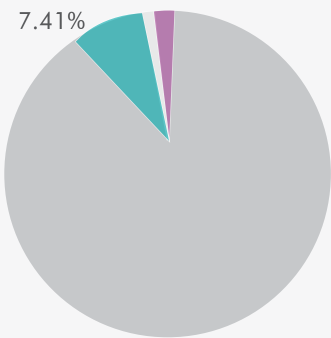
SOURCES OF FUNDS

Balance Sheet Structure - Liabilities in %	END 2009	END 2008
Deposits and borrowings from banks	1.39%	1.75%
Customer's and related parties accounts at amortized cost	90.22%	89.98%
Shareholder's equity	7.41%	7.59%
Other liabilities	0.98%	0.68%
	100.00%	**100.00%**

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

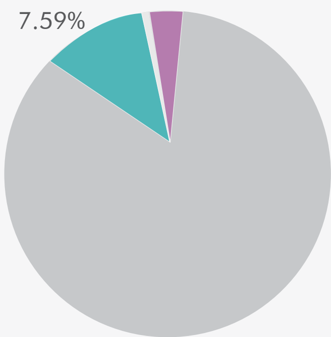
END 2009

- Deposits and borrowings from banks
- Customer's and related parties accounts at amortized cost
- Shareholder's equity
- Other liabilities



END 2008

- Deposits and borrowings from banks
- Customer's and related parties accounts at amortized cost
- Shareholder's equity
- Other liabilities



IBL Bank's sources of funds fall into four main categories: Customers' deposits, shareholder's equity (Tier I & Tier II), deposits and borrowings from Banks, and other liabilities.

The Bank's main source of funds comes in the form of customers' deposits which accounted for 90.22% of total funding in 2009 as compared to 89.98% in 2008.

Shareholder's equity constituted 7.41% of the total funds for 2009 as compared to 7.59% in 2008 .

The share of deposits and borrowings from banks were as low as 1.39% in 2009 down from 1.75% in 2008.

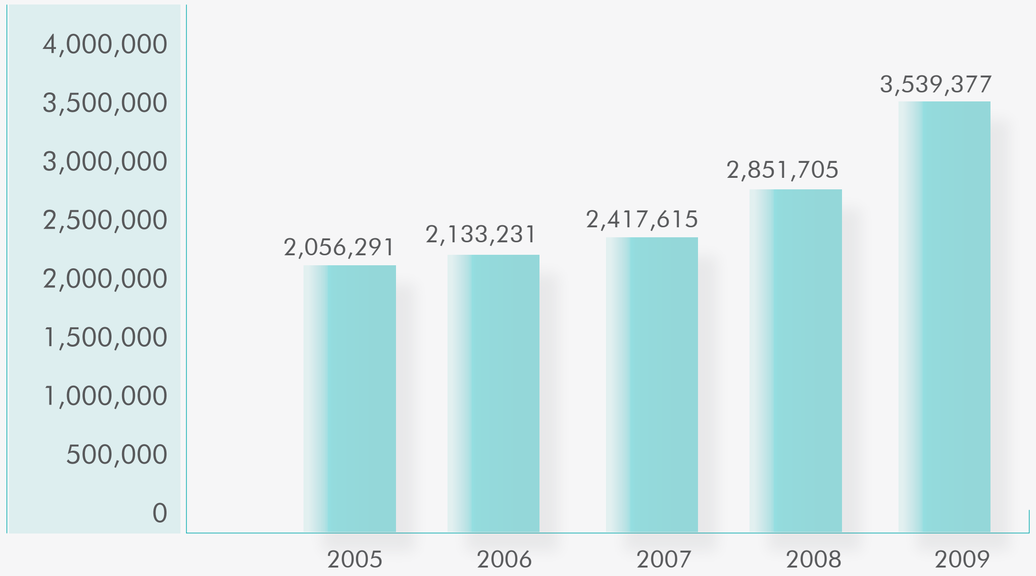
The share of interest-bearing liabilities in total liabilities slightly decreased from 91.73% at end December 2008 to 91.61% at end December 2009.

In absolute terms, interest bearing liabilities stood at LBP 3,593,879 million at end December 2009 as compared to LBP 2,907,195 million at end December 2008, registering a growth of 23.62% over the year.

CUSTOMER'S AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

(in millions of LBP)

2005	2006	2007	2008	2009
2,056,291	2,133,231	2,417,615	2,851,705	3,539,377



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

Total customers' and related parties accounts constitute the Bank's main source of funds and represent 90.22% of the bank's total Balance Sheet as at 31 December 2009 as compared to 89.98% as at 31 December 2008. Total customers' deposits increased by 24.11% to reach LBP 3,539,377 million as at 31 December 2009 from LBP 2,851,705 million as at 31 December 2008, outperforming the average growth in total deposits of the Lebanese banking sector which stood at 15.60% during the year 2009.

The breakdown by currency shows that 59.35% of the total deposits growth was in LBP, reflecting a decrease in the Bank's deposits dollarization rate from 52.08% as at 31 December 2008 to 49.86% as at 31 December 2009. Accordingly, Lebanese pounds denominated deposits reached LBP 1,774,631 million as at 31 December 2009 as compared to LBP 1,366,627 million as at 31 December 2008.

The decrease in the share of foreign currency in total deposits is attributed, first to better economic conditions in Lebanon strengthening the confidence in the local currency, then to the impact of the international drop in Foreign Currency rates rendering Foreign Currency denominated deposits less attractive.

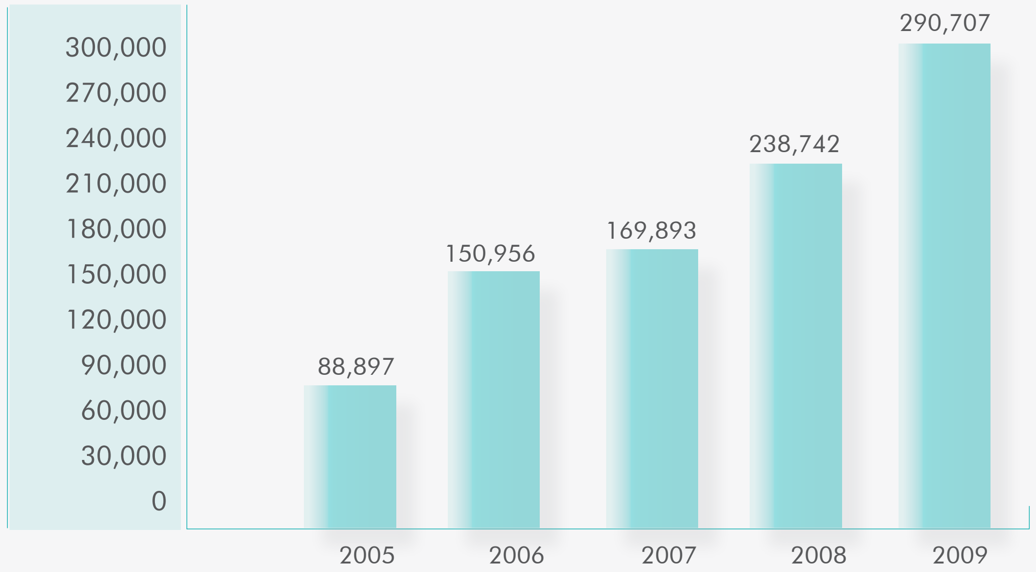
As at 31 December 2009, term deposits, which have average maturities of approximately 3 to 6 months represented the largest portion of customers' deposits, being 82,85%.

Demand deposits represented 5.84% of total deposits, and collateral against loans and advances represented 11,31%.

SHAREHOLDERS' EQUITY

(in millions of LBP)

2005	2006	2007	2008	2009
88,897	150,956	169,893	238,742	290,707



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

Shareholders equity which is divided into core capital (Tier I) and supplementary capital (Tier II) increased from LBP 238,742 million at the year end December 2008 to LBP 290,707 million at the year end December 2009, meaning an increase of 21.77%.

Tier I capital, which constitutes 88.5% of the equity of the Bank, comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings, and general reserves.

In August 2009, IBL Bank increased its share capital by LBP 36,000 million through the issuance of 4,800,000 new common shares by incorporation of the reserves and the retained earnings.

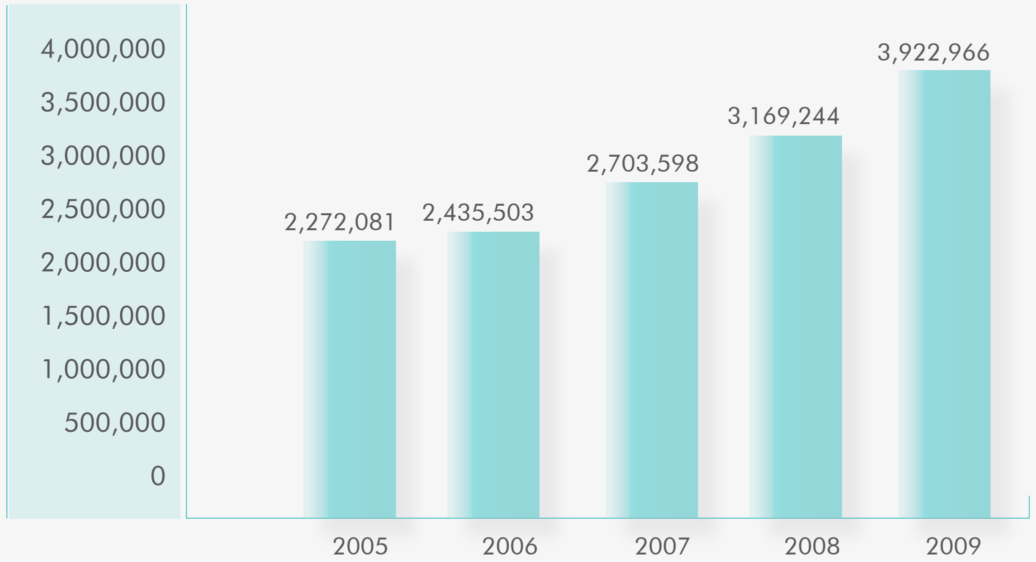
Tier I capital reached LBP 257,313 million as at December 2009 as compared to LBP 224,172 million at the end of 2008, representing an increase of 14.78%.
The increase in Tier I Capital is mainly attributed to retained profits of the year 2009 amounting to LBP 42,008 million.

Tier II capital rose from LBP 14,570 million as at 31 December 2008 to LBP 33,394 million as at 31 December 2009, as a result of an increase in the cumulative change in fair value of financial assets.

TOTAL ASSETS

(in millions of LBP)

2005	2006	2007	2008	2009
2,272,081	2,435,503	2,703,598	3,169,244	3,922,966



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

IBL Bank continued its growth in 2009, achieving a 23.78% increase in its Total Balance-Sheet. This growth, was mainly fueled by important inflows of funds, which consisted primarily of customers' deposits.

In fact, total assets grew by 23.78% to reach at the end of the year LBP 3,922,966 million as compared to LBP 3,169,244 million in 2008.

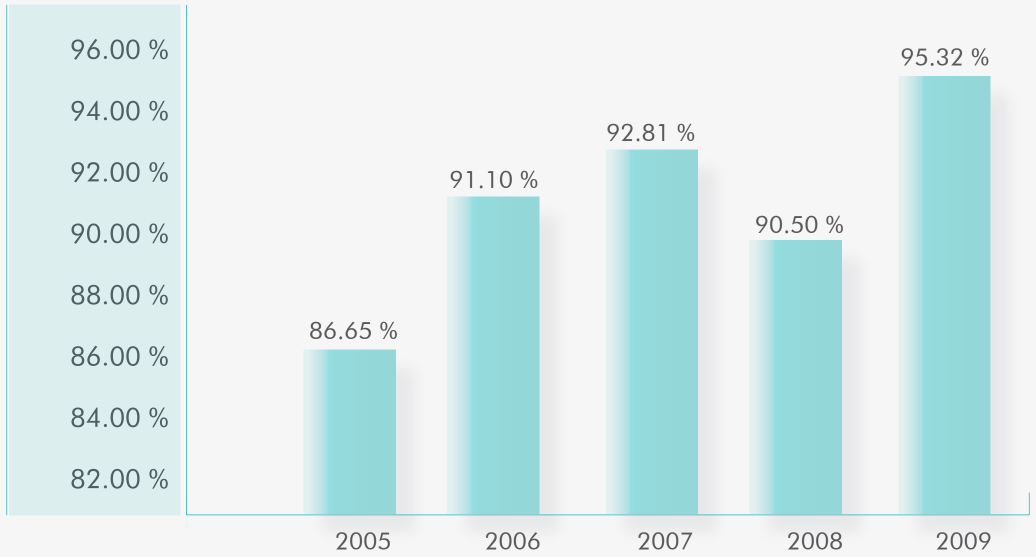
A large part of the growth in assets was denominated in Lebanese Pounds , due to the drop in foreign currency interest rates which led to a shift to higher yielding Lebanese Pound accounts.

Hence, the share of assets denominated in foreign currencies decreased to 47.99% of the total assets of the Bank at the end of December 2009 from 50.41% at the end of December 2008.

LIQUIDITY RATIO

(in LBP and Fcy)

2005	2006	2007	2008	2009
86.65%	91.10%	92.81%	90.50%	95.32%



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

As shown in the chart above, the bank continued in its policy of financial conservatism by maintaining a high level of liquid assets to meet liability requirements in both normal and stress scenarios. Minimizing risks by focusing on high quality assets, has been at the center of liquidity management and is one of the core objectives of the Bank. As such, at the end of December 2009, the overall liquidity ratio was at the very comfortable level of 95.32%.

The breakdown of our Liquidity ratio by currency shows a 110% liquidity ratio in Lebanese Pounds meaning an available liquidity covering LBP deposits in total, and a 80.79% ratio in foreign currencies, as compared to 111.49% and 71.26% respectively at the end of the preceding year.

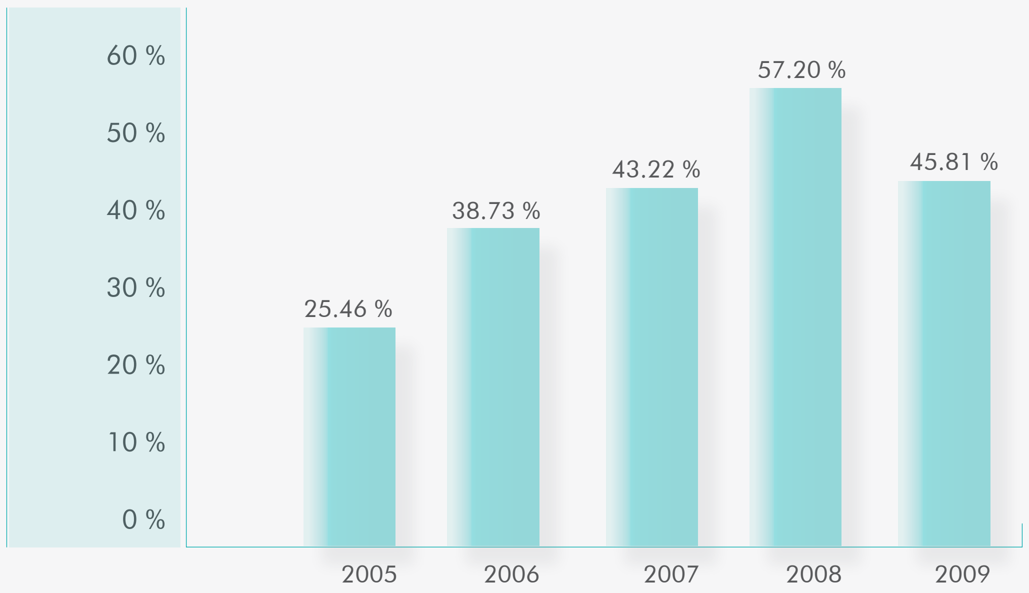
Maturity mismatch between Assets and Liabilities, which characterizes the Lebanese banking sector, was also noticeable in IBL Bank accounts in 2009. As at 31st of December 2009, the liquidity gap was negative in the maturities from 0 to 3 months, and turned back positive reaching a maximum of LBP 1,862,040 million for longer maturities.

The ALCO manages the mismatches, by maintaining strict liquidity criteria on Investments and by following the behavior of deposits, which proved to be recurring and core.

CAPITAL **ADEQUACY RATIO**

(in LBP and Fcy)

	2005	2006	2007	2008	2009
	25.46%	38.73%	43.22%	57.20%	45.81%
• Requested by BDL	8%	12%	12%	12%	12%



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

As at 31 December 2009, the Bank's risk weighted assets amounted to LBP 593,923 million, against LBP 413,890 million in 2008, meaning an increase of 43.51%.

The statutory shareholders' equity, after allocation of the financial year's income before distributions, increased from LBP 236,744 at the end of 2008 to LBP 272,099 at the end of 2009, meaning a rise of 14.93%. Consequently, as at 31 December 2009, the Capital Adequacy Ratio was 45.81% exceeding by almost four times the minimum of 12% required by the Central Bank of Lebanon, and six times the international ratio of 8% required by the Basel I Accord. After dividend distribution, the Capital Adequacy Ratio reached 44.41% as at 31 December 2009.

It is important to note that for Tier I alone, the Capital Adequacy Ratio stood at 42.96% at the end of 2009, and recorded after dividend distribution 41.55%.

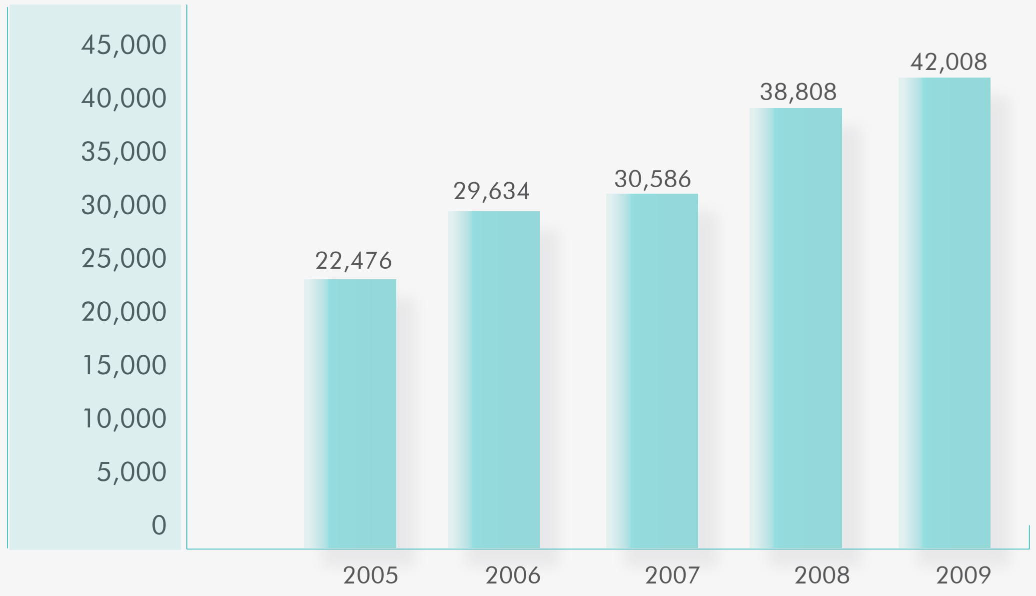
During 2009, IBL Bank performed regular Quantitative Impact Studies (QIS) to measure the impact of the implementation of the Basel II Accord on its Capital Adequacy Ratio taking into consideration credit, market, and operational risks.

The result of this QIS standing as at 31 December 2009 demonstrated that the Capital Adequacy Ratio of the Bank, after dividend distribution, reached 15.88%, compared to the minimum requirement of 8% as set by the Basel Committee and the local regulator.

PROFITABILITY

(in millions of LBP)

2005	2006	2007	2008	2009
22,476	29,634	30,586	38,808	42,008



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

The year 2009 was a highly profitable year for IBL. In fact, the Bank recorded consolidated net profits of LBP 42,008 million growing by 8.25% as compared to the year 2008 where consolidated net profits stood at LBP 38,808 million. This performance is even more significant when considering that it was realized in the context of a year of global economic contraction.

The year-on-year analysis shows that the growth in consolidated earnings resulted from an increase in net financial revenues after impairment charge for credit losses, which increased from LBP 72,136 million as at 31 December 2008 to LBP 80,086 million as at 31 December 2009, meaning a rise of 11.02%.

IBL's high performance was also reflected in the Bank's profitability ratios. Indeed, the Return on average assets (ROAA) and the return on average equity (ROAE) stood at 1,18% and 18.73% respectively at the end of 2009 as compared to 1,32 % and 22.88% respectively at the end of 2008.
It is important to underline that these ratios are among the highest in the Lebanese banking sector.
Staff and administrative expenses rose from LBP 25,366 million in 2008 to LBP 28,542 million in 2009 registering a year-on-year increase of 12.52% as the result of the Bank's expansion locally and regionally.

Despite the increase in staff and operating expenses, IBL maintained a low cost-to-income ratio of 35.01% as at 31 December 2009 as the result of the Bank's efficient cost-control policy.

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
Unicredit Bank Austria AG.	Vienna	BKAUATWW
Bank of Baghdad	Baghdad	BABIIQBA
Iraqi Middle East Invetment Bank	Baghdad	IMEBIQBA
Byblos Bank Europe SA	Brussels	BYBBBEBB
Danske Bank A/S	Copenhagen	DABADKKK
Doha Bank	Doha	DOHBQAQA
Al Khaliji France SA	Dubai	LICOAEAD
MashreqBank (PSC)	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.(Formerly Wachovia Bank)	London	PNBPGB2L
Banco Popular Espanol SA	Madrid	POPUESMM
Banco de Sabadell SA	Barcelona	ATLAESMM
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.(Formerly Wachovia Bank)	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
Al Rajhi Bank	Riyadh	RJHISARI
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

MAIN RESOLUTIONS OF **THE ORDINARY GENERAL ASSEMBLY HELD ON JULY 9, 2010**

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 2009, 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 31/12/2009.

Decision taken unanimously.

Resolution 2 :

The Ordinary General Assembly, after taking note of the net profits realized during 2009, which amounted to LBP 30,119 million decided:

1) The Distribution of LBP 4,174 million (approximately US$ 2 770 Thousand) of these profits, to the holders of series 1 preferred shares, amount which represent 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 4,174 million (approximately US$ 2 770 Thousand) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

It was also decided to transfer the remaining balance of the net profits of the year 2009 to retained earnings (previous results).

Decision taken unanimously.

Resolution 6 :

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.

3

CONSOLIDATED **FINANCIAL** STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, **2009**

IBL BANK S.A.L.

BT 32289/DTT
INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT **AUDITOR'S REPORT**

We have audited the accompanying consolidated financial statements of IBL BANK S.A.L. AND SUBSIDIARY (the Bank), which comprise the statement of financial position as at December 31, 2009, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on your audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of existing banking laws in Lebanon. The procedures selected depend on your 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 audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IBL BANK S.A.L. as of December 31, 2009, and its consolidated financial performance and consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Beirut, Lebanon
April 30, 2010

Deloitte & Touche

ASSETS	NOTES	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 (Restated) LBP'000
Cash, compulsory reserves and deposits at Central Banks	5	637,842,750	1,470,178,184
Deposits with banks and financial institutions	6	407,263,734	177,773,750
Loans to banks	7	1,324,725,669	98,885,461
Loans and advances to customers	8	368,095,520	447,896,237
Loans and advances to related parties	9	31,024,246	22,952,326
Held-for-trading securities	10	29,805,787	-
Available-for-sale investment securities	11	580,512,876	466,404,983
Held-to-maturity investment securities	11	485,686,943	433,407,425
Customers' liability under acceptances	12	8,585,539	4,199,827
Assets acquired in satisfaction of loans	13	17,720,286	18,154,089
Property and equipment	14	28,179,339	27,149,334
Intangible assets	15	1,129,216	437,696
Other assets	16	2,394,086	1,804,797
Total Assets		**3,922,965,991**	**3,169,244,109**

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

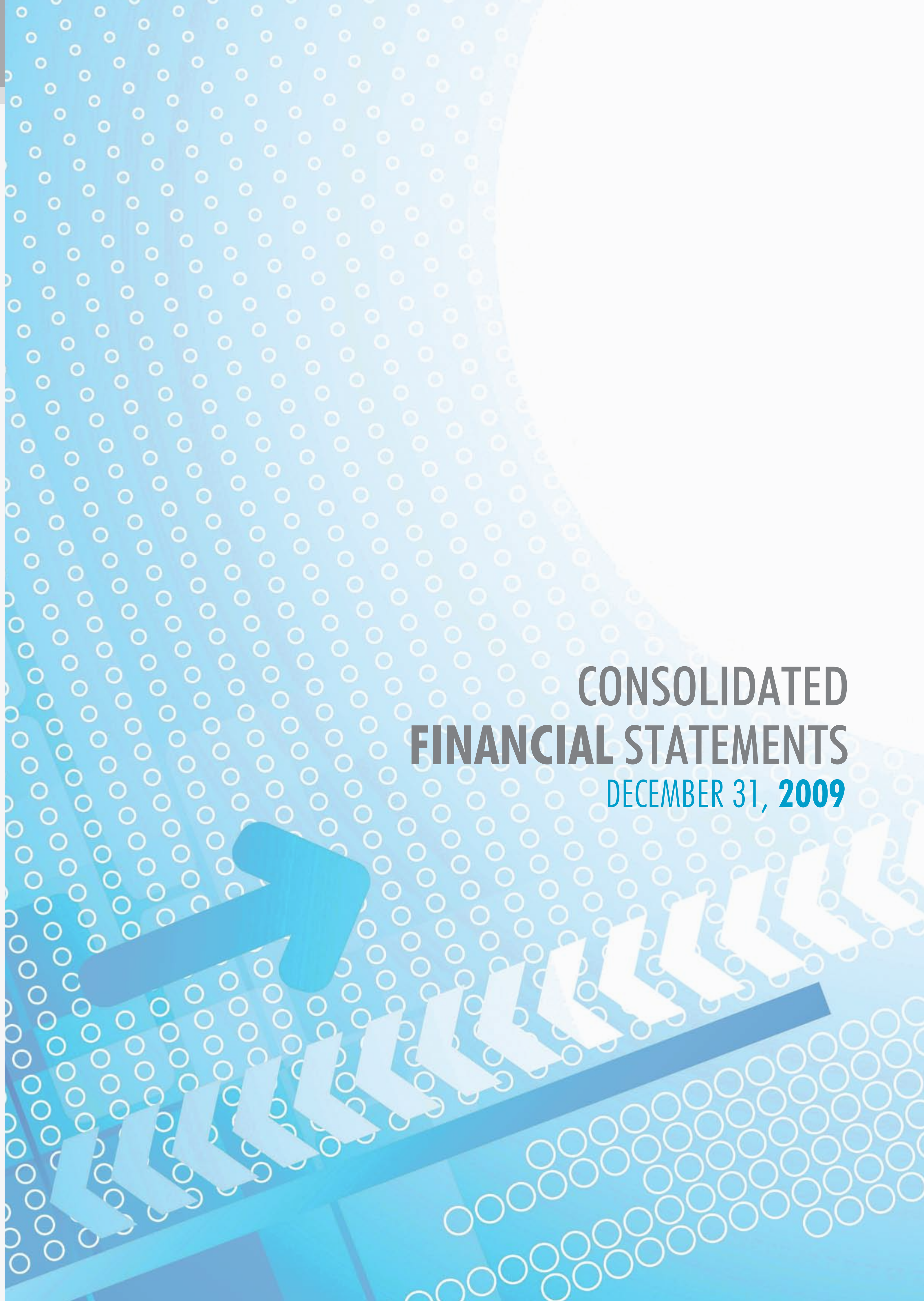
Documentary and commercial letters of credit	32	152,234,796	78,432,368
Guarantees and standby letters of credit	32	64,297,969	53,292,504
Forward contracts		40,777,359	81,380,747
Fiduciary Deposits		6,693,300	7,145,550

LIABILITES	NOTES	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 (Restated) LBP'000
Deposits and borrowings from banks	17	54,501,777	55,490,180
Customers' accounts at amortized cost	18	3,471,966,566	2,802,862,570
Related parties accounts at amortized cost	33	67,410,852	48,842,314
Acceptance liability	12	8,585,539	4,199,827
Other liabilities	19	26,151,759	16,089,773
Provisions	20	3,642,451	3,017,149
Total liabilities		**3,632,258,944**	**2,930,501,813**

EQUITY			
Common shares	21	113,700,000	77,700,000
Preferred shares	22	37,957,500	37,957,500
Common shares premium	21	6,514,784	6,514,784
Reserves	23	9,716,728	9,077,014
Asset revaluation surplus		2,752,680	2,752,680
Cumulative change in fair value of investment securities	24	28,440,757	10,360,773
Regulatory reserve for assets acquired in satisfaction of loans	13	2,201,248	1,456,736
Retained earnings	25	47,415,108	54,115,005
Income for the year		42,008,242	38,807,804
Total Equity		**290,707,047**	**238,742,296**
Total Liabilities and Equity		**3,922,965,991**	**3,169,244,109**

	NOTES	YEAR ENDED DECEMBER 31, 2009 LBP'000	(Restated) 2008 LBP'000
Interest income	26	255,410,182	247,372,054
Interest expense	27	(193,962,337)	(175,643,140)
Net interest income		**61,447,845**	**71,728,914**
Fee and commission income	28	5,656,647	2,904,167
Fee and commission expense	29	(803,719)	(539,647)
Net fee and commission income		**4,852,928**	**2,364,520**
Other operating income	30	12,970,989	6,725,840
Income for held-to-trading activities	31	2,244,048	-
Net financial revenues		**81,515,810**	**80,819,274**
Allowance for impairment and write-off of loans and advances (net of write-backs)	8	(1,429,451)	(8,683,528)
Net financial revenues after impairment charge for credit losses		**80,086,359**	**72,135,746**
Staff costs	32	(17,078,584)	(14,566,208)
Administrative expenses		(11,463,329)	(10,800,001)
Depreciation and amortization	15, 16	(1,618,381)	(1,481,651)
Other income		(163,299)	914,590
		(30,323,593)	**(25,933,270)**
Profit before income tax		49,762,766	46,202,476
Income tax expense	19	(7,754,524)	(7,394,672)
Income for the year		**42,008,242**	**38,807,804**
Other comprehensive Income:			
Net change in fair value of available-for-sale securities		24,540,794	24,175,261
Net change in fair value of recycled securities recycled to profits and losses		(2,312,965)	(9,772,240)
Deferred tax liabilities		(4,888,290)	(1,673,433)
Net change in fair value of held to maturity securities		740,445	877,991
Net other comprehensive income		**18,079,984**	**13,607,579**
Total comprehensive income		**60,088,226**	**52,415,383**

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



	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 January 1, 2008	60,094,800	37,957,500	-	5,328,519	3,634,712	(3,246,806)	1,030,457	35,235,601	30,585,935	170,620,718
Comprehensive income	-	-	-	-	-	13,607,579	-	-	38,807,804	52,415,383
Prior period adjustments	-	-	-	-	-	-	-	(300,595)	-	(300,595)
Issuance of common shares	17,605,200	-	6,514,784	-	-	-	-	-	-	24,119,984
Dividends declared	-	-	-	-	-	-	-	(7,231,162)	-	(7,231,162)
Regulatory reserves for assets acquired in satisfaction of loans	-	-	-	-	-	-	426,279	(426,279)	-	-
Release of assets revaluation surplus	-	-	-	-	(882,032)	-	-	-	-	(882,032)
Allocation of income of the year 2007	-	-	-	3,748,495	-	-	-	26,837,440	(30,585,935)	-
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	-	-	-	-	-	-	-	(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**

	NOTES	YEAR ENDED DECEMBER 31, 2009 LBP'000	2008 LBP'000
Cash flows from operating activities:			
Income after tax		42,008,242	38,807,804
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation and amortization		1,618,381	1,481,651
Change in fair value of held-for-trading securities		(1,486,784)	-
Provision for end-of-service indemnity		838,638	-
Provision for credit losses (net of write backs)		1,403,051	8,683,528
Gain on sale of assets acquired in satisfaction of loans		(275,052)	(25,292)
Loss/(gain) on sale of property and equipment		191,750	(792,351)
Net increase in loans to banks		(1,225,840,208)	(70,055,213)
Net decrease/(increase) in loans and advances to customers		78,513,785	(168,624,325)
Net increase in loans and advances to related parties		(8,071,920)	(971,251)
Net increase/(decrease) in compulsory reserves and term deposits with the Central Banks		873,538,299	(170,728,077)
Net decrease/(increase) in deposits with banks and financial institutions		(10,698,805)	206,025
Net increase in other assets		(216,250)	(118,059,596)
Net increase/(decrease) in deposits and borrowings from banks		14,111,518	2,265,008
Net increase in customers' accounts at amortized cost		669,103,996	529,786,686
Net increase/(decrease) in related parties' accounts at amortized cost		18,568,538	(95,696,612)
Net decrease in other long term debts		-	(6,978,914)
Net increase in other liabilities		13,276,843	1,668,855
Net increase/(decrease) in provisions		(213,337)	564,123
Net cash (used in)/provided by operating activities		**466,370,685**	**(48,467,951)**
Cash flow from investing activities:			
Purchased of property and equipment		(4,543,614)	(5,431,384)
Purchased of intangible assets		(961,711)	(186,098)
Proceeds from sale of assets acquired in satisfaction of loans		433,620	402,233
Proceeds from sale of property and equipment		1,938,049	2,512,389
Proceeds from sale of intangible assets		36,620	-
Increase in portfolio securities		(179,841,287)	(154,898,871)
Net cash (used in)/provided by investing activities		**(182,939,323)**	**(157,601,731)**
Cash flows from financing activities:			
Issuance of common shares		-	24,119,984
Dividends paid		(8,337,397)	(7,231,162)
Net cash provided by/(used in) financing activities		(8,337,397)	16,888,822
Net increase/(decrease) in cash and cash equivalents		275,093,965	(189,180,860)
Cash and cash equivalents - Beginning of year	35	212,475,615	401,656,475
Cash and cash equivalents - Ending of year	35	**487,569,580**	**212,475,615**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31, 2009

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, 2009 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.

During 2008, the Bank established two overseas branches one in Kurdistan - Erbil District, and the other one in Limassol, Cyprus.

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

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 2.2:

- IAS 1 (as revised in 2007) *Presentation of Financial Statements*: IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

- *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*: The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*: The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of "non-vesting" conditions, and clarify the accounting treatment for cancellations.

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*: The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

- IFRIC 13 *Customer Loyalty Programmes*: The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.

- IFRIC 15 *Agreements for the Construction of Real Estate*: The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognized.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*: The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

- Improvements to IFRSs (2008) Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after January 1, 2009.

2.3 Standards and Interpretations in issue but not yet effective. New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.	July 1, 2009
• IFRS 3 (revised) Business Combinations – Comprehensive revision on applying the acquisition method 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.	July 1, 2009
• IAS 39 (revised) Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items(such as hedging Inflation risk and Hedging with options)	July 1, 2009
• IFRS 2 (revised) Share-based payment – Amendment relating to Bank cash-settled Share-based payments	January 1, 2010
• IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 24 Related Party Disclosures – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government.	January 1, 2011
• IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 Annual Improvements to IFRSs.	Majority effective for annual periods beginning on or after January 1, 2010

Management anticipates that the adoption of all of the above Standards and Interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

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.

The principal accounting policies are set out below. It should be mentioned that the deferred tax liabilities on change in fair value of available-for-sale amounting to LBP1.7billion was restated in the December 31, 2008 financial statements.

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 financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the financial position 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 Group's foreign operations are expressed in Lebanese Pound using exchange rates prevailing at the financial position 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 financial position 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 in required to appropriate a special reserve from the yearly net income that is reflected under equity.

N. Impairment of Tangible and Intangible Assets:

At each financial position 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 (cashgenerating 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 balance sheet date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund and interest accrued by the Fund.

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 consolidated financial position 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, 2009 LBP'000	DECEMBER 31, 2008 LBP'000
Cash on hand	19,531,107	17,048,297
Non-interest earning accounts:		
- Compulsory reserve with Central Banks	205,163,819	184,969,046
- Current account at the Central Bank of Kurdistan, Erbil, Iraq	4,728,496	12,271,561
Interest earning accounts:		
- Term placements with Central Bank of Lebanon	387,121,250	827,807,750
- Accrued interest receivable	21,298,078	428,081,530
	637,842,750	**1,470,178,184**

Compulsory deposit with Central banks includes a compulsory deposit with 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 and 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.

Term placements with Central Bank of Lebanon include the equivalent in foreign currencies of LBP328billion as at December 31, 2009 (LBP210billion as at December 31, 2008) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposits and loans acquired from non-resident financial institutions.

Current account at the Central Bank of Kurdistan represents a non-interest earning account that was released during December 2008 when the Bank detained the consent of the Central Bank of Iraq to start the branch operations in Erbil.

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

DECEMBER 31, 2009

Maturity (Year)	LBP Base Accounts: Amount LBP'000	LBP Base Accounts: Average Interest Rate %	F/Cy Base Accounts: Counter Value of Amount in LBP LBP'000	F/Cy Base Accounts: Average Interest Rate %
2010	59,300,000	7.4	327,821,250	1.24
	59,300,000		**327,821,250**	

DECEMBER 31, 2008

Maturity (Year)	LBP Base Accounts: Amount LBP'000	LBP Base Accounts: Average Interest Rate %	F/Cy Base Accounts: Counter Value of Amount in LBP LBP'000	F/Cy Base Accounts: Average Interest Rate %
2009	592,700,000	13.25	210,107,750	3.79
2010	25,000,000	13.25	-	-
	617,700,000		**210,107,750**	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 LBP'000
Checks in course of collection	(99,162)	3,308,185
Current accounts with banks and financial institutions	53,783,172	63,096,550
Term placements with banks and financial institutions	342,846,499	101,778,688
Pledged deposits with banks and financial institutions	10,707,183	9,555,905
Accrued interest receivable	26,042	34,422
	407,263,734	**177,773,750**

Deposits with banks and financial institutions include deposits in the amount of LBP10.7billion subject to right of setoff by the related correspondents against banking facilities to finance documentary credit transactions in the amount of LBP10.7billion at December 31, 2009 (LBP9.5billion for 2008).

Term placements and pledged deposits bear the following maturities:

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**	

DECEMBER 31, 2008

	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 %
2009	1,500,000	4.5	109,834,593	4
	1,500,000		**109,834,593**	

7. LOANS TO BANKS

Loans to banks are reflected at amortized cost and consist of the following as at December 31:

	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 LBP'000
Regular accounts	68,760,000	19,220,000
Certificates of deposit issued by Central Bank of Lebanon	1,233,142,922	77,085,759
Accrued interest receivable	22,822,747	2,579,702
Doubtful bank accounts	79,018	77,204
Less: Allowance for impairment	(79,018)	(77,204)
	1,324,725,669	**98,885,461**

Loans to banks classified as regular accounts mature as follows:

	DECEMBER 31, 2009		DECEMBER 31, 2008	
	LBP LBP'000	Interest Rate %	LBP LBP'000	Interest Rate %
Up to 1 year	660,000	4.47	460,000	5.49
1 year to 3 years	9,120,000	4.47	2,720,000	5.49
3 years to 5 years	14,120,000	4.47	4,120,000	5.49
Beyond 5 years	44,860,000	4.47	11,920,000	5.49
	68,760,000		**19,220,000**	

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

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Certificates of deposit issued by the Central Bank in Lebanese Pounds	1,273,000,000	-
Certificates of deposit issued by the Central Bank in U.S. Dollar	-	77,092,043
Discounts	(39,857,078)	(6,284)
	1,233,142,922	**77,085,759**

Certificates of deposit issued by Central Bank in Lebanese Pounds bear interest at the rate of 9.02% per annum and mature in 2014. Related accrued interest receivable amounted to LBP22.5billion as of December 31, 2009 (LBP2.3billion as of December 31, 2008). Discounts are amortized to profit andloss account as a yield adjustments to the underlying asset.

8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following:

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Loans and advances to customers	229,686,932	252,503,376
Discounted bills	9,146,985	112,063,057
Long and medium term loans	112,489,675	67,007,028
Net multi-currency trading	830,995	258,372
Creditors accidentally debtors	2,554,148	1,656,694
Substandard loans (net of unearned interest)	1,101,711	1,138,278
Doubtful loans (net of unearned interest)	54,736,375	56,024,912
Less: Provision for doubtful loans	(39,693,350)	(39,555,595)
Allowance for collective impairment	(3,359,622)	(3,359,598)
	367,493,849	**447,736,524**
Accrued interest receivable	601,671	159,713
	368,095,520	**447,896,237**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

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

	DECEMBER 31,					
	2009			2008		
	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	28,255,359	-	28,255,359	8,765,564	-	8,765,564
- Personal loans	16,368,741	-	16,368,741	6,922,954	-	6,922,954
- Overdrafts	6,133,752	-	6,133,752	2,280,129	-	2,280,129
	50,757,852	**-**	**50,757,852**	**17,968,647**	**-**	**17,968,647**
Classified retail customers						
- Substandard loans	435,318	-	435,318	-	-	-
- Doubtful loans	4,155,821	(2,266,358)	1,889,463	5,578,113	(2,757,518)	2,820,595
	4,591,139	**(2,266,358)**	**2,324,781**	**5,578,113**	**(2,757,518)**	**2,820,595**
Regular corporate customers:						
- Large Enterprises	160,972,042	-	160,972,042	290,538,611	-	290,538,611
- Small and medium enterprises	142,978,841	-	142,978,841	124,981,269	-	124,981,269
	303,950,883	**-**	**303,950,883**	**415,519,880**	**-**	**415,519,880**
Classified corporate customers						
- Substandard loans	666,393	-	666,393	1,138,278	-	1,138,278
- Doubtful loans	50,580,554	(37,426,992)	13,153,562	50,446,799	(36,798,077)	13,648,722
	51,246,947	**(37,426,992)**	**13,819,955**	**51,585,077**	**(36,798,077)**	**14,787,000**
Allowance for collective impairment	-	(3,359,622)	(3,359,622)	-	(3,359,598)	(3,359,598)
Accrued interest receivable	601,671	-	601,671	159,713	-	159,713
	411,148,492	**(43,052,972)**	**368,095,520**	**490,811,430**	**(42,915,193)**	**447,896,237**

This section includes net multicurrency trading exposures amounting to LBP831million for 2009 year end (LBP258million at 2008) that are fully secured by cash margins in the amount of LBP20billion as at December 31,2009 (LBP17billion at 2008 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:

	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**

	2008		
	Substandard Loans LBP'000	Unrealized Interest LBP'000	Net Book Value LBP'000
Balance January 1, 2008	1,682,164	621,140	1,061,024
Additions	1,642,213	223,760	1,418,453
Settlements	(1,184,322)	-	(1,184,322)
Write-off	(262,410)	(262,410)	-
Write-back	-	(62,024)	62,024
Transfer to/from doubtful and bad loans	(225,974)	(7,073)	(218,901)
Balance December 31, 2008	**1,651,671**	**513,393**	**1,138,278**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

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

	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**

	2008			
	Doubtful and Bad Loans LBP'000	Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Book Value LBP'000
Balance January 1, 2009	76,925,492	24,810,956	35,032,816	17,081,720
Additions	6,626,385	6,340,025	5,862,223	(5,575,863)
Settlements	(1,727,003)	-	-	(1,727,003)
Write-off	(2,171,517)	(1,405,740)	(644,296)	(121,481)
Write-back	-	-	(133,933)	133,933
Transfer to/from substandard loans	225,974	7,073	-	218,901
Transfer to/from regular loans	6,540,053	(7,049)	-	6,547,102
Effect of exchange rates changes	(664,270)	(15,063)	(561,215)	(87,992)
Balance December 31, 2008	**85,755,114**	**29,730,202**	**39,555,595**	**16,469,317**

The movement of the allowance for collective impairment during 2009 and 2008 is as follows:

	2009 LBP'000	2008 LBP'000
Balance January 1	3,359,598	1,509,170
Additions	-	1,850,428
Other movement	24	-
Balance December 31	**3,359,622**	**3,359,598**

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption consists of loans and advances granted by the Bank to one of its major shareholders and his related companies in the amount of LBP21billion as of December 31, 2009 (LBP23billion as of December 31, 2008) and covered to the extent of LBP17billion by cash margin recorded under "Related parties accounts at amortized cost".

10. HELD-FOR-TRADING SECURITIES

Held-for-trading securities outstanding as of December 31, 2009 and shown at fair value consist of the following:

	December 31, 2009 C/V in LBP'000
Eurobonds	29,048,523
Accrued interest receivable	757,264
	29,805,787

	Maturity	Amortized Cost LBP'000	Fair Value LBP'000	Change Fair Value LBP'000
Eurobonds	**March 12, 2013**	**27,561,739**	**29,048,523**	**1.486,784**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

11. INVESTMENT SECURITIES

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 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**

DECEMBER 31, 2008

	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	1,974,346	2,134,668	-	-	-
Lebanese treasury bills	-	-	-	-	-	-
Lebanese Government bonds	-	142,079,368	142,079,368	-	232,019,650	232,019,650
Certificates of deposit issued by Central Bank of Lebanon	267,887,895	40,184,764	308,072,659	-	193,448,997	193,448,997
Certificates of deposit issued by banks	-	5,661,055	5,661,055	-	-	-
Accrued interest receivable	4,799,770	3,657,463	8,457,233	-	7,938,778	7,938,778
	272,847,987	**193,556,996**	**466,404,983**	**-**	**433,407,425**	**433,407,425**

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

2009

	Available-for-Sale		Held-to-Maturity		Held-for-trading	
	LBP LBP'000	C/V of F/Cy LBP'000	LBP LBP'000	C/V of F/Cy LBP'000	LBP LBP'000	C/V of /Cy 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	(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	**344,888,137**	**227,323,712**	**-**	**477,403,879**	**-**	**29,048,523**

2008

	Available-for-Sale		Held-to-Maturity	
	LBP LBP'000	C/V of F/Cy LBP'000	LBP LBP'000	C/V of F/Cy LBP'000
Balance January 1, 2008	82,491,910	440,068,585	-	192,977,776
Additions	325,059,968	241,812,918	-	115,474,500
Sales	(138,725,810)	(302,630,879)	-	-
Reclassification	-	(196,071,480)	-	118,118,911
Gain/(loss) from change in fair value	(777,851)	7,014,528	-	-
Effect of discount/premium amortization	-	-	-	(1,102,540)
Effect of exchange rates changes	-	(294,139)	-	-
Balance December 31, 2008	**268,048,217**	**189,899,533**	**-**	**425,468,647**

A - Available-for-sale investment securities:

DECEMBER 31, 2009

	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost LBP'000	Fair Value LBP'000	Cumulative change in Fair Value LBP'000	Amortized Cost C/V LBP'000	Fair Value C/V LBP'000	Cumulative change in Fair Value C/V LBP'000
Quoted equity securities	-	-	-	1,581,126	2,421,676	840,550
Unquoted equity securities at cost	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 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**

DECEMBER 31, 2008

	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost LBP'000	Fair Value LBP'000	Cumulative change in Fair Value LBP'000	Amortized Cost C/V LBP'000	Fair Value C/V LBP'000	Cumulative change in Fair Value C/V LBP'000
Quoted equity securities	-	-	-	1,581,126	1,974,345	393,219
Unquoted equity securities at cost	1,122	160,322	159,200	-	-	-
Lebanese treasury bills	-	-	-	-	-	-
Lebanese Government bonds	-	-	-	144,325,631	142,079,369	(2,246,262)
Certificates of deposit issued by Central Bank of Lebanon	257,818,314	267,887,895	10,069,581	37,060,926	40,184,764	3,123,838
Certificates of deposit issued by banks	-	-	-	6,004,415	5,661,055	(343,360)
	257,819,436	**268,048,217**	**10,228,781**	**188,972,098**	**189,899,533**	**927,435**

NOTES TO THE CONSOLIDATED **FINANCIAL** STATEMENTS
DECEMBER 31, **2009**

Available-for-sale investments are segregated over remaining periods to maturity as follows:

	DECEMBER 31, 2009				DECEMBER 31, 2009 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 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	11.04	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	160,322		1,581,126	1,581,126	2,421,676	
	320,500,000	**322,273,730**	**344,888,137**		**215,056,958**	**217,349,546**	**227,323,712**	

	DECEMBER 31, 2008				DECEMBER 31, 2008 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 Government bonds:								
- Up to 1 year	-	-	-	-	8,291,250	8,286,788	8,167,560	6.52
- 1 year to 3 years	-	-	-	-	1,448,398	1,385,872	1,380,269	7.13
- 3 years to 5 years	-	-	-	-	53,546,395	53,340,303	52,428,614	8.70
- 5 years to 10 years	-	-	-	-	77,036,265	78,168,120	77,182,646	9.02
- Beyond 10 years	-	-	-	-	3,164,242	3,144,548	2,920,279	8.33
	-	-	-	-	143,486,550	144,325,631	142,079,368	
Certificates of deposit issued by Central Bank of Lebanon:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	4,000,000	3,964,519	4,047,673	12.09	-	-	-	-
- 3 years to 5 years	253,000,000	253,853,795	263,840,222	11.40	38,938,725	37,060,926	40,184,764	9.53
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-	-	-	-	-	-
	257,000,000	257,818,314	267,887,895		38,938,725	37,060,926	40,184,764	
Certificates of deposit issued by Banks:								
- 3 years to 5 years	-	-	-	-	6,030,000	6,004,415	5,661,055	7.75
	-	-	-		6,030,000	6,004,415	5,661,055	
Shares	-	1,122	160,322		1,581,126	1,581,126	1,974,345	
	257,000,000	**257,819,436**	**268,048,217**		**190,036,401**	**188,972,098**	**189,899,532**	

Certificates of deposit issued by the Central Bank of Lebanon as at December 31, 2009 include certificates of deposit with carrying value of LBP33billion (counter value of USD22,000,000) and nominal value of LBP30million (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.

During 2008, and based on the management decision, the Group reclassified Eurobonds from available-for-sale to held to maturity securities as follows:

				DECEMBER 31,			
				2009		2008	
	Coupon Rate %	Maturity	Nominal Value USD	Fair Value USD	Change in Fair Value USD	Fair Value USD	Change in Fair Value USD
Eurobonds	9.00	May 2, 2014	25,000,000	25,491,174	491,174	25,582,400	582,400
Counter value in LBP'000				**38,427,945**	**740,445**	**38,565,468**	**877,990**

Change in fair value amounting to LBP740million as at December 31, 2009 (LBP87million for 2008) was booked under "Change in fair value of available-for-sale securities" under equity and is amortized until maturity.

B - Held-to-maturity investment securities

	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 Central Bank of Lebanon	193,456,269	202,076,455
	477,403,879	**491,078,913**

	DECEMBER 31, 2008	
	F/Cy Base Accounts	
	Amortized Cost LBP'000	Fair Value LBP'000
Lebanese Government bonds	232,019,650	232,019,650
Certificates of deposit issued by Central Bank of Lebanon	193,448,997	196,297,743
	425,468,647	**428,317,393**

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

	F/Cy BASE ACCOUNT					
	2009			2008		
	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	27,197,140	26,712,237	6.80	57,478,239	57,478,239	6.73
1 year to 3 years	83,162,691	82,622,648	6.57	35,463,395	35,463,395	8.57
3 years to 5 years	72,695,110	72,523,790	7.43	57,089,005	57,089,005	6.49
5 years to 10 years	61,674,320	65,220,811	7.90	41,726,418	41,726,418	8.45
Beyond 10 years	39,218,349	41,922,972	8.20	40,262,593	40,262,593	8.24
	283,947,610	**289,002,458**		**232,019,650**	**232,019,650**	
Certificates of Deposit issued by Central Bank of Lebanon:						
1 year to 3 years	117,902,163	123,309,581	9.07	-	-	
3 years to 5 years	75,554,106	78,766,874	8.91	193,448,997	196,297,743	9.01
	193,456,269	**202,076,455**		**193,448,997**	**196,297,743**	

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 2009 and 2008 was as follows:

	Real Estate LBP'000
Cost:	
Balance January 1, 2008	18,660,745
Additions	116,119
Disposals	(381,541)
Balance December 31, 2008	18,395,323
Disposals	(443,872)
Balance December 31, 2009	**17,951,451**
Accumulated allowance for impairment:	
Balance January 1, 2008	245,834
Write-off on disposal	(4,600)
Balance December 31, 2008	241,234
Write-off on disposal	(10,069)
Balance December 31, 2009	231,165
Carrying amount:	
December 31, 2009	**17,720,286**
December 31, 2008	**18,154,089**

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 2009, LBP904million were allocated from retained earnings.

NOTES TO THE CONSOLIDATED **FINANCIAL** STATEMENTS
DECEMBER 31, **2009**

14. PROPERTY AND EQUIPMENT

Gross/Revalued Amount:	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
Balance, January 1, 2008	22,157,191	5,672,651	2,480,706	2,659,667	267,328	-	33,237,543
Additions	479,664	1,180,874	724,281	328,868	92,953	2,624,743	5,431,383
Disposals	(884,245)	(201,884)	(51,357)	(62,916)	-	(1,047,193)	(2,247,595)
Balance, December 31, 2008	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
Accumulated Depreciation:							
Balance, January 1, 2008	854,930	4,668,556	1,110,053	1,877,151	161,608	-	8,672,298
Additions	78,564	583,651	178,034	253,173	33,835	-	1,127,257
Disposals	(302,744)	(196,689)	(9,633)	(18,491)	-	-	(527,557)
Balance, December 31, 2008	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
Carrying Amount:							
Balance, December 31, 2009	21,049,972	3,303,838	2,181,534	979,686	119,494	544,815	28,179,339
Balance, December 31, 2008	21,121,860	1,596,124	1,875,176	813,786	164,838	1,577,550	27,149,334

15. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost:	
Balance, January 1, 2008	1,634,615
Acquisitions	186,098
Balance, December 31, 2008	1,820,713
Acquisitions	961,711
Disposals	(35,620)
Balance, December 31, 2009	**2,746,804**
Amortization:	
Balance, January 1, 2008	1,251,320
Amortization for the year	131,697
Balance, December 31, 2008	1,383,017
Amortization for the year	234,571
Balance, December 31, 2009	1,617,588
Carrying Amounts:	
December 31, 2009	**1,129,216**
December 31, 2008	**437,696**

16. OTHER ASSETS

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Accounts receivable - Credit cards	638,728	763,160
Deferred charges	-	1,070
Prepayments	1,280,844	536,190
Net Forward foreign currency position	141,787	34,276
Sundry accounts receivable	332,727	470,101
	2,394,086	**1,804,797**

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

17. DEPOSITS AND BORROWINGS FROM BANKS

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Current deposits of banks and financial institutions	36,182,548	47,979,566
Money market deposits	18,312,367	7,487,143
Accrued interest payable	6,862	23,471
	54,501,777	**55,490,180**

The maturities of money market deposits are as follows:

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	5.5	1,919,198	2.8
	16,393,169		**1,919,198**	

DECEMBER 31, 2008

	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 %
2009	2,022,222	3.50	5,464,921	2.26
	2,022,222		**5,464,921**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

18. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

DECEMBER 31, 2009

	LBP LBP'000	Counter Value LBP 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**

DECEMBER 31, 2008

	2008		
	LBP LBP'000	Counter Value LBP of F/CY LBP'000	Total LBP'000
Deposits from customers:			
- Current / demand deposits	14,079,202	108,847,803	122,927,005
- Term deposits	1,166,094,714	1,190,243,720	2,356,338,434
- Collateral against loans and advances	144,697,744	108,717,857	253,415,601
	1,324,871,660	**1,407,809,380**	**2,732,681,040**
Margins and other accounts:			
- Margins for irrevocable import letters of credit	571,923	29,569,781	30,141,704
- Margins on letters of guarantee	715,742	2,917,684	3,633,426
- Other margins	14,454,182	2,200,620	16,654,802
	15,741,847	**34,688,085**	**50,429,932**
Accrued interest payable	15,201,493	4,550,105	19,751,598
Total	**1,355,815,000**	**1,447,047,570**	**2,802,862,570**

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

DECEMBER 31, 2009

	LBP			Counter Value of F/Cy		
	Total Deposits LBP'000	to Total Deposits %	No. of Account %	Total Deposits LBP'000	to Total Deposits %	No. of Account %
Less than LBP50,000	75,310,310	4.28	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 250,001 to 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**

DECEMBER 31, 2008

	LBP			Counter Value of F/Cy		
	Total Deposits LBP'000	to Total Deposits %	No. of Account %	Total Deposits LBP'000	to Total Deposits %	No. of Account %
Less than LBP50,000	72,835,081	5.43	79	66,111,912	4.58	82
From 50,001 to 250,000	207,983,434	15.51	14	165,755,631	11.49	12
From 250,001 to 750,000	215,816,348	16.11	5	165,527,402	11.48	4
From 750,001 to 1,500,000	151,256,915	11.28	1	123,851,674	8.59	1
More than 1,500,001	692,721,729	51.67	1	921,250,846	63.86	1
	1,340,613,507	**100.00**	**100**	**1,442,497,465**	**100,00**	**100**

Deposits from customers at amortized cost include at December 31, 2009 coded deposit accounts in the aggregate amount of LBP151billion (LBP103billion in 2008). 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, 2009 fiduciary deposits received from banks for a total amount of LBP172billion (LBP120billion in 2008).

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

	Average Balance of Deposits			
YEAR	LBP Base Accounts LBP'000	F/Cy Base Accounts LBP'000	Cost of Funds LBP'000	Average Interest Rate %
2009	1,551,644,000	1,580,751,000	192,500,559	6.1
2008	1,182,462,601	1,455,405,989	171,364,136	6.50
2007	961,224,365	1,174,634,146	153,955,697	7.21

19. OTHER LIABILITIES

	DECEMBER 31	
	2009 LBP'000	2008 LBP'000
Current tax liability	3,567,831	5,109,134
Withheld taxes and property taxes	1,383,394	1,597,505
Due to the Social Security National Fund	172,526	186,949
Checks and incoming payment orders in course of settlement	9,255,403	524,836
Blocked capital subscriptions for companies under incorporation	1,192,342	929,136
Accrued expenses	1,565,956	2,080,940
Dividends declared and payable	119,266	6,865
Payable to personnel and directors	542,735	454,600
Unearned revenues	1,225,072	1,911,140
Due to former shareholders	417,577	417,577
Deferred taxes (Note 24)	4,888,290	1,673,433
Sundry accounts payable	1,821,367	1,197,658
	26,151,759	**16,089,773**

Current tax liability includes income tax payable calculated as follows:

	2009 LBP'000	2008 LBP'000
Profit before tax	49,762,766	46,202,476
Losses of Erbil branch	444,865	28,931
Losses of Cyprus branch	575,312	-
Subsidiaries income before tax	(831,399)	-
Deductible expenses	8,685,106	10,484,406
Non-taxable income	(7,994,336)	(8,363,379)
Tax effect of carried forward losses of the subsidiary	-	(840,659)
Taxable income	50,642,318	47,511,775
Income tax (15% tax rate)	7,596,348	7,126,766
Property tax	150,000	150,000
Holding tax	5,000	-
Subsidiary income tax	3,176	-
Less: Tax paid during the year	(4,186,693)	(2,167,632)
Current tax liability as at December 31	**3,567,831**	**5,109,134**

20. PROVISIONS

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Provision for staff end of service indemnity	3,509,565	2,884,263
Provision for contingencies	45,636	45,636
Provision for loss in foreign currency position	87,250	87,250
	3,642,451	**3,017,149**

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

	2009 LBP'000	2008 LBP'000
Balance, January 1	2,884,263	2,320,140
Additions	838,638	893,954
Settlements	(213,336)	(329,831)
Balance, December 31	**3,509,565**	**2,884,263**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

21. SHARE CAPITAL

According to the decision of the Extraordinary General Assembly held on February 20, 2007, the Bank issued 2,347,360 ordinary shares with a nominal value of LBP7,500 per share, in addition to an additional paid in capital amounting to USD4,321,582 (equivalent to LBP6.51billion). Also, according to the decision of the extraordinary General Assembly held on August 14, 2009, the Bank authorized the issuance of 4,800,000 ordinary shares for LBP7,500 each. Accordingly, LBP7billion were transferred 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 LBP113.7billion as December 31, 2009 (LBP77.70billion as at December 31, 2008) consisting of 15,160,000 shares (10,360,000 shares in 2008) for LBP7,500 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the General Assembly meetings.

The Bank hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD6,300,000.

22. PREFERRED SHARES

Preferred shares amounting to LBP37.96billion (USD25,200,000) as at December 31, 2008 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 for 2009 and each year thereafter. The dividend range is set between 8.5% and 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 done within 60 days following the Ordinary General Assembly meeting approving the year 2010 financial statements and onwards.

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

23. RESERVES

Reserves consist of the following:

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Legal reserve	910,410	4,098,696
Reserve for general banking risks	7,806,318	4,978,318
Other reserves	1,000,000	-
	9,716,728	**9,077,014**

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 on with the banking control commission.

24. CUMULATIVE CHANGE IN FAIR VALUE OF INVESTMENT SECURITIES

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

	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 LBP'000
Net cumulative change in fair value of available-for-sale securities	27,700,283	9,482,783
Net cumulative change in fair value of securities reclassified under held-to-maturity securities (Note 11)	740,474	877,990
	28,440,757	**10,360,773**

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

	DECEMBER 31, 2009			2008		
	Cumulative Change in Fair Value LBP'000	Deferred Tax LBP'000	Cumulative Change LBP'000	Cumulative Change in Fair Value LBP'000	Deferred Tax LBP'000	Cumulative Change LBP'000
Unrealized gains on quoted securities	840,550	(126,082)	714,468	393,220	(58,983)	334,237
Unrealized gains on unquoted securities	159,200	(23,880)	135,320	159,200	(23,880)	135,320
Unrealized gains on Lebanese treasury bills	520,642	(78,096)	442,546	-	-	-
Unrealized loss on Lebanese government bonds	3,872,884	(580,934)	3,291,950	(2,246,263)	336,939	(1,909,324)
Unrealized gain/(loss) on certificates of deposit issued by Central Bank of Lebanon	27,129,572	(4,069,439)	23,060,133	13,193,419	(1,979,013)	11,214,406
Unrealized gain/(loss) on certificates of deposit issued by commercial banks	65,725	(9,859)	55,866	(343,360)	51,504	(291,856)
	32,588,573	**(4,888,290)**	**27,700,283**	**11,156,216**	**(1,673,433)**	**9,482,783**

25. DIVIDENDS PAID

The following dividends were declared by the Bank:

	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 LBP'000
Ordinary shares	4,168,698	3,615,581
Preferred shares	4,168,699	3,615,581
	8,337,397	**7,231,162**

26. INTEREST INCOME

	2009 LBP'000	2008 LBP'000
Interest earning deposits with the Central Bank of Lebanon	81,594,451	129,763,116
Deposits with banks and financial institutions	1,486,661	3,264,399
Available-for-sale investment securities	46,095,407	49,565,499
Held-to-maturity investment securities	34,303,771	32,896,245
Loans to banks (including Central Bank CDs)	59,552,163	3,390,068
Loans and advances	32,377,729	28,492,727
	255,410,182	**247,372,054**

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

	2009 LBP'000	2008 LBP'000
Deposits and borrowings from banks and financial institutions	1,461,778	4,422,704
Customers' accounts at amortized cost	192,500,559	171,220,436
	193,962,337	**175,643,140**

28. FEE AND COMMISSION INCOME

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Commission on documentary credits	2,043,904	826,733
Commission on letters of guarantee	985,135	661,416
Service fees on customers' transactions	1,873,178	1,248,106
Asset management fees	377,552	-
Other	376,878	167,912
	5,656,647	**2,904,167**

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:

	2009 LBP'000	2008 LBP'000
Commission on transactions with banks	577,112	389,830
Other	226,607	149,817
	803,719	**539,647**

30. OTHER OPERATING INCOME

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Gain on sale of available-for-sale securities:		
Equities	-	12,992
Lebanese treasury bills	4,960,716	2,816,710
Lebanese Government bonds	(7,397)	-
Certificates of deposit issued by Central Bank of Lebanon	5,871,385	1,986,659
Dividends on available for-sale securities	126,896	179,393
Foreign exchange gain	2,234,688	1,681,992
Other	(215,299)	48,094
	12,970,989	**6,725,840**

31. INCOME FROM HELD-FOR-TRADING SECURITIES

This caption consists of the following:

	2009 LBP'000
Unrealized gain from reclassification of available-for-sale securities	
Change in fair value of held-for-trading securities (Note 11)	1,486,784
Interest income	757,264
	2,244,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

32. STAFF COSTS

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Salaries	14,643,768	12,281,571
Social Security contributions	1,596,178	1,407,451
Provision for end-of-service indemnities	838,638	877,186
	17,078,584	**14,566,208**

33. 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 Bank 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 Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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.

34. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

	DECEMBER 31,	
	2009 LBP'000	2008 LBP'000
Direct facilities and credit balances:		
Secured loans and advances	31,024,308	22,952,326
Deposits	67,822,561	48,842,314
Indirect facilities:		
Letters of guarantee	2,765,231	2,294,281

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 2009 and 2008 respectively.

The remunerations of executive management amounted to LBP1.61billion during 2009 (LBP1.61billion during 2008). Board of directors Representation allowances amounted to LBP448million during 2009 (LBP397million during 2008).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

35. CASH AND CASH EQUIVALENTS

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

	DECEMBER 31, 2009 LBP'000	DECEMBER 31, 2008 LBP'000
Cash	19,531,107	17,048,297
Current account at the Central Bank of Kurdistan	4,728,496	12,271,561
Time deposits with the Central Bank of Lebanon	104,881,250	58,618,130
Current accounts with banks and financial institutions	53,684,010	66,404,737
Time deposits with banks and financial institutions	342,846,499	111,334,593
Demand deposits from banks	(36,182,584)	(47,979,568)
Time deposits from banks	(1,919,198)	(5,222,135)
	487,569,580	**212,475,615**

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 day or less.

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

1- Increase in foreclosed assets amounting to LBP116million for the year ended December 31, 2009 against the decrease in loans and advances for the same amount.

2- Change in fair value of available-for-sale securities for LBP18billion for the year ended December 31, 2009 against investment in securities for LBP15 billion and deferred tax liability for LBP3billion.

36. CAPITAL MANAGEMENT

The Bank manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Bank's lead regulator. As at December 31, 2009, the Bank was required to comply with the minimum capital adequacy requirements of 12% as set by the Central Bank of Lebanon.

The Bank's capital is split as follows:

Tier I capital: Comprises share capital, non-cumulative perpetual preferred shares, share premium, reserves, retained earnings less any excess over required ratios and unfavorable changes in fair value of available-for-sale securities.

Tier II capital: Comprises cumulative favorable change in fair value of available-for-sale securities and revaluation surplus of owned properties.

Furthermore, 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 Bank's policy is to maintain an acceptable level of capital base so as to comply with regulatory requirement in addition to economic capital to sustain future growth. Part of efficient capital management objectives, is the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Over the past years, the Bank achieved equity funding through retention of profits and by adoption of a conservative policy for distribution of dividends. The Bank complies also with externally imposed capital requirements throughout the year. From a strategic point of view, there has not been any material change in the Bank's management of capital during the current period.

The Bank's capital adequacy ratio according to Basle I, was as follows:

	DECEMBER 31, 2009 LBP (million)	DECEMBER 31, 2008 LBP (million)
Tier I and Tier II capital as per regulatory regulations, before profits of the year computed as stated by Central Bank of Lebanon	230,091	197,936
Aggregate risk weighted assets	532,940	381,005
Aggregate risk weighted off-balance sheet items		
financial instruments	58,612	31,486
Foreign currency global position	2,371	1,399
Total	**593,923**	**413,890**
Capital adequacy ratio	38.74%	47.82%
Adequacy ratio as modified according to Basle II frame work	**13.84%**	**13.82%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, **YEAR ENDED DECEMBER 31, 2009**

37. 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)

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.

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.

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, 2009 and 2008.

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.

NOTES TO THE CONSOLIDATED **FINANCIAL** STATEMENTS

DECEMBER 31, **2009**

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

	DECEMBER 31, 2009			DECEMBER 31, 2009 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	Equities 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	-	-	-	-	-
	387,402	-	387,402	-	-	-	-	-
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**

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

	DECEMBER 31, 2008			DECEMBER 31, 2008				
				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	Equities LBP'000	Other LBP'000	Total LBP'000
Regular Accounts	428,697,613	-	428,697,613	363,439,639	110,408,335	1,875,323	3,385,938	479,109,235
Past due regular loans and advances but not impaired:								
Between 30-60 days	956,714	-	956,714	-	-	-	-	-
Between 60-90 days	173,163	-	173,163	-	-	-	-	-
Between 90-180 days	1,952,876	-	1,952,876	-	-	-	-	-
Beyond 180 days	1,900,847	-	1,900,847	-	-	-	-	-
	4,983,600	-	4,983,600	-	-	-	-	-
Impaired:								
Substandard	869,254	-	869,254	-	585,112	-	218,104	803,216
Restructured substandard	269,025	-	269,025	-	512,550	-	-	512,550
Doubtful and bad	52,791,526	37,961,512	14,830,014	575,025	22,180,608	-	123,307	22,878,940
Restructured doubtful and bad	3,200,412	1,594,083	1,606,329	-	3,665,498	-	-	3,665,498
	57,130,217	39,555,595	17,574,622	575,025	26,943,768	-	341,411	27,860,204
Collectively impaired	-	3,359,598	(3,359,598)	-	-	-	-	-
	490,811,430	**42,915,193**	**447,896,237**	**364,014,664**	**137,352,103**	**1,875,323**	**3,727,349**	**506,969,439**

b) Concentration of financial assets by industry or sector:

	DECEMBER 31, 2009					DECEMBER 31, 2009				
Balance Sheet Exposure:	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
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	580,512,876	-	-	-	-	-	-	-	-	580,512,876
Held-to-maturity investment securities	485,686,943	-	-	-	-	-	-	-	-	485,686,943
Total	**2,970,376,947**	**557,758,174**	**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

	DECEMBER 31, 2008					DECEMBER 31, 2008				
Balance Sheet Exposure:	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
Cash, compulsory reserve and central banks	1,453,129,888	-	-	-	-	-	-	-	17,048,296	1,470,178,184
Deposits with banks and financial institutions	-	177,773,750	-	-	-	-	-	-	-	177,773,750
Trading assets	-	-	-	-	-	-	-	-	-	-
Loans to banks	-	98,885,461	-	-	-	-	-	-	-	98,885,461
Loans and advances to customers	8,022	49,865,515	37,798,380	44,663,427	114,584,494	589,154	167,188,288	29,245,900	3,953,057	447,896,237
Loans and advances to related parties	-	-	-	-	-	-	-	-	-	-
Available for sale investment securities	464,270,316	-	-	-	-	-	-	-	2,134,667	466,404,983
Held-to-maturity investment securities	433,407,425	-	-	-	-	-	-	-	-	433,407,425
Total	**2,350,815,651**	**326,524,726**	**37,798,380**	**44,663,427**	**114,584,494**	**589,154**	**167,188,288**	**29,245,900**	**23,136,020**	**3,094,546,040**
Off-Balance sheet Risks										
Documentary and commercial letters of credit	-	78,432,368	-	-	-	-	-	-	-	78,432,368
Guarantees and standby letters of credit	-	53,292,504	-	-	-	-	-	-	-	53,292,504
Forward Contracts	-	81,380,747	-	-	-	-	-	-	-	81,380,747

c) Concentration of assets and liabilities by geographical area:

	DECEMBER 31, 2009			DECEMBER 31, 2009		
ASSETS	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
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**

ASSETS	DECEMBER 31, 2008 Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	DECEMBER 31, 2008 Europe LBP'000	Other LBP'000	Total LBP'000
Cash, compulsory reserves and Central Banks	1,457,354,468	12,823,716	-	-	-	1,470,178,184
Deposits with banks and financial institutions	5,145,298	8,869,896	53,505,160	110,196,922	56,474	177,773,750
Loans to banks	98,885,461	-	-	-	-	98,885,461
Loans and advances to customers	281,633,005	8,659,953	19	157,603,097	163	447,896,237
Loans and advances to related parties 2	22,952,326	-	-	-	-	22,952,326
Available for sale investment securities	466,404,983	-	-	-	-	466,404,983
Held-to-maturity investment Securities	433,407,425	-	-	-	-	433,407,425
Customers' liability under acceptances	4,199,827	-	-	-	-	4,199,827
Assets acquired in satisfaction of loans	18,154,089	-	-	-	-	18,154,089
Property and equipment	26,553,492	595,842	-	-	-	27,149,334
Intangible assets	428,289	9,407	-	-	-	437,696
Other assets	1,758,446	46,351	-	-	-	1,804,797
Total Assets	**2,816,877,109**	**31,005,165**	**53,505,179**	**267,800,019**	**56,637**	**3,169,244,109**
LIABILITIES						
Deposits and borrowings from banks	7,555,127	44,703,580	-	3,231,473	-	55,490,180
Customers' accounts at amortized cost	2,332,867,606	213,000,672	18,509,243	230,568,575	7,916,474	2,802,862,570
Related parties' accounts at amortized cost	48,842,314	-	-	-	-	48,842,314
Customers' acceptance liability	4,199,827	-	-	-	-	4,199,827
Other liabilities	16,087,602	2,171	-	-	-	16,089,773
Provisions	3,017,149	-	-	-	-	3,017,149
Total liabilities	**2,412,569,625**	**257,706,423**	**18,509,243**	**233,800,048**	**7,916,474**	**2,930,501,813**

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 credit 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 balance sheet 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, 2009 LBP BASE ACCOUNTS				DECEMBER 31, 2009 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	5 - 10 Years LBP'000'000	Over10 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
Trading securities	-	-	-	-	-	-	-	-
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
Held-to-maturity investment securities	-	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	603	-	-	-	-	-	-	603
Property and equipment	28,179	-	-	-	-	-	-	28,179
Intangible assets	1,129	-	-	-	-	-	-	1,129
Other assets	1,305	-	-	-	-	-	-	1,305
Total Assets	**36,126**	**308,308**	**40,873**	**9,346**	**1,600,749**	**44,922**	**-**	**2,040,324**
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	16,333	(1,266,934)	(164,039)	3,125	1,600,549	44,922	-	233,956

	DECEMBER 31, 2009 F/CY 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	5 - 10 Years LBP'000'000	Over10 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 to banks	-	-	-	-	-	-	-	-
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	17,117	-	-	-	-	-	-	17,117
Intangible assets	-	-	-	-	-	-	-	-
Other assets	1,089	-	-	-	-	-	-	1,089
Total Assets	**45,540**	**749,428**	**383,504**	**236,929**	**291,642**	**175,599**	**-**	**1,882,642**
LIABILITIES								
Deposits and borrowings from banks	-	38,049	-	-	-	-	-	38,049
Liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Customers' accounts at amortized cost	-	1,610,472	101,223	1,494	151	-	-	1,713,340
Related parties' accounts at FVTPL	-	-	-	-	-	-	-	-
Related parties' accounts at amortized cost	-	55,915	-	-	-	-	-	55,915
Liability under acceptances	-	7,681	904	-	-	-	-	8,585
Other borrowings	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-
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	35,540	(962,689)	281,377	235,435	291,491	175,599	-	56,753

ASSETS	DECEMBER 31, 2008 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, 2008 LBP BASE ACCOUNTS 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	5,475	489,450	698,766	40,616	-	-	1,234,307
Deposits with banks and financial institutions	131	1,565	-	-	-	-	1,696
Trading securities	-	-	672	2,720	4,120	11,920	19,432
Loans to banks	(6,098)	11,497	9,340	104	-	-	14,843
Loans and advances to customers	-	2	-	-	-	-	2
Loans and advances to related parties	-	160	-	4,161	268,527	-	272,848
Available for sale investment securities	-	-	-	-	-	-	-
Held-to-maturity investment securities	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	687	-	-	-	-	-	687
Property and equipment	26,553	-	-	-	-	-	26,553
Intangible assets	429	-	-	-	-	-	429
Other assets	908	-	-	-	-	-	908
Total Assets	**28,085**	**502,674**	**708,778**	**47,601**	**272,647**	**11,920**	**1,571,705**
LIABILITIES							
Deposits and borrowings from banks	-	2,069	-	-	-	-	2,069
Customers' accounts at amortized cost	-	1,211,242	143,074	1,499	-	-	1,355,815
Related parties' accounts at amortized cost	-	10,814	-	-	-	-	10,814
Acceptance Liability	-	-	-	-	-	-	-
Other Long term debts	-	-	-	-	-	-	-
Other Liabilities	11,829	-	-	-	-	-	11,829
Provisions	2,549	-	-	-	-	-	2,549
Total Liabilities	**14,378**	**1,224,125**	**143,074**	**1,499**	**-**	**-**	**1,383,076**
Maturity Gap	13,707	(721,451)	565,704	46,102	272,647	11,920	188,629

	DECEMBER 31, 2008 F/CY 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 reserves and deposits at Central Banks	23,844	171,719	40,308	-	-	-	235,871
Deposits with banks and financial institutions	3,177	172,901	-	-	-	-	176,078
Loans to banks	-	-	79,454	-	-	-	79,454
Loans and advances to customers	16,406	59,460	354,955	1,848	384	-	433,053
Loans and advances to related parties	-	2	22,948	-	-	-	22,950
Available for sale investment securities	-	995	8,202	1,392	101,571	81,397	193,557
Held-to-maturity investment securities	-	-	59,895	22,008	269,856	81,648	433,407
Customers' liability under acceptances	-	3,692	508	-	-	-	4,200
Assets acquired in satisfaction of loans	17,467	-	-	-	-	-	17,467
Property and equipment	596	-	-	-	-	-	596
Intangible assets	9	-	-	-	-	-	9
Other assets	897	-	-	-	-	-	897
Total Assets	**62,396**	**408,769**	**566,270**	**25,248**	**371,811**	**163,045**	**1,597,539**
LIABILITIES							
Deposits and borrowings from banks	-	53,421	-	-	-	-	53,421
Customers' accounts at amortized cost	129,272	1,215,924	97,498	4,125	-	228	1,447,047
Related parties' accounts at amortized cost	-	38,028	-	-	-	-	38,028
Acceptance Liability	-	3,692	508	-	-	-	4,200
Other long term debts	-	-	-	-	-	-	-
Other liabilities	4,261	-	-	-	-	-	4,261
Provisions	468	-	-	-	-	-	468
Total Liabilities	**134,001**	**1,311,065**	**98,006**	**4,125**	**-**	**228**	**1,547,425**
Maturity Gap	(71,605)	(902,296)	468,264	21,123	371,811	162,817	50,114

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, 2009													
	LBP BASE ACCOUNTS						LBP BASE ACCOUNTS		LBP BASE ACCOUNTS					
	FLOATING INTEREST RATE						FLOATING INTEREST RATE		FIXED INTEREST RATE					
ASSETS	Non-Interest Earning LBP'000'000	Up to Three 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 to10 Years LBP'000'000	Over 10 Years LBP'000'000	Total LBP'000'000	Up to Three 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	7,895	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
Held-to-maturity investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-
Liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
Liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	(57,497)	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							DECEMBER 31, 2009					
	F/CY BASE ACCOUNTS							F/CY BASE ACCOUNTS					
	FLOATING INTEREST RATE							FIXED INTEREST RATE					
ASSETS	Non-Interest Earning LBP'000'000	Up to Three 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 to10 Years LBP'000'000	Total LBP'000'000	Up to Three 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

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, 2008							DECEMBER 31, 2008					
	LBP BASE ACCOUNTS							LBP BASE ACCOUNTS					
	FLOATING INTEREST RATE							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 reserves and deposits at Central Banks	5,476	183,798	-	-	-	-	183,798	305,651	-	698,766	40,616	-	1,045,033
Deposits with banks and financial institutions	131	-	-	-	-	-	-	1,565	-	-	-	-	1,565
Loans to banks	-	-	-	-	-	-	-	-	672	2,720	4,120	11,920	19,432
Loans and advances to customers	(5,744)	-	-	-	-	-	-	11,143	9,340	104	-	-	20,587
Loans and advances to related parties	-	-	-	-	-	-	-	2	-	-	-	-	2
Available for sale investment securities	161	-	-	-	-	-	-	-	-	4,161	268,526	-	272,687
Held-to-maturity investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	687	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	26,553	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	429	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	908	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**28,601**	**183,798**	**-**	**-**	**-**	**-**	**183,798**	**318,361**	**10,012**	**705,751**	**313,262**	**11,920**	**1,359,306**
LIABILITIES													
Deposits and borrowings from banks	-	-	-	-	-	-	-	2,069	-	-	-	-	2,069
Customers' accounts at amortized cost	76,562	-	-	-	-	-	-	1,134,680	143,074	1,499	-	-	1,279,253
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	10,814	-	-	-	-	10,814
Acceptance Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long term debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	11,829	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	2,549	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	**90,940**	**-**	**-**	**-**	**-**	**-**	**-**	**1,147,563**	**143,074**	**1,499**	**-**	**-**	**1,292,136**
Interest rate gap position	(62,339)	183,798	-	-	-	-	183,798	(829,202)	(133,062)	704,252	313,262	11,920	67,170

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, 2008							DECEMBER 31, 2008					
	F/Cy BASE ACCOUNTS							F/Cy BASE ACCOUNTS					
	FLOATING INTEREST RATE							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 reserves and deposits at Central Banks	25,014	-	-	-	-	-	-	170,549	40,308	-	-	-	210,857
Deposits with banks and financial institutions	3,177	-	-	-	-	-	-	172,901	-	-	-	-	172,901
Loans to banks	-	-	-	-	-	-	-	-	79,454	-	-	-	79,454
Loans and advances to customers	19,959	-	-	-	-	-	-	55,907	354,955	1,848	384	-	413,094
Loans and advances to related parties	-	-	-	-	-	-	-	2	22,948	-	-	-	22,950
Available for sale investment securities	-	-	4,499	-	-	-	4,499	995	3,703	1,392	101,571	81,397	189,058
Held-to-maturity investment securities	-	-	19,695	-	-	-	19,695	-	40,200	22,008	269,856	81,648	413,712
Customers' liability under acceptances	-	-	-	-	-	-	-	3,692	508	-	-	-	4,200
Assets acquired in satisfaction of loans	17,467	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	596	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	9	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	897	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**67,119**	**-**	**24,194**	**-**	**-**	**-**	**24,194**	**404,046**	**542,076**	**25,248**	**371,811**	**163,045**	**1,506,226**
LIABILITIES													
Deposits and borrowings from banks	-	-	-	-	-	-	-	53,421	-	-	-	-	53,421
Customers' accounts at amortized cost	127,774	-	-	-	-	-	-	1,217,423	97,498	4,125	-	228	1,319,274
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	38,028	-	-	-	-	38,028
Acceptance Liability	-	-	-	-	-	-	-	3,692	508	-	-	-	4,200
Other long term debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,260	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	468	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	**132,502**	**-**	**-**	**-**	**-**	**-**	**-**	**1,312,564**	**98,006**	**4,125**	**-**	**228**	**1,414,923**
Interest rate gap position	(65,383)	-	24,194	-	-	-	24,194	(908,518)	444,070	21,123	371,811	162,817	91,303

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, 2009			DECEMBER 31, 2009		
	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 of LBP LBP'000	Total LBP'000
ASSETS						
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
Investments in associates	-	-	-	-	-	-
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 cost	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**	**(837,794)**	**(4,391,330)**	**15,908,297**	**290,707,047**

	DECEMBER 31, 2008						
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	IQD C/V in LBP LBP'000	Other Currencies LBP'000	Total LBP'000
Cash, Compulsory deposits and deposits with Central Banks	1,234,307,378	126,115,288	109,184,785	33,077	531,200	6,456	1,470,178,184
Deposits with banks and financial institutions	1,695,743	150,911,056	2,749,428	7,938,855	-	14,478,668	177,773,750
Loans to banks	19,431,941	79,453,520	-	-	-	-	98,885,461
Loans and advances to customers	14,842,943	352,582,976	77,797,450	1,589,561	-	1,083,307	447,896,237
Loans and advances to related parties	1,863	22,949,789	674	-	-	-	22,952,326
Available for sale investment securities	272,847,988	185,463,928	8,093,067	-	-	-	466,404,983
Held-to-maturity investment securities	-	371,221,482	62,185,943	-	-	-	433,407,425
Customers' liability under acceptances	-	2,328,201	1,871,626	-	-	-	4,199,827
Assets acquired in satisfaction of loans	686,852	17,467,237	-	-	-	-	18,154,089
Property and equipment	26,553,492	328,091	-	-	267,751	-	27,149,334
Intangible assets	428,289	-	-	-	9,407	-	437,696
Other assets	975,972	(15,541,942)	13,485,255	(10,919,881)	(284,742)	14,055,859	1,770,521
Total Assets	**1,571,772,461**	**1,293,279,626**	**275,368,228**	**(1,358,388)**	**523,616**	**29,624,290**	**3,169,209,833**
LIABILITIES							
Deposits and borrowings from banks	2,068,783	50,179,994	370,432	-	-	2,870,971	55,490,180
Customers' accounts at amortized cost	1,355,815,000	1,177,912,474	247,279,812	15,070,257	550,361	6,234,666	2,802,862,570
Related parties' accounts at FVTPL	-	-	-	-	-	-	
Related parties' accounts at amortized cost	7,225,689	35,682,155	5,934,330	140	-	-	48,842,314
Liability under acceptances	-	2,328,201	1,871,626	-	-	-	4,199,827
Other liabilities	12,803,576	2,619,632	643,716	12,569	2,186	8,094	16,089,773
Provisions	2,549,185	467,964	-	-	-	-	3,017,149
Total Liabilities	**1,380,462,233**	**1,269,190,420**	**256,099,916**	**15,082,966**	**552,547**	**9,113,731**	**2,930,501,813**
Currencies to be delivered	-	(17,136,360)	(11,260,225)	(6,558,990)	-	(46,390,896)	(81,346,471)
Currencies to be received	-	25,173,120	4,588,224	12,028,969	-	39,590,434	81,380,747
	-	**8,036,760**	**(6,672,001)**	**5,469,979**	**-**	**(6,800,462)**	**34,276**
Net on-balance sheet financial position	**191,310,228**	**32,125,966**	**12,596,311**	**(10,971,375)**	**(28,931)**	**13,680,097**	**238,742,296**

38. 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, 2009			DECEMBER 31, 2009			
FINANCIAL ASSETS	Trading Assets LBP'000	Available-for Sale LBP'000	Held-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**	**3,848,376,611**
FINANCIAL LIABILITIES							
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**

	DECEMBER 31, 2008			DECEMBER 31, 2008		
FINANCIAL ASSETS	Available-for-Sale LBP'000	Held-to-Maturity LBP'000	Loans and Receivables LBP'000	Other Amounts at Amortized Cost LBP'000	Total Carrying Value LBP'000	Total Value LBP'000
Cash, compulsory reserves and deposits at Central Banks	-	-	-	1,470,178,184	1,470,178,184	1,470,178,184
Deposits with banks and financial institutions	-	-	-	177,773,750	177,773,750	177,773,750
Loans to banks	-	-	79,453,520	19,431,941	98,885,461	98,885,461
Loans and advances to customers	-	-	447,896,237	-	447,896,237	447,415,162
Loans and advances to related parties	-	-	22,952,326	-	22,952,326	22,952,326
Available-for-sale investment securities	466,404,983	-	-	-	466,404,983	457,947,750
Held-to-maturity investment securities	-	433,407,425	-	-	433,407,425	428,317,394
Total	**466,404,983**	**433,407,425**	**550,302,083**	**1,667,383,875**	**3,117,498,366**	**3,103,470,027**
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	-	-	-	55,490,180	55,490,180	55,490,180
Customers' accounts at amortized cost	-	-	-	2,802,862,570	2,802,862,570	2,802,862,570
Related parties' accounts at amortized cost	-	-	-	48,842,314	48,842,314	48,842,314
Total	**-**	**-**	**-**	**2,907,195,064**	**2,907,195,064**	**2,907,195,064**

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;

	DECEMBER 31, 2009			
	Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Level 4 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.

(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.

39. COMPARATIVE FINANCIAL STATEMENT

Certain balances included in the 2008 financial statements were reclassified to conform to current year presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2009 were approved for issuance by the Chairman General Manager on April 29, 2010.

4 BRANCHES

BRANCHES

LEBANON | IRAQ
CYPRUS | BRAZIL

IBL BANK s.a.l.

BRANCH NETWORK 2009

CURRENT GEOGRAPHICAL REPRESENTATION OF IBL BANK

The Bank has sixteen operational branches: six branches along with the Head-Office are located in the Greater Beirut region, three branches in the North of Lebanon, two branches in the South of Lebanon, four 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 fourteen 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 Tyre (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, a new branch is currently under construction in Balamand (North Lebanon) and is expected to start operations during the second semester of 2010.

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 is planned to start during the last quarter of 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.

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.

For instance, the Lebanese community in Brazil is considered to be 8.5 millions strong and could be seriously attracted by the presence of a Lebanese bank, facilitating trade business between the Lebanese community located abroad and its home country.

BRANCH NETWORK 2009

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Domain: www.ibl.com.lb

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Fax: (01) 350608
Manager: Mr. Abdel Kader Tawil

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Fax: (01) 304727
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(04) 406993
Manager: Mr. Fady Nader

VERDUN
Rachid Karame Street
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Manager: Mr. Abdel Rahman Zeidan

BRANCH NETWORK 2009

OTHER REGIONS:

BATROUN
Main Street - Zakaria Bldg.
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Fax: (06) 643218
Manager: Mr Kisra Bassil

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Manager: Mr. Joseph Chehwan

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Fax: (07) 732273
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BALAMAND
Under Constitution

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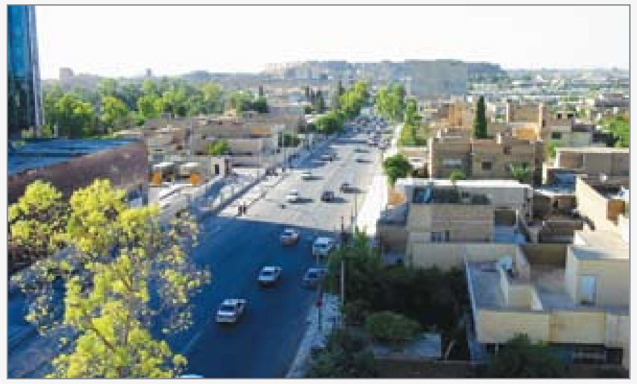
SAO PAOLO

ERBIL



CYPRUS