

ANNUAL REPORT 2007



FIRST NATIONAL BANK S.p.A.

02_CHAIRMAN'S LETTER

04_MANAGEMENT

06_Shareholders

07_Board of Directors

08_General Management

16_Head Office Managers

17_Branch Managers

18_BUSINESS REVIEW

20_Comparative Financial Analysis

29_In Review

36_INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS

38_Independent Auditor's Report

40_Consolidated Balance Sheet

42_Consolidated Statement of Income

44_Consolidated Statement of Changes in Equity

46_Consolidated Statement of Cash Flows

48_Notes to the Consolidated Financial Statements

124_ADDRESSES

126_Head Office | Branches

127_Correspondent Banks

CHAIRMAN'S LETTER

The year 2007 was about moving forward and beyond, despite the challenges of a stagnant economy and political unrest and instability. During the year, the economy was tested repeatedly as Lebanon struggled to survive and overcome the events of the past three years. The country was still feeling the impact of the events of July 2006. Despite these factors, the real growth in GDP during 2007 was 2%, a notable improvement over a negative 5% in 2006.

Once again, the Lebanese banking sector showed its resilience and strength. The sector displayed healthy annual growth figures of 8.20% in net profits, 10% in assets, and 8.20% in shareholders' equity. Furthermore, the wisdom and prudence reflected in the policy of the Central Bank of Lebanon (in regards to regulating investment criteria) provided the sector with remarkable immunity amidst an international liquidity crunch caused by the subprime crisis.

In this respect, I am pleased to report that FNB outperformed many of the sector's average key growth indicators during 2007. The total assets grew by approximately 10%, shareholders' total equity increased by 15.6%, while Loans and Advances to Customers increased by 24.8 %.

In addition, the Board of Directors at FNB and Senior Management were actively involved in pursuing the following ongoing projects:

*Regional Growth: FNB is expanding its business beyond Lebanon's borders. New growth and expansion opportunities are being pursued in both Syria and Jordan.

*Compliance with the Basel II Accord: Management is conducting a review of all departments to strengthen controls and upgrade systems in order to manage more effectively with an enhanced paradigm.

*Improved Customer Service: All staff will undergo highly specialized training and development programs in order to better serve our clients. Accordingly, business process reengineering will aid and assist in building up the internal engine to move the bank to the next level of excellence.

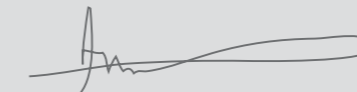
*Middle East Capital Group limited: FNB aims to acquire the remaining shares of the Middle East Capital Group limited to reach full ownership and, in turn, provide full-fledged financial services.

FNB is leveraging its experience as we plan for the future. The vision of an individual has successfully grown into a stable financial institution and continues to adapt and mature. This vision, along with steadfast determination, continues to be instrumental to our survival and move us forward in both times of crisis and prosperity. We remain a bulwark of strength in our community with a clear strategy for the future. FNB prevails as a catalyst for change. We are committed to being a stable and productive participant in Lebanon's future economic success.

In closing, I would like to thank those who remain loyal and committed to our mission: the shareholders, staff and customers. They are the force behind our achievements and support us as we strive for excellence on our journey forward and beyond.

Rami R. El Nimer

Chairman_General Manager



MANAGEMENT

06_Shareholders

07_Board of Directors

08_General Management

16_Head Office Managers

17_Branch Managers

Shareholders

Name	Nationality	%
Invest Bank P.S.C.	U.A.E	18.0000
Mr. Rami Refaat El Nimer	Lebanese	14.8862
Promotion Des Investissements s.a.l. (Holding)	Lebanese	12.0616
Mr. Khaled Abdallah Al Sagar	Kuwaiti	9.3109
United Investment Company (Lebanon) s.a.l. (Holding)	Lebanese	8.0133
Commercial Facilities Company K.S.C	Kuwaiti	5.3765
Mr. Roland Elias Haraoui	Lebanese	4.3451
Mr. Ziad Tamim Al Sahli	Lebanese	4.1399
Mr. Salaheddine Nizam Osseiran	Lebanese	3.6039
Mr. Mutlaq Abdallah Al Mutlaq	Saudi	3.4461
Mr. Abdel Mohsen Abdallah Al Mutlaq	Saudi	3.4461
Mr. Ramzi Rachid Haidar	Lebanese	3.3761
Dr. Souad Mohammad Al Sabah	Kuwaiti	2.7578
Mr. Khalaf Ahmad Al Habtoor	U.A.E.	2.4812
Mr. Dirar Ahmad Kanaan	Lebanese	0.9821
Mr. Bassam Ribhi Hamadeh	Saudi	0.7354
Mr. Ali Khalifa Al Kawari	Qatari	0.6925
Mr. Hammad Mohammed Nader Al Atassi	Syrian	0.6178
Mr. Nabil Hani Jamil ALQaddumi	Kuwaiti	0.5000
Mr. Riad Ali Mourtada	Lebanese	0.4721
Mr. Nabil Mahmoud Soubra	Lebanese	0.1609
Mr. Youssef Nehmeh Tohmeh	Lebanese	0.1557
Miss Marie-Noël Nabil Aoun	Lebanese	0.1557
Mr. Issam Anis Khalaf	Lebanese	0.1354
Mr. Hikmat Sleiman Noueihed	Lebanese	0.0550
Mr. Tamim Saleh Al Sahli	Lebanese	0.0386
Mr. Mohammed Jassem Al Sager	Kuwaiti	0.0271
Mr. Abdallah Saoud Al Humaidhi	Kuwaiti	0.0271

Board of Directors

Name	Title
Mr. Rami Refaat El Nimer	Chairman
Mr. Khaled Abdallah Al Sagar	Vice Chairman
Mr. Abdallah Saoud Al Humaidhi	Member
Mr. Tamim Saleh Al Sahli	Member
Mr. Riad Ali Mourtada	Member
Mr. Roland Elias Haraoui	Member
Invest Bank P.S.C Represented by Mr. Sami Rached Farhat	Member
Promotion Des Investissements s.a.l. (Holding) Represented by Me. Sakhr El Hashem	Member
United Investment Company (Lebanon) s.a.l. (Holding) Represented by Mr. Hossam El Sayed Hussein	Member
Legal Advisor	Me. Sakhr C. El Hashem
Auditors	Deloitte

GENERAL MANAGEMENT



GENERAL MANAGEMENT



GENERAL MANAGEMENT



GENERAL MANAGEMENT



Head Office Managers

General Management:

Mr. Rami R. El Nimer (Chairman-General Manager)
Mr. George N. Aouad (Deputy General Manager)
Mr. Ghaithan S. Tayara (Assistant General Manager)
Mr. Elias S. Baz (Advisor to Chairman-General Manager / Executive Director)
Mr. Mohamad S. Osman (Consultant)

Department Managers:

Mr. Imad R. Fata (Senior Manager, Head of Corporate Banking Unit)
Mr. Mahmoud G. Francis (Senior Manager, Head of Branch Management Department)
Mr. Robert H. El Haddad (Senior Manager, Head of Internal Audit Department)
Mr. Rashad M. Khourshid (Senior Manager, Head of Private Banking Department)
Mr. Adam H. Mansour (Senior Manager, Head of Risk Management Department)
Mr. Antoine C. Wakim (Senior Manager, Head of Financial Control Department)
Mr. Raymond N. Yazbeck (Senior Manager, Head Office)

Mr. George K. Abi Karam (Lawyer, Head of Legal Department)
Ms. Amina H. Bizri (Manager, Head of Consumer Credit Section)
Mr. Joseph E. Estephan (Manager, Head of Recovery & Restructuring Unit)
Mrs. Soumaya Y. Haris (Manager, Acting Treasurer)
Mr. Salim L. Karroum (Manager, Head of Operations Department)
Mr. Marwan Khawand (Manager, Head of Information Technology Department)
Mr. Maher Mezher (Manager, Head of Marketing Department)
Mr. Elie M. Rahal (Manager, Head of Trade Finance Unit)
Mr. Assaad Saliba (Manager, Head of FX Unit)

Mr. Wassim M. Daouk (Assistant Manager, Head of Small & Medium Enterprises Banking Unit)

Branch Managers

Mr. Antoine G. Hafez (Senior Manager – Allenby Branch)

Mr. Ghassan R. Abou Zahr (Manager – Saida Branch)

Mr. Wajih S. Akkari (Manager – Verdun Branch)

Mr. Khalil M. Amhaz (Manager – Mazraa Branch)

Mr. Joseph M. Azoury (Manager – Jounieh Branch)

Mr. Mahmoud A. Berjawi (Manager – Haret Hreik Branch)

Mr. Jean G. Chehadeh (Manager – Hazmieh Branch)

Mr. George N. El Khoury (Manager – Halba Branch)

Mr. Hussein G. Fakhreddine (Manager – Jnah Branch)

Mr. Nabil H. Serhan (Manager – Nabatieh & Mais El Jabal Branches)

Mr. Saoud A. Hajar (Manager – Tripoli Branch)

Mr. Ziad E. Kanaan (Manager – Antelias Branch)

Mr. Eric P. Vasdekis (Manager – Achrafieh Branch)

Mrs. Rola S. Zaghoul (Manager – Hamra Branch)

Mr. Youssef H. El Zoghbi (Manager – Jdeideh Branch)

Mr. Firas A. Abi Farraj (Acting Branch Manager – Aley Branch)

Mr. Fouad H. Hamadeh (Acting Branch Manager – Choueifat Branch)

Mr. Antoine A. Joubran (Consultant – Tripoli Branch)

BUSINESS REVIEW

20_Comparative Financial Analysis

29_In Review

RATIOS 2003 - 2007

	2003	2004	2005	2006	2007
Thousands of LBP					
Assets	1,297,384,413	1,843,712,406	1,800,616,390	2,058,279,527	2,263,739,000
Loans and advances to customers	233,448,311	306,949,530	351,204,302	411,066,038	513,142,446
Customers' deposits	1,074,158,989	1,208,661,524	1,298,298,190	1,458,982,846	1,675,453,347
Shareholders' equity	55,232,087	58,404,748	75,439,328	71,811,076	139,554,887
Net income	3,121,106	4,499,679	7,503,460	9,040,438	10,561,362
Number of branches	13	16	16	18	18
Number of staff	259	285	287	340	339
Ratios					
Loans to Deposits	21.73%	25.40%	27.05%	28.17%	30.63%
Net doubtful loans/ Gross loans	8.02%	5.35%	3.59%	3.87%	2.79%
Loan loss provisions/ Gross loans	18.28%	15.86%	16.99%	16.06%	11.06%
Net doubtful loans/ Equity	41.48%	33.42%	20.14%	26.40%	11.52%
Average equity to Assets	4.81%	3.62%	3.67%	3.82%	4.89%
Efficiency					
Interest received to av. Assets	8.31%	6.33%	6.16%	7.08%	6.93%
Interest paid to av. Assets	6.07%	5.07%	4.72%	5.59%	5.51%
Interest paid to Interest received	73.00%	80.08%	76.71%	78.97%	79.57%
Spread	2.24%	1.26%	1.43%	1.49%	1.42%
Cost to income	5.89%	4.09%	2.70%	2.79%	2.38%
Profitability					
ROAA	0.28%	0.29%	0.41%	0.47%	0.49%
ROAE	5.84%	7.92%	11.21%	12.28%	9.99%

EXECUTIVE SUMMARY

First National Bank S.A.L (FNB) is a mid-sized Lebanese bank owned by a group of professional businessmen, financial and industrial investors from Lebanon, Kuwait, UAE and Saudi Arabia.

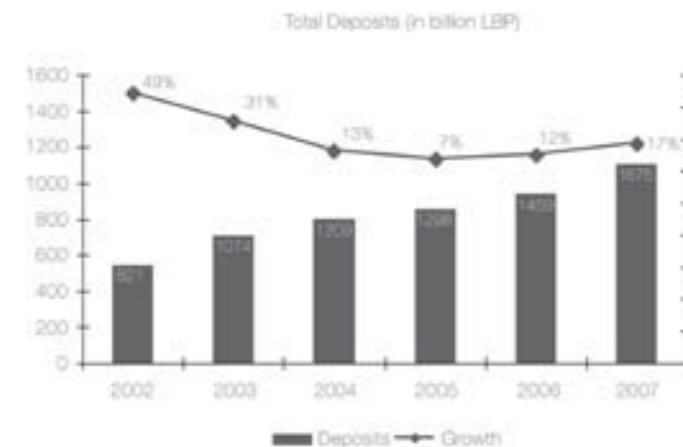
FNB conducts commercial, retail and investment banking activities through a network of 18 branches and 339 employees as of December 31, 2007. The bank is managed by a Board of Directors comprised of nine members and chaired by Mr. Rami El Nimer. The daily bank operations are entrusted to Mr. Rami El Nimer, the General Manager, and are supported by a team of qualified senior officers with extensive banking and financial experience.

The consolidated and audited balance sheet footings as of December 31, 2007 amounted to approximately LBP 2,264 billion (USD 1.5 billion), with a shareholders' equity equivalent to approximately LBP 140 billion (USD 93 million), and customer deposits equivalent to LBP 1,675 billion (USD 1.1 billion). By the end 2007, the consolidated annual revenue of the bank amounted to nearly LBP 10,561 million (USD 7 million).

FINANCIAL HIGHLIGHTS

As of December 31, 2007

Financial Indicators (in USD millions)	2002	Consolidated Audited 2007
Total Assets	614	1,502
Loans and Advances to Customers	125	340
Customer Deposits	545	1,111
Shareholders' Equity	34	93
Net Income (Loss)	0.72	7
Ranking by Total Assets in 2006	18 th	14 th
Out of total n° of banks in Lebanon, 2006	49	33



INTRODUCTION

First National Bank S.A.L is a mid-sized Lebanese bank, registered in the Beirut Commercial Registry under #67480, and in the List of Banks under #108. FNB conducts commercial, retail and investment banking activities. Its network is comprised of 18 branches and 339 employees geographically situated across the areas of Greater Beirut, Mount Lebanon, and North and South Lebanon. The bank's headquarters are located in the heart of Beirut's Central District.

HISTORY

On October 30, 1991 a wealthy Lebanese family incorporated the bank as a Société Anonyme Libanaise (joint stock company) under the name "Bank of Commerce S.A.L".The bank conducted limited activities until the beginning of 1994. At that time, a group headed by Mr. Mohammad Jassem Al Sager and comprised of Kuwaiti, Saudi, UAE businessmen, industrial, and financial investors as well as Lebanese professionals, acquired 100% of the bank's share capital. Following this change in ownership, the bank started new and diversified banking activities in January 1996.

During 2000, Lebanon Invest S.A.L acquired 62% of the bank's shares on behalf of a group of investors. Accordingly, Mr. Rami El Nimer was appointed Chairman of the Bank's Board of Directors. In December 2002, he was appointed the bank's General Manager.

During the second half of 2002, the bank acquired the total outstanding share capital of Société Bancaire du Liban (SBL). The merger was completed on December 31, 2002. The acquisition of SBL contributed assets totaling LBP 119,974 million (USD 79.6 million), which represented over 40% of the overall growth in the bank's assets. Consequently, the bank widened its network by four branches.

In 2007, First National Bank acquired 164,500 shares of the capital of Middle East Capital Group Ltd (Guernsey) representing 58.96% of the total shares at a purchase price of approximately USD 11.658 million. The bank started to report consolidated financial statements with MECG starting March 2007.

FNB'S OBJECTIVES AND STRATEGY

FNB's principle strategic objective is to deliver quality financial products and services to targeted segments of the Lebanese population. Accordingly, the bank has worked to acquire advanced banking technology and a highly qualified and motivated workforce.

Management intends to continue diversifying the bank's revenue base and enhancing its position among its peer group in the Lebanese banking sector. This will be achieved by seeking new business opportunities with the ultimate goal of becoming part of the top tier of Lebanese banks. In particular, FNB aims to further improve its share of the growing retail banking market in Lebanon by delivering new and innovative products through the most efficient delivery channels, but also with focused sales activities and a customer-oriented culture. Similarly, on the credit side, FNB plans to focus on its lending strategy. The purpose is to include businesses with significant market share in sectors of the Lebanese economy that have good prospects for growth.

SHARE CAPITAL AND EQUITY OWNERSHIP

During 2006, the bank increased the shareholders' equity from approximately USD 50 million to approximately USD 93 million. This increase was achieved by widening the shareholders' base and consequently enhancing the bank's potential for further growth, noting that the bank was successful in attracting a strategic institutional investor to participate substantially in this capital increase. Furthermore, the bank started to apply requirements of Basel II in terms of capital adequacy and prepared a strategy in order to become fully compliant.

The bank's share capital is held as follows:

Shareholder's list

Name	Total Shares	%
Invest Bank P.S.C	1 800 000	18.00%
Mr. Rami Refaat El Nimer	1 488 615	14.89%
Promotion des Investissements S.A.L (Holding)	1 206 160	12.06%
Mr. Khaled Abdallah Al Sagar	931 087	9.31%
United Investment Company (Lebanon) S.A.L (Holding)	801 327	8.01%
Commercial Facilities Company K.S.C	537 649	5.38%
Mr. Roland Elias Haraoui	434 509	4.35%
Mr. Ziad Tamim Al Sahli	413 988	4.14%
Mr. Salaheddine Nizam Osseiran	360 389	3.60%
Mr. Mutlaq Abdallah Al Mutlaq	344 614	3.45%
Mr. Abdel Mohsen Abdallah Al Mutlaq	344 614	3.45%
Mr. Ramzi Rachid Haidar	337 613	3.38%
Dr. Souad Mohammad Al Sabah	275 775	2.76%
Mr. Khalaf Ahmad Al Habtoor	248 120	2.48%
Other Investors	475 540	4.74%
Total	10 000 000	100%

OPERATIONAL STRUCTURE OF THE BANK

Board of Directors

Currently, FNB is managed by a Board of Directors comprised of nine members. These members are elected at the Annual General Assembly of Shareholders of the bank for a three-year term. The shareholders are empowered to remove the Directors by way of a resolution adopted at an Ordinary or Extraordinary General Assembly of Shareholders. Board members are not permitted to carry out similar functions in a competing company without obtaining prior authorization from the bank's shareholders. This authorization needs to be renewed at each Annual General Assembly of Shareholders.

The Board of Directors appoints one of its members as Chairman. The Chairman of the Board of Directors has extensive powers to execute resolutions adopted by the shareholders at either an Ordinary or Extraordinary General Assembly, to carry out the operations necessary for the daily functioning of the bank and to represent the bank in its commercial activities. The Chairman may delegate some or all of his authority to another person or persons who act under his supervision. The Chairman remains responsible for the acts of his delegates.

Directors of First National Bank

Mr. Rami Refaat El Nimer is the Chairman of the Board of Directors at FNB. He has been a Director since March 23, 2001. In addition, Mr. El Nimer is the Chairman of Lebanon Invest Venture Holding S.A.L, Chairman/General Manager of Beirut Building Company S.A.L Holding, shareholder and member of the Board of Directors of Massaya of Beirut Building Company, and shareholder and member of the Board of Directors of United Investment Holding S.A.L.

Mr. Khaled Abdallah Al Sagar has been a Director at FNB since June 24, 1996. He is currently Vice-Chairman of the bank, having acted as Chairman from April 3, 1998 to March 23, 2001. Mr. Al Sagar is an active member of the Al Sager Group, a leading merchant and industrial conglomerate in Kuwait. He is the Managing Director of Kuwait Flour Mills.

InvestBank is represented by Mr. Sami Rashed Farhat, a member of the Board of Directors at FNB. InvestBank is a commercial bank based in the Emirate of Sharjah since 1975. The bank provides a full range of financial products and services to corporate as well as retail customers. InvestBank is 100% publicly owned and the bank's shares are listed and traded on the Abu Dhabi Securities Market.

Mr. Abdallah Saoud Al Humaidhi is a member of the Board of Directors at FNB. Mr. Al Humaidhi has been a Director at the bank since June 1996. He is also a member of the Board of Directors of Arab Banking Corporation in Bahrain, representing the government of Kuwait. He was the Chairman of Banco Atlantico in Spain from 2001 to 2004. Mr. Al Humaidhi is the Chairman and Managing Director of Commercial Facilities Company K.S.C., and a Board Member in the Chamber of Trading & Commerce, Kuwait and National Social Security Fund and General Investment Committee in Kuwait.

Mr. Tamim Saleh Al Sahli is a member of the Board of Directors at FNB. He has been a Director at the bank since April 27, 2000. He is a Lebanese businessman.

Mr. Riad Ali Mortada is a member of the Board of Directors at FNB. Mr. Mortada has been a Director at FNB since April 27, 2000. He is involved in the contracting business in Saudi Arabia.

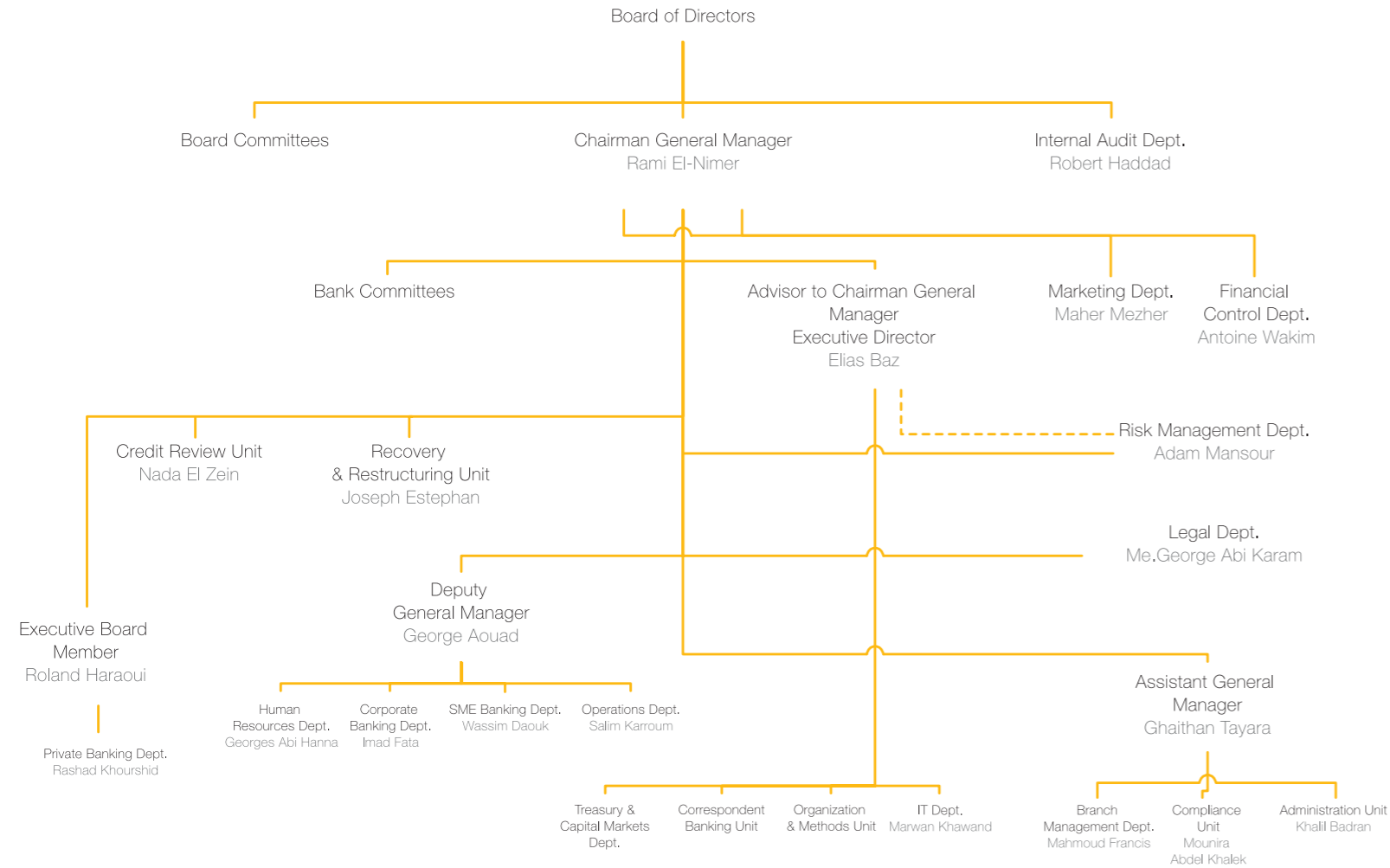
Mr. Roland Elias Haraoui is a member of the Board of Directors at FNB. Mr. Haraoui has been a Director at FNB since December 13, 2001. He is a Lebanese businessman.

Promotion des Investissements S.A.L. (Holding) is represented by Me. Sakhr El Hashem, member of the Board of Directors at FNB. Promotion des Investissements s.a.l. is a Lebanese holding company that primarily invests its financial and industrial concerns in Lebanon. Me. El Hashem has a law office in Lebanon and has been a practicing lawyer since 1974. He also is the General Counsel and Legal Advisor of the bank.

United Investments Company (Lebanon) S.A.L. (Holding) is represented by Mr. Hussam El-Sayed, member of the Board of Directors at FNB. United Investments Company s.a.l. is a Lebanese holding company that, as a principal activity, invests its financial and industrial concerns in Lebanon. Mr. El-Sayed is the Regional Financial Manager of M.A.KHARAFI & Sons w.l.l.

An in-depth review of the organizational structure was completed three years ago, and resulted in a major restructuring of the main functions. This led to a stronger environment of corporate governance as well as enhanced checks and balances with a new management team, selected by Mr. Rami El Nimer, overseeing the day-to-day operations of the bank.

The following is a high-level organizational chart of First National Bank S.A.L:



The above chart includes ammendments that took place during 2008.

EXECUTIVE MANAGERS

The Chairman General Manager is assisted by the following senior officers:

Mr. George Aouad – Deputy General Manager

Mr. Ghaithan Tayara – Assistant General Manager

Mr. Elias Baz – Executive Director, Advisor to Chairman General Manager

FINANCIAL ANALYSIS

A comparison of the financial indicators for the period starting from 2002 to 2007 clearly demonstrates that the bank was one of the fastest growing mid-sized banks operating in Lebanon. According to surveys published by Bank Data, the bank improved its ranking among all operating banks in Lebanon, in terms of total assets, from being ranked 18th on December 31, 2002 to 14th on December 31, 2007.

ASSETS

On December 31, 2007, FNB's consolidated balance sheet had approximately LBP 2,264 billion (USD 1.5 billion) of total assets, as compared to LBP 2,058 billion (USD 1.4 billion) on December 31, 2006, reflecting a growth rate of 10%.



LOANS AND ADVANCES TO CUSTOMERS

FNB was also successful in developing its retail and commercial lending sector. Loans and Advances to customers increased by LBP 102 billion (USD 68 million) during 2007 to reach LBP 513 billion (USD 341 million) as of December 31, 2007, reflecting a growth rate of 25%.



CUSTOMERS' DEPOSITS

On December 31, 2007, the bank had accumulated sums of LBP 1,675 billion (USD 1,111 million) in customers' deposits as compared to LBP 1,459 billion (USD 968 million) in 2006, reflecting a growth rate of 15%.



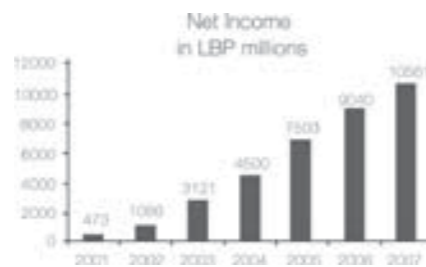
SHAREHOLDERS' EQUITY

During the period from 2001 to 2007, the bank's shareholders' equity grew significantly. It increased from LBP 33 billion (USD 22 million) in 2001 to LBP 140 billion (USD 93 million) as of December 31, 2007, showing an overall growth of 324%.



NET INCOME

On December 31, 2007 the bank reported a net income of LBP 10,561 million (USD 7 million) as compared to LBP 9,040 million (USD 6 million) at the end of 2006, reflecting a relative growth rate of 17%. The substantial increase in net income experienced during 2007 was the result of growth in bank activities, enhancement of non-interest sources of revenue and the efficiency of operations.



ANTI-MONEY LAUNDERING MEASURES

First National Bank is committed to preventing money laundering. The policies and procedures comply with all the legal requirements in Lebanon and the international AML recommendations and standards, paying special attention to any regulations concerning the prevention of money laundering.

Main elements of the bank's money laundering prevention policy:

1. Full identification of customers and their activities beyond the mere submission of documentation.
2. Education of all bank employees via regular training programs and periodic reminders.
3. Detection of suspicious operations using the finest and most up-to-date software available.
4. Review of the above elements by the bank's internal auditors.

Compliance Management is responsible for establishing and implementing the bank's policies and internal control procedures. These policies and procedures are documented in a manual drafted and distributed to all the bank's personnel.

The members of the Compliance Management Unit are part of the quality Regulatory Compliance Management Unit which reports directly to the Senior Committee. They analyze all operations and detect issues via the automatic tracking system. Based on the results of an investigation, necessary action that may be taken includes:

- Informing the Special Investigation Commission in writing.
- Identification of the parties involved in the operations.
- Description of the operations.
- Signs of money laundering.

Key Aspects of the Anti-Money Laundering Policy:

1. The bank has no relations or agency arrangements with shell banks.
2. Anonymous accounts are not allowed.
3. The bank keeps a permanently updated list of persons and organizations suspected of criminal activities furnished by the Special Investigation Commission to which our customer service officers refer to prior to opening any customer accounts.

RISK MANAGEMENT

The Risk Management Department was established at FNB in 2004. Its main function is to manage the risks of the balance sheet in accordance with well established international standards and rules such as Basel II. The major risks involved are Market Risk, Operational Risk and Credit Risk, among others.

Risk Management is an integral member of the major committees at FNB. These committees include the Asset / Liability Management Committee (ALCO), Management Committee, Credit Committee and the Investment Committee.

Risk Management's other key responsibilities / accountabilities are to:

- Assist the GM / AGM in formalizing a comprehensive business strategy and mission with guidance from the Board of Directors.
- Support the GM / AGM by monitoring approved strategies and adhering to the business plans of the bank
- Reinforce the development and growth of the bank under the general guidance of the GM / AGM in monitoring the implementation of the critical decisions regarding the balance sheet and the income statement.
- Establish processes, controls and procedures to manage the risks inherent in the balance sheet.

CORPORATE & COMMERCIAL CREDIT

In 2007, we witnessed continued economical, political, and security unrest and uncertainties which challenged all sectors of the economy including FNB and its clients. FNB and our highly professional Corporate & Commercial Credit Team remained steadfast in their support and commitment to our clients in challenging times. This support sustained our highly attractive borrowing client list and resulted in numerous referrals enhancing our loans portfolio to reach over LBP 548 billion in 2007, recording a growth rate of 20%.

That year also witnessed a strong momentum towards improving our Credit Functions. FNB implemented a program to re-train our credit managers and prepare for the restructuring of the Credit Department.

These efforts were culminated in the beginning of 2008 through:

1. Restructuring the Credit Department into two divisions: Corporate Banking Division and Small & Medium Bank Division. This enhanced our client service ability through specialization in relationship management and better understanding of clients' business nature and needs.
2. The acquisition and implementation of the Risk Rating System (RRS). The RRS is an important tool to better identify the risks faced by the client. This allows FNB to better serve our clients on an advisory basis and structure financing in a manner that supports the clients' business needs. It improves the quality of the relationship, therefore further improving the quality of our loan portfolio.

BRANCH MANAGEMENT

The Branch Management Department encourages employee growth through maintaining a performance-oriented culture. Sell more = Gain more is an employee incentive program that was implemented in order to encourage and motivate our sales staff to promote the wide array of services offered by FNB. Results were calculated based upon product sales (taking profitability into consideration). The Branch Management Team supports all relevant departments by conducting sales visits, providing group offers, and making presentations to potential customers at FNB's branch offices.

Gross sales for the year showed a progress of Deposits 13%, Retail Services 22%, Commercial Loans 20%, and Retail Loans 55 % against the previous year.

Due to the superior performance of the FNB employees, our bank was categorized among the top banks that attained a high volume of salary domiciliation with several official institutions. As a result, the bank was recognized by the Lebanese Army for its consistent high level of service.

During the past year, many noteworthy protocols were signed. These include salary domiciliation with the private sector, schools, non-profit organizations, and establishments. Moreover, the bank installed several ATMs in these new locations in order for FNB to become more accessible to our customers. In addition, Branch Management assisted in opening two new branches in Nabatieh and Haret Hreik.

The Branch Management Department values all employee efforts and ideas and believes in an environment of cooperation and appreciation.

RETAIL BANKING AND MARKETING

During the past seven years, FNB has achieved great success, surpassing all expectations in terms of growth and ranking within Lebanon's banking industry. FNB's principle strategic objective is to deliver quality financial products and services to targeted segments of the Lebanese population. This objective was effectively achieved by launching year through new initiatives. Innovative products and services were launched targeting various social groups, thus enabling the Bank to prospect potential clients and retain existing ones. The FNB consumer products and services line consists of 32 products offering the following:

1. Retail Loans

Home Loan, Public Housing Loan, Expatriate Home Loan, Military Personnel Housing Loan, Personal Loan, Car Loan (new and used cars), Taxi Loan, Van Pick-Up Loan, PC Loan, Travel Loan, School Loan, Micro-Finance Loan, Tobacco Agricultural Loan, Dental Loan (new), Clinic Loan (new), Personal and Equipment Loan (new), Plastic Surgery Loan (new), Pre-Pensioner Loan (new), Pensioner Loan (new).

2. Plastic Cards

- Credit and Charge Cards in different currencies: LBP, \$, € and GBP (new)
- Internet Card
- Gift Card
- Salary Card

3. Bancassurance

- Life Insurance
- Personal Accident
- Motor Insurance
- Retirement and Educational Plan

4. Services

Western Union Money Transfer Service (new)

Of all the newly launched products in 2007, the Plastic Surgery Loan was the most successful. A large-scale promotional campaign resulted in international acclaim and recognition. FNB became the talk of the world, appearing in international magazines and newspapers, as well as on television, radio and billboards. As part of its new identity in being a leader in launching new products and customized services, FNB signed the following agreements and protocols:

- a. Lebanese Dental Association of Beirut and Tripoli (where the Dental Care loan was launched).

- b. Partnership with the "Pontifical Mission". This program aims to assist people of low income levels to increase their income and improve their welfare.
- c. Special Doctor's Pack. This package provides special tailored services to Lebanese Doctors by offering:
 - Clinic Loan
 - Personal and Equipment Loan.
- d. Protocols with General Security, OTV and General Administration Division.

FNB received special recognition when it was honored by the Lebanese Army for its superior services and facilities.

Another achievement in 2007 was the continued development of our existing product lines. The terms of the Travel and PC Loans were revised, giving it added value over other available products in the market. Moreover, the SMS service provided **free** Notification SMS messages which followed every transaction made on the card for better fraud control, as well as an added tracking tool for FNB Cardholders. In addition, FNB introduced a security chip as added security to discourage counterfeiting.

FNB expanded its coverage by opening two new branches in Haret Hreik and Nabatieh. They also relocated the Jnah branch for easier customer access.

Furthermore, FNB added several new ATM locations at General Security (2 ATMs), Aintoura School, OTV, Haret Hreik and Nabatieh Branches.

FNB has positioned itself to offer more services during the coming year through installing LCD screens at its branches, offering full Internet Banking, and launching the Pull SMS Service. 2007 was a year of many significant achievements for FNB. Besides advancing its consumer banking image worldwide, FNB reinforced its social commitment to supporting the economy and the welfare of the people by sponsoring diverse community programs and events and participating in numerous community service activities.

PRIVATE BANKING

At First National Bank S.A.L, the Private Banking Department offers a comprehensive personal service and broad menu of banking and investment products that high net worth individuals, their families and their businesses need.

Clients enjoy our commitment to exceptional service, our accessibility and responsiveness, and our ability to tailor financial solutions to meet their needs. It is our goal to surpass our clients' expectations by providing top notch personal service and outstanding performance with exceptional independent and confidential advice. Therefore; we adapt solutions that are tailored to each one's financial situation.

We are strong believers in investment, the reason why we have introduced to the market capital protected notes offered to our clients where they can achieve high returns with minimum risk. Also, we give the client the opportunity to trade in the stock market with competitive commissions and low fees. We follow the market trend, we accommodate to the clients' demands, and we "tailor-make" any product they are interested to invest in.

Financial markets change constantly, but fundamental investment principles endure. We consistently adhere to the 4 major goals of our investment philosophy:

- 1.Preservation of capital
- 2.Disciplined investment process
- 3.Superior, medium-term risk adjusted investment returns
- 4.Portfolios tailored to individual client requirements

In addition, First National Bank SAL acts as the exclusive Broker and Investment Advisor for "Meridio Arab World Fund" being the first European Equity fund for the Arab World listed in the Luxembourg Exchange. The opportunity is now opened to share in the development of the Arab World through the fund that can be bought by international investors via any bank in any country.

TREASURY

The FNB Treasury Department provides our customers with innovative solutions, professional service and full access to the world's Money & Capital Markets, as well as FX. Whether our clients require investment banking, equities, fixed income or foreign exchange, we have the global strength and industry experience to meet their needs. We use our market insight and global knowledge to help them seize opportunities and manage risk on a daily basis.

We have become active market makers of all bond and note issues in Lebanon. Due to our extensive knowledge of the industry, we are able to aggressively and successfully bid for issues on behalf of our clients. Our broad comprehension of the local markets enables us to respond quickly to highly specific and detailed requests.

The Treasury Department also plays a strategic role in the bank's asset liability management through internal consulting and financial engineering in order to maximize returns and maintain the bank's Profit & Loss and Balance Sheet.

FICB

The Financial Institutions and Correspondent Banking Department (FICB) at First National Bank S.A.L re-engineered itself in 2007 in order to better serve its clients. The Department was split into two sections: the Business Development Unit and the Administration Unit. The latter services internal clients (namely all internal departments such as the Capital Markets, Foreign Exchange, Money Markets, Credit Department, Trade Finance, Operations, Compliance and Legal Departments), who use the Nostro services and our Nostro correspondents. The aim of this unit is to provide support and develop relationships that will help FNB become even more cost-effective and achieve a well-integrated group of correspondents and brokers.

The Business Development Unit deals with new business opportunities and manages, develops and maintains relationships with clients. This unit is currently in the process of diversifying its Vostro portfolio, as well as identifying niche markets where FNB can market and cross-sell products in an efficient and timely manner. This section has a dedicated and well-trained team of professionals who are ready to respond to the specific needs of our valued customers.

Due to the trust and support of our correspondent banks and counterparts, we are able to provide our customers with all the necessary support for their day-to-day correspondent banking needs in a timely manner and at reasonable cost.

HUMAN RESOURCES

Our Human Resource Mission is to create a culture of excellence that fosters cooperation and high performance, thus supporting the various units of FNB in achieving FNB's strategic business objectives. This is accomplished through recruiting, rewarding, training, developing and retaining highly skilled professionals all of whom are proud to be part of FNB.

This past year, recruitment was a main priority. The Human Resources Department focused on attracting, selecting, developing, and retaining the best candidates in the labor market, which is a key practice in any successful organization.

Our search for individuals who can provide a value-added service to our branches and departments is matched, on our behalf, by the promise of equal opportunity of employment to all applicants. Our work environment attracts and retains talented individuals by providing support and advancement opportunities on both a personal and professional level.

Training & Development are also necessary components of the HR Department's agenda, as they help to generate strong, knowledgeable employees, and ensure that all banking needs and challenges are met. FNB staff benefits from a variety of public seminars, training sessions, workshops and conferences. Training programs produce a more knowledgeable workforce that has a thorough understanding of FNB's practices and procedures. By providing various interactive and informative training programs, Training & Development is strengthening the bank's work community and creating a work atmosphere that is appealing, engaging, innovative and hence, more productive.

Developmental activities provide opportunities to align employees' personal skills with those required by business processes. Several training programs aim to develop workplace talent and management expertise. In addition, FNB continues to subsidize postgraduate studies, membership in professional associations, and specialized banking studies.

FNB strives to build positive labor/management relations in order to create productive relationships where open dialogue is encouraged and beneficial to all involved. From this stems our Performance Management Program, which ensures that all employees are evaluated using a wide range of technical and interpersonal criteria, such as productivity, leadership and managerial skills. The performance appraisal system encourages supervisors and managers to set targets, evaluate achievements, and plan appropriate training for each employee.

Our Student Internship Program was again an overwhelming success this year. It provided more than 150 students, from various universities, an opportunity to acquire valuable practical skills during their training at our various branches and departments. This assists them in selecting the most suitable academic and professional career path.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

38_Independent Auditor's Report

40_Consolidated Balance Sheet

42_Consolidated Statement of Income

44_Consolidated Statement of Changes in Equity

46_Consolidated Statement of Cash Flows

48_Notes to the Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
First National Bank S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of **First National Bank S.A.L. and its Subsidiary** (the "Group"), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated statement of income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, within the limitations imposed by the existing banking laws in Lebanon. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 **First National Bank S.A.L. and its Subsidiary** (the "Group") as of December 31, 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 16, 2008



Deloitte & Touche

CONSOLIDATED BALANCE SHEET

December 31,

Assets	Notes	December 31,	
		2007	2006
		LBP'000	LBP'000
Cash and deposits at Central Bank of Lebanon	5	307,934,875	310,384,676
Deposits with banks and financial institutions	6	443,119,600	290,583,788
Trading assets	7	4,855,633	44,454,916
Available for sale investment securities	8	335,074,617	312,762,080
Held-to-maturity investment securities	8	597,050,912	641,003,577
Fair value of interest rate swap	9	408,282	-
Loans to banks	10	2,721,643	1,367,298
Loans and advances to customers	11	513,142,446	411,066,038
Customers' liability under acceptances	12	8,096,228	3,487,066
Investment in subsidiary	13	69,579	-
Investment in and loan to an associate	14	3,033,205	-
Assets acquired in satisfaction of loans	15	9,019,820	6,334,893
Property and equipment	16	22,019,866	22,183,202
Other assets	17	13,115,051	10,544,293
Regulatory blocked fund	18	1,500,000	1,500,000
Intangible assets	19	2,577,243	2,607,700
Total Assets		2,263,739,000	2,058,279,527
Financial Instruments with Off-Balance Sheet Risk			
Guarantees and standby letters of credit	36	57,550,010	71,054,092
Documentary and commercial letters of credit	36	21,843,858	15,848,152
Forward exchange contracts		71,630,701	33,785,440
Fiduciary deposits	37	361,425,665	218,058,808

See accompanying notes to the consolidated financial statements

December 31,

Liabilities & Shareholders' Equity	Notes	December 31,	
		2007	2006
		LBP'000	LBP'000
Deposits and borrowings from banks and financial institutions	20	361,324,307	340,608,162
Customers' deposits	21	1,675,453,347	1,458,982,846
Fair value of interest rate swap	9	-	105,551
Liability under acceptances	12	8,096,228	3,487,066
Certificates of deposit	22	12,062,808	77,589,702
Soft loan from Central Bank of Lebanon	23	44,845,373	44,850,747
Other liabilities	24	19,122,208	9,441,585
Provisions	25	3,279,842	2,468,382
Total Liabilities		2,124,184,113	1,937,534,041
Blocked deposits for capital increase	26	-	48,934,410
Equity			
Share capital	26	100,000,000	40,600,000
Shareholders' cash contribution to capital	27	136,068	27,963,726
Additional paid in capital	26	17,298,563	-
Legal reserve	28	910,601	6,535
Reserve for general banking risks	28	4,754,195	3,434,891
Cumulative change in fair value of available-for-sale investment securities	29	(14,883,155)	(9,012,816)
Cumulative change in fair value of derivatives	29	348,660	89,718
Retained earnings/(accumulated losses)		6,949,015	131,980
Profit for the year		10,272,534	9,040,438
Equity attributable to the Group		125,786,481	71,811,076
Minority interest	30	13,768,406	-
Total equity		139,554,887	71,811,076
Total Liabilities and Equity		2,263,739,000	2,058,279,527

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31

	Notes	2007	2006
		LBP'000	LBP'000
Interest income	31	149,748,485	136,573,463
Interest expense	32	(119,160,080)	(107,852,219)
Net interest income		30,588,405	28,721,244
Fee and commission income	33	5,842,640	5,608,142
Fee and commission expense	34	(2,269,194)	(485,419)
Net fee and commission income		3,573,446	5,122,723
Other operating income	35	3,238,837	6,736,107
Net exchange gain		1,453,108	1,001,039
Net financial revenues		38,853,796	41,581,113
Recovery/(allowance) for impairment of loans and advances to customers (net)		527,984	(1,213,226)
Net financial revenues after impairment charge for credit losses		39,381,780	40,367,887

Year ended December 31

	Notes	2007	2006
		LBP'000	LBP'000
Staff costs		(15,018,938)	(13,811,302)
Administrative expenses		(10,096,126)	(10,645,292)
Depreciation and amortization	16	(2,809,890)	(2,989,525)
Other income/(expense)		1,240,576	(720,485)
Profit before income tax		12,697,402	12,201,283
Income tax expense	24	(2,136,040)	(3,160,845)
Profit for the year		10,561,362	9,040,438
Attributable to:			
Equity holders of the Bank		10,272,534	9,040,438
Minority interest	30	288,828	-
		10,561,362	9,040,438

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity Attributable to the Group

	Share Capital	Shareholders' Cash Contribution to Capital	Additional Paid-in-Capital	Legal Reserve	Reserve for General Banking Risks
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance – January 1, 2006	30,000,000	27,963,726	-	898,969	2,374,722
Change in fair value of available-for-sale securities (net of deferred taxes)	-	-	-	-	-
Change in fair value of derivatives	-	-	-	-	-
2006 profit	-	-	-	-	-
2006 comprehensive loss	-	-	-	-	-
Transfer from reserve for general Banking risk to legal reserve	-	-	-	23,980	(23,980)
Allocation of 2005 profit	-	-	-	750,346	1,084,149
Capital increase from retained earnings and legal reserve	10,600,000	-	-	(1,666,760)	-
Balance - December 31, 2006	40,600,000	27,963,726	-	6,535	3,434,891
Change in fair value of available-for-sale securities (net of deferred taxes)	-	-	-	-	-
Change in fair value of derivatives (net of deferred taxes)	-	-	-	-	-
2007 profit	-	-	-	-	-
2007 comprehensive income	-	-	-	-	-
Capital increase from regulatory blocked fund	31,635,843	-	-	-	-
Capital increase from shareholders' cash contribution to capital	27,764,157	(27,764,157)	-	-	-
Share premium	-	-	17,298,563	-	-
Difference of exchange	-	(63,501)	-	22	-
Effect of foreign exchange on acquisition	-	-	-	-	-
Minority interest	-	-	-	-	-
Allocation of 2006 profit	-	-	-	904,044	1,319,304
Balance – December 31, 2007	100,000,000	136,068	17,298,563	910,601	4,754,195

Equity Attributable to the Group

	Retained Earnings	Profit for the Year	Cumulative Change in Fair Value of Available-for-Sale Investment Securities	Cumulative Change in Fair Value of Derivatives	Total Equity Attributable to the Group	Minority Interest	Total Equity
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
	3,132,295	7,503,460	3,566,156	-	75,439,328	-	75,439,328
	-	-	(12,578,972)	-	(12,578,972)	-	(12,578,972)
	-	-	-	(89,718)	(89,718)	-	(89,718)
	-	9,040,438	-	-	9,040,438	-	9,040,438
	-	9,040,438	(12,578,972)	(89,718)	(3,628,252)	-	(3,628,252)
	-	-	-	-	-	-	-
	5,668,965	(7,503,460)	-	-	-	-	-
	(8,933,240)	-	-	-	-	-	-
	(131,980)	9,040,438	(9,012,816)	(89,718)	71,811,076	-	71,811,076
	-	-	(5,870,339)	-	(5,870,339)	-	(5,870,339)
	-	-	-	438,378	438,378	-	438,378
	-	10,272,534	-	-	10,272,534	288,828	10,561,362
	-	10,272,534	(5,870,339)	438,378	4,840,573	288,828	5,129,401
	-	-	-	-	31,635,843	-	31,635,843
	-	-	-	-	-	-	-
	-	-	-	-	17,298,563	-	17,298,563
	-	-	-	-	(63,479)	-	(63,479)
	263,905	-	-	-	263,905	-	263,905
	-	-	-	-	-	13,479,578	13,479,578
	6,817,090	(9,040,438)	-	-	-	-	-
	6,949,015	10,272,534	(14,883,155)	348,660	125,786,481	13,768,406	139,554,887

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31,

	2007	2006
	LBP'000	LBP'000
Cash flows from operating activities:		
Profits for the year before income taxes	12,697,402	12,201,283
Adjustments:		
Depreciation and amortization	2,809,890	2,989,525
Net provision on doubtful debts (net of write backs)	(527,984)	1,213,226
Loss on disposal of property and equipment	5,056	29,335
Accretion of treasury bills discount	(968,346)	(3,901,427)
Unrealized gain on trading securities	(171,447)	1,902,574
Provisions	804,699	197,880
Gain on disposal of assets acquired in satisfaction of loans	(123,664)	(157,647)
Negative goodwill	(1,790,964)	-
Net increase in deposits with banks	(152,565,457)	(205,356,744)
Net (increase) / decrease in fair value of interest rate swap	(302,731)	105,551
Net (increase) / decrease loans to banks	(1,354,345)	3,790,394
Net increase in loans and advances to customers	(101,548,424)	(64,518,621)
Net (increase) / decrease in other assets and intangible assets	(2,744,786)	21,530,097
Net increase in customers' deposits	232,100,493	130,483,584
Net (decrease) / increase in repurchase agreements	(10,253,914)	44,122,952
Net (decrease) / increase in certificates of deposit	(65,526,894)	2,373
Net increase / (decrease) in other liabilities	11,761,142	(34,481,495)
Other changes in working capital	2,311,981	-
Income tax paid	(2,136,040)	(3,160,845)
Net cash used in operating activities	(77,524,333)	(93,008,005)

Year ended December 31,

	2007	2006
	LBP'000	LBP'000
Cash flows from investing activities:		
Purchase of property and equipment	(2,871,560)	(2,405,847)
Net decrease in investment securities	64,687,208	1,063,190
Proceeds from disposal of property and equipment	215,958	35,530
Assets acquired in satisfaction of loans	(3,560,986)	(1,105,063)
Proceeds from disposal of assets acquired in satisfaction of loans	999,723	530,414
Payments to acquire a subsidiary	(17,574,435)	-
Minority interest from acquisition of a subsidiary	13,764,114	-
Net increase in investment in and loan to an associate	(2,943,445)	-
Net cash from / (used in) investing activities	52,716,577	(1,881,776)
Cash flows from financing activities:		
Increase in capital	59,400,000	-
Share premium	17,298,563	-
Blocked deposits for capital increase	(48,934,410)	48,934,410
Short term borrowings	7,035,451	18,794,174
Increase in deposits and other short term borrowings	8,326,292	55,310,320
Soft loan from Central Bank of Lebanon	(5,374)	-
Net cash from financing activities	43,120,522	123,038,904
Net increase in cash and cash equivalents	18,312,766	28,149,123
Cash and cash equivalents at beginning of year	110,665,443	82,516,320
Effect of foreign currency fluctuation on cash and cash equivalents	(69,131)	-
Cash and cash equivalents at end of year	128,909,078	110,665,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

First National Bank S.A.L. (the "Bank") is a Lebanese joint stock company registered in the Trade Register under the number 67480 and in the Central Bank of Lebanon list of banks under number 108. The Bank carries out a full range of banking services through a network of eighteen branches in various Lebanese regions. The consolidated financial statements of the Bank as of December 31, 2007 comprise the Bank and its subsidiary – Middle East Capital Group and its Subsidiaries ("MECG") and are hereafter referred to as (the "Group"). The Group's headquarters are located in Beirut, Lebanon.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 *Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

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

IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009);

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

IFRIC 11 *IFRS 2: Group and Treasury Share Transactions* (effective 1 March 2007);

IFRIC 12 *Service Concession Arrangements* (effective 1 January 2008);

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

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective 1 January 2008).

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

3. Significant Accounting Policies

A. Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) exception made to the reclassification during 2007 of trading securities to available-for-sale as disclosed in Note 8.

B. Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis with the exception of the measurement at fair value of certain financial instruments in line with International Accounting Standard No. 39 (IAS39).

The financial statements are presented in Lebanese Pounds which is the presentation currency whereas the functional currency of the Group is the U.S. Dollar.

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

C. Basis of Consolidation

The consolidated financial statements of First National Bank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (Subsidiaries). Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiary acquired on March 31, 2007 are included in the consolidated income statement from the effective date of acquisition.

The consolidated subsidiaries as of December 31, 2007 comprise:

	Country of Incorporation	Date of Incorporation	Percentage of Ownership	Business Activity
Middle East Capital Group Limited	Guernsey	December 8, 1985	58.96%	Finance

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority 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. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

D. Business Combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the business combination is measured as 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 disposal groups) 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 profit or loss. 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 Bank's reporting currency. However, the primary currency of the economic environment in which the Bank operates (functional currency) is the U.S. Dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items 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 recognised 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 recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

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.

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

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

Offsetting

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

Fair Value Measurement

The determination of fair values of financial instruments traded in active markets is based on quoted market prices. For financial instruments where there is no quoted price, fair value is determined by using valuation techniques. Valuation techniques include net present value technique, the discounted cash flow method, comparison to similar instruments for which market observable prices exist.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the investment have been impacted.

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

In respect of available-for-sale investment securities, the previously accumulated losses recorded under equity are recognized in profit or loss in case of impairment losses substantiated by a prolonged decline in fair value of the investment securities. Any increase in fair value subsequent to an impairment loss is not recognized in profit or loss for available-for-sale equity securities. Any increase in fair value subsequent to an impairment loss is recognized in profit or loss for available-for-sale debt securities.

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 using the straight line method where results approximate those resulting from the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-Sale Investment Securities

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value and unrealized gains or losses are included in equity. The change in fair value on available-for-sale debt securities reclassified to held-to-maturity is segregated from the change in fair value of available-for-sale debt securities under equity and is amortized over the remaining term to maturity of the debt security as a yield adjustment.

H. Trading assets and liabilities

Trading assets and liabilities are initially recognized and subsequently measured at fair value. Transaction costs are included in the income statement. Subsequent changes in fair value of these securities are recognized immediately in profit or loss.

I. Loans and Advances

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

J. Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised 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.

K. 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.

Investments in associates over which the Group has significant influence are reflected on the basis of the equity method of accounting in the consolidated financial statements.

L. Financial Guarantees

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

Financial guarantee liabilities are initially measured at their fair value, and subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within regularization accounts and the liabilities.

M. Property and Equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Depreciation of property and equipment, other than land and advance payments on capital expenditures is calculated systematically using the straight-line method over the estimated useful lives of the related assets using the following annual rates:

Buildings	2%
Office improvements and installations	7.5%-20%
Furniture, equipment and machines	7.5%
Computer equipment	15%
Vehicles	12%

N. Intangible Assets

Goodwill 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 acquiree. When the excess is negative, it is recognized immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

O. 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.

P. Impairment of Tangible and Intangible Assets:

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Q. Employees' End-of-Service Benefits

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

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were terminated at the balance sheet date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund and interest accrued by the Fund.

R. Provisions

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

S. 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.

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.

T. 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.

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 directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the balance sheet date. Income tax payable is reflected in the consolidated balance sheet net of taxes previously settled in the form of withholding tax. In case tax previously paid through withholding on certain interest income exceeds the amount of income tax computed based on taxable income this excess is not refundable and is accounted for as part of the income tax expense for the year.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, 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 recognised 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:

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 in accounting policy under note 3G.

B. Key Sources of Estimation Uncertainty:

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

Allowances for Credit Losses:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession. Loans collectively assessed for impairment are determined based on losses incurred by loans portfolios with similar characteristics.

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3F. 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.

Impairment of available for-sale equity investments:

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost.

This determination requires judgment. In making this judgment the Group evaluates among other factors, the normal volatility in share price.

5. CASH AND DEPOSITS AT CENTRAL BANK OF LEBANON

December 31,

	2007	2006
	LBP'000	LBP'000
Cash on hand	16,706,478	10,775,434
Current accounts with Central Bank of Lebanon	52,563,568	85,215,517
Term placements with Central Bank of Lebanon	238,185,000	213,357,500
Accrued interest receivable	479,829	1,036,225
	307,934,875	310,384,676

The current accounts at Central Bank of Lebanon include a cash compulsory reserve which is non interest earning deposit in the amount of LBP 39.2 billion (LBP 77.4 billion as of December 31, 2006) on the basis of 25% and 15% of the weekly average of demand deposits and term deposits in Lebanese Pound respectively, in accordance with local banking rules and regulations. The compulsory reserve at the Central Bank of Lebanon is not available for use in the daily banking activities.

The term placements with Central Bank of Lebanon includes the equivalent in foreign currencies of LBP 132.6 billion (LBP 64.8 billion in 2006) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non- resident financial institutions.

Term placements with Central Bank of Lebanon bear the following maturities

December 31, 2007

F/Cy Base Accounts

Maturity	Amount	Average Interest Rate
	LBP'000	%
2008	132,660,000	4.15
2011	60,300,000	5.87
2012	45,225,000	5.98
	238,185,000	

December 31, 2006

LBP Base Accounts

F/Cy Base Accounts

Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2007	800,000	3.63	152,257,500	5.37
2011	-	-	60,300,000	6.48
	800,000		212,557,500	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

December 31,

	2007	2006
	LBP'000	LBP'000
Checks in course of collection	732,945	1,726,388
Current accounts with banks and financial institutions	58,904,867	12,948,103
Term placements with banks and financial institutions	381,862,433	275,470,807
Accrued interest receivable	1,619,355	438,490
	443,119,600	290,583,788

Term placements bear the following maturities:

December 31, 2007				
LBP Base Accounts			F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2008	99,824,216	6.34	282,038,217	4.5

December 31, 2006				
LBP Base Accounts			F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2007	23,400,000	6.7	252,070,807	5.16

7. TRADING ASSETS

December 31,		
	2007	2006
	LBP'000	LBP'000
Lebanese Government Bonds – USD	764,114	32,638,867
Lebanese Government Bonds – LBP	2,940,000	-
Certificates of deposit issued by Central Bank of Lebanon	-	3,389,252
Certificates of deposit issued by foreign commercial banks	-	6,091,400
Certificates of deposit issued by local commercial banks	-	430,280
Equities – Quoted	897,994	-
Equities – Unquoted	150,750	1,905,117
Accrued interest receivable	102,775	-
	4,855,633	44,454,916

During the second quarter of 2007, the Group has reclassified part of its trading securities to available- for-sale investment securities. Such reclassification is not in compliance with IAS 39.

March 31, 2007 (Date of Reclassification)			December 31, 2006			
	Amortized Cost	Fair Value	Change in Fair Value	Amortized Cost	Fair Value	Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Equities	1,824,217	1,554,098	(270,119)	1,824,217	1,506,898	(317,319)
Lebanese Government Bonds	33,602,286	32,357,558	(1,244,728)	33,720,965	31,993,859	(1,727,106)
Certificates of deposit issued by local banks	460,696	439,388	(21,308)	461,061	430,280	(30,781)
Certificates of deposit issued by Central Bank of Lebanon	3,629,939	3,487,369	(142,570)	3,664,033	3,389,252	(274,781)

Details of trading assets as of December 31, 2007 are as follows:

Fixed Income Securities

	Country of Insurance	Currency Denomination	Nominal Value	Premium/ (Discount)	Adjusted Cost	Fair Market Value	Unrealized Gain(Loss)	Market Yield
Lebanese Government bonds								
Republic of Lebanon	Lebanon	LBP	3,000,000	(3,000)	2,997,000	2,940,000	(57,000)	9.375%
Republic of Lebanon	Lebanon	USD	753,750	95,726	849,476	764,114	(85,362)	10.13%
			3,753,750	92,726	3,846,476	3,704,114	(142,362)	

Equity Securities

	Country of Insurance	Currency Denomination	Amortized Cost	Fair Market Value	Unrealized Gain(Loss)
Common Stock					
Banque Européenne pour le Moyen-Orient	Lebanon	USD	243,458	298,194	54,736
Rymco	Lebanon	USD	543,095	390,803	(152,292)
Fidelity Bank	Nigeria	Nia	150,750	150,750	-
American International Goup	U.S.A.	USD	12,889	13,459	570
Merrill Lynch	U.S.A.	USD	56,916	41,110	(15,806)
Citigroup	U.S.A.	USD	63,918	45,903	(18,015)
Ericson	U.S.A.	USD	46,808	35,592	(11,216)
Walmart	U.S.A.	USD	59,138	58,346	(792)
Walmart	U.S.A.	USD	14,412	14,587	175
			1,191,384	1,048,744	(142,640)

Details of trading assets as of December 31, 2006 are as follows:

	Maturity	Interest	Carrying Amount
		%	LBP'000
Lebanese Government Bonds:	October 2007	8.625	7,753,181
	August 2008	10.125	4,650,256
	October 2009	10.250	423,050
	March 2010	7.125	952,416
	May 2011	7.875	8,664,201
	September 2012	7.750	1,447,777
	October 2016	8.500	5,189,379
	May 2016	11.625	3,558,607
Certificates of deposit issued by Central Bank of Lebanon - USD	April 2015	10.00	3,389,252
Certificates of deposit issued by non-resident banks - USD	September 2016		6,091,400
Certificates of deposit issued by Lebanese banks - LBP	December 2012	7.20	430,280
Solidere shares			1,163,143
BLOM GDR shares			166,327
Audi GDR shares			86,980
Fransabank shares			90,450
Shares in foreign companies			398,217
			44,454,916

8. INVESTMENT SECURITIES

	December 31, 2007					
	Available-for-Sale			Held-to-Maturity		
	LBP	Foreign Currencies	Total	LBP	Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Equity Securities	34,167	23,495,783	23,529,950	-	-	-
Lebanese Treasury Bills	24,275,600	-	24,275,600	254,447,340	-	254,447,340
Lebanese Government Bonds	-	153,810,828	153,810,828	-	200,351,922	200,351,922
Certificates of deposit issued by Central Bank of Lebanon	-	49,360,060	49,360,060	5,960,340	24,915,063	30,875,403
Corporate Bonds	-	78,596,604	78,596,604	-	97,987,500	97,987,500
	24,309,767	305,263,275	329,573,042	260,407,680	323,254,485	583,662,165
Accrued interest receivable	480,456	5,021,119	5,501,575	5,494,191	7,894,556	13,388,747
	24,790,223	310,284,394	335,074,617	265,901,871	331,149,041	597,050,912

	December 31, 2006					
	Available-for-Sale			Held-to-Maturity		
	LBP	Foreign Currencies	Total	LBP	Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Equity Securities	34,167	8,887,135	8,921,302	-	-	-
Lebanese Treasury Bills	13,191,865	-	13,191,865	316,369,913	-	316,369,913
Lebanese Government Bonds	-	138,699,856	138,699,856	-	293,388,524	293,388,524
Certificates of deposit issued by Central Bank of Lebanon	-	20,755,153	20,755,153	-	5,942,729	5,942,729
Certificates of deposit issued by Lebanese banks	-	42,579,023	42,579,023	-	9,856,260	9,856,260
Corporate Bonds	-	85,432,078	85,432,078	-	-	-
	13,226,032	296,353,245	309,579,277	316,369,913	309,187,513	625,557,426
Accrued interest receivable	-	3,182,803	3,182,803	6,027,094	9,419,057	15,446,151
	13,226,032	299,536,048	312,762,080	322,397,007	318,606,570	641,003,577

A. Available-for-sale investment securities

December 31, 2007

	LBP			Foreign Currencies		
	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	-	-	11,303,590	10,203,728	(1,099,862)
Unquoted equity securities	34,167	34,167	-	13,350,531	13,292,055	(58,476)
Lebanese Treasury Bills	24,207,647	24,275,600	67,953	-	-	-
Lebanese Government Bonds	-	-	-	164,521,054	153,810,828	(10,710,226)
Certificates of deposit	-	-	-	52,654,956	49,360,060	(3,294,896)
Corporate Bonds	-	-	-	84,322,538	78,596,604	(5,725,934)
	24,241,814	24,309,767	67,953	326,152,669	305,263,275	(20,889,394)

December 31, 2006

	LBP			Foreign Currencies		
	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	-	-	8,856,306	8,887,135	30,829
Unquoted equity securities	34,167	34,167	-	-	-	-
Lebanese Treasury Bills	13,077,452	13,191,865	114,413	-	-	-
Lebanese Government Bonds	-	-	-	145,277,537	138,699,856	(6,577,681)
Certificates of deposit	-	-	-	21,530,633	20,755,153	(775,480)
Corporate Bonds	-	-	-	132,080,882	128,011,101	(4,069,781)
	13,111,619	13,226,032	114,413	307,745,358	296,353,245	(11,392,113)

On December 31, 2007 the Group had available-for-sale Lebanese Government Bonds with carrying value of LBP 12 billion that are pledged in favor of a local bank in a sale and repurchase agreement. Refer to (Note 20).

Furthermore, the Group had as of December 31, 2007, available-for-sale corporate bonds in the amount of LBP 39.04 billion pledged in favor of non-resident banks against borrowings in the amount of LBP 53.18 billion (LBP 22 billion in 2006). Refer to (Note 20).

Corporate bonds and certificates of deposit classified as "Available-for-Sale" mature as follows:

	LBP			Counter Value of F/Cy		
	Nominal Value	Amortized Cost	Net Carrying Fair Value	Nominal Value	Amortized Cost	Net Carrying Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Remaining Period to Maturity						
Lebanese Treasury Bills:						
- Up to 1 year	7,000,000	7,025,676	7,063,000	-	-	-
- 1 year to 3 years	17,000,000	17,181,971	17,212,600	-	-	-
	24,000,000	24,207,647	24,275,600	-	-	-
Lebanese Government Bonds:						
- Up to 1 year	-	-	-	21,380,873	21,626,482	21,208,578
- 1 year to 3 years	-	-	-	28,352,198	28,400,002	27,339,980
- 3 years to 5 years	-	-	-	35,237,835	35,188,657	32,919,572
- 5 years to 10 years	-	-	-	45,907,897	50,243,772	45,998,352
- Beyond 10 years	-	-	-	29,245,500	29,062,142	26,344,346
	-	-	-	160,124,303	164,521,055	153,810,828
Certificates of deposit issued by Central Bank of Lebanon:						
- Up to 1 year	-	-	-	2,110,500	2,128,455	2,041,292
- 1 year to 3 years	-	-	-	38,592,000	38,425,706	35,929,151
- 3 years to 5 years	-	-	-	11,049,975	12,100,795	11,389,617
	-	-	-	51,752,475	52,654,956	49,360,060
Corporate Bonds						
- Up to 1 year	-	-	-	2,412,000	2,468,549	2,564,438
- 1 year to 3 years	-	-	-	129,574	129,574	129,574
- 3 years to 5 years	-	-	-	13,416,750	13,389,115	13,416,750
- 5 years to 10 years	-	-	-	68,653,112	68,335,300	62,485,842
	-	-	-	84,611,436	84,322,538	78,596,604

December 31, 2006

Remaining Period to Maturity	LBP			Counter Value of F/Cy		
	Nominal Value	Amortized Cost	Net Carrying Fair Value	Nominal Value	Amortized Cost	Net Carrying Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Treasury Bills:						
- 1 year to 3 years	13,000,000	13,077,452	13,191,865	-	-	-
Lebanese Government Bonds:						
- Up to 1 year	-	-	-	13,703,175	13,771,462	13,701,591
- 1 year to 3 years	-	-	-	33,666,863	34,386,314	33,428,939
- 3 years to 5 years	-	-	-	24,679,235	24,397,036	23,596,608
- 5 years to 10 years	-	-	-	52,221,308	57,254,688	53,652,368
- Beyond 10 years	-	-	-	15,527,250	15,468,037	14,320,350
	-	-	-	139,797,831	145,277,537	138,699,856
Certificates of deposit issued by Central Bank of Lebanon:						
- 1 year to 3 years	-	-	-	16,582,500	16,582,500	16,140,196
- 5 years to 10 years	-	-	-	4,371,750	4,948,133	4,614,957
	-	-	-	20,954,250	21,530,633	20,755,153
Corporate Bonds						
- Up to 1 year	-	-	-	8,442,000	8,281,904	8,376,397
- 1 year to 3 years	-	-	-	45,911,897	45,862,686	44,196,573
- 5 years to 10 years	-	-	-	78,074,905	77,936,292	75,438,131
	-	-	-	132,428,802	132,080,882	128,011,101

Certificates of deposit classified as available for sale with a carrying value of LBP 11,87 billion (USD 7,878,725) and a nominal value of LBP 11,059 billion (USD 7,330,000) as of December 31, 2007 issued by Central Bank of Lebanon maturing on year 2015 with a put option exercisable at an early redemption value of 91.63% of par in year 2012. The Group follows the policy of providing for the difference of 8.37% between the nominal value and the early redemption value in 2012. Provision booked up to 2007 year end is reflected under "Other liabilities" and amounted to LBP 223 million as of December 31, 2007 (LBP 34 million for 2006).

Accrued interest receivable is segregated between the major currencies as follows:

Currency	December 31,	
	2007	2006
	LBP or Counter Value of LBP	LBP or Counter Value of LBP
	LBP'000	LBP'000
Lebanese Pound	480,456	-
U.S. Dollar	4,080,933	3,182,803
Euro	940,186	-
	5,501,575	3,182,803

B. Held-to-maturity investment securities

December 31, 2007

	LBP		Counter Value of F/Cy	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Treasury Bills	254,447,340	260,529,924	-	-
Lebanese Government Bonds	-	-	200,351,922	193,900,984
Certificates of deposit issued by Central Bank of Lebanon	5,960,340	6,479,330	24,915,063	23,972,622
Corporate Bonds	-	-	97,987,500	95,289,075
	260,407,680	267,009,254	323,254,485	313,162,681

December 31, 2006

	LBP		Foreign Currencies	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Treasury Bills	316,369,913	325,599,279	-	-
Lebanese Government Bonds	-	-	293,388,524	289,771,736
Certificate of deposit issued by Central Bank of Lebanon	-	-	5,942,729	5,942,729
Corporate Bonds	-	-	9,856,260	9,528,305
	316,369,913	325,599,279	309,187,513	305,242,770

On December 31, 2007 the Group had held-to-maturity treasury bills with carrying value of LBP 48.30 billion (LBP 48.30 billion in 2006) that are pledged against the soft loan granted by the Central Bank in connection with the acquisition by Group of problematic banks (Note 23).

On December 31, 2007 the Group had held-to-maturity Lebanese Government bonds with carrying value of LBP 101 billion (LBP 101 billion in 2006) that are pledged to local banks in sale and repurchase agreements.

On December 31, 2007, the Group had held-to-maturity corporate bonds issued by non-resident banks with a carrying value of LBP 68 billion that are pledged to local banks in sale and repurchase agreements (Note 20).

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

	December 31, 2007					
	LBP			Counter Value of F/Cy		
	Redemption Value	Carrying Value	Fair Value	Redemption Value	Carrying Value	Fair Value
Remaining Period to Maturity	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Treasury Bills:						
- Up to 1 year	156,303,350	156,151,108	158,778,817	-	-	-
- 1 year to 3 years	98,447,500	98,296,232	101,751,107	-	-	-
	254,750,850	254,447,340	260,529,924	-	-	-
Lebanese Government Bonds:						
- Up to 1 year	-	-	-	33,165,000	33,442,395	32,828,526
- 1 year to 3 years	-	-	-	89,019,847	88,522,967	86,367,315
- 3 years to 5 years	-	-	-	24,873,750	24,976,292	23,630,289
- 5 years to 10 years	-	-	-	28,642,500	30,824,438	30,705,514
- Beyond 10 years	-	-	-	22,612,500	22,585,830	20,369,340
	-	-	-	198,313,597	200,351,922	193,900,984
Certificates of deposit issued by Central Bank of Lebanon:						
- 1 year to 3 years	6,000,000	5,960,340	6,479,330	24,873,750	24,915,063	23,972,622
	6,000,000	5,960,340	6,479,330	24,873,750	24,915,063	23,972,622
Corporate Bonds						
- 1 year to 3 years	-	-	-	60,300,000	60,300,000	58,958,325
- 3 years to 5 years	-	-	-	15,075,000	15,075,000	15,075,000
- 5 years to 10 years	-	-	-	22,612,500	22,612,500	21,255,750
	-	-	-	97,987,500	97,987,500	95,289,075
	260,750,850	260,407,680	267,009,254	321,174,847	323,254,485	313,162,681

December 31, 2006

Remaining Period to Maturity	LBP			Counter Value of F/Cy		
	Redemption Value	Carrying Value	Fair Value	Redemption Value	Carrying Value	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Treasury Bills:						
- Up to 1 year	111,303,350	110,182,761	110,907,772	-	-	-
- 1 year to 3 years	206,447,500	206,187,152	214,691,507	-	-	-
	317,750,850	316,369,913	325,599,279	-	-	-
Lebanese Government Bonds:						
- Up to 1 year	-	-	-	1,582,875	1,582,132	1,584,452
- 1 year to 3 years	-	-	-	175,173,559	175,442,415	173,978,585
- 3 years to 5 years	-	-	-	39,948,750	40,080,817	38,954,941
- 5 years to 10 years	-	-	-	51,255,000	53,695,400	54,398,885
- Beyond 10 years	-	-	-	22,612,500	22,587,760	20,854,874
	-	-	-	290,572,684	293,388,524	289,771,737
Certificates of deposit issued by Lebanese Banks:						
- Up to 1 year	-	-	-	1,507,500	1,507,500	1,507,500
- 1 year to 3 years	-	-	-	8,291,250	8,348,760	8,020,805
	-	-	-	8,291,250	9,856,260	9,528,305
Certificates of deposit issued by Central Bank of Lebanon:						
- 1 year to 3 years	-	-	-	9,045,000	8,958,664	8,958,664
	-	-	-	9,045,000	8,958,664	8,958,664

Accrued interest receivable is segregated by currency as follows as of December 31, 2007 and 2006:

	Currency	December 31	
		2007	2006
		LBP or Counter Value of LBP	LBP or Counter Value of LBP
		LBP'000	LBP'000
Treasury Bills	LBP	5,328,870	5,863,313
Government Bonds	USD	3,706,178	3,763,841
Government Bonds	EURO	461,785	1,275,588
Certificates of deposit	LBP	165,321	163,781
Certificates of deposit	USD	845,614	1,383,713
Corporate Bonds	USD	2,880,979	2,995,915
		13,388,747	15,446,151

9. FAIR VALUE OF INTEREST RATE SWAP

Interest rate swap outstanding as of December 31, 2007, represents the transaction engaged on April 12, 2006 between the Bank and a non-resident bank, during which First National Bank (FNB) exchanges a stream of fixed interest rate of 5.875% of Lebanese Government Eurobonds for a stream of variable interest of yearly Euribor rate plus 1.8% detailed as follows:

Derivative Instrument	Amount	Currency	Coupon Fixed Interest	Maturity	Classification
Eurobonds	10,000,000	EURO	5.875%	April 2012	Available-for-Sale

10. LOANS TO BANKS

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

	December 31,	
	2007	2006
	LBP'000	LBP'000
Regular accounts	2,700,000	1,350,000
Accrued interest receivable	21,643	17,298
	2,721,643	1,367,298

Loans to banks classified as regular accounts mature as follows:

	December 31, 2007		December 31, 2006	
	LBP	Interest Rate	LBP	Interest Rate
	LBP'000	%	LBP'000	%
Beyond 5 years	2,700,000	4.85	1,350,000	4.85
	2,700,000		1,350,000	

11. LOANS AND ADVANCES TO CUSTOMERS

This caption comprises the following:

December 31

	2007	2006
	LBP'000	LBP'000
Loans and advances to customers	438,792,405	333,910,368
Loans and advances to related parties	34,999,648	34,081,870
Bills discounted (net)	3,590,015	3,398,070
Discounted letters of credit	15,333,450	319,788
Creditors accidentally debtors	8,044,852	23,023,423
Substandard loans (net of unearned interest)	3,007,723	4,028,115
Bad and doubtful debts (net of unearned interest)	33,419,560	48,199,153
Less: Provision for credit losses	(17,338,888)	(29,244,329)
	519,848,765	417,716,458
Less: Escrow account to cover shortage in provisions	(6,706,319)	(6,650,420)
	513,142,446	411,066,038

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

December 31, 2007

	Gross Amount	Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000
Corporate	515,375,198	(44,097,696)	(14,437,605)	456,839,897
Retail customers:				
Car loans	7,028,460	(601,385)	(196,894)	6,230,181
Credit cards	3,491,384	(298,738)	(97,807)	3,094,839
Mortgage loans	35,842,114	(3,066,804)	(1,004,073)	31,771,237
Overdrafts	3,036,624	(259,826)	(85,067)	2,691,731
Personal loans	22,433,504	(1,841,643)	(602,955)	19,988,906
Other	160,165	(13,704)	(4,487)	141,974
Less: Allowance for collectively impaired loans	-	-	(910,000)	(910,000)
	587,367,449	(50,179,796)	(17,338,888)	519,848,765

December 31, 2006

	Gross Amount	Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000
Corporate	445,170,993	(47,312,117)	(24,694,116)	373,164,760
Retail customers:				
Car loans	5,394,299	(573,298)	(299,228)	4,521,773
Credit cards	2,872,208	(305,254)	(159,325)	2,407,629
Mortgage loans	25,093,033	(2,666,851)	(1,391,938)	21,034,244
Overdrafts	3,596,698	(382,252)	(199,513)	3,014,933
Personal loans	17,890,184	(1,905,756)	(994,691)	14,989,737
Other	99,472	(10,572)	(5,518)	83,382
Less: Allowance for collectively impaired loans	-	-	(1,500,000)	(1,500,000)
	500,116,887	(53,156,100)	(29,244,329)	417,716,458

Loans and advances include an amount of LBP 13,56 billion (C/V in USD 8,995,360) borrowed by customers and related parties against guaranteed structured products given as a security interest, which – at customers' requests – were sold under repurchase agreement transactions amounting to LBP 14,69 billion (C/V USD 9,744,000) with a foreign bank and detailed as follows:

Borrower	Amount	Interest Rate	Structured Product in the form of Guarantee	Repurchase Agreement	Maturity	Interest Rate
	USD	%	USD	USD		%
Customers	5,997,203	5.6	8,000,000	5,335,800	January 2008	5.02
Related parties	2,998,157	5.6	4,000,000	4,408,200	January 2008	5.3
	8,995,360		12,000,000	9,744,000		

Discounted letters of credit in the amount of LBP 15 billion as of December 31, 2007 (LBP 320 million as of December 31, 2006), represent the amount of import letters of credit in favor of the Bank's customers discounted and paid by the Bank and accordingly has the nature of advances to these customers.

The movement of unrealized interest during 2007 and 2006 is summarized as follows:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Balance, January 1	3,752,770	3,165,185
Additions	860,832	941,746
Settlements/Recoveries	(902,482)	(30,194)
Effect of exchange rates changes	3	(323,967)
Balance, December 31	3,711,123	3,752,770

The movement of unrealized interest and allowance for impairment on doubtful and bad loans during 2007 and 2006 is summarized as follows:

	2007	
	Unrealised Interest	Allowance for Impairment
	<i>LBP'000</i>	<i>LBP'000</i>
Balance, January 1	49,403,330	29,244,329
Additions	10,820,724	752,001
Recoveries	(14,178,210)	(1,279,985)
Settlements	-	(11,798,513)
Other movement	-	70,854
Effect of exchange rates changes	422,829	350,202
Balance, December 31	46,468,673	17,338,888

	2006	
	Unrealised Interest	Allowance for Impairment
	<i>LBP'000</i>	<i>LBP'000</i>
Balance, January 1	43,834,544	28,063,620
Additions	12,584,008	1,520,397
Recoveries	(7,700,966)	(307,171)
Write-offs	-	(960,104)
Effect of exchange rates changes	685,744	927,587
Balance, December 31	49,403,330	29,244,329

During 2000, as a result of the sale of shares by the Bank's previous shareholders to the current shareholders, the major previous shareholders holding "A" and "B" shares guaranteed the settlement of any additional provision required to be set up on the loans and advances classified as doubtful debts, principal and interest. Accordingly, an escrow account amounting to USD 1,523,000 and LBP 527 million was deposited to cover any shortage in the said provisions. During 2005, the Banking Control Commission required that an additional provision for the amount of USD 604,991 (C/V LBP 912 million) should be taken for one of the classified debts already covered partially by the initial deposit and thus, the approval of the old shareholders was taken and the escrow account was raised to cover the shortage in the provision by the required amount. This escrow account earns interest at a rate equivalent to the interest rate earned on banks one month time deposits with Central Bank of Lebanon.

Interest on the escrow account amounted to LBP 361 million as of December 31, 2007 (LBP 377 million during 2006). Withdrawals from this account amounted to LBP 757 million as of December 31, 2007 (LBP 627 million during 2006).

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

13. INVESTMENT IN SUBSIDIARY

During 2004, the Group paid LBP 70 million (25,000 GBP) representing the capital of MECG – Real Estate Development Limited a Jersey based general partnership. The Company has not been consolidated on the ground of immateriality.

14. INVESTMENTS IN AND LOAN TO AN ASSOCIATE

Investment in Park View Realty Company S.A.L. comprises the following:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Park View Realty Company S.A.L.:		
Capital investment	1,120,192	-
Bonds	931,973	-
Cumulative income from investment	530,281	-
Accrued interest receivable on bonds denominated in USD	357,924	-
Accrued interest receivable on bonds denominated in LBP	92,835	-
Total investment in Park View Realty Company S.A.L.	3,033,205	-

The Group's share in the capital of Park View Realty Company S.A.L. is USD 743,079 (LBP 1,120,million) representing 21.278% equity stake as of December 31, 2007.

The movement of cumulative income for investment is reflected as follows:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Balance, beginning of year	-	-
Effect of consolidation with MECG	379,540	-
Equity share in profits	150,741	-
Balance, end of year	530,281	-

Bonds are subject to an interest rate of 10%. Interest income on bonds amounted to USD 64,415 (LBP 97million) for the year ended December 31, 2007.

On January 18, 2008, the board of Park View Realty Company S.A.L. met with the resolution to liquidate the bonds with their related accrued interest.

Balance settled as of January 18, 2008 amounted to USD 912,930 (LBP 1,376 million).

15. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans represent real estate properties that have been acquired through enforcement of security over loans and advances.

The movement of assets acquired in satisfaction of loans during 2007 and 2006 was as follows:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Cost		
Balance on January 1	6,390,776	5,637,887
Additions	3,489,000	1,125,656
Disposals	(804,073)	(372,767)
Balance on December 31	9,075,703	6,390,776
Accumulated allowance for Impairment:		
Balance on January 1	(55,883)	(55,883)
Balance on December 31	(55,883)	(55,883)
Carrying amount at December 31	9,019,820	6,334,893

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years. No appropriation of such reserves was made by the Group.

16. PROPERTY AND EQUIPMENT

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

	2007				
	Balance as of December 31, 2006	Effect of Consolidation	Additions/ Transfer from Advance Payments	Retirements	Balance as of December 31, 2007
	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>
Cost/Revaluation					
Real Estate properties	13,357,338	-	-	-	13,357,338
Furniture, equipment and computer	13,196,515	963,966	1,720,705	(59,920)	15,821,266
Vehicles	327,101	122,694	398,315	(271,511)	576,599
Office improvements and installations	5,352,968	821,490	689,718	-	6,864,176
	32,233,922	1,908,150	2,808,738	(331,431)	36,619,379
Accumulated Depreciation:					
Real Estate properties	(1,534,532)	-	(317,450)	-	(1,851,982)
Furniture, equipment and computer	(6,719,001)	(907,538)	(1,285,370)	47,106	(8,864,803)
Vehicles	(177,099)	(122,694)	(39,794)	63,308	(276,279)
Office improvements and installations	(2,460,748)	(821,490)	(417,344)	3	(3,699,579)
	(10,891,380)	(1,851,722)	(2,059,958)	110,417	(14,692,643)
Net Book Value:	21,342,542				21,926,736
Advance payments	840,660				93,130
	22,183,202				22,019,866

2006

	Balance as of December 31, 2005	Additions/ Transfer from Advance Payments	Retirements	Balance as of December 31, 2006
	LBP'000	LBP'000	LBP'000	LBP'000
Cost/Revaluation				
Real Estate properties	13,357,338	-	-	13,357,338
Furniture, equipment and computer	11,430,143	2,018,544	(252,172)	13,196,515
Vehicles	347,630	-	(20,529)	327,101
Office improvements and installations	4,759,874	593,094	-	5,352,968
	29,894,985	2,611,638	(272,701)	32,233,922
Accumulated Depreciation:				
Real Estate properties	(1,204,428)	(330,104)	-	(1,534,532)
Furniture, equipment and computer	(5,711,158)	(1,214,839)	206,996	(6,719,001)
Vehicles	(160,857)	(17,082)	840	(177,099)
Office improvements and installations	(2,113,002)	(347,746)	-	(2,460,748)
	(9,189,445)	(1,909,771)	207,836	(10,891,380)
Net Book Value:	20,705,540			21,342,542
Advance payments	314,156			840,660
	21,019,696			22,183,202

"Real Estate properties" include an amount of LBP 6,3 billion being the market value prevailing during 2002 of plot No.147 "Allenby" that was acquired due to the previous merger with "Société Bancaire du Liban S.A.L."

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2007	2006
	LBP'000	LBP'000
Less than 1 year	254,912	267,431
Between 1 and 5 years	1,134,773	1,167,103
More than 5 years	670,471	893,053
	2,060,156	2,327,587

17. OTHER ASSETS

	December 31	
	2007	2006
	LBP'000	LBP'000
Deferred charges	101,144	123,449
Prepayments	1,455,684	1,380,739
Deferred tax asset on change in fair value of available-for-sale securities and derivatives	2,874,278	1,729,808
Deposits	154,261	149,561
Stamps	48,994	31,256
Exchange on forward contracts	883,691	36,842
Deferred charges on acquired problematic bank	3,610,503	4,331,813
Other debit balances	3,986,496	2,760,825
	13,115,051	10,544,293

Deferred charges on acquired problematic bank represent losses related to a problematic Bank (SBL) that was merged in the previous years. These losses were compensated in a form of a soft loan from the Central Bank of Lebanon at a reduced interest rate. The Group amortizes these losses over the life of the soft loan against the net present value of the net future interest differential earned (being the net of the interest earned on the mortgaged treasury bills against the interest paid on the soft loan). The movement of these deferred charges was as follows:

	LBP'000
Excess of acquisition cost over the acquired assets and liabilities of SBL	11,219,688
Identified goodwill (Note 19)	(2,400,000)
Accumulated amortization up to 2005	(3,366,674)
Amortization for 2006	(1,121,201)
Amortization for 2007	(721,310)
	3,610,503

18. REGULATORY BLOCKED FUND

Regulatory blocked fund represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon establishment of "First National Bank S.A.L.". This deposit is refundable in case of cease of operations, according to article 132 of the Money and Credit law.

19. INTANGIBLE ASSETS

December 31

	2007	2006
	LBP'000	LBP'000
Goodwill on acquisition of SBL (Note 17)	2,400,000	2,400,000
Net key money	177,243	207,700
	2,577,243	2,607,700

Net key money amounting to LBP 177 million as of December 31, 2007 is detailed as follows:

	Balance on December 31, 2006	Additions	Balance on December 31, 2007
	LBP'000	LBP'000	LBP'000
Historical cost			
Establishment cost	824,410	-	824,410
Key money	431,490	-	431,490
	1,255,900	-	1,255,900
Accumulated Depreciation:			
Establishment cost	(824,146)	(157)	(824,303)
Key money	(224,054)	(30,300)	(254,354)
	(1,048,200)	(30,457)	(1,078,657)
Net Book Value	207,700	(30,457)	177,243

20. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

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

December 31

	2007	2006
	LBP'000	LBP'000
Central Bank – Arab Country	1,629,961	1,565,372
Current deposits of banks and financial institutions	14,706,755	9,272,767
Money market deposits (A)	171,577,671	152,912,427
Borrowings under sale and repurchase agreements (B)	113,474,259	123,728,173
Other short term borrowings (C)	56,683,376	49,647,925
Accrued interest payable	3,252,285	3,481,498
	361,324,307	340,608,162

A. The maturities of money market deposits are as follows:

December 31, 2007

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2008	20,426,533	6.28	151,151,138	5.1

December 31, 2006

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2007	13,119,213	7.06	139,793,214	5.07

B. Borrowings under sale and repurchase agreements as of December 31, 2007 comprise the following:

- Repurchase Agreement contract with a local bank maturing on July 12, 2010 in the amount of USD 20,000,000 (LBP 30.15 billion) bearing an interest rate of 7.396% against pledged Lebanese Eurobonds with a nominal value of USD 37,000,000 (LBP 55.78 billion) detailed as follows:

Lebanese Eurobonds Nominal Value	Maturity	Interest Rate	Financial Statements Classification
<i>USD</i>		<i>%</i>	
10,000,000	June, 2008	7.38	Held-to-maturity
12,000,000	August, 2008	10.13	Held-to-maturity
7,000,000	October, 2009	10.25	Held-to-maturity
8,000,000	August 2008	10.13	Available-for-sale
37,000,000			

- Repurchase Agreement contract with a non-resident bank maturing on September 30, 2010 in the amount of LBP 30,15 billion (C/V USD 20,000,000) bearing an interest rate of 6.3% against pledged Lebanese Eurobonds with a nominal value of USD38,000,000 (LBP 57.28 billion) detailed as follows:

Lebanese Eurobonds Nominal Value	Maturity	Interest Rate	Financial Statements Classification
<i>USD</i>		<i>%</i>	
11,000,000	March, 2010	7.13	Held-to-maturity
8,000,000	September, 2012	7.75	Held-to-maturity
5,000,000	June, 2013	8.63	Held-to-maturity
14,000,000	May, 2016	11.63	Held-to-maturity
38,000,000			

- Repurchase Agreement contract with a non-resident bank maturing on March 20, 2011 in the amount of LBP 45.23 billion (C/V USD 30,000,000) bearing an interest rate of 6.68% against pledged debt securities with a nominal value of USD 65,000,000 (LBP 98 billion) detailed as follows:

Corporate Bonds Nominal Value	Maturity	Interest Rate	Financial Statements Classification
<i>USD</i>		<i>%</i>	
10,000,000	July, 2010	8.64	Held-to-maturity
20,000,000	August, 2010	7.39	Held-to-maturity
15,000,000	August, 2015	8.96	Held-to-maturity
20,000,000	June, 2016	7.5	Available-for-sale
65,000,000			

- Repurchase Agreement contract with a non-resident bank maturing on January 22, 2008 in the amount of LBP 7,958 billion (C/V USD 5,273,140) bearing an interest rate of 5.015% against pledged debt securities issued by non-resident banks with a fair value of USD 5,193,200 (LBP 7.87 billion) (with a nominal value of USD 5,900,000) as of December 31, 2007 and classified under available-for-sale securities and maturing in February 2014.

C. Other short term borrowings is comprised of the following:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Credit facility	33,956,420	32,697,675
Revolving credit facility	14,689,080	12,774,254
Arab Trade Finance Program credit facility (ATFP)	5,573,477	1,357,729
European Investment Bank (EIB)	2,464,399	2,818,267
	56,683,376	49,647,925

- The credit facility amounting to LBP 33.96 billion represents revolving facilities from a foreign bank valid till September 2016. This facility is granted according to a leverage agreement to finance customers against collateralized structured products issued by foreign banks and which fair value amounts to USD 59 million (LBP 88.94 billion) as of December 31, 2007 (USD 53 million (LBP 80 billion) as of December 31, 2006). These securities are reflected under fiduciary assets (see Note 37).

- Revolving credit facility amounting to LBP 14.69 billion (LBP 12.77 billion during 2006), represents a form of a repurchase agreement transaction entered with a foreign bank and channeled through a back-to-back transaction with customers and related parties detailed in (Note 11).

- ATFP term borrowing amounting to LBP 5.57 billion (LBP 1.36 billion during 2006) represents withdrawals from the Arab Trade Finance Program. This credit facility has a limit to the extent of USD 3.5 million granted to the bank and maturing in the following year. These facilities could be utilized by the bank to finance imports and exports among Arab countries.

- EIB loan amounted to LBP 2,46 billion (USD 1,634,759) as of December 31, 2007 (LBP 2.8 billion equivalent to USD 1,869,497 as of December 31, 2006) represent a loan managed by Central Bank of Lebanon and financed by European Investment Bank. This loan is committed to finance updated projects of the industrial system and is settled with the accrued interest by eight equal annual installments starting November 30, 2005. This loan is in accordance with the finance agreement signed in Beirut on December 14, 1999 and in Luxembourg on December 17, 1999 between the European Investment Bank and the Lebanese Republic within the framework of the European-Mediterranean partnership program.

The maturities of other short term borrowings are as follows:

December 31, 2007

F/Cy Base Accounts

Maturity	Amount	Average Interest Rate
	<i>LBP'000</i>	<i>%</i>
Less than one year	5,573,477	5.66
Between 1 and 5 years	2,464,399	5.11
More than 5 years	48,645,500	5.18
	56,683,376	

December 31, 2006

F/Cy Base Accounts

Maturity	Amount	Average Interest Rate
	<i>LBP'000</i>	<i>%</i>
Less than one year	14,131,983	4.67
More than 5 years	35,515,942	5.62
	49,647,925	

21. CUSTOMERS' DEPOSITS

Deposits from customers are stated at amortized cost and are detailed as follows:

December 31, 2007

December 31, 2006

	Deposit Balances	Accrued Interest Payable	Total	Deposit Balances	Accrued Interest Payable	Total
	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>	<i>LBP'000</i>
Deposits						
Demand	144,994,519	497,647	145,492,166	112,480,200	270,920	112,751,120
Time	182,961,461	9,049,151	192,010,612	149,851,790	8,535,569	158,387,359
Savings	1,046,744,538	51,928	1,046,796,466	918,972,599	449,696	919,422,295
Related parties	41,149,109	254,333	41,403,442	74,094,266	589,024	74,683,290
Cash collateral from related parties against loans	10,107,583	78,772	10,186,355	22,074,111	308,054	22,382,165
Cash collateral from customers against loans	152,021,590	6,687	152,028,277	92,816,451	9,839	92,826,290
Fiduciary margins	68,326,143	-	68,326,143	58,492,357	-	58,492,357
Margins and Other Collaterals:						
Margins for irrevocable letters of credit	13,383,888	3,293	13,387,171	11,499,643	500,664	12,000,307
Margins on letters of guarantee	5,761,270	161,435	5,922,705	8,003,776	33,887	8,037,663
	1,665,450,101	10,003,246	1,675,453,347	1,448,285,193	10,697,653	1,458,982,846

Deposits from customers are allocated as follows:

December 31,2007

	Deposits in LBP			Deposits in F/Cy		
	Total Deposits	% of Total Deposits	No. of accounts	Total Deposits	% of Total Deposits	No. of accounts
	LBP'000			LBP'000		
Related Parties	9,280,344	2	128	42,309,453	3	248
Customers:						
- Less than LBP 50 million	69,949,553	18	21,959	95,825,408	7	18,588
- From LBP 50 to 100 million	35,292,423	9	511	76,919,222	6	1,099
- From LBP 100 to 200 million	42,285,091	11	312	118,301,273	10	839
- From LBP 200 to 500 million	51,667,566	13	177	197,889,333	15	656
- From LBP 500 to 1,500 million	45,188,563	12	59	235,035,831	18	302
- From LBP 1,500 to 5,000 million	57,990,818	15	21	258,537,293	20	115
- More than LBP 5,000 million	78,623,439	20	9	260,357,737	21	25
	390,277,797			1,285,175,550		

December 31,2006

	Deposits in LBP			Deposits in F/Cy		
	Total Deposits	% of Total Deposits	No. of accounts	Total Deposits	% of Total Deposits	No. of accounts
	LBP'000			LBP'000		
Related Parties	6,339,871	1	82	41,791,174	4	174
Customers:						
- Less than LBP 50 million	61,411,241	14	17,195	83,370,773	8	14,872
- From LBP 50 to 100 million	32,343,175	8	460	64,558,061	6	887
- From LBP 100 to 200 million	36,658,645	9	270	99,026,537	10	688
- From LBP 200 to 500 million	47,752,441	11	156	166,392,836	16	537
- From LBP 500 to 1,500 million	44,548,333	10	54	195,718,273	19	243
- From LBP 1,500 to 5,000 million	74,946,488	18	26	217,379,497	21	92
- More than LBP 5,000 million	120,759,179	29	12	165,986,322	16	16
	424,759,373			1,034,223,473		

Customers' deposits include coded accounts stated as of December 31, 2007 amounting to LBP 19.4 billion (LBP 41.6 billion as at December 31, 2006). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956. Under the provisions of this article, the Bank's Management cannot reveal the identities of the depositors to third parties, including its independent auditors.

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

Year	Average Balance of Deposits	Allocation of Deposits		Cost of Funds	Average Interest Rate
	LBP'000	LBP	F/Cy	LBP'000	%
2007	1,673,446,439	23	77	95,754,973	6.27
2006	1,384,287,680	28	72	84,282,664	6.03
2005	1,249,169,164	28	72	74,849,381	5.99

Customers' deposits include an escrow account transferred from Société Bancaire du Liban S.A.L. at the merger date, and representing a pledged account deposited by the previous shareholders of Société Bancaire du Liban S.A.L. to cover any shortage in the transferred provision for bad and doubtful debts accounts or for those accounts that need to be classified at the merger date. The balance of this deposit as of December 31, 2007 amounted to USD 207,000 equivalent to LBP 312 million. There has been no transfer to "Escrow account to cover shortage in provisions" under "Loans and advances" during 2007. This escrow account earns interest at the rate of 5.71% during 2007 (7.7% during 2006). Interest expense during 2007 amounted to LBP 26 million (LBP 128 million during 2006).

22. CERTIFICATES OF DEPOSIT

On January 26, the Bank issued certificates of deposit in the amount of USD 150,000,000. The first part amounting to USD 50,000,000 was issued during 2004 which matured January 25, 2007. The second part amounting to USD 8,000,000 was issued on January 25, 2007 and maturing on April 15, 2010.

	December 31,2007			December 31,2006		
	USD	C/V in LBP'000	Interest Rate	USD	C/V in LBP'000	Interest Rate
			%			%
Nominal value	8,000,000	12,060,000	8.5	50,000,000	75,375,000	6.875
Less: Discount	-	-		(10,912)	(16,450)	
Accrued interest payable	1,863	2,808		1,480,034	2,231,152	
Carrying amount	8,001,863	12,062,808		51,469,122	77,589,702	

23. SOFT LOAN FROM CENTRAL BANK OF LEBANON

On December 19, 2002, Central Bank of Lebanon approved the merger between First National Bank S.A.L. and Société Bancaire du Liban S.A.L. and granted the bank on January 23, 2003, an eight year soft loan in the amount of LBP 44.84 billion with the following details:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Soft loan amount	LBP 44.84 billion	LBP 44.84 billion
Maturity date	January 22, 2011	January 22, 2011
Settlement in one lump sum on maturity		
Average interest rate applied on loan during the year	4.314%	4.314%
Interest expense on the loan for the year ended December 31	LBP 1.96billion	LBP 1.89 billion
Pledged assets (Note 8)	Lebanese Treasury Bills	Lebanese Treasury Bills
Pledged assets nominal amount (Note 8)	LBP48.30 billion	LBP 48.30 billion
Unearned interest on one year pledged treasury bills as at December 31	LBP 152 billion	LBP 162 million
Average interest rate applied on pledged treasury bills during the year	7.19%	7.19%
Interest income on pledged treasury bills for the year ended December 31	LBP 3.47 billion	LBP 3.47 billion

24. OTHER LIABILITIES

	December 31,	
	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Withheld taxes	1,345,510	1,120,126
Other taxes payable	144,775	44,401
Due to the Social Security National Fund	196,974	149,697
Checks and incoming payment orders in course of settlement	9,050,461	4,800,608
Accrued expenses	1,888,134	1,871,122
Provision for early redemption of investment securities (Note 8)	223,617	33,641
Deferred income	1,350,324	252,255
Sundry accounts payable	4,922,413	1,169,735
	19,122,208	9,441,585

Income tax expense and effective tax rate are as follows:

	2007		2006	
	<i>LBP'000</i>	%	<i>LBP'000</i>	%
Income before taxes	12,697,402		12,201,283	
Income tax at the rate of 15% for the years 2007 and 2006	1,904,610	15.00	1,830,192	15.00
Tax effect on non-deductible expenses for tax purposes and additional tax not subject to recovery	231,430	5.57	1,330,653	10.91
Income tax expense and effective tax rate	2,136,040	20.57	3,160,845	25.91
Less: taxes paid during the year in the form of withholding tax	(2,136,040)		(3,160,845)	
Tax payable	-		-	

The Bank's tax returns for fiscal years 2006 and 2007 are still subject to examination and final tax assessment by the tax authorities. The Bank's management does not anticipate any material additional tax liability as a result of the expected tax review.

25. PROVISIONS

Provisions consist of the following:

	December 31,	
	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Provision for staff termination indemnity	2,788,156	2,231,595
Provision for contingencies	455,139	226,681
Provision for foreign currency fluctuations	36,547	10,106
	3,279,842	2,468,382

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

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Balance, January 1	2,231,595	1,473,344
Additions upon consolidation	66,237	-
Additions	803,071	944,182
Settlements	(312,747)	(185,931)
Balance, December 31	2,788,156	2,231,595

The movement of the provision for contingencies was as follows:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Balance, January 1	226,681	794,124
Additions	228,458	-
Settlements	-	(567,443)
Balance, December 31	455,139	226,681

26. SHARE CAPITAL

On December 31, 2007, the authorized ordinary share capital of the Bank was LBP 100 billion consisting of 10 million fully paid shares (4,060,000 shares in 2006) of LBP 10,000 each.

During 2006, the bank's capital was increased from LBP 30 billion to LBP 40.6 billion, through an increase of LBP 10.6 billion by issuing 1.06 million nominative shares of LBP 10,000 par value through a transfer of an amount of LBP 8.9 billion from the retained earnings and LBP 1.6 billion from reserves against the issuance of 1,060,000 shares to be distributed proportionally to shareholders each according to his percentage of ownership.

During 2007, the second and third phases from the capital increase took place through the issuance of 5,940,000 nominative shares of LBP 10,000 par value each in an aggregate increase of LBP 59.4 billion through a transfer of an amount of LBP 31.64 billion from "Blocked deposits for capital increase" and an amount of LBP 27.76 billion from "Shareholders' cash contribution to capital". The remaining balance of the "blocked deposits for capital increase" is reflected as a share premium (Note (b) below).

Shares were issued as follows:

(a) Existing shareholders by the amount of LBP 33.9 billion against the issuance of 3,390,000 nominative shares of LBP 10,000 par value each proportionally to their percentage of ownership, mainly funded by transfer from retained earnings and reserves.

(b) New shareholders cash subscription by the amount of LBP 25.5 billion against the issuance of 2,550,000 nominative shares of LBP 10,000 par value each, in addition to a share premium of USD 11,475,000.

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital is for a total amount of LBP 136 million (USD 90,261) as of December 31, 2007 (LBP 27,964 billion as of December 31, 2006). During 2007, an amount of LBP 27.76 billion was transferred from this account to capital.

This sort of financial instrument is accounted for in foreign currency and therefore allows hedging against national currency exchange fluctuation. According to local banking regulations, cash contribution to capital is considered as Tier I capital.

28. RESERVES

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

The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end.

This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

29. CUMULATIVE CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES AND INTEREST RATE SWAP

This caption comprises the following:

	December 31	
	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Cumulative change in fair value of available-for-sale securities:		
- Securities purchased and originally classified as available-for-sale, foreign currency and Lebanese Pound	(18,376,484)	(11,277,700)
- Securities originally classified as available-for-sale and transferred during 2004 to held-to-maturity (USD)	557,523	550,909
Deferred taxes	2,935,806	1,713,975
	(14,883,155)	(9,012,816)
Cumulative change in fair value of derivatives:		
- Interest rate swap	410,188	(105,551)
Deferred taxes	(61,528)	15,833
	348,660	(89,718)

30. MINORITY INTEREST

December 31,		
	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Capital	16,637,630	-
Cumulative change in fair value of available-for-sale investment securities	(1,003,013)	-
Reserves and retained earnings	(2,276,513)	-
Cumulative translation adjustment	121,474	-
Profit for the year	288,828	-
	13,768,406	-

31. INTEREST INCOME

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Term deposits with Central Bank	12,959,040	8,700,532
Deposits with banks and financial institutions	14,949,506	13,968,583
Investment securities	77,657,625	77,543,963
Loans to banks	108,943	73,680
Loans and advances to customers	40,426,415	31,373,632
Loans and advances to related parties	2,561,605	3,971,327
Settlements of unrealized interest	902,482	941,746
Other	182,869	-
	149,748,485	136,573,463

32. INTEREST EXPENSE

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Deposits and borrowings from banks and financial institutions	20,039,178	16,212,178
Deposits from related party financial institutions	506,361	-
Soft loan from Central Bank of Lebanon	1,961,264	1,894,909
Customers' deposits	90,542,972	78,231,684
Related parties' deposits	5,212,001	6,050,980
Certificates of deposit	898,304	5,462,468
	119,160,080	107,852,219

33. FEE AND COMMISSION INCOME

This caption consists of the following:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Commission on documentary credits	497,409	213,318
Commission on letters of guarantee	809,168	1,119,431
Commission on certificates of deposits	36,303	45,348
Service fees on customers' transactions	4,308,268	3,461,274
Brokerage fees	39,552	169,721
Commission on transactions with banks	151,940	599,050
	5,842,640	5,608,142

34. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Commission on transactions with banks	2,086,507	457,675
Commission on private banking transactions	182,687	27,744
	2,269,194	485,419

35. OTHER OPERATING INCOME

This caption consists of the following:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Gain on sale of investment securities:		
Equities, shares and funds	729,872	(263)
Lebanese Treasury Bills	77,487	36,873
Lebanese Government bonds	248,578	2,604,149
Certificates of deposit	12,407	1,486,978
Corporate Bonds	347,594	465,044
Dividends from investments	730,715	447,334
Gain on sale of fixed assets	256,398	137,389
Other	835,786	1,558,603
	3,238,837	6,736,107

36. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

37. FIDUCIARY ACCOUNTS

Fiduciary accounts consist of the following:

December 31, 2007			
	Resident	Non-Resident	Total
	LBP'000	LBP'000	LBP'000
Deposits with financial institutions	75,004,946	-	75,004,946
Debt securities	36,338,015	155,657,234	191,995,249
Equity securities	23,427,713	70,997,757	94,425,470
	134,770,674	226,654,991	361,425,665

December 31, 2006			
	Resident	Non-Resident	Total
	LBP'000	LBP'000	LBP'000
Debt securities	44,778,001	115,632,900	160,410,901
Equity securities	32,477,193	25,170,714	57,647,907
	77,255,194	140,803,614	218,058,808

Debt securities are pledged to the extent of LBP 88.94 billion (USD 59 million) as of December 31, 2007 (LBP 79.9 billion or USD 53 million as of December 31, 2006) against loans and advances to customers referred to in Note 11, and subject to a back to back guarantee against revolving credit facilities.

38. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

	December 31, 2007		December 31, 2006	
	Maximum Balance during the Year	Year-End	Maximum Balance during the Year	Year-End
	LBP'000	LBP'000	LBP'000	LBP'000

Shareholders, directors and other key management personnel and close family members:

Direct facilities and credit balances:

Secured loans and advances	37,844,967	33,800,025	29,398,417	27,218,019
Unsecured loans and advances	3,283,522	1,199,623	11,047,969	6,863,851
Deposits	139,613,748	41,403,442	155,058,977	74,683,290
Indirect facilities	286,030	286,030	45,227,261	22,614,761

Directors' and Senior staff remuneration amounted to LBP 1,836 million during 2007 and since the date of acquisition of the subsidiary (LBP 1.39 billion as of December 31, 2006).

Interest rates charged on balances outstanding are the same rates that would be charged in an arm's transaction. Secured loans and advances are covered by real estate mortgage to the extent of LBP 1,945 million and by pledged deposits of the respective borrowers to the extent of LBP 10,186 million (LBP 1,381 million and LBP 22,382 billion as of December 31, 2006 respectively).

39. ACQUISITIONS

During the first quarter of 2007 the Central Bank approved the acquisition by the Bank of 58.96% of Middle East Capital Group Limited capital representing 164,500 shares out of 279,000 nominative shares of USD1 par value each as per the Ordinary General Assembly meeting held on January 26, 2007 for a total consideration of USD 11,658,000.

At acquisition date the details of the fair value of the net assets acquired and negative goodwill arising are as follows:

	December 31
	2007
	LBP'000
Net assets fair value	32,844,976
Share of the group in net assets (58.96%)	19,365,398
Total purchase consideration	(17,574,435)
Negative goodwill	1,790,963

40. CASH AND CASH EQUIVALENTS

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

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Cash	16,706,478	10,775,434
Current accounts with Central Bank of Lebanon	52,563,568	85,215,517
Demand deposits from banks	59,639,032	14,674,492
	128,909,078	110,665,443

41. CAPITAL MANAGEMENT

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, collective impairment allowance, cumulative favorable change in fair value of available-for-sale securities and revaluation surplus of owned properties.

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

The Group's objectives when managing capital are to comply with the capital requirements set by Central Bank of Lebanon, the Group's main regulator, to safeguard the Group's ability to continue as a going concern and 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 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 adequacy ratio was as follows:

	2007	2006
	<i>LBP'000</i>	<i>LBP'000</i>
Regulatory capital	126,153,000	100,108,000
Risk-weighted assets and off-balance sheet items	731,969,600	659,651,700
Capital adequacy ratio	17.23%	15.18%

The regulatory capital is composed of the following as of December 31, 2007:

	2007
	<i>LBP'000</i>
Capital	113,616,000
Reserves	22,963,000
Retained earnings	6,685,000
	143,264,000
Less:	
Intangible assets	(2,577,000)
Negative change in fair value of available for sale securities and derivatives	(14,534,000)
	126,153,000

42. FINANCIAL RISK MANAGEMENT

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.

1 – Management of credit risk

The Board of Directors has the responsibility to approve the Bank's general credit policy as recommended by the Credit Committee. The Credit Committee has the responsibility for the development of the credit function strategy and implementing principles, frameworks, policies and limits.

2 – Measurement of credit risk

Policies and principles that the Group follows on loans and advances are included in "Management of Credit Risk" which stipulates the Group's general credit policy.

In measuring credit risk of loans and advance, the Group considers the following:

A. Managing credit risk based on the risk profile of the borrower, repayment source and the nature of the underlying collateral given current events and conditions.

B. Measuring credit risk through reviewing the following:

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

In accordance with Central Bank of Lebanon circular No.58 the Group's customers are categorized into five classifications as described below:

Classification	Description	
1	Standard monitoring	Indicates that borrowers are able to honor their commitments and there is no reason to doubt their ability to repay principal and interest in full and in a timely manner. Some of the indicators related to this category are: continuous cash inflows, timely submission of financial statements and/or sufficient collateral.
2	Special monitoring (Watch list)	Indicates that borrowers are able to honor their current commitments, although repayment may be adversely affected by specific factors. Such borrowers are subject to special monitoring. Major characteristics of this category are: inadequate loan information such as annual financial statements availability, condition of and control over collateral held is questionable and / or declining profitability.
3	Substandard	Indicates that borrowers' ability to serve their commitments is in question. In this context, borrowers cannot depend on their normal business revenues to pay back principal and interest, i.e. losses may occur. The main characteristics of this category are severe decline in profitability and in cash inflows. In this case, the Group considers interests and commissions as unrealized but does not establish an allowance for impairment.

Classification	Description	
4	Doubtful	Indicates that borrowers cannot honor their commitments in full and on time. Significant losses will be incurred even collateral held is invoked due to payment overdues. The net realizable value of collateral held is insufficient to cover payment of principal and interest. In this case, the Group considers interests and commissions as unrealized and established an allowance for impairment accordingly.
5	Bad	Indicates that commitments cannot be covered even after taking all possible measures and resorting to necessary legal procedures. Some signals of this category would be inexistence of collateral low value of collateral and / or, losing contact with the borrower. In this case, the bank considers interests and commissions as unrealized, ceases their accumulation, and provides the whole amount of the exposure's balance.

If the debtor's default on the loan is temporary, management of the Group identifies and manages to work a plan to reschedule the payments due and/or obtain additional collateral before downgrading the loan to standard or doubtful loans.

3 – Risk mitigation policies

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

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

Except for properties held against non performing loans, the Group has reassessed the fair value of properties during 2007 held as collateral based on valuations carried by independent experts appraisals on which the following hair cuts were applied:

- Greater Beirut: 5%
- Mount Lebanon: 10%
- South Lebanon: 15%
- North Lebanon: 15%
- Bekaa: 15%

Subsequent to the balance sheet date, the Lebanese Government sovereign credit risk rating and therefore the Government debt securities credit risk was downgraded to CCC+ by an international rating agency. However, no impairment loss was recognized against Government debt securities since the downgrading is the result of circumstantial and temporary events, and recovery of debt at maturity is probable as the Government has had no history of default.

4 – Financial assets with credit risk exposure and related concentrations

a) Exposure to credit risk and concentration by counterparty:

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

December 31, 2007

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount	No. of counterparties	Amount	No. of counterparties
	<i>LBP'000</i>		<i>LBP'000</i>	
Related Parties	318,776	28	34,680,873	70
Customers:				
Less than LBP 50 million	26,218,943	5,685	27,992,121	6,158
From LBP 50 million to LBP 100 million	21,336,716	343	12,655,098	258
From LBP 100 million to LBP 200 million	10,696,926	117	20,029,367	220
From LBP 200 million to LBP 500 million	7,164,408	44	38,893,447	202
From LBP 500 million to LBP 1,500 million	1,264,449	19	87,553,308	149
From LBP 1,500 million to LBP 5,000 million	-	-	121,482,695	61
Over LBP 5,000 million	7,890,913	1	101,670,725	10
	74,891,131		444,957,634	

December 31, 2006

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount	No. of counterparties	Amount	No. of counterparties
	<i>LBP'000</i>		<i>LBP'000</i>	
Related Parties	322,313	48	33,759,558	55
Customers:				
Less than LBP 50 million	19,435,732	4,710	22,778,133	5,562
From LBP 50 million to LBP 100 million	14,921,225	249	12,319,561	203
From LBP 100 million to LBP 200 million	8,640,391	102	19,338,913	253
From LBP 200 million to LBP 500 million	5,839,810	23	42,142,345	245
From LBP 500 million to LBP 1,500 million	2,062,946	22	74,238,213	130
From LBP 1,500 million to LBP 5,000 million	-	-	100,155,265	59
Over LBP 5,000 million	6,862,773	1	54,899,280	7
	58,085,190		359,631,268	

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

December 31, 2007

	Gross Exposure	Unrealized Interest	Allowance for Impairment	Net exposure
	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	497,042,296	-	-	497,042,203
Past due regular loans and advances but not impaired:				
30-60 Days	1,162,296	-	-	1,162,296
60-90 Days	517,297	-	-	517,297
90-180 Days	620,233	-	-	620,233
Over 180 Days	508,341	-	-	508,341
	2,808,167	-	-	2,808,167
Individually Impaired				
Sunstandard	6,718,846	(3,711,123)	-	3,007,723
Doubtful	79,888,233	(46,468,673)	(16,428,888)	16,990,672
	86,607,079	(50,179,796)	(14,428,888)	19,998,395
Collectively Impaired:	910,000	-	(910,000)	-
Total	587,367,449	(50,179,796)	(17,338,888)	519,848,765

December 31, 2006

	Gross Exposure	Unrealized Interest	Allowance for Impairment	Net exposure
	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	390,115,874	-	-	390,115,874
Past due regular loans and advances but not impaired:				
30-60 Days	1,135,170	-	-	1,135,170
60-90 Days	582,746	-	-	582,746
90-180 Days	857,048	-	-	857,048
Over 180 Days	542,681	-	-	542,681
	3,117,645	-	-	3,117,645
Individually Impaired				
Sunstandard	7,780,885	(3,752,770)	-	4,028,115
Doubtful	97,602,483	(49,403,330)	(27,744,329)	20,454,824
	105,383,368	(53,156,100)	(27,744,329)	24,482,939
Collectively Impaired:	1,500,000	-	(1,500,000)	-
Total	500,116,887	(53,156,100)	(29,244,329)	417,716,458

December 31, 2007

First Degree Mortgage on Property	Pledged Funds	Bank Guarantees	Other Guarantees	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
111,350,977	110,078,266	8,796,263	7,607,440	237,832,946
398,616	146,006	-	1,653,551	2,198,173
209,863	88,217	-	543,405	841,485
358,540	135,756	-	561,390	1,055,686
25,300	4,605	-	248,984	278,889
992,319	374,584	-	3,007,330	4,374,233
4,676,985	353,706	-	328,156	5,358,847
17,267,284	185,686	-	1,105,577	18,558,547
21,944,269	539,392	-	1,433,733	23,917,394
-	-	-	-	-
134,287,565	110,992,242	8,796,263	12,048,503	266,124,573

December 31, 2006

First Degree Mortgage on Property	Pledged Funds	Bank Guarantees	Other Guarantees	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
74,588,678	56,635,673	-	4,313,804	135,538,155
349,591	110,173	-	398,862	858,626
-	94,063	-	161,205	255,268
42,476	95,034	-	157,386	294,896
-	205,493	-	-	205,493
392,067	504,763	-	717,453	1,614,283
957,042	-	-	-	957,042
1,522,322	-	-	96,420	1,618,742
2,479,364	-	-	96,420	2,575,784
-	-	-	-	-
77,460,109	57,140,436	-	5,127,677	139,728,222

b) Concentration of financial assets and liabilities by geographical area:

December 31,2007						
	Lebanon	Middle East & Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets						
Cash and deposits at Central Bank of Lebanon	307,934,875	-	-	-	-	307,934,875
Deposits with banks and financial institutions	122,031,065	34,972,936	12,724,714	232,091,555	41,299,330	443,119,600
Available for sale investment securities	244,105,522	-	250,245	89,495,487	1,223,363	335,074,617
Held to maturity investment securities	497,117,045	-	-	97,045,261	2,888,606	597,050,912
Fair value of interest rate swap	408,282	-	-	-	-	408,282
Loans to banks	2,721,643	-	-	-	-	2,721,643
Loans and advances to customers	465,410,912	43,921,481	63	2,303,158	1,506,832	513,142,446
Regulatory blocked fund	1,500,000	-	-	-	-	1,500,000
Total Assets	1,641,229,344	78,894,417	12,975,022	420,935,461	46,918,131	2,200,952,375
Financial Liabilities						
Deposits and borrowings from banks	83,692,261	140,012,140	392,188	135,273,644	1,954,074	361,324,307
Customers' deposits	1,589,323,372	54,286,588	5,065,829	21,098,286	5,679,272	1,675,453,347
Certificates of deposit	12,062,808	-	-	-	-	12,062,808
Soft loan from Central Bank of Lebanon	44,845,373	-	-	-	-	44,845,373
Total Liabilities	1,729,923,814	194,298,728	5,458,017	156,371,930	7,633,346	2,093,685,835

December 31,2006						
	Lebanon	Middle East & Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets						
Cash and deposits at Central Bank of Lebanon	310,384,676	-	-	-	-	310,384,676
Deposits with banks and financial institutions	35,083,856	20,553,356	4,136,086	192,870,995	37,939,495	290,583,788
Available for sale investment securities	222,125,415	-	-	86,396,331	4,240,334	312,762,080
Held to maturity investment securities	543,016,077	-	-	97,987,500	-	641,003,577
Loans to banks	1,367,298	-	-	-	-	1,367,298
Loans and advances to customers	384,297,493	13,054,557	198,805	11,567,021	1,948,162	411,066,038
Regulatory blocked fund	1,500,000	-	-	-	-	1,500,000
Total Assets	1,497,774,815	33,607,913	4,334,891	388,821,847	44,127,991	1,968,667,457
Financial Liabilities						
Deposits and borrowings from banks	83,977,186	113,040,964	2,028,207	139,613,554	1,948,251	340,608,162
Customers' deposits	1,376,509,154	57,062,605	1,944,513	19,175,986	4,290,588	1,458,982,846
Fair value of interest rate swap	105,551	-	-	-	-	105,551
Certificates of deposit	77,589,702	-	-	-	-	77,589,702
Soft loan from Central Bank of Lebanon	44,850,747	-	-	-	-	44,850,747
Total Liabilities	1,583,032,340	170,103,569	3,972,720	158,789,540	6,238,938	1,922,137,008

B – Liquidity Risk

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

1- Management of liquidity risk

Liquidity management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels. Through ALCO, the Board of Directors is responsible for establishing the liquidity policy which includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met;
- Maintenance of a portfolio of liquid and marketable assets;
- Diversification of funding;
- Maintenance of adequate contingency plans.

2- Exposure to liquidity risk

The Bank ensures that its local entities are in compliance with the liquidity limits in Lebanese Pound and foreign currencies as established by the Central Bank of Lebanon.

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

December 31, 2007							
Lebanese Pounds							
	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	48,138,440	-	-	-	-	-	48,138,440
Deposits with banks and financial institutions	1,007,775	55,986,705	43,969,263	-	-	-	100,963,743
Trading Assets	71,094	-	-	-	2,939,999	-	3,011,093
Available for sale investment securities	790,223	-	7,000,000	17,000,000	-	12,100,795	36,891,018
Held to maturity investment securities	5,112,636	53,303,350	103,000,000	104,447,500	-	-	265,863,486
Investment in and loan to an associate	1,940,374	-	-	-	-	-	1,940,374
Loans to banks	21,643	-	-	-	-	2,700,000	2,721,643
Loans and advances to customers	18,520,609	16,446,781	4,311,177	9,920,334	1,441,043	23,418,591	74,058,535
Property and equipment	22,019,866	-	-	-	-	-	22,019,866
Other assets	8,126,734	14	-	-	-	-	8,126,748
Regulatory blocked fund	1,500,000	-	-	-	-	-	1,500,000
Intangible assets	2,577,243	-	-	-	-	-	2,577,243
Total	109,826,637	125,736,850	158,280,440	131,367,834	4,381,042	38,219,386	567,812,189
Liabilities							
Deposits and borrowings from banks and financial institutions	133,645	20,514,937	-	-	-	-	20,648,582
Customers' deposits	5,707,174	361,478,837	22,860,002	100,765	-	-	390,146,778
Soft loan from Central Bank of Lebanon	5,373	-	-	-	44,840,000	-	44,845,373
Other liabilities	5,748,429	-	-	-	-	-	5,748,429
Provisions	3,279,842	-	-	-	-	-	3,279,842
Total	14,874,463	381,993,774	22,860,002	100,765	44,840,000	-	464,669,004
Maturity Gap	94,952,174	(256,256,924)	135,420,438	131,267,069	(40,458,958)	38,219,386	103,143,185

December 31, 2007

Foreign Currency Base Accounts

	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	8,266,799	146,004,636	-	-	105,525,000	-	259,796,435
Deposits with banks and financial institutions	30,304,827	311,851,030	-	-	-	-	342,155,857
Trading assets	1,080,426	-	764,114	-	-	-	1,844,540
Available for sale investment securities	53,883,451	-	21,380,873	21,085,600	88,030,485	113,803,190	298,183,599
Held to maturity investment securities	74,337,604	-	33,165,000	113,893,597	24,873,750	84,917,475	331,187,426
Assets acquired in satisfaction of loans	9,019,820	-	-	-	-	-	9,019,820
Fair value of interest rate swap	408,282	-	-	-	-	-	408,282
Customers' liability under acceptances	8,096,228	-	-	-	-	-	8,096,228
Loans and advances to customers	11,962,973	336,196,710	32,209,829	31,471,905	17,649,846	9,592,648	439,083,911
Investment in subsidiary	69,579	-	-	-	-	-	69,579
Investments in and loan to an associate	1,092,831	-	-	-	-	-	1,092,831
Other assets	4,988,303	-	-	-	-	-	4,988,303
Total	203,511,123	794,052,376	87,519,816	166,451,102	236,079,081	208,313,313	1,695,926,811
Liabilities							
Deposits and borrowings from banks and financial institutions	39,978,365	166,826,407	3,243,216	60,300,000	45,777,551	24,550,186	340,675,725
Customers' deposits	33,137,564	1,034,804,512	184,262,840	32,258,356	843,297	-	1,285,306,569
Liability under acceptances	8,096,228	-	-	-	-	-	8,096,228
Certificates of deposit	2,808	-	-	12,060,000	-	-	12,062,808
Other liabilities	13,150,162	-	-	-	-	223,617	13,373,779
Total	94,365,127	1,201,630,919	187,506,056	104,618,356	46,620,848	24,773,803	1,659,515,109
Maturity Gap	109,145,996	(407,578,543)	(99,986,240)	61,832,746	189,458,233	183,539,510	36,411,702

December 31, 2006

Lebanese Pounds

	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	8,356,245	85,398,358	72,360,000	-	60,300,000	-	226,414,603
Deposits with banks and financial institutions	11,660,871	253,725,548	-	-	-	-	265,386,419
Trading Assets	8,379,346	-	7,698,389	4,928,018	9,881,663	13,567,500	44,454,916
Available for sale investment securities	61,008,634	8,442,000	9,323,888	48,855,573	8,565,360	163,340,593	299,536,048
Held to maturity investment securities	27,367,405	1,507,500	1,582,875	62,775,973	133,502,587	85,927,500	312,663,840
Loans and advances to customers	7,156,941	256,754,644	13,660,991	25,480,575	34,256,835	16,589,100	353,899,086
Customer's liability under acceptances	3,487,066	-	-	-	-	-	3,487,066
Assets acquired in satisfaction of loans	6,264,518	-	-	-	-	-	6,264,518
Other assets	3,444,937	-	-	-	-	-	3,444,937
Total	137,125,963	605,828,050	104,626,143	142,040,139	246,506,445	279,424,693	1,515,551,433
Liabilities							
Deposits and borrowings from banks and financial institutions	8,882,239	176,336,336	878,002	30,150,000	75,375,000	35,515,942	327,137,519
Customers' deposits	44,359,042	775,730,383	152,158,341	41,011,113	20,510,792	-	1,033,769,671
Fair value of interest rate swap	105,551	-	-	-	-	-	105,551
Liability under acceptances	3,487,066	-	-	-	-	-	3,487,066
Certificates of deposit	2,214,702	75,375,000	-	-	-	-	77,589,702
Other liabilities	3,952,385	-	-	-	-	-	3,952,385
Total	63,000,985	1,027,441,719	153,036,343	71,161,113	95,885,792	35,515,942	1,446,041,894
Maturity Gap	74,124,978	(421,613,669)	(48,410,200)	70,879,026	150,620,653	243,908,751	69,509,539

December 31, 2006

Foreign Currency Base Accounts

	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	83,170,073	800,000	-	-	-	-	83,970,073
Deposits with banks and financial institutions	1,656,270	23,541,099	-	-	-	-	25,197,369
Available for sale investment securities	226,032	-	-	13,000,000	-	-	13,226,032
Held to maturity investment securities	4,588,887	61,303,350	50,000,000	202,217,920	10,229,580	-	328,339,737
Loans to banks	17,298	-	-	-	-	1,350,000	1,367,298
Loans and advances to customers	9,067,496	9,551,355	12,079,962	8,183,096	2,153,438	16,131,605	57,166,952
Assets acquired in satisfaction of loans	70,375	-	-	-	-	-	70,375
Property and equipment	22,183,202	-	-	-	-	-	22,183,202
Other assets	7,099,345	11	-	-	-	-	7,099,356
Regulatory blocked fund	1,500,000	-	-	-	-	-	1,500,000
Intangible assets	2,607,700	-	-	-	-	-	2,607,700
Total	132,186,678	95,195,815	62,079,962	223,401,016	12,383,018	17,481,605	542,728,094
Liabilities							
Deposits and borrowings from banks and financial institutions	136,997	13,333,646	-	-	-	-	13,470,643
Customers' deposits	37,371,068	335,512,309	52,329,798	-	-	-	425,213,175
Soft loan from Central Bank of Lebanon	10,747	-	-	-	44,840,000	-	44,850,747
Other liabilities	5,489,200	-	-	-	-	-	5,489,200
Provisions	2,468,382	-	-	-	-	-	2,468,382
Total	45,476,394	348,845,955	52,329,798	-	44,840,000	-	491,492,147
Maturity Gap	86,710,284	(253,650,140)	9,750,164	223,401,016	(32,456,982)	17,481,605	51,235,947

C – Market Risks

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

1. Currency Risk:

The Group carries on exchange risk associated with the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Bank takes preventive measures against this risk on setting up limits on the level of exposure by currency and in total for both overnight and intra-day positions in line with the limits authorized by the regulatory authorities.

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

December 31, 2007

	LBP	USD	Euro	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets					
Cash and deposits at Central Bank of Lebanon	48,138,470	257,703,509	1,673,784	419,112	307,934,875
Deposits with banks and financial institutions	100,933,943	284,821,539	13,141,467	44,222,651	443,119,600
Trading assets	3,042,776	1,662,107	-	150,750	4,855,633
Available for sale investment securities	36,891,018	276,664,472	21,519,127	-	335,074,617
Held to maturity investment securities	265,863,486	320,393,243	10,794,183	-	597,050,912
Fair value of interest rate swap	-	-	408,282	-	408,282
Loans to banks	2,721,643	-	-	-	2,721,643
Loans and advances to customers	74,058,535	366,504,265	53,477,934	19,101,712	513,142,446
Customers' liability under acceptances	-	6,115,172	1,779,270	201,786	8,096,228
Investment in subsidiary	-	69,579	-	-	69,579
Investment in and loan to an associate	1,940,374	1,092,831	-	-	3,033,205
Assets acquired in satisfaction of loans	-	9,019,820	-	-	9,019,820
Property and equipment	22,019,866	-	-	-	22,019,866
Other assets	8,126,748	4,837,810	150,493	-	13,115,051
Regulatory blocked fund	1,500,000	-	-	-	1,500,000
Intangible assets	2,577,243	-	-	-	2,577,243
Total Assets	567,814,102	1,528,884,347	102,944,540	64,096,011	2,263,739,000
Liabilities					
Deposits and borrowings from banks and financial institutions	20,659,692	327,198,568	13,451,797	14,250	361,324,307
Customers' deposits	390,146,778	1,190,314,977	56,541,706	38,449,886	1,675,453,347
Liability under acceptances	-	6,115,172	1,779,270	201,786	8,096,228
Certificates of deposit	-	12,062,808	-	-	12,062,808
Soft loan from Central Bank of Lebanon	44,845,373	-	-	-	44,845,373
Other liabilities	5,748,429	12,767,893	340,879	265,007	19,122,208
Provisions	3,279,842	-	-	-	3,279,842
Total Liabilities	464,680,114	1,548,459,418	72,113,652	38,930,929	2,124,184,113
Net Assets	103,133,988	(19,575,071)	30,830,888	25,165,082	139,554,887
Currencies to be delivered	-	60,641,293	10,122,800	866,608	71,630,701
Currencies to be received	(3,337,908)	(11,179,604)	(41,341,063)	(14,888,434)	(70,747,009)
Net exchange position	(3,337,908)	49,461,689	(31,218,263)	(14,021,826)	883,692

December 31, 2006

	LBP	USD	Euro	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets					
Cash and deposits at Central Bank of Lebanon	83,970,073	224,519,084	1,246,206	649,313	310,384,676
Deposits with banks and financial institutions	25,197,369	242,532,311	6,066,031	16,788,077	290,583,788
Trading assets	-	44,070,628	-	384,288	44,454,916
Available for sale investment securities	13,226,032	280,186,928	19,349,120	-	312,762,080
Held to maturity investment securities	328,339,737	302,128,927	10,534,913	-	641,003,577
Loans to banks	1,367,298	-	-	-	1,367,298
Loans and advances to customers	57,166,952	337,372,842	12,850,460	3,675,784	411,066,038
Customers' liability under acceptances	-	2,584,029	903,037	-	3,487,066
Assets acquired in satisfaction of loans	70,375	6,264,518	-	-	6,334,893
Property and equipment	22,183,202	-	-	-	22,183,202
Other assets	7,099,356	3,355,555	89,376	6	10,544,293
Regulatory blocked fund	1,500,000	-	-	-	1,500,000
Intangible assets	2,607,700	-	-	-	2,607,700
Total Assets	542,728,094	1,443,014,822	51,039,143	21,497,468	2,058,279,527
Liabilities					
Deposits and borrowings from banks and financial institutions	13,470,643	317,881,286	7,262,716	1,993,517	340,608,162
Customers' deposits	376,278,765	1,033,656,292	31,690,333	17,357,456	1,458,982,846
Fair value of interest rate swap	-	-	105,551	-	105,551
Liability under acceptances	-	2,584,028	903,038	-	3,487,066
Certificates of deposit	-	77,589,702	-	-	77,589,702
Soft loan from Central Bank of Lebanon	44,850,747	-	-	-	44,850,747
Other liabilities	5,489,200	3,771,807	72,612	107,966	9,441,585
Provisions	2,468,382	-	-	-	2,468,382
Total Liabilities	442,557,737	1,435,483,115	40,034,250	19,458,939	1,937,534,041
Net Assets	100,170,357	7,531,707	11,004,893	2,038,529	120,745,486
Currencies to be delivered	251,384	21,426,478	7,732,959	4,374,619	33,785,440
Currencies to be received	-	(12,325,937)	(17,052,166)	(4,370,495)	(33,748,598)
Net exchange position	251,384	9,100,541	(9,319,207)	4,124	36,842

2. Exposure to Interest Rate Risk:

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies regularly reviewed by the asset and liability committee. Below is a summary of the Group's interest gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Lebanese Pound and foreign currencies base accounts:

December 31, 2007							
Lebanese Pound							
Fixed Interest Rate							
	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	48,138,470	-	-	-	-	-	48,138,470
Deposits with banks and financial institutions	155	56,994,325	43,969,263	-	-	-	100,963,743
Trading assets Available for sale investment securities	-	-	-	-	2,939,999	-	2,939,999
Held to maturity investment securities	34,167	756,056	7,000,000	17,000,000	-	12,100,795	36,891,018
Loans to banks	-	58,415,986	103,000,000	104,447,500	-	-	265,863,486
Loans and advances to customers	-	21,643	-	-	-	2,700,000	2,721,643
Investment in and loan to an associate	-	1,029,629	4,195,739	9,817,664	1,046,507	-	16,089,539
Property and equipment	427,538	1,512,837	-	-	-	-	1,940,375
Other assets	22,019,866	-	-	-	-	-	22,019,866
Regulatory blocked fund	8,126,735	13	-	-	-	-	8,126,748
Intangible assets	1,500,000	-	-	-	-	-	1,500,000
Total	2,577,243	-	-	-	-	-	2,577,243
	82,824,174	118,730,489	158,165,002	131,265,164	3,986,506	14,800,795	509,772,130
Liabilities							
Deposits and borrowings from banks and financial institutions	-	20,648,582	-	-	-	-	20,648,582
Customers' deposits	5,829,744	361,478,837	22,860,002	100,765	-	-	390,269,348
Soft loan from Central Bank of Lebanon	-	5,373	-	-	44,840,000	-	44,845,373
Other liabilities	5,748,430	-	-	-	-	-	5,748,430
Provisions	3,279,842	-	-	-	-	-	3,279,842
Total	14,858,016	382,132,792	22,860,002	100,765	44,840,000	-	464,791,575
Interest Rate Gap Position	67,966,158	(263,402,303)	135,305,000	131,164,399	(40,853,494)	14,800,795	44,980,555

December 31, 2007							
Lebanese Pound							
Floating Interest Rate							
	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits at Central Bank of Lebanon	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Trading assets Available for sale investment securities	-	-	-	-	-	-	-
Held to maturity investment securities	-	-	-	-	-	-	-
Loans to banks	-	-	-	-	-	-	-
Loans and advances to customers	-	33,937,761	115,439	102,672	394,535	23,418,591	57,968,998
Investment in and loan to an associate	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Regulatory blocked fund	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Total	-	33,937,761	115,439	102,672	394,535	23,418,591	57,968,998
Interest Rate Gap Position	-	33,937,761	115,439	102,672	394,535	23,418,591	57,968,998

December 31, 2007

Foreign Currencies

Fixed Interest Rate

	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	8,266,769	146,004,636	-	-	105,525,000	-	259,796,405
Deposits with banks and financial institutions	-	342,155,857	-	-	-	-	342,155,857
Trading assets	942,524	208,996	764,114	-	-	-	1,915,634
Available for sale investment securities	23,495,783	15,566,748	21,380,873	21,085,600	75,970,485	113,803,190	271,302,679
Held to maturity investment securities	-	-	32,127,604	113,893,597	24,873,750	84,917,475	255,812,426
Fair value of interest rate swap	-	-	-	-	408,282	-	408,282
Customers' Liability under acceptance	8,096,228	-	-	-	-	-	8,096,228
Investments in a subsidiary	69,579	-	-	-	-	-	69,579
Investments in and loan to an associate	357,924	734,906	-	-	-	-	1,092,830
Assets acquired in satisfaction of loans	9,019,820	-	-	-	-	-	9,019,820
Loans and advances to customers	-	11,235,537	22,031,247	22,523,791	6,452,418	3,266,519	65,509,512
Other assets	4,988,303	-	-	-	-	-	4,988,303
Total	55,236,930	515,906,680	76,303,838	157,502,988	213,229,935	201,987,184	1,220,167,555
Liabilities							
Deposits and borrowings from banks and financial institutions	-	172,848,351	3,243,216	30,150,000	45,777,551	1,911,848	253,930,966
Customers' deposits	33,197,454	1,034,622,052	184,262,840	32,258,356	843,297	-	1,285,183,999
Liability under acceptances	8,096,228	-	-	-	-	-	8,096,228
Certificates of deposit	-	2,808	-	12,060,000	-	-	12,062,808
Other liabilities	13,150,161	-	-	-	-	223,617	13,373,778
Total	54,443,843	1,207,473,211	187,506,056	74,468,356	46,620,848	2,135,465	1,572,647,779
Interest Rate Gap Position	793,087	(691,566,531)	(111,202,218)	83,034,632	166,609,087	199,851,719	(352,480,224)

December 31, 2007

Foreign Currencies

Floating Interest Rate

	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits at Central Bank of Lebanon	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-	-
Available for sale investment securities	-	14,820,920	-	-	12,060,000	-	26,880,920
Held to maturity investment securities	-	75,375,000	-	-	-	-	75,375,000
Fair value of interest rate swap	-	-	-	-	-	-	-
Customers' Liability under acceptance	-	-	-	-	-	-	-
Investments in a subsidiary	-	-	-	-	-	-	-
Investments in and loan to an associate	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	-	-	-	-	-	-	-
Loans and advances to customers	-	336,924,146	10,178,582	8,948,113	11,197,427	6,326,129	373,574,397
Other assets	-	-	-	-	-	-	-
Total	-	427,120,066	10,178,582	8,948,113	23,257,427	6,326,129	475,830,317
Deposits and borrowings from banks and financial institutions	-	33,956,420	-	30,150,000	-	22,638,339	86,744,759
Customers' deposits	-	-	-	-	-	-	-
Liability under acceptances	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total	-	33,956,420	-	30,150,000	-	22,638,339	86,744,759
Interest Rate Gap Position	-	393,163,646	10,178,582	(21,201,887)	23,257,427	(16,312,210)	389,085,558

December 31, 2006

Lebanese Pound

Fixed Interest Rate

	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	83,170,073	800,000	-	-	-	-	83,970,073
Deposits with banks and financial institutions	-	25,197,369	-	-	-	-	25,197,369
Available for sale investment securities	34,167	191,865	-	13,000,000	-	-	13,226,032
Held to maturity investment securities	-	65,892,237	50,000,000	202,217,920	10,229,580	-	328,339,737
Loans to banks	-	17,298	-	-	-	1,350,000	1,367,298
Loans and advances to customers	-	594,179	3,647,030	6,602,319	243,832	-	11,087,360
Assets acquired in satisfaction of loans	70,375	-	-	-	-	-	70,375
Property and equipment	22,183,202	-	-	-	-	-	22,183,202
Other assets	7,099,345	-	11	-	-	-	7,099,356
Regulatory blocked fund	1,500,000	-	-	-	-	-	1,500,000
Intangible assets	2,607,700	-	-	-	-	-	2,607,700
Total	116,664,862	92,692,948	53,647,041	221,820,239	10,473,412	1,350,000	496,648,502
Liabilities							
Deposits and borrowings from banks and financial institutions	-	13,470,643	-	-	-	-	13,470,643
Customers' deposits	37,371,068	286,577,899	52,329,798	-	-	-	376,278,765
Soft loan from Central Bank of Lebanon	-	10,747	-	-	44,840,000	-	44,850,747
Other liabilities	5,489,200	-	-	-	-	-	5,489,200
Provisions	2,468,382	-	-	-	-	-	2,468,382
Total	45,328,650	300,059,289	52,329,798	-	44,840,000	-	442,557,737
Interest Rate Gap Position	71,336,212	(207,366,341)	1,317,243	221,820,239	(34,366,588)	1,350,000	54,090,765

December 31, 2006

Lebanese Pound

Floating Interest Rate

	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits at Central Bank of Lebanon	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Available for sale investment securities	-	-	-	-	-	-	-
Held to maturity investment securities	-	-	-	-	-	-	-
Loans to banks	-	-	-	-	-	-	-
Loans and advances to customers	-	18,024,671	8,432,933	1,580,777	1,909,606	16,131,605	46,079,592
Assets acquired in satisfaction of loans	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Regulatory blocked fund	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Total	-	18,024,671	8,432,933	1,580,777	1,909,606	16,131,605	46,079,592
Interest Rate Gap Position	-	18,024,671	8,432,933	1,580,777	1,909,606	16,131,605	46,079,592

December 31, 2006

Foreign Currencies

Fixed Interest Rate

	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets							
Cash and deposits at Central Bank of Lebanon	8,356,245	85,398,358	72,360,000	-	60,300,000	-	226,414,603
Deposits with banks and financial institutions	-	265,386,419	-	-	-	-	265,386,419
Trading assets Available for sale	-	8,379,337	7,698,398	4,928,018	9,881,663	13,567,500	44,454,419
investment securities	8,887,135	30,413,499	9,323,888	33,045,128	24,375,805	163,340,593	269,386,048
Held to maturity investment securities	-	-	-	-	-	-	-
	-	13,799,905	1,582,875	62,775,973	133,502,587	85,927,500	297,588,840
Loand and advances to customers	-	7,822,099	12,228,340	11,258,918	4,925,404	4,595,418	40,830,179
Assets acquired in satisfaction of loans	6,264,518	-	-	-	-	-	6,264,518
Customers' liability under acceptances	3,487,066	-	-	-	-	-	3,487,066
Other assets	3,444,937	-	-	-	-	-	3,444,937
Total	30,439,901	411,199,617	103,193,501	112,008,037	232,985,459	267,431,011	1,157,257,526
Liabilities							
Deposits and borrowings from banks and financial institutions	-	154,241,149	878,002	30,150,000	75,375,942	35,515,942	296,160,093
Customers' deposits	44,359,043	824,664,793	152,158,340	41,011,113	20,510,792	-	1,082,704,081
Liability under acceptances	3,487,066	-	-	-	-	-	3,487,066
Certificates of deposit	-	77,589,702	-	-	-	-	77,589,702
Other liabilities	3,952,385	-	-	-	-	-	3,952,385
Fair value of interest rate swap	-	-	-	-	-	105,551	105,551
Total	51,798,494	1,056,495,644	153,036,342	71,161,113	95,885,792	35,621,493	1,463,998,878
Interest Rate Gap Position	(21,358,593)	(645,296,027)	(49,842,841)	40,846,924	137,099,667	231,809,518	(306,741,352)

December 31, 2006

Foreign Currencies

Floating Interest Rate

	Non interest sensitive	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits at Central Bank of Lebanon	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Trading assets Available for sale	-	-	-	-	-	-	-
investment securities	-	-	-	-	-	-	-
Held to maturity investment securities	-	30,150,000	-	-	-	-	30,150,000
	-	15,075,000	-	-	-	-	15,075,000
Loand and advances to customers	-	256,089,492	1,432,651	14,221,651	29,331,431	11,993,682	313,068,907
Assets acquired in satisfaction of loans	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total	-	301,314,492	1,432,651	14,221,651	29,331,431	11,993,682	358,293,907
Deposits and borrowings from banks and financial institutions	-	30,977,426	-	-	-	-	30,977,426
Customers' deposits	-	-	-	-	-	-	-
Liability under acceptances	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Fair value of interest rate swap	-	-	-	-	-	-	-
Total	-	30,977,426	-	-	-	-	30,977,426
Interest Rate Gap Position	-	270,337,066	1,432,651	14,221,651	29,331,431	11,993,682	327,316,481

D – Operational Risk

Operational risk is the risk that might cause losses to the Group resulting from deficiency in computer processing, from deficiencies and lack of procedures, and inappropriate behavior of employees. The Group manages this risk through regular training and seminars to employees and through putting in place procedures for proper internal control and segregation of duties.

43. 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, 2007

	Trading	Available-for-Sale	Held-to Maturity	Loans and Receivables	Other Borrowings	Carrying	Total Amount Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets							
Cash and deposits at Central Bank of Lebanon	-	-	217,948,489	69,270,046	-	307,934,875	287,218,535
Deposits with banks and financial institutions	-	-	383,480,412	59,639,188	-	443,119,600	443,119,600
Trading assets	4,855,633	-	-	-	-	4,855,633	4,855,633
Available for sale investment securities	-	335,074,617	-	-	-	335,074,617	335,074,617
Held to maturity investment securities	-	-	570,171,935	-	-	597,050,912	570,171,935
Fair value of interest rate swap	-	408,282	-	-	-	408,282	408,282
Loans to banks	-	-	-	2,628,103	-	2,721,643	2,628,103
Loans and advances to customers	-	-	-	505,818,605	-	513,142,446	505,818,605
Total	4,855,633	335,482,899	1,171,600,836	637,355,942	-	2,204,308,008	2,149,295,310
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	-	-	132,844,014	-	191,166,672	361,324,307	324,010,686
Customers' deposits	-	-	-	-	1,671,546,436	1,675,453,347	1,671,546,436
Certificates of deposit	-	-	11,849,549	-	-	12,062,808	11,849,549
Soft loan from Central Bank of Lebanon	-	-	44,404,837	-	-	44,845,373	44,404,837
Total Liabilities	-	-	189,098,400	-	1,862,713,108	2,093,685,835	2,051,811,508

December 31, 2006

	Trading	Available-for-Sale	Held-to Maturity	Loans and Receivables	Other Borrowings	Carrying	Total Amount Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial Assets							
Cash and deposits at Central Bank of Lebanon	-	-	209,311,093	95,990,951	-	310,384,676	305,302,044
Deposits with banks and financial institutions	-	-	275,909,297	14,674,491	-	290,583,788	290,583,788
Trading assets	44,454,916	-	-	-	-	44,454,916	44,454,916
Available for sale investment securities	-	312,762,080	-	-	-	312,762,080	312,762,080
Held to maturity investment securities	-	-	630,842,048	-	-	641,003,577	630,842,048
Loans to banks	-	-	-	1,327,675	-	1,367,298	1,327,675
Loans and advances to customers	-	-	-	406,991,104	-	411,066,038	406,991,104
Total Assets	44,454,916	312,762,080	1,116,062,438	518,984,221	-	2,011,622,373	1,992,263,655
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	-	-	120,728,369	-	167,232,064	340,608,162	287,960,433
Fair value of interest rate swap	-	105,551	-	-	-	105,551	105,551
Certificates of deposit	-	-	77,589,702	-	-	77,589,702	77,589,702
Customers' deposits	-	-	-	-	1,324,121,288	1,458,982,846	1,324,121,288
Soft loan from Central Bank of Lebanon	-	-	44,134,583	-	-	44,850,747	44,134,583
Total Liabilities	-	105,551	242,452,654	-	1,491,353,352	1,922,137,008	1,733,911,557

The basis for the determination of the estimated fair values with respect to financial instruments carried at amortized cost and for which quoted market prices are not available is summarized as follows:

a) Deposits with Central Banks and financial institutions:

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

b) Loans and advances to customers and to banks:

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

c) Held-to-maturity investment securities:

The estimated fair value of held-to-maturity investment securities is based on current yield curve appropriate for the remaining period to maturity.

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

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

e) Other borrowings and certificates of deposit:

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

44. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2007 were approved by the Board of Directors in its meeting held on April 12, 2008.

ADDRESSES

126_Head Office | Branches

127_Correspondent Banks

HEAD OFFICE

First National Bank s.a.l.

Beirut Central District, Allenby Street, Bldg. Marfaa 147
Postal Code 2012 6004

P.O.Box: 110-435, Riad El Solh / 113 - 5453 Beirut

P.O.Box: 16-5192, Achrafieh

Beirut - Lebanon

Tel: (01) 963000 / 977040 - Golden Number: 1244

Call Center: (04) 727272

Fax: (01) 973090

Swift: FINKLBBE

Telex no. 48627 FNBB

Website: www.fnb.com.lb

BRANCHES

Main Branch - Allenby

Beirut Central District:

Allenby Street, Marfaa 147

Tel: (01) 963000 / 977040 / 1244

Fax: (01) 973140

Hamra

Hamra Street, ImmoBilia Bldg.

Tel: (01) 738502-3 / 340440 / 738499 / 354799

Fax: (01) 749894

Aley

Bakaa, Riyad Fakih Center

Tel/Fax: (05) 556020-1-2-3

Hazmieh

Jisr El Bacha Road,

International Key Bldg.

Tel: (05) 455673-4-6-7

Fax: (05) 457838

Choueifat

Old Saida Road, (Deir Koubel Exit),

Ismail Haidar Bldg.

Tel/Fax: (05) 433720-1-2-3

Antelias

Hage Center, Antelias

Tel: (04) 419323-4-6-8

Fax: (04) 419327

Mazraa

Main Road, Al Ashi Bldg.

Tel: (01) 314340 - 314339 /

305219 / 305220

Fax: (01) 302527

Jnah – Marriott

Jnah, Amarat Al Arij Bldg.

Ground floor

Tel: (01) 858310 -1-3

Fax: (01) 858312

Halba

Akar, Al Saha,

Masoud Center

Tel: (06) 693661-2-7

Fax: (06) 693665

Mais Al Jabal

Al Saha, Doulany Bldg.

Tel: (03) 399334 /

(07) 865800-1-3

Fax: (07) 865802

Achrafieh

Sassine Square,

Michel Sassine Bldg.

Ground Floor

Tel: (01) 200452-3-4

Fax: (01) 200455

Verdun

Ain El Tineh Square,

Achour Center

Tel: (01) 785601 / 797401 /

785576

Fax: (01) 785575

Jdeideh

La Sagesse Street,

Tel: (01) 870151 /

870164 / 894007

Fax: (01) 898007

Tripoli

El Mina Street,

Al Fayhaa Bldg.

Tel: (06) 432974 / 434974 /

447539

Fax: (06) 431713

Saida

Deckerman Area,

Jezzine Street,

Golden Tower Bldg.

Tel: (07) 727701-2-3

Fax: (07) 727704

Jounieh

Fouad Chehab Street

(Serail St.), Al Turk Bldg.

Tel: (09) 645001-2-5

Fax: (09) 645003

Nabatieh

Habboush – Nabatieh Road,

Haidar Center

Tel: (07) 531980 -1-2

Fax: (07) 531983

Haret Hreik

Hadi Nasrallah Road,

Abou Taam Bldg.

Tel: (01) 548444 / 548333 /

548222

Fax: (01) 276516

CORRESPONDENT BANKS

Country

Australia

Belgium

Canada

Denmark

France

Germany

Iraq

Italy

Japan

Jordan

Kuwait

Norway

Qatar

Saudi Arabia

Sri Lanka

Sweden

Switzerland

United Arab Emirates

United Kingdom

United States

Correspondent

Westpac Banking Corporation - Sydney

ING Belgium NV/SA - Brussels

Royal Bank of Canada - Toronto

Danske Bank - Copenhagen

Banque SBA - Paris

Dresdner Bank AG - Frankfurt am Main

The Bank of New York - Frankfurt am Main

JP Morgan AG - Frankfurt am Main

Iraqi Middle East Investment Bank - Baghdad

Intesa Sanpaolo SPA - Milan

The Bank of New York - Tokyo

Cairo Amman Bank - Amman

Gulf Bank K.S.C. - Kuwait

DNB Nor Bank ASA - Oslo

Qatar National Bank - Doha

Saudi Hollandi Bank - Riyadh

People's Bank - Colombo

Skandinaviska Enskilda Banken AB - Stockholm

Credit Suisse - Zurich

Investbank PSC - Sharjah

MashreqBank PSC - Dubai City

Barclays Bank PLC - London

The Bank of New York - New York

Wachovia Bank - New York

JP Morgan Chase Bank - New York

American Express Bank LTD - New York

Currency

AUD

EUR

CAD

DKK

EUR & USD

EUR

EUR

EUR

USD

EUR

JPY

JOD & USD

KWD & USD

NOK

QAR

SAR & USD

USD

SEK

CHF

AED & USD

AED

GBP

USD

USD

USD

USD



WWW.FNB.
COM.LB



FIRST NATIONAL BANK S.A.L.