

BANKMED S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2010

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3-4
Consolidated Income Statement	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9-107



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
BankMed S.A.L.
Beirut, Lebanon

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of the existing banking laws in Lebanon. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **BankMed S.A.L. Group** as of December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 25, 2011


Deloitte & Touche


Ernst & Young

BANKMED S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2010</u>	<u>2009</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash and central banks	5	2,159,955,489	2,181,287,696
Deposits with banks and financial institutions	6	1,683,273,938	2,212,695,073
Financial assets at fair value through profit or loss	7	36,955,932	85,042,506
Loans to banks	8	203,593,711	181,188,641
Loans and advances to customers	9	4,347,093,167	3,585,617,978
Loans and advances to related parties	10	961,685,490	1,138,467,192
Available-for-sale investment securities	11	5,786,379,128	4,839,310,392
Held-to-maturity investment securities	11	735,269,522	950,297,840
Customers' acceptance liability	12	137,474,027	71,912,105
Investments in associates and other investments	13	96,598,425	91,433,361
Assets acquired in satisfaction of loans	14	144,076,940	75,400,786
Goodwill	15	177,982,424	174,007,534
Property and equipment	16	196,410,545	183,116,157
Other assets	17	196,890,849	186,403,236
Total Assets		<u>16,863,639,587</u>	<u>15,956,180,497</u>
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK	40		
Guarantees and standby letters of credit		1,410,210,311	1,084,549,362
Documentary and commercial letters of credit		333,082,429	287,044,951
Forward exchange contracts		1,000,713,349	955,841,754
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	41	1,497,827,895	1,066,567,599

THE ACCOMPANYING NOTES 1 TO 48 FORM AN INTEGRAL PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS

BANKMED S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

<u>LIABILITIES</u>	<u>Notes</u>	December 31,	
		<u>2010</u>	<u>2009</u>
		LBP'000	LBP'000
Deposits from banks and financial institutions	18	626,621,104	466,791,850
Customers' deposits at fair value through profit or loss	19	47,660,044	160,816,293
Customers' deposits at amortized cost	20	11,751,718,792	10,758,773,533
Related parties' deposits at fair value through profit or loss	21	2,950,037	2,983,695
Related parties' deposits at amortized cost	22	1,472,912,685	1,412,946,381
Acceptances payable	12	137,474,027	71,912,105
Borrowings from banks and financial institutions	23	436,275,546	384,265,602
Certificates of deposit	24	453,020,994	717,316,857
Other liabilities	25	232,909,223	212,822,521
Provisions	26	37,837,446	45,378,606
Total liabilities		<u>15,199,379,898</u>	<u>14,234,007,443</u>
 <u>EQUITY</u> 			
Share capital	27	530,000,000	530,000,000
Preferred shares	28	150,750,000	150,750,000
Legal reserve	29	55,177,146	40,936,271
Property revaluation reserve		3,213,000	3,213,000
Reserve for general banking risks and other reserves	29	81,967,343	71,079,728
Reserves for assets acquired in satisfaction of loans	14	4,525,239	2,353,990
Retained earnings		238,530,586	198,499,045
Cumulative change in fair value of available-for-sale securities	30	354,569,002	477,710,723
Currency translation adjustment		(20,963,486)	(16,069,478)
Profit for the year		<u>157,270,645</u>	<u>134,684,773</u>
Equity attributable to the Group		1,555,039,475	1,593,158,052
Non-controlling interest	31	<u>109,220,214</u>	<u>129,015,002</u>
Total equity		<u>1,664,259,689</u>	<u>1,722,173,054</u>
Total Liabilities and Equity		<u>16,863,639,587</u>	<u>15,956,180,497</u>

THE ACCOMPANYING NOTES 1 TO 48 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANKMED S.A.L.
CONSOLIDATED INCOME STATEMENT

	<u>Notes</u>	<u>Year Ended December 31,</u>	
		<u>2010</u>	<u>2009</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Interest income	32	976,851,024	912,997,229
Interest expense	33	(682,398,615)	(640,431,611)
Net interest income		<u>294,452,409</u>	<u>272,565,618</u>
Fee and commission income	34	73,617,965	73,336,627
Fee and commission expense	35	(12,594,385)	(11,456,154)
Net fee and commission income		<u>61,023,580</u>	<u>61,880,473</u>
Net results on trading portfolio	36	22,036	433,647
Net results on financial instruments designated at fair value through profit or loss upon initial recognition	37	(292,382)	(5,362,351)
Other operating income	38	<u>181,260,942</u>	<u>143,244,228</u>
Net operating revenues		<u>536,466,585</u>	<u>472,761,615</u>
Provision for credit losses (net of write-back)	9	(45,960,663)	(48,513,242)
Other provisions	11 & 17	-	(107,033)
(Loss from write-off)/gain from recovery of loans (net)		(503,677)	<u>6,487,308</u>
Net operating revenues after impairment charge for credit losses		490,002,245	430,628,648
Staff costs		(134,346,216)	(124,918,968)
Administrative expenses	39	(160,704,026)	(128,314,102)
Depreciation and amortization	16 & 17	(16,045,684)	(17,175,812)
Write-back of impairment of assets acquired in satisfaction of loans	14	1,838,184	840,577
Write-back of/(provision) for contingencies	26	<u>202,822</u>	(8,019,033)
Profit before taxes		180,947,325	153,041,310
Income tax expense	25	(21,754,329)	(16,341,407)
Profit for the year		<u>159,192,996</u>	<u>136,699,903</u>
Attributable to:			
Equity holders of the Group		157,270,645	134,684,773
Non-controlling interest		<u>1,922,351</u>	<u>2,015,130</u>
		<u>159,192,996</u>	<u>136,699,903</u>

THE ACCOMPANYING NOTES 1 TO 48 FORM AN INTEGRAL PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS

BANKMED S.A.L.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended	
	December 31,	
	2010	2009
	LBP'000	LBP'000
Profit for the year	<u>159,192,996</u>	<u>136,699,903</u>
Other comprehensive income (“OCI”)		
Currency translation adjustment	(6,721,700)	157,360
Net (loss)/gain on available-for-sale securities	(106,232,168)	395,923,349
Net (loss)/gain on available-for-sale securities recycled to income statement	(37,702,494)	29,273,269
Income tax relating to components of OCI	<u>21,439,851</u>	<u>(54,331,214)</u>
Net other comprehensive (loss)/income for the year	<u>(129,216,511)</u>	<u>371,022,764</u>
Total comprehensive income for the year	<u>29,976,485</u>	<u>507,722,667</u>
 Attributable to:		
Equity holders of the Group	29,234,916	502,108,284
Non-controlling interest	<u>741,569</u>	<u>5,614,383</u>
	<u>29,976,485</u>	<u>507,722,667</u>

THE ACCOMPANYING NOTES 1 TO 48 FORM AN INTEGRAL PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS

BANKMED S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to the Group												
	Common Shares LBP'000	Preferred Shares LBP'000	Legal Reserve LBP'000	Property Revaluation Reserve LBP'000	Reserve for General Banking Risks and Other Reserves LBP'000	Reserves for Assets Acquired in Satisfaction of Loans LBP'000	Retained Earnings LBP'00	Cumulative Change in Fair Value of Available-for- sale-Securities LBP'000	Currency Translation Adjustment LBP'000	Profit for the Year LBP'000	Total LBP'000	Non-Controlling Interest LBP'000	Total Equity LBP'000
Balance at December 31, 2008	530,000,000	-	30,824,497	3,213,000	59,332,492	-	142,002,298	110,153,867	(15,936,133)	104,709,679	964,299,700	123,400,619	1,087,700,319
Total comprehensive income - 2009	-	-	-	-	-	-	-	367,556,856	(133,345)	134,684,773	502,108,284	5,614,383	507,722,667
Difference of exchange	-	-	126,457	-	-	-	(6,389)	-	-	-	120,068	-	120,068
Allocation of 2008 profit	-	-	9,985,317	-	11,747,236	2,492,493	80,484,633	-	-	(104,709,679)	-	-	-
Release upon disposal of assets acquired in satisfaction of loans	-	-	-	-	-	(138,503)	138,503	-	-	-	-	-	-
Dividends declared – Note 27	-	-	-	-	-	-	(24,120,000)	-	-	-	(24,120,000)	-	(24,120,000)
Issued preferred shares	-	150,750,000	-	-	-	-	-	-	-	-	150,750,000	-	150,750,000
Balance at December 31, 2009	530,000,000	150,750,000	40,936,271	3,213,000	71,079,728	2,353,990	198,499,045	477,710,723	(16,069,478)	134,684,773	1,593,158,052	129,015,002	1,722,173,054
Total comprehensive income - 2010	-	-	-	-	-	-	-	(123,141,721)	(4,894,008)	157,270,645	29,234,916	741,569	29,976,485
Difference of exchange	-	-	428,806	-	-	-	1,666,798	-	-	-	2,095,604	-	2,095,604
Allocation of 2009 profit	-	-	13,812,069	-	10,887,615	2,693,109	107,291,980	-	-	(134,684,773)	-	-	-
Disposal of assets acquired in satisfaction of loans	-	-	-	-	-	(521,860)	521,860	-	-	-	-	-	-
Acquisition of non-controlling interest in subsidiary bank	-	-	-	-	-	-	(19,440,629)	-	-	-	(19,440,629)	(20,536,357)	(39,976,986)
Dividends declared – Note 27 and 28	-	-	-	-	-	-	(49,747,500)	-	-	-	(49,747,500)	-	(49,747,500)
Other	-	-	-	-	-	-	(260,968)	-	-	-	(260,968)	-	(260,968)
Balance at December 31, 2010	<u>530,000,000</u>	<u>150,750,000</u>	<u>55,177,146</u>	<u>3,213,000</u>	<u>81,967,343</u>	<u>4,525,239</u>	<u>238,530,586</u>	<u>354,569,002</u>	<u>(20,963,486)</u>	<u>157,270,645</u>	<u>1,555,039,475</u>	<u>109,220,214</u>	<u>1,664,259,689</u>

THE ACCOMPANYING NOTES 1 TO 48 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANKMED S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2010</u>	<u>2009</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash flows from operating activities:			
Profit for the year		159,192,996	136,699,903
Adjustments for:			
Write-back of/provision for impairment of assets acquired in satisfaction of loans	(1,838,184)	(840,577)
Depreciation and amortization		16,045,684	17,175,812
(Write-back of)/provision for credit losses (net)	(5,371,711)	11,188,434
Provision for collective impairment		51,332,374	37,324,808
Loss from write-off of loans		503,677	210,015
Provision for end of service indemnity		4,178,075	3,880,524
(Write-back of)/provision for contingencies	(202,822)	8,019,033
Impairment of available-for-sale securities		-	107,033
Effect of exchange rate fluctuation on goodwill	(3,974,890)	(603,184)
Amortization of commissions and discount on certificates of deposit		718,291	960,853
Realized loss on sale of trading securities		-	49,609
Realized gain on sale of securities	38	(95,500,944)	(75,113,045)
Unrealized gain on trading securities	36	76,424	(208,776)
Income from associates at equity method	38	(8,157,325)	(6,571,447)
Accretion of securities premium		19,941,479	12,828,926
Gain from sale of property and equipment	38	(542,062)	(17,701)
Gain on sale of assets acquired in satisfaction of loans	38	(10,513,294)	(4,005,433)
Currency translation adjustment		(4,894,008)	(133,345)
Decrease/(increase) in financial assets at fair value through profit or loss		48,010,150	(7,678,448)
Loans to banks		(22,405,070)	6,797,572
Increase in loans and advances to customers	43	(886,521,728)	(302,750,066)
Decrease in loans and advances to related parties		176,781,702	223,302,683
Increase/(decrease) in deposits with banks and financial institutions and compulsory deposits and deposits with central banks		629,194,713	(1,140,363,481)
(Increase)/decrease in other assets	43	(10,029,278)	16,103,196
Increase/(decrease) in deposits and borrowings from banks		59,691,517	(159,831,063)
Increase/(decrease) in other liabilities	43	41,052,715	(17,686,123)
Increase in customers' accounts at fair value through profit or loss		(113,156,249)	(79,182,315)
(Decrease)/increase in related parties' accounts at fair value through profit or loss		(33,658)	106,114
Increase in customers' accounts at amortized cost		992,945,259	2,010,323,602
Increase/(decrease) in related parties' accounts at amortized cost		59,966,304	(804,622,224)
Decrease in provisions for contingencies		(11,516,413)	(2,595,908)
(Increase)/decrease in minority interest		(21,717,139)	3,599,253
Exchange difference on retained earnings and legal reserves		2,095,604	120,068
Net cash provided by/(used in) operating activities		<u>1,065,352,189</u>	<u>(113,405,698)</u>
Cash flows from investing activities:			
(Increase)/decrease in available-for-sale and held to maturity investment securities	43	(798,222,637)	34,872,435
Increase in investment in associates and other investments	43	365,243	(5,266,108)
(Increase)/decrease in assets acquired in satisfaction of loans	43	(1,698,337)	389,504
Increase in property and equipment	43	(29,289,899)	(12,198,124)
Proceeds from sale of assets acquired in satisfaction of loans	14	22,266,710	13,607,459
Proceeds from sale of property and equipment		1,722,704	1,295,243
Acquisition of additional interest in subsidiary		(19,440,629)	-
Net cash (used in)/provided by investing activities		<u>(824,296,845)</u>	<u>32,700,409</u>
Cash flows from financing activities:			
Decrease in certificates of deposit		(265,014,154)	-
Increase/(decrease) in other borrowings		52,009,944	53,711,588
Dividends declared		(49,747,500)	(24,120,000)
Issued preferred shares		-	150,750,000
Net cash (used in)/provided by financing activities		<u>(262,751,710)</u>	<u>180,341,588</u>
Net (decrease)/increase in cash and cash equivalents		(21,696,366)	99,636,299
Cash and cash equivalents - Beginning of year	43	<u>1,594,460,189</u>	<u>1,494,823,890</u>
Cash and cash equivalents - End of year	43	<u>1,572,763,823</u>	<u>1,594,460,189</u>

THE ACCOMPANYING NOTES 1 TO 48 FORM AN INTEGRAL PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS

BANKMED S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

1. GENERAL INFORMATION

BankMed S.A.L. (the “Bank”) is a Lebanese joint stock company, registered under Number 5261 in the Lebanese Commercial Register on August 13, 1950 and under Number 22 in the list of banks published by the Central Bank of Lebanon. The principal activities of the Bank and its subsidiaries (the Group) consist of conventional commercial and private banking through a network of 56 branches in Lebanon in addition to a branch in Cyprus, a subsidiary in Switzerland and a subsidiary in Turkey (with 27 branches).

BankMed S.A.L. is wholly owned by GroupMed (Holding) S.A.L. and its headquarters are located in Clemenceau, Beirut, Lebanon.

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

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

The following new and revised standards and interpretations have been adopted in the current period with no material impact on the disclosures and amounts reported for the current and prior years but that may affect the accounting for future transactions or arrangements:

<i>Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
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IFRS 3 (revised) *Business Combinations* and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*

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

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

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

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

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

IFRIC 18 *Transfers of Assets from Customers*

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

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

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- Amendments to IFRS 8 *Operating Segments* – Disclosure of information about segment assets.
- Amendments to IAS 1 *Presentation of Financial Statements*– Current/non-current classification of convertible instruments.
- Amendments to IAS 7 *Statement of Cash Flows* – Classification of expenditures on unrecognized assets.
- Amendments to IAS 17 *Leases* – Classification of leases of land and buildings.
- Amendments to IAS 36 *Impairment of Assets* – Unit of accounting for goodwill impairment test.
- Amendments to IAS 38 *Intangible Assets* – Additional consequential amendments arising from revised IFRS 3. Measuring the fair value of an intangible asset acquired in a business combination.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Treating loan prepayment penalties as closely related embedded derivatives. Scope exemption for business combination contracts. Cash flow hedge accounting.
- IFRIC 9 *Reassessment of Embedded Derivatives* - Scope of IFRIC 9 and revised IFRS 3.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – Amendment to the restriction on the entity that can hold hedging instruments.

2.2 Standards and Interpretations in issue but not yet effective

The Group has not applied the following new standards, amendments and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 <i>Disclosures</i> for First-time Adopters. 	July 1, 2010

July 1, 2011

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

- IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at their fair values. At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The gain or loss that is presented in other comprehensive income includes any related foreign exchange component. Dividends on such investments are recognized in profit or loss in accordance with IAS 18 *Revenue* unless the dividend clearly represents a recovery of part of the cost of the investment. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity.

Early adoption
decided by the
Group effective
January 1, 2011

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the issuer. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the issuer is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

IFRS 9 will be early adopted in the Group's consolidated financial statements for the annual period beginning on January 1, 2011 and this early adoption will have an impact on amounts reported in respect of the Group's financial assets as summarized under section 2.3 below.

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

January 1, 2011
- The amendments to IAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.

February 1, 2010
- Amendment to IFRIC 14 - *Prepayments of a Minimum Funding Requirement*. The amendments correct an unintended consequence of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

January 1, 2011
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit or loss. To date, the Group has not entered into transactions of this nature.

July 1, 2010
- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 3; IFRS 7; IAS1; IAS 27; IAS34; IFRIC 13.

Most of the amendments are effective for annual periods beginning on or after January 1, 2011

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

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

- In accordance with the provisions of IFRS 9, adoption by the Group in 2011 will be applied retrospectively and comparative amounts will not be restated as permitted by IFRS 9.
- Effective January 1, 2011 the Group's available-for-sale financial assets under IAS 39 will be classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

As a result, as of January 1, 2011 the cumulative change in fair value of available-for-sale securities is expected to decrease by an amount of LBP267billion against an increase in the opening balance of retained earnings in the amount of LBP5billion and a decrease in financial assets at amortized cost in the amount of LBP262billion (along with the cumulative deferred tax charge).

- Effective January 1, 2011 part of the Group's financial assets measured at amortized cost (loans & receivables and held-to-maturity investment securities) under IAS 39 will be measured through profit or loss. The change in measurement is not expected to have any effect on the financial statements as at January 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

B. Basis of Preparation and Measurement:

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

- Land and buildings acquired prior to 1993 are measured at their revalued amounts based on market prices prevailing during 1996, to compensate for the effect of the hyper-inflationary economy prevailing in the earlier years.
- Financial assets and liabilities at fair value through profit and loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Derivative financial instruments 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 adopted are set out below:

C. Basis of Consolidation:

The consolidated financial statements of BankMed S.A.L. include the financial statements of the Bank as at December 31, 2010 and companies in which the Bank has a controlling financial interest (subsidiaries and associates, as applicable). The Bank and its subsidiaries (the "Group") have the same financial reporting year and use consistent accounting policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where 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 as at December 31, 2010 comprise:

	<u>Country of Incorporation</u>	<u>Percentage of Ownership</u> %	<u>Date of Acquisition or Incorporation</u>	<u>Business Activity</u>
<u>Banks and Financial Institutions:</u>				
Saudi Lebanese Bank S.A.L.	Lebanon	100	January 1, 1995	Commercial Banking
Méditerranée Investment Bank S.A.L.	Lebanon	100	January 24, 1996	Investment Banking
BankMed Suisse - S.A.	Switzerland	100	August 31, 2001	Private Banking
Allied Business Investment Corporation S.A.L.	Lebanon	66	November 30, 2001	Financial and Fund Management
Turkland Bank A.S.	Turkey	50	January 28, 2007	Commercial Banking
Saudi Med Investment Company	Saudi Arabia	100	May 21, 2007	Corporate Finance Advisory and Asset Management
Med Securities Investment Company S.A.L.	Lebanon	100	November 27, 2007	Financial institution
<u>Real Estate:</u>				
Al Hana S.A.L.	Lebanon	100	December 1, 1995	Owns Bank's Premises
Al Jinan S.A.L.	Lebanon	100	December 1, 1995	Owns Bank's Premises
Al Shams S.A.L.	Lebanon	100	December 1, 1995	Owns Bank's Premises
Centre Méditerranée S.A.L.	Lebanon	100	January 16, 1996	Owns Bank's Premises
Al Hosn Real Estate II S.A.L.	Lebanon	100	February 27, 2004	Owns Bank's Premises
Al Hosn Real Estate III S.A.L.	Lebanon	100	February 27, 2004	Owns Bank's Premises
146 Saifi S.A.L.	Lebanon	100	January 19, 2010	Owns Bank's Premises
<u>Insurance:</u>				
GroupMed Insurance Brokers S.A.L. (GMIB) (Formerly Med Bancassurance S.A.L.)	Lebanon	100	May 20, 2003	Insurance brokerage
<u>Other:</u>				
Medfinance Holding Ltd.	BVI	100	January 1, 2003	Any activity outside of BVI
Méditerranée Investment Bank Holding	Lebanon	100	December 24, 1996	Investment in shares and management of companies
Med Properties Management S.A.L.	Lebanon	100	January 15, 2009	Real estate management services
Med Properties S.A.L. Holding	Lebanon	100	April 23, 2008	Investment in shares and management of companies
Cynvest Holding S.A.L.	Lebanon	100	December 23, 2008	Investment in shares and management of companies
Interstar Investments Limited	Cyprus	100	April 2, 2008	Investment in shares and management of companies

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.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries and associates are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balances.

During 2010, the Group acquired 100% of the shares of a real estate company, 146 Saifi S.A.L., for a total consideration of LBP7.54billion (USD5million). The excess of the purchase price over the net asset value of the acquired interest in the amount of LBP2.69billion (USD1.78million) was allocated to the real estate plot under property and equipment in the consolidated statement of financial position as an adjustment of the carrying value of the acquired real estate property amounting to LBP5billion to reflect its fair value.

On October 25, 2010, the Board of Directors of BankMed S.A.L. resolved to give its initial approval for the dissolution and liquidation of Allied Business Investment Corporation S.A.L.

D. Business Combinations:

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or business units to be disposed of) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the income statement.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated income statement.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

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

E. 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 ("USD").

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Lebanese Pounds using exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as "Other comprehensive income" and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

F. Financial assets and Liabilities:

Recognition and Derecognition:

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

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.

In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability (or a part of a financial liability) can only be derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

Offsetting:

Financial assets and liabilities are set off and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value Measurement:

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

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

Impairment of Financial Assets:

Financial assets, other than those at “fair value through profit and loss”, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more observable loss events, including significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment loss or specific provision for credit losses on non-performing loans and advances to customers, is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, taking into consideration, for non-performing loans and advances to customers, the liquidating value of any security on hand.

In addition to specific provision for credit losses on non-performing loans and advances to customers, provision for collective impairment is made on a portfolio basis for credit losses where there is objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, 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 equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

Designation at Fair Value Through Profit or Loss:

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

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

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

G. 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.

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(F). Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in “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 accumulated in the “change in fair value of available-for-sale securities” is reclassified to profit or loss for the period.

The cumulative 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.

Cost of Put Option:

Cost of exercise of the put option related to the redemption right of debt securities is netted from the underlying cost of the related securities.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (“repos”) are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position reflecting its economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

H. Trading assets:

A financial asset is classified as held for trading if:

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

Financial assets held-for trading are stated at fair value, with any resultant gain or loss recognized in profit or loss. Fair value is determined in the manner described in note 3(F).

Subsequent to their initial recognition, trading securities are not reclassified except when they meet the qualifying conditions of IAS 39 amendments on fair value.

I. Loans and Advances:

Loans and advances are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market and are classified as ‘loans and receivables’. Loans and receivables are measured at amortized cost, less any impairment. Interest income is recognized by applying the effective interest rate.

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

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

Classification as debt or equity:

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

Equity instruments:

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

Financial guarantee contract liabilities:

Financial guarantees contracts are contracts that require the 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.

K. Derivative Financial Instruments:

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, (both written and purchased) are initially measured at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. The resulting gain or loss is recognized in the income statement immediately unless the derivative is designated and effective as a hedge instrument in which event the timing of the recognition in the income statement depends on the hedge relationship. The Group designates certain derivatives as either hedges of the fair value recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models or pricing models as appropriate as indicated under Note 3 (F).

Embedded derivatives:

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Hedge accounting:

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

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

Fair Value Hedge:

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

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

Cash Flow Hedge:

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

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

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

Hedges of net investments in foreign operations:

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the foreign operation.

L. Investments in Associates:

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

The results and assets and liabilities of associates, except where the Group has control over the associates' financial and operating policies, are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the income statement.

Temporary investments in non-consolidated subsidiaries, which the management intends to dispose of within one year from the consolidated statement of financial position date, are reflected in the consolidated statement of financial position at fair value that is equivalent to its net realizable value as determined on the date of the consolidated financial statements.

M. Property and Equipment:

Property and equipment except for buildings acquired prior to 1993 are stated at historical cost, less accumulated depreciation and any impairment loss. Buildings acquired prior to 1993 are stated at their revalued amounts, based on market prices prevailing during 1996 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%
Office improvements and installations	12.5 % - 20%
Furniture	8% - 20%
Equipment and machines	7% - 25%
Computer equipment	20% - 33.33%
Vehicles	10% - 20%

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.

N. Intangible Assets other than Goodwill:

Intangible assets consisting of computer software are amortized over a period of three 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.

O. Goodwill:

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in Associates".

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

P. Assets acquired in satisfaction of loans:

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

Q. Impairment of Tangible and Intangible Assets:

At each statement of financial position 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 statement of financial position 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.

R. Employees' Benefits:

Obligations for contributions to defined employees' benefits are recognized as an expense on a current basis.

Employees' End-of-Service Indemnities: (Under the Lebanese Jurisdiction)

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 statement of financial position 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.

Defined benefit plans: (Under other jurisdictions)

Obligations in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted.

S. 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 consideration required to settle the obligation at the statement of financial position 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.

T. 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.
- Fair value changes in qualifying derivatives and related hedged items when interest rate risk is the hedged risk.

Net trading income presented in the income statement includes:

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

Interest income and expense on financial portfolio designated at fair value through profit or loss upon initial recognition is recognized under net income from other financial instruments carried at fair value.

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

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

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

U. 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 in other comprehensive income (OCI), in which case it is recognized in OCI.

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

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

V. 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.

W. 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.

X. 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 Banks, 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(G).

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3(F).

Qualifying hedge relationships:

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

B. Key Sources of Estimation Uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 his advances and the value of collateral and potential repossession.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios, etc...), concentrations of risks, economic data and the performance of different individual groups.

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3(F). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

- Level 1 - quoted prices for identical items in active, liquid and visible markets such as stock exchanges,
- Level 2 - observable information for similar items in active or inactive markets,
- Level 3 - unobservable inputs used in situations where markets either do not exist or are illiquid.

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

Impairment of goodwill:

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment of available for-sale equity investments:

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

5. CASH AND CENTRAL BANKS

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Cash on hand	105,262,800	78,254,518
Compulsory reserves with the Central Bank of Lebanon	429,971,783	431,646,303
Current accounts with the Central Bank of Lebanon	13,092,770	23,232,762
Current accounts with other central banks	73,848,090	106,580,322
Term placements with the Central Bank of Lebanon	1,400,769,000	1,392,126,500
Term placements with other central banks	135,368,002	147,657,578
Accrued interest receivable	<u>1,643,044</u>	<u>1,789,713</u>
	<u>2,159,955,489</u>	<u>2,181,287,696</u>

Compulsory deposits with the central banks are not available for use in the Group's day-to-day operations and are reflected at amortized cost.

Compulsory reserves with the Central Bank of Lebanon represent non-interest earning deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds, respectively, in accordance with the local banking regulations.

Term placements with the Central Bank of Lebanon include the equivalent in foreign currencies of LBP1,352billion as at December 31, 2010 (LBP1,340.5billion as at December 31, 2009) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposits and loans obtained from non-resident financial institutions.

Term placements with other central banks include the equivalent in Turkish Lira and other foreign currencies of LBP93.7billion as at December 31, 2010 (LBP49.2billion as at December 31, 2009) deposited in accordance with banking laws and regulations in Turkey which require banks to maintain at the Central Bank of Turkey mandatory interest earning deposits to the extent of 6% of their liabilities in Turkish Lira and 11% of their liabilities in foreign currencies.

Term placements with other central banks also include the equivalent in Euro of LBP26.9billion as at December 31, 2010 (LBP20.4billion as at December 31, 2009) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 2% of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

Term placements with Central Bank of Lebanon bear the following maturities and earn fixed or floating interest rates:

<u>Maturity</u>	<u>December 31, 2010</u> <u>F/Cy Base Accounts</u> <u>LBP'000</u>
Up to 1 year	150,750,000
Year 2012-2013	708,525,000
Year 2014 - 2015	541,494,000
	<u>1,400,769,000</u>

	<u>December 31, 2009</u>		
	<u>LBP</u> <u>Base Accounts</u> <u>LBP'000</u>	<u>F/Cy</u> <u>Base Accounts</u> <u>LBP'000</u>	<u>Total</u> <u>LBP'000</u>
Up to 1 year	20,000,000	392,251,500	412,251,500
Year 2011 - 2012	-	753,750,000	753,750,000
Year 2013 – 2014	-	226,125,000	226,125,000
	<u>20,000,000</u>	<u>1,372,126,500</u>	<u>1,392,126,500</u>

Term placements with other central banks amounting to LBP135.4billion as at December 31, 2010 (LBP147.7billion as at December 31, 2009) mature during the first quarter of 2011 (first quarter of 2010 for balances outstanding as at December 31, 2009).

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	<u>December 31,</u>	
	<u>2010</u> <u>LBP'000</u>	<u>2009</u> <u>LBP'000</u>
Checks in course of collection	42,704,809	58,990,908
Current accounts	206,782,513	177,845,163
Current accounts - related parties	1,296,472	942,429
Call placements	5,922,927	5,539,546
Overnight placements	357,098,656	-
Overnight placements - related parties	104,319,336	43,199,276
Term placements	830,273,985	1,533,750,012
Term placements - related parties	32,146,887	297,435,920
Pledged deposits	99,314,100	90,172,059
Accrued interest receivable	3,414,253	4,656,717
Accrued interest receivable - related parties	-	163,043
	<u>1,683,273,938</u>	<u>2,212,695,073</u>

Term, overnight and call placements and pledged deposits bear the following maturities:

<u>Maturity</u>	<u>December 31, 2010</u> <u>F/Cy Base Accounts</u> <u>LBP'000</u>
1st quarter of 2011	1,358,799,167
2nd quarter of 2011	17,231,652
2 nd half of 2011	22,895,072
Year 2013 – 2014	<u>30,150,000</u>
	<u>1,429,075,891</u>

<u>Maturity</u>	<u>December 31, 2009</u> <u>F/Cy Base Accounts</u> <u>LBP'000</u>
1st quarter of 2010	1,843,108,377
2nd half of 2010	78,789,139
Year 2011 – 2012	18,049,297
Year 2013 – 2014	<u>30,150,000</u>
	<u>1,970,096,813</u>

Deposits with banks and financial institutions include term placements in the amount of LBP9.8billion, current accounts in the amount of LBP718million and purchased checks in the amount of LBP19million as at December 31, 2010 (LBP9.8billion and LBP868million and LBP60million as at December 31, 2009, respectively) with right of set-off against current deposits of banks and financial institutions amounting to LBP850million, acceptances payable amounting to LBP10.19billion, letters of guarantee amounting to LBP617million, and letters of credit amounting to LBP6.96billion (LBP7.96billion, LBP6.36billion, LBP15.78billion, LBP10.44billion, respectively as at December 31, 2009).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption consists of the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Financial assets designated at fair value through profit or loss upon initial recognition (a)	35,652,375	83,322,540
Trading assets (b)	<u>1,303,557</u>	<u>1,719,966</u>
	<u>36,955,932</u>	<u>85,042,506</u>

(a) Financial assets designated at fair value through profit or loss upon initial recognition consist of the following:

	December 31,	
	2010	2009
	Foreign Currency Base Accounts LBP'000	Foreign Currency Base Accounts LBP'000
Lebanese Government bonds	35,349,368	36,433,260
Credit linked notes issued by banks	-	46,464,165
Accrued interest receivable	<u>303,007</u>	<u>425,115</u>
	<u><u>35,652,375</u></u>	<u><u>83,322,540</u></u>

Lebanese Government bonds mature on May 20, 2011. The negative change in fair value in the amount of LBP770million for the year ended December 31, 2010 is recorded under “Net results on financial instruments designated at fair value through profit or loss upon initial recognition” in the consolidated income statement (positive change in the amount of LBP2.21billion in 2009).

Credit linked notes issued by banks with Lebanese government bonds as underlying assets matured on October 15, 2010. These notes were purchased against specific customers’ deposits classified as deposits at fair value through profit or loss (Note 19).

(b) Trading assets consist of the following:

	December 31,	
	2010	2009
	C/V of F/Cy LBP'000	C/V of F/Cy LBP'000
Turkish Government bonds	418,608	960,144
Quoted equity securities	<u>884,949</u>	<u>759,822</u>
	<u><u>1,303,557</u></u>	<u><u>1,719,966</u></u>

8. LOANS TO BANKS

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

	December 31,	
	2010	2009
	LBP'000	LBP'000
Regular accounts	186,017,204	163,714,483
Regular accounts – related parties	17,191,577	16,594,315
Accrued interest receivable	<u>384,930</u>	<u>879,843</u>
	<u><u>203,593,711</u></u>	<u><u>181,188,641</u></u>

Loans to banks in foreign currencies as at December 31, 2010 include LBP90.40billion (LBP8.59billion as at December 31, 2009) representing loans purchased from foreign banks, net of related unearned income in the amount of LBP282million (LBP55million as at December 31, 2009). Purchased loans as at December 31, 2010 are unsecured (LBP8.59billion are covered by pledged shares) as at December 31, 2009).

Loans to banks in foreign currencies also include discounted acceptances with an aggregate nominal value of LBP22.33billion as at December 31, 2009, stated net of discount in the amount of LBP32.28million as at December 31, 2009.

During 2009, the Group granted loans to a non-resident bank denominated in USD and Euro in the equivalent amount of LBP48.24billion and LBP11.88billion, respectively. These loans matured during the first quarter of 2010.

Furthermore, loans to banks include a USD note in the equivalent amount of LBP37.68billion purchased by the Group during 2009 from a non-resident bank. This note earns a variable rate equal to LIBOR + margin, reset on a quarterly basis and matures on November 18, 2011. The Group has the option to redeem the note in whole or in part at the end of every quarter beginning the end of the second quarter from the date of purchase.

Loans to banks in LBP are granted to a resident housing bank and are detailed as follows:

<u>Issuance Date</u>	<u>Original</u>	<u>Outstanding Balance</u>	
	<u>Loan Amount</u>	<u>2010</u>	<u>2009</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
October 15, 2004	3,000,000	1,800,000	2,100,000
August 4, 2005	3,000,000	2,100,000	2,400,000
December 26, 2005	1,500,000	1,050,000	1,200,000
October 23, 2007	<u>8,328,000</u>	<u>7,495,200</u>	<u>8,328,000</u>
	<u>15,828,000</u>	<u>12,445,200</u>	<u>14,028,000</u>

As a guarantee of the above loans, the borrower has pledged in favor of the Group bills related to the housing loans granted to its customers.

All these loans are for a period of 12 years with a grace period on payments of 2 years. Interest on the loans is reset every three years.

“Regular accounts – related parties” represent the Group’s participation in a syndicated loan granted to a related party bank and maturing on July 4, 2012.

9. LOANS AND ADVANCES TO CUSTOMERS

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

	December 31, 2010				December 31, 2009			
	<u>Gross Amount</u> LBP'000	<u>Unrealized Interest</u> LBP'000	<u>Impairment Allowance</u> LBP'000	<u>Carrying Amount</u> LBP'000	<u>Gross Amount</u> LBP'000	<u>Unrealized Interest</u> LBP'000	<u>Impairment Allowance</u> LBP'000	<u>Carrying Amount</u> LBP'000
Regular Retail Customers:								
- Rescheduled loans	206,756	-	-	206,756	197,754	-	-	197,754
- Mortgage loans	113,258,239	-	-	113,258,239	48,301,388	-	-	48,301,388
- Personal loans	382,562,423	-	-	382,562,423	345,829,377	-	-	345,829,377
- Credit cards	13,785,558	-	-	13,785,558	10,147,046	-	-	10,147,046
- Overdrafts	17,676,197	-	-	17,676,197	19,529,889	-	-	19,529,889
- Other	163,144,064	-	-	163,144,064	106,003,995	-	-	106,003,995
Classified Retail Customers:								
- Substandard loans	3,749,284	(466,251)	(42,520)	3,240,513	1,973,922	(497,464)	-	1,476,458
- Bad and doubtful loans	3,608,269	(1,188,069)	(2,616,621)	(196,421)	6,696,478	(876,421)	(5,543,738)	276,319
Regular Corporate customers:								
- Rescheduled loans	24,562,837	-	-	24,562,837	25,302,357	-	-	25,302,357
- Corporate loans	2,845,850,022	-	-	2,845,850,022	2,440,385,040	-	-	2,440,385,040
- Small and medium enterprises' loans	870,330,728	-	-	870,330,728	634,597,656	-	-	634,597,656
Classified Corporate Customers:								
- Rescheduled substandard loans	13,094,613	(5,804,698)	-	7,289,915	14,121,058	(4,895,149)	-	9,225,909
- Substandard loans	15,076,737	(5,372,154)	(420,184)	9,284,399	13,386,959	(4,699,349)	-	8,687,610
- Rescheduled bad and doubtful loans	128,380,119	(95,690,549)	(30,255,639)	2,433,931	122,219,609	(84,845,631)	(30,399,652)	6,974,326
- Bad and doubtful loans	151,213,167	(70,752,020)	(51,387,655)	29,073,492	177,740,991	(91,208,748)	(74,530,290)	12,001,953
Allowance for collectively assessed loans:								
- Corporate loans	-	-	(131,312,882)	(131,312,882)	-	-	(85,006,887)	(85,006,887)
- Retail loans	-	-	(6,478,806)	(6,478,806)	-	-	(2,533,611)	(2,533,611)
Deferred penalties charged on excess over limit								
	(13,584,852)	-	-	(13,584,852)	(12,913,357)	-	-	(12,913,357)
Accrued interest receivable								
	15,967,054	-	-	15,967,054	17,134,756	-	-	17,134,756
	<u>4,748,881,215</u>	<u>(179,273,741)</u>	<u>(222,514,307)</u>	<u>4,347,093,167</u>	<u>3,970,654,918</u>	<u>(187,022,762)</u>	<u>(198,014,178)</u>	<u>3,585,617,978</u>

The movement of unrealized interest on substandard loans during 2010 and 2009 is summarized as follows:

	<u>2010</u> <u>LBP'000</u>	<u>2009</u> <u>LBP'000</u>
Balance on January 1	10,091,962	13,448,361
Additions	2,779,458	2,949,168
Write-back to income statement	(541,907)	(1,449,282)
Write-off	(536,110)	(2,168,019)
Transfer to off-balance sheet	-	(2,551,730)
Transfer to bad and doubtful loans	(69,470)	(142,777)
Effect of exchange rate changes	<u>(80,830)</u>	<u>6,241</u>
Balance on December 31	11,643,103	10,091,962
Contractual write-off on rescheduled debts	<u>(1,203,819)</u>	<u>(1,010,414)</u>
Net balance, end of year	<u>10,439,284</u>	<u>9,081,548</u>

The movement of allowance for impairment on substandard loans during 2010 and 2009 is summarized as follows:

	<u>2010</u> <u>LBP'000</u>	<u>2009</u> <u>LBP'000</u>
Balance on January 1	-	2,467,108
Additions	4,749,508	4,242,086
Write-back to income statement	-	(45,718)
Transfer to allowance for bad and doubtful loans	(4,132,785)	(6,768,816)
Effect of exchange rate changes	<u>(154,019)</u>	<u>105,340</u>
Balance on December 31	<u>462,704</u>	<u>-</u>

The movement of unrealized interest on doubtful and bad loans during 2010 and 2009 is summarized as follows:

	<u>2010</u> LBP'000	<u>2009</u> LBP'000
Balance on January 1	176,930,800	176,107,493
Additions	23,016,304	25,156,737
Write-off	(22,806,664)	(17,067,422)
Write-back to income statement	(8,894,590)	(6,169,330)
Transfer from substandard loans	69,470	142,777
Transfer to off-balance sheet (net)	-	(1,670,907)
Transfer (to)/from impairment of non-consolidated subsidiary	(664,299)	376,480
Effect of exchange rate changes	(20,383)	54,972
Balance on December 31	167,630,638	176,930,800
Contractual write-off on rescheduled debts	(57,816,447)	(42,360,845)
Net balance, end of year	<u>109,814,191</u>	<u>134,569,955</u>

The movement of allowance for impairment on bad and doubtful loans during 2010 and 2009 is summarized as follows:

	<u>2010</u> LBP'000	<u>2009</u> LBP'000
Balance on January 1	105,263,567	97,724,022
Additions	3,105,006	10,456,239
Write-off	(21,740,391)	(8,975,969)
Write-back to income statement	(13,127,124)	(2,959,015)
Transfer from allowance for collective impairment	1,012,664	1,025,887
Transfer from allowance for substandard loans	4,132,785	6,768,816
Transfer (to)/from off-balance sheet (net)	(1,861,506)	34,663
Transfer from provision for contingencies	2,933,220	-
Transfer from impairment of non-consolidated subsidiary	166	1,155,356
Effect of exchange rate changes	213,622	33,568
Balance on December 31	79,932,009	105,263,567
Contractual write-off on rescheduled debts (including regular rescheduled loans)	(30,192,843)	(30,335,351)
Net balance, end of year	49,739,166	74,928,216
Escrow funds	4,327,906	5,210,113
Balance end of year, (net)	<u>54,067,072</u>	<u>80,138,329</u>

The movement of the escrow funds is summarized as follows:

	December 31,	
	2010	2009
	LBP'000	LBP'000
Balance, beginning of year	5,210,113	6,070,783
Write-back to income statement	(99,101)	(505,158)
Write-off	(783,106)	(355,512)
Balance, end of year	<u>4,327,906</u>	<u>5,210,113</u>

Escrow funds in the amount of USD2,870,916 as at December 31, 2010 (USD3,456,128 as at December 31, 2009), are partially funded by the Group to the extent of USD2million and the balance is funded by the previous shareholders of Allied Bank S.A.L., a merged subsidiary, for the purpose of covering any shortfall in the provision for doubtful accounts.

The movement of the allowance for collectively assessed loans during 2010 and 2009 is as follows:

	2010	2009
	LBP'000	LBP'000
Balance January 1	87,540,498	51,144,382
Additions	51,332,374	37,324,808
Transfer to allowance for impairment on doubtful and bad loans	(1,012,664)	(1,025,887)
Transfer from provision for contingencies	254,847	-
Effect of exchange rate changes	(323,367)	97,195
Balance December 31	<u>137,791,688</u>	<u>87,540,498</u>

10. LOANS AND ADVANCES TO RELATED PARTIES

	December 31,	
	2010	2009
	LBP'000	LBP'000
Regular retail accounts	605,966,668	545,799,564
Regular corporate accounts	355,413,766	592,279,122
Accrued interest receivable	305,056	388,506
	<u>961,685,490</u>	<u>1,138,467,192</u>

Loans and advances to related parties are partially secured (Note 42).

11. INVESTMENT SECURITIES

	December 31, 2010		
	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Available-for-sale investment securities (A)	3,367,126,993	2,340,058,228	5,707,185,221
Accrued interest receivable on available-for-sale investment securities	<u>55,499,022</u>	<u>23,694,885</u>	<u>79,193,907</u>
	<u>3,422,626,015</u>	<u>2,363,753,113</u>	<u>5,786,379,128</u>
Held-to-maturity investment securities (B)	114,262,055	607,938,158	722,200,213
Accrued interest receivable on held-to-maturity investment securities	<u>1,501,380</u>	<u>11,567,929</u>	<u>13,069,309</u>
	<u>115,763,435</u>	<u>619,506,087</u>	<u>735,269,522</u>
	<u>3,538,389,450</u>	<u>2,983,259,200</u>	<u>6,521,648,650</u>
	December 31, 2009		
	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Available-for-sale investment securities (A)	2,577,646,851	2,193,851,444	4,771,498,295
Accrued interest receivable on available-for-sale investment securities	<u>45,234,366</u>	<u>22,577,731</u>	<u>67,812,097</u>
	<u>2,622,881,217</u>	<u>2,216,429,175</u>	<u>4,839,310,392</u>
Held-to-maturity investment securities (B)	96,934,508	835,125,119	932,059,627
Accrued interest receivable on held-to-maturity investment securities	<u>1,443,387</u>	<u>16,794,826</u>	<u>18,238,213</u>
	<u>98,377,895</u>	<u>851,919,945</u>	<u>950,297,840</u>
	<u>2,721,259,112</u>	<u>3,068,349,120</u>	<u>5,789,608,232</u>

A. Available-for-sale investment securities

	December 31, 2010									
	LBP Base Accounts				F/Cy Base Accounts					
	Amortized Cost LBP'000	Fair Value LBP'000	Cumulative Change in Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Allowance for Impairment LBP'000	Carrying Value LBP'000	Cumulative Change in Fair Value LBP'000	Accrued Interest Receivable LBP'000
Equity securities:										
Quoted equity securities	-	-	-	-	529,345,237	619,865,996	(107,032)	619,758,964	90,520,759	-
Unquoted equity securities	10,899,673	11,984,413	1,084,740	-	25,475,791	24,122,065	-	24,122,065	(1,353,726)	-
Cumulative preferred shares issued by a Lebanese bank	-	-	-	-	6,030,000	6,030,000	-	6,030,000	-	-
Convertible preferred shares issued by a Lebanese bank	-	-	-	-	3,780,056	3,780,056	-	3,780,056	-	-
Non-cumulative preferred shares issued by a Lebanese bank	-	-	-	-	33,291,178	33,291,178	-	33,291,178	-	-
	<u>10,899,673</u>	<u>11,984,413</u>	<u>1,084,740</u>	<u>-</u>	<u>597,922,262</u>	<u>687,089,295</u>	<u>(107,032)</u>	<u>686,982,263</u>	<u>89,167,033</u>	<u>-</u>
Debt Securities:										
Lebanese Government bonds	1,263,571,852	1,301,466,729	37,894,877	24,348,441	518,942,673	553,294,860	-	553,294,860	34,352,187	13,762,995
Certificates of deposits issued by the Central Bank of Lebanon	1,900,276,406	2,053,675,851	153,399,445	31,150,581	495,615,458	572,607,794	-	572,607,794	76,992,336	5,075,949
Certificates of deposits issued by banks	-	-	-	-	15,075,000	15,075,000	-	15,075,000	-	64,995
Corporate debt securities	-	-	-	-	273,257,087	279,102,492	-	279,102,492	5,845,405	4,632,658
Other foreign government bonds	-	-	-	-	222,955,123	232,995,819	-	232,995,819	10,040,696	158,288
	<u>3,163,848,258</u>	<u>3,355,142,580</u>	<u>191,294,322</u>	<u>55,499,022</u>	<u>1,525,845,341</u>	<u>1,653,075,965</u>	<u>-</u>	<u>1,653,075,965</u>	<u>127,230,624</u>	<u>23,694,885</u>
	<u>3,174,747,931</u>	<u>3,367,126,993</u>	<u>192,379,062</u>	<u>55,499,022</u>	<u>2,123,767,603</u>	<u>2,340,165,260</u>	<u>(107,032)</u>	<u>2,340,058,228</u>	<u>216,397,657</u>	<u>23,694,885</u>
<u>Less: Deferred tax liability</u>			<u>(28,856,859)</u>					<u>(28,965,341)</u>		
			<u>163,522,203</u>					<u>187,432,316</u>		

December 31, 2009

	LBP Base Accounts				F/Cy Base Accounts					
	Amortized Cost LBP'000	Fair Value LBP'000	Cumulative Change in Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Allowance for Impairment LBP'000	Carrying Value LBP'000	Cumulative Change in Fair Value LBP'000	Accrued Interest Receivable LBP'000
Equity securities:										
Quoted equity securities	-	-	-	-	423,653,470	723,791,252	(107,033)	723,684,219	300,137,782	-
Unquoted equity securities	10,533,205	11,617,945	1,084,740	-	9,349,655	8,829,284	-	8,829,284	(520,371)	-
Cumulative Preferred shares issued by a Lebanese Bank	-	-	-	-	6,030,000	6,030,000	-	6,030,000	-	-
Convertible preferred shares issued by a Lebanese bank	-	-	-	-	3,780,056	3,780,056	-	3,780,056	-	-
Non-cumulative preferred shares issued by a Lebanese bank	-	-	-	-	33,291,178	33,291,178	-	33,291,178	-	-
	<u>10,533,205</u>	<u>11,617,945</u>	<u>1,084,740</u>	<u>-</u>	<u>476,104,359</u>	<u>775,721,770</u>	<u>(107,033)</u>	<u>775,614,737</u>	<u>299,617,411</u>	<u>-</u>
Debt Securities:										
Lebanese Government bonds	1,645,868,611	1,696,013,032	50,144,421	33,156,486	600,280,164	635,956,655	-	635,956,655	35,676,491	14,913,509
Certificates of deposits issued by the Central Bank of Lebanon	775,647,926	870,015,874	94,367,948	12,077,880	512,081,815	575,589,476	-	575,589,476	63,507,661	5,630,891
Corporate debt securities	-	-	-	-	60,351,056	59,195,046	-	59,195,046	(1,156,010)	1,953,433
Other foreign government bonds	-	-	-	-	139,783,988	147,495,530	-	147,495,530	7,711,542	79,898
	<u>2,421,516,537</u>	<u>2,566,028,906</u>	<u>144,512,369</u>	<u>45,234,366</u>	<u>1,312,497,023</u>	<u>1,418,236,707</u>	<u>-</u>	<u>1,418,236,707</u>	<u>105,739,684</u>	<u>22,577,731</u>
	<u>2,432,049,742</u>	<u>2,577,646,851</u>	<u>145,597,109</u>	<u>45,234,366</u>	<u>1,788,601,382</u>	<u>2,193,958,477</u>	<u>(107,033)</u>	<u>2,193,851,444</u>	<u>405,357,095</u>	<u>22,577,731</u>
Less: Deferred tax liability			(21,839,566)						(57,422,057)	
			<u>123,757,543</u>						<u>347,935,038</u>	

Available-for-sale debt securities are segregated over their remaining periods to maturity as follows:

Lebanese Pounds Base Accounts						
December 31, 2010			December 31, 2009			
Nominal Value	Amortized Cost	Fair Value	Nominal Value	Amortized Cost	Fair Value	
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
Lebanese Government Bonds:						
Up to one year	701,760,000	701,738,586	722,068,450	267,624,450	267,778,518	272,057,514
1 year to 3 years	459,650,000	459,604,632	476,178,269	1,378,260,000	1,378,090,093	1,423,955,518
3 years to 5 years	1,800,000	1,798,723	1,810,960	-	-	-
5 years to 10 years	100,405,000	100,429,911	101,409,050	-	-	-
	<u>1,263,615,000</u>	<u>1,263,571,852</u>	<u>1,301,466,729</u>	<u>1,645,884,450</u>	<u>1,645,868,611</u>	<u>1,696,013,032</u>
Certificates of deposit issued by the Central Bank of Lebanon:						
3 years to 5 years	761,477,554	761,609,503	875,683,068	708,472,899	708,647,926	802,738,984
5 years to 10 years	<u>1,138,666,903</u>	<u>1,138,666,903</u>	<u>1,177,992,783</u>	<u>67,000,000</u>	<u>67,000,000</u>	<u>67,276,890</u>
	<u>1,900,144,457</u>	<u>1,900,276,406</u>	<u>2,053,675,851</u>	<u>775,472,899</u>	<u>775,647,926</u>	<u>870,015,874</u>
	<u>3,163,759,457</u>	<u>3,163,848,258</u>	<u>3,355,142,580</u>	<u>2,421,357,349</u>	<u>2,421,516,537</u>	<u>2,566,028,906</u>
Foreign Currency Base Accounts						
December 31, 2010			December 31, 2009			
Nominal Value	Amortized Cost	Fair Value	Nominal Value	Amortized Cost	Fair Value	
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
Lebanese Government bonds:						
Up to one year	60,300	60,791	61,697	2,917,885	2,778,690	2,978,869
1 year to 3 years	4,076,281	4,177,150	4,380,098	106,780,748	106,843,568	110,735,653
3 years to 5 years	61,775,843	67,253,678	68,035,024	152,067,555	152,803,883	161,461,290
5 years to 10 years	284,581,328	302,965,975	329,584,134	239,449,793	253,518,112	268,698,110
Beyond 10 years	143,978,310	144,485,079	151,233,907	84,363,469	84,335,911	92,082,733
	<u>494,472,062</u>	<u>518,942,673</u>	<u>553,294,860</u>	<u>585,579,450</u>	<u>600,280,164</u>	<u>635,956,655</u>
Certificates of deposit issued by the Central Bank of Lebanon:						
Up to one year	-	-	-	32,411,250	32,411,250	32,531,759
1 year to 3 years	261,177,390	261,177,390	286,209,428	261,177,390	261,177,390	287,741,979
3 years to 5 years	239,903,550	234,438,068	286,398,366	-	-	-
5 years to 10 years	-	-	-	217,049,850	218,493,175	255,315,738
	<u>501,080,940</u>	<u>495,615,458</u>	<u>572,607,794</u>	<u>510,638,490</u>	<u>512,081,815</u>	<u>575,589,476</u>
Certificates of deposit issued by banks:						
1 year to 3 years	<u>15,075,000</u>	<u>15,075,000</u>	<u>15,075,000</u>	-	-	-
	<u>15,075,000</u>	<u>15,075,000</u>	<u>15,075,000</u>	-	-	-
Corporate debt securities:						
Up to one year	9,110,168	9,167,453	9,149,363	755,119	755,119	755,119
1 year to 3 years	21,105,000	21,325,095	20,610,682	10,552,500	10,549,485	9,324,445
3 years to 5 years	234,597,342	236,595,849	243,518,977	18,090,000	18,848,273	18,255,825
5 years to 10 years	6,783,750	6,168,690	5,823,470	30,869,134	30,198,179	30,859,657
	<u>271,596,260</u>	<u>273,257,087</u>	<u>279,102,492</u>	<u>60,266,753</u>	<u>60,351,056</u>	<u>59,195,046</u>
Foreign Government bonds:						
Up to one year	22,854,834	23,022,038	23,126,751	10,390,272	10,679,112	10,732,896
1 year to 3 years	33,009,954	30,713,424	31,320,987	76,379,256	70,403,256	72,896,244
3 years to 5 years	97,592,574	107,672,657	114,742,338	53,466,600	58,619,948	63,784,718
5 years to 10 years	32,847,162	37,422,780	39,438,300	69,720	81,672	81,672
Beyond 10 years	18,705,576	24,124,224	24,367,443	-	-	-
	<u>205,010,100</u>	<u>222,955,123</u>	<u>232,995,819</u>	<u>140,305,848</u>	<u>139,783,988</u>	<u>147,495,530</u>
	<u>1,487,234,362</u>	<u>1,525,845,341</u>	<u>1,653,075,965</u>	<u>1,296,790,541</u>	<u>1,312,497,023</u>	<u>1,418,236,707</u>

Available-for-sale preferred shares are segregated over their remaining periods to maturity as follows:

	Foreign Currency Base Accounts					
	December 31, 2010			December 31, 2009		
	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000
Cumulative preferred shares issued by a Lebanese bank:						
1 year to 3 years	6,030,000	6,030,000	6,030,000	6,030,000	6,030,000	6,030,000
	<u>6,030,000</u>	<u>6,030,000</u>	<u>6,030,000</u>	<u>6,030,000</u>	<u>6,030,000</u>	<u>6,030,000</u>
Convertible preferred shares issued by a Lebanese bank:						
1 year to 3 years	3,026,306	3,026,306	3,026,306	3,026,306	3,026,306	3,026,306
3 years to 5 years	753,750	753,750	753,750	753,750	753,750	753,750
	<u>3,780,056</u>	<u>3,780,056</u>	<u>3,780,056</u>	<u>3,780,056</u>	<u>3,780,056</u>	<u>3,780,056</u>
Non-cumulative preferred shares issued by a Lebanese bank:						
1 year to 3 years	6,156,178	6,156,178	6,156,178	6,156,178	6,156,178	6,156,178
3 years to 5 years	27,135,000	27,135,000	27,135,000	27,135,000	27,135,000	27,135,000
	<u>33,291,178</u>	<u>33,291,178</u>	<u>33,291,178</u>	<u>33,291,178</u>	<u>33,291,178</u>	<u>33,291,178</u>

The fair value of Lebanese Government bonds and of certificates of deposit was calculated using a valuation model which takes into account observable market data using a discounted cash flow model based on current interest yield curve appropriate for the remaining term to maturity and credit spreads.

The available-for-sale certificates of deposit issued by the Central bank of Lebanon include certificates of deposit maturing on April 25, 2015 which are puttable at a price of 91.63 in year 2012. The Group is providing over time for the difference between the par value and the redemption value in year 2012 by recognizing the effective yield applicable for the period until 2012. This cost which is expected to increase year by year, is reflected as an adjustment to the carrying book value.

During 2010, the Group sold Lebanese Government bonds classified as available-for-sale of aggregate nominal value of USD50million and EUR 36million and recorded the resulting gain on sale in the amount of LBP26.91billion (USD11.76million and EUR4.44million) under "Other operating income" in the consolidated income statement.

During 2009, the Group sold Lebanese Government bonds classified as available-for-sale of aggregate nominal value of USD205million and recorded the resulting gain on sale in the amount of LBP31.64billion (USD20.99million) under "Other operating income" in the consolidated income statement.

The Group entered into a total return swap transaction with a non-resident related financial institution established under the Suisse law and operating out of Geneva.

Coupled with a promissory note that pays a pre-agreed fixed interest rate, the transaction is composed of a spot and a forward contract to sell and buy back the economic benefits of a portfolio of Lebanese traded equity securities classified as available-for-sale. The transaction originated and matured in 2010.

Interest income in the amount of LBP50.31billion (LBP42.17billion as at December 31, 2009) on the promissory note was recorded under “Interest Income on note receivable” net of transaction cost in the amount of LBP391.95million (LBP331.65million as at December 31, 2009) in the consolidated income statement.

Cumulative retained earnings from the above transaction amounting to LBP100.83billion as at December 31, 2010 (LBP58.66billion as at December 31, 2009) is not available for distribution as per the Central Bank of Lebanon letter dated March 10, 2010.

During 2010, the Group exchanged with the Central Bank of Lebanon Lebanese Government Eurobonds denominated in US Dollars with a nominal value of USD67.9million against certificates of deposit issued by the Central Bank of Lebanon. The difference resulting from the exchange in the amount of LBP30.66billion was deferred and amortized over the life of the new certificates of deposit as part of the effective interest rate. As at December 31, 2010, deferred gain amounted to LBP27.7billion.

Income recognized for the year 2010 amounted to LBP2.96billion and was recorded under interest income from available-for-sale investment securities.

During 2009, the Group exchanged with the Central Bank of Lebanon Lebanese Government Eurobonds denominated in U.S. Dollars with a nominal value of USD200million against certificates of deposit issued by the Central Bank of Lebanon. The difference resulting from the exchange in the amount of LBP49.89billion was deferred and is amortized over the life of the new certificates of deposits as part of the effective interest rate. As at December 31, 2010, deferred gain amounted to LBP33.52billion (LBP43.53billion as at December 31, 2009).

Income recognized for the year 2010 amounted to LBP10billion and was recorded under interest income from available-for-sale investment securities (LBP6.37billion in 2009).

Dividends received during the years 2010 and 2009 on available-for-sale securities in the amount of LBP39.46billion and LBP35.95billion respectively, are reflected under “Other operating income” in the consolidated income statement (Note 38).

B. Held-to-maturity investment securities

	December 31, 2010					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000
Lebanese Government bonds	114,262,055	118,852,338	1,501,380	502,498,683	570,928,420	10,438,351
Foreign Government bonds	-	-	-	46,397,658	46,851,150	-
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	59,041,817	75,699,113	1,129,578
	<u>114,262,055</u>	<u>118,852,338</u>	<u>1,501,380</u>	<u>607,938,158</u>	<u>693,478,683</u>	<u>11,567,929</u>

	December 31, 2009					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000
Lebanese Government bonds	96,934,508	101,031,478	1,443,387	735,725,545	795,152,908	15,665,248
Foreign Government bonds	-	-	-	39,052,164	40,130,832	-
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	60,347,410	68,673,484	1,129,578
	<u>96,934,508</u>	<u>101,031,478</u>	<u>1,443,387</u>	<u>835,125,119</u>	<u>903,957,224</u>	<u>16,794,826</u>

Held-to-maturity Lebanese Government bonds include as at December 31, 2010 securities in foreign currencies amounting to LBP512billion (USD340million) (LBP542billion as at December 31, 2009) pledged against a long term borrowing in the amount of LBP219billion (USD145million) (LBP219billion as at December 31, 2009) granted to the Group and a soft loan from the Central Bank of Lebanon in the amount of LBP91billion (USD60.3million) (LBP91billion as at December 31, 2009) reflected under “Borrowings from banks and financial institutions” in the consolidated statement of financial position. (Note 23)

Held-to-maturity investments denominated in LBP are segregated over the remaining period to maturity as follows:

	LBP Base Accounts					
	December 31, 2010			December 31, 2009		
	Redemption Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Redemption Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000
Lebanese Government Bonds:						
Up to one year	6,000,000	5,999,707	6,105,000	-	-	-
1 year to 3 years	90,936,000	90,936,000	95,269,793	96,936,000	96,934,508	101,031,478
5 years to 10 years	17,304,500	17,326,348	17,477,545	-	-	-
	<u>114,240,500</u>	<u>114,262,055</u>	<u>118,852,338</u>	<u>96,936,000</u>	<u>96,934,508</u>	<u>101,031,478</u>

Held-to-maturity investments denominated in foreign currencies are segregated over the remaining period to maturity as follows:

	F/Cv Base Accounts					
	December 31, 2010			December 31, 2009		
	Redemption Value	Amortized Cost	Fair Value	Redemption Value	Amortized Cost	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Government bonds:						
Up to 1 year	-	-	-	831,630	825,157	849,012
1 year to 3 years	-	-	-	90,425,880	90,776,612	93,853,031
3 years to 5 years	93,465	93,533	100,577	138,632,715	139,571,820	146,005,257
5 years to 10 years	186,553,125	197,853,793	227,870,949	186,553,125	200,004,127	221,754,192
Beyond 10 years	<u>304,579,069</u>	<u>304,551,357</u>	<u>342,956,894</u>	<u>304,579,069</u>	<u>304,547,829</u>	<u>332,691,416</u>
	<u>491,225,659</u>	<u>502,498,683</u>	<u>570,928,420</u>	<u>721,022,419</u>	<u>735,725,545</u>	<u>795,152,908</u>
Foreign Government Bonds:						
Up to 1 year	25,678,500	24,893,610	25,154,271	21,812,400	19,737,732	20,488,875
1 year to 3 years	22,895,532	20,354,814	20,513,730	21,414,000	19,314,432	19,641,957
5 years to 10 years	<u>969,000</u>	<u>1,149,234</u>	<u>1,183,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>49,543,032</u>	<u>46,397,658</u>	<u>46,851,150</u>	<u>43,226,400</u>	<u>39,052,164</u>	<u>40,130,832</u>
Certificates of deposit issued by Central Bank of Lebanon:						
3 years to 5 years	62,561,250	59,041,817	75,699,113	-	-	-
5 years to 10 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,561,250</u>	<u>60,347,410</u>	<u>68,673,484</u>
	<u>62,561,250</u>	<u>59,041,817</u>	<u>75,699,113</u>	<u>62,561,250</u>	<u>60,347,410</u>	<u>68,673,484</u>
	<u>603,329,941</u>	<u>607,938,158</u>	<u>693,478,683</u>	<u>826,810,069</u>	<u>835,125,119</u>	<u>903,957,224</u>

During 2010, the Central Bank of Lebanon exchanged Lebanese Government bonds classified as held-to-maturity and denominated in US Dollars of aggregate nominal value of LBP10.55billion against certificates of deposit issued by the Central Bank of Lebanon. The difference resulting from the above transaction in the amount of LBP1.82billion was deferred and amortized over the life of the new certificates of deposit as part of the effective interest rate. As of December 31, 2010, deferred gain amounted to LBP1.63billion.

Income recognized for the year ended December 31, 2010 amounted to LBP189million and was recorded under interest income from held-to-maturity investment securities in the consolidated income statement.

During 2010, the Central Bank of Lebanon called Lebanese Government bonds classified as held-to-maturity and denominated in US Dollars of aggregate nominal value of USD101.9million. This transaction resulted in a gain of USD26.12million (C/V LBP39.38billion) recorded in the consolidated income statement under "Other operating income" (Note 38).

During 2010, the Central Bank of Lebanon called Lebanese Government bonds classified as held-to-maturity and denominated in Euros of aggregate nominal value of EUR 30million. This transaction resulted in a gain of EUR 3.65million (C/V LBP7.43billion) recorded in the consolidated income statement under "Other operating income" (Note 38).

During 2009, the Central Bank of Lebanon called Lebanese Government bonds classified as held-to-maturity and denominated in US Dollars of aggregate nominal value of USD227.88million. This transaction resulted in a gain of USD19.67million (C/V LBP29.65billion) recorded in the consolidated income statement under “Other operating income”.

The option on the held-to-maturity certificates of deposit maturing on April 25, 2015 to redeem in year 2012, is treated in the same manner as described under available-for-sale certificates of deposit above.

12. CUSTOMERS’ ACCEPTANCE LIABILITY

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

13. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

This caption consists of the following:

	<u>Country of Incorporation</u>	<u>Interest Held</u> %	<u>December 31,</u>	
			<u>2010</u> <u>Carrying</u> <u>Value</u> <u>LBP’000</u>	<u>2009</u> <u>Carrying</u> <u>Value</u> <u>LBP’000</u>
<u>Investments in Associates</u>				
CSC Bank S.A.L. (formerly CreditCard Services Company S.A.L.)	Lebanon	40.00	34,802,354	30,264,814
GroupMed Services S.A.L.	Lebanon	25.00	3,165,750	3,792,240
			<u>37,968,104</u>	<u>34,057,054</u>
<u>Other Investments</u>				
Ciment de Siblinc S.A.L.	Lebanon	19.36	27,096,403	27,096,403
Light Metal Products S.A.L.	Lebanon	60.83	7,173,170	6,633,000
Long-term loan to Light Metal Products S.A.L.			3,418,028	4,132,968
Al Fanadeq S.A.L.	Lebanon	48.00	1,095,862	1,095,862
Beverly Hotel S.A.L.	Lebanon	99.00	3,876,404	3,291,680
Sidem S.A.L.	Lebanon	20.00	15,970,454	15,126,394
			<u>58,630,321</u>	<u>57,376,307</u>
			<u>96,598,425</u>	<u>91,433,361</u>

The investment in CSC Bank S.A.L. (formerly CreditCard Services Company S.A.L.) is reflected as at December 31, 2010 and 2009 using the equity method whereby the Group accounts for its share in the net income of the associate net of deferred dividend tax as well as its share of the change in fair value of the associate's portfolio of available-for-sale securities. In this connection, the Group recorded its share in the net income of the associate for an amount of LBP9.76billion for the year 2010 (LBP7.33billion for the year 2009) after deducting the deferred tax liability in the amount of LBP796million as at December 31, 2010 (LBP573million as at December 31, 2009), under “Other operating income” in the consolidated income statement (Note 38).

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

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

	<u>LBP'000</u>
Gross Amount:	
Balance January 1, 2009	87,679,001
Additions due to settlement of loans	15,077,323
Additional fees/charges paid	8,446
Disposals	(11,357,388)
Transfer to property and equipment	(278,888)
Effect of exchange rate	(6,725)
Other	(618,196)
Balance December 31, 2009	<u>90,503,573</u>
Additions due to settlement of loans	78,579,634
Additional fees/charges paid	38,504
Disposals	(11,753,416)
Effect of exchange rate	(26,752)
Balance December 31, 2010	<u>157,341,543</u>
Impairment Allowance:	
Balance January 1, 2009	(16,170,335)
Additions	(43,773)
Write-back	884,350
Effect of exchange rate changes	(2,129)
Other	229,100
Balance December 31, 2009	<u>(15,102,787)</u>
Additions	(41,667)
Write-back	1,879,851
Balance December 31, 2010	<u>(13,264,603)</u>
Carrying Amount:	
December 31, 2010	<u>144,076,940</u>
December 31, 2009	<u>75,400,786</u>

During the year 2010, the Group sold assets acquired in satisfaction of loans of aggregate net book value LBP9.87billion (LBP10.47billion in 2009) for a total consideration of LBP22.26billion (LBP15.36billion in 2009), thus resulting in net gain on sale in the amount of LBP10.51billion recorded under "Other operating income" (Note 38) and write-back of impairment provision in the amount of LBP1.88billion recorded under "Write-back of impairment of assets acquired in satisfaction of loans" in the accompanying consolidated income statement (LBP4.01billion and LBP884million, respectively in 2009). The Group collected LBP20.57billion during 2010 (LBP14.26billion up to December 31, 2009). The remaining balance of LBP1.69billion is recorded under "Other assets" as at December 31, 2010 (LBP1.11billion in 2009). (Note 17)

Additions to assets acquired in satisfaction of loans during 2010 include assets acquired by the Group for the amount of LBP73billion in satisfaction of a loan granted to a related party.

The acquisition of assets in settlement of loans in Lebanon is regulated by 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. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non performing loans' portfolio are met. This regulatory reserve is reflected under equity. In this connection, an amount of LBP2.69billion was appropriated in 2010 from 2009 income (LBP2.49billion in 2009). Furthermore, an amount of LBP522million was transferred in 2010 to retained earnings upon the sale of the related foreclosed assets (LBP139million in 2009).

15. GOODWILL

The goodwill balance outstanding as of the statement of financial position date consists of the following:

	December 31,	
	2010	2009
	LBP'000	LBP'000
<u>Goodwill from Subsidiaries:</u>		
BankMed (Suisse) S.A.	30,412,799	30,412,799
Saudi Lebanese Bank S.A.L.	31,765,458	31,765,458
Turkland Bank A.S.	80,871,312	80,871,312
Med Finance Holding Ltd.	<u>616,568</u>	<u>616,568</u>
	143,666,137	143,666,137
Cumulative effect of exchange rate changes up to statement of financial position date	23,926,598	18,741,959
<u>Less: Accumulated amortization up to December 31, 2003</u>	<u>(12,679,209)</u>	<u>(11,469,460)</u>
	<u>154,913,526</u>	<u>150,938,636</u>
<u>Goodwill from Business Combination:</u>		
Allied Bank S.A.L.	<u>23,068,898</u>	<u>23,068,898</u>
Goodwill (net)	<u>177,982,424</u>	<u>174,007,534</u>

During the first half of 2010, the Group acquired an additional 9% of the voting shares of Turkland Bank A.S., increasing its ownership to 50% against a consideration paid of USD26million (LBP39.19billion). The excess of LBP19.44billion between the consideration paid and the carrying value of the interest acquired was recognized in retained earnings within equity.

The change in accumulated amortization is due to exchange rate fluctuation.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill is considered to be impaired when the carrying value exceeds the recoverable amounts of the merged business which are determined from value in use calculations. The value in use is determined as a multiple of the contribution generated by the business units and customers' accounts acquired by the parent bank.

16. PROPERTY AND EQUIPMENT

	<u>Real Estate Properties</u> LBP'000	<u>Improvements and Installations</u> LBP'000	<u>Furniture and Equipment</u> LBP'000	<u>Vehicles</u> LBP'000	<u>Establishment Costs</u> LBP'000	<u>Key Money</u> LBP'000	<u>Advance Payments on Capital Expenditure</u> LBP'000	<u>Other</u> LBP'000	<u>Allowance for Impairment Loss on Property & Equipment</u> LBP'000	<u>Total</u> LBP'000
Cost:										
Balance January 1, 2009	155,943,270	99,079,238	57,202,315	1,801,140	206,402	202,199	2,745,480	5,281,303	(1,400,000)	321,061,347
Additions	-	3,780,241	7,089,107	150,457	-	753,500	97,879	262,884	-	12,134,068
Disposals/retirements	-	(6,198,058)	(755,512)	(167,537)	-	-	-	(110,055)	-	(7,231,162)
Transfers	-	1,330,267	(585,641)	-	-	-	(744,626)	-	-	-
Transfers from assets in satisfaction of loans	278,888	-	-	-	-	-	-	-	-	278,888
Effect from exchange rate changes	-	62,618	38,917	3,232	-	-	127	10,626	-	115,520
Balance December 31, 2009	156,222,158	98,054,306	62,989,186	1,787,292	206,402	955,699	2,098,860	5,444,758	(1,400,000)	326,358,661
Acquisition of subsidiary	7,834,557	-	-	-	-	-	-	-	-	7,834,557
Additions	2,506,940	1,704,696	6,104,957	77,852	-	1,130,250	6,718,082	3,273,282	-	21,516,059
Disposals/retirements	(965,279)	(402,111)	(482,262)	(89,498)	-	-	(90,454)	(308,142)	-	(2,337,746)
Transfers	-	3,174,035	264,169	-	-	-	(3,438,204)	-	-	-
Effect from exchange rate changes	-	(58,068)	(358,103)	18,981	-	-	-	(148,741)	-	(545,931)
Balance December 31, 2010	<u>165,598,376</u>	<u>102,472,858</u>	<u>68,517,947</u>	<u>1,794,627</u>	<u>206,402</u>	<u>2,085,949</u>	<u>5,288,284</u>	<u>8,261,157</u>	<u>(1,400,000)</u>	<u>352,825,600</u>
Accumulated Depreciation:										
Balance January 1, 2009	(16,175,800)	(74,083,171)	(38,489,259)	(824,523)	(206,402)	(202,199)	-	(3,138,237)	-	(133,119,591)
Additions	(1,390,343)	(8,737,689)	(5,376,937)	(167,635)	-	-	-	(352,465)	-	(16,025,069)
Write-off on disposal	-	5,129,965	718,773	16,867	-	-	-	88,015	-	5,953,620
Transfers	-	(29,342)	29,342	-	-	-	-	-	-	-
Effect from exchange rate changes	-	(32,950)	(12,196)	(4)	-	-	-	(6,314)	-	(51,464)
Balance December 31, 2009	(17,566,143)	(77,753,187)	(43,130,277)	(975,295)	(206,402)	(202,199)	-	(3,409,001)	-	(143,242,504)
Additions	(1,415,134)	(4,942,200)	(4,973,891)	(168,258)	-	(104,653)	-	(3,210,733)	-	(14,814,869)
Write-off on disposal	220,221	65,096	467,851	88,471	-	-	-	315,465	-	1,157,104
Effect from exchange rate changes	(2)	65,017	148,123	(8,053)	-	-	-	280,129	-	485,214
Balance December 31, 2010	<u>(18,761,058)</u>	<u>(82,565,274)</u>	<u>(47,488,194)</u>	<u>(1,063,135)</u>	<u>(206,402)</u>	<u>(306,852)</u>	<u>-</u>	<u>(6,024,140)</u>	<u>-</u>	<u>(156,415,055)</u>
Net Book Value:										
December 31, 2010	<u>146,837,318</u>	<u>19,907,584</u>	<u>21,029,753</u>	<u>731,492</u>	<u>-</u>	<u>1,779,097</u>	<u>5,288,284</u>	<u>2,237,017</u>	<u>(1,400,000)</u>	<u>196,410,545</u>
December 31, 2009	<u>138,656,015</u>	<u>20,301,119</u>	<u>19,858,909</u>	<u>811,997</u>	<u>-</u>	<u>753,500</u>	<u>2,098,860</u>	<u>2,035,757</u>	<u>(1,400,000)</u>	<u>183,116,157</u>

Additions to "Furniture and Equipment" and "Advance payments on capital expenditure" represent mainly costs incurred in connection with the opening and refurbishment of branches in Lebanon.

17. OTHER ASSETS

	December 31,	
	2010	2009
	LBP'000	LBP'000
Receivables on properties sold with deferred payment (Note 14)	105,375,880	105,232,422
Deferred tax asset	2,206,947	3,213,099
Deferred asset under Central Bank of Lebanon – soft loan	14,068,268	4,519,708
Prepayments, deferred charges and accrued income	15,953,939	15,411,879
Due from personnel	3,209,766	2,859,165
Regulatory blocked deposit	1,509,000	1,507,500
Fair value of derivatives	1,744,223	8,679,712
Intangible asset	837,216	1,695,192
Receivable from sale of investment	9,626,711	10,558,723
Other	<u>42,358,899</u>	<u>32,725,836</u>
	<u>196,890,849</u>	<u>186,403,236</u>

The movement of receivables on properties sold with deferred payment for the years 2010 and 2009 is as follows:

	<u>LBP'000</u>
Balance December 31, 2008	127,355,152
Additions	2,100,520
Interest (Note 32)	5,249,818
Settlements	(29,473,068)
Balance December 31, 2009	105,232,422
Additions	1,536,971
Interest (Note 32)	162,162
Settlements	(1,555,675)
Balance, December 31, 2010	<u>105,375,880</u>

“Receivables on properties sold with deferred payment” includes receivables from related parties amounting to LBP101.34billion as at December 31, 2010 (LBP101.29billion as at December 31, 2009).

During the first half of 2009, the Central Bank of Lebanon (“BDL”) granted the Group a soft loan in the amount of LBP91billion in accordance with Decision number 6116 dated March 7, 1996 recorded under “Borrowings from banks and financial institutions”. The loan proceeds are invested in Lebanese treasury bills pledged in favor of BDL until full repayment of the loan (Note 11). The present value of the net investment proceeds amounting to LBP19.5billion were used to finance write offs of debtors’ exposures under credit facilities used to refinance construction of property and acquisition of equipment damaged during the July 2006 war. Aggregate financing granted by the Group to the eligible debtors amounted to LBP20.01billion as at December 31, 2010 in addition to interest receivable in the amount of LBP292million (LBP6.8billion as at December 31, 2009 in addition to interest receivable in the amount of LBP72million). The interest differential between the investment in treasury bills and the soft loan and its related accrued interest in the amount of LBP6.2billion and LBP69million (LBP2.3billion and LBP22million, respectively in 2009), were deferred and netted against the financing granted to debtors.

Fair value of derivatives consists of the following:

	December 31,	
	2010	2009
	LBP'000	LBP'000
Fair value of forward contracts	-	8,499,193
Fair value of currency option contracts (Note 25)	1,453,785	-
Fair value of derivatives contracts (held-for-hedging) of customers' deposits at fair value through profit or loss	161,714	2,031
Fair value of derivatives contracts (held-for-hedging) of related parties deposits at fair value through profit or loss (Note 21)	116,681	178,488
Other	12,043	-
	<u>1,744,223</u>	<u>8,679,712</u>

Additions to intangible assets amounted to LBP379million in 2010 (LBP331million in 2009). The amortization of the intangible assets amounted to LBP1.23billion (LBP1.15billion in 2009) and is recorded under "Depreciation and amortization" in the consolidated income statement.

The regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the inception of banks according to Article 132 of the Lebanese Code of Money and Credit, and is refundable in case of cease of operations.

Receivable from sale of investment is due from the sale, during the year 2006, of the Group's investment in "Idarat Investment S.A.L. (Holding)" of net book value of LBP13.82billion as at December 31, 2005 for a consideration of USD8.7million, payable over a ten year period. An amount of USD2.3million was collected up to December 31, 2010 (USD1.7million up to December 31, 2009).

"Other" includes an investment in a fund during 2008 in the amount of USD15million (LBP22.6billion) which was fully provided for as at December 31, 2008. Impairment provision was recorded in the consolidated income statement under "Other provisions".

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

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

	December 31, 2010		
	C/V		
	LBP	of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Current deposits of banks and financial institutions	1,393,340	48,474,100	49,867,440
Borrowing under sale and repurchase agreement	-	16,328	16,328
Money market deposits	72,500,000	346,251,544	418,751,544
Money market deposits – related parties	-	75,373,547	75,373,547
Other short term borrowings	-	58,847,246	58,847,246
Other short term borrowings – related parties	-	15,234,734	15,234,734
Accrued interest payable	21,561	8,508,704	8,530,265
	<u>73,914,901</u>	<u>552,706,203</u>	<u>626,621,104</u>

	December 31, 2009		
	C/V		
	LBP	of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Current deposits of banks and financial institutions	702,233	19,238,474	19,940,707
Money market deposits	-	322,551,690	322,551,690
Money market deposits – related parties	-	75,375,000	75,375,000
Other short term borrowings	-	28,002,497	28,002,497
Other short term borrowings – related parties	-	12,788,640	12,788,640
Accrued interest payable	1,300	8,132,016	8,133,316
	<u>703,533</u>	<u>466,088,317</u>	<u>466,791,850</u>

“Money market deposits” include time deposits in the aggregate of USD217million maturing in July 2013.

Accrued interest payable is segregated between the different categories as follows:

	December 31, 2010		December 31, 2009	
	Non Related	Related Parties	Non Related	Related Parties
	LBP'000	LBP'000	LBP'000	LBP'000
Overnight Deposits	1,205	-	1,578	-
Money market deposits	7,571,925	8,588	6,937,253	952,656
Other short term borrowings	708,656	239,891	58,701	183,128
	<u>8,281,786</u>	<u>248,479</u>	<u>6,997,532</u>	<u>1,135,784</u>

19. CUSTOMERS' DEPOSITS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2010		December 31, 2009	
	C/V of F/Cy	Total	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Customers' deposits				
designated at FVTPL	47,575,176	47,575,176	158,738,464	158,738,464
Accrued interest Payable	84,868	84,868	2,077,829	2,077,829
	<u>47,660,044</u>	<u>47,660,044</u>	<u>160,816,293</u>	<u>160,816,293</u>

Deposits from customers which are matched with an embedded derivative have been designated at fair value through profit or loss, where the underlying assets vary from product to product. An accounting mismatch would arise if customers' deposits were accounted for at amortized cost, because the related derivative is measured at fair value with movements in the fair value taken through the income statement. By designating those deposits from customers at fair value, the change in the fair value of these deposits is recorded in the consolidated income statement.

Customers' deposits at fair value through profit or loss includes deposits where the underlying monetary value is invested in products yielding variable returns depending on the performance of baskets of currencies, commodities, global indices or Lebanese Government bonds all hedged through an effective over-the-counter call option.

The changes in the fair value recognized on these deposits and the related derivatives acquired for hedging are broken down as follows:

	December 31, 2010		December 31, 2009	
	Initial Value	Fair Value	Initial Value	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000
Customers' deposits at fair value through profit or loss	51,494,676	47,575,176	156,351,731	158,738,464
Related derivative contracts (held for hedging)	470,846	717,569	5,548,906	3,020,341

20. CUSTOMERS' DEPOSITS AT AMORTIZED COST

	December 31, 2010						
	LBP Base Accounts			F/Cy Base Accounts			
	Interest Bearing	Non Interest Bearing	Total	Interest Bearing	Non Interest Bearing	Total	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Current / demand deposits	143,060,045	10,737,074	153,797,119	668,949,974	465,212,561	1,134,162,535	1,287,959,654
Term deposits	2,860,397,218	91,520	2,860,488,738	7,494,758,685	135,144	7,494,893,829	10,355,382,567
Margins for irrevocable import letters of credit	-	-	-	6,522,448	1,996,590	8,519,038	8,519,038
Margins on letters of guarantee	3,534,459	998,366	4,532,825	14,902,936	6,010,574	20,913,510	25,446,335
Other margins	623,704	220,733	844,437	17,277,033	3,384,256	20,661,289	21,505,726
Accrued interest payable	17,846,210	-	17,846,210	35,059,262	-	35,059,262	52,905,472
	<u>3,025,461,636</u>	<u>12,047,693</u>	<u>3,037,509,329</u>	<u>8,237,470,338</u>	<u>476,739,125</u>	<u>8,714,209,463</u>	<u>11,751,718,792</u>

	December 31, 2009						
	LBP Base Accounts			F/Cy Base Accounts			
	Interest Bearing	Non Interest Bearing	Total	Interest Bearing	Non Interest Bearing	Total	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Current / demand deposits	131,465,428	13,052,562	144,517,990	381,531,428	542,308,847	923,840,275	1,068,358,265
Term deposits	2,242,166,308	-	2,242,166,308	7,349,319,079	-	7,349,319,079	9,591,485,387
Collateral against loans and advances	76,500	-	76,500	150,750	-	150,750	227,250
Margins for irrevocable import letters of credit	-	-	-	4,563,485	927,009	5,490,494	5,490,494
Margins on letters of guarantee	3,708,395	945,744	4,654,139	10,955,107	3,275,161	14,230,268	18,884,407
Other margins	44,874	284,181	329,055	1,314,030	11,439,792	12,753,822	13,082,877
Accrued interest payable	13,847,420	-	13,847,420	47,397,433	-	47,397,433	61,244,853
	<u>2,391,308,925</u>	<u>14,282,487</u>	<u>2,405,591,412</u>	<u>7,795,231,312</u>	<u>557,950,809</u>	<u>8,353,182,121</u>	<u>10,758,773,533</u>

Deposits from customers at amortized cost include at December 31, 2010 coded deposit accounts in the aggregate amount of LBP17.9billion (LBP17.5billion in 2009). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties.

Deposits from customers at amortized cost include at December 31, 2010 deposits linked to Lebanese Government bonds in the aggregate of LBP215.35billion (LBP148.20 in 2009). These bonds are owned by the Group and are classified as held-to-maturity.

Deposits from customers at amortized cost at December 31, 2010 include deposits received from non-resident banks and financial institutions relating to their fiduciary clients for a total amount of LBP765.98billion (LBP1,398.53billion in 2009) out of which LBP478.44billion are from a related company, a related bank and a subsidiary bank (LBP458.08billion in 2009).

21. RELATED PARTIES' DEPOSITS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	<u>C/V of F/Cy</u> <u>LBP'000</u>	<u>C/V of F/Cy</u> <u>LBP'000</u>
Related parties' deposits at fair value through profit or loss	2,794,641	2,828,299
Accrued interest payable	<u>155,396</u>	<u>155,396</u>
	<u>2,950,037</u>	<u>2,983,695</u>

The changes in the fair value recognized on these deposits and the related derivative acquired for hedging is broken down as follows:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Initial</u>	<u>Fair</u>	<u>Initial</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Related parties' deposits at fair value through profit or loss	3,005,829	2,794,641	3,005,829	2,828,299
Related derivative contracts (held for hedging) (Note 17)	431,145	116,681	431,145	178,488

22. RELATED PARTIES' DEPOSITS AT AMORTIZED COST

	<u>December 31, 2010</u>						
	<u>LBP Base Accounts</u>			<u>F/Cy Base Accounts</u>			
	<u>Interest Bearing</u>	<u>Non Interest Bearing</u>	<u>Total</u>	<u>Interest Bearing</u>	<u>Non Interest Bearing</u>	<u>Total</u>	
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	
Current / demand deposits	5,219,191	219	5,219,410	64,197,198	3,844,063	68,041,261	73,260,671
Term deposits	541,728,936	-	541,728,936	853,445,502	203,895	853,649,397	1,395,378,333
Collateral against loans and advances	285,000	-	285,000	9,436	-	9,436	294,436
Margins on letters of guarantee	74,259	142,400	216,659	13,031	16,944	29,975	246,634
Other margins	-	348	348	302	125,764	126,066	126,414
Accrued interest payable	<u>1,163,052</u>	<u>-</u>	<u>1,163,052</u>	<u>2,443,145</u>	<u>-</u>	<u>2,443,145</u>	<u>3,606,197</u>
	<u>548,470,438</u>	<u>142,967</u>	<u>548,613,405</u>	<u>920,108,614</u>	<u>4,190,666</u>	<u>924,299,280</u>	<u>1,472,912,685</u>

	<u>December 31, 2009</u>						
	<u>LBP Base Accounts</u>			<u>F/Cy Base Accounts</u>			
	<u>Interest Bearing</u>	<u>Non Interest Bearing</u>	<u>Total</u>	<u>Interest Bearing</u>	<u>Non Interest Bearing</u>	<u>Total</u>	
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	
Current / demand deposits	1,246,458	2,659,300	3,905,758	20,104,495	4,194,550	24,299,045	28,204,803
Term deposits	439,105,927	-	439,105,927	934,071,455	-	934,071,455	1,373,177,382
Collateral against loans and advances	285,000	-	285,000	-	-	-	285,000
Margins on letters of guarantee	214,268	-	214,268	8,800	-	8,800	223,068
Other margins	-	246	246	302	124,620	124,922	125,168
Accrued interest payable	<u>3,824,357</u>	<u>-</u>	<u>3,824,357</u>	<u>7,106,603</u>	<u>-</u>	<u>7,106,603</u>	<u>10,930,960</u>
	<u>444,676,010</u>	<u>2,659,546</u>	<u>447,335,556</u>	<u>961,291,655</u>	<u>4,319,170</u>	<u>965,610,825</u>	<u>1,412,946,381</u>

23. BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

Long term borrowings are reflected at amortized cost and consist of the following:

	December 31,					
	2010			2009		
	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	
Borrowing from a non-resident investment bank	-	4,612,951	4,612,951	-	6,877,060	6,877,060
Soft loan from the Central Bank of Lebanon – Note 17	90,936,000	-	90,936,000	90,936,000	-	90,936,000
Other long term borrowings	-	339,008,036	339,008,036	-	284,809,821	284,809,821
Accrued interest payable	<u>772,123</u>	<u>946,436</u>	<u>1,718,559</u>	<u>760,059</u>	<u>882,662</u>	<u>1,642,721</u>
	<u>91,708,123</u>	<u>344,567,423</u>	<u>436,275,546</u>	<u>91,696,059</u>	<u>292,569,543</u>	<u>384,265,602</u>

“Other long term borrowings” as at December 31, 2010 and 2009 includes loans in the amount of LBP218.59billion granted to the Group against the pledge of held-to-maturity foreign currency Lebanese Government bonds in the amount of LBP421billion (LBP451billion as at December 31, 2009) and a pledged deposits with a bank in the amount of LBP75.38billion (LBP75.38billion as at December 31, 2009) (Notes 6 and 11).

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

	December 31,			
	2010		2009	
	LBP	F/Cy	LBP	F/CY
	Base Accounts	Base Accounts	Base Accounts	Base Accounts
	LBP'000	LBP'000	LBP'000	LBP'000
Less than 1 year	-	12,634,286	-	6,101,785
1 to 3 years	-	135,406,522	-	49,230,632
3 to 5 years	-	43,735,446	-	109,562,946
5 to 10 years	90,936,000	99,853,929	90,936,000	78,497,679
Beyond 10 years	-	51,990,804	-	48,293,839
	<u>90,936,000</u>	<u>343,620,987</u>	<u>90,936,000</u>	<u>291,686,881</u>

The Group has not had any defaults of principal, interest or other breaches with respect to its borrowings during 2010 and 2009.

24. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following:

	December 31,	
	2010	2009
	C/V	C/V
	of F/Cy	of F/Cy
	LBP'000	LBP'000
Global certificates of deposit	452,250,000	708,525,000
Discount on issuance of global certificates of deposit	(835,114)	(1,553,405)
Accrued interest payable	<u>1,606,108</u>	<u>10,345,262</u>
	<u>453,020,994</u>	<u>717,316,857</u>

Certificates of deposit are reflected at amortized cost.

During 1996, the Group set up a USD500million Euro Deposit Program to be issued in series through international financial institutions. Eleven series had been issued under this program up to December 2005, of which the first eight series were redeemed. During 2006, the Group redeemed series N°. 9 in the amount of USD100million at its maturity on October 6, 2006. During 2007, the Group redeemed series N°. 10 in the amount of USD150million at its maturity on August 6, 2007.

During 2005, the Group augmented the above mentioned program by USD500million to become USD1billion to be issued in series through international financial institutions. In this respect, the Group issued series No.12 in the amount of USD300million representing the first series of the above mentioned program after its increase.

During 2010, the Group redeemed series No.11 in the amount of USD170million at its maturity on July 19, 2010.

The outstanding series are summarized as follows:

	Series 12
Nominal amount of certificates	USD 300,000,000
Issue price	USD 298,005,000
Issue date	December 15, 2005
Maturity	December 14, 2012
Fixed rate of interest	7.625%
Interest payment date	December & June
Outstanding amount (in LBP'000)	452,250,000

The Group has not had any defaults of principal, interest or other breaches with respect to its certificates of deposit during 2010 and 2009.

25. OTHER LIABILITIES

	December 31,	
	2010	2009
	LBP'000	LBP'000
Accrued income tax and other taxes	13,894,646	10,286,364
Withheld taxes on staff benefits and payments to non-residents	6,208,477	4,981,760
Withheld tax on interest	2,810,557	2,879,165
Deferred tax liability	64,977,777	85,944,790
Due to the Social Security National Fund	1,568,870	1,572,325
Checks and incoming payment orders in course of settlement	26,358,021	23,422,051
Blocked capital subscriptions for companies under incorporation	1,027,529	671,491
Accrued expenses	40,708,105	27,626,645
Financial guarantee contracts issued	3,462,279	4,724,083
Fair value of derivatives	13,516,344	21,060
Payable to personnel and directors	900,074	600,851
Unearned revenues	5,471,801	6,803,566
Sundry accounts payable	<u>52,004,743</u>	<u>43,288,370</u>
	<u>232,909,223</u>	<u>212,822,521</u>

The tax returns for the years 2006, 2007, 2008 and 2009 of BankMed S.A.L. and most of its subsidiaries remain subject to examination and final tax assessment by the tax authorities. Management does not expect any material additional tax liability as a result of the expected tax reviews.

Fair value of derivatives consists of the following:

	December 31,	
	2010	2009
	LBP'000	LBP'000
Fair value of forward contracts	11,856,943	21,060
Fair value of currency option contracts	<u>1,659,401</u>	<u>-</u>
	<u>13,516,344</u>	<u>21,060</u>

The negative fair value of currency options related to call and put options entered into by the Group with its customers and back-to-back with a non-resident bank. The offsetting positive fair value is recorded under "Other assets" (Note 17).

The following table explains the relationship between taxable income and accounting income:

	<u>2010</u> <u>LBP'000</u>	<u>2009</u> <u>LBP'000</u>
Income before income tax	180,947,325	153,041,310
Income from subsidiaries and associates	(130,772,725)	(103,132,759)
	50,174,600	49,908,551
<u>Add:</u> Non-deductible expenses	54,194,132	43,343,316
<u>Less:</u> Non-taxable revenues or revenues subject to tax in previous periods	(40,213,589)	(34,416,712)
Taxable income	<u>64,155,143</u>	<u>58,835,155</u>
Income tax expense (15%)	9,623,271	8,825,273
Non-refundable withheld tax	<u>3,640,990</u>	<u>1,869,601</u>
	13,264,261	10,694,874
<u>Add:</u> Income tax on subsidiaries' income	<u>8,490,068</u>	<u>5,646,533</u>
Income tax expense	<u><u>21,754,329</u></u>	<u><u>16,341,407</u></u>

Deferred tax liability consists of the following:

	<u>December 31,</u>	
	<u>2010</u> <u>LBP'000</u>	<u>2009</u> <u>LBP'000</u>
Deferred tax liability on available-for-sale securities (Note 30)	55,945,788	77,707,863
Deferred tax liability on undistributed income of subsidiaries	6,030,000	6,030,000
Deferred tax liability on income from associates (Note 13)	<u>3,001,989</u>	<u>2,206,927</u>
	<u><u>64,977,777</u></u>	<u><u>85,944,790</u></u>

26. PROVISIONS

Provisions consist of the following:

	<u>December 31,</u>	
	<u>2010</u> <u>LBP'000</u>	<u>2009</u> <u>LBP'000</u>
Provision for employees' end-of-service indemnity	27,020,450	23,574,137
Provision for contingencies	10,495,794	21,222,903
Provision for loss on foreign currency position	321,202	280,774
Other	<u>-</u>	<u>300,792</u>
	<u><u>37,837,446</u></u>	<u><u>45,378,606</u></u>

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

	December 31,	
	2010	2009
	LBP'000	LBP'000
Balance at January 1	23,574,137	20,993,733
Additions	4,178,075	3,880,524
Settlements	(614,651)	(1,317,890)
Transfer from a related company	8,393	12,868
Effect of exchange rate changes	(125,495)	4,902
Balance at December 31	<u>27,020,450</u>	<u>23,574,137</u>

The movement of the provision for contingencies was as follows:

	December 31,	
	2010	2009
	LBP'000	LBP'000
Balance at January 1	21,222,903	14,740,419
Additions	4,458,001	9,403,216
Settlements	(9,262,798)	(1,784,291)
Write-back	(4,660,823)	(1,677,963)
Transfer to allowance for collectively assessed loans	(254,847)	-
Transfer to allowance for impairment on bad and doubtful loans	(2,933,220)	-
Other	1,118,681	250,313
Effect of exchange rate changes	807,897	291,209
Balance at December 31	<u>10,495,794</u>	<u>21,222,903</u>

27. SHARE CAPITAL

The capital of the Group as at December 31, 2010 and December 31, 2009 consists of 53,000,000 shares of LBP10,000 par value each, issued and fully paid.

The Group has set up a special foreign currency position to the extent of USD71.15million as of December 31, 2010 and December 31, 2009 as a hedge of capital within the limits authorized by local banking regulations.

On March 29, 2010, the ordinary Shareholders' General Assembly approved the distribution of dividends in the amount of LBP42.21billion (USD28million) to the ordinary shareholders.

On May 12, 2009, the ordinary Shareholders' General Assembly approved the distribution of dividends in the amount of LBP24.12billion (USD16million) to the ordinary shareholders.

28. PREFERRED SHARES

During 2009, the Group issued Non-cumulative Perpetual Redeemable Series 1 Preferred Shares for an amount of LBP150.75billion (USD100,000,000) in accordance with the decision of the extraordinary general assembly of shareholders in its meeting held on July 24, 2009 and after the approval of the Central Bank of Lebanon dated September 12, 2009. The Group's issued preferred shares carry the following terms:

- Number of Shares : 1,000,000
- Share's issue price : USD100
- Share's nominal value : LBP10,000
- Issue premium : LBP140,750,000 calculated in LBP as the difference between USD100 and the counter value of the par value per share (LBP10,000).
- Benefits : Distributions on account of the financial year 2009, are payable, in arrear, on a pro rata basis, in U.S. Dollars, in an amount equal to USD 5.00 per Series 1 Preferred Share. Thereafter, distributions are paid, in arrear, annually, for the 2010 financial year and subsequent financial years, in U.S. Dollars, in a fixed amount equal to USD 7.75 (representing a dividend yield of 7.75 percent) per Series 1 Preferred Share, subject to adjustment to reflect the occurrence of an Adjustment Event.
- Adjustment Event : "Adjustment Event" means any stock split or reverse stock split affecting the Group's share capital (but not any other event, including the issuance of new shares by the Group below market value, any stock dividend in respect of the Group's shares, any recapitalization of the Group, any merger or acquisition involving the Group or any like event).
- Distributions subject to withholding tax : Distributions are subject to withholding tax at the rate of 10 percent, unless and until shares (at least one third of the Group's outstanding share capital) or Global Depositary Shares ("GDSs") (at least 20% of Group's outstanding share capital) are listed for trading on the Beirut Stock Exchange ("BSE"), in which case the withholding tax is reduced to 5 percent. The Group will reimburse the holders of Series 1 Preferred Shares for the difference between the withholding tax rate applicable had the shares or GDSs of the Group been listed on the BSE and the withholding tax rate had the shares or GDSs not been listed on the BSE, provided that the portion of the tax reimbursed by the Group shall not exceed, at any time, 5 percent of the amount of each distribution to the holders of Series 1 Preferred Shares

Call Option : Subject to compliance with applicable ratios and regulations, and to verification of such compliance by the Banking Control Commission, the Group may, at its option, redeem and cancel all or any part (but not less than 20 percent, each time, of the original issue size or, if less, 100 percent of the Series 1 Preferred Shares then remaining outstanding) of the Series 1 Preferred Shares at the time outstanding:

(i) at any time after the Issue Date, if a Regulatory Event shall occur; or

(ii) within the period following the date of the Ordinary General Assembly of Shareholders held to approve the annual accounts of the Issuer for the year 2013 until December 31, 2014, at its sole discretion, at redemption price equal to 100 percent of the Issue Price per Series 1 Preferred Shares (i.e. USD 100 per share) (subject to adjustment to reflect the occurrence of an Adjustment Event) plus any declared but unpaid distributions on the Series 1 Preferred Shares; or

(iii) within 60 days following the date of each Ordinary General Assembly of Shareholders held to approve the annual accounts of the Group for the immediately preceding fiscal year, at its sole discretion, at a redemption price equal to 103 percent of the Issue Price per Series 1 Preferred Share (i.e. USD 103 per share) (subject to adjustment to reflect the occurrence of an Adjustment Event) plus any declared but unpaid distributions on the Series 1 Preferred Shares if the right of redemption is exercised in 2015 and each subsequent year thereafter; provided that no distributions shall be payable in respect of the redeemed and cancelled Series 1 Preferred Shares for the year in which such Preferred Shares are redeemed and cancelled.

Certain matters relating to the redemption of the Series 1 Preferred Shares may require *Banque du Liban* approval.

On March 29, 2010, the ordinary shareholders' general assembly approved the distribution of dividends in the amount of LBP7.54billion (USD5million) to the holders of the preferred shares.

29. RESERVES

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Legal reserve	55,177,146	40,936,271
Property revaluation reserve	3,213,000	3,213,000
Reserve for general banking risks	71,589,588	60,701,973
Special reserves available for distribution	10,377,755	10,377,755
Reserves for assets acquired in satisfaction of loans (Note 14)	<u>4,525,239</u>	<u>2,353,990</u>
Total	<u>144,882,728</u>	<u>117,582,989</u>

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 should reach 1.25% of total risk weighted assets, off-balance sheet risk and global exchange position at year 10 and 2% of that amount at year 20. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

30. CUMULATIVE CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES

	<u>December 31, 2010</u>			<u>December 31, 2009</u>		
	<u>Cumulative Change in Fair Value LBP'000</u>	<u>Deferred Tax LBP'000</u>	<u>Net LBP'000</u>	<u>Cumulative Change in Fair Value LBP'000</u>	<u>Deferred Tax LBP'000</u>	<u>Net LBP'000</u>
Unrealized gain/(loss) on Lebanese Government bonds	71,830,014	(6,041,028)	65,788,986	85,403,861	(8,721,335)	76,682,526
Unrealized gain/(loss) on certificates of deposit issued by the Central Bank of Lebanon	229,874,129	(34,481,119)	195,393,010	157,357,956	(23,603,693)	133,754,263
Unrealized gain/(loss) on corporate bonds	5,845,405	164,824	6,010,229	(1,156,010)	163,857	(992,153)
Unrealized gain/(loss) on equity securities	90,007,115	(15,411,561)	74,595,554	300,457,091	(45,369,788)	255,087,303
Unrealized gain/(loss) on foreign government bonds	5,349,675	(937,778)	4,411,897	3,129,600	(637,131)	2,492,469
Unrealized gain/(loss) in fair value of available for-sale securities from associates	<u>8,369,326</u>	<u>-</u>	<u>8,369,326</u>	<u>10,686,315</u>	<u>-</u>	<u>10,686,315</u>
	<u>411,275,664</u>	<u>(56,706,662)</u>	<u>354,569,002</u>	<u>555,878,813</u>	<u>(78,168,090)</u>	<u>477,710,723</u>

The unrealized gain on foreign government bonds is disclosed after deducting the minority share amounting to LBP4.69billion (LBP4.58million as at December 31, 2009).

As a result of the acquisition in 2006 of the 25% minority equity stake in Saudi Lebanese Bank S.A.L., a consolidated subsidiary, cumulative change in fair value and related deferred tax liability, equivalent to the minority's share as at the purchase date, and amounting to LBP1.18billion and LBP177million, respectively, is eliminated from the consolidated cumulative change in fair value of available-for-sale securities and its related deferred tax liability, respectively, as at December 31, 2010 and 2009.

31. NON-CONTROLLING INTEREST

	December 31,	
	2010	2009
	LBP'000	LBP'000
Capital	167,233,064	197,690,167
Reserves and retained earnings	(55,445,982)	(67,835,893)
Cumulative change in fair value of available-for-sale securities	4,054,890	3,862,010
Currency translation adjustment	(8,544,109)	(6,716,412)
Profit for the year	<u>1,922,351</u>	<u>2,015,130</u>
	<u>109,220,214</u>	<u>129,015,002</u>

32. INTEREST INCOME

	Year Ended December 31,	
	2010	2009
	LBP'000	LBP'000
Interest income from:		
Deposits with the central banks	21,451,209	27,603,055
Deposits with banks and financial institutions	14,596,203	18,472,655
Deposits with related party banks and financial institutions	2,060,009	3,393,281
Notes receivable on total return swap, net - Note 11	49,917,140	41,842,179
Available-for-sale investment securities	369,493,038	312,849,110
Held to maturity investment securities	59,032,488	79,591,602
Loans to banks	5,843,732	8,078,892
Loans and advances to customers	337,397,712	315,824,373
Loans and advances to related parties	107,460,834	92,473,652
Receivable from properties sold with deferred payment – Note 17	162,162	5,249,818
Interest recognized on impaired loans and advances to customers	<u>9,436,497</u>	<u>7,618,612</u>
	<u>976,851,024</u>	<u>912,997,229</u>

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 or a rescheduling agreement is signed with customers.

Interest income on trading portfolio is included under “Net result on trading portfolio” (Note 36).

Interest income on assets designated at fair value through profit or loss upon initial recognition is included under “Net result on financial instruments designated at fair value through profit or loss upon initial recognition” (Note 37).

33. INTEREST EXPENSE

	Year Ended December 31,	
	2010	2009
	LBP'000	LBP'000
Interest expense on:		
Deposits from banks and financial institutions	22,683,221	31,764,353
Deposits from related party banks and financial institutions	3,715,523	3,665,818
Securities lent and repurchase agreements	1,474,943	186,128
Customers' deposits at amortized cost	515,520,428	464,212,556
Related parties' deposits at amortized cost	82,364,559	74,333,753
Borrowings from banks and financial institutions	9,905,075	9,249,052
Borrowings from related party banks and financial institutions	175,875	-
Certificates of deposit	46,463,884	55,514,841
Others	95,107	1,505,110
	<u>682,398,615</u>	<u>640,431,611</u>

Interest expense on customers' and related parties' deposits at fair value through profit or loss is included under "Net result on financial instruments designated at fair value through profit or loss upon initial recognition" (Note 37).

34. FEE AND COMMISSION INCOME

This caption consists of the following:

	Year Ended December 31,	
	2010	2009
	LBP'000	LBP'000
Commission on documentary credits	3,837,267	4,059,429
Commission on acceptances	1,698,280	1,847,234
Commission on letters of guarantee	16,512,839	11,645,902
Service fees on customers' transactions	30,036,787	27,495,632
Brokerage fees	2,421,055	1,973,809
Commission on transactions with banks	5,912,453	395,081
Asset management, placement and underwriting fees	7,339,947	22,386,476
Commissions on fiduciary activities	2,119,220	2,255,661
Other	3,740,117	1,277,403
	<u>73,617,965</u>	<u>73,336,627</u>

35. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	Year Ended December 31,	
	2010	2009
	LBP'000	LBP'000
Commission on transactions with banks and financial institutions	7,493,929	6,266,422
Safe custody charges	654,894	460,486
Other	<u>4,445,562</u>	<u>4,729,246</u>
	<u>12,594,385</u>	<u>11,456,154</u>

36. NET RESULTS ON TRADING PORTFOLIO

This caption consists of the following:

	Year Ended December 31,	
	2010	2009
	LBP'000	LBP'000
Interest income on Lebanese and other Government bonds held for trading	47,218	133,689
Dividends received on trading securities	51,242	41,573
Change in fair value of trading portfolio (net)	(76,424)	208,776
Gain on sale of trading assets	<u>-</u>	<u>49,609</u>
	<u>22,036</u>	<u>433,647</u>

37. NET RESULTS ON FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION

This caption consists of the following:

	Year Ended	
	December 31,	
	2010	2009
	LBP'000	LBP'000
Interest income on assets held at fair value through profit or loss upon initial recognition	5,039,582	6,385,682
Change in fair value of assets designated at fair value through profit or loss upon initial recognition	(769,705)	2,213,009
Interest expense on customers' deposits at fair value through profit or loss	(5,155,523)	(11,608,463)
Fee income on customers' deposits at fair value through profit or loss	21,575	79,049
Change in fair value of customers' deposits at fair value through profit or loss	769,705	(2,213,009)
Interest expense on related parties' deposits at fair value through profit or loss	(218,619)	(218,619)
Net interest on other instruments designated at fair value through profit and loss	<u>20,603</u>	<u>-</u>
	<u>(292,382)</u>	<u>(5,362,351)</u>

38. OTHER OPERATING INCOME

This caption consists of the following:

	Year Ended	
	December 31,	
	2010	2009
	LBP'000	LBP'000
Gain on sale of securities:		
Equities	16,024	4,582,507
Lebanese and Turkish Government bonds	95,473,689	70,339,250
Certificates of deposit issued by Central Bank	-	191,288
Corporate bonds	11,231	-
Dividends from equity investment securities – Note 11	39,455,383	35,947,799
Income from associates at equity method – Note 13	8,157,325	6,571,447
Gain on disposal of property and equipment	542,062	17,701
Foreign exchange gain	11,757,564	14,391,293
Gain on sale of assets acquired in satisfaction of loans – Note 14	10,513,294	4,005,433
Other	<u>15,334,370</u>	<u>7,197,510</u>
	<u>181,260,942</u>	<u>143,244,228</u>

39. ADMINISTRATIVE EXPENSES

This caption consists of the following:

	Year Ended	
	December 31,	
	2010	2009
	LBP'000	LBP'000
Professional fees and outsourcing services	66,717,208	48,958,870
Travel and hotel expenses	1,831,725	1,411,871
Rent charges	12,559,723	10,270,943
Cleaning and maintenance of office premises	3,855,561	3,426,013
Electricity and fuel charges	5,812,076	3,996,539
Marketing and advertising expenses	18,511,503	17,110,627
Communication fees (telephones, fax, swift, etc...)	5,764,613	4,473,167
Furniture and equipment maintenance	2,648,905	2,301,709
Hardware and software maintenance	6,774,055	6,056,791
Insurance premiums	1,832,102	2,080,226
Subscriptions fees	3,003,930	2,487,180
Printing, stationery, and office supplies	2,737,806	2,339,574
Fiscal stamps and other taxes	9,644,962	5,124,447
Personnel lunch	1,909,849	1,693,242
Others	17,100,008	16,582,903
	<u>160,704,026</u>	<u>128,314,102</u>

40. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the balance sheet. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

Forward exchange contracts outstanding as of December 31, 2010 and 2009 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group. The forward exchange contracts outstanding as at December 31, 2010 include a forward transaction for the purchase of USD85.94million versus CHF87.10million (USD84.11million versus CHF87.1million as at December 31, 2009). This transaction was effected to hedge an investment referred to in Note 15.

41. FIDUCIARY ACCOUNTS AND ASSETS UNDER MANAGEMENT

This caption consists of the following:

	December 31, 2010		
	Resident	Non-Resident	Total
	LBP'000	LBP'000	LBP'000
Fiduciary deposits invested in deposits			
with non-resident banks	-	680,473,600	680,473,600
Fiduciary deposits invested in securities portfolio	15,692,530	145,458,675	161,151,205
Fiduciary deposits invested in back-to-back lending	<u>59,798,969</u>	<u>14,495,845</u>	<u>74,294,814</u>
	<u>75,491,499</u>	<u>840,428,120</u>	<u>915,919,619</u>
Assets under management invested in securities portfolio	-	581,908,276	581,908,276
	<u>75,491,499</u>	<u>1,422,336,396</u>	<u>1,497,827,895</u>

	December 31, 2009		
	Resident	Non-Resident	Total
	LBP'000	LBP'000	LBP'000
Fiduciary deposits invested in deposits			
with non-resident banks	-	254,839,968	254,839,968
Fiduciary deposits invested in securities portfolio	-	145,398,872	145,398,872
Fiduciary deposits invested in back-to-back lending	<u>53,019,922</u>	<u>15,291,213</u>	<u>68,311,135</u>
	<u>53,019,922</u>	<u>415,530,053</u>	<u>468,549,975</u>
Assets under management invested in securities portfolio	-	598,017,624	598,017,624
	<u>53,019,922</u>	<u>1,013,547,677</u>	<u>1,066,567,599</u>

Fiduciary accounts and assets under management are segregated as follows:

	December 31, 2010		December 31, 2009	
	Resident	Non-Resident	Resident	Non-Resident
	LBP'000	LBP'000	LBP'000	LBP'000
Fiduciary deposits:				
Non-discretionary	75,491,499	836,726,746	53,019,922	415,530,053
Discretionary	-	3,701,374	-	-
	<u>75,491,499</u>	<u>840,428,120</u>	<u>53,019,922</u>	<u>415,530,053</u>
Assets under management:				
Discretionary	-	3,664,472	-	706,798
Non-Discretionary	-	578,243,804	-	597,310,826
	-	581,908,276	-	598,017,624
	<u>75,491,499</u>	<u>1,422,336,396</u>	<u>53,019,922</u>	<u>1,013,547,677</u>

42. BALANCES/TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, subsidiaries and associates.

Loans and advances and deposits of related parties other than related banks consist of the following:

	<u>2010</u>	<u>2009</u>
	<u>Year End</u>	<u>Year End</u>
	<u>Balance</u>	<u>Balance</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Shareholders, directors and other key management personnel and close family members:		
Secured loans and advances	513,480,668	521,572,564
Unsecured loans and advances	92,486,000	24,227,000
Deposits	487,041,810	440,824,296
Associated companies:		
Secured loans and advances	328,658,766	450,249,954
Unsecured loans and advances	26,755,000	142,029,168
Deposits	985,059,319	964,019,424

Interest rates charged on balances outstanding are the same rates that would be charged in an arm's length transaction.

The financial statements include balances with banks and related parties that are reflected under deposits with banks and financial institutions, loans and advances to related parties, deposits from related parties, other assets, other liabilities and off balance sheet accounts. Refer to the statement of financial position and notes thereto.

Related party transactions not disclosed elsewhere in the notes to the consolidated financial statements are as follows:

- General operating expenses include approximately LBP68.62billion for the year ended December 31, 2010 (LBP48.12billion for the year ended December 31, 2009) representing charges transacted with related party companies for services rendered to the Group.
- Other liabilities includes an amount of LBP13.87billion due to related parties (LBP9.8billion as at December 31, 2009) representing accrued charges for services received.
- Acceptances payable include acceptances payable to a related bank in the amount of LBP771million as at December 31, 2010 (LBP1.3billion as at December 31, 2009).
- Acceptances receivable include acceptances receivable from related parties in the amount of LBP5.22billion as at December 31, 2010 (LBP12.92billion as at December 31, 2009).

- Guarantees, and standby letters of credit include guarantees issued on behalf of related parties in favor of third parties in the amount of LBP21.17billion as at December 31, 2010 (LBP25.4billion as at December 31, 2009).
- Guarantees, and standby letters of credit include guarantees issued to the benefit of related parties on behalf of third parties in the amount of LBP67.44billion as at December 31, 2010 (LBP42.44billion as at December 31, 2009).
- Documentary and commercial letters of credit include letters of credit issued on behalf of related parties in favor of third parties in the amount of LBP43.11billion as at December 31, 2010 (LBP50.04billion as at December 31, 2009).
- Documentary and commercial letters of credit include letters of credit issued to the benefit of related parties on behalf of third parties in the amount of LBP1.77billion as at December 31, 2010 (LBP38.63billion as at December 31, 2009).
- Forward contracts include currencies to be received from a related financial institution in the amount of LBP50.31billion as at December 31, 2010 and currencies to be delivered to the same related financial institution in the amount of LBP50.43billion as at December 31, 2010 (currencies to be received in the amount of LBP27.98billion and currencies to be delivered in the amount of LBP27.25billion with a related party as at December 31, 2009).

43. NOTES TO THE CASH FLOW STATEMENT

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

	December 31,	
	2010	2009
	LBP'000	LBP'000
Cash	105,262,800	78,254,518
Checks for collection	42,704,809	58,990,907
Current accounts with central banks	86,940,860	129,813,084
Time deposits with central banks	135,369,573	197,807,053
Current accounts with banks and financial institutions	208,078,985	178,787,593
Time deposits with banks and financial institutions	1,118,306,891	974,569,392
Demand deposits from banks	(49,867,440)	(19,940,707)
Time deposits from banks	(74,032,655)	(3,821,651)
	<u>1,572,763,823</u>	<u>1,594,460,189</u>

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

The following operating, investing and financing activities, which represent non-cash items were excluded from the consolidated cash flow statement as follows:

- (a) Net decrease in change in fair value of available-for-sale securities and deferred liability in the amounts of LBP141.7billion and LBP21.76billion, respectively, against investment securities for the year ended December 31, 2010 (Net increase of LBP419.2billion and LBP52.93billion, respectively, against investment securities for the year ended December 31, 2009).
- (b) Increase in assets acquired in satisfaction of debts in the amount of LBP78.58billion against loans and advances to customers for the year ended December 31, 2010 (LBP14.43billion for the year ended December 31, 2009).
- (c) Increase in deferred liability on income from associates and increase in change in fair value on available-for-sale securities in the amount of LBP796million and LBP3.16billion, respectively, against investments in associates and other investments for the year ended December 31, 2010 (Increase of LBP573million, and LBP1.86million, respectively, for the year ended December 31, 2009).
- (d) Increase in other assets in the amount of LBP1.69billion against a decrease in assets acquired in satisfaction of debts for the year ended December 31, 2010 (Increase in other assets and property and equipment in the amount of LBP1.1billion and LBP279million, respectively, against a decrease in assets acquired in satisfaction of debts for the year ended December 31, 2009 in the amounts of LBP1.4billion).

44. COLLATERAL GIVEN

The carrying values of financial assets given as collateral are as follows as at December 31, 2010:

	Pledged Amount	Corresponding Facilities	
		Nature of Facility	Amount of Outstanding Facilities
	LBP'000	LBP'000	LBP'000
Held to maturity Lebanese government bonds	421,361,325	Long term borrowing	218,587,500
Pledged deposits with banks and financial institutions	75,375,000		
Held-to-maturity Lebanese government bonds	90,936,000	Soft loan	90,936,000
Pledged deposits with banks and financial institutions	23,939,100	Letters of guarantee	21,612,834

The carrying values of financial assets given as collateral are as follows as at December 31, 2009:

	Pledged Amount	Corresponding Facilities	
		Nature of Facility	Amount of Outstanding Facilities
	LBP'000	LBP'000	LBP'000
Held to maturity Lebanese Government bonds	451,285,200	Long term borrowing	218,587,500
Pledged deposits with banks and financial institutions	75,375,000		
Held to maturity Lebanese Government bonds	90,936,000	Soft loan	90,936,000
Pledged deposits with banks and financial institutions	14,495,559	Letter of credit	14,447,559
Pledged deposits with banks and financial institutions	301,500	Letter of guarantee	904,500

Over and above, the Group had contractual right of setoff arrangements with correspondent banks, details of which are disclosed under Note 6.

45. CAPITAL MANAGEMENT

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

Risk weighted assets and capital are monitored periodically to assess the quantum of capital available to support growth and optimally deploy capital to achieve targeted returns.

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

The Group monitors the adequacy of its capital using the methodology and ratios established by Central Bank of Lebanon. These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

The Group's capital is split as follows:

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

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

Certain investments in financial and non-financial institutions are ineligible and are deducted from Tier I and Tier II.

Also, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

The Group has complied with the regulatory capital requirement throughout the period.

The Group's consolidated capital adequacy ratio as per Basle 2 as at December 31, 2010 and 2009 amounted to 11.06% and 11.84% respectively, and is determined as follows:

	December 31,	
	2010	2009
	LBP million	LBP million
Risk-weighted assets	10,836,869	10,232,784
Credit risk	9,788,936	9,294,232
Market risk	376,388	361,717
Operational risk	671,545	576,835
 Tier I capital (including net income less proposed dividends and Reserves for assets acquired in satisfaction of loans)	 1,036,042	 985,087
Tier II capital	<u>162,275</u>	<u>226,019</u>
Total capital	<u>1,198,317</u>	<u>1,211,106</u>
 Capital adequacy ratio - Tier I	 9.56%	 9.63%
Capital adequacy ratio - Tier I and Tier II	11.06%	11.84%

46. FINANCIAL RISK MANAGEMENT

The Group's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn interest margins by investing these funds in high quality assets. It also seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

The Group also seeks to raise interest margins through lending to commercial and retail borrowers with a range of credit standing. Such exposures include guarantees and other commitments such as letters of credit and performance and other bonds.

With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counter balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Risk management is a systematic process of identifying and assessing the Group risks and taking actions to protect the Group against these risks.

The use of financial instruments also brings with it associated inherent risks. The Group recognizes the relationship between returns and risks associated with the use of financial instruments and the management of risks forms an integral part of the Group's strategic objectives.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major risk-based lines of business. The Group continuously reviews its risk management policies and practices to reflect changes in markets, products and emerging best practice.

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

A – Credit Risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks, loans and advances to customers 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 geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance affecting a particular industry or geographical location.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks.

1- Management of credit risk

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In certain cases the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

The Group seeks to manage its credit risk exposure also through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate and also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practices.

2- Measurement of credit risk

a) Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools. The Group's rating scale reflects the range of default probabilities defined for each rating class as explained below:

- **Watch List:** Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring.
- **Past due but not impaired:** Loans past due but not impaired are loans where contractual interest or principal are past due but the Group's management believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.
- **Substandard loans:** Substandard loans are loans that are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged in favor of the group. Exposures where an indication of the possibility that the Group will sustain a loss if certain irregularities and deficiencies are not addressed exists are classified under this category. The Group does not provide against these loans but it defers the recognition of interest income under unrealized interest.

- **Doubtful loans:** Doubtful loans have, in addition to the weaknesses existing in substandard loans, characteristics indicating that current existing facts and figures make the collection in full highly improbable. The probability of loss is high but certain reasonable and specific pending factors which if addressed could strengthen the probability of collection, result in the deferral of the exposure as an estimated loss until a more exact status is determined. These loans are provided for and interest income recognition is deferred.
- **Loss:** Loans classified as loss are considered as uncollectible and of such minimal value that their classification as assets is not warranted. This does not mean that the loan is absolutely unrecoverable or has no salvage value. However, the amount of loss is difficult to measure and the Group does not wish to defer the writing of the loan even partial recovery might occur in the future. Loans are charged off in the period in which they are deemed uncollectible and therefore classified as loss.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main component of its allowance are specific loss component that relate to individually significant exposures, and a minor part of a collective loan loss allowance established for retail and Small and Medium Enterprises (SME's) where there is objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

The Group writes off a loan/security balance (and any related allowances for impairment losses) when it determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such as the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

3. *Risk mitigation policies*

Collateral:

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees
- Financial instruments (equities and debt securities)
- Business other assets (such as inventories and accounts receivable)

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

Other specific risk mitigation policies include:

Netting arrangements:

The Group sometimes further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

4-Financial assets with credit risk exposure and related concentrations

a) Exposure to credit risk:

	December 31,	
	2010	2009
	Gross Maximum Exposure	Gross Maximum Exposure
	LBP'000	LBP'000
Central banks	2,054,692,689	2,103,033,178
Deposits with banks and financial institutions	1,683,273,938	2,212,695,073
Financial assets at fair value through profit or loss	36,955,932	85,042,506
Loans to banks	203,593,711	181,188,641
Loans and advances to customers	4,347,093,167	3,585,617,978
Loans and advances to related parties	961,685,490	1,138,467,192
Available-for-sale investment securities	5,786,379,128	4,839,310,392
Held-to-maturity investment securities	735,269,522	950,297,840
Customers' acceptances liabilities	137,474,027	71,912,105
Other assets	<u>128,503,937</u>	<u>131,447,470</u>
Total	<u>16,074,921,541</u>	<u>15,299,012,375</u>
Financial instruments with off-balance sheet risk	2,744,371,089	2,327,436,067
Fiduciary deposits and assets under management	<u>1,497,827,895</u>	<u>1,066,567,599</u>
Total	<u>4,242,198,984</u>	<u>3,394,003,666</u>
Total credit risk exposure	<u>20,317,120,525</u>	<u>18,693,016,041</u>

Below are the details of the Group's exposure to credit risk with respect to loans and advances to customers (excluding deferred penalties):

December 31, 2010									
	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Fair Value of Collateral Received					
				Pledged funds	Property	Equity Securities	Debt Securities	Other	Total
				LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	4,447,343,878	(137,791,688)	4,309,552,190	949,244,176	1,518,768,260	809,638,256	84,120,137	159,832,711	3,521,603,540
Substandard loans	20,277,531	(462,704)	19,814,827	142,193	23,698,234	-	-	10,014	23,850,441
Bad and doubtful loans	115,570,917	(84,259,915)	31,311,002	3,183,696	132,169,380	42,350	-	139,754	135,535,180
	<u>4,583,192,326</u>	<u>(222,514,307)</u>	<u>4,360,678,019</u>	<u>952,570,065</u>	<u>1,674,635,874</u>	<u>809,680,606</u>	<u>84,120,137</u>	<u>159,982,479</u>	<u>3,680,989,161</u>

December 31, 2009									
	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Fair Value of Collateral Received					
				Pledged funds	Property	Equity Securities	Debt Securities	Other	Total
				LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	3,647,429,258	(87,540,498)	3,559,888,760	475,067,212	796,913,664	480,390,223	40,935,602	103,509,506	1,896,816,207
Substandard loans	19,389,977	-	19,389,977	-	13,479,053	-	-	-	13,479,053
Bad and doubtful loans	129,726,278	(110,473,680)	19,252,598	1,187,615	76,590,010	27,042	-	41,832	77,846,499
	<u>3,796,545,513</u>	<u>(198,014,178)</u>	<u>3,598,531,335</u>	<u>476,254,827</u>	<u>886,982,727</u>	<u>480,417,265</u>	<u>40,935,602</u>	<u>103,551,338</u>	<u>1,988,141,759</u>

b) Concentration of financial assets by industry:

	December 31, 2010								
	<u>Sovereign</u> LBP'000	<u>Financial</u> Services LBP'000	<u>Real</u> Estate LBP'000	<u>Manufacturing</u> LBP'000	<u>Consumer</u> Goods Trading LBP'000	<u>Services</u> LBP'000	<u>Retail</u> LBP'000	<u>Other</u> LBP'000	<u>Total</u> LBP'000
Balance sheet Exposure:									
Cash and Central Banks (excluding cash on hand)	2,054,692,689	-	-	-	-	-	-	-	2,054,692,689
Deposits with banks and financial institutions	-	1,683,273,938	-	-	-	-	-	-	1,683,273,938
Financial assets at fair value through profit or loss	36,955,932	-	-	-	-	-	-	-	36,955,932
Loans to banks	-	203,593,711	-	-	-	-	-	-	203,593,711
Loans and advances to customers	-	29,340,874	1,303,347,849	674,208,476	381,095,371	886,427,034	824,381,862	248,291,701	4,347,093,167
Loans and advances to related parties	-	-	243,094,544	98,979	-	173,221,778	545,270,189	-	961,685,490
Available-for-sale investment securities	4,788,537,679	464,305,712	454,801,824	14,943,848	-	63,790,065	-	-	5,786,379,128
Held-to-maturity investment securities	735,269,522	-	-	-	-	-	-	-	735,269,522
Customers' acceptance liability	-	-	37,769,839	15,358,155	27,818,762	8,110,350	2,687,067	45,729,854	137,474,027
Other assets	<u>1,623,040</u>	<u>3,966,343</u>	<u>2,333,185</u>	<u>-</u>	<u>405,518</u>	<u>119,891,764</u>	<u>273,535</u>	<u>10,552</u>	<u>128,503,937</u>
	<u>7,617,078,862</u>	<u>2,384,480,578</u>	<u>2,041,347,241</u>	<u>704,609,458</u>	<u>409,319,651</u>	<u>1,251,440,991</u>	<u>1,372,612,653</u>	<u>294,032,107</u>	<u>16,074,921,541</u>
Off-Balance sheet Risks:									
Guarantees and standby letters of credit	-	102,204,081	646,120,824	336,654,556	158,877,672	106,669,918	40,255,530	19,427,730	1,410,210,311
Documentary and commercial letters of credit	-	22,108,200	152,624,511	85,418,491	62,001,530	3,775,465	5,026,475	2,127,757	333,082,429
Forward exchange contracts	-	528,599,937	-	3,284,235	8,926,278	350,778	459,552,121	-	1,000,713,349

December 31, 2009

	<u>Sovereign</u>	<u>Financial</u>	<u>Real</u>	<u>Manufacturing</u>	<u>Consumer</u>	<u>Services</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>Goods Trading</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
					<u>LBP'000</u>				
Balance sheet Exposure:									
Cash and Central Banks (excluding cash on hand)	2,103,033,178	-	-	-	-	-	-	-	2,103,033,178
Deposits with banks and financial institutions	-	2,212,695,073	-	-	-	-	-	-	2,212,695,073
Financial assets at fair value through profit or loss	37,697,919	47,344,587	-	-	-	-	-	-	85,042,506
Loans to banks	-	181,188,641	-	-	-	-	-	-	181,188,641
Loans and advances to customers	-	19,068,391	1,005,921,129	493,563,930	361,872,387	789,660,505	676,688,829	238,842,807	3,585,617,978
Loans and advances to related parties	-	-	243,094,544	987,980	-	348,585,104	545,799,564	-	1,138,467,192
Available-for-sale investment securities	3,853,186,099	369,055,827	578,735,682	13,211,730	-	25,121,054	-	-	4,839,310,392
Held-to-maturity investment securities	911,245,676	39,052,164	-	-	-	-	-	-	950,297,840
Customers' acceptance liability	-	-	14,061,811	14,718,611	17,938,741	15,324,685	378,797	9,489,460	71,912,105
Other assets	1,600,501	6,496,559	1,781,865	-	-	115,937,466	389,760	5,241,319	131,447,470
	<u>6,906,763,373</u>	<u>2,874,901,242</u>	<u>1,843,595,031</u>	<u>522,482,251</u>	<u>379,811,128</u>	<u>1,294,628,814</u>	<u>1,223,256,950</u>	<u>253,573,586</u>	<u>15,299,012,375</u>
Off-Balance sheet Risks:									
Guarantees and standby letters of credit	-	68,591,531	430,439,319	206,284,535	138,609,433	115,296,925	33,863,778	91,463,841	1,084,549,362
Documentary and commercial letters of credit	-	33,267,372	56,818,765	70,507,371	42,769,075	1,508,934	59,286,359	22,887,075	287,044,951
Forward exchange contracts	-	363,149,260	-	392,197	12,212,031	44,725,718	535,063,996	298,552	955,841,754

c) Concentration of assets and liabilities by geographical area:

	December 31, 2010					Total
	Lebanon	Middle East, Gulf & Africa	North America	Europe	Other	
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
<u>ASSETS</u>						
Cash and central banks	1,935,234,092	2,010	-	224,719,387	-	2,159,955,489
Deposits with banks and financial institutions	193,706,585	641,903,161	90,493,853	755,770,770	1,399,569	1,683,273,938
Financial assets at fair value through profit or loss	36,537,324	-	-	418,608	-	36,955,932
Loans to banks	161,409,787	24,898,813	-	17,285,111	-	203,593,711
Loans and advances to customers	2,534,951,544	691,164,828	24,943,774	1,072,057,547	23,975,474	4,347,093,167
Loans and advances to related parties	895,138,488	4,170,769	-	62,376,233	-	961,685,490
Available-for-sale investment securities	5,204,799,434	299,542,628	-	282,037,066	-	5,786,379,128
Held-to-maturity investment securities	688,871,864	-	-	46,397,658	-	735,269,522
Customers' acceptance Liability	92,558,478	28,142,159	-	16,773,390	-	137,474,027
Investments in associates	96,598,425	-	-	-	-	96,598,425
Assets acquired in satisfaction of loans	142,696,115	-	-	1,380,825	-	144,076,940
Goodwill	177,982,424	-	-	-	-	177,982,424
Property and equipment	181,337,082	1,303,926	-	13,769,537	-	196,410,545
Other assets	<u>174,890,442</u>	<u>1,143,340</u>	<u>4,485</u>	<u>20,799,747</u>	<u>52,835</u>	<u>196,890,849</u>
Total Assets	<u>12,516,712,084</u>	<u>1,692,271,634</u>	<u>115,442,112</u>	<u>2,513,785,879</u>	<u>25,427,878</u>	<u>16,863,639,587</u>
<u>LIABILITIES</u>						
Deposits from banks and financial institutions	458,821,753	65,482,489	57,004	97,110,328	5,149,530	626,621,104
Customers' deposits at fair value through profit or loss	41,503,952	3,352,700	45,225	1,658,647	1,099,520	47,660,044
Customers' deposits at amortized cost	8,329,380,732	1,676,813,159	114,683,639	1,386,756,867	244,084,395	11,751,718,792
Related parties' deposits at fair value through profit or loss	-	2,950,037	-	-	-	2,950,037
Related parties' deposits at amortized cost	227,409,171	911,079,086	287,072,079	43,940,975	3,411,374	1,472,912,685
Acceptances payable	2,952,581	19,429,424	32,734,066	81,628,359	729,597	137,474,027
Borrowings from banks and financial institutions	96,351,541	-	-	339,924,005	-	436,275,546
Certificates of deposit	-	-	-	453,020,994	-	453,020,994
Other liabilities	187,103,087	977,745	50	44,819,810	8,531	232,909,223
Provisions	<u>29,189,024</u>	<u>104,105</u>	<u>-</u>	<u>8,544,317</u>	<u>-</u>	<u>37,837,446</u>
Total liabilities	<u>9,372,711,841</u>	<u>2,680,188,745</u>	<u>434,592,063</u>	<u>2,457,404,302</u>	<u>254,482,947</u>	<u>15,199,379,898</u>

December 31, 2009

	Lebanon	Middle East, Gulf & Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
<u>ASSETS</u>						
Cash and central banks	1,905,900,716	4,421	-	275,382,559	-	2,181,287,696
Deposits with banks and financial institutions	297,016,377	1,012,870,998	123,598,974	777,129,849	2,078,875	2,212,695,073
Financial assets at fair value through profit or loss	37,497,597	46,584,765	-	960,144	-	85,042,506
Loans to banks	57,862,439	123,147,918	-	178,284	-	181,188,641
Loans and advances to customers	2,292,471,611	501,182,882	6,672,229	772,112,388	13,178,868	3,585,617,978
Loans and advances to related parties	794,424,961	267,330,485	-	76,711,746	-	1,138,467,192
Available-for-sale investment securities	4,473,017,299	219,980,581	1,120,553	139,071,465	6,120,494	4,839,310,392
Held-to-maturity investment securities	911,245,676	-	-	39,052,164	-	950,297,840
Customers' acceptance liability	45,047,919	16,998,489	-	9,486,900	378,797	71,912,105
Investments in associates and other investments	91,433,361	-	-	-	-	91,433,361
Assets acquired in satisfaction of loans	74,396,818	-	-	1,003,968	-	75,400,786
Goodwill	174,007,534	-	-	-	-	174,007,534
Property and equipment	167,803,042	-	-	13,842,781	1,470,334	183,116,157
Other assets	<u>164,653,954</u>	<u>208,392</u>	<u>2,323</u>	<u>21,068,674</u>	<u>469,893</u>	<u>186,403,236</u>
Total Assets	<u>11,486,779,304</u>	<u>2,188,308,931</u>	<u>131,394,079</u>	<u>2,126,000,922</u>	<u>23,697,261</u>	<u>15,956,180,497</u>
<u>LIABILITIES</u>						
Deposits from banks and financial institutions	378,517,278	22,222,785	5,090,030	60,019,032	942,725	466,791,850
Customers' deposits at fair value through profit or loss	143,462,126	10,001,188	197,744	3,002,807	4,152,428	160,816,293
Customers' deposits at amortized cost	8,238,943,422	967,036,916	105,396,411	1,158,481,039	288,915,745	10,758,773,533
Related parties' deposits at fair value through profit or loss	2,983,695	-	-	-	-	2,983,695
Related parties' deposits at amortized cost	161,808,125	941,152,075	276,294,613	32,761,289	930,279	1,412,946,381
Acceptances payable	4,899,891	7,987,739	27,657,119	30,793,054	574,302	71,912,105
Borrowings from banks and financial institutions	98,619,671	-	-	285,645,931	-	384,265,602
Certificates of deposit	-	-	-	717,316,857	-	717,316,857
Other liabilities	183,786,576	554,064	2,715	27,763,040	716,126	212,822,521
Provisions	25,976,175	-	-	19,336,511	65,920	45,378,606
Total liabilities	<u>9,238,996,959</u>	<u>1,948,954,767</u>	<u>414,638,632</u>	<u>2,335,119,560</u>	<u>296,297,525</u>	<u>14,234,007,443</u>

d) Credit quality by class of financial assets

In managing its portfolio, the Group utilizes ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as “High” quality are those where the ultimate risk of financial loss from the obligor’s failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as “Standard” quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not “impaired”. The ultimate risk of possible financial loss on “Standard” quality is assessed to be higher than that for the exposures classified within the “High” quality ratings. The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group’s internal credit rating system:

	December 31, 2010						
	<u>Neither past due nor impaired</u>		<u>Past due but not impaired</u>	<u>Individually impaired</u>	<u>Allowance for impairment</u>	<u>Accrued interest</u>	<u>Total</u>
	<u>High and Standard Grades</u>	<u>Lebanese Sovereign</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Financial assets at amortized costs							
Accounts with Central banks	-	2,053,049,645	-	-	-	1,643,044	2,054,692,689
Deposits with banks and financial institutions	1,679,859,685	-	-	-	-	3,414,253	1,683,273,938
Loans to banks	203,208,781	-	-	-	-	384,930	203,593,711
Other assets	128,503,937	-	-	22,612,500	(22,612,500)	-	128,503,937
	<u>2,011,572,403</u>	<u>2,053,049,645</u>	<u>-</u>	<u>-</u>	<u>(22,612,500)</u>	<u>5,442,227</u>	<u>4,070,064,275</u>
Financial assets designated at fair value through profit or loss							
Lebanese Government Bonds	-	35,349,368	-	-	-	303,007	35,652,375
Turkish government bonds	418,608	-	-	-	-	-	418,608
Quoted equity securities	884,949	-	-	-	-	-	884,949
	<u>1,303,557</u>	<u>35,349,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,007</u>	<u>36,955,932</u>
Loans and advances							
Loans and advances to customers	4,287,066,820	-	6,518,316	315,122,189	(277,581,212)	15,967,054	4,347,093,167
Loans and advances to related parties	961,380,434	-	-	-	-	305,056	961,685,490
	<u>5,248,447,254</u>	<u>-</u>	<u>6,518,316</u>	<u>315,122,189</u>	<u>(277,581,212)</u>	<u>16,272,110</u>	<u>5,308,778,657</u>
Financial investments-available-for-sale							
Quoted equity securities	619,758,964	-	-	107,032	(107,032)	-	619,758,964
Unquoted equity securities	36,106,478	-	-	-	-	-	36,106,478
Cumulative preferred shares issued by a Lebanese bank	6,030,000	-	-	-	-	-	6,030,000
Convertible preferred shares issued by a Lebanese bank	3,780,056	-	-	-	-	-	3,780,056
Non-cumulative preferred shares issued by a Lebanese bank	33,291,178	-	-	-	-	-	33,291,178
Lebanese government bonds	-	1,854,761,589	-	-	-	38,111,436	1,892,873,025
Certificates of deposit issued by the Central Bank of Lebanon	-	2,626,283,645	-	-	-	36,226,530	2,662,510,175
Certificates of deposit issued by banks	15,075,000	-	-	-	-	64,995	15,139,995
Corporate debt securities	279,102,492	-	-	-	-	4,632,658	283,735,150
Turkish government bonds	232,995,819	-	-	-	-	158,288	233,154,107
	<u>1,226,139,987</u>	<u>4,481,045,234</u>	<u>-</u>	<u>107,032</u>	<u>(107,032)</u>	<u>79,193,907</u>	<u>5,786,379,128</u>
Financial investments held-to-maturity							
Lebanese government bonds	-	616,760,738	-	-	-	11,939,731	628,700,469
Turkish government bonds	46,397,658	-	-	-	-	-	46,397,658
Certificates of deposit issued by the Central Bank of Lebanon	-	59,041,817	-	-	-	1,129,578	60,171,395
	<u>46,397,658</u>	<u>675,802,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,069,309</u>	<u>735,269,522</u>
	<u>8,533,860,859</u>	<u>7,245,246,802</u>	<u>6,518,316</u>	<u>337,841,721</u>	<u>(300,300,744)</u>	<u>114,280,560</u>	<u>15,937,447,514</u>

December 31, 2009

	Neither past due nor impaired		Past due but not impaired	Individually impaired	Allowance for impairment	Accrued interest	Total
	High and Standard Grades LBP'000	Lebanese Sovereign LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets at amortized costs							
Accounts with Central banks	-	2,101,243,465	-	-	-	1,789,713	2,103,033,178
Deposits with banks and financial institutions	2,207,875,313	-	-	-	-	4,819,760	2,212,695,073
Loans to banks	180,308,798	-	-	-	-	879,843	181,188,641
Other assets	131,447,470	-	-	22,612,500	(22,612,500)	-	131,447,470
	<u>2,519,631,581</u>	<u>2,101,243,465</u>	<u>-</u>	<u>22,612,500</u>	<u>(22,612,500)</u>	<u>7,489,316</u>	<u>4,628,364,362</u>
Financial assets designated at fair value through profit or loss							
Credit linked notes issued by banks	46,464,165	-	-	-	-	425,115	46,889,280
Lebanese Government bonds	-	36,433,260	-	-	-	-	36,433,260
Turkish government bonds	960,144	-	-	-	-	-	960,144
Quoted equity securities	759,822	-	-	-	-	-	759,822
	<u>48,184,131</u>	<u>36,433,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,115</u>	<u>85,042,506</u>
Loans and advances							
Loans and advances to customers	3,534,699,543	-	8,054,461	336,139,017	(310,409,799)	17,134,756	3,585,617,978
Loans and advances to related parties	1,138,078,686	-	-	-	-	388,506	1,138,467,192
	<u>4,672,778,229</u>	<u>-</u>	<u>8,054,461</u>	<u>336,139,017</u>	<u>(310,409,799)</u>	<u>17,523,262</u>	<u>4,724,085,170</u>
Financial investments-available-for-sale							
Quoted equity securities	723,684,219	-	-	107,033	(107,033)	-	723,684,219
Unquoted equity securities	20,447,229	-	-	-	-	-	20,447,229
Cumulative preferred shares issued by a Lebanese bank	6,030,000	-	-	-	-	-	6,030,000
Convertible preferred shares issued by a Lebanese bank	3,780,056	-	-	-	-	-	3,780,056
Non-cumulative preferred shares issued by a Lebanese bank	33,291,178	-	-	-	-	-	33,291,178
Lebanese government bonds	-	2,331,969,687	-	-	-	48,069,995	2,380,039,682
Certificates of deposit issued by the Central Bank of Lebanon	-	1,445,605,350	-	-	-	17,708,771	1,463,314,121
Corporate debt securities	59,195,046	-	-	-	-	1,953,433	61,148,479
Turkish government bonds	147,495,530	-	-	-	-	79,898	147,575,428
	<u>993,923,258</u>	<u>3,777,575,037</u>	<u>-</u>	<u>107,033</u>	<u>(107,033)</u>	<u>67,812,097</u>	<u>4,839,310,392</u>
Financial investments held-to-maturity							
Lebanese government bonds	-	832,660,053	-	-	-	17,108,635	849,768,688
Turkish government bonds	39,052,164	-	-	-	-	-	39,052,164
Certificates of deposit issued by the Central Bank of Lebanon	-	60,347,410	-	-	-	1,129,578	61,476,988
	<u>39,052,164</u>	<u>893,007,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,238,213</u>	<u>950,297,840</u>
	<u>8,273,569,363</u>	<u>6,808,259,225</u>	<u>8,054,461</u>	<u>358,858,550</u>	<u>(333,129,332)</u>	<u>111,488,003</u>	<u>15,227,100,270</u>

B – Liquidity Risk

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

1- Management of liquidity risk

To mitigate this risk, management has diversified funding sources, manages assets with liquidity in mind, maintaining an adequate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Group also has committed lines of credit that it can access to meet liquidity needs.

Liquidity risk is the Group's ability to ensure the availability of funding to meet commitments, both on-balance and off-balance sheet commitments, at a reasonable cost on time. The management of liquidity should not lead to threats to the Group's solvency.

Liquidity risk arises when in case of crisis, refinancing may only be raised at higher market rates (funding risk), or assets may only be liquidated at a discount to market rates (market liquidity risk). Liquidity risk is also caused by mismatches in the maturities of assets and liabilities (uses and sources of funds).

In accordance with banking regulations issued by Central Bank of Lebanon, the Group maintains compulsory reserves with Central Bank of Lebanon of 25% and 15% of the weekly average demand and term customers' deposits in Lebanese Pounds. The Group has the ability to raise additional funds through repurchase facilities available with Central Bank of Lebanon against Government debt securities.

The Group sets policies and procedures to ensure that its individual entities are in compliance with liquidity ratios imposed by the regulators in the countries in which each of these entities operates in addition to other internal limits and thresholds.

2- Exposure to liquidity risk

The tables below summarize the maturity profile of the Group's assets, liabilities and equity. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

Residual contractual maturities of assets and liabilities:

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

	December 31, 2010							Total
	LBP Base Accounts							
	Accounts with No maturity	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	458,819,441	-	-	-	-	-	-	458,819,441
Deposits with banks and financial institutions	-	6,195,677	-	-	-	-	-	6,195,677
Loans to banks	-	-	-	-	-	12,567,990	-	12,567,990
Loans and advances to customers	(28,472,404)	16,161,769	5,230,297	27,448,535	16,650,050	31,317,802	90,420,315	158,756,364
Loans and advances to related parties	-	145,201,071	-	-	-	-	-	145,201,071
Available-for-sale and Held-to-maturity investment securities	11,984,413	27,275,513	716,561,470	576,954,550	924,117,568	1,344,351,480	-	3,601,244,994
Investments in associates and other investments	45,128,823	-	-	-	-	-	-	45,128,823
Assets acquired in satisfaction of loans	62,448,390	-	-	-	-	-	-	62,448,390
Goodwill	23,068,898	-	-	-	-	-	-	23,068,898
Property and equipment	175,135,216	-	-	-	-	-	-	175,135,216
Other assets	17,286,963	13,013,637	-	-	-	1,664,623	-	31,965,223
Total Assets	765,399,740	207,847,667	721,791,767	604,403,085	940,767,618	1,389,901,895	90,420,315	4,720,532,087
LIABILITIES								
Deposits from banks and financial institutions	-	73,914,901	-	-	-	-	-	73,914,901
Customers' deposits at amortized cost	12,047,693	2,919,003,140	105,540,424	918,072	-	-	-	3,037,509,329
Related parties' deposits at amortized cost	142,967	543,074,855	5,395,583	-	-	-	-	548,613,405
Borrowings from banks and financial institutions	-	-	-	-	-	91,708,123	-	91,708,123
Other liabilities	66,492,836	42,991	138,073	330,578	319,010	104,190	-	67,427,678
Provisions	25,361,652	-	-	-	-	-	-	25,361,652
Total Liabilities	104,045,148	3,536,035,887	111,074,080	1,248,650	319,010	91,812,313	-	3,844,535,088
Maturity Gap	661,354,592	(3,328,188,220)	610,717,687	603,154,435	940,448,608	1,298,089,582	90,420,315	875,996,999

December 31, 2009							
LBP Base Accounts							
Accounts with No maturity	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash and Central Banks	454,678,143	20,005,945	-	-	-	-	474,684,088
Deposits with banks and financial institutions	4,132,546	5,561,984	-	-	-	-	9,694,530
Loans to banks	-	-	-	-	-	14,194,867	14,194,867
Loans and advances to customers	(8,121,497)	19,005,346	50,644,239	22,540,775	14,823,929	12,895,536	145,978,559
Loans and advances to related parties	-	125,021,328	-	-	-	-	125,021,328
Available-for-sale and Held-to-maturity investment securities	11,617,945	72,489,416	205,734,413	1,549,323,585	814,728,349	67,365,404	2,721,259,112
Investments in associates and other investments	45,391,069	-	-	-	-	-	45,391,069
Assets acquired in satisfaction of loans	(12,961,768)	-	-	-	-	-	(12,961,768)
Goodwill	23,068,898	-	-	-	-	-	23,068,898
Property and equipment	165,406,638	-	-	-	-	-	165,406,638
Other assets	16,311,408	4,280,162	-	-	-	-	20,591,570
Total Assets	699,523,382	246,364,181	256,378,652	1,571,864,360	829,552,278	94,455,807	3,732,328,891
LIABILITIES							
Deposits from banks and financial institutions	703,534	-	-	-	-	-	703,534
Customers' deposits at amortized cost	14,282,487	2,288,103,147	92,718,200	10,461,761	25,815	-	2,405,591,410
Related parties' deposits at amortized cost	2,659,546	416,235,458	28,440,552	-	-	-	447,335,556
Borrowings from banks and financial institutions	-	-	-	-	-	91,696,059	91,696,059
Other liabilities	57,080,042	41,186	123,519	315,353	303,297	245,227	58,108,624
Provisions	22,087,023	-	-	-	-	-	22,087,023
Total Liabilities	96,812,632	2,704,379,791	121,282,271	10,777,114	329,112	91,941,286	3,025,522,206
Maturity Gap	602,710,750	(2,458,015,610)	135,096,381	1,561,087,246	829,223,166	2,514,521	706,806,685

	December 31, 2010							
	F/Cy Base Accounts							
	Accounts with No maturity	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	204,670,284	88,749,666	154,660,033	710,762,922	542,293,143	-	-	1,701,136,048
Deposits with banks and financial institutions	185,174,734	1,460,534,619	1,085,536	-	30,283,372	-	-	1,677,078,261
Financial assets at fair value through profit or loss	884,949	145,657	35,831,755	-	93,571	-	-	36,955,932
Loans to banks	-	54,126,421	108,701,802	28,197,498	-	-	-	191,025,721
Loans and advances to customers	29,018,916	2,440,242,200	596,382,454	368,963,910	498,940,506	195,372,486	59,416,331	4,188,336,803
Loans and advances to related parties	14,007,502	737,454,189	771	-	62,330,454	-	2,691,503	816,484,419
Available-for-sale and Held-to-maturity investment securities	643,880,799	14,969,119	42,272,115	394,258,017	748,682,207	588,775,494	487,565,905	2,920,403,656
Customers' liability under acceptances	1,005,842	114,138,263	22,191,013	138,909	-	-	-	137,474,027
Investments in associates and other investments	51,469,602	-	-	-	-	-	-	51,469,602
Assets acquired in satisfaction of loans	81,628,550	-	-	-	-	-	-	81,628,550
Goodwill	154,913,526	-	-	-	-	-	-	154,913,526
Property and equipment	21,275,329	-	-	-	-	-	-	21,275,329
Other assets	149,996,070	11,682,814	11,306	213,488	-	3,021,948	-	164,925,626
Total Assets	1,537,926,103	4,922,042,948	961,136,785	1,502,534,744	1,882,623,253	787,169,928	549,673,739	12,143,107,500
LIABILITIES								
Deposits from banks and financial institutions	36,749,349	83,516,181	7,212,531	425,228,142	-	-	-	552,706,203
Customers' deposits at fair value through profit or loss	12,591,786	462,122	34,606,136	-	-	-	-	47,660,044
Customers' deposits at amortized cost	476,639,653	7,132,799,745	559,012,194	535,868,841	5,663,960	4,225,070	-	8,714,209,463
Related parties' deposits at fair value through profit or loss	-	-	-	-	-	-	2,950,037	2,950,037
Related parties' deposits at amortized cost	4,190,666	641,340,964	19,903,560	258,864,090	-	-	-	924,299,280
Acceptances payable	1,005,842	114,138,263	22,191,013	138,909	-	-	-	137,474,027
Borrowings from banks and financial institutions	-	3,051,540	9,596,198	136,080,831	43,794,164	99,978,695	52,065,995	344,567,423
Certificates of deposit	-	-	-	453,020,994	-	-	-	453,020,994
Other liabilities	140,496,901	24,979,060	5,584	-	-	-	-	165,481,545
Provisions	11,651,175	824,619	-	-	-	-	-	12,475,794
Total Liabilities	683,325,372	8,001,112,494	652,527,216	1,809,201,807	49,458,124	104,203,765	55,016,032	11,354,844,810
Maturity Gap	854,600,731	(3,079,069,546)	308,609,569	(306,667,063)	1,833,165,129	682,966,163	494,657,707	788,262,690

December 31, 2009

	F/Cy Base Accounts							
	Accounts with No maturity	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	196,691,382	304,497,264	224,635,973	754,459,223	226,319,766	-	-	1,706,603,608
Deposits with banks and financial institutions	175,910,475	1,910,872,173	85,934,524	-	30,283,371	-	-	2,203,000,543
Financial assets at fair value through profit or loss	759,822	64,620	47,178,375	36,941,988	97,701	-	-	85,042,506
Loans to banks	-	83,003,493	14,094,881	69,895,400	-	-	-	166,993,774
Loans and advances to customers	17,845,257	1,860,321,071	534,225,124	424,406,165	158,659,792	400,475,835	43,706,175	3,439,639,419
Loans and advances to related parties	2,008,641	934,707,953	-	-	60,538	76,668,732	-	1,013,445,864
Available-for-sale and Held-to-maturity investment securities	732,513,286	43,502,090	92,434,987	546,875,853	414,729,902	911,557,307	326,735,695	3,068,349,120
Customers' acceptance liability	242,053	54,715,532	16,643,878	310,642	-	-	-	71,912,105
Investments in associates and other investments	46,042,292	-	-	-	-	-	-	46,042,292
Assets acquired in satisfaction of loans	88,362,554	-	-	-	-	-	-	88,362,554
Goodwill	150,938,636	-	-	-	-	-	-	150,938,636
Property and equipment	17,709,519	-	-	-	-	-	-	17,709,519
Other assets	156,746,225	9,065,441	-	-	-	-	-	165,811,666
Total Assets	1,585,770,142	5,200,749,637	1,015,147,742	1,832,889,271	830,151,070	1,388,701,874	370,441,870	12,223,851,606
LIABILITIES								
Deposits from banks and financial institutions	74,699,652	66,086,913	325,301,751	-	-	-	-	466,088,316
Customers' deposits at fair value through profit or loss	30,516,683	42,170,626	45,345,600	42,783,384	-	-	-	160,816,293
Customers' deposits at amortized cost	557,805,988	6,282,652,625	991,553,501	510,472,745	807,192	9,890,072	-	8,353,182,123
Related parties' deposits at fair value through profit or loss	-	-	-	-	-	-	2,983,695	2,983,695
Related parties' deposits at amortized cost	6,102,543	663,378,555	269,649,012	26,480,715	-	-	-	965,610,825
Acceptances payable	242,053	54,715,532	16,643,878	310,642	-	-	-	71,912,105
Borrowings from banks and financial institutions	-	6,103,045	-	49,653,866	109,861,455	78,593,689	48,357,488	292,569,543
Certificates of deposit	-	-	263,460,750	453,856,107	-	-	-	717,316,857
Other liabilities	133,162,570	20,948,117	593,574	9,636	-	-	-	154,713,897
Provisions	23,291,583	-	-	-	-	-	-	23,291,583
Total Liabilities	825,821,072	7,136,055,413	1,912,548,066	1,083,567,095	110,668,647	88,483,761	51,341,183	11,208,485,237
Maturity Gap	759,949,070	(1,935,305,776)	(897,400,324)	749,322,176	719,482,423	1,300,218,113	319,100,687	1,015,366,369

C – Market Risks

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

1- Management of market risks

The Group classifies exposures to market risk into either trading or banking (non-trading) book. The market risk for the trading book is managed and monitored using a combination of limits monitoring and Value at Risk (VAR) methodology. Market risk for non-trading book includes Price and Liquidity risks that are managed and monitored through internal limits, gap analysis, stress testing and sensitivity analysis.

a) Market Risk-Trading Book

Trading Book contains the Group's positions in financial instruments which are held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits.

The Board has set limits for the acceptable level of risks in managing the trading book. The Group applies a VAR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for change in market conditions.

A VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations as it is based on historical correlations and market price volatilities and assumes that the future movements will follow a statistical distribution.

The VAR that the Group measures is an estimate, using a confidence level of 95% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of 95% confidence level depicts that within a one-day horizon, losses exceeding VAR figure should occur, on average, not more than once every hundred days.

The VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VAR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

b) Market Risk – Non-Trading Or Banking Book

Market risk on non-trading or banking positions mainly arises from the interest rate, foreign currency exposures, equity price changes and liquidity risk.

2- Exposure to Foreign Exchange risk

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The Management sets limits on the level of exposure by currency and in the aggregate for both overnight and intra-day positions and hedging strategies, which are monitored daily and are in compliance with Central Bank of Lebanon rules and regulations.

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

	December 31, 2010					
	LBP LBP'000	USD LBP'000	EURO LBP'000	GBP LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and central banks	458,819,441	1,508,182,188	58,516,111	784,183	133,653,566	2,159,955,489
Deposits with banks and financial institutions	6,195,677	948,251,904	288,095,540	59,081,821	381,648,996	1,683,273,938
Financial assets at fair value through profit or loss	-	36,537,324	-	-	418,608	36,955,932
Loans to banks	12,567,990	80,168,993	105,920,578	4,925,903	10,247	203,593,711
Loans and advances to customers	158,756,364	3,160,158,288	274,511,227	6,448,620	747,218,668	4,347,093,167
Loans and advances to related parties	145,201,071	711,166,043	1,932,954	-	103,385,422	961,685,490
Available-for-sale and Held-to-maturity investment securities	3,601,244,994	2,520,797,878	5,169,782	4,756,163	389,679,833	6,521,648,650
Customers' acceptance liability	-	89,457,745	26,170,348	69,537	21,776,397	137,474,027
Investments in associates and other investments	45,128,823	51,468,095	1,507	-	-	96,598,425
Assets acquired in satisfaction of loans	62,448,390	80,247,725	-	-	1,380,825	144,076,940
Goodwill	23,068,898	113,253,339	-	-	41,660,187	177,982,424
Property and equipment	175,135,216	6,105,793	156,373	-	15,013,163	196,410,545
Other assets	31,965,223	141,994,218	2,943,958	1,309	19,986,141	196,890,849
Total Assets	4,720,532,087	9,447,789,533	763,418,378	76,067,536	1,855,832,053	16,863,639,587
LIABILITIES						
Deposits from banks and financial institutions	73,914,901	452,597,881	81,902,268	2	18,206,052	626,621,104
Customers' deposits at fair value through profit or loss	-	47,197,922	-	-	462,122	47,660,044
Customers' deposits at amortized cost	3,037,509,329	7,178,327,617	609,296,043	58,251,549	868,334,254	11,751,718,792
Related parties' deposits at fair value through profit or loss	-	2,950,037	-	-	-	2,950,037
Related parties' deposits at amortized cost	548,613,405	887,057,132	3,248,260	147,693	33,846,195	1,472,912,685
Acceptances payable	-	89,457,745	26,170,348	69,537	21,776,397	137,474,027
Borrowings from banks and financial institutions	91,708,123	343,542,098	1,025,325	-	-	436,275,546
Certificates of deposit	-	453,020,994	-	-	-	453,020,994
Other liabilities	67,427,678	136,298,205	8,217,052	(2,773,345)	11,882,690	221,052,280
Provisions	25,361,652	3,409,089	176,378	940	8,889,387	37,837,446
Total Liabilities	3,844,535,088	9,593,858,720	730,035,674	55,696,376	963,397,097	15,187,522,955
Currencies to be delivered	-	(261,874,123)	(77,764,725)	(26,953,449)	(645,633,978)	(1,012,226,275)
Currencies to be received	-	692,262,537	47,225,404	7,008,934	254,216,474	1,000,713,349
Discount / Premium	-	(344,017)	-	-	-	(344,017)
	-	430,044,397	(30,539,321)	(19,944,515)	(391,417,504)	(11,856,943)
Net on-balance sheet financial position	875,996,999	283,975,210	2,843,383	426,645	501,017,452	1,664,259,689

	December 31, 2009					
	<u>LBP</u>	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>Other</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
<u>ASSETS</u>						
Cash and central banks	474,684,088	1,458,495,727	46,667,242	433,248	201,007,391	2,181,287,696
Deposits with banks and financial institutions	9,694,530	1,189,340,962	722,471,896	53,149,154	238,038,531	2,212,695,073
Financial assets at fair value through profit or loss	-	84,082,362	-	-	960,144	85,042,506
Loans to banks	14,194,867	147,923,522	13,481,482	5,574,131	14,639	181,188,641
Loans and advances to Customers	145,978,559	2,653,496,898	249,857,706	4,508,311	531,776,504	3,585,617,978
Loans and advances to related parties	125,021,328	868,496,430	3,105,110	-	141,844,324	1,138,467,192
Available-for-sale and Held-to-maturity investment securities	2,721,259,112	2,589,881,423	152,389,012	-	326,078,685	5,789,608,232
Customers' acceptance liability	-	43,504,049	23,348,503	118,325	4,941,228	71,912,105
Investments in associates and other investments	45,391,069	46,042,292	-	-	-	91,433,361
Assets acquired in satisfaction of loans	(12,961,768)	87,358,586	-	-	1,003,968	75,400,786
Goodwill	23,068,898	113,253,339	-	-	37,685,297	174,007,534
Property and equipment	165,406,638	2,482,332	-	-	15,227,187	183,116,157
Other assets	<u>20,591,570</u>	<u>138,472,509</u>	<u>966,595</u>	<u>1,161</u>	<u>17,872,208</u>	<u>177,904,043</u>
Total Assets	<u>3,732,328,891</u>	<u>9,422,830,431</u>	<u>1,212,287,546</u>	<u>63,784,330</u>	<u>1,516,450,106</u>	<u>15,947,681,304</u>
<u>LIABILITIES</u>						
Deposits from banks and financial institutions	703,534	414,132,049	41,388,992	2,255	10,565,020	466,791,850
Customers' deposits at fair value through profit or loss	-	160,059,076	757,217	-	-	160,816,293
Customers' deposits at amortized cost	2,405,591,410	6,538,822,960	1,166,295,351	64,639,810	583,424,002	10,758,773,533
Related parties' deposits at fair value through profit or loss	-	2,983,695	-	-	-	2,983,695
Related parties' deposits at amortized cost	447,335,556	938,715,701	2,978,965	153,230	23,762,929	1,412,946,381
Acceptances payable	-	43,504,049	23,348,503	118,325	4,941,228	71,912,105
Borrowings from banks and financial institutions	91,696,059	290,954,630	1,614,913	-	-	384,265,602
Certificates of deposit	-	717,316,857	-	-	-	717,316,857
Other liabilities	58,108,624	131,998,855	3,344,925	38,969	19,310,088	212,801,461
Provisions	<u>22,087,023</u>	<u>3,467,830</u>	<u>180,900</u>	<u>965</u>	<u>19,641,888</u>	<u>45,378,606</u>
Total Liabilities	<u>3,025,522,206</u>	<u>9,241,955,702</u>	<u>1,239,909,766</u>	<u>64,953,554</u>	<u>661,645,155</u>	<u>14,233,986,383</u>
Currencies to be delivered	-	(280,205,054)	(77,332,836)	(38,725,700)	(550,676,423)	(946,940,013)
Currencies to be received	-	619,306,779	98,147,360	30,003,345	208,384,270	955,841,754
Discount / Premium	-	(423,608)	-	-	-	(423,608)
	<u>-</u>	<u>338,678,117</u>	<u>20,814,524</u>	<u>(8,722,355)</u>	<u>(342,292,153)</u>	<u>8,478,133</u>
Net on-balance sheet financial position	<u>706,806,685</u>	<u>519,552,846</u>	<u>(6,807,696)</u>	<u>(9,891,579)</u>	<u>512,512,798</u>	<u>1,722,173,054</u>

3- Exposure to Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on the Group's net interest income, while a long term impact is on the Group's net worth since the economic value of the Group's assets, liabilities and off-balance sheet exposures are affected.

The Group manages this risk by matching or hedging the repricing profile of assets and liabilities through risk management strategies.

The Board has established interest rate gap limits for stipulated periods.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

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

Interest rate gap position in LBP:

	December 31, 2010														
	Non-interest bearing LBP'000	Floating Interest Rate						Total LBP'000	Fixed Interest Rate					Total LBP'000	Grand Total LBP'000
		Up to 3 months LBP'000	3 months to 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000		Over 3 months less than 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000		
<u>ASSETS</u>															
Cash and central banks	458,819,441	-	-	-	-	-	-	-	-	-	-	-	-	-	458,819,441
Deposits with banks and financial institutions	-	6,195,677	-	-	-	-	6,195,677	-	-	-	-	-	-	-	6,195,677
Loans to banks	-	-	-	-	12,567,990	-	12,567,990	-	-	-	-	-	-	-	12,567,990
Loans and advances to customer	(28,472,404)	16,161,769	298,781	716,105	6,188,093	28,298,996	74,284,420	125,948,164	4,931,516	26,732,430	10,461,957	3,018,806	16,135,895	61,280,604	158,756,364
Loans and advances to related parties	-	145,201,071	-	-	-	-	-	145,201,071	-	-	-	-	-	-	145,201,071
Available-for-sale and Held-to-maturity investment securities	11,984,413	27,275,513	-	-	-	-	-	27,275,513	716,561,470	576,954,550	924,117,568	1,344,351,480	-	3,561,985,068	3,601,244,994
Investments in associates and other investments	45,128,823	-	-	-	-	-	-	-	-	-	-	-	-	-	45,128,823
Assets acquired in satisfaction of loans	62,448,390	-	-	-	-	-	-	-	-	-	-	-	-	-	62,448,390
Goodwill	23,068,898	-	-	-	-	-	-	-	-	-	-	-	-	-	23,068,898
Property and equipment	175,135,216	-	-	-	-	-	-	-	-	-	-	-	-	-	175,135,216
Other assets	17,286,963	13,013,637	-	-	-	-	-	13,013,637	-	-	-	1,664,623	-	1,664,623	31,965,223
Total Assets	765,399,740	207,847,667	298,781	716,105	6,188,093	40,866,986	74,284,420	330,202,052	721,492,986	603,686,980	934,579,525	1,349,034,909	16,135,895	3,624,930,295	4,720,532,087
<u>LIABILITIES</u>															
Deposits and borrowings from banks	2,181,169	71,733,732	-	-	-	-	-	71,733,732	-	-	-	-	-	-	73,914,901
Customers' accounts at amortized cost	12,047,693	2,919,003,140	105,418,478	861,625	-	-	-	3,025,283,243	121,946	56,447	-	-	-	178,393	3,037,509,329
Related parties' accounts at amortized cost	142,967	543,074,855	5,395,583	-	-	-	-	548,470,438	-	-	-	-	-	-	548,613,405
Borrowings from banks and financial institutions	-	-	-	-	-	91,708,123	-	91,708,123	-	-	-	-	-	-	91,708,123
Other liabilities	66,503,390	42,990	-	-	-	-	-	42,990	127,520	330,578	319,010	104,190	-	881,298	67,427,678
Provisions	25,361,652	-	-	-	-	-	-	-	-	-	-	-	-	-	25,361,652
Total Liabilities	106,236,871	3,533,854,717	110,814,061	861,625	-	91,708,123	-	3,737,238,526	249,466	387,025	319,010	104,190	-	1,059,691	3,844,535,088
Interest rate gap position	659,162,869	(3,326,007,050)	(110,515,280)	(145,520)	6,188,093	(50,841,137)	74,284,420	(3,407,036,474)	721,243,520	603,299,955	934,260,515	1,348,930,719	16,135,895	3,623,870,604	875,996,999

Interest rate gap position in LBP:

	December 31, 2009												
	Non-interest bearing LBP'000	Floating Interest Rate					Fixed Interest Rate						Grand Total LBP'000
		Up to 3 months LBP'000	3 months to 1 year LBP'000	1 to 3 years LBP'000	5 to 10 Years LBP'000	Total LBP'000	Over 3 months less than 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000	Total LBP'000	
<u>ASSETS</u>													
Cash and Central Banks	454,678,143	20,005,945	-	-	-	20,005,945	-	-	-	-	-	-	474,684,088
Deposits with banks and financial institutions	4,132,546	5,561,984	-	-	5,561,984	-	-	-	-	-	-	-	9,694,530
Loans to banks	-	-	-	-	14,194,867	-	-	-	-	-	-	-	14,194,867
Loans and advances to customers	(8,121,497)	19,005,346	18,936	79,157	19,103,439	50,625,303	22,461,618	14,823,929	12,895,536	34,190,231	134,996,617	-	145,978,559
Loans and advances to related parties	-	125,021,328	-	-	125,021,328	-	-	-	-	-	-	-	125,021,328
Available-for-sale and Held-to-maturity investment securities	11,617,945	72,489,416	-	-	72,489,416	205,734,413	1,549,323,585	814,728,349	67,365,404	-	2,637,151,751	-	2,721,259,112
Investments in associates and other investments	45,391,069	-	-	-	-	-	-	-	-	-	-	-	45,391,069
Assets acquired in satisfaction of loans	(12,961,768)	-	-	-	-	-	-	-	-	-	-	-	(12,961,768)
Goodwill	23,068,898	-	-	-	-	-	-	-	-	-	-	-	23,068,898
Property and equipment	165,406,638	-	-	-	-	-	-	-	-	-	-	-	165,406,638
Other assets	16,311,408	4,280,162	-	-	4,280,162	-	-	-	-	-	-	-	20,591,570
Total Assets	699,523,382	246,364,181	18,936	79,157	14,194,867	260,657,141	256,359,716	1,571,785,203	829,552,278	80,260,940	34,190,231	2,772,148,368	3,732,328,891
<u>LIABILITIES</u>													
Deposits from banks and financial institutions	703,534	-	-	-	-	-	-	-	-	-	-	-	703,534
Customers' deposits at amortized cost	14,282,487	2,288,103,147	-	-	2,288,103,147	92,718,200	10,461,761	25,815	-	-	103,205,776	-	2,405,591,410
Related parties' deposits at amortized cost	2,659,546	428,839,949	-	-	428,839,949	15,836,061	-	-	-	-	15,836,061	-	447,335,556
Borrowings from banks and financial institutions	-	-	-	-	-	-	-	-	91,696,059	-	91,696,059	-	91,696,059
Other liabilities	57,081,549	41,186	-	-	41,186	122,012	315,353	303,297	245,227	-	985,889	-	58,108,624
Provisions	22,087,023	-	-	-	-	-	-	-	-	-	-	-	22,087,023
Total Liabilities	96,814,139	2,716,984,282	-	-	2,716,984,282	108,676,273	10,777,114	329,112	91,941,286	-	211,723,785	-	3,025,522,206
Interest rate gap position	602,709,243	(2,470,620,101)	18,936	79,157	14,194,867	(2,456,327,141)	147,683,443	1,561,008,089	829,223,166	(11,680,346)	34,190,231	2,560,424,583	706,806,685

Interest rate gap position in F/CY:

	December 31, 2010														
	Non-interest bearing LBP'000	Floating Interest Rate						Fixed Interest Rate						Grand Total LBP'000	
		Up to 3 months LBP'000	3 months to 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000	Total LBP'000	Over 3 months less than 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000		Total LBP'000
ASSETS															
Cash and Central Banks	256,375,790	28,801,104	150,821,824	709,275,507	466,915,625	-	-	1,355,814,060	13,568,680	-	75,377,518	-	-	88,946,198	1,701,136,048
Deposits with banks and financial institutions	81,504,814	1,488,376,683	-	-	-	-	-	1,488,376,683	76,913,392	-	30,283,372	-	-	107,196,764	1,677,078,261
Financial assets at fair value through profit or loss	884,949	93,571	-	-	-	-	93,571	35,977,412	-	-	-	-	-	35,977,412	36,955,932
Loans to banks	-	53,934,368	31,239,447	28,197,498	-	-	113,371,313	77,654,408	-	-	-	-	-	77,654,408	191,025,721
Loans and advances to customers	(48,849,656)	2,415,494,324	332,699,938	165,910,834	380,693,565	155,521,428	25,922,331	3,476,242,420	366,298,964	203,053,076	94,953,263	63,144,736	33,494,000	760,944,039	4,188,336,803
Loans and advances to related parties	12,528,236	738,933,455	-	-	62,330,454	-	-	801,263,909	771	-	-	-	2,691,503	2,692,274	816,484,419
Available-for-sale and Held-to-maturity investment securities	643,880,800	89,607,676	39,700,064	6,478,013	-	5,577,750	-	141,363,503	52,778,613	377,980,446	653,717,936	563,116,223	487,566,135	2,135,159,353	2,920,403,656
Customers' acceptance liability	3,089,971	106,212,402	11,259,355	138,909	-	-	-	117,610,666	16,773,390	-	-	-	-	16,773,390	137,474,027
Investments in associates and other investments	51,469,602	-	-	-	-	-	-	-	-	-	-	-	-	-	51,469,602
Assets acquired in satisfaction of loans	81,628,550	-	-	-	-	-	-	-	-	-	-	-	-	-	81,628,550
Goodwill	154,913,526	-	-	-	-	-	-	-	-	-	-	-	-	-	154,913,526
Property and equipment	21,275,329	-	-	-	-	-	-	-	-	-	-	-	-	-	21,275,329
Other assets	159,530,061	2,148,823	-	-	-	-	-	2,148,823	11,306	213,488	-	3,021,948	-	3,246,742	164,925,626
Total Assets	1,418,231,972	4,923,602,406	565,720,628	910,000,761	909,939,644	161,099,178	25,922,331	7,496,284,948	639,976,936	581,247,010	854,332,089	629,282,907	523,751,638	3,228,590,580	12,143,107,500
LIABILITIES															
Deposits and borrowings from banks	-	80,046,529	-	-	-	-	-	80,046,529	47,431,923	425,227,751	-	-	-	472,659,674	552,706,203
Liabilities designated at fair value through profit or loss	12,591,786	462,122	-	-	-	-	-	462,122	34,606,136	-	-	-	-	34,606,136	47,660,044
Customers' accounts at amortized cost	476,739,125	6,153,399,621	362,498,334	321,564,902	5,663,960	4,225,070	-	6,847,351,887	1,175,814,512	214,303,939	-	-	-	1,390,118,451	8,714,209,463
Related parties' accounts at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	2,950,037	2,950,037	2,950,037
Related parties' accounts at amortized cost	4,190,666	562,362,597	516,662	24,621,202	-	-	-	587,500,461	98,365,265	234,242,888	-	-	-	332,608,153	924,299,280
Liability under acceptances	3,089,971	106,212,402	11,259,355	138,909	-	-	-	117,610,666	16,773,390	-	-	-	-	16,773,390	137,474,027
Borrowings from banks and financial institutions	-	3,051,540	9,596,198	131,437,413	43,794,164	99,978,695	52,065,995	339,924,005	-	4,643,418	-	-	-	4,643,418	344,567,423
Certificates of deposit	-	-	-	-	-	-	-	-	-	453,020,994	-	-	-	453,020,994	453,020,994
Other liabilities	165,296,466	-	-	-	-	-	-	-	185,079	-	-	-	-	185,079	165,481,545
Provisions	11,651,175	-	-	-	-	-	-	-	824,619	-	-	-	-	824,619	12,475,794
Total Liabilities	673,559,189	6,905,534,811	383,870,549	477,762,426	49,458,124	104,203,765	52,065,995	7,972,895,670	1,374,000,924	1,331,438,990	-	-	2,950,037	2,708,389,951	11,354,844,810
Interest rate gap position	744,672,783	(1,981,932,405)	181,850,079	432,238,335	860,481,520	56,895,413	(26,143,664)	(476,610,722)	(734,023,988)	(750,191,980)	854,332,089	629,282,907	520,801,601	520,200,629	788,262,690

Interest rate gap position in F/CY:

December 31, 2009															
	Non-interest bearing LBP'000	Floating Interest Rate						Fixed Interest Rate						Grand Total LBP'000	
		Up to 3 months LBP'000	3 months to 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000	Total LBP'000	Over 3 months less than 1 year LBP'000	1 to 3 years LBP'000	3 to 5 years LBP'000	5 to 10 years LBP'000	Over 10 years LBP'000		Total LBP'000
ASSETS															
Cash and Central Banks	218,309,588	282,879,058	-	-	-	-	-	282,879,058	224,635,973	754,459,223	226,319,766	-	-	1,205,414,962	1,706,603,608
Deposits with banks and financial institutions	129,579,025	1,957,163,995	54,312,288	-	-	-	-	2,011,476,283	31,661,864	-	30,283,371	-	-	61,945,235	2,203,000,543
Financial assets at fair value through profit or loss	759,822	149,600	-	-	-	-	149,600	47,191,096	36,941,988	-	-	-	-	84,133,084	85,042,506
Loans to banks	-	83,003,493	-	16,484,513	-	-	99,488,006	14,094,881	53,410,887	-	-	-	-	67,505,768	166,993,774
Loans and advances to customers	(41,162,009)	1,820,190,199	98,523,150	245,835,874	60,704,956	307,079,299	2,534,879,151	534,847,084	178,563,319	97,954,836	93,396,536	41,160,502	945,922,277	3,439,639,419	
Loans and advances to related parties	-	936,716,594	-	-	-	-	1,013,385,326	-	-	60,538	-	-	60,538	1,013,445,864	
Available-for-sale and Held-to-maturity investment securities	775,614,522	89,636,577	10,273,650	-	-	15,817,536	115,727,763	32,794,046	589,014,791	332,722,532	818,897,974	403,577,492	2,177,006,835	3,068,349,120	
Customers' acceptance liability	62,425,205	-	-	-	-	-	-	9,486,900	-	-	-	-	9,486,900	71,912,105	
Investments in associates and other investments	46,042,292	-	-	-	-	-	-	-	-	-	-	-	-	46,042,292	
Assets acquired in satisfaction of loans	88,362,554	-	-	-	-	-	-	-	-	-	-	-	-	88,362,554	
Goodwill	150,938,636	-	-	-	-	-	-	-	-	-	-	-	-	150,938,636	
Property and equipment	17,709,519	-	-	-	-	-	-	-	-	-	-	-	-	17,709,519	
Other assets	165,811,666	-	-	-	-	-	-	-	-	-	-	-	-	165,811,666	
Total Assets	1,614,390,820	5,169,739,516	163,109,088	262,320,387	60,704,956	399,565,567	2,545,673	6,057,985,187	894,711,844	1,612,390,208	687,341,043	912,294,510	444,737,994	4,551,475,599	12,223,851,606
LIABILITIES															
Deposits from banks and financial institutions	59,413,074	180,502,834	-	-	-	-	-	180,502,834	226,172,408	-	-	-	-	226,172,408	466,088,316
Customers' deposits at fair value through profit or loss	30,516,683	42,170,626	-	-	-	-	42,170,626	45,345,600	42,783,384	-	-	-	-	88,128,984	160,816,293
Customers' deposits at amortized cost	557,950,809	6,282,508,147	106,861	-	-	-	6,282,615,008	991,446,218	510,472,824	807,192	9,890,072	-	1,512,616,306	8,353,182,123	
Related parties' deposits at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	2,983,695	2,983,695	2,983,695	
Related parties' deposits at amortized cost	4,319,170	665,201,555	-	-	-	-	665,201,555	269,609,385	26,480,715	-	-	-	296,090,100	965,610,825	
Acceptances payable	62,425,205	-	-	-	-	-	-	9,486,900	-	-	-	-	9,486,900	71,912,105	
Borrowings from banks and financial institutions	-	6,103,045	-	49,653,866	109,861,455	78,593,689	48,357,488	292,569,543	-	-	-	-	-	292,569,543	
Certificates of deposit	-	-	-	-	-	-	-	263,460,750	453,856,107	-	-	-	717,316,857	717,316,857	
Other liabilities	153,801,254	-	-	-	-	-	-	903,007	9,636	-	-	-	912,643	154,713,897	
Provisions	23,291,583	-	-	-	-	-	-	-	-	-	-	-	-	23,291,583	
Total Liabilities	891,717,778	7,176,486,207	106,861	49,653,866	109,861,455	78,593,689	48,357,488	7,463,059,566	1,806,424,268	1,033,602,666	807,192	9,890,072	2,983,695	2,853,707,893	11,208,485,237
Interest rate gap position	<u>722,673,042</u>	<u>(2,006,746,691)</u>	<u>163,002,227</u>	<u>212,666,521</u>	<u>(49,156,499)</u>	<u>320,971,878</u>	<u>(45,811,815)</u>	<u>(1,405,074,379)</u>	<u>(911,712,424)</u>	<u>578,787,542</u>	<u>686,533,851</u>	<u>902,404,438</u>	<u>441,754,299</u>	<u>1,697,767,706</u>	<u>1,015,366,369</u>

The effect of a 50 basis point change in interest rates upwards on the earnings of the Group for the subsequent fiscal year for the statement of financial position structure and exposure would be a decrease of LBP26.25billion for the year 2010, a downwards movement will have an inverse effect.

The effect of a change in interest rate by 50 basis points on fair values of financial assets and liabilities stated at fair value as at December 31, 2010 would be in the range of LBP76.99billion and LBP67.84million, respectively summarized as follows:

	<u>Change in Fair Value</u> LBP'000
Trading assets (effect on profit or loss)	(453)
Available-for-sale investment securities (effect on equity)	76,917,806
Financial assets designated at fair value through profit or loss upon initial recognition	<u>67,838</u>
	<u>76,985,191</u>
Customers' deposits at fair value through profit or loss	<u>67,838</u>
	<u>67,838</u>

D – Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The operational risk management framework is implemented by an independent operational risk management team, in coordination with other essential elements of the Group's control framework such as internal audit or information security and business continuity.

Central to this framework are tried-and-tested principles such as redundancy of mission-critical systems, segregation of duties, strict authorization procedures, daily reconciliation, risk management responsibility at the operational level and the requirement to be able to price and value independently any proposed transaction. Where feasible, controls are system-driven.

Insurance coverage is used as an external mitigate and is commensurate with activity, both in terms of volume and characteristics. The capital charge calculated using Basel II's basic indicator approach, amounted to LBP87.2billion.

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	December 31, 2010							
	Trading assets	At fair value through profit or loss	Available- for-sale	Held-to- maturity	Loans and receivables	Other at amortized cost	Total carrying value	Total fair value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
<u>FINANCIAL ASSETS</u>								
Cash and central banks	-	-	-	-	-	2,159,955,489	2,159,955,489	2,159,955,489
Deposits with banks and financial institutions	-	-	-	-	-	1,683,273,938	1,683,273,938	1,689,385,765
Financial assets designated at fair value through profit or loss	1,303,557	35,652,375	-	-	-	-	36,955,932	36,955,932
Loans to banks	-	-	-	-	203,593,711	-	203,593,711	203,593,711
Loans and advances to customers	-	-	-	-	4,347,093,167	-	4,347,093,167	4,327,143,827
Loans and advances to related parties	-	-	-	-	961,685,490	-	961,685,490	961,685,490
Available for sale investment securities	-	-	5,786,379,128	-	-	-	5,786,379,128	5,786,379,128
Held-to-maturity investment securities	-	-	-	735,269,522	-	-	735,269,522	825,400,330
Customers' acceptance liability	-	-	-	-	-	137,474,027	137,474,027	137,474,027
Other assets	-	1,796,666	-	-	126,707,271	-	128,503,937	128,503,937
Total	<u>1,303,557</u>	<u>37,449,041</u>	<u>5,786,379,128</u>	<u>735,269,522</u>	<u>5,639,079,639</u>	<u>3,980,703,454</u>	<u>16,180,184,341</u>	<u>16,256,477,636</u>
<u>FINANCIAL LIABILITIES</u>								
Deposits from banks and financial institutions	-	-	-	-	-	626,621,104	626,621,104	630,667,251
Customers' deposits at fair value through profit or loss	-	47,660,044	-	-	-	-	47,660,044	47,660,044
Customers' deposits at amortized cost	-	-	-	-	-	11,751,718,792	11,751,718,792	11,775,591,067
Related parties' deposits at fair value through profit or loss	-	2,950,037	-	-	-	-	2,950,037	2,950,037
Related parties' deposits at amortized cost	-	-	-	-	-	1,472,912,685	1,472,912,685	1,473,065,670
Acceptances payable	-	-	-	-	-	137,474,027	137,474,027	137,474,027
Borrowings from banks and financial institutions	-	-	-	-	-	436,275,546	436,275,546	436,275,546
Certificates of deposit	-	-	-	-	-	453,020,994	453,020,994	462,201,669
Other liabilities	-	13,517,648	-	-	-	-	13,517,648	13,517,648
Total	<u>-</u>	<u>64,127,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,878,023,148</u>	<u>14,942,150,877</u>	<u>14,979,402,959</u>

December 31, 2009

	<u>Trading assets</u> LBP'000	<u>At fair value through profit or loss</u> LBP'000	<u>Available- for-sale</u> LBP'000	<u>Held-to- maturity</u> LBP'000	<u>Loans and receivables</u> LBP'000	<u>Other at amortized cost</u> LBP'000	<u>Total carrying value</u> LBP'000	<u>Total fair value</u> LBP'000
<u>FINANCIAL ASSETS</u>								
Cash and Central Banks	-	-	-	-	-	2,181,287,696	2,181,287,696	2,181,287,696
Deposits with banks and financial institutions	-	-	-	-	-	2,212,695,073	2,212,695,073	2,212,579,901
Financial assets designated at fair value through profit or loss	1,719,966	83,322,540	-	-	-	-	85,042,506	85,042,506
Loans to banks	-	-	-	-	181,188,641	-	181,188,641	187,592,500
Loans and advances to customers	-	-	-	-	3,585,617,978	-	3,585,617,978	3,566,858,267
Loans and advances to related parties	-	-	-	-	1,138,467,192	-	1,138,467,192	1,138,467,192
Available-for-sale investment securities	-	-	4,839,310,392	-	-	-	4,839,310,392	4,839,310,392
Held-to-maturity investment securities	-	-	-	950,297,840	-	-	950,297,840	1,023,226,915
Customers' acceptance liability	-	-	-	-	-	71,912,105	71,912,105	71,912,105
Other assets	-	8,641,012	-	-	117,428,306	5,378,152	131,447,470	131,447,470
Total	<u>1,719,966</u>	<u>91,963,552</u>	<u>4,839,310,392</u>	<u>950,297,840</u>	<u>5,022,702,117</u>	<u>4,471,273,026</u>	<u>15,377,266,893</u>	<u>15,437,724,944</u>
<u>FINANCIAL LIABILITIES</u>								
Deposits from banks and financial institutions	-	-	-	-	-	466,791,850	466,791,850	466,791,850
Customers' deposits at fair value through profit or loss	-	160,816,293	-	-	-	-	160,816,293	160,816,293
Customers' deposits at amortized cost	-	-	-	-	-	10,758,773,533	10,758,773,533	10,827,030,115
Related parties' deposits at fair value through profit or loss	-	2,983,695	-	-	-	-	2,983,695	2,983,695
Related parties' deposits at amortized cost	-	-	-	-	-	1,412,946,381	1,412,946,381	1,418,537,260
Acceptances payable	-	-	-	-	-	71,912,105	71,912,105	71,912,105
Borrowings from banks and financial institutions	-	-	-	-	-	384,265,602	384,265,602	384,265,602
Certificates of deposit	-	-	-	-	-	717,316,857	717,316,857	721,147,754
Other liabilities	-	21,060	-	-	-	-	21,060	21,060
Total	<u>-</u>	<u>163,821,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,812,006,328</u>	<u>13,975,827,376</u>	<u>14,053,505,734</u>

a) Deposits with Central Bank and financial institutions:

The fair value of current deposits (including non-interest earning compulsory deposits with Central Banks), and overnight deposits is their carrying amount. The estimated fair value of fixed interest earning deposits with maturities or interest reset dates beyond one year from the balance sheet date is based on the discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and to banks:

The estimated fair value of loans and advances to customers is based on the discounted amount of expected future cash flows determined at current market rates.

c) Securities:

The fair value of Lebanese Government bonds and certificates of deposits was calculated using a valuation model which takes into account observable market data using a discounted cash flow model based on current interest yield curve appropriate for the remaining term to maturity and credit spreads.

d) Deposits and borrowings from banks and customers' deposits:

The fair value of deposits with current maturity or no stated maturity is their carrying amount. The estimated fair value on other deposits is based on the discounted cash flows using interest rates for new deposits with similar remaining maturity.

e) Other borrowings and certificates of deposit:

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

f) Fair value hierarchy:

The following table shows an analysis of financial instruments at fair value by level of the fair value hierarchy:

	December 31, 2010		
	Level 1 (Quoted Price on Active Market)	Level 2 (Valuation Technique)	Total
	LBP'000	LBP'000	LBP'000
<u>FINANCIAL ASSETS</u>			
Financial assets at fair value through profit or loss:			
Lebanese Government bonds	35,349,368	-	35,349,368
Turkish Government bonds	418,608	-	418,608
Quoted equity securities	884,949	-	884,949
	<u>36,652,925</u>	<u>-</u>	<u>36,652,925</u>
Available-for-sale investment securities:			
Quoted equity securities	619,758,964	-	619,758,964
Unquoted equity securities	-	36,106,478	36,106,478
Cumulative Preferred shares issued by a Lebanese bank	-	6,030,000	6,030,000
Convertible preferred shares issued by a Lebanese bank	-	3,780,056	3,780,056
Non-cumulative preferred shares issued by a Lebanese bank	-	33,291,178	33,291,178
Lebanese government bonds	553,294,860	1,301,466,729	1,854,761,589
Certificates of deposit issued by the Central Bank of Lebanon	-	2,626,283,645	2,626,283,645
Certificates of deposit issued by Banks	-	15,075,000	15,075,000
Corporate debt securities	279,102,492	-	279,102,492
Other foreign government bonds	232,995,819	-	232,995,819
	<u>1,685,152,135</u>	<u>4,022,033,086</u>	<u>5,707,185,221</u>
	<u>1,721,805,060</u>	<u>4,022,033,086</u>	<u>5,743,838,146</u>
<u>FINANCIAL LIABILITIES</u>			
Customers' deposit at fair value through profit or loss	-	47,575,176	47,575,176
Related parties' deposits at fair value through profit or loss	-	2,794,641	2,794,641
	<u>-</u>	<u>50,369,817</u>	<u>50,369,817</u>

	December 31, 2009		
	Level 1	Level 2	
	(Quoted Price on	(Valuation	
	Active Market)	Technique)	Total
	LBP'000	LBP'000	LBP'000
<u>FINANCIAL ASSETS</u>			
Financial Assets at fair value through profit or loss:			
Credit linked notes issued by banks	46,464,165	-	46,464,165
Lebanese Government Bonds	36,433,260	-	36,433,260
Turkish Government bonds	960,114	-	960,114
Quoted equity securities	<u>759,822</u>	<u>-</u>	<u>759,822</u>
	<u>84,617,361</u>	<u>-</u>	<u>84,617,361</u>
Available-for-sale Investment Securities:			
Quoted equity securities	723,684,219	-	723,684,219
Unquoted equity securities	-	20,447,229	20,447,229
Cumulative preferred shares issued by a Lebanese bank	-	6,030,000	6,030,000
Convertible preferred shares issued by a Lebanese bank	-	3,780,056	3,780,056
Non-cumulative preferred shares issued by a Lebanese bank	-	33,291,178	33,291,178
Lebanese government bonds	635,956,655	1,696,013,032	2,331,969,687
Certificates of deposit issued by the Central Bank of Lebanon	-	1,445,605,350	1,445,605,350
Corporate debt securities	59,195,046	-	59,195,046
Other foreign government bonds	<u>147,495,530</u>	<u>-</u>	<u>147,495,530</u>
	<u>1,566,331,450</u>	<u>3,205,166,845</u>	<u>4,771,498,295</u>
	<u>1,650,948,811</u>	<u>3,205,166,845</u>	<u>4,856,115,656</u>
<u>FINANCIAL LIABILITIES</u>			
Customers' deposit at fair value through profit or loss	-	158,738,464	158,738,464
Related parties' deposits at fair value through profit or loss	<u>-</u>	<u>2,828,299</u>	<u>2,828,299</u>
	<u>-</u>	<u>161,566,763</u>	<u>161,566,763</u>

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2010 were approved by the Board of Directors in its meeting held on March 24, 2011.

