





Consolidated Financial
Statements and
Auditor's Report
year ended
December 31, 2008

- Independent Auditor's Report
- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Statement of Changes in Shareholders' Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements



Deloitte & Touche
Arabia House
131 Phoenicia Street
P.O.Box 961
Beirut - Lebanon
Tel: +961 (1) 364 700
Tel: +961 (1) 364 701
Fax: +961 (1) 367 087
Fax: +961 (1) 369 820
www.deloitte.com

BT 4803/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Banque de l'Industrie et du Travail S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of Banque de L'Industrie et du Travail S.A.L. and subsidiary (the Group), which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes..

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of existing banking laws in Lebanon. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Banque de l'Industrie et du Travail S.A.L. as of December 31, 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
April 9, 2009


Deloitte & Touche

Consolidated Balance Sheet

D e c e m b e r 3 1 ,

ASSETS	Notes	2008 LBP'000	2007 LBP'000
Cash and Central Bank	5	138,329,184	102,167,077
Deposits with banks and financial institutions	6	56,459,339	76,367,620
Loans and advances to customers	7	194,938,445	193,370,342
Available-for-sale investment securities	8	8,425,394	6,960,025
Held-to-maturity investment securities	8	249,621,507	189,209,064
Customers' liability under acceptances	9	419,837	444,960
Assets acquired in satisfaction of loans	10	17,674,305	15,315,847
Property and equipment	11	22,852,071	22,797,813
Intangible assets	12	130,726	94,708
Other assets	13	5,280,208	7,190,271
Total Assets		694,131,016	613,917,727

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:

Documentary and commercial letters of credit	30	555,088	398,036
Guarantees and standby letters of credit	30	35,871,080	38,327,365
Fiduciary deposits	31	47,950,877	37,074,148

THE ACCOMPANYING NOTES 1 TO 38 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

December 31,

LIABILITIES	Notes	2008 LBP'000	2007 LBP'000
Deposits and borrowings from banks	14	3,985,470	7,981,020
Customers' deposits and credit balances at amortized cost	15	567,581,967	491,093,001
Related parties' deposits and credit balances at amortized cost	16	60,350,311	51,785,344
Customers' acceptance liability	9	419,837	444,960
Other liabilities	17	5,520,730	3,307,127
Provisions	18	1,711,968	1,272,371
Total liabilities		639,570,283	555,883,823
Shareholders' accounts	-	-	3,623,255
EQUITY			
Share capital	19	4,000,000	4,000,000
Shareholders' cash contribution to capital	20	21,444,188	21,444,188
Reserves	21	4,968,312	4,282,375
Owned buildings revaluation surplus	22	21,000,457	21,000,457
Cumulative change in fair value of investment securities	23	2,411,845	2,417,272
Regulatory reserve for assets acquired in satisfaction of loans		237,611	22,611
Retained earnings		498,320	811,740
Profit for the year		-	432,006
Total equity		54,560,733	54,410,649
Total Liabilities, Shareholders' account and Equity		694,131,016	613,917,727

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

	Notes	Year Ended December 31,	
		2008 LBP'000	2007 LBP'000
Interest income	24	42,976,632	40,400,350
Interest expense	25	(30,298,772)	(29,541,368)
Net interest income		12,677,860	10,858,982
Fee and commission income	26	1,642,843	1,500,011
Fee and commission expense	27	(207,162)	(234,607)
Net fee and commission income		1,435,681	1,265,404
Other operating income	28	334,619	434,255
Net financial revenues		14,448,160	12,558,641
(Allowance)/write-back of impairment of loans and advances	7	(347,718)	860,170
Net financial revenues after (allowance)/write back of impairment of loans and advances		14,100,442	13,418,811
Staff costs	29	(9,092,052)	(8,014,641)
Administrative expenses		(3,580,459)	(3,578,300)
Depreciation and amortization	11 & 12	(1,244,207)	(1,035,258)
Other income		458,331	150,523
Profit before income tax		642,055	941,135
Income tax expense	17	(642,055)	(509,129)
Profit for the year		-	432,006

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

	Shareholders' Cash		Reserves	Owned	Cumulative	Regulatory Reserve		Profit	Total
	Share	Contribution		Buildings		Change in Fair	for Assets Acquired		
	Capital	to Capital	Surplus	Value of Investment	Securities	in Satisfaction	Earnings	LBP'000	LBP'000
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1, 2007	4,000,000	21,444,188	3,212,055	21,288,371	62,086	546,437	761,315	309,005	51,623,457
Loss on available-for-sale investments (net of deferred tax)	-	-	-	-	2,363,568	-	-	-	2,363,568
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	-	(8,382)	-	-	-	(8,382)
Profit for the year	-	-	-	-	-	-	-	432,006	432,006
Comprehensive income - 2007	-	-	-	-	2,355,186	-	-	432,006	2,787,192
Transfer to retained earnings upon sale of assets acquired in satisfaction of loans	-	-	-	-	-	(523,826)	523,826	-	-
Transfer to retained earnings upon sale of properties	-	-	-	(287,914)	-	-	287,914	-	-
Allocation of 2006 profit	-	-	309,005	-	-	-	-	(309,005)	-
Transfer to reserves	-	-	761,315	-	-	-	(761,315)	-	-
Balance at December 31, 2007	4,000,000	21,444,188	4,282,375	21,000,457	2,417,272	22,611	811,740	432,006	54,410,649
Loss on available-for-sale investments (net of deferred tax)	-	-	-	-	(5,427)	-	-	-	(5,427)
Profit for the year	-	-	-	-	-	-	-	-	-
Comprehensive income - 2008	-	-	-	-	(5,427)	-	-	-	(5,427)
Transfer to retained earnings upon sale of assets acquired in satisfaction of loans	-	-	-	-	-	215,000	(215,000)	-	-
Acquisition of a subsidiary - Note 3(c)	-	-	-	-	-	-	155,511	-	155,511
Transfer to retained earnings on sale of properties	-	-	-	-	-	-	-	-	-
Allocation of 2007 profit	-	-	432,006	-	-	-	-	(432,006)	-
Transfer to reserves	-	-	253,931	-	-	-	(253,931)	-	-
Balance at December 31, 2008	4,000,000	21,444,188	4,968,312	21,000,457	2,411,845	237,611	498,320	-	54,560,733

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

Year Ended December 31,

	Notes	2008 LBP'000	2007 LBP'000
Cash flows from operating activities:			
Profit for the year before tax		642,055	941,135
Interest income		(42,976,632)	(40,400,350)
Interest expense		30,298,772	29,541,368
Allowance/(write back) of impairment loss on loans and advances	7	347,718	(860,170)
Depreciation and amortization	11 & 12	1,244,207	1,035,258
Gain on sale of property and equipment	11	(193,550)	(196,130)
Gain transferred from equity on sale of available-for-sale securities		-	(8,382)
(Gain)/loss on sale of assets acquired in settlement of loans	10	(264,781)	45,607
Net increase in loans and advances to customers		(2,951,698)	(29,569,787)
Net increase in compulsory reserve and term placements with central bank and other banks and financial institutions		(40,017,203)	(18,813,546)
Net increase in other assets	33	(418,437)	(2,400,015)
Net increase in other liabilities		2,554,273	586,170
Net increase in customers' deposits and credit balances	33	71,586,885	43,527,993
Net increase in related parties' deposits and credit balances		8,853,252	4,994,277
Net increase in provisions	18	439,597	373,351
Interest received		41,077,650	40,279,528
Interest paid		(30,851,923)	(29,369,639)
Income tax paid		(642,055)	(509,129)
Net cash generated by/(used in) operating activities		38,728,130	(802,461)
Cash flows from investing activities:			
Purchase of property and equipment	11	(1,294,154)	(539,140)
Proceeds from sale of property and equipment	11	228,526	266,634
Acquisition of intangible assets	12	(75,305)	(77,964)
Proceeds from sale of assets acquired in satisfaction of loans	10	1,386,828	525,388
Net (purchase)/sale of investment securities	33	(60,189,217)	6,080,051
Net cash (used in)/generated by investing activities		(59,943,322)	6,254,969
Cash flows from financing activities:			
Increase in shareholders' accounts	33	1,517,196	-
Net cash generated by financing activities		1,517,196	-
Net (decrease)/increase in cash and cash equivalents		(19,697,995)	5,452,508
Cash and cash equivalents at beginning of year	33	76,430,527	70,978,019
Cash and cash equivalent at end of year	33	56,732,531	76,430,527

THE ACCOMPANYING NOTES 1 TO 37 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Banque de l'Industrie et du Travail S.A.L. ("the Bank") was established in 1960 and registered in the Lebanese Commercial Register under No. 9849 and in the list of banks published by the Central Bank of Lebanon under No. 48. The Bank is owned to the extent of 52.22% by Al Bustania S.A.L. and provides banking services through a network of twelve branches in the different regions of Lebanon. The Bank's headquarters are located in Beirut Central District.

2. ADOPTION OF NEW AND REVISED STANDARDS

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 (IFRS 2) *Group and Treasury Share Transactions*; IFRIC 12 *Service Concession Arrangements* and; IFRIC 14 *IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements the following amendments to Standards and new Interpretations were in issue but not yet effective:

IFRS 2 (Amendment) *Share based payment* (effective for annual periods beginning on or after January 1, 2009);

IFRS 3 (Revision) *Business Combinations* (effective for annual periods beginning on or after July 1, 2009);

IFRS 5 (Amendment) *Non-Current Assets held for sale and discontinued operations* (effective for annual periods beginning on or after July 1, 2009);

IFRS 7 (Amendment) *Financial Instruments: Disclosures* (effective for annual periods beginning on or after January 1, 2009);

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

IAS 1 (Amendment and Revision) *Presentation of Financial Statements* (effective for annual periods beginning on or after January 1, 2009)

IAS 16 (Amendment) *Property, Plant and Equipment* (effective for annual periods beginning on or after January 1, 2009)

IAS 19 (Amendment) *Employee Benefits* (effective for annual periods beginning on or after January 1, 2009)

IAS 23 (Amendment and Revision) *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009 and for Borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009)

IAS 27 (Amendment) *Consolidated and Separate Financial Statements* (Amendments resulting from May 2008 Annual Improvements to IFRSs - effective for annual periods beginning on or after January 1, 2009) and (Consequential amendments arising from amendments to IFRS 3 - effective for annual periods beginning on or after July 1, 2009)

IAS 28 (Amendment) *Investments in Associates* (Amendments resulting from May 2008 Annual Improvements to IFRSs - for annual periods beginning on or after January 1, 2009) and (Consequential amendments arising from amendments to IFRS 3 - effective for annual periods beginning on or after July 1, 2009)

IAS 29 (Amendment) *Financial Reporting in Hyperinflationary Economies* (effective for annual periods beginning on or after January 1, 2009)

IAS 31 (Amendment) *Interests in Joint Ventures* (Amendments resulting from May 2008 Annual Improvements to IFRSs - effective for annual periods

beginning on or after January 1, 2009) and (Consequential amendments arising from amendments to IFRS 3 - effective for annual periods beginning on or after July 1, 2009)

IAS 32 (Amendment) *Financial Instruments: Presentation* (effective for annual periods beginning on or after January 1, 2009)

IAS 36 (Amendment) *Impairment of Assets* (effective for annual periods beginning on or after January 1, 2009)

IAS 38 (Amendment) *Intangible Assets* (effective for annual periods beginning on or after January 1, 2009)

IAS 39 (Amendment) *Financial Instruments: Recognition and Measurement* (Amendments resulting from May 2008 Annual Improvements to IFRSs - effective for annual periods beginning on or after January 1, 2009) and (Amendments for embedded derivatives when reclassifying financial instruments - effective for annual periods beginning on or after June 30, 2009) and (Amendments for eligible hedged items - effective for annual periods beginning on or after July 1, 2009)

IAS 40 (Amendment) *Investment Property* (effective for annual periods beginning on or after January 1, 2009)

IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008)

IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2009)

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

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after July 1, 2009)

IFRIC 18 *Transfers of Assets from Customers* (for transfers received on or after July 1, 2009)

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 in years prior to 1993 are measured at their revalued amounts based on market prices prevailing during 1996, and adjusted in 2006 for the Bank's headquarters.

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

Assets and liabilities are grouped according to their nature and are presented in an approximate order that reflects their relative liquidity.

The principal accounting policies are set out below:

C. Basis of Consolidation:

The consolidated financial statements of the Bank incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries). Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of

an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated subsidiaries consist of:

	Country of Incorporation	Percentage of Ownership %	Business Activity
Société Immobilière Pour La Construction S.A.L. ("SIPC")	Lebanon	100	Real Estate
United Group Brokers S.A.L. ("UGB")	Lebanon	100	Insurance

The Bank acquired United Group Brokers ("UGB") effective January 1, 2008. This acquisition was made between two entities under common control. The subsidiaries balance sheet at the date of acquisition consisted of the followings:

	January 1, 2008 LBP
Total assets	461,118
Total liabilities	305,607
Total Equity	155,511

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

All intra-group 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 Group's reporting currency. However, the primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar.

Transactions in currencies other than the Groups' reporting currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

E. Financial assets and Liabilities:

Recognition and Derecognition:

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

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires.

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

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

Offsetting:

Financial assets and liabilities are set off and the net amount is presented in the balance sheet when, and only when, the Group has a legal right to set off the

amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value Measurement:

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 are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, 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 profit or loss and reduce the carrying amount of the asset to its estimated recoverable amount. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale investment securities, the previously accumulated losses recorded under equity are recognized in profit or loss 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 Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortized cost using the 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 Group 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 (AFS) 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 note 3(E). 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 profit or loss. 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 profit or loss 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.

Exchange of Debt Securities:

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

G. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortized cost less any impairment.

Interest income is recognized by applying the effective interest method.

Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

Funds pledged by the shareholders to cover shortfall in provision for credit losses are deducted from the loans and advances portfolio in the financial statements.

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

Financial guarantee 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, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

Other financial liabilities:

Other financial liabilities, including customers' deposits, money market and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost, with interest expense recognized on an effective yield basis.

I. Property and Equipment

Property and equipment except for buildings acquired prior to 1993 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1993 are stated at their revalued amounts, based on market prices prevailing during 1996, adjusted in 2006 for the Group's headquarters, less accumulated depreciation and impairment loss, if any. Resulting revaluation surplus is reflected under "Equity".

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 ¹ / ₂ %
Office improvements and installations	20%
Furniture, equipment and machines	9%
Computer equipment	20%
Vehicles	15%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized under "Other operating income" in the consolidated income statement in the year the asset is derecognized.

J. Intangible Assets:

Intangible assets consisting of computer software are stated at cost and are amortized over a period of 5 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.

K. Assets acquired in satisfaction of loans

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

L. Impairment of Tangible and Intangible Assets:

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment provision required, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the balance sheet date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.
- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

In this connection, the recoverable amount of the Group's owned properties and of properties acquired in satisfaction of debts, is the estimated market value, as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

The impairment loss is charged to income.

M. Employees' End-of-Service Indemnities:

The provision for staff termination 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.

N. Provisions:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the con-

sideration required to settle the obligation at the balance sheet date.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

O. 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.

Fee 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.

P. 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 balance sheet date. Income tax payable is reflected in the consolidated balances sheet net of taxes previously settled in the form of withholding tax. The excess of tax previously settled in the form of withholding tax over current tax is not refundable and income tax expense would represent the total amount of tax previously settled.

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.

Q. Fiduciary Deposits:

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

R. Operating lease agreements:

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the consolidated income statement on a straight line basis over the lease term.

S. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Classification of Financial Assets:

The Group's accounting policies provide scope for investment securities to be designated on inception into different categories in certain circumstances based on specific conditions. In classifying investment securities as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold these assets until their maturity as required by in 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for Credit Losses:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle its obligations and the value of collateral and potential repossession.

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

Where available, management has used market indicators in its mark to model approach for the valuation of the Lebanese government debt securities and Central Bank certificates of deposit at fair value. The IFRS fair value hierarchy allocates the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The fair value hierarchy used in the determination of fair value consists of three levels of input data for determining the fair value of an asset or liability.

Level 1 - quoted prices for identical items in active, liquid and visible markets such as stock exchanges,

Level 2 - observable information for similar items in active or inactive markets,

Level 3 - unobservable inputs used in situations where markets either do not exist or are illiquid.

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

5. CASH AND CENTRAL BANK

This caption consists of the following:

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Cash on hand	4,350,235	4,967,237
Current accounts with Central Bank of Lebanon	32,821,356	19,946,463
Term placements with Central Bank of Lebanon	100,674,504	76,826,250
Accrued interest receivable	483,089	427,127
	138,329,184	102,167,077

Current accounts with Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pounds totaling LBP27.8billion as of December 31, 2008 (LBP15.4billion in 2007) computed on the basis of 25% and 15% of the average weekly sight and term customers' and related parties' deposits in Lebanese Pounds in accordance with the local banking regulations.

The term placements with Central Bank of Lebanon include the equivalent in foreign currencies of LBP95billion as of December 31, 2008 (LBP65billion in 2007) 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' and related parties' deposits in foreign currencies, certificates of deposits and loans acquired from non-resident financial institutions.

Compulsory deposits with Central Bank of Lebanon are not available for use in the Group's day-to-day operations and are reflected at amortized cost.

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

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2009	5,500,000	3.80	55,979,504	2.61
2011	-	-	8,291,250	4.41
2012	-	-	10,552,500	3.37
2013	-	-	20,351,250	3.74
	5,500,000		95,174,504	

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2008	11,250,000	4.08	52,762,500	5.02
2009	-	-	2,261,250	6.03
2012	-	-	10,552,500	5.87
	11,250,000		65,576,250	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Checks in course of collection	566,646	2,400
Current accounts with banks and financial institutions	3,060,071	3,685,590
Term placements with banks and financial institutions	51,453,901	71,148,620
Pledged deposits with banks and financial institutions	1,281,375	1,281,375
Accrued interest receivable	97,346	249,635
	56,459,339	76,367,620

Pledged deposits are blocked against banking facilities to finance documentary credit transactions.

Term placements and pledged deposits as of December 31, 2008 and 2007 are mostly denominated in foreign currencies, and carry an average interest rate of 2.12% per annum (4.54% per annum during 2007) with maturity of less than one year.

7. LOANS AND ADVANCES TO CUSTOMERS

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

	D e c e m b e r 3 1 , 2 0 0 8				D e c e m b e r 3 1 , 2 0 0 7			
	Gross Amount Net of Unrealized		Pledged Guarantee Funds	Carrying Amount	Gross Amount Net of Unrealized		Pledged Guarantee Fund	Carrying Amount
	Interest	Impairment Allowance			Interest	Impairment Allowance		
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular retail customers:								
- Mortgage loans	6,216,000	-	-	6,216,000	6,313,431	-	-	6,313,431
- Personal loans	11,853,969	-	-	11,853,969	12,782,400	-	-	12,782,400
- Overdrafts	774,947	-	-	774,947	987,705	-	-	987,705
- Other	3,447,671	-	-	3,447,671	2,429,743	-	-	2,429,743
	22,292,587	-	-	22,292,587	22,513,279	-	-	22,513,279
Regular corporate customers:								
- Large Enterprises	-	-	-	-	1,321,417	-	-	1,321,417
- Small and medium enterprises	151,545,257	(774,357)	(1,779,945)	148,990,955	136,704,685	-	(1,789,641)	134,915,044
	151,545,257	(774,357)	(1,779,945)	148,990,955	138,026,102	-	(1,789,641)	136,236,461
Classified corporate customers:								
- Restructured loans	5,597,913	-	(477,655)	5,120,258	6,096,542	-	-	6,096,542
- Substandard loans	9,534,655	-	-	9,534,655	18,501,599	-	-	18,501,599
- Doubtful and bad loans	23,899,850	(6,106,345)	(10,116,121)	7,677,384	26,172,106	(6,577,187)	(10,593,777)	9,001,142
	39,032,418	(6,106,345)	(10,593,776)	22,332,297	50,770,247	(6,577,187)	(10,593,777)	33,599,283
Accrued interest receivable	1,322,606	-	-	1,322,606	1,021,319	-	-	1,021,319
	214,192,868	(6,880,702)	(12,373,721)	194,938,445	212,330,947	(6,577,187)	(12,383,418)	193,370,342

The carrying value of loans and advances to customers include accidentally temporary debtors with carrying value amounting to LBP2.4billion as of December 31, 2008 (LBP2.9billion in 2007).

The carrying value of loans and advances to customers include loans to related parties in the aggregate of LBP2.2billion as of December 31, 2008 (LBP2.1billion in 2007) that are secured by pledged funds in the aggregate amount of LBP1.85billion as at December 31, 2008 (LBP2billion in 2007).

Restructured loans represent classified loans with renegotiated terms.

The movement of unrealized interest on non-performing loans during 2008 and 2007 is summarized as follows:

	2 0 0 8		
	Unrealized Interest on:		
	Doubtful and Bad Loans LBP'000	Substandard Loans LBP'000	Total LBP'000
Balance at January 1	89,766,045	4,399,266	94,165,311
Additions	17,521,797	7,502,071	25,023,868
Write-off	(2,227,607)	(7,256,802)	(9,484,409)
Recoveries	(828,993)	(352,785)	(1,181,778)
Effect of exchange rates changes	-	(1,688)	(1,688)
Balance at December 31	104,231,242	4,290,062	108,521,304

	2 0 0 7		
	Unrealized Interest on:		
	Doubtful and Bad Loans LBP'000	Substandard Loans LBP'000	Total LBP'000
Balance at January 1	83,701,825	4,641,189	88,343,014
Additions	14,153,068	133,247	14,286,315
Write-off	(6,409,708)	(102,879)	(6,512,587)
Recoveries	(1,679,128)	(272,291)	(1,951,419)
Effect of exchange rates changes	(12)	-	(12)
Balance at December 31	89,766,045	4,399,266	94,165,311

Notes to the Consolidated Financial Statements

The movement of the allowance for impairment of loans and advances to customers and pledged guarantee funds during 2008 and 2007 is as follows:

2008

	Allowance for Impairment	Pledged Guarantee Funds
	LBP'000	LBP'000
Balance at January 1	6,577,187	12,383,418
Additions	780,432	-
Write-offs	(49,815)	-
Recoveries	(432,714)	-
Transfer to/(from) shareholders' account	7,600	(7,600)
Effect of exchange rates changes	(1,988)	(2,097)
Balance at December 31	6,880,702	12,373,721

2007

	Allowance for Impairment	Pledged Guarantee Funds
	LBP'000	LBP'000
Balance at January 1	8,035,954	12,193,810
Additions	-	-
Write-off	(598,597)	-
Recoveries	(860,170)	-
Transfer from shareholders' account	-	189,608
Balance at December 31	6,577,187	12,383,418

The majority of bad and doubtful loans have been delinquent for many years and are subject to various lawsuits pending before the courts and there is reasonable doubt regarding their collectibility.

Provision for credit losses in respect of the indicated doubtful loans was set up in various currencies to the extent of LBP6.9billion up to December 31, 2008 (LBP6.6billion in 2007). Furthermore, pledged guarantee funds amounting to LBP12billion as at December 31, 2008 (LBP12billion in 2007) were deposited by the shareholders of the bank in order to cover shortfall in the amount of provisions set up for bad and doubtful loans.

8. INVESTMENT SECURITIES

This caption consists of the following:

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	4,107,945	88,851	4,196,796	-	-	-
Lebanese treasury bills	-	-	-	127,529,113	-	127,529,113
Lebanese Government bonds	-	4,139,912	4,139,912	-	87,509,404	87,509,404
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	6,867,273	22,182,038	29,049,311
	4,107,945	4,228,763	8,336,708	134,396,386	109,691,442	244,087,828
Accrued interest receivable	-	88,686	88,686	3,608,647	1,925,032	5,533,679
	4,107,945	4,317,449	8,425,394	138,005,033	111,616,474	249,621,507

December 31, 2007

	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	4,107,945	88,851	4,196,796	-	-	-
Lebanese treasury bills	-	-	-	74,894,216	-	74,894,216
Lebanese Government bonds	-	2,711,540	2,711,540	-	81,564,287	81,564,287
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	6,760,744	22,113,164	28,873,908
	4,107,945	2,800,391	6,908,336	81,654,960	103,677,451	185,332,411
Accrued interest receivable	-	51,689	51,689	2,193,340	1,683,313	3,876,653
	4,107,945	2,852,080	6,960,025	83,848,300	105,360,764	189,209,064

Notes to the Consolidated Financial Statements

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

2 0 0 8

	Available-for-Sale			Held-to-Maturity		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	4,107,945	2,800,391	6,908,336	81,654,960	103,677,451	185,332,411
Additions	-	1,507,500	1,507,500	77,750,000	15,075,000	92,825,000
Redemption and sale	-	-	-	(25,120,000)	(9,045,000)	(34,165,000)
Change in fair value	-	(5,427)	(5,427)	-	-	-
Effect of discount/premium amortization	-	(73,701)	(73,701)	111,426	(16,009)	95,417
Balance December 31	4,107,945	4,228,763	8,336,708	134,396,386	109,691,442	244,087,828

2 0 0 7

	Available-for-Sale			Held-to-Maturity		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	1,205,050	3,097,345	4,302,395	94,827,548	96,827,287	191,654,835
Additions	-	-	-	22,034,000	7,537,500	29,571,500
Redemption and sale	-	(164,866)	(164,866)	(35,395,000)	(753,750)	(36,148,750)
Change in fair value	2,902,895	(132,088)	2,770,807	-	-	-
Effect of discount/premium amortization	-	-	-	188,412	66,414	254,826
Balance December 31	4,107,945	2,800,391	6,908,336	81,654,960	103,677,451	185,332,411

A. Available-for-sale investment securities:

December 31, 2008

	LBP			C/V in LBP of F/Cy		
	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Unquoted equity securities	895,722	4,107,945	3,212,223	153,765	88,851	(64,914)
Lebanese Government bonds	-	-	-	4,448,800	4,139,912	(308,887)
	895,722	4,107,945	3,212,223	4,602,565	4,228,763	(373,801)

December 31, 2007

	LBP			C/V in LBP of F/Cy		
	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Unquoted equities securities	895,722	4,107,945	3,212,223	153,765	88,851	(64,914)
Lebanese Government bonds	-	-	-	3,015,000	2,711,540	(303,460)
	895,722	4,107,945	3,212,223	3,168,765	2,800,391	(368,374)

Notes to the Consolidated Financial Statements

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

D e c e m b e r 3 1 , 2 0 0 8

Remaining Period to Maturity	Nominal Value	Counter Value of F/Cy		Yield
		Amortized Cost	Carrying Fair Value	
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
- 3 years to 5 years	3,015,000	2,941,300	2,748,590	7.56
- Beyond 5 years	1,507,500	1,507,500	1,391,322	8.25
	4,522,500	4,448,800	4,139,912	

D e c e m b e r 3 1 , 2 0 0 7

Remaining Period to Maturity	Nominal Value	Counter Value of F/Cy		Yield
		Amortized Cost	Carrying Fair Value	
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
- Beyond 5 years	3,015,000	3,015,000	2,711,540	7.81

B. Held-to-maturity investment securities:

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

D e c e m b e r 3 1 , 2 0 0 8

Remaining Period to Maturity	LBP				Counter Value of F/Cy			
	Redemption Value	Carrying Value	Fair Value	Yield	Redemption Value	Carrying Value	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:								
- Up to 1 year	15,000,000	14,999,259	15,550,779	9.34	-	-	-	-
- 1 year to 3 years	112,599,730	112,529,854	117,427,661	9.45	-	-	-	-
- 3 years to 5 years	-	-	-	-	-	-	-	-
- Beyond 5 years	-	-	-	-	-	-	-	-
	127,599,730	127,529,113	132,978,440		-	-	-	
Lebanese Government bonds:								
- Up to 1 year	-	-	-	-	14,321,250	14,347,520	14,188,410	8.27
- 1 year to 3 years	-	-	-	-	18,843,750	18,709,780	18,240,514	7.64
- 3 years to 5 years	-	-	-	-	19,597,500	19,337,906	18,830,892	8.31
- Beyond 5 years	-	-	-	-	35,203,140	35,114,198	33,147,481	8.23
	-	-	-	-	87,965,640	87,509,404	84,407,297	
Certificates of deposit issued by Central Bank of Lebanon:								
- 1 year to 3 years	7,000,000	6,867,273	7,485,877	11.30	-	-	-	-
- 5 years to 10 years	-	-	-	-	22,612,500	22,182,038	23,336,799	10.31
	7,000,000	6,867,273	7,485,877		22,612,500	22,182,038	23,336,799	
Grand total	134,599,730	134,396,386	140,464,317		110,578,140	109,691,442	107,744,096	

Notes to the Consolidated Financial Statements

December 31, 2007

Remaining Period to Maturity	LBP				Counter Value of F/Cy			
	Redemption Value	Carrying Value	Fair Value	Yield	Redemption Value	Carrying Value	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:								
- Up to 1 year	25,120,000	25,118,201	26,069,116	9.18	-	-	-	-
- 1 year to 3 years	45,815,730	45,804,831	47,914,933	9.72	-	-	-	-
- 3 years to 5 years	4,034,000	3,971,184	4,198,558	11.50	-	-	-	-
	74,969,730	74,894,216	78,182,607		-	-	-	
Lebanese Government bonds:								
- Up to 1 year	-	-	-	-	9,020,126	9,041,546	8,998,870	7.83
- 1 year to 3 years	-	-	-	-	19,719,297	19,652,818	19,017,716	8.03
- 3 years to 5 years	-	-	-	-	19,054,297	19,285,800	18,565,616	7.80
- Beyond 5 years	-	-	-	-	33,570,433	33,584,123	30,926,184	8.08
	-	-	-		81,364,153	81,564,287	77,508,386	
Certificates of deposit issued by Central Bank of Lebanon:								
- 1 year to 3 years	7,000,000	6,760,744	7,553,663	11.30	-	-	-	-
- 5 years to 10 years	-	-	-	-	22,612,500	22,113,164	22,849,931	10.31
	7,000,000	6,760,744	7,553,663		22,612,500	22,113,164	22,849,931	
Grand total	81,969,730	81,654,960	85,736,270		103,976,653	103,677,451	100,358,317	

Held-to-maturity certificates of deposit in foreign currency issued by the Central Bank of Lebanon represent certificates of deposit with maturity 2015 and carry a put option exercised at a redemption value of 91.63% of par in year 2012. The management intention is to hold these financial assets until final maturity in 2015

9. 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.

10. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans represent real estate acquired through enforcement of security over loans and advances to customers.

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

	LBP'000
Cost:	
Balance at January 1, 2007	10,635,440
Additions	5,251,402
Disposals	<u>(570,995)</u>
Balance at December 31, 2007	15,315,847
Additions	1,337,164
Transfer from other assets	2,143,341
Disposals	<u>(1,122,047)</u>
Balance at December 31, 2008	<u>17,674,305</u>

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

11. PROPERTY AND EQUIPMENT

The movement of property and equipment during 2007 and 2006 was as follows:

	Land and Buildings	Furniture and Fixtures	Computer Equipment	Vehicles	Installations and Improvement	Office Equipment	Electrical and Industrial Equipment	Advances on Fixed Assets	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cost/Revaluation:									
Balance January 1, 2007	23,044,511	511,079	2,425,173	129,624	2,518,049	913,210	428,757	37,863	30,008,266
Additions	-	59,066	95,494	-	321,459	54,076	9,045	-	539,140
Disposal	(8,450)	(59,695)	(447,007)	-	-	(80,943)	-	(5,644)	(601,739)
Balance December 31, 2007	23,036,061	510,450	2,073,660	129,624	2,839,508	886,343	437,802	32,219	29,945,667
Additions	-	98,847	203,543	-	655,054	178,774	157,936	-	1,294,154
Disposal	-	-	(3,013)	-	-	(12,430)	-	(32,219)	(47,662)
Balance December 31, 2008	23,036,061	609,297	2,274,190	129,624	3,494,562	1,052,687	595,738	-	31,192,159
Accumulated depreciation:									
Balance January 1, 2007	(1,802,647)	(150,995)	(2,148,725)	(22,368)	(1,516,614)	(632,269)	(403,393)	-	(6,677,011)
Additions	(303,718)	(85,483)	(115,157)	(298,909)	(171,986)	(1,707)	(25,118)	-	(1,002,078)
Write-off on disposal	1,440	2,356	446,632	-	-	80,807	-	-	531,235
Balance December 31, 2007	(2,104,925)	(234,122)	(1,817,250)	(321,277)	(1,688,600)	(553,169)	(428,511)	-	(7,147,854)
Additions	(492,455)	(47,867)	(140,583)	(74,268)	(376,609)	(71,323)	(1,815)	-	(1,204,920)
Write-off on disposal	-	-	3,013	-	-	9,673	-	-	12,686
Balance December 31, 2008	(2,597,380)	(281,989)	(1,954,820)	(395,545)	(2,065,209)	(614,819)	(430,326)	-	(8,340,088)
Carrying amount:									
December 31, 2008	20,438,681	327,308	319,370	(265,921)	1,429,353	437,868	165,412	-	22,852,071
December 31, 2007	20,931,136	276,328	256,410	(191,653)	1,150,908	333,174	9,291	32,219	22,797,813

12. INTANGIBLE ASSETS

The movement of intangible assets during 2008 and 2007 was as follows

	Purchased Software LBP'000
Cost/Revaluation:	
Balance at January 1, 2007	105,505
Acquisitions	77,964
Balance at December 31, 2007	183,469
Acquisitions	75,305
Balance at December 31, 2008	258,774
Accumulated Amortization:	
Balance at January 1, 2007	(55,581)
Amortization for the period	(33,180)
Balance at December 31, 2007	(88,761)
Amortization for the period	(39,287)
Balance at December 31, 2008	(128,048)
Carrying Amounts:	
December 31, 2008	130,726
December 31, 2007	94,708

13. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2008	2007
	LBP'000	LBP'000
Assets in process of acquisition in settlement of loans	3,649,740	5,793,081
Deferred charges	31,658	206,713
Accrued income	7,799	175,502
Prepayments	253,875	139,815
Sundry accounts receivable	1,337,136	875,160
Doubtful receivables	5,140,451	-
Pledged guarantee funds	(5,140,451)	-
	5,280,208	7,190,271

Assets in process of acquisition in settlement of loans represent the value of loans written-off against enforcement of real estate security held and will be reallocated to "Assets Acquired in Settlement of Loans" once the registration in the name of the Bank is completed (Note 10).

Pledged guarantee funds amounting to LBP5.1billion as of December 31, 2008 were deposited by the shareholders of the Bank in order to cover dubious receivable balances originated from unauthorized transactions.

14. DEPOSITS AND BORROWINGS FROM BANKS

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

	December 31,	
	2008	2007
	LBP'000	LBP'000
Current deposits of banks	25,498	25,975
Money market deposits	3,941,556	7,910,133
Accrued interest payable	18,416	44,912
	3,985,470	7,981,020

The money market deposits represent the counter value of CHF2,760,000 as of December 31, 2008 (CHF5,944,027 in 2007), and are subject to 2.90% interest rate per annum (2.92% per annum in 2007) with maturity January 2009.

15. CUSTOMERS' DEPOSITS AND CREDIT BALANCES

Customers' deposits and credit balances are reflected at amortized cost and consist of the following:

	D e c e m b e r 3 1 , 2 0 0 8			D e c e m b e r 3 1 , 2 0 0 7		
	Interest Bearing	LBP		Counter Value in LBP of F/Cy		
		LBP'000	Non-Interest Bearing LBP'000	Total LBP'000	Interest Bearing LBP'000	Non-Interest Bearing LBP'000
Deposits from customers:						
-Current/demand deposits	3,724,453	29,631,821	33,356,274	3,831,040	24,172,335	28,003,375
-Term deposits	462,422,347	-	462,422,347	398,656,633	-	398,656,633
-Collateral against loans and advances	66,905,119	-	66,905,119	60,419,271	-	60,419,271
	533,051,919	29,631,821	562,683,740	462,906,944	24,172,335	487,079,279
Margins and other credit balances:						
- Margins for irrevocable import letters of credit	-	1,082,010	1,082,010	-	66,907	66,907
- Margins on letters of guarantee	-	1,122,047	1,122,047	-	1,059,295	1,059,295
- Other margins	-	692,147	692,147	-	647,127	647,127
	-	2,896,204	2,896,204	-	1,773,329	1,773,329
Accrued interest payable	2,002,023	-	2,002,023	2,240,393	-	2,240,393
Total	535,053,942	32,528,025	567,581,967	465,147,337	25,945,664	491,093,001

Notes to the Consolidated Financial Statements

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

D e c e m b e r 3 1 , 2 0 0 8

	LBP	Total Deposits Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
-Less than LBP1.5billion	153,454,627	209,383,286	362,837,913	64	8,261
-From LBP1.5billion to LBP5billion	19,430,858	82,398,734	101,829,592	18	40
-From LBP5billion to LBP10billion	1,066,977	46,923,534	47,990,511	8	6
-From LBP10billion to LBP15billion	-	14,707,610	14,707,610	3	1
-More than LBP15billion	-	38,214,318	38,214,318	7	2
	173,952,462	391,627,482	565,579,944	100	8,310

D e c e m b e r 3 1 , 2 0 0 7

	LBP	Total Deposits Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
-Less than LBP1.5billion	107,476,184	222,414,139	329,890,323	67	8,356
-From LBP1.5billion to LBP5billion	11,425,000	64,332,035	75,757,035	15	29
-From LBP5billion to LBP10billion	1,050,266	51,146,273	52,196,539	11	7
-From LBP10billion to LBP15billion	-	13,526,778	13,526,778	3	1
-More than LBP15billion	-	17,481,933	17,481,933	4	1
	119,951,450	368,901,158	488,852,608	100	8,394

Deposits from customers include at December 31, 2008 coded deposit accounts in the aggregate of LBP7.8billion (LBP9.6billion in 2007). 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.

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

Year	LBP Base Accounts		F/Cy Base Accounts		
	Average Balance of Deposits	Average Interest Rate	Average Balance of Deposits	Average Interest Rate	Cost of Funds
	LBP'000	%	LBP'000	%	LBP'000
2008	146,041,708	7.66	454,018,713	4.37	27,324,418
2007	119,350,090	7.81	350,008,237	5.01	26,851,618
2006	110,795,454	8.51	350,852,273	4.00	23,452,121

16. RELATED PARTIES' DEPOSITS AND CREDIT BALANCES

Related parties' deposits and credit balances are reflected at amortized cost and consist of the following:

	D e c e m b e r 3 1 , 2 0 0 8			D e c e m b e r 3 1 , 2 0 0 7		
	Interest Bearing	Non-Interest Bearing	Total	Interest Bearing	Non-Interest Bearing	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from customers:						
- Current / demand deposits	54,576	5,865,168	5,919,744	-	4,389,544	4,389,544
- Term deposits	52,431,087	-	52,431,087	44,924,342	-	44,924,342
- Collateral against loans and advances	1,852,093	-	1,852,093	2,029,876	-	2,029,876
	54,337,756	5,865,168	60,202,924	46,954,218	4,389,544	51,343,762
Margin and other accounts:						
- Margins on letters of guarantee	58,352	-	58,352	64,262	-	64,262
Accrued interest payable	89,035	-	89,035	377,320	-	377,320
Total	54,485,143	5,865,168	60,350,311	47,395,800	4,389,544	51,785,344

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

	D e c e m b e r 3 1 , 2 0 0 8				
	LBP	Total Deposits Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
- Less than LBP1.5billion	1,316,161	15,657,212	16,973,373	28	90
- From LBP1.5billion to LBP5billion	4,875,198	29,793,280	34,668,478	58	13
- From LBP5billion to LBP10billion	1,559	8,617,866	8,619,425	14	1
	6,192,918	54,068,358	60,261,276	100	104

	D e c e m b e r 3 1 , 2 0 0 7				
	LBP	Total Deposits Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
-Less than LBP1.5billion	835,293	12,932,519	13,767,812	27	87
- From LBP1.5billion to LBP5billion	347,743	19,105,601	19,453,344	38	9
- From LBP5billion to LBP10billion	-	6,781,595	6,781,595	13	1
- From LBP10billion to LBP15billion	-	11,405,273	11,405,273	22	1
	1,183,036	50,224,988	51,408,024	100	98

17. OTHER LIABILITIES

This caption consists of the following:

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Income tax payable	61,828	49,407
Deferred tax liability (Note 23)	426,577	426,577
Other taxes payable	323,593	362,753
Due to the Social Security National Fund	146,659	114,867
Unearned revenue	18,354	17,819
Checks and incoming payment orders in course of settlement	188,780	155,397
Accrued expenses	853,059	911,781
Fair value of financial guarantees issued	144,741	201,052
Sundry accounts payable	3,357,139	1,067,474
	5,520,730	3,307,127

The regrouping of reconciliations between average effective tax rate and enacted tax rates is summarized as follows:

	2008	2007
	LBP'000	LBP'000
Income tax based on enacted rate	187,840	268,767
Excess tax paid on certain income (Non-refundable)	393,715	190,955
	581,555	459,722
Lump sum tax (subsidiary)	11,000	-
Real estate tax (subsidiary)	49,500	49,407
Total income tax expense	642,055	509,129
Tax paid during the year	(581,555)	(459,722)
Tax payable as at December 31	60,500	49,407

Deferred tax liability is attributable to the change in fair value of available-for-sale securities.

The Bank's social security declarations are still subject to review by the National Social Security Fund since 1997.

The Bank's tax returns for the years 2006 to 2008 remain subject to examination and final assessment by the tax authorities.

18. PROVISIONS

Provisions consist of the following:

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Provision for staff termination indemnity	1,705,011	1,266,539
Provision for contingencies	2,771	2,771
Provision for loss foreign currency position	4,186	3,061
	1,711,968	1,272,371

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

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Balance January 1	1,266,539	894,185
Additions	580,336	513,580
Settlements	(141,864)	(141,226)
Balance December 31	1,705,011	1,266,539

Provision for loss on foreign currency position represents the provision set up by the Bank for foreign currency fluctuation on the exchange position at year end in conformity with Banking Control Commission Circular No. 197.

19. SHARE CAPITAL

At December 31, 2008 and 2007, the authorized ordinary share capital of the Group was LBP4billion consisting of 4,000,000 fully paid shares (4,000,000 shares in 2007) of LBP1,000 par value each.

20. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital is for a total amount of LBP21billion (USD14,225,000) as at December 31, 2008 and 2007. These contributions are interest free and are made by the major shareholders to support the Bank in developing its activities. This sort of equity financial instrument has the advantage of being booked and maintained in foreign currency thus providing a hedging against the national currency fluctuation. According to local banking laws and regulations, shareholders' cash contribution to capital is considered as Tier I capital for the purpose of computation of the risk-based capital ratio.

The extraordinary general assembly held on August 20, 2005 decided to increase these contributions to USD39,225,000 by an immediate increase of USD4,500,000 settled by current shareholders during 2006 and an increase of USD25,000,000 not yet settled as at the date of the issuance of these financial statements.

21. RESERVES

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

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Reserve for general banking risks	3,679,051	3,182,054
Legal reserve	703,345	602,841
General reserves	585,916	497,480
	4,968,312	4,282,375

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. 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.

22. REVALUATION SURPLUS

Revaluation surplus resulted from the revaluation at current net realizable value of the Bank's premises, and investment in the wholly owned subsidiary.

	D e c e m b e r 3 1 ,	
	2008	2007
	LBP'000	LBP'000
Bank premises	6,287,200	6,287,200
Subsidiary owned properties (SIPC)	14,712,997	14,712,997
Assets acquired in satisfaction of loans	260	260
	21,000,457	21,000,457

According to local banking regulations the revaluation surplus of owned premises is eligible to be incorporated in the Tier II capital for the purpose of computation of the risk based capital ratio.

During 2006, the subsidiary's properties was subject to revaluation and resulted in a surplus of LBP2.5billion, net of tax.

23. CUMULATIVE CHANGE IN FAIR VALUE OF INVESTMENT SECURITIES

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

	December 31, 2008			December 31, 2007		
	Cumulative Change in Fair Value	Deferred Tax	Net	Cumulative Change in Fair Value	Deferred Tax	Net
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Unrealized loss on Lebanese Government bonds	(308,887)	(46,333)	(262,554)	(303,460)	(45,519)	(257,941)
Unrealized gain on equity securities	3,147,309	472,910	2,674,399	3,147,309	472,096	2,675,213
	2,838,422	426,577	2,411,845	2,843,849	426,577	2,417,272

The movement of the cumulative change in fair value of available-for-sale investment securities is as follows:

	2008	2007
	LBP'000	LBP'000
Balance - January 1 (Before deferred tax)	2,843,849	73,043
Unrealized gain/(loss) on:		
- Lebanese government bonds	(5,427)	(123,707)
- Equity securities	-	2,902,895
Transfer to profit or loss	-	(8,382)
Balance - December 31 (Before deferred tax)	2,838,422	2,843,849
Deferred tax liability (Note 17)	(426,577)	(426,577)
Balance - December 31 (After deferred tax)	2,411,845	2,417,272

24. INTEREST INCOME

This caption consists of the following:

	2008	2007
	LBP'000	LBP'000
Free deposits with Central Bank	3,067,274	3,852,956
Deposits with banks and financial institutions	2,686,414	3,027,901
Available-for-sale investment securities	272,357	214,092
Held-to-maturity investment securities	19,666,095	17,229,664
Loans and advances to customers	15,964,084	14,005,784
Loans and advances to related parties	138,630	118,534
Interest realized on impaired loans and advances to customers	1,181,778	1,951,419
	42,976,632	40,400,350

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 agreements are signed with customers

25. INTEREST EXPENSE

This caption consists of the following:

	2008	2007
	LBP'000	LBP'000
Deposits and borrowings from banks and financial institutions	194,181	108,176
Customers' deposits and credit balances	27,324,418	26,851,618
Related parties' deposits and credit balances	2,780,173	2,581,574
	30,298,772	29,541,368

26. FEE AND COMMISSION INCOME

This caption consists of the following:

	2008	2007
	LBP'000	LBP'000
Commission on documentary credits	25,576	21,640
Commission on letters of guarantee	508,738	315,444
Service fees on customers' transactions	827,927	787,848
Brokerage fees	165,380	266,942
Commission on transactions with banks	1,297	1,127
Asset management fees	113,925	107,010
	1,642,843	1,500,011

27. FEE AND COMMISSION EXPENSE

This caption consists of commission on transactions with banks in the amount of LBP207million and LBP235million for the year ended December 31, 2008 and 2007, respectively.

28. OTHER OPERATING INCOME

This caption consists of the following:

	2008	2007
	LBP'000	LBP'000
Gain on sale of certificates of deposit issued by Central Bank of Lebanon classified as available-for-sale	-	8,382
Dividends on available for-sale securities	77,906	76,148
Net foreign exchange gain	256,713	171,109
Others	-	178,616
	334,619	434,255

29. STAFF COSTS

This caption consists of the following:

	2008	2007
	LBP'000	LBP'000
Salaries, bonuses and other benefits	7,590,374	6,493,296
Social Security contributions	820,294	778,689
Provision for end-of-service indemnities	580,336	513,580
Board of Directors' remuneration fees	101,048	229,076
	9,092,052	8,014,641

30. 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.

31. FIDUCIARY ACCOUNTS

Fiduciary accounts consist of the following:

December 31, 2008

	Customers' Base Accounts		Total
	Resident	Non-Resident	
	LBP'000	LBP'000	LBP'000
Fiduciary deposits with banks	3,389,949	-	3,389,949
Shares in custody	22,182,159	771,509	22,953,668
Back to back lending	7,384,113	14,223,147	21,607,260
	30,956,221	14,994,656	47,950,877

December 31, 2007

	Customers' Base Accounts		Total
	Resident	Non-Resident	
	LBP'000	LBP'000	LBP'000
Fiduciary deposits with banks	3,214,383	-	3,214,383
Shares in custody	5,533,995	5,226,100	10,760,095
Back to back lending	7,853,979	15,245,691	23,099,670
	16,602,357	20,471,791	37,074,148

Back-to-back lending are subject to interest differential of 0.5% to 2% representing a fee income. The Bank's participation in the credit risk of the above debtors amounts to LBP5billion (USD3.2million) as of December 31, 2008 (LBP15billion the equivalent of USD10million in 2007).

32. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

	December 31,	
	2008	2007
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
- Unsecured loans and advances	2,918	64,583
- Deposits	34,618,696	20,541,255
Indirect facilities:		
- Letters of guarantee	17,303	48,964
Associated companies:		
Direct facilities and credit balances:		
- Unsecured loans and advances	396,251	2,056,635
- Loans and advances against cash collateral	1,774,741	-
- Deposits	25,731,615	31,244,089
Indirect facilities:		
- Letters of guarantee	388,818	106,618

Interest rates charged on balances outstanding are the same rates that would be charged in an arm's transaction. Secured loans and advances are covered by pledged deposits of the respective borrowers to the extent of LBP1.9billion in 2008 (LBP2.03billion in 2007).

The remunerations of executive management and board of directors amounted to LBP1.1billion during 2008 (LBP1.2billion during 2007).

The Bank rented from "El-Bustan Hotel S.A.L." a building for the period from June 1, 2008 till May 31, 2009 against an annual fee of LBP2million.

33. CASH AND CASH EQUIVALENTS

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

	December 31,	
	2008 LBP'000	2007 LBP'000
Cash	4,350,235	4,967,237
Current accounts with Central Bank	5,054,546	4,562,788
Term placements with banks and financial institutions	47,668,087	71,148,620
Current accounts with banks and financial institutions	3,060,071	3,685,590
Checks in course of collection	566,646	2,400
Deposits and borrowings from banks	(3,967,054)	(7,936,108)
	56,732,531	76,430,527

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

The following investing activities that represent non-cash items were excluded from the cash flow statement:

1. Increase in fair value of available for sale securities in the amount of LBP5million during 2008 (LBP2.4billion during 2007).
2. Assets acquired in satisfaction of loans in the amount of LBP1.3billion during 2008 (LBP5.3billion during 2007)
3. An aggregate amount of LBP5.1billion transferred from Shareholders' accounts to customers' deposits during 2008.

34. CAPITAL MANAGEMENT

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

Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch. Furthermore, the minimum capital adequacy ratio set by the regulator is 12% (Basel I).

The Bank's capital is split as follows:

Tier I capital: Comprises share capital of Shareholders' cash contribution to capital, reserves from appropriation of profits, retained earnings (exclusive of current year's net profit).

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

Also, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital.

The Bank has complied with imposed capital requirements throughout the period.

The Bank's capital adequacy ratio was as follows:

	December 31,	
	2008 LBP'000	2007 LBP'000
Total regulatory capital	51,650,000	53,956,000
Risk-weighted assets	210,606,000	228,338,000
Risk weighted off-balance sheet items	19,801,000	21,574,000
Capital adequacy ratio	22.42%	21.60%

35. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

The risk management framework is briefly outlined as follows:

The Board of Directors

The Board of Directors, through the Management Committee is responsible for establishing the Bank's goals and objectives and overseeing the establishment, implementation and review of the Bank's risk management system.

The Chairman of the Board and the Managing Director are responsible for the efficient functioning of the corporate governance structure and for developing the Bank's risk strategies that direct the Bank's ongoing activities to achieve goals and objectives.

The Risk Management Department

The Risk Management Unit is responsible for drawing a risk management strategy that addresses identified risks such as credit risk on a portfolio level, liquidity risk and interest rate risk in the banking book and operational risk. It cooperates with the Bank's managers at all levels across the organization namely, the Credit Risk Management Department, the Capital Market, the Treasury Department, the Internal Audit Department and the Information Technology Department.

A. Credit Risk

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

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

In measuring credit risk of loans and advances the Bank considers the following:

- Ability of the counterparty to honor its contractual obligations based on the account's performance, recurring overdues and related reasons and the counterparty's financial position;
- Exposure levels of the counterparty and unutilized credit limits granted;
- Exposure levels of the counterparty with other banks;
- Purpose of the credit facilities granted to the counterparty and conformity of utilization by the counterparty.

In accordance with the Central Bank of Lebanon directives, the Bank's customers are categorized into 5 classifications as described below:

In accordance with the Central Bank of Lebanon directives, the Bank's customers are categorized into 5 classifications as described below:

Classification	Description	
1	Standard monitoring	Indicates that borrowers are able to honor their commitments and there is no reason to doubt their ability to repay principal and interest in full and in a timely manner. Some of the indicators related to this category are: continuous cash inflows, timely submission of financial statements and/or sufficient collateral.
2	Special monitoring (Watch list)	Indicates that borrowers are able to honor their current commitments, although repayment may be adversely affected by specific factors. Such borrowers are subject to special monitoring. Major characteristics of this category are: inadequate loan information such as annual financial statements availability, condition of and control over collateral held is questionable and / or declining profitability.
3	Substandard	Indicates that borrowers' ability to serve their commitments is in question. In this context, borrowers cannot depend on their normal business revenues to pay back principal and interest, i.e. losses may occur. The main characteristics of this category are severe decline in profitability and in cash inflows. In this case, the Bank considers interests and commissions as unrealized but does not establish an allowance for impairment.
4	Doubtful	Indicates that borrowers cannot honor their commitments in full and on time. Significant losses will be incurred even collateral held is invoked due to payment overdues. The net realizable value of collateral held is insufficient to cover payment of principal and interest. In this case, the Bank considers interests and commissions as unrealized and established an allowance for impairment accordingly.
5	Bad	Indicates that commitments cannot be covered even after taking all possible measures and resorting to necessary legal procedures. Some signals of this category would be inexistence of collateral low value of collateral and / or, losing contact with the borrower. In this case, the bank considers interests and commissions as unrealized, ceases their accumulation, and provides the whole amount of the exposure's balance.

3 - Financial assets with credit risk exposure and related concentrations

(a) Exposure to credit risk and concentration by counterparty:

The tables below reflect the Bank's exposure to credit risk by counterparty for the different categories of financial assets:

(a.1) Deposits with banks and financial institutions (Excluding checks in course of collection and accrued interest receivable):

Notes to the Consolidated Financial Statements

D e c e m b e r 3 1 , 2 0 0 8

	LBP	Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
Less than LBP5billion	126,290	12,201,016	12,327,306	22	23
Between LBP5billion and LBP15billion	-	19,378,071	19,378,071	35	2
Between LBP15billion and LBP30billion	-	24,089,970	24,089,970	43	1
	126,290	55,669,057	55,795,347	100	26

D e c e m b e r 3 1 , 2 0 0 7

	LBP	Total Deposits Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
Less than LBP5billion	35,097	6,219,116	6,254,213	8	21
Between LBP5billion and LBP15billion	-	8,284,280	8,284,280	11	1
Between LBP15billion and LBP30billion	-	61,577,092	61,577,092	81	3
	35,097	76,080,488	76,115,585	100	25

(a.2) Loans and advances to customers (Excluding accrued interest receivable):

D e c e m b e r 3 1 , 2 0 0 8

Bracket	LBP	Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
Less than LBP1.5billion	14,746,453	35,746,374	50,492,827	26	1,051
From LBP1.5billion to LBP5billion	5,446	36,996,718	37,002,164	19	13
From LBP5billion to LBP10billion	15,287	21,063,221	21,078,508	11	3
From LBP10billion to LBP15billion	-	22,165,171	22,165,171	11	2
More than LBP15billion	-	62,877,169	62,877,169	33	3
	14,767,186	178,848,653	193,615,839	100	1,072

D e c e m b e r 3 1 , 2 0 0 7

Bracket	LBP	Total Deposits Counter Value of F/Cy	Total	% to Total Deposits	No. of Customers
	LBP'000	LBP'000	LBP'000	%	
Less than LBP1.5billion	16,102,909	38,571,771	54,674,680	28	1,317
From LBP1.5billion to LBP5billion	6,302	41,065,599	41,071,901	21	16
From LBP5billion to LBP10billion	138,452	35,128,009	35,266,461	18	5
From LBP10billion to LBP15billion	3,590	27,040,525	27,044,115	14	2
More than LBP15billion	577	34,291,289	34,291,866	19	2
	16,251,830	176,097,193	192,349,023	100	1,342

Notes to the Consolidated Financial Statements

(b) Fair value of collateral received against loans and advances to customers:

D e c e m b e r 3 1 , 2 0 0 8

	Gross Exposure Net of Unrealized Interest		Pledged Guarantee Fund	Net Exposure	Fair Value of Collateral Received		
	Allowance for Impairment				Pledged Funds	First Degree Mortgage on Property	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	175,160,450	(774,357)	(1,779,945)	172,606,148	65,900,325	47,130,520	113,030,845
Individually impaired:							
Restructured	5,597,913	-	(477,655)	5,120,258	-	1,164,434	1,164,434
Substandard	9,534,655	-	-	9,534,655	244,800	8,536,483	8,781,283
Doubtful	23,899,850	(6,106,345)	(10,116,121)	7,677,384	759,994	8,028,572	8,788,566
	39,032,418	(6,106,345)	(10,593,776)	22,332,297	1,004,794	17,729,489	18,734,283
	214,192,868	(6,880,702)	(12,373,721)	194,938,445	66,905,119	64,860,009	131,765,128

D e c e m b e r 3 1 , 2 0 0 7

	Gross Exposure Net of Unrealized Interest		Pledged Guarantee Fund	Net Exposure	Fair Value of Collateral Received		
	Allowance for Impairment				Pledged Funds	First Degree Mortgage on Property	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	161,560,700	-	(1,789,641)	159,771,059	59,172,946	63,581,426	122,754,372
Individually impaired:							
Restructured	6,096,542	-	-	6,096,542	-	1,249,505	1,249,505
Substandard	18,501,599	-	-	18,501,599	3,230,976	14,861,098	18,092,074
Doubtful	26,172,106	(6,577,187)	(10,593,777)	9,001,142	45,225	8,028,572	8,073,797
	50,770,247	(6,577,187)	(10,593,777)	33,599,283	3,276,201	24,139,175	27,415,376
	212,330,947	(6,577,187)	(12,383,418)	193,370,342	62,449,147	87,720,601	150,169,748

Notes to the Consolidated Financial Statements

(c) Concentration of financial assets by industry or sector:

D e c e m b e r 3 1 , 2 0 0 8

	Sovereign	Financial Services	Real Estate Development and Trading	Consumer Goods Trading and Services	Private Individual	Other	Total	Accrued Interest	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'00	LBP'00	LBP'00
Cash and Central Bank	137,846,095	-	-	-	-	-	137,846,095	483,089	138,329,184
Deposits with banks and financial	-	56,361,993	-	-	-	-	56,361,993	97,346	56,459,339
Loans and advances to customers	-	-	93,493,499	88,062,936	2,135,419	9,923,985	193,615,839	1,322,606	194,938,445
Available-for-sale investment securities	4,139,913	4,196,796	-	-	-	-	8,336,709	88,685	8,425,394
Held-to-maturity investment securities	244,087,828	-	-	-	-	-	244,087,828	5,533,679	249,621,507
Other financial assets	-	-	-	-	-	1,337,136	1,337,136	-	1,337,136
	386,073,836	60,558,789	93,493,499	88,062,936	2,135,419	11,261,121	641,585,600	7,525,405	649,111,005

D e c e m b e r 3 1 , 2 0 0 7

	Sovereign	Financial Services	Real Estate Development and Trading	Consumer Goods Trading and Services	Private Individual	Other	Total	Accrued Interest	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'00	LBP'00	LBP'00
Cash and Central Bank	101,739,950	-	-	-	-	-	101,739,950	427,127	102,167,077
Deposits with banks and financial	-	76,117,985	-	-	-	-	76,117,985	249,635	76,367,620
Loans and advances to customers	-	-	72,080,083	79,427,184	1,271,694	39,570,062	192,349,023	1,021,319	193,370,342
Available-for-sale investment securities	2,711,540	4,196,796	-	-	-	-	6,908,336	51,689	6,960,025
Held-to-maturity investment securities	185,332,411	-	-	-	-	-	185,332,411	3,876,653	189,209,064
Other financial assets	-	-	-	-	-	875,160	875,160	-	875,160
	289,783,901	80,314,781	72,080,083	79,427,184	1,271,694	40,445,222	563,322,865	5,626,423	568,949,288

(d) Concentration of financial assets by geographical area:

December 31, 2008

	Resident	Non-Resident	Total
	LBP'000	LBP'000	LBP'000
Financial Assets			
Cash and Central Bank	138,329,184	-	138,329,184
Deposits with banks and financial	2,278,262	54,181,077	56,459,339
Loans and advances to customers	177,664,408	17,274,037	194,938,445
Available-for-sale investment securities	8,251,362	174,032	8,425,394
Held-to-maturity investment securities	249,621,507	-	249,621,507
Other financial assets	1,337,136	-	1,337,136
	577,481,859	71,629,146	649,111,005

December 31, 2007

	Resident	Non-Resident	Total
	LBP'000	LBP'000	LBP'000
Financial Assets			
Cash and Central Bank	102,167,077	-	102,167,077
Deposits with banks and financial	2,028,861	74,338,759	76,367,620
Loans and advances to customers	175,227,724	18,142,618	193,370,342
Available-for-sale investment securities	6,732,523	227,502	6,960,025
Held-to-maturity investment securities	189,209,064	-	189,209,064
Other financial assets	875,160	-	875,160
	476,240,409	92,708,879	568,949,288

B. Liquidity Risk

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

The Bank manages the liquidity risk through a well defined policy and procedure set by the ALCO Committee. The objective is to monitor the maturity profile of Bank's financial assets and liabilities and enable management to ensure that the liquidity ratio is in compliance with the required limit set by the regulatory authorities. Management follows up on liquidity by reviewing, on weekly basis, the amount of obligatory reserve and the expected liquidity situation for the week. Moreover, on a monthly basis the liquidity ratio is calculated in accordance with circular No. 236 of the Banking Control Commission and No. 16 of Central Bank of Lebanon.

Notes to the Consolidated Financial Statements

Residual contractual maturities of financial assets and liabilities:

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

December 31, 2008

	Not Subject to Maturity	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets						
Cash and Central Bank	37,654,680	61,479,504	8,291,250	30,903,750	-	138,329,184
Deposits with banks and financial institutions	3,724,064	52,735,275	-	-	-	56,459,339
Loans and advances to customers	21,154,854	134,182,309	21,501,333	12,042,523	6,057,427	194,938,445
Available-for-sale investment securities	4,285,481	-	-	2,748,590	1,391,323	8,425,394
Held-to-maturity investment securities	5,533,679	29,346,779	138,106,907	19,337,906	57,296,236	249,621,507
Other financial assets	1,337,136	-	-	-	-	1,337,136
	73,689,893	277,740,109	167,899,490	65,032,769	64,744,986	649,111,005

Financial Liabilities

Deposits and borrowings from banks	18,416	3,967,054	-	-	-	3,985,470
Customers' deposits and credit balances	32,528,025	535,053,942	-	-	-	567,581,967
Related parties' deposits and credit balances	5,865,168	54,485,143	-	-	-	60,350,311
Other financial liabilities	3,357,139	-	-	-	-	3,357,139
	41,768,748	593,506,139	-	-	-	635,274,887
Maturity Gap	31,921,145	(315,766,030)	167,899,490	65,032,769	64,744,986	13,836,118

December 31, 2007

	Not Subject to Maturity	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets						
Cash and Central Bank	25,340,827	64,012,500	2,261,250	10,552,500	-	102,167,077
Deposits with banks and financial institutions	3,937,625	72,429,995	-	-	-	76,367,620
Loans and advances to customers	27,502,741	158,092,740	1,601,735	1,820,152	4,352,974	193,370,342
Available-for-sale investment securities	4,285,482	-	-	-	2,674,543	6,960,025
Held-to-maturity investment securities	3,876,653	34,159,747	72,218,393	23,256,984	55,697,287	189,209,064
Other financial assets	875,160	-	-	-	-	875,160
	65,818,488	328,694,982	76,081,378	35,629,636	62,724,804	568,949,288

Financial Liabilities

Deposits and borrowings from banks	18,416	7,962,604	-	-	-	7,981,020
Customers' deposits and credit balances	25,945,664	465,147,337	-	-	-	491,093,001
Related parties' deposits and credit balances	4,389,544	47,395,800	-	-	-	51,785,344
Shareholders' accounts	3,623,255	-	-	-	-	3,623,255
Other financial liabilities	1,067,474	-	-	-	-	1,067,474
	35,044,353	520,505,741	-	-	-	555,550,094
Maturity Gap	30,774,135	(191,810,759)	76,081,378	35,629,636	62,724,804	13,399,194

C. Market Risk

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

The non availability of assets for trading in the banking book renders the market risk limited to the foreign exchange risk. The Bank covers the exchange risk that might affect its financial position and its profitability. In this respect, the exchange position limits are set and authorized by the ALCO Committee. Furthermore, the Bank hedges its capital against currency fluctuation by maintaining a fixed position in foreign currency in line with the regulatory authorized limits.

Foreign Exchange risk

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

December 31, 2008

	LBP	USD	Euro	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets					
Cash and Central Bank	35,072,291	100,526,299	2,688,536	42,058	138,329,184
Deposits with banks and financial Institutions	137,282	31,630,776	18,529,766	6,161,515	56,459,339
Loans and advances to customers	16,882,736	140,411,912	22,806,710	14,837,087	194,938,445
Available-for-sale investment securities	4,107,945	4,317,449	-	-	8,425,394
Held-to-maturity investment securities	138,005,033	111,616,474	-	-	249,621,507
Other financial assets	1,933,129	(645,799)	49,806	-	1,337,136
	196,138,416	387,857,111	44,074,818	21,040,660	649,111,005
Financial Liabilities					
Deposits and borrowings from banks	25,498	-	-	3,959,972	3,985,470
Customers' deposits and credit balances	174,690,715	337,535,054	41,276,731	14,079,467	567,581,967
Related parties' deposits and credit balances	6,270,910	48,518,588	2,803,597	2,757,216	60,350,311
other financial liabilities	364,056	2,761,452	222,310	9,321	3,357,139
	181,351,179	388,815,094	44,302,638	20,805,976	635,274,887
Net exchange position	14,787,237	(957,983)	(227,820)	234,684	13,836,118

Notes to the Consolidated Financial Statements

December 31, 2007

	LBP LBP'000	USD LBP'000	Euro LBP'000	Other LBP'000	Total LBP'000
Financial Assets					
Cash and Central Bank	28,994,041	72,330,100	709,519	133,417	102,167,077
Deposits with banks and financial institutions	37,500	52,188,191	20,851,757	3,290,172	76,367,620
Loans and advances to customers	16,547,051	143,053,522	19,990,057	13,779,712	193,370,342
Available-for-sale investment securities	4,107,945	2,852,080	-	-	6,960,025
Held-to-maturity investment securities	83,848,300	105,360,764	-	-	189,209,064
Other financial assets	532,843	342,317	-	-	875,160
	134,067,680	376,126,974	41,551,333	17,203,301	568,949,288
Financial Liabilities					
Deposits and borrowings from banks	-	25,975	-	7,955,045	7,981,020
Customers' deposits and credit balances	120,438,665	320,957,967	40,979,253	8,717,116	491,093,001
Related parties' deposits and credit balances	1,184,245	49,547,296	509,096	544,707	51,785,344
Shareholders' accounts	-	3,623,255	-	-	3,623,255
Other financial liabilities	52,694	997,248	11,837	5,695	1,067,474
	121,675,604	375,151,741	41,500,186	17,222,563	555,550,094
Net exchange position	12,392,076	975,233	51,147	(19,262)	13,399,194

Interest rate risk

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

D e c e m b e r 3 1 , 2 0 0 8

	Non-Interest Earning		Floating Interest Rate			Fixed Interest Rate			Grand Total	
	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Up to 1 Year	1 to 3 Years	3 to 5 Years		Over 5 Years
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets										
Cash and Central Bank	37,654,680	61,479,504	8,291,250	30,903,750	-	138,329,184	-	-	-	138,329,184
Deposits with banks and financial institutions	3,724,064	52,735,275	-	-	-	56,459,339	-	-	-	56,459,339
Loans and advances to customers	17,212,038	148,444,914	5,466,602	1,324,766	2,638,852	175,087,172	15,434,625	2,498,601	1,421,139	194,938,445
Available-for-sale investment securities	4,285,481	-	-	-	-	4,285,481	-	2,748,590	1,391,323	4,139,913
Held-to-maturity investment securities	5,533,679	-	-	-	-	5,533,679	29,346,779	138,106,907	57,296,236	244,087,828
Other financial assets	1,337,136	-	-	-	-	1,337,136	-	-	-	1,337,136
	69,747,078	262,659,693	13,757,852	32,228,516	2,638,852	381,031,991	44,781,404	140,605,508	60,108,698	649,111,005
Financial Liabilities										
Deposits and borrowings from banks	18,416	3,967,054	-	-	-	3,985,470	-	-	-	3,985,470
Customers' deposits and credit balances	32,528,025	535,053,942	-	-	-	567,581,967	-	-	-	567,581,967
Related parties' deposits and credit balances	5,865,168	54,485,143	-	-	-	60,350,311	-	-	-	60,350,311
Other financial liabilities	3,357,139	-	-	-	-	3,357,139	-	-	-	3,357,139
	41,768,748	593,506,139	-	-	-	635,274,887	-	-	-	635,274,887
Interest rate gap position	27,978,330	(330,846,446)	13,757,852	32,228,516	2,638,852	(254,242,896)	44,781,404	140,605,508	60,108,698	268,079,014
										13,836,118

December 31, 2007

	Non-Interest Earning		Floating Interest Rate			Fixed Interest Rate			Grand Total
	LBP'000	Up to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Up to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	
Financial Assets									
Cash and Central Bank	25,340,827	64,012,500	2,261,250	10,552,500	-	-	-	-	102,167,077
Deposits with banks and financial institutions	3,937,625	72,429,995	-	-	-	-	-	-	76,367,620
Loans and advances to customers	27,502,741	158,092,740	1,601,735	4,352,974	193,370,342	-	-	-	193,370,342
Available-for-sale investment securities	4,285,482	-	-	-	4,285,482	-	-	2,674,543	6,960,025
Held-to-maturity investment securities	3,876,653	6,117,875	-	-	9,994,528	28,041,872	72,218,393	23,256,984	189,209,064
Other financial assets	875,160	-	-	-	875,160	-	-	-	875,160
	65,818,488	300,653,110	3,862,985	12,372,652	4,352,974	28,041,872	72,218,393	23,256,984	181,889,079
Financial Liabilities									
Deposits and borrowings from banks	18,416	7,962,604	-	-	-	-	-	-	7,981,020
Customers' deposits and credit balances	25,945,664	465,147,337	-	-	-	-	-	-	491,093,001
Related parties' deposits and credit balances	4,389,544	47,395,800	-	-	-	-	-	-	51,785,344
Shareholders' accounts	3,623,255	-	-	-	-	-	-	-	3,623,255
Other financial liabilities	1,067,474	-	-	-	-	-	-	-	1,067,474
	35,044,353	520,505,741	-	-	-	-	-	-	555,550,094
Interest rate gap position	30,744,135	(219,852,631)	3,862,985	12,372,652	4,352,974	28,041,872	72,218,393	23,256,984	181,889,079

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2008 were approved by the Board of Directors in its meeting held on January 13, 2009.

GENERAL MANAGEMENT

Riad El Solh, 89 Riad El Solh st., BIT Bank bldg.
Beirut, Lebanon
P.O.Box: 11-3948 Riad El Solh - Beirut 1107 2150
Phone: +961 1 992 888 - +961 1 993 888
Fax: +961 1 971 888
E-mail: mgt@bitbank.com.lb
www.bitbank.com.lb

HEAD OFFICE

Riad El Solh, 89 Riad El Solh st., BIT Bank bldg.
Beirut, Lebanon
P.O. Box 11-3948 Riad El Solh - Beirut 1107 2150
Phone: +961 1 985 680
Fax: +961 1 985 681
E-mail: info@bitbank.com.lb
Swift: BTLV LB BE

BRANCHES

Ashrafieh

Saint Louis st., Saint Charbel bldg.
Phone: +961 1 200 520/2/3/4
Fax: +961 1 200 521
E-mail: ashrafieh@bitbank.com.lb

Beit Mery

Beit Mery main road, Al Bustan Hotel
Phone: +961 4 871 125 - +961 4 972 127
Fax: +961 4 871 141
E-mail: beitmery@bitbank.com.lb

Furn El Chebbak

Damascus road, Elias Wakim bldg.
Phone: +961 1 283 672/3 - +961 1 285 120/21
Fax: +961 1 284 712
E-mail: furnchebak@bitbank.com.lb

Gefinor

Clemenceau st., Gefinor center, bloc D
Phone: +961 1 739 051/2/4
Fax: +961 1 739 067
E-mail: gefinor@bitbank.com.lb

Jal El-Dib

Main road, Abou Jaoudeh bldg.
Phone: +961 4 712 539/41/42
Fax: +961 4 712 540
E-mail: jaldib@bitbank.com.lb

Jounieh

La Cité center, block A
Phone: +961 9 830 219 - +961 9 910 612
Fax: +961 9 830 218
E-mail: jounieh@bitbank.com.lb

Mar Elias

Musseitbeh, Mar Elias st., Sinno bldg.
Phone: +961 1 369 630 - +961 1 370 633
Fax: +961 1 369 631
E-mail: marelias@bitbank.com.lb

Riad Solh

89 Riad El Solh st., BIT Bank bldg.
Phone: +961 1 980 176/78
Fax: +961 1 980 182
E-mail: riadsolh@bitbank.com.lb

Saifi

Al Arz st., CAT bldg.
Phone: +961 1 445 210/1/2
Fax: +961 1 581 182
E-mail: saifi@bitbank.com.lb

Sin El Fil

Horsh Tabet, Sin El Fil blvd.
Phone: +961 1 500 830 - +961 1 481 277/593
Fax: +961 1 482 950
E-mail: sinfil@bitbank.com.lb

Sodeco

Sodeco st., Sodeco 1 bldg.
Phone: +961 1 612 009 - +961 1 612 010
Fax: +961 1 612 410
E-mail: sodeco@bitbank.com.lb

Tripoli

El Tall, Muhamad El Jisr st., Nahas bldg.
Phone: +961 6 627 747
Fax: +961 6 441 456
E-mail: tripoli@bitbank.com.lb

CORRESPONDENT BANKS

- **AUSTRIA - VIENNA**
Unicredit Caib AG
- **CANADA-TORONTO**
Bank of Montreal
- **CYPRUS - NICOSIA**
Bank of Cyprus public company LTD
- **DENMARK - COPENHAGEN**
Danske Bank Aktieselskab
- **ENGLAND - LONDON**
J.P. Morgan Chase Bank N.A.
- **ETHIOPIA - ADDIS ABABA**
Commercial Bank of Ethiopia
- **FRANCE - PARIS**
Blom Bank France SA
- **GERMANY - FRANKFURT**
J.P. Morgan AG.
- **ITALY - MILANO**
Intesa Sanpaolo SPA
- **NETHERLANDS - AMSTERDAM**
Royal Bank of Scotland (RBS).
- **NORWAY - OSLO**
DNB NOR Bank ASA
- **SRI LANKA - COLOMBO**
National Development Bank LTD
- **SWEDEN - STOCKHOLM**
Skandinaviska Enskilda Banken AB.
- **SWITZERLAND - GENEVA**
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