Arriving at one point is the starting point to another

CONTENTS

MOVING
BEYOND OUR
SUCCESS

CHAIRMAN’S LETTER

CHAIRMAN'S LETTER

In 2008, the foundation of a very powerful financial system in history was shaken by the most severe financial crisis since the Great Depression. The Subprime Mortgage debacle in the United States developed into a worldwide financial crisis whose impact will be felt for many years to come. This crisis will keep the financial luminaries of the world busy trying to disentangle its complex causes and effects in the hope to build a more immune and shock-proof system.

To the surprise of the whole world, the year 2008 was unexpectedly a very good year for the Lebanese economy in general and for the Lebanese banking sector in particular. Despite the challenges of the global financial crisis, the Lebanese banking sector flourished due to the wisdom and prudence of the Lebanese Central Bank and its exceptional leadership. The well anchored system has been repeatedly tried and tested for many long years and has proven to be immune to volatile socioeconomic, political and financial tsunamis experienced both inside and beyond the borders of the country. Accordingly, the banking sector reflected healthy growth in the different indicators of the sector's balance sheet, profit and loss statements including growth in assets, deposits, loans, equity and profitability.

FNB, in turn, reported a significant growth this year in total assets by 10.32%, customer deposits by 14.35% and loans and advances to customers by 13.08%. Furthermore, net profit on a consolidated basis was enhanced by a remarkable increase of 26.05%, reflecting an improved efficiency in managing its assets. The ROA was considerably improved by 13.56%.

During 2008, FNB acquired all the shares of Middle East Capital Group (MECG) to become a wholly owned subsidiary as a hybrid step between its effort to consolidate its business and to expand and grow into new areas. The company leadership is now in the process of reactivating MECG after being dormant for several years and launching it as a full fledged financial institution with a wide spectrum of financial services such as wealth management, private equity management, real estate fund management, micro lending and brokerage services. MECG will serve as an investment arm of FNB.

As part of a five year plan to develop the branch network by 50%, two new branches will be fully operational in Chtoura and Zouk Mosbeh during 2009 in order to serve clients through our expanding 20 branch network.

Furthermore, the bank is committed to expand within Lebanon through a continuous search for growth opportunities and to acquire other financial institutions with potential business synergies.

During 2008, FNB conducted a thorough restructuring process for the credit function by separating the review and control from the business origination functions and thus enhancing its potential for developing its business within proper compliance and control measures.

Despite the seriousness of the challenges facing the overall global financial system and the resulting possible impact on the region, the FNB team remains undeterred and committed to its mission, vision and plan to offer its clients the most effective and efficient services fortified by the trust of its clients, the support of its shareholders, and the dedication of its staff.

THE PEOPLE THAT INSPIRE US TO EXCEL

MANAGEMENT

MANAGEMENT

B.O.D. of First National Bank SAL for the year 2008

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 Rashed Farhat	Member
Promotion Des Investissements s.a.l. (Holding) Represented by Me. Sakhr El Hachem	Member
United Investment Company (Lebanon) s.a.l. (Holding) Represented by Mr. Hussam El Sayed	Member

General Management

Mr. Rami Refaat El Nimer
(Chairman - General Manager)

Mr. George Nassib Aouad
(Deputy General Manager)

Mr. Ghaithan Subhi Tayara
(Assistant General Manager)

Mr. Elias Salim Baz
(Executive Director - Advisor to the Chairman - General Manager)

Legal Advisors

Abou Sleiman & Partners

Me. Sakhr C. El Hashem

Saadé, Debs & Partners

Foreign Affairs

Mr. Nabil Soubra - Chairman's Advisor

Auditors

Deloitte

Head Office Managers

Mr. Imad R. Al-Fata
(Senior Manager, Head of Corporate Credit Unit)

Mr. Robert H. El Haddad
(Senior Manager, Head of Internal Audit Department)

Mr. Mahmoud G. Francis
(Senior Manager, Head of Branch Management Department)

Mr. Adam H. Mansour
(Senior Manager, Head of Compliance and Review Department)

Mr. Antoine C. Wakim
(Senior Manager, Head of Financial Control Department)

Mr. Raymond N. Yazbeck
(Senior Manager, Head of Special Projects)

Mr. George F. Abi Hanna
(Manager, Head of Human Resource Department)

Mr. George K. Abi Karam
(Lawyer, Acting Head of Legal Department)

Mrs. Amina H. Bizri
(Manager, Head of Consumer Credit Section)

Mr. John Chalouhi
(Head of Risk Management Department)

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

Ms. Nada El Zein
(Head of Credit Review Unit)

Mr. Joseph E. Estephan
(Manager, Head of Recovery & Restructuring Unit)

Mrs. Soumaya Y. Haris
(Manager, Head of Capital Market Section)

Mr. Salim L. Karroum
(Manager, Head of Operations Department)

Mr. Marwan B. Khawand
(Manager, Head of Information Technology Department)

Mr. Maher G. Mezher
(Manager, Head of Marketing Department)

Mr. Elie M. Rahal
(Manager, Head of Trade Finance Section)

Mr. Assaad K. Saliba
(Manager, Head of FX Section)

Branch Managers

Mr. Antoine G. Hafez
(Senior Manager, Allenby Branch-Main Branch)

Mr. Firas Abi Farraj
(Acting Branch Manager, Aley 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. Youssef H. El Zoghbi
(Manager, Jdeideh Branch)

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

Mr. Issam H. Ghosn
(Manager, Nabatieh Branch)

Mr. Ahmad Saoud A. Hajar
(Manager, Tripoli Branch)

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

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

Mr. Nabil H. Serhan
(Manager, Mais El Jabal Branch)

Mr. Erik P. Vasdekis
(Manager, Achrafieh Branch)

Mrs. Rola S. Zaghloul
(Manager, Hamra Branch)

A FOUNDATION FOR FURTHER GROWTH

WORLDWIDE RECOGNITION

WORLDWIDE RECOGNITION: FERTILITY LOAN

For the second Time, FNB is the talk of the world!

After launching the "Plastic Surgery Loan" that captured the attention of the world, First National Bank has once again proven its position as a leader in studying the needs of its clientele and finding the appropriate solutions. After a thorough research, we decided to launch the "Fertility Loan", the first of its kind in Lebanon and the world, which met with great local and international success.

We are proud of having made this loan with a human scope within everyone's reach, and planted the happiness of having a child in our customer's hearts, whom we have to thank for the ongoing success of our innovative banking services. Among the foremost media that have covered this event are:

THE ESSENTIALS THAT DRIVE US FORWARD

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

History

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 357 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.

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 58.96% of total shares of capital of Middle East Capital Group Ltd (Guernsey). In 2008, the Bank completed another acquisition and today owns 98.924% of the total shares of MECG. The bank has been reporting consolidated financial statements with MECG since March 2007.

FNB Performance

A comparison of the financial indicators for the period starting from 2005 to 2008 clearly demonstrates that First National 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 15th at the end of 2005 to 13th at the end of 2008.

Financial Highlights

(In thousands of LBP)	2005	2006	2007	2008
Assets	1,800,616,390	2,058,279,527	2,263,434,611	2,496,946,024
Loans and advances to customers	351,204,302	411,066,038	497,808,996	562,925,500
Customers' deposits	1,298,298,190	1,458,982,846	1,675,453,347	1,915,861,304
Shareholders' equity	75,439,328	71,811,076	139,554,887	157,971,466
Net income	7,503,460	9,040,438	10,561,362	13,312,260
Number of branches	16	18	18	18
Number of staff	287	340	339	357
Ratios				
Loans to Deposits	27.05%	28.17%	29.71%	29.38%
Net doubtful loans/ Total loans	4.33%	4.61%	3.23%	3.43%
Loan loss provisions/ Gross loans	16.99%	16.06%	11.36%	10.95%
Net doubtful loans/ Equity	20.14%	26.40%	11.52%	12.22%
Gross doubtful loans/ Gross loans	20.58%	19.93%	14.22%	14.00%
Average equity to Assets	3.67%	3.82%	4.89%	6.25%
Efficiency				
Interest received to av. Assets	6.16%	7.08%	6.93%	6.37%
Interest paid to av. Assets	4.72%	5.59%	5.51%	4.81%
Interest paid to Interest received	76.71%	78.97%	79.57%	75.54%
Spread	1.43%	1.49%	1.42%	1.56%
Cost to Net Financial Income	72.15%	69.77%	68.16%	66.68%
Profitability				
ROAA	0.41%	0.47%	0.49%	0.56%
ROAE	11.21%	12.28%	9.99%	9.38%

Operational Structure of FNB

Board of Directors

FNB is a Lebanese bank owned by a group of professional businessmen, financial and industrial investors from Lebanon, Kuwait, UAE and Saudi Arabia. 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 Board 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.

The bank's share capital is held as follows:

Name of Shareholders	No. of Shares	%
Invest Bank P.S.C.	2.070.000	18.00%
Mr. Rami R. El Nimer	1,711,907	14.89%
Promotion des Investissements s.a.l. (Holding)	1,387,084	12.06%
Mr. Khaled A. Al Sagar	1,070,750	9.31%
United Investment Company (Lebanon) s.a.l. (Holding)	921,526	8.01%
Commercial Facilities Company K.S.C	618,297	5.38%
Mr. Roland E. Haraoui	499,686	4.35%
Mr. Ziad T. Al Sahli	476,086	4.14%
Mr. Salaheddine N. Osseiran	414,448	3.60%
Mr. Mutlaq A. Al Mutlaq	396,306	3.45%
Mr. Abdel Mohsen A. Al Mutlaq	396,306	3.45%
Mr. Ramzi R. Haidar	388,255	3.38%
Dr. Souad M. Al Sabah	317,141	2.76%
Mr. Khalaf A. Al Habtoor	285,338	2.48%
Other investors	546,870	4.76%
Total	11,500,000	100%

Directors of FNB

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 Holding 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.

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 the 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.

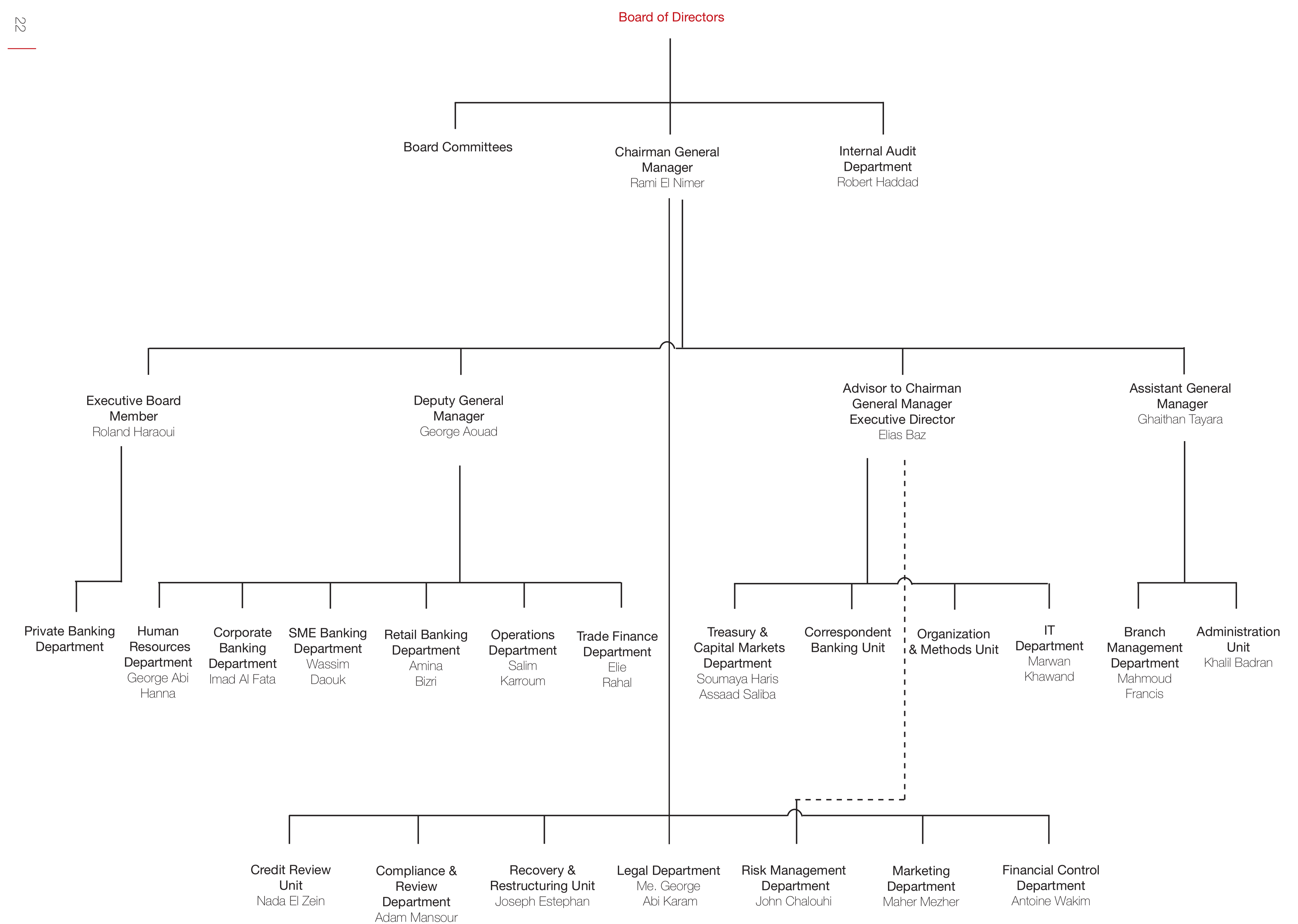
Mr. Roland Elias Haraoui is a member of the Board of Directors at FNB. Mr. Haraoui has been a Director at FNB since December 13, 2001. He is a Lebanese businessman.

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.

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 four 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 daily operations of the bank.

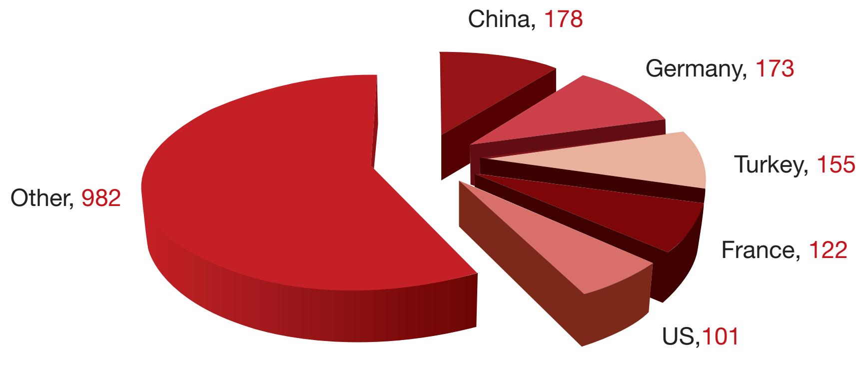

Board of Directors
Board Committees
Chairman General Manager
Rami El Nimer
Internal Audit Department
Robert Haddad
Executive Board Member
Roland Haraoui
Deputy General Manager
George Aouad
Advisor to Chairman General Manager Executive Director
Elias Baz
Assistant General Manager
Ghaithan Tayara
Private Banking Department
Human Resources Department
George Abi Hanna
Corporate Banking Department
Imad Al Fata
SME Banking Department
Wassim Daouk
Retail Banking Department
Amina Bizri
Operations Department
Salim Karroum
Trade Finance Department
Elie Rahal
Treasury & Capital Markets Department
Soumaya Haris
Assaad Saliba
Correspondent Banking Unit
Organization & Methods Unit
IT Department
Marwan Khawand
Branch Management Department
Mahmoud Francis
Administration Unit
Khalil Badran
Credit Review Unit
Nada El Zein
Compliance & Review Department
Adam Mansour
Recovery & Restructuring Unit
Joseph Estephan
Legal Department
Me. George Abi Karam
Risk Management Department
John Chalouhi
Marketing Department
Maher Mezher
Financial Control Department
Antoine Wakim

Operating Environment

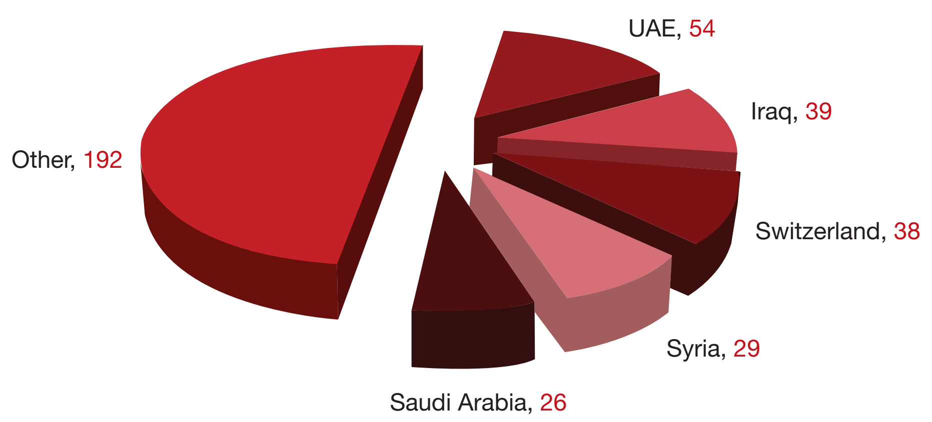
1- Economic Indicators

The Lebanese banking sector was able to overcome the immediate effects of the financial crisis that affected the largest banks worldwide. The Lebanese economy, though vulnerable, performed remarkably. In 2008 the construction and tourism sectors performed the most efficiently as macroeconomic conditions improved after the May Doha agreement that paved the way to form a unity government and to schedule the general elections for June 2009.

Lebanon's public debt to GDP ratio continued to grow, and as a result, was still quite high. Real GDP rose to more than 8% in 2008, while inflation dropped to 4% in January 2009. By the end of 2008, the value of "cleared checks" increased by 16.4%. The construction sector revealed a growth of 12.6% specified by volumes of cement delivered. The foreign trade sector also showed some improvements. Imports increased by 6.7% in 2008, reaching LBP 1,711.5 billion at the end of 2008 and export increased by 3.9%, reaching LBP 378 billion during the same period.



IMPORTS BY COUNTRY IN 2008 In Billions LBP
Source: BDL Monthly Bulletin December 2008

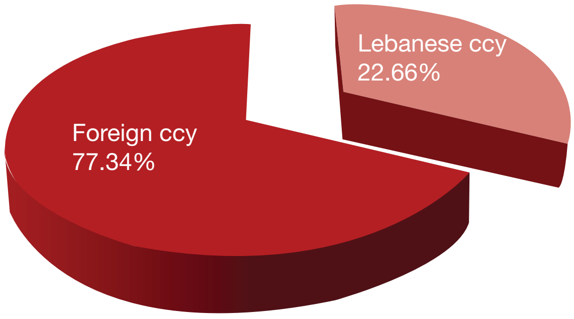


EXPORTS BY COUNTRY IN 2008 In Billions LBP
Source: BDL Monthly Bulletin December 2008

According to the Ministry of Finance, Net Total Public Debt reached LBP 62,550 billion at the end of 2008. For the Lebanese currency it was equal to LBP 30,681 billion with a yearly increase of 14.3% while Net Public Debt in foreign currency declined to equal around LBP 31,869 billion.

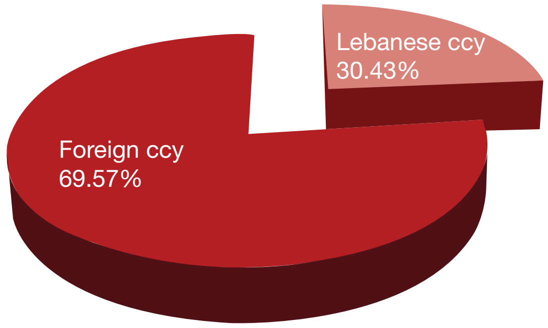
2- Banking sector

The consolidated balance sheet of commercial banks increased by 14.59% in 2008, reaching LBP 142,090 billion compared to LBP 123,999 billion in 2007. Total deposits increased by 15.6% in 2008, from LBP 101,435 billion in 2007 to LBP 117,253 billion in 2008. The dollarization ratio decreased from 77.3% in 2007 to 69.6% in 2008.



DEPOSITS BY CURRENCY IN 2007

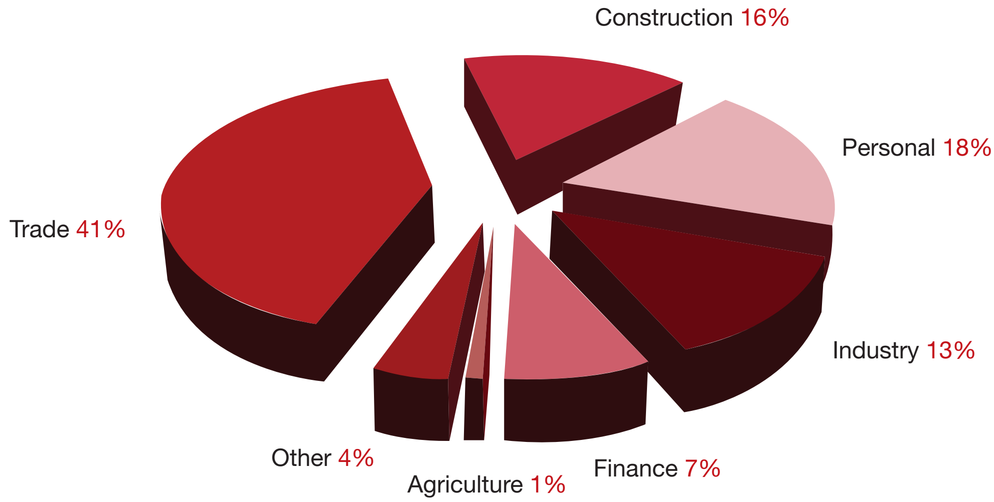
Source: BDL Monthly Bulletin December 2008



DEPOSITS BY CURRENCY IN 2008

Source: BDL Monthly Bulletin December 2008

Total loans and advances increased by 22.6% in 2008, from LBP 30,791 billion in 2007 to LBP 37,748 billion in 2008.



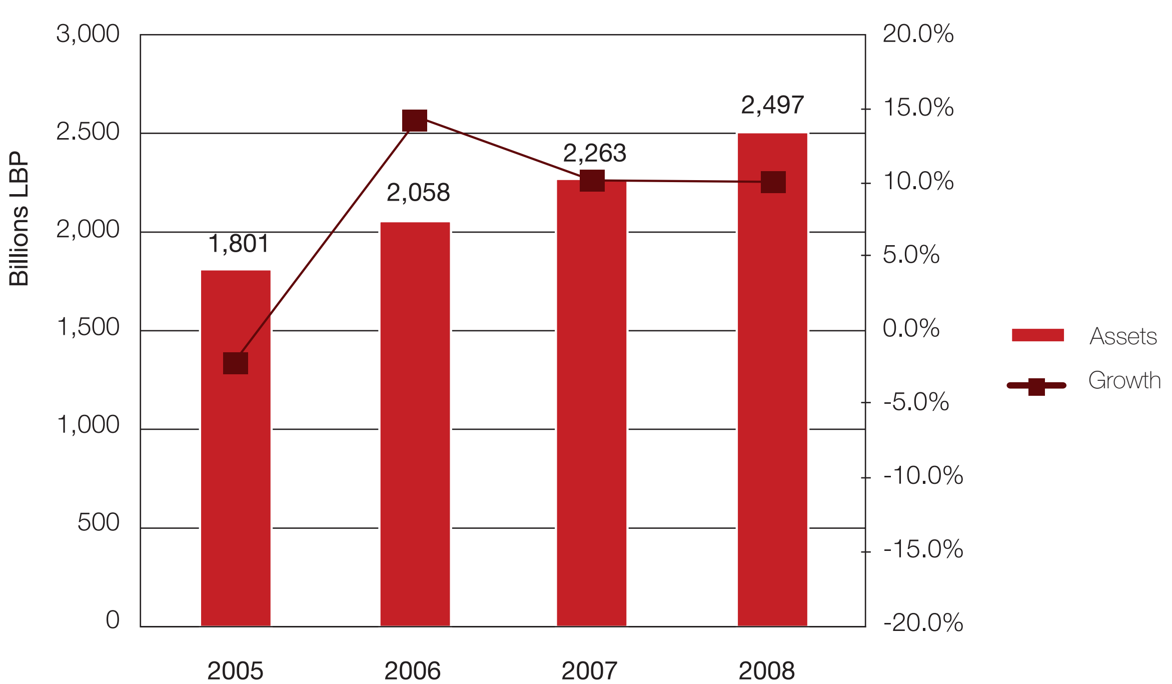
LOANS AND ADVANCES BY SECTOR IN 2008

Source: BDL Monthly Bulletin December 2008

Financial standing

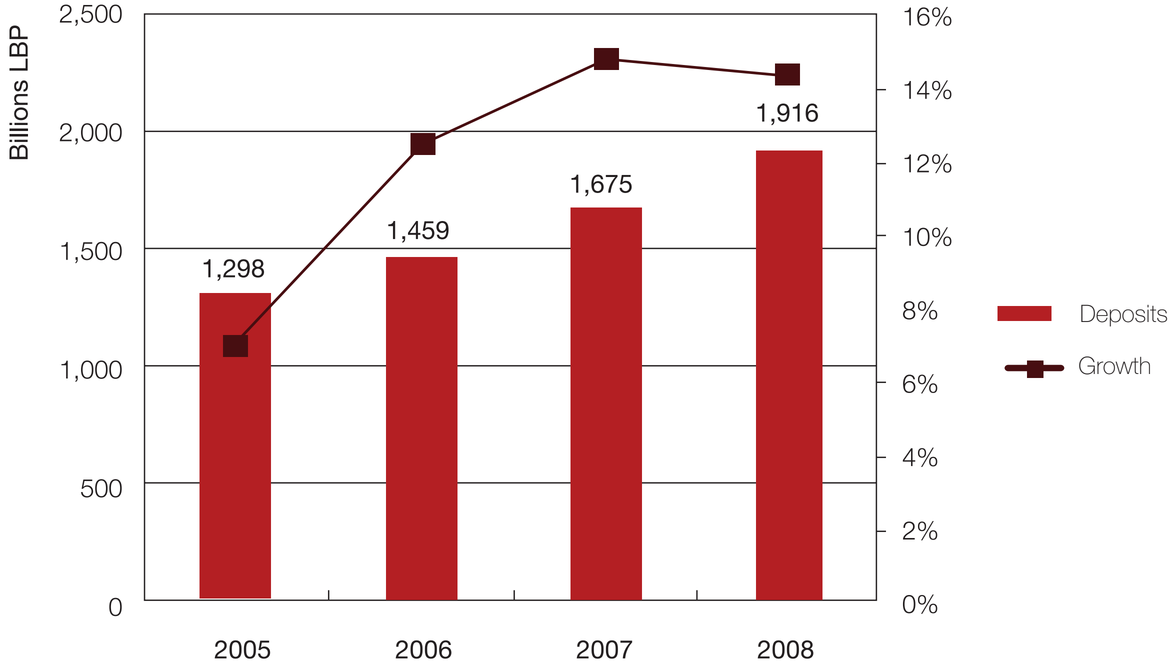
1-Total Assets

The consolidated assets of FNB as of December 31, 2008 amounted to approximately LBP 2,497 billion (USD 1.65 billion).

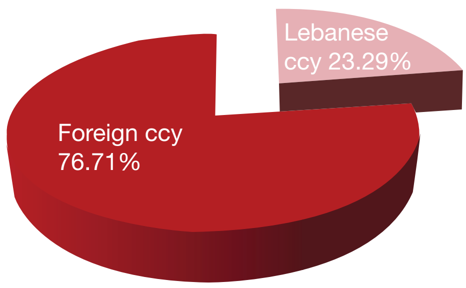


2- Deposits from Customers

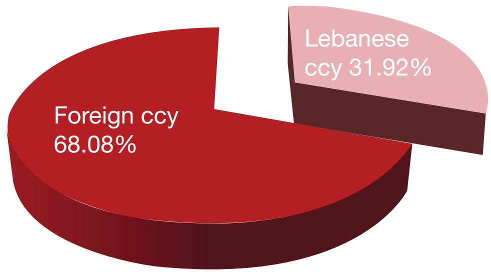
On December 31, 2008, the bank had accumulated sums of LBP 1,916 billion (USD 1,271 million) in customers' deposits as compared to LBP 1,675 billion (USD 1,111 million) in 2007, reflecting a growth rate of 14%.



Dollarization



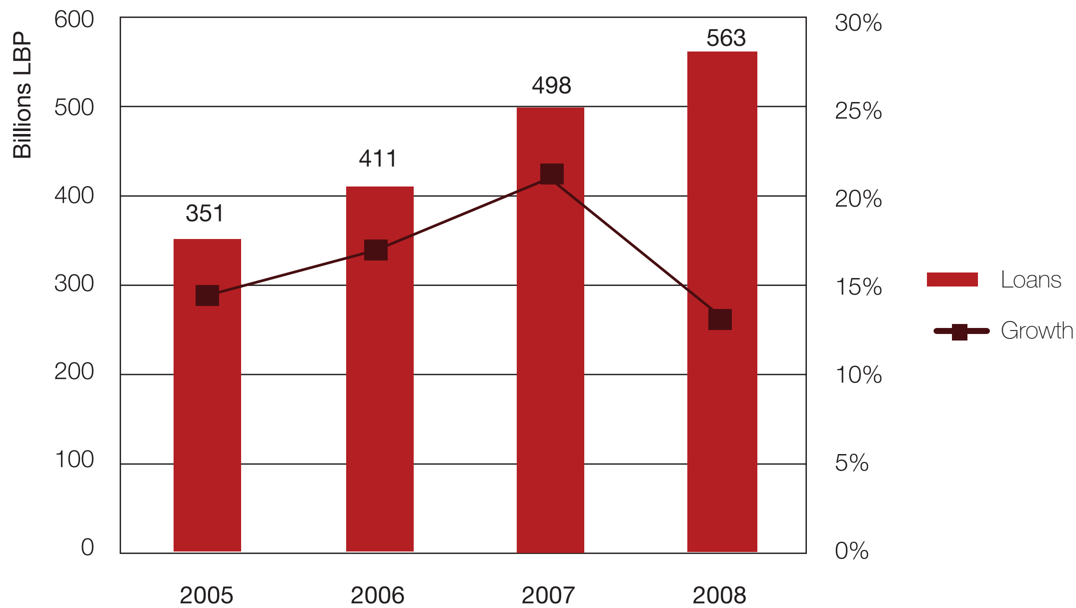
FNB's Deposits by currency in 2007



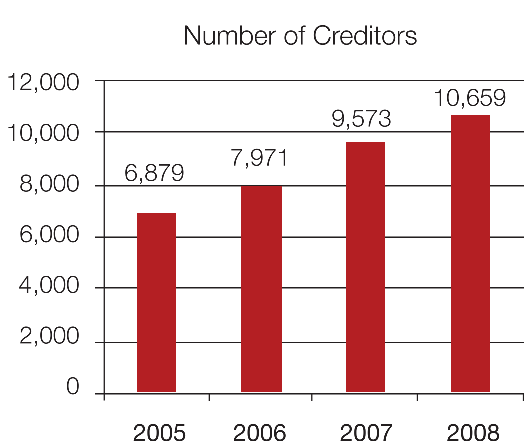
FNB's Deposits by currency in 2008

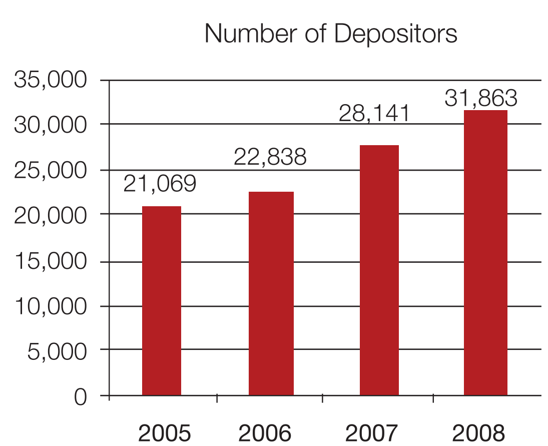
3- Loans and Advances to Customers

FNB was also successful in developing its retail and commercial lending sector. Loans and Advances to customers increased by LBP 65 billion (USD 43 million) during 2008 to reach LBP 563 billion (USD 373 million) as of December 31, 2008, reflecting a growth rate of 13%.



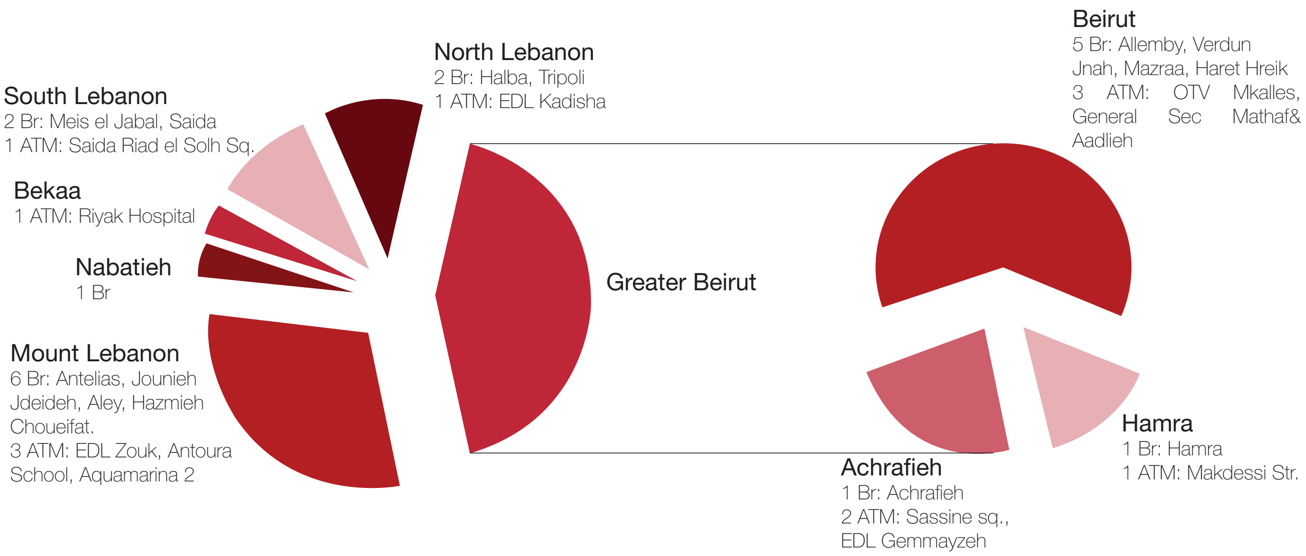
a- Number of Customers at the end of 2008



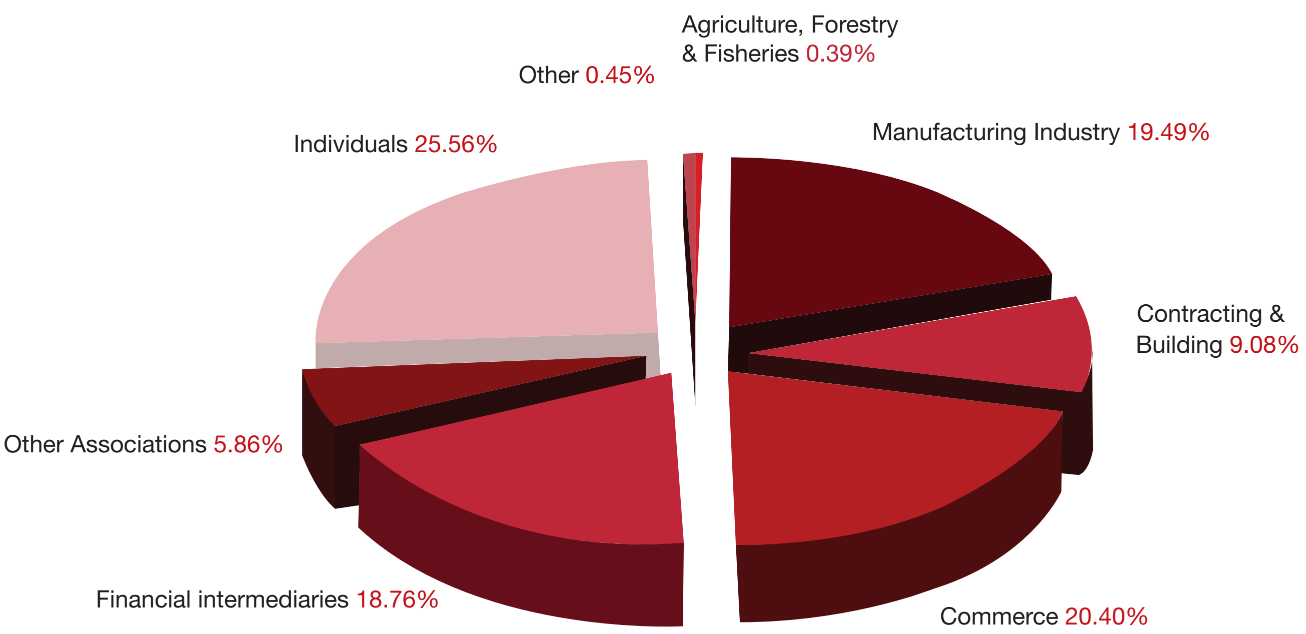


b- Geographic Distribution of Branches and ATM's

The Bank operates 19 ATM's within the branches and 11 additional free-standing ATM's, in order to allow banking access throughout Lebanon.



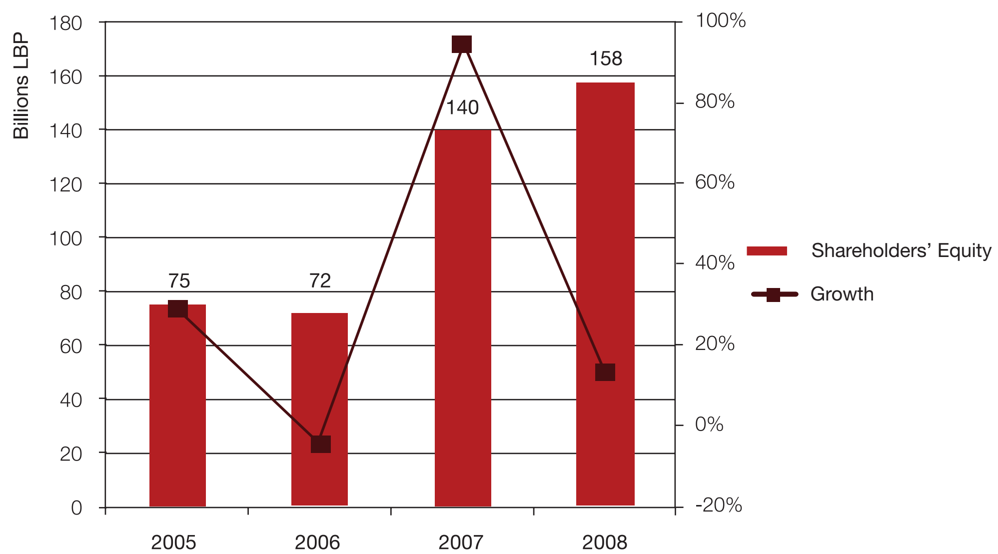
c- Loan Portfolio by Economic Sector in 2008



4- Shareholders' Equity

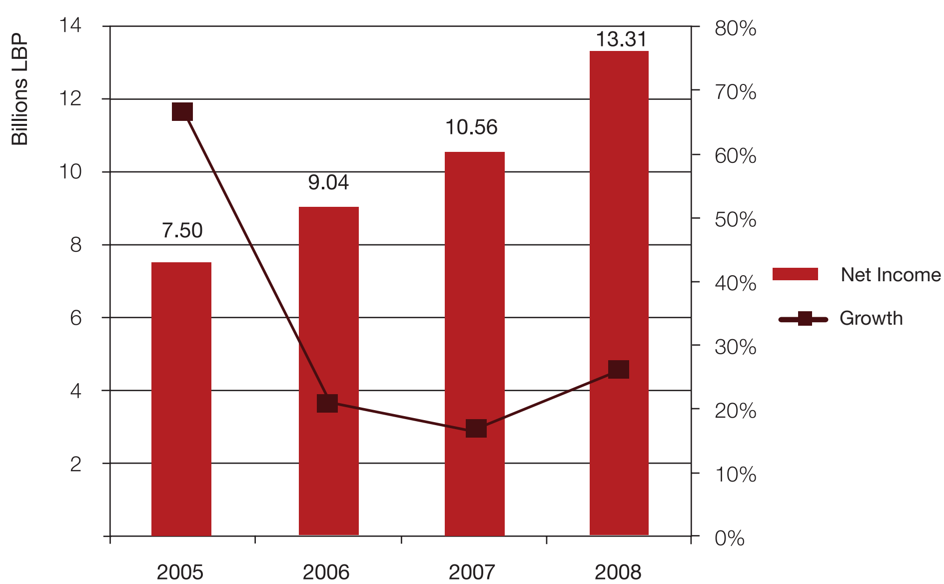
At the end of 2006 and the beginning of 2007, the bank increased the shareholders' equity from approximately LBP 72 billion (USD 48 million) to around LBP 140 billion (USD 93 million). This increase was achieved by widening the shareholders' base and consequently enhancing the bank's potential for further 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.

In 2008 another Capital increase of approximately LBP 15 billion (USD 10 million) was realized. Shareholders' Equity reached LBP 158 billion (USD 105 million) by the end of December 2008.



5- Net Income

On December 31, 2008 the bank reported a net income of LBP 13.31 billion (USD 9 million) as compared to LBP 10.56 billion (USD 7 million) at the end of 2007, reflecting a relative growth rate of 26%. The substantial increase in net income experienced during 2008 was the result of growth in bank activities, enhancement of non-interest sources of revenue and the efficiency of operations.



Capital Measurement

FNB complies with the capital requirements set forth by the Central Bank of Lebanon, the Bank's main regulator, to preserve the Bank's liabilities and to monitor and maintain a strong capital base.

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

	2008	2007
Capital adequacy ratio:	18.65%	17.23%

Strategic Orientations

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.

Compliance and Review

The Compliance and Review Department (CRD), established in 2009, centralizes the control and review processes at FNB to aid the organization in achieving its mission and profitability goals. The CRD regulates the policies, processes, and tasks of the organization to ensure efficiency of operations, quality of reporting and compliance with applicable laws and regulations.

Compliance and Review consists of five interrelated components. These are:

Control Environment: sets the tone of the organization, influencing the control consciousness of its employees.

Risk Assessment: identifies and analyzes relevant risks. Forms a basis for determining the risk management policy.

Control Activities: monitor policies and procedures that ensure management directives are achieved. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, asset security and segregation of duties.

Information and Communication: identifies pertinent information that must be analyzed and communicated in an efficient form and timeframe. Information systems produce reports containing operational, financial and compliance-related information that enable it to properly function and control the business. They manage not only internally generated data, but also information regarding external events that affect the business, activities and conditions necessary to conduct informed decision-making and external reporting.

Monitoring: occurs through the observation of internal control systems via a process that assesses the quality of the system's performance over a period of time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two procedures. Ongoing monitoring occurs in the standard course of operations. Internal control is most effective when controls are built into the entity's infrastructure and are a part of the foundation of the enterprise. Built-in controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick responses to changing conditions.

The CRD is comprised of the following Units:

1. Treasury Review Unit
2. Reconciliation Unit
3. Credit Monitoring and Review Unit
4. Anti Money Laundering Unit
5. Branch Review and Control Unit
6. Operations and Review Unit

Corporate Credit

The main objective of the Corporate Banking Division at FNB is to maintain the utmost level of satisfaction for its corporate clients by providing them with specialized financial solutions in order to meet their increasingly complex financial needs.

FNB's Corporate Banking Division provides innovative solutions to meet its customer's business challenges. Therefore, it offers a wide range of necessary products and services including overdraft facilities, short, medium and long term loans, discounted bills, letter of credit, bank guarantees, subsidized loans, Kafalat loans, EIB loans, project finance, and others.

During this past year, the Division implemented a successful corporate banking strategy to pursue growth and profitability, as well as to ensure security for its depositors and shareholders.

The philosophy of FNB's Corporate Banking Division is to make a difference in its corporate customers' business which enables them to flourish, succeed and develop a long term mutually beneficial banking relationship for all involved.

Branch Management

The Branch Management Department at FNB fosters a culture of trust and satisfaction that leads to employee commitment, and in turn, to customer loyalty. The department has successfully implemented an incentive program for all employees as well as an executive incentive program for managers, leading to a higher employee retention rate. FNB's Service Excellence Program encourages staff members to set high standards for courteous and professional service. FNB prides itself on being customer focused and friendly. Not only is customer feedback encouraged, it is analyzed and utilized to meet the customers' ever-changing needs.

The information sharing culture is consistent and encouraged on all levels between branches and FNB Headquarters. This has enabled Branch Managers to achieve their goals and increase the main funding source, customers' deposits, by 14% this past year while decreasing the cost of fund by 0.44%. Their main focus is to increase the non-interest income through a variety of diversified products and services. This existing synergy among various components led to the reduction of expenses and thus a higher profitability.

FNB's progressive strategic plan includes a dynamic expansion of the local branch network for the next five years in order to enhance its position within the Lebanese banking sector and improve its share of the growing retail banking market. A branch license was recently approved for Chtoura in the Bekaa district.

Marketing

During the past year, the Product Development Section of FNB's Marketing Department introduced many innovative products to meet the changing needs of individual consumers.

FNB's Loan Products aimed to improve the personal and professional lives of its clients. The Dental Care Loan and Doctor's Package Loan were also unveiled, which enabled dentists and doctors to meet the specific needs of their medical professions.

The most successful of all the products launched in 2008 was the Fertility Loan. As a result of a large-scale promotional campaign, FNB received a multitude of international acclaim and recognition. FNB became, for the second time, the talk of the world, appearing in international magazines and newspapers, as well as on television, radio and billboards.

In addition, FNB, in cooperation with EduDMG and the Order of Engineers - Beirut, offered a Professional Certificate Loan that enabled the business professional to acquire additional knowledge and skills in specialized areas of engineering.

A new FNB Platinum Card in sterling pound was introduced to the public, as well as the Gold Card Service Program which enrolled customers in the Priority Pass Card Enhancement Program. Moreover, to expand the revolving cards' portfolio, the Marketing Department promoted pre-approved credit cards to existing retail loan customers.

In order to stimulate the sales of Bancassurance products, a three month summer campaign was launched, which resulted in an increase in sales of 212%. FNB continued to support its local community by sponsoring social and public events such as the Chess Tournament of Amicale Freres in Furn el Chebbak, the AUB Zaki Nassif concert, and the Handicapped Women's Association Gala Dinner, as well as many others.

FICB

During the second half of 2008, the Financial Institutions and Correspondent Banking Department (FICB) at First National Bank SAL conducted a Business Process Review (BPR) that identified several challenges and opportunities for major enhancements in the financial analysis and documentation fields. FICB adopted a new and more advanced financial analysis review process and a documentation procedure in order to better service its clients and to adhere to international standards.

The department has a dedicated and a well-trained team that is ready to respond to the specific needs of its esteemed clients. Its target is to explore and take advantage of new business opportunities, while managing, developing and maintaining successful alliances with clients. The department is currently in the process of identifying new markets with potential where FNB can promote its products in a professional and successful manner.

Treasury

FNB's Treasury Department provides innovative solutions, professional services, and full access to the world's Money & Capital Markets, as well as FX. Whether clients require investment banking, equities, fixed income or foreign exchange, FNB has the global strength and industry experience to meet their changing needs. 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.

In addition, the bank is very active in the Lebanese Capital Market. Among other activities, the bank is a leading player of Lebanese Government Eurobonds and, according to published statistics by Midclear, an active trader in Lebanon by volume in regional and international fixed income securities.

Private Banking & MECG

FNB's investment and private banking business provides a wide range of financial advisory and brokerage services, capital markets offerings, and medium to long–term lending products.

In regards to Private Banking, MECG offers brokerage services, asset management, wealth management, private equity management, securitization and real estate fund management among other related financial services, along with its present micro finance program.

Non Financial Developments

1- Human Resources

2008 was a great year of achievements at the Human Resources level since we achieved "Excellence" and we started building on the "Outstanding" performance in sustaining the FNB's strategic intents.

This past year, we went the extra mile at Human Resources through our focus on the Talent Pipeline available in the local market, our continuous and victorious environment of People Engagement and the reinforcement of our Leadership capabilities.

Our recruitment theme for 2008 consisted of the "Best Fit Approach" whereby the HR team focused on analyzing and matching job roles to people's potential and skills.

The Learning and Development was also another component of our success since we allocated trainings based on business need and in line with the employees' Talents and the individual Learning Roadmaps. Thus, our HR department has encouraged the "Strength Based Approach" whereby they gave high interest on the effectiveness of training courses and the related impact on both business and individual levels.

On top of the above, and in connection with our belief in Values, we have integrated in our performance assessment a particular tool that identifies and assesses the Values at work place.

As part of standing to our brand promise and our belief in lending a hand to the next generation, we have accommodated more than 230 students from a diversified scale of certified Lebanese universities in our Internship Program. This program allows students to acquire a wide and complete range of experience, and exposes them to the bigger picture of their desired career path.

In conclusion, our HR department has set the base to explore FNB as First Employer of Choice looking forward to lead the way in moving from the traditional HR village to a new trend of Strategic Business Partnership.

2- Information Technology

The Information Technology Department completed a comprehensive reengineering and improvement of its human and technological resources and processes during the last couple of years. This project was introduced in order to improve employees' productivity and efficiency as well as providing customers with high quality products and services.

A road map plan was presented to senior management committees highlighting the main concerns and their respective solutions. This consisted of internal department re-structuring, new talent acquisition, upgrading applications, processes automation, securing and strengthening infrastructure, and implementing monitoring tools to proactively detect and mitigate problems and resolve them effectively.
One of the most significant achievements of the IT Department was the upgrade of Misys Equation core banking system to its latest version 3.9, thus enabling the bank to benefit from the new and advanced functionalities.

In regards to new products and services, the IT Department implemented new software applications including internet banking, document archiving and management, Nostro reconciliation, centralized clearing, Western Union money interface, medical management system, and micro-lending. The IT Department is committed to continuously supporting the launch of new and innovative products.
As FNB looks toward the future, it plans to introduce new applications such as IBAN, Trade Finance, business intelligence and a risk management system.

BUILDING ON THE STRONGEST OF FOUNDATIONS

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2008

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 31,2008, 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 the auditor's 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, 2008, 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 8, 2009

Deloitte & Touche

Consolidated balance sheet

Assets	Notes	December 31 2008 LBP 000	2007 LBP 000
Cash and Central Bank	5	382,437,353	307,934,875
Deposits with banks and financial institutions	6	355,275,006	458,453,050
Trading assets	7	4,939,379	4,855,633
Available-for-sale investment securities	8	677,822,097	335,074,617
Held-to-maturity investment securities	8	451,669,694	597,050,912
Fair value of interest rate swap	9	-	408,282
Loans to banks	10	5,114,270	2,721,643
Loans and advances to customers	11	562,925,500	497,808,996
Customers' liability under acceptances	12	12,787,789	8,096,228
Investment in subsidiaries	13	4,997	69,579
Investment in associated Company	14	915,016	3,033,205
Assets acquired in satisfaction of loans	15	6,674,405	9,019,820
Property and equipment	16	21,588,612	22,019,866
Other assets	17	10,745,081	12,810,662
Regulatory blocked fund	18	1,500,000	1,500,000
Intangible assets	19	2,546,825	2,577,243
Total Assets		**2,496,946,024**	**2,263,434,611**

Financial instruments with off-balance sheet risk	Notes	2008	December 31 2007
Guarantees and standby letters of credit	37	58,870,372	57,550,010
Documentary and commercial letters of credit	37	44,580,857	21,843,858
Forward exchange contracts		27,419,413	71,630,701
Fiduciary deposits	38	479,468,665	361,425,665

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Liabilities		December 31	
	Notes	2008 LBP 000	2007 LBP 000
Deposits and borrowings from banks and financial institutions	20	326,810,347	361,324,307
Customers' deposits	21	1,915,861,304	1,675,453,347
Liability under acceptances	12	12,787,789	8,096,228
Certificates of deposit	22	12,065,617	12,062,808
Soft loan from Central Bank of Lebanon	23	44,850,747	44,845,373
Other liabilities	24	23,023,306	19,122,208
Provisions	25	3,575,448	2,975,453
Total liabilities		**2,338,974,558**	**2,123,879,724**

Equity			
Share capital	26	100,000,000	100,000,000
Blocked deposits for capital increase	26	15,000,000	-
Shareholders' cash contribution to capital	27	-	136,068
Additional paid-in capital	26	17,298,563	17,298,563
Legal reserve	28	1,717,266	910,601
Reserve for general banking risks	28	6,218,134	4,754,195
Reserves for assets acquired in satisfaction of loans	15	517,257	-
Cumulative change in fair value of investment securities	29	(11,455,242)	(16,325,099)
Cumulative change in fair value of derivatives	29	-	348,660
Retained earnings		28,289,542	18,663,493
Equity attributable to the Group		157,585,520	125,786,481
Minority interest		385,946	13,768,406
Total equity	30	157,971,466	139,554,887
Total Liabilities and Equity		**2,496,946,024**	**2,263,434,611**

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

	Notes	Year ended December 31 2008 LBP 000	2007 LBP 000
Interest income	31	151.606.439	149,748,485
Interest expense	32	(114,517,471)	(119,160,080)
Net interest income		37,088,968	30,588,405
Fee and commission income	33	8,475,291	5,842,640
Fee and commission expense	34	(2,610,318)	(2,269,194)
Net fee and commission income		5,864,973	3,573,446
Net interest and gain/(loss) on trading assets	35	792,642	607,397
Other operating income	36	5,994,854	4,586,288
Net financial revenues		49,741,437	39,355,536
(Allowance)/recovery for impairment of loans and advances to customers (net)		(1,219,778)	527,984
Write-off doubtful loans to customers		(682,476)	-
Net financial revenues after impairment charge for credit losses		47,839,183	39,883,520
Staff costs		(16,956,226)	(15,018,938)
Administrative expenses		(11,560,832)	(10,096,126)
Depreciation and amortization		(3,013,489)	(2,809,890)
Other income/(expense)		(1,408,684)	482,438
Gain on disposal of property and equipment		1,187,998	256,398
Provision		(149,999)	-
Profit before income tax		15,937,951	12,697,402
Income tax expense	24	(2,625,691)	(2,136,040)
Profit for the year		**13,312,260**	**10,561,362**
Attributable to:			
Equity holders of the Bank		12,864,273	10,272,534
Minority interest	30	447,987	288,828
		13,312,260	**10,561,362**

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

Year ended December 31, 2008

	Share Capital	Blocked Deposit for Capital Increase	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	LBP 000
Balance - January 1, 2007	40,600,000	-	27,963,726	-	6,557	3,434,891
Capital increase	59,400,000	-	(27,827,658)	17,298,563	-	-
Allocation of 2006 profit	-	-	-	-	904,044	1,319,304
Effect of acquisition of subsidiary	-	-	-	-	-	-
Change in fair value of investment securities	-	-	-	-	-	-
Change in fair value of derivatives	-	-	-	-	-	-
2007 net profit	-	-	-	-	-	-
Comprehensive income 2007	-	-	-	-	-	-
Balance - December 31, 2007	100,000,000	-	136,068	17,298,563	910,601	4,754,195
Capital increase	-	14,863,932	-	-	-	-
Reallocation	-	136,068	(136,068)	-	-	-
Allocation of 2007 profit	-	-	-	-	806,665	1,463,939
Effect of additional acquisiton in subsidiary	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-
2008 net profit	-	-	-	-	-	-
Comprehensive income 2008	-	-	-	-	-	-
Adjustment of minority share for the effect of additional acquisistion from minority	-	-	-	-	-	-
Balance - December 31, 2008	100,000,000	15,000,000	-	17,298,563	1,717,266	6,218,134

Equity Attributable to the Group

Reserves for Assets Acquired in Satisfaction of Debts	Retained Earnings	Cumulative Change in fair value of Investment Securities	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
-	8,908,548	(9,012,816)	(89,718)	71,811,098	-	71,811,098
-	-	-	-	48,870,905	-	48,870,905
-	(2,223,348)	-	-	-	-	-
-	1,705,849	-	-	1,705,849	14,482,591	16,188,440
-	-	(7,312,283)	-	(7,312,283)	(1,003,013)	(8,315,296)
-	-	-	438,378	438,378	-	438,378
-	10,272,534	-	-	10,272,534	288,828	10,561,362
-	10,272,534	(7,312,283)	438,378	3,398,629	(714,185)	2,684,444
-	18,663,493	(16,325,099)	348,660	125,786,481	13,768,406	139,554,887
-	-	-	-	14,863,932	-	14,863,932
-	-	-	-	-	-	-
517,257	(2,787,861)	-	-	-	-	-
-	(879,356)	-	-	(879,356)	(14,389,516)	(15,268,872)
-	-	4,246,247	(348,660)	3,897,587	1,611,672	5,509,259
-	12,864,273	-	-	12,864,273	447,987	13,312,260
-	12,864,273	4,246,247	(348,660)	16,761,860	2,059,659	18,821,519
-	428,993	623,610	-	1,052,603	(1,052,603)	-
517,257	28,289,542	(11,455,242)	-	157,585,520	385,946	157,971,466

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

Year ended December 31

	Notes	2008 LBP 000	2007 LBP 000
Cash flow from operating activities:			
Net profit for the year		13,312,260	10,561,362
Adjustments for:			
Depreciation and amortization		3,013,489	2,809,890
Allowance and write-off of impaired loans to customers		1,902,254	(527,984)
Loss on sale of property and equipment		56,757	5,056
Profit on sale of assets acquired in satisfaction of loans		(1,240,655)	(123,664)
Change in fair value of trading securities		419,860	216,533
Provisions		1,240,655	804,699
Share in profit of associate		4,391	(150,741)
Negative goodwill		-	(1,790,963)
Loss on disposal of associate		137,495	-
Net change in loans to banks		(2,392,627)	(1,354,345)
Net change in loans and advances to customers		(67,158,352)	(105.109,410)
Net change in customers' deposits		240,407,957	232,100,493
Net change in trading securities		(502,871)	-
Net change in placements with banks (including compulsory reserves)		28,341,459	(119,693,689)
Net change in other assets and intangible assets		562,532	(2,744,786)
Net change in other liabilities		3,969,810	11,761,142
Settlement of provisions		(478,640)	(312,747)
Net cash generated in operating activities		221,595,774	26,450,846

	Notes	Year ended December 31 2008 LBP 000	2007 LBP 000
Cash flows from investing activities:			
Net change in Investment securities		(191,657,005)	63,718,862
Acquisition of subsidiary		(14,439,511)	(17,574,435)
Net change in associate		1,976,303	(2,943,445)
Net change in property and equipment		(1,885,304)	(2,655,602)
Proceeds from disposal of assets acquired in satisfaction of loans		3,725,664	999,723
Net cash (used in)/generated in investing activities		(202,279,853)	41,545,103
Cash flows from financing activities:			
Capital injection		14,863,932	48,870,905
Certificates of deposit		-	(65,526,894)
Due to banks		(34,513,960)	5,102,455
Net cash used in financing activities		(19,650,028)	(11,553,534)
Net change in cash and cash equivalents		(334,107)	56,442,415
Cash and cash equivalents - Beginning of year		89,707,858	33,265,443
Cash and cash equivalents - End of year	41	89,373,751	89,707,858

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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 at December 31, 2008 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

Interpretations effective in the current period

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

Standards and interpretations in issue not yet adopted

At the date of authorization of these financial statements the following new standards, amendments to standards and interpretations were in issue but not yet effective and have not been applied in preparing these financial statements:

IFRS 1 and **IAS 27** (Revised) Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009);

IFRS 2 (Revised) Share-based Payment – Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);

IFRS 3 (Revised) Business Combinations (effective for accounting periods beginning on or after July 1, 2009);

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

IAS 1 (Revised) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009);

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

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after July 1, 2009);

IAS 32 and **IAS 1** (Revised) Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009)

IAS 39 (Revised) Financial Instruments: Recognition and Measurement –Eligible Hedged Items. (effective for accounting periods beginning on or after July 1, 2009)

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

IFRIC 16 Hedges of Net Investment in a Foreign Operation (effective for accounting periods on or after 1 October 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

Statement of Compliance

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

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 Pound 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.

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 form 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. Effective August 1, 2008, the First National Bank S.A.L. increased it percentage of ownership in Middle East Capital Group Limited from 58.96% to 98.92%.

The consolidated subsidiaries as at December 31, 2008 comprise:

	Country of Incorporation	Date of Incorporation	Percentage of Ownership	Business Activity
Middle East Capital Group Limited	Guernsey	December 8, 1995	98.92%	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 interest consists 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.

A- 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.

Acquiring additional shares in the subsidiary after control was obtained is accounted for as an equity transaction with owners. Goodwill is not remeasured and no gain or loss is reported.

The amount of minority interest in the net assets of consolidated subsidiaries is calculated as:

- The amount of non-controlling interests arising at the date of original combination, as calculated in accordance with IFRS 3 *Business Combinations*, plus
- The non-controlling interests' share of changes in equity since the date of the combination.

B- Foreign Currencies

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

Transactions in currencies other than the Bank's reporting currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

C- Financial Assets and Liabilities

Recognition and Derecognition

The Group initially recognizes loans and advances, deposits, debt securities issued 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.

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

When the Group enters into transactions whereby it transfers assets recognized on its balance sheet and retains all risks and rewards of the transferred assets, then the transferred assets are not derecognized, for example, securities lending and repurchase transactions.

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

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction. When published price quotations exist, the Group measures the fair value of a financial instrument that is traded in an active market using quoted prices for that instrument. A financial instrument is regarded as quoted in active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument and adjusted for any other factors such as liquidity risk.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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, a loss event has occurred which has an impact on the estimated future cash flows of the asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collateral and guarantees.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

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 objective evidence of impairment. 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.

D- Investment Securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

Held-to-Maturity

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

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. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

Fair Value through Profit or Loss

The Group did not have investments designated at fair value through profit or loss.

E- Trading Securities

Trading securities 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.

F- Loans and Advances to Customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the foreseeable future. Loans and advances are disclosed at amortized cost net of unearned interest and provision for credit losses where applicable.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the straight line method where results approximate those resulting from the effective interest method.

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

G- Derivative Financial Instruments

Derivatives are initially recognized 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 recognized 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.

Embedded derivatives

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

Hedge accounting

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

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

Fair Value Hedge

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

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

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “other gains and losses” line of the income statement.

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

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

H- 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).

I- 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 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%

J- 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.

K- 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.

L- Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

M- Provision for Employees' End-of-Service Indemnities

The provision for employees' end-of-service indemnities is based on the liability that would arise if the employment of all the staff were voluntary 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. This provision is recognized as an expense on a current basis.

N- 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.

O- Revenue and Expense Recognition

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

Interest income and expense presented in the income statement include:
- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities.

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.

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

P- 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.

Q- 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 balance sheet net of taxes previously settled in the form of withholding tax.

R- Investment in Associate

Identification of Associates

A holding of 20% or more of the voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise. If the holding is less than 20%, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the policy-making process;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Accounting for Associates

In its consolidated financial statements, the Group uses the equity method of accounting for investments in associates.

Under the equity method investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the associate (investee).

4- Critical accounting judgments and key sources of estimation uncertainty

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

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

A- Critical accounting judgments in applying the Group's accounting policies

Classification of Financial Assets

The Group's accounting policies provide scope for investment securities to be designated on inception into different categories in certain circumstances based on specific conditions. In classifying investment securities as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold these assets until their maturity as required by in accounting policy under note 3D.

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 -- Loans and Advances to Customers

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.

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

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

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

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

5- Cash and Central Bank

	December 31	
	2008	2007
	LBP 000	LBP 000
Cash on hand	18,157,013	16,706,478
Current accounts with Central Bank of Lebanon	106,232,040	52,563,568
Term placements with Central Bank of Lebanon	257,647,500	238,185,000
Accrued interest receivable	400,800	479,829
	382,437,353	307,934,875

Current accounts at the Central Bank of Lebanon include a non-interest earning cash compulsory reserve in Lebanese Pound in the amount of LBP87.2 billion (LBP39.2 billion as of December 31, 2007) computed 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 regulations. This compulsory reserve is not available for use in the daily banking activities.

Term placements with the Central Bank of Lebanon include the equivalent in foreign currencies of LBP227.4 billion (LBP132.6 billion in 2007) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non-resident financial institutions with remaining maturity of less than one year.

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

December 31, 2008

	LBP Base Accounts		F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP 000	%	LBP 000	%
2009	27,000,000	3.75	125,122,500	1.12
2011	-	-	60,300,000	2.55
2012	-	-	45,225,000	3.08
	27,000,000		230,647,500	

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	

6- Deposits with banks and financial institutions

	December 31	
	2008	2007
	LBP 000	LBP 000
Checks in course of collection	2,958,330	732,945
Current accounts with banks and financial institutions	49,226,368	58,904,867
Term placements with banks and financial institutions	285,770,429	381,862,433
Discounted documentary letters of credit	14,695,390	15,333,450
Accrued interest receivable	2,624,489	1,619,355
	355,275,006	458,453,050

Term placements bear the following maturities

December 31, 2008

	LBP Base Accounts		F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP 000	%	LBP 000	%
2009	103,305,825	8.06	159,674,044	4.56
2011	-	-	22,790,560	7.25
	103,305,825		182,464,604	

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

Discounted letters of credit in the amount of LBP14.6 billion as of December 31, 2008 (LBP15 billion as of December 31, 2007), represent the amount of import letters of credit in favor of the Group discounted and settled by the Group.

7- Trading assets

	Country of Issuance	Currency	December 31 2008	December 31 2007	Change in Fair Value During 2008
			LBP 000	LBP 000	LBP 000
Lebanese Government bonds:					
Bonds in Lebanese Pound	Lebanon	LBP	3,067,500	2,939,999	127,501
Bonds in U.S. Dollar	Lebanon	USD	-	764,114	-
Accrued interest receivable	Lebanon		99,086	102,777	-
			3,166,586	3,806,890	127,501
Corporate bonds:					
Sabic	Saudi Arabia		757,519	-	(33,919)
Quoted equities:					
Bemo Bank S.A.L.	Lebanon	USD	356,504	298,194	58,310
Rymco S.A..L.	Lebanon	USD	658,770	390,803	267,968
Other			-	208,996	-
			1,015,274	897,993	326,278
Unquoted equities:					
Fidelity Bank	Nigeria	Nira	-	150,750	-
Total			**4,939,379**	**4,855,633**	**419,860**

The change in fair value on held-for-trading securities (unrealized gain) in the amount of LBP419,860 is booked under “Net interest and gain/(loss) on trading portfolio” in the income statement (LBP216,533 for the year 2007) (Note 35).

No hedging of market, interest or foreign exchange exposure is undertaken on these portfolios.

8- Investment securities

December 31, 2008

	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
Funds, equity securities and participations	34,167	15,994,791	16,028,958	-	-	-
Lebanese Treasury Bills	177,971,842	-	177,971,842	146,575,757	-	146,575,757
Lebanese Government Bonds	-	225,894,681	225,894,681	-	166,467,846	166,467,846
Certificates of deposit issued by Central Bank of Lebanon	94,978,772	42,039,465	137,018,237	5,977,998	16,582,500	22,560,498
Certificates of deposit issued by Lebanese banks	-	35,984,108	35,984,108	-	8,316,322	8,316,322
Corporate Bonds	-	70,125,103	70,125,103	-	97,987,500	97,987,500
	272,984,781	390,038,148	663,022,929	152,553,755	289,354,168	441,907,923
Accrued interest receivable	6,839,406	7,959,762	14,799,168	3,094,392	6,667,379	9,761,771
	279,824,187	397,997,910	677,822,097	155,648,147	296,021,547	451,669,694

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
Funds, equity securities and participations	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

A- Available-for-sale investment securities

December 31, 2008

	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	-	-	-	8,346,157	7,482,966	(863,191)
Unquoted equity securities	34,167	34,167	-	6,246,052	6,246,052	-
Funds	-	-	-	3,045,150	1,813,523	(1,231,627)
Equity shares	-	-	-	452,250	452,250	-
Lebanese Treasury Bills	172,390,077	177,971,842	5,581,765	-	-	-
Lebanese Government Bonds	-	-	-	235,708,068	225,894,681	(9,813,387)
Certificates of deposit issued by Central Bank	93,911,392	94,978,772	1,067,380	42,101,226	42,039,465	(61,761)
Certificates of deposit issued by Lebanese banks	-	-	-	37,941,598	35,984,108	(1,957,490)
Corporate Bonds	-	-	-	76,808,246	70,125,103	(6,683,143)
	266,335,636	272,984,781	6,649,145	410,648,747	390,038,148	(20,610,599)

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	-	-	-	8,258,440	6,568,256	(1,690,184)
Unquoted equity securities	34,167	34,167	-	8,828,031	8,769,238	(58,793)
Funds	-	-	-	3,045,150	3,635,789	590,639
Equity shares	-	-	-	4,522,500	4,522,500	-
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 issued by Central Bank	-	-	-	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)

Fixed income securities classified as “Available-for-Sale” mature as follows:

December 31, 2008

Remaining Period to Maturity	LBP Nominal Value	LBP Amortized Cost	LBP Net Carrying Fair Value	Counter Value of F/Cy Nominal Value	Counter Value of F/Cy Amortized Cost	Counter Value of F/Cy Net Carrying Fair Value
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
Lebanese Treasury Bills:						
- Up to 1 year	19,000,000	19,064,037	19,645,088	-	-	-
- 1 year to 3 years	132,000,000	132,084,101	137,059,654	-	-	-
- From 3 years to 5 years	20,000,000	21,241,939	21,267,100	-	-	-
	171,000,000	172,390,077	177,971,842	-	-	
Lebanese Government Bonds:						
- Up to 1 year	-	-	-	55,909,496	56,135,284	55,204,681
- 1 year to 3 years	-	-	-	14,626,411	14,475,158	14,191,665
- 3 years to 5 years	-	-	-	35,863,815	35,834,766	33,309,180
- 5 years to 10 years	-	-	-	96,419,701	100,202,109	96,205,534
- Beyond 10 years	-	-	-	29,245,500	29,060,751	26,983,621
	-	-	-	232,064,923	235,708,068	225,894,681
Certificate of deposit issued by Central Bank of Lebanon						
- 3 years to 5 years	93,000,000	93,911,392	94,978,772	11,049,975	11,857,348	11,777,543
- 5 years to 10 years	-	-	-	30,150,000	30,243,878	30,261,922
	93,000,000	93,911,392	94,978,772	41,199,975	42,101,226	42,039,465
Corporate Bonds						
- 3 years to 5 years	-	-	-	32,596,050	32,641,324	29,782,483
- 5 years to 10 years	-	-	-	44,403,861	44,166,922	40,342,620
	-	-	-	76,999,911	76,808,246	70,125,103
Certificate of deposits issued by Lebanese Banks:						
- 1 year to 3 years	-	-	-	226,125	227,170	216,018
- 3 years to 5 years	-	-	-	37,838,250	37,714,428	35,768,090
	-	-	-	38,064,375	37,941,598	35,984,108

December 31, 2007

	LBP			Counter Value of F/Cy		
Remaining Period to Maturity	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:						
- 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	35,188,656	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	164,521,054	153,810,828
Certificate 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

Certificates of deposit issued by the Central Bank of Lebanon and classified as available-for-sale include certificates of LBP11.47 billion (USD7,608,984) carrying value and a nominal value of LBP11,049 billion (USD7,330,000) as of December 31, 2008 maturing in 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 2008 year-end is reflected under "Other liabilities" and amounted to LBP386 million as of December 31, 2008 (LBP223 million for 2007) (Note 24).

B- Held-to-maturity investment securities

December 31, 2008

	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	146,575,757	150,682,299	-	-
Lebanese Government Bonds	-	-	166,467,846	163,056,776
Certificates of deposit issued by Central Bank of Lebanon	5,977,998	6,508,715	16,582,500	16,582,500
Certificates of deposit issued by Lebanese banks	-	-	8,316,322	8,092,560
Corporate Bonds	-	-	97,987,500	96,760,395
	152,553,755	157,191,014	289,354,168	284,492,231

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

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

December 31, 2008

	LBP			Counter Value of F/Cy		
Remaining Period to Maturity	Redemption Value	Carrying Value	Fair Value	Redemption Value	Carrying Value	Fair Value
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
Treasury Bills:						
- Up to 1 year	142,521,270	142,361,761	146,159,140	-	-	-
- 1 year to 3 years	4,229,580	4,213,996	4,523,159	-	-	-
	146,750,850	146,575,757	150,682,299	-	-	-
Lebanese Government Bonds:						
- Up to 1 year	-	-	-	34,852,980	34,861,066	34,859,821
- 1 year to 3 years	-	-	-	56,085,244	66,386,445	64,838,715
- 3 years to 5 years	-	-	-	19,597,500	19,574,839	18,830,892
- 5 years to 10 years	-	-	-	21,105,000	23,057,656	23,657,498
- Beyond 10 years	-	-	-	22,612,500	22,587,840	20,869,850
	-	-	-	154,253,224	166,467,846	163,056,776
Certificates of deposit issued by Central Bank of Lebanon:						
- Up to 1 year	-	-	-	16,582,500	16,582,500	16,582,500
- 1 year to 3 years	6,000,000	5,997,999	6,508,715	-	-	-
	6,000,000	5,997,998	6,508,715	16,582,500	16,582,500	16,582,500
Certificates of deposit issued by Lebanese banks:						
- 1 year to 3 years	-	-	-	8,291,250	8,316,322	8,092,560
	-	-	-	8,291,250	8,316,322	8,092,560
Contract Bonds:						
- 1 year to 3 years	-	-	-	75,375,000	75,375,000	74,147,895
- 3 years to 5 years	-	-	-	22,612,500	22,612,500	22,612,500
	-	-	-	97,987,500	97,987,500	96,760,395

December 31, 2007

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	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

C- Pledged Investment Securities

At December 31, 2008, the Group had held-to-maturity Treasury Bills with carrying value of LBP48.7 billion (LBP48.30 billion in 2007) that are pledged against the soft loan granted by Central Bank (Note 23).
Other pledged investment securities under available-for-sale and held-to-maturity against borrowings in sale and repurchase agreements, are detailed under Note 20.

9- Fair value of interest rate swap

Interest rate swap outstanding as at December 31, 2007, represents the transaction engaged on April 12, 2006 between the Group and a non-resident bank, whereby the Group 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

During 2008, the Group settled the interest rate swap transaction with a gain of LBP353 million (Euro165,000) booked under other operating income (Note 36).

10- Loans to banks

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

	December 31	
	2008 LBP 000	2007 LBP 000
Loans-Fair risk	5,050,000	2,700,000
Accrued interest receivable	64,270	21,643
	5,114,270	2,721,643

Loans to banks mature as follows:

	December 31, 2008		December 31, 2007	
	LBP	Interest Rate	LBP	Interest Rate
	LBP 000	%	LBP 000	%
Beyond 5 years	5,050,000	5.37	2,700,000	4.85
	5,050,000		2,700,000	

11- Loans and advances to customers

	December 31	
	2008	2007
	LBP 000	LBP 000
Loans and advances to customers – Regular and watch list	510,363,183	438,792,405
Loans and advances to related parties - Regular	28,329,113	34,999,648
Bills discounted (net)	2,372,932	3,590,015
Creditors accidentally debtors	6,878,602	8,044,852
Substandard loans (net of unearned interest)	2,200,909	3,007,723
Bad and doubtful debts (net of unearned interest)	37,861,220	33,419,560
Less: Allowance for impairment	(18,561,685)	(17,338,888)
	569,444,274	504,515,315
Less: Escrow account to cover shortage in provisions	(6,518,774)	(6,706,319)
	562,925,500	497,808,996

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

	December 31, 2008			
	Gross Amount	Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP 000	LBP 000	LBP 000	LBP 000
Corporate customers	538,706,483	(44,260,807)	(14,098,484)	480,347,192
Retail customers:				
Car loans	13,011,663	(1,039,458)	(379,179)	11,593,026
Credit cards	4,899,687	(391,420)	(142,784)	4,365,483
Mortgage loans	47,963,185	(3,831,619)	(1,397,716)	42,733,850
Overdrafts	4,249,598	(339,486)	(123,839)	3,786,273
Personal loans and other	31,559,301	(2,521,168)	(919,683)	28,118,450
Less: Allowance for collectively impaired loans	-	-	(1,500,000)	(1,500,000)
	640,389,917	(52,383,958)	(18,561,685)	569,444,274

December 31, 2007

	Gross Amount	Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP 000	LBP 000	LBP 000	LBP 000
Corporate customers	500,041,748	(44,097,696)	(14,437,605)	441,.506,447
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 and other	22,593,669	(1,855,347)	(607,442)	20,130,880
Less: Allowance for collectively impaired loans	-	-	(910,000)	(910,000)
	572,033,999	(50,179,796)	(17,338,888)	504,515,315

Loans and advances as at December 31, 2008 include an amount of LBP15,4billion (C/V in USD10,229,644) advanced to customers against pledged securities in the favor of the Group, which were sold under repurchase agreement transactions amounting to LBP4,5billion (C/V USD3,000,000) with a foreign bank and detailed as follows (Note 20):

Amount of Loans Granted by the Group	Interest Rate	Pledged Securities Received	Borrowing under Sale and Repurchase Agreement	Maturity	Interest Rate
USD	%	USD	USD		%
10,229,644	4	7,606,031	3,000,000	January 2009	0.648

The approximate movement of unrealized interest on substandard loans during 2008 and 2007 is summarized as follows

	2008	2007
	LBP 000	LBP 000
Balance, January 1	3,711,123	3,752,770
Additions	484,762	860,832
Settlements/Recoveries	(2,464,317)	(902,482)
Effect of exchange rates changes	-	3
Balance, December 31	1,731,568	3,711,123

The approximate movement of unrealized interest and allowance for impairment on doubtful and bad loans during 2008 and 2007 is summarized as follows:

	2008	
	Unrealized Interest	Allowance for Impairment
	LBP 000	LBP 000
Balance, January 1	46,468,673	17,338,888
Additions	9,816,189	3,039,565
Recoveries	(5,580,996)	(1,808,840)
Effect of exchange rates changes	(51,476)	(7,928)
Balance, December 31	50,652,390	18,561,685

	2007	
	Unrealized Interest	Allowance for Impairment
	LBP 000	LBP 000
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

The escrow account represents cash provisions from the former shareholders to cover shortage in the allowance for impairment of certain classified loans and advances. 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 LBP211million during 2008 (LBP361million during 2007). Withdrawals from this account amounted to LBP398million during 2008 (LBP757million during 2007).

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 subsidiaries

Investment in non consolidated subsidiary as at December 31, 2008 represents the Group's subscription during 2008 in the full capital of Real Estate Management Company S.A.R.L. "Remco" in Lebanon. The Company has not been consolidated on the grounds of immateriality.

Investment in non-consolidated subsidiary as at December 31, 2007 represents the Group's subscription during 2004 in the capital of MECG - Real Estate Development Limited, a Jersey based general partnership. The Company has not been consolidated on the grounds of immateriality. The net asset value of this Company was LBP552million as at December 31, 2007. During 2008, the Company was liquidated and the Group received liquidation proceeds of LBP118 million and consequently recognized a gain on liquidation in the amount of LBP48.5 million reflected under "other operating income" (Note 36). Moreover, the Group received dividends in the amount of LBP226million booked under "other operating income".

14- Investments in associated company

This section consists of an investment in Park View Realty Company S.A.L. representing a 12.77% equity stake as at December 31, 2008 (21.28% as at December 31, 2007).

	December 31	
	2008	2007
	LBP 000	LBP 000
Capital Investment	598,134	1,120,192
Cumulative income	311,745	530,281
	909,879	1,650,473
Bonds	-	931,973
Accrued interest receivable	5,137	450,759
	5,137	1,382,732
Total	915,016	3,033,205

The investment in Park View Realty S.A.L. is classified as associate since the Group is represented on the investee's Board of Directors and significant influence is demonstrated in 2008 and 2007.

The movement of the investment in Park View Realty S.A.L. was as follows:

	2008	2007
	LBP 000	LBP 000
Balance January 1	1,650,473	1,499,732
Share in Losses (Note 36)	(4,391)	150,741
Partial Disposal	(659,553)	-
Dividends received	(76,650)	-
Balance December 31	909,879	1,650,473

During 2008, the Group disposed of 8.503% of its equity stake in Park View Realty Company S.A.L. for a cash consideration of LBP522million representing the amount of the initial investment as per the past deal executed between the Group and one of the shareholders. As such, the Group's share in Park View Realty Company S.A.L. as of December 31, 2008 decreased to 12.77%. This transaction resulted in a loss of LBP137million (Note 36).

On January 18, 2008, the Board of Directors of Park View Realty Company S.A.L. resolved to redeem the bonds with their related accrued interest and settled the Group the nominal amount plus the outstanding accrued interest. A balance of LBP5million remained unsettled. Bonds were subject to an interest rate of 10%.

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 to customers.

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

	2008	2007
	LBP 000	LBP 000
Cost:		
Balance at January 1	9,075,703	6,390,776
Additions	139,594	3,489,000
Disposals	(2,485,009)	(804,073)
Balance at December 31	6,730,288	9,075,703
Accumulated allowance for impairment:		
Balance at December 31	(55,883)	(55,883)
Carrying amount at December 31	6,674,405	9,019,820

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 in shareholders' equity from the yearly net profits after deduction of legal reserves and reserves for general banking risk over a period of 5 years.

16- Property and equipment

The movement of property and equipment during 2008 and 2007 was as follows:

	2008			
	Balance as at December 31, 2007	Additions/ Transfer from Advance Payments	Retirements	Balance as at December 31, 2008
	LBP 000	LBP 000	LBP 000	LBP 000
Cost/Revaluation:				
Buildings	13,357,338	-	-	13,357,338
Furniture, equipment and computer	15,821,266	1,129,967	(124,406)	16,826,827
Vehicles	576,599	-	(75,127)	501,472
Office improvements and installations	6,864,176	32,802	-	6,896,978
	36,619,379	1,162,769	(199,533)	37,582,615
Accumulated Depreciation:				
Buildings	(1,851,982)	(318,320)	-	(2,170,302)
Furniture, equipment and computer	(8,864,803)	(1,443,487)	89,232	(10,219,058)
Vehicles	(276,279)	(36,723)	53,544	(259,458)
Office improvements and installations	(3,699,579)	(461,270)	-	(4,160,849)
	(14,692,643)	(2,259,800)	142,776	(16,809,667)
Net Book Value	21,926,736			20,772,948
Advance payment	93,130			815,664
	22,019,866			21,588,612

	2007				
	Balance as at December 31, 2006	Effect of Consolidation	Additions/ Transfer from Advance Payments	Retirements	Balance as at December 31, 2007
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
Cost/Revaluation:					
Buildings	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:					
Buildings	(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

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2008	2007
	LBP 000	LBP 000
Less than 1 year	342,519	254,912
Between 1 and 5 years	1,547,574	1,134,773
More than 5 years	1,478,764	670,471
	3,368,857	2,060,156

17- Other assets

	December 31	
	2008	2007
	LBP 000	LBP 000
Deferred charges	1,134,731	101,144
Prepayments	1,419,839	1,455,684
Deferred tax asset on change in fair value of investment securities and derivatives (Note 29)	2,094,500	2,874,278
Guarantee deposits	154,261	154,261
Stamps	33,877	48,994
Forward contracts	-	883,691
Deferred charges on acquired problematic bank	2,887,232	3,610,503
Other debit balances	4,064,626	4,726,089
Provision for doubtful debts	(1,043,985)	(1,043,982)
	10,745,081	12,810,662

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 deferential 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
Transfer to goodwill (Note 19)	(2,400,000)
Accumulated amortization up to 2006 year-end	(4,487,875)
Amortization for 2007	(721,310)
Amortization for 2008	(723,271)
	2,887,232

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	
	2008	2007
	LBP 000	LBP 000
Goodwill on acquisition of SBL (Note 17)	2,400,000	2,400,000
Net key money (Bank's branches) and other costs	146,825	177,243
	2,546,825	2,577,243

Net key money amounting to LBP147million as of December 31, 2008 is detailed as follows:

	Balance at December 31, 2007	Additions	Balance at December 31, 2008
	LBP 000	LBP 000	LBP 000
Historical cost:			
Establishment costs and other costs	824,410	-	824,410
Key money	431,490	-	431,490
	1,255,900	-	1,255,900
Accumulated Depreciation:			
Establishment costs and other costs	(824,303)	(107)	(824,410)
Key money	(254,354)	(30,311)	(284,665)
	(1,078,657)	(30,418)	(1,109,075)
Net Book Value	177,243	(30,418)	146,825

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	
	2008	2007
	LBP 000	LBP 000
Central Bank – Arab Country	1,646,879	1,629,961
Current deposits of banks and financial institutions	10,629,241	14,706,755
Money market deposits (A)	127,175,032	171,577,671
Borrowings under sale and repurchase agreements (B)	135,675,000	113,474,259
Other short term borrowings (C)	49,116,834	56,683,376
Accrued interest payable	2,567,361	3,252,285
	326,810,347	361,324,307

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

	December 31, 2008			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP 000	%	LBP 000	%
2009	22,652,789	6.26	104,522,243	5.07

	December 31, 2007			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP 000	%	LBP 000	%
2008	20,426,533	6.28	151,151,138	5.1

B- Borrowings under sale and repurchase agreements as of December 31, 2008 comprise the following:

- Repurchase Agreement contract with a local bank maturing on July 12, 2010 in the amount of USD20,000,000 (LBP30.15billion) bearing an interest rate of 6% against pledged Lebanese Eurobonds with a nominal value of USD29,000,000 (LBP43.72billion) detailed as follows:

Lebanese Eurobonds Nominal Value	Maturity	Interest Rate	Classification in Financial Statements
USD		%	
21,800,000	March 2010	7.13	Held-to-maturity
200,000	March 2010	7.13	Held-to-maturity
7,000,000	October 2009	10.25	Held-to-maturity
29,000,000			

- Repurchase Agreement contract with a non-resident bank maturing on September 30, 2010 in the amount of LBP30,15billion (C/V USD20,000,000) bearing an interest rate of 6.3% against pledged Lebanese Eurobonds with a nominal value of USD38,000,000 (LBP57.28billion) detailed as follows:

Lebanese Eurobonds Nominal Value	Maturity	Interest Rate	Classification in Financial Statements
USD		%	
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 LBP45.23billion (C/V USD 30,000,000) bearing an interest rate of 6.68% against pledged debt securities with a nominal value of USD65,000,000 (LBP98 billion) detailed as follows:

Corporate Bonds Nominal Value	Maturity	Interest Rate	Classification in Financial Statements
USD		%	
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 resident bank maturing on June 24, 2013 in the amount of LBP30.15billion (C/V USD20,000,000) bearing an interest rate of Libor 6 months plus 2% against pledged debt securities with a nominal value of LBP37.69billion (C/V USD25,000,000) as at December 31, 2008 classified as follows:

Eurobonds Nominal Value	Maturity	Interest Rate	Classification in Financial Statements
USD		%	
5,000,000	April 25,2015	10	Available-for-sale
20,000,000	February 25, 2013	9	Available-for-sale
25,000,000			

C- Other short term borrowings consist of the following:

	December 31	
	2008	2007
	LBP 000	LBP 000
Credit facility	33,915,259	33,956,420
Revolving credit facility	7,734,272	14,689,080
Arab Trade Finance Program credit facility (ATFP)	5,376,965	5,573,477
European Investment Bank (EIB)	2,090,338	2,464,399
	49,116,834	56,683,376

- The credit facility amounting to LBP33.92billion represents revolving facilities from a foreign bank valid till September 2016. This facility is granted according to a leverage agreement against collateralized financial instruments of fair value amounting to USD60.48million (LBP91.5billion) as at December 31, 2008 (USD59million (LBP88.9billion) as at December 31, 2007). These financial instruments are reflected under fiduciary assets (see Note 38).

- Revolving credit facility amounting to LBP7.73billion (LBP14.69billion during 2007), represents a borrowing against sale and repurchase transaction of financial instruments amounting to USD3million deposited by customers against loans granted to them (Note 11) and of financial instruments amounting to USD3million deposited by one of the shareholders.

- ATFP term borrowing amounting to LBP5.37billion (LBP5.57billion during 2007) represents withdrawals from the Arab Trade Finance Program. This credit facility has a limit to the extent of USD4million as at December 31, 2008 granted to the bank and maturing in the following year. This facility can be utilized by the bank to finance imports and exports among Arab countries.

- EIB loan amounted to LBP2.09billion (USD1,386,626) as at December 31, 2008 (LBP2.46billion equivalent to USD1,634,759 as at December 31, 2007) represents a loan managed by Central Bank of Lebanon and financed by European Investment Bank. This loan is committed to finance projects related to upgrade of the industrial system and is settled with the accrued interest in eight equal annual installments starting November 30, 2005. This loan is according to 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, 2008	
	F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate
	LBP 000	%
Within one year	5,376,965	3.62
Between 1 and 5 years	4,740,047	3.8
More than 5 years	38,999,822	0.8
	49,116,834	

	December 31, 2007	
	F/Cy Base Accounts	
Maturity	Amount	Average Interest Rate
	LBP 000	%
Within 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	

21- Customers' deposits

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

	December 31, 2008			December 31, 2007		
	Deposit Balances	Accrued Interest Payable	Total	Deposit Balances	Accrued Interest Payable	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
Deposits:						
Demand	167,911,131	288,205	168,199,336	144,994,519	497,647	145,492,166
Time	194,585,537	2,399,243	196,984,780	182,961,461	9,049,151	192,010,612
Savings	1,206,527,295	6,155,142	1,212,682,437	1,046,744,538	51,928	1,046,796,466
Related parties	45,948,215	41,749	45,989,964	41,149,109	254,333	41,403,442
Cash collateral from related parties against loans	6,438,116	32,964	6,471,080	10,107,583	78,772	10,186,355
Cash collateral from customers against loans	224,504,323	1,297,471	225,801,794	152,021,590	6,687	152,028,277
Fiduciary margins	16,370,704	-	16,370,704	68,326,143	-	68,326,143
Margins and Other Collaterals:						
Margins for irrevocable letters of credit	35,350,754	-	35,350,754	13,383,888	3,293	13,387,181
Margins on letters of guarantee	8,010,455	-	8,010,455	5,761,270	61,435	5,822,705
	1,905,646,530	10,214,774	1,915,861,304	1,665,450,101	10,003,246	1,675,453,347

Deposits are allocated by brackets as follows:

	December 31, 2008					
	Deposits in LBP			Deposits in F/Cy		
	Total Deposits	% to Total Deposits	No. of Accounts	Total Deposits	% to Total Deposits	No. of Accounts
	LBP 000			LBP 000		
Related Parties	13,828,036	2.3	89	38,633,008	2.9	45
Customers:						
- Less than LBP200million	184,701,022	30.2	24,102	245,037,976	18.9	15,781
- From LBP200million to LBP1,500million	183,595,757	30	650	447,403,957	34.3	676
- More than LBP1,500million	229,382,378	37.5	82	573,279,170	43.9	87
	611,507,193			1,304,354,111		

	December 31, 2007					
	Deposits in LBP			Deposits in F/Cy		
	Total Deposits	% to Total Deposits	No. of Accounts	Total Deposits	% to Total Deposits	No. of Accounts
	LBP 000			LBP 000		
Related Parties	9,280,344	2.3	128	42,309,453	3.3	248
Customers:						
- Less than LBP200million	147,527,067	37.8	22,782	291,045,903	22.6	20,526
- From LBP200million to LBP1,500million	96,856,129	24.9	236	432,925,164	33.7	958
- More than LBP1,500million	136,614,257	35	35	518,895,030	40.4	140
	390,277,797			1,285,175,550		

Customers' deposits include coded accounts at December 31, 2008 amounting to LBP17.99billion (LBP19.4billion as at December 31, 2007). 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 LBP	F/Cy	Cost of Funds	Average Interest Rate
	LBP 000	%	%	LBP 000	%
2008	1,681,461,367	32	68	94,504,632	5.62
2007	1,657,846,092	23	77	94,928,941	5.73
2006	1,384,287,680	28	72	84,282,664	6.03

Customers' deposits include an escrow account deposited by the former shareholders of Société Bancaire du Liban S.A.L. to cover any shortage in the transferred allowance for bad and doubtful debts accounts or for those accounts that needed to be downgraded at the merger date. The balance of this pledged deposit as at December 31, 2008 amounted to USD207,000 equivalent to LBP312million. There has been no transfer to "Escrow account to cover shortage in provisions" under "Loans and advances" during 2008. This escrow account earned interest at the rate of 5.71% during 2008 (5.7% during 2007).

22- Certificates of deposit

On January 26, 2004, the Group issued certificates of deposit in the total amount of USD150,000,000. The first tranche amounting to USD50,000,000 was issued during 2004 and matured in January 25, 2007. The second tranche amounting to USD8,000,000 was issued on January 25, 2007 and maturing on April 15, 2010.

	December 31, 2008			December 31, 2007		
	USD	C/V in LBP 000	Interest Rate	C/V in USD	LBP 000	Interest Rate
			%			%
Nominal value	8,000,000	12,060,000	8.5	8,000,000	12,060,000	8.5
Accrued interest payable	3,726	5,617		1,863	2,808	
Carrying amount	8,003,726	12,065,617		8,001,863	12,062,808	

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 LBP44.84billion with the following details:

	2008	2007
Soft loan amount	LBP44.84billion	LBP44.84billion
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	LBP1.96billion	LBP1.96billion
Pledged assets (Note 8)	Lebanese Treasury Bills	Lebanese Treasury Bills
Pledged assets nominal amount (Note 8)	LBP48.30billion	LBP48.30billion
Unearned interest on one year pledged treasury bills as at December 31	LBP133million	LBP152million
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	LBP3.48billion	LBP3.47billion

24- Other liabilities

	December 31	
	2008	2007
	LBP 000	LBP 000
Withheld taxes and other taxes payable	1,810,588	1,419,251
Income tax payable	577,336	66,410
Due to the Social Security National Fund	246,666	196,974
Checks and incoming payment orders in course of settlement	9,660,496	9,050,461
Accrued expenses	3,355,220	1,892,758
Provision for early redemption of investment securities (Note 8)	386,371	223,617
Deferred income	1,041,572	1,350,324
Commitment on subscribed capital – Equity participation classified available-for-sale	226,125	-
Forward contracts	1,973.024	-
Sundry accounts payable	3,745,908	4,922,413
	23,023,306	19,122,208

The Bank's tax returns for fiscal years 2006 to 2008 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 this review.

25- Provisions

Provisions consist of the following:

	December 31	
	2008	2007
	LBP 000	LBP 000
Provision for staff termination indemnity	3,370,659	2,788,156
Provision for contingencies	196,549	150,750
Provision for foreign currency fluctuations	8,240	36,547
	3,575,448	2,975,453

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

	2008	2007
	LBP 000	LBP 000
Balance, January 1	2,788,156	2,231,595
Additions upon consolidation	-	66,237
Additions	956,943	803,071
Settlements	(374,440)	(312,747)
Balance, December 31	3,370,659	2,788,156

The movement of the provision for contingencies was as follows:

	2008	2007
	LBP 000	LBP 000
Balance, January 1	150,750	-
Additions	150,000	150,750
Settlements	(104,201)	-
Balance, December 31	196,549	150,750

26- Share capital

At December 31, 2008 and 2007, the authorized ordinary share capital of the Bank was LBP100billion consisting of 10million shares of LBP10,000 each, fully paid.

During 2007, the second and third phases from the capital increase took place through the issuance of 5,940,000 nominative shares of LBP10,000 par value each in an aggregate increase of LBP59.4billion through a transfer of an amount of LBP31.64billion from “Blocked deposits for capital increase” and an amount of LBP27.76billion from “Shareholders’ cash contribution to capital”. The remaining balance of the “blocked deposits for capital increase” is reflected as an additional paid-in capital (Note (b) below).

Shares were issued as follows:

a- Existing shareholders by the amount of LBP33.9billion against the issuance of 3,390,000 nominative shares of LBP10,000 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 LBP25.5billion against the issuance of 2,550,000 nominative shares of LBP10,000 par value each, in addition to a share premium of USD11,475,000.

27- Shareholders’ cash contribution to capital

The shareholders’ cash contribution to capital was for a total amount of LBP136million (USD90,261) as at December 31, 2007. During 2008, this amount was transferred to capital. During 2007, an amount of LBP27.76billion was transferred from this account to 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 not available for distribution.

29- Cumulative change in fair value of investment securities and interest rate swap -- group's share

This caption comprises the following:

	December 31	
	2008	2007
	LBP 000	LBP 000
Cumulative change in fair value of investment securities:		
- Securities purchased and originally classified as available-for-sale	(13,943,867)	(19,818,428)
- Securities originally classified as available-for-sale and transferred during 2004 to held-to-maturity	396,760	557,523
Deferred tax asset (Note 17)	2,091,865	2,935,806
	(11,455,242)	(16,325,099)
Cumulative change in fair value of derivatives:		
- Interest rate swap (Note 17)	-	410,188
Deferred tax liability	-	(61,528)
	-	348,660

30- Minority interest

December 31	2008	2007
	LBP 000	LBP 000
Capital	437,832	16,637,630
Cumulative change in fair value of available-for-sale investment securities	(17,586)	(1,003.013)
Deferred tax asset (Note 17)	2,635	-
Reserves and accumulated losses	(36,935)	(1,866,211)
	385,946	13,768,406

31- Interest income

	2008	2007
	LBP 000	LBP 000
Term deposits with Central Bank	4,977,462	12,959,040
Deposits with banks and financial institutions	9,410,848	14,949,506
Investment securities	90,233,758	77,657,625
Loans to banks	251,109	108,943
Loans and advances to customers	45,329,184	41,511,766
Loans and advances to related parties	1,404,078	2,561,605
	151,606,439	149,748,485

32- Interest expense

	2008	2007
	LBP 000	LBP 000
Deposits and borrowings from banks and financial institutions	16,041,548	20,545,539
Soft loan from Central Bank of Lebanon	1,966,638	1,961,264
Customers' deposits	93,033,882	90,542,972
Related parties' deposits	2,447,494	5,212,001
Certificates of deposit	1,027,909	898,304
	114,517,471	119,160,080

33- Fee and commission income

This caption consists of the following:

	2008	2007
	LBP 000	LBP 000
Commission on documentary credits	1,040,980	497,409
Commission on letters of guarantee	790,497	809,168
Commission on certificates of deposits	14,068	36,303
Service fees on customers' transactions	6,384,798	4,308,268
Brokerage fees	79,276	39,552
Commission on transactions with banks	165,672	151,940
	8,475,291	5,842,640

34- Fee and commission expense

This caption consists of the following:

	2008	2007
	LBP 000	LBP 000
Commission on transactions with banks	2,489,646	2,086,507
Commission on private banking transactions	120,672	182,687
	2,610,318	2,269,194

35- Net interest and gain/(loss) on trading portfolio

	2008	2007
	LBP 000	LBP 000
Interest income	373,893	356,537
Change in fair value of trading portfolio (net) – Note 7	419,860	216,533
Net realized gain/(loss) on sale of trading securities	(1,111)	34,327
	792,642	607,397

36- Other operating income

This caption consists of the following:

	2008	2007
	LBP 000	LBP 000
Gain/(loss) on sale of investment securities	2,594,148	1,415,938
Dividends	711,300	730,715
Loss on partial disposal of investment associate (Note 14)	(137,495)	-
Share in losses of associate (Note 14)	(4,391)	150,741
Net exchange gain	2,452,637	1,453,108
Other	378,655	835,786
	5,994,854	4,586,288

37- 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.

38- Fiduciary accounts

Fiduciary accounts are invested as follows:

December 31, 2008	Resident	Non-Resident	Total
	LBP 000	LBP 000	LBP 000
Deposits with financial institutions	220,686,807	-	220,686,807
Debt securities	60,492,890	119,714,958	180,207,848
Equity securities	41,911,168	36,662,842	78,574,010
	323,090,865	156,377,800	479,468,665

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

Fiduciary deposits invested in deposits with financial institutions are originated from related parties.

Debt securities are pledged to the extent of LBP171.6billion (USD113million) as of December 31, 2008 (LBP88.94billion as of December 31, 2007) against loans and advances to customers. Part of this balance in the amount of LBP91.5billion is subject to a back to back guarantee against revolving credit facilities (Note 20).

39- Balances / transactions with related parties

Year Ended December 31

	2008	2007
Shareholders, directors and other key management personnel and close family members:	LBP 000	LBP 000
Direct facilities and credit balances:		
Secured loans and advances	25,065,011	33,800,025
Unsecured loans and advances	3,264,102	1,199,623
Deposits	52,461,044	51,589,797
Indirect facilities	200,755	286,030

Directors' and Senior staff remuneration amounted to LBP1,728million during 2008 (LBP1,923billion during 2007).

Interest rates charged on balances outstanding are the same rates that would be charged in an arm's length transaction. Secured loans and advances are covered by pledged deposits of the respective borrowers to the extent of LBP25.05million (LBP10.186million as of December 31, 2007). In addition, loans and advances were covered by real estate mortgage to the extent of LBP1,945million as of December 31, 2007.

40- 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 USD11,658,000 (LBP17.5billion).

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

	LBP 000
Net assets fair value	32,844,976
Share of the group in net assets	19,365,398
Total purchase consideration	(17,574,435)
Negative goodwill (Booked to income)	1,790,963

During the third quarter of 2008 the Bank has acquired additional 111,500 shares representing 39.96% of above subsidiary for an amount of LBP14.5billion and accordingly the Bank's share increased to 276,000 share representing 98.92% of the share capital.

This acquisition resulted in a negative goodwill booked to equity.

41- Cash and cash equivalents

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

December 31	2008	2007
	LBP 000	LBP 000
Cash	18,157,013	16,706,478
Current accounts with Central Bank of Lebanon	106,232,040	52,563,568
Less compulsory reserves with Central Bank	(87,200,000)	(39,200,000)
Demand deposits from banks	52,184,698	59,637,812
	89,373,751	89,707,858

42- 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, 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:

	2008	2007
	LBP 000	LBP 000
Regulatory capital	141,550,000	126,153,000
Risk-weighted assets and off-balance sheet items	759,168,800	731,969,600
Capital adequacy ratio	18.65%	17.23%

43- 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 to 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 advances, the Group considers the following:

- 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.

- Measuring credit risk through reviewing the following:

  1-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;
  2-Exposure levels of the counterparty and unutilized credit limits granted;
  3- Exposure levels of the counterparty with other banks;
  4-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 substandard or doubtful.

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 during 2007 the fair value of properties 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%

4- Financial assets with credit risk exposure and related concentrations

a- Exposure to credit risk and concentration by counterparty:

The tables below reflect the allocation of loans and advances to customers by bracket of exposure (escrow account excluded)

December 31, 2008

	LBP Base Accounts	F/Cy Base Accounts
Bracket	Amount	Amount
	LBP 000	LBP 000
Related Parties	27,778,467	550,646
Customers:		
Less than LBP200million	76,052,315	75,523,199
From LBP200million to LBP1,500million	12,882,129	138,869,219
Over LBP1,500million	18,570,955	219,217,344
	107,505,399	433,609,762

Loans and advances above LBP200million relate to approximately 4% of the Group's customers.

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

	December 31, 2008			
	Gross Exposure	Unrealized Interest	Provision	Net Exposure
	LBP 000	LBP 000	LBP 000	LBP 000
Loans and advances (Regular and watch list)	537,866,036	-	-	537,866,036
Overdue loans and advances (Regular and watch list):				
Between 30 and 60 days	7,367,265	-	-	7,367,265
Between 60 and 90 days	247,983	-	-	247,983
Between 90 and 180 days	600,081	-	-	600,081
More than 180 days	362,465	-	-	362,465
	8,577,794	-	-	8,577,794
Loans individually impaired				
Substandard	3,932,477	(1,731,568)	-	2,200,909
Doubtful	88,513,610	(50,652,390)	(17,061,685)	20,799,535
	92,446,087	(52,383,958)	(17,061,685)	23,000,444
Collectively impaired loans	1,500,000	-	(1,500,000)	-
	640,389,917	(52,383,958)	(18,561,685)	569,444,274

	Guarantees Received				
	Real Estate Mortgage	Pledged Funds	Bank Guarantees	Other Guarantees	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
	143,169,854	106,041,834	7,243,538	105,284,302	361,739,528
	3,241,007	605,057	-	11,953,327	15,799,391
	39,500	44,082	-	564,016	647,598
	301,311	-	-	720,184	1,021,495
	20,240	27,321	-	473,295	520,856
	3,602,058	676,460	-	13,710,822	17,989,340
	1,803,854	353,706	-	-	2,157,560
	20,226,937	244,996	-	3,015	20,474,948
	22,030,791	598,702	-	3,015	22,632,508
	-	-	-	-	-
	168,802,703	107,316,996	7,243,538	118,998,139	402,361,376

	December 31, 2007			
	Gross Exposure	Unrealized Interest	Allowance for Impairment	Net Exposure
	LBP 000	LBP 000	LBP 000	LBP 000
Loans and advances (Regular and watch list)	481,708,753	-	-	481,708,753
Overdue loans and advances (Regular and watch list):				
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:				
Substandard	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)	(16,428,888)	19,998,395
Collectively Impaired:	910,000	-	(910,000)	-
Total	572,033,999	(50,179,796)	(17,338,888)	504,515,315

Guarantees Received				
Real Estate Mortgage	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
21,994,269	539,392	-	1,433,733	23,917,394
-	-	-	-	-
134,287,565	110,992,242	8,796,263	12,048,503	266,124,573

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

December 31, 2008

	Lebanon	Middle East & Africa	North America	Europe	Other	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
Trading and Financial Assets						
Cash and Central Banks	382,437,353	-	-	-	-	382,437,353
Placements with banks and financial institutions	271,946,450	30,104,632	16,598,606	36,411,680	213,638	355,275,006
Trading	4,181,859	757,520	-	-	-	4,939,379
Available-for-sale securities	596,741,497	244,168	134,742	80,701,690	-	677,822,097
Held-to-maturity securities	351,614,305	-	-	100,055,389	-	451,669,694
Loans to banks	5,114,270	-	-	-	-	5,114,270
Loans and advances	539,842,409	17,619,161	-	3,200,078	2,263,852	562,925,500
Total	2,151,878,143	48,725,481	16,733,348	220,368,837	2,477,490	2,440,183,299
Financial Liabilities						
Deposits and borrowings from banks and institutions	100,350,734	107,000,436	261,932	119,197,245	-	326,810,347
Customers' deposit	1,711,981,190	174,382,895	2,463,574	21,746,757	5,286,888	1,915,861,304
Certificates of deposits	12,065,617	-	-	-	-	12,065,617
Soft loan from Central Bank of Lebanon	44,850,747	-	-	-	-	44,850,747
Total	1,869,248,288	281,383,331	2,725,506	140,944,002	5,286,888	2,299,588,015

December 31, 2007

	Lebanon	Middle East & Africa	North America	Europe	Other	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
Trading and Financial Assets						
Cash and deposits at Central Bank of Lebanon	307,934,875	-	-	-	-	307,934,875
Deposits with banks and financial institutions	137,364,515	34,972,936	12,724,714	232,091,555	41,299,330	458,453,050
Available-for-sale securities	244,105,522	-	250,245	89,495,487	1,223,363	335,074,617
Trading securities	4,855,633	-	-	-	-	4,855,633
Held-to-maturity 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	450,077,462	43,921,481	63	2,303,158	1,506,832	497,808,996
Total	1,644,584,977	78,894,417	12,975,022	420,935,461	46,918,131	2,204,308,008
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	1,729,923,814	194,298,728	5,458,017	156,371,930	7,633,346	2,093,685,835

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; and
- Maintenance of adequate contingency plans.

2- Exposure to liquidity risk

The Group 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, 2008

	Lebanese Pounds 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
FINANCIAL ASSETS							
Cash and Central Bank	97,160,024	27,000,000	-	-	-	-	124,160,024
Deposits with banks and financial institutions	5,059,183	82,310,044	21,002,704	-	-	-	108,371,931
Trading	71,094	-	-	3,067,500	-	-	3,138,594
Available-for-sale securities	15,824,187	6,000,000	13,000,000	132,000,000	113,000,000	-	279,824,187
Held-to-maturity securities	2,897,297	90,968,790	51,552,480	10,229,580	-	-	155,648,147
Loans to banks	64,270	-	-	-	-	5,050,000	5,114,270
Loans and advances to customers	11,998,932	1,072,318	16,417,278	17,925,111	12,439,524	47,652,236	107,505,399
Total	133,074,987	207,351,152	101,972,462	163,222,191	125,439,524	52,702,236	783,762,552
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	201,272	22,663,535	-	-	-	-	22,864,807
Customers' accounts at amortized cost	120,353,943	449,372,548	41,199,271	581,431	-	-	611,507,193
Soft Loan from Central Bank of Lebanon	10,747	-	-	44,840,000	-	-	44,850,747
Total	120,565,962	472,036,083	41,199,271	45,421,431	-	-	679,222,747
Maturity Gap	12,509,025	(264,684,931)	60,773,191	117,800,760	125,439,524	52,702,236	104,539,805

December 31, 2008

	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
FINANCIAL ASSETS							
Cash and Central Bank	27,629,829	125,122,500	-	60,300,000	45,225,000	-	258,277,329
Deposits with Banks and financial institutions	49,075,652	152,904,546	37,385,377	7,537,500	-	-	246,903,075
Trading assets	1,043,266	-	-	-	-	757,519	1,800,785
Available-for-sale securities	21,930,108	-	55,887,,209	15,762,688	136,823,390	167,594,515	397,997,910
Held-to-maturity securities	8,365,125	-	51,435,480	150,293,442	19,597,500	66,330,000	296,021,547
Loans and advances to customers	285,092,293	13,779,354	33,173,952	59,331,869	42,214,972	21,827,661	455,420,101
Total	393,136,273	291,806,400	177,882,018	293,225,499	243,860,862	256,509,695	1,656,420,747
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	14,618,979	107,516,187	2,383,020	135,675,000	2,090,338	41,662,016	303,945,540
Customers' accounts at amortized cost	380,795,579	701,397,213	169,774,285	52,387,034	-	-	1,304,354,111
Certificate of deposits	5,617	-	-	12,060,000	-	-	12,065,617
Total	395,420,175	808,913,400	172,157,305	200,122,034	2,090,338	41,662,016	1,620,365,268
Maturity Gap	(2,283,902)	(517,107,000)	5,724,713	93,103,465	241,770,524	214,847,679	36,055,479

December 31, 2007

	Lebanese Pounds 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
FINANCIAL ASSETS							
Cash and Central Bank	48,138,470	-	-	-	-	-	48,138,470
Deposits with banks and financial institutions	16,311,425	55,986,705	43,969,263	-	-	-	116,267,393
Trading assets	102,777	-	-	-	2,939,999	-	3,042,776
Available-for-sale securities	790,223	-	7,000,000	17,000,000	-	-	24,790,223
Held-to-maturity securities	5,151,021	53,303,350	103,000,000	104,447,500	-	-	265,901,871
Loans to banks	21,643	-	-	-	-	2,700,000	2,721,643
Loans and advances to customers	18,518,696	16,446,781	4,311,177	9,920,334	1,441,043	23,418,591	74,056,622
Total	89,034,255	125,736,836	158,280,440	131,367,834	4,381,042	26,118,591	534,918,998
FINANCIAL LIABILITIES							
Deposits and borrowings from banks and financial institutions	133,645	20,514,937	-	-	-	-	20,648,582
Customers' deposits	5,838,193	361,478,837	22,860,002	100,765	-	-	390,277,797
Soft Loan from Central Bank of Lebanon	5,373	-	-	-	44,840,000	-	44,845,373
Total	5,977,211	381,993,774	22,860,002	100,765	44,840,000	-	455,771,752
Maturity Gap	83,057,044	(256,256,938)	135,420,438	131,267,069	(40,458,958)	26,118,591	79,147,246

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
FINANCIAL 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	30,334,627	311,851,030	-	-	-	-	342,185,657
Trading assets	1,048,743	-	764,114	-	-	-	1,812,857
Available-for-sale investment securities	53,883,451	-	21,380,873	21,085,600	88,030,485	125,903,985	310,284,394
Held-to-maturity investment securities	74,299,219	-	33,165,000	113,893,597	24,873,750	84,917,475	331,149,041
Fair value of interest rate swap	408,282	-	-	-	-	-	408,282
Loans and advances to customers	11,962,973	320,865,173	32,209,829	31,471,905	17,649,846	9,592,648	423,752,374
Total	180,204,064	778,720,839	87,519,816	166,451,102	236,079,081	220,414,108	1,669,389,010
FINANCIAL 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	33,006,545	1,034,804,512	184,262,840	32,258,356	843,297	-	1,285,175,550
Certificates of deposit	2,808	-	-	12,060,000	-	-	12,062,808
Total	72,987,718	1,201,630,919	187,506,056	104,618,356	46,620,848	24,550,186	1,637,914,083
Maturity Gap	107,216,346	(422,910,080)	(99,986,240)	61,832,746	189,458,233	195,863,922	31,474,927

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, 2008

	LBP	USD	Euro	Other	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
ASSETS					
Cash and Central Bank	124,160,024	255,920,762	1,760,681	595,886	382,437,353
Deposits with Banks and financial institutions	108,371,931	183,855,561	18,874,923	44,172,591	355,275,006
Trading assets	3,138,594	1,800,785	-	-	4,939,379
Available-for-sale investment securities	279,824,187	349,617,887	44,993,615	3,386,408	677,822,097
Held-to-maturity investment securities	155,648,147	285,594,413	10,427,134	-	451,669,694
Loans to banks	5,114,270	-	-	-	5,114,270
Loans and advances to customers	107,505,399	436,440,581	12,635,191	6,344,329	562,925,500
Investment in associate company	719,572	195,444	-	-	915,016
Customers acceptance liability	-	9,370,185	3,417,604	-	12,787,789
Investment in a consolidated subsidiary	-	4,997	-	-	4,997
Assets acquired in satisfaction of debt	-	6,674,405	-	-	6,674,405
Property and equipment	21,588,612	-	-	-	21,588,612
Other assets	8,563,276	1,853,405	323,146	5,254	10,745,081
Regulatory blocked fund	1,500,000	-	-	-	1,500,000
Intangible assets	2,546,825	-	-	-	2,546,825
Total Assets	818,680,837	1,531,328,425	92,432,294	54,504,468	2,496,946,024
LIABILITIES					
Deposits and borrowings from banks	22,864,807	273,801,406	24,274,257	5,869,877	326,810,347
Customers' accounts at amortized cost	611,507,193	1,211,035,904	67,361,449	25,956,758	1,915,861,304
Liability under acceptances	-	9,370,185	3,417,604	-	12,787,789
Soft Loan from Central Bank of Lebanon	44,850,747	-	-	-	44,850,747
Certificates of deposits	-	12,065,617	-	-	12,065,617
Other liabilities	15,006,953	7,848,622	115,306	52,425	23,023,306
Provisions	3,575,448	-	-	-	3,575,448
Total Liabilities	697,805,148	1,514,121,734	95,168,616	31,879,060	2,338,974,558
Net Assets	120,875,689	17,206,691	(2,736,322)	22,625,408	157,971,466
Currencies to be delivered	-	5,522,112	(3,729,074)	18,168,227	27,419,413
Currencies to be received	(600,400)	(19,769,577)	(4,663,802)	(412,610)	(25,446,389)
Net exchange position	(600,400)	(14,247,465)	(934,728)	17,755,617	1,973,024

					December 31, 2007
	LBP	USD	Euro	Other	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
ASSETS					
Cash and Central Bank	48,138,470	257,703,509	1,673,784	419,112	307,934,875
Depoits with banks and financial institutions	116,267,393	284,821,539	13,141,467	44,222,651	458,453,050
Trading assets	3,042,776	1,662,107	-	150,750	4,855,633
Available-for-sale investment securities	24,790,223	288,765,267	21,519,127	-	335,074,617
Held-to-maturity investment securities	265,901,871	320,354,858	10,794,183	-	597,050,912
Fair value of interest rate swap	-	-	408,282	-	408,282
Loans to bank	2,721,643	-	-	-	2,721,643
Loans and advances to customers	74,056,622	351,172,728	53,477,934	19,101,712	497,808,996
Customers' liability under acceptances	-	6,115,172	1,779,270	201,786	8,096,228
Investment in subsidiary	-	69,579	-	-	69,579
Investment in associated company	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	7,822,359	4,837,810	150,493	-	12,810,662
Regulatory blocked fund	1,500,000	-	-	-	1,500,000
Intangible assets	2,577,243	-	-	-	2,577,243
Total Assets	570,778,840	1,525,615,220	102,944,540	64,096,011	2,263,434,611

December 31, 2007

	LBP	USD	Euro	Other	Total
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
LIABILITIES					
Deposits and borrowing from banks					
and financial institutions	20,648,582	327,209,678	13,451,797	14,250	361,324,307
Customers' deposits	390,277,797	1,190,183,958	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	2,975,453	-	-	-	2,975,453
Total Liabilities	464,495,634	1,548,339,509	72,113,652	38,930,929	2,123,879,724
Net Assets	106,283,206	(22,724,289)	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

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, 2008
					Lebanese Pound
		Fixed Interest Rate			
	Non Interest Bearing	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
FINANCIAL ASSETS					
Cash and Central Bank	97,160,024	27,000,000	-	-	-
Deposits with banks and financial institutions	4,778,947	82,310,044	21,002,704	-	-
Trading	71,094	-	-	3,067,500	-
Available-for-sale securities	8,217,239	13,606,948	13,000,000	132,000,000	113,000,000
Held-to-maturity securities	-	93,866,087	51,552,480	10,229,580	-
Loans to banks	64,270	-	-	-	-
Loans and advances	411,197	1,009,647	5,219,490	15,859,110	1,768,399
Total	110,702,771	217,792,726	90,774,674	161,156,190	114,768,399
FINANCIAL LIABILITIES					
Deposits and borrowings from bank	111,195	22,663,536	-	-	-
Customers' accounts at amortized cost	6,068,237	448,978,785	41,199,271	581,431	-
Soft loan from Central Bank of Lebanon	10,747	-	-	44,840,000	-
Total	6,190,179	471,642,321	41,199,271	45,421,431	-
Interest rate gap position	104,512,592	(253,849,595)	49,575,403	115,734,759	114,768,399

		Floating Interest Rate					
Over 5 Years	Total	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	LBP 000
-	27,000,000	-	-	-	-	-	-
-	103,312,748	280,236	-	-	-	-	280,236
-	3,067,500	-	-	-	-	-	-
-	271,606,948	-	-	-	-	-	-
-	155,648,147	-	-	-	-	-	-
5,050,000	5,050,000	-	-	-	-	-	-
-	23,856,646	11,650,406	11,197,788	2,066,001	10,671,125	47,652,236	83,237,556
5,050,000	589,541,989	11,930,642	11,197,788	2,066,001	10,671,125	47,652,236	83,517,792
-	22,663,536	90,076	-	-	-	-	90,076
-	490,759,487	114,679,469	-	-	-	-	114,679,469
-	44,840,000	-	-	-	-	-	-
-	558,263,023	114,769,545	-	-	-	-	114,769,545
5,050,000	31,278,966	(102,838,903)	11,197,788	2,066,001	10,671,125	47,652,236	(31,251,753)

	December 31, 2008				
	Foreign Currencies				
	Fixed Interest Rate				
	Non Interest Bearing	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
FINANCIAL ASSETS					
Cash and Central Bank	8,668,679	125,122,500	-	-	-
Deposits with banks and financial institutions	25,486,544	152,904,546	37,385,377	-	-
Available-for-sale securities	25,682,952	6,839,409	55,887,209	15,762,688	107,948,425
Held-to-maturity securities	5,894,741	2,470,384	51,435,480	74,918,442	19,597,500
Loans and advances to customers	119,359	11,949,462	15,786,896	21,163,054	12,887,774
Total	65,852,275	299,286,301	160,494,962	111,844,184	140,433,699
FINANCIAL LIABILITIES					
Deposits and borrowings from banks and institutions	2,742,014	107,528,672	2,383,020	75,375,000	2,090,338
Customers' deposits	54,886,942	701,221,324	169,773,823	49,186,410	-
Certificates of deposit	5,617	-	-	12,060,000	-
Total	57,634,573	808,749,996	172,156,843	136,621,410	2,090,338
Interest rate gap position	8,217,702	(509,463,695)	(11,661,881)	(24,777,226)	138,343,361

		Floating Interest Rate					
Over 5 Years	Total	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	LBP 000
-	125,122,500	18,961,150	-	60,300,000	45,225,000	-	124,486,150
-	190,289,923	23,589,108	-	7,537,500	-	-	31,126,608
166,865,175	353,302,906	-	-	-	19,012,052	-	19,012,052
66,330,000	214,751,806	-	-	75,375,000	-	-	75,375,000
1,678,117	63,465,303	291,791,124	17,352,838	38,165,018	29,248,155	15.278,304	391,835,439
234,873,292	946,932,438	334,341,382	17,352,838	181,377,518	93,485,207	15,278,304	641,835,249
-	187,377,030	11,876,965	-	60,300,000	-	41,649,531	113,826,496
-	920,181,557,	326,084,987	-	3,200,625	-	-	329,285,612
-	12,060,000	-	-	-	-	-	-
-	1,119,618,587	337,961,952	-	63,500,625	-	41,649,531	443,112,108
234,873,292	(172,686,149)	(3,620,570)	17,352,838	117,876,893	93,485,207	(26,371,227)	198,723,141

					December 31, 2007
					Lebanese Pound
		Fixed Interest Rate			
	Non Interest Bearing	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years
	LBP 000	LBP 000	LBP 000	LBP 000	LBP 000
FINANCIAL ASSETS					
Cash and Central Bank	48,138,470	-	-	-	-
Deposits with banks and financial institutions	16,311,425	55,986,705	43,969,263	-	-
Trading assets	-	102,777	-	-	2,939,999
Available for sale investment securities	34,167	756,056	7,000,000	17,000,000	-
Held to maturity investment securities	-	58,454,371	103,000,000	104,447,500	-
Loans to banks	-	21,643	-	-	-
Loans and advances to customers	-	1,029,629	4,195,739	9,817,664	1,044,592
Total	64,484,062	116,351,181	158,165,002	131,265,164	3,984,591
FINANCIAL LIABILITIES					
Deposits and borrowings from banks and financial institutions	-	20,648,582	-	-	-
Customers' deposits	5,707,174	361,478,837	22,860,002	100,765	-
Soft loan from Central Bank of Lebanon	-	5,373	-	-	44,840,000
Total	5,707,174	382,132,792	22,860,002	100,765	44,840,000
Interest Rate Gap Position	58,776,888	(265,781,611)	135,305,000	131,164,399	(40,855,409)

		Floating Interest Rate					
Over 5 Years	Total	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	LBP 000
-	-	-	-	-	-	-	-
-	116,267,393	-	-	-	-	-	-
-	3,042,776	-	-	-	-	-	-
12,100,795	24,790,223	-	-	-	-	-	-
-	265,901,871	-	-	-	-	-	-
2,700,000	2,721,643	-	-	-	-	-	-
-	16,087,624	33,937,761	115,439	102,672	394,535	23,418,591	57,968,998
14,800,795	428,811,530	33,937,761	115,439	102,672	394,535	23,418,591	57,968,998
-	20,648,582	-	-	-	-	-	-
-	384,439,604	-	-	-	-	-	-
-	44,845,373	-	-	-	-	-	-
-	449,933,559	-	-	-	-	-	-
14,800,795	(21,122,029)	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 Bearing	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years
	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
Deposits with banks and financial institutions	-	342,155,867	-	-	-
Trading assets	839,747	208,996	764,114	-	-
Available-for-sale investment securities	23,495,783	15,566,748	21,380,873	21,085,600	75,970,485
Held-to-maturity investment securities	-	-	32,089,219	113,893,597	24,873,750
Fair value of interest rate swap	-	-	-	-	408,282
Loans and advances to customers	-	11,235,537	22,031,247	22,523,791	6,452,418
Total	32,602,299	515,171,786	76,265,453	157,502,988	213,229,935
LIABILITIES					
Deposits and borrowings from banks and financial institutions	-	172,848,351	3,243,216	30,150,000	45,777,551
Customers' deposits	33,197,454	1,034,622,052	184,262,840	32,258,356	843,297
Certificates of deposit	-	2,808	-	12,060,000	-
Total	33,197,454	1,207,473,211	187,506,056	74,468,356	46,620,848
Interest Rate Gap Position	(595,155)	(692,301,425)	(111,240,603)	83,034,632	166,609,087

		Floating Interest Rate					
Over 5 Years	Total	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	LBP 000
-	259,796,405	-	-	-	-	-	-
-	342,155,867	-	-	-	-	-	-
-	973,110	-	-	-	-	-	-
125,903,985	259,907,691	14,820,920	-	-	12,060,000	-	26,880,920
84,917,475	255,774,041	75,375,000	-	-	-	-	75,375,000
-	408,282	-	-	-	-	-	-
3,266,519	65,509,512	321,592,611	10,178,582	8,948,113	11,197,427	6,326,129	358,242,862
214,087,979	1,184,524,908	411,788,531	10,178,582	8,948,113	23,257,427	6,326,129	460,498,782
1,911,848	253,930,966	33,956,420	-	30,150,000	-	22,638,339	86,744,759
-	1,251,986,545	-	-	-	-	-	-
-	12,062,808	-	-	-	-	-	-
1,911,848	1,517,980,319	33,956,420	-	30,150,000	-	22,638,339	86,744,759
212,176,131	(333,455,411)	377,832,111	10,178,582	(21,201,887)	23,257,427	(16,312,210)	373,754,023

44- Fair value of financial assets and liabilities

The Group's classification of each class of financial assets and liabilities and their fair values are as follows:

	December 31, 2008		
	Trading	Available-for-Sale	Held-to-Maturity
	LBP 000	LBP 000	LBP 000
FINANCIAL ASSETS			
Cash and deposits at Central Bank of Lebanon	-	-	-
Deposits with banks and financial institutions	-	-	355,275,006
Trading assets	4,939,379	-	-
Investment securities	-	677,822,097	441,683,245
Loans to banks	-	-	-
Loans and advances to customers	-	-	-
Total Assets	4,939,379	677,822,097	796,958,251
FINANCIAL LIABILITIES			
Deposits and borrowings from banks and financial institutions	-	-	132,844,014
Customers' deposits	-	-	-
Certificates of deposit	-	-	10,828,315
Soft loan from Central Bank of Lebanon	-	-	44,770,079
Total Liabilities	-	-	188,442,408

Loans and Receivables	Other Borrowings	Total Amount Carrying	Total Amount Fair Value
LBP 000	LBP 000	LBP 000	LBP 000
382,437,353	-	382,437,353	382,437,353
-	-	355,275,006	355,275,006
-	-	4,939,379	4,939,379
-	-	1,129,491,791	1,119,505,342
5,114,270	-	5,114,270	5,114,270
505,818,605	-	562,925,500	505,818,605
893,370,228	-	2,440,183,299	2,373,089,955
-	191,166,672	326,810,347	324,010,686
-	1,671,546,436	1,915,861,304	1,671,546,436
-	-	12,065,617	10,828,315
-	-	44,770,079	44,770,079
-	1,862,713,108	2,299,507,347	2,051,155,516

45- Approval of the financial statements

The consolidated financial statements for the year ended December 31, 2008 were approved by the Board of Directors in its meeting held on May 8, 2009.

OUR GROWING NETWORK OF BRANCHES

ADDRESSES

Head Office

First National Bank s.a.l

Beirut Central District, Allenby Street, Bldg. Marfaa 147
Postal Code 2012 6004
P.O.Box: 11 - 435, Riad El Solh / 113-5453 Beirut
P.O.Box: 16-5192 Achrafieh
Beirut - Lebanon
Tel: (961-1) 963000 - 977040 – **Golden Number** 1244
Call Center: (961-4) 727272
Fax: (961-1) 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

Nabatieh
Nabatieh, Habboush – Nabatieh Road, Haidar Center.
Tel : (07) 531980-1-2
Fax : (07) 531983

Antelias
Hage Center, Antelias
Tel : (04) 419323-4-6-8
Fax: (04) 419327

Mazraa
Main Road, Khaled 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
Akkar, Al Saha, Center Masoud
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

Jounieh:
Fouad Chehab Street (Serail St.),
Al Turk Bldg.
Tel: (09) 645001-2-5
Fax: (09) 645003

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

Haret Hreik
Haret Hreik, Hadi Nasrallah Road,
Abou Taam bldg.,
Tel : (01) 548444- 548333-548222
Fax : (01) 276516

Correspondent Banks

Country	Correspondent	Currency
Australia	Westpac Banking Corporation - Sydney	AUD
Belgium	ING Belgium NV/SA - Brussels	EUR
Canada	Royal Bank of Canada - Toronto	CAD
Denmark	Danske Bank - Copenhagen	DKK
France	Banque SBA - Paris	EUR & USD
Germany	Commerzbank	EUR
	Dresdner Bank AG - Frankfurt am Main	EUR
	The Bank of New York - Frankfurt am Main	EUR
	JP Morgan AG - Frankfurt am Main	EUR
Iraq	Iraqi Middle East Investment Bank - Baghdad	USD
Italy	Intesa Sanpaolo SPA - Milan	EUR
Japan	The Bank of New York - Tokyo	JPY
Jordan	Cairo Amman Bank - Amman	JOD & USD
Kuwait	Gulf Bank K.S.C. - Kuwait	KWD & USD
Norway	DNB Nor Bank ASA - Oslo	NOK
Qatar	Qatar National Bank - Doha	QAR
Saudi Arabia	Saudi Hollandi Bank - Riyadh	SAR & USD
Sri Lanka	People's Bank - Colombo	USD
Sweden	Skandinaviska Enskilda Banken AB - Stockholm	SEK
Switzerland	Credit Suisse - Zurich	SFR
United Arab Emirates	Investbank PSC - Sharjah	AED & USD
	MashreqBank PSC - Dubai City	AED
United Kingdom	Barclays Bank PLC - London	GBP
	The Bank of New York - New York	USD
	Wachovia Bank - New York	USD
United States	JP Morgan Chase Bank - New York	USD