



FIRST NATIONAL BANK S.A.L.

FNB ANNUAL REPORT 2009

Numbers can be
more than just figures.

The number **9** is regarded as symbolic of reaching levels of **Success, Achievement, Recognition** and **Satisfaction**. Spiritually, it has a meaning that represents the **Culmination** of innovation and intellectual power. It calls for a reflection of internal strengths and to share these with the world beyond, spurring mutually beneficial **Growth**. Thus the number Nine is more just than a figure for **FNB** in

09

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CHAIRMAN'S LETTER

Achievement: Attaining goals through strategy implementation

As the world economy was transitioning from a very serious recession to a partial recovery during 2009, the Lebanese economy demonstrated a favorable and significant expansion as measured by the real GDP growth rate of 7%. Furthermore, the Lebanese banking sector demonstrated once again its resilience and potential to grow against a global economy which went through a stabilization period after turbulent conditions in 2008 which resulted from the global credit crisis.

2009 was a year of exceptional growth for FNB when compared to the Lebanese banking sector as reflected by the main financial indicators. The bank reported significant growth indicators during 2009 where its assets grew by 30.5% compared to 22.3% for the banking sector, with deposits increasing by 29.8% compared to 23.1%, and total loans and advances to customers increasing by 20.4% compared to 13.3%. Accordingly, the bank surpassed its targets in balance sheet growth and maintained a healthy growth in its net income of 10.4%.

The above quantitative growth was also coupled with an enrichment of the bank's financial activities to provide a wider spectrum of banking services. On the corporate banking level, several products were developed to cater to the various needs of different corporations. Sophisticated credit programs were created to properly structure working capital finance, term loans, and long term project financing in a manner to support the banking needs of our clients for both corporate and small and medium enterprises (SMEs). On the private banking level, the bank fully reactivated its wholly owned subsidiary, the Middle East Capital Group (MECG), to serve as its investment arm. MECG is run by a dedicated Board of Directors and independent management team. The focus of the company is to provide a wide range of services including Private Banking, Brokerage, Private Equity, and Structuring of Specialized Funds, Securitization, Asset Management, Wealth Management, and Investment Banking.

In retail banking, the bank negotiated to acquire the Consumer Finance Company S.A.L. (CFC) to enhance its retail banking services in terms of quality and volume during the second half of 2009. Building on potential synergies, complexity, sophistication of technology, and the agility of the decision-making process available at CFC, FNB has now positioned itself to be a provider of superior retail services. The deal was closed in early 2010, followed by

efforts to integrate the processes of the bank and company to provide our clients with the best available service within the numerous points of sale used by CFC and the bank's branch network.

The above strategic moves correspond with the bank's objective to accommodate the different financial needs of its corporate clients by serving both sides of the balance sheet through its diversified network of financial services available at FNB on a standalone basis, MECG, and CFC. These services range from serving the assets through securitization and factoring to funding the liability and equity side through traditional commercial and innovative investment banking services such as arranging debt and raising equity.

Furthermore, in an effort to provide our clients with more geographical convenience, FNB expanded its branch network throughout Lebanon. Accordingly, two new branches were added to the network, namely in Chtoura and Zouk Mosbeh, which became fully operational by the end of 2009.

First National Bank is looking ahead to 2010 with great expectations. Our focus remains steadfast, to move toward the future with our clients' best interest in the forefront. In the coming months, we expect to see the results of our ongoing efforts to increase operating efficiency, make sound financial decisions, and broaden our services with a client focus. On behalf of the management and staff at FNB, we thank our stakeholders for their continued support and assure them that we will continue to work in their best interests as we strive to symbolize banking excellence.

CORPORATE **GOVERNANCE**

Recognition: Acknowledgement
from others' achievements

08- STATUTORY BODY

08- Chairman

08- Board of Directors

10- MANAGEMENT

10- Board of Directors

10- General Management

10- Legal Advisors

10- Foreign Affairs

10- Auditors

10- Head Office Managers

11- Branch Managers

STATUTORY BODY

The corporate governance framework at First National Bank specifies the structure of the bank's authorities by delegating responsibilities and job profiles. The management pyramid is headed by a Board of Directors who governs the policies and procedures applied throughout the organization structure. The bank's performance and implementation of the internal and external growth strategy are closely observed and monitored by top and middle management personnel contributing to remarkable divisional performance of a qualitative and quantitative nature.

Chairman

The Chairman and Vice-Chairman's nominations are given by the authority of the Board of Directors who appoints one of its members for a three-year renewable term. The Deputy General Manager and Assistant General Manager are endorsed by the Board upon recommendation of the Chairman. Their substantive role is to assist the Chairman in the daily operations. The Chairman has extensive powers to execute resolutions adopted by the shareholders at either an Ordinary or Extraordinary General Assembly 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 operate under his supervision, but remains responsible for the acts and performance of his delegates.

Board of Directors

The Board of Directors consists of nine elected members and is chaired by Mr. Rami El Nimer. The election of the members takes place at the Annual General Assembly of Shareholders 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 need General Assembly authorization to be elected members in other entities with similar business activities. The renewal of this authorization is mandatory at each Annual General Assembly of Shareholders.

The Board of Directors of First National Bank is composed of the following 9 members:

Mr. Rami Refaat El Nimer is an experienced banker who has many notable achievements in the banking industry. He has served as a Director and Chairman for the bank since

March, 2001. Additionally, Mr. El Nimer holds other corporate responsibilities within the business community.

Mr. Khaled Abdallah Al Sagar is the Vice-Chairman of the bank. He has been a Director at FNB since June, 1996. Mr. Al Sagar held the role of Chairman for the bank for a three-year term starting April 1998 until March 2001. He is an active member of the Al Sagar Group, a leading merchant and industrial conglomerate in Kuwait.

Promotion des Investissements S.A.L. (Holding) has been represented on the board of the bank through its Chairman since April, 2000. It is a Lebanese holding company that primarily invests its financial and industrial concerns in Lebanon.

Mr. Abdallah Saoud Al Humaidhi has been a Director of 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. Mr. Al Humaidhi is the Chairman and Managing Director of Commercial Facilities Company K.S.C., and a Board Member of the Chamber of Industry & Commerce in Kuwait, in addition to other Kuwaiti organizations.

Mr. Arfan Khalil Ayass was elected as a Director for the bank since August, 2009. He is a member of the American Institute of Certified Public Accountants, the Lebanese Society of Certified Public Accountants and the Arab Society of Accountants. Mr. Ayass is currently a faculty member of the Lebanese University and Hariri Canadian University.

Mr. Tamim Saleh Al Sahli is a Director of the bank since April, 2000. He is a Lebanese businessman.

Mr. Roland Elias Haraoui is a Director of the bank since December, 2001. He is a Lebanese businessman with exceptional leadership profile.

United Investments Company (Lebanon) S.A.L. (Holding) has been elected through its representative as a board member at the bank since 2004. It is a Lebanese holding company that invests its financial and industrial concerns in Lebanon.

Invest Bank P.S.C is represented at the board of the bank since February, 2007. Invest Bank is a commercial bank that has been based in the Emirate of Sharjah since 1975. The bank's shares are 100% publicly owned and they are listed and traded on the Abu Dhabi Securities Market.

MANAGEMENT

Board of Directors

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. Arfan Khalil Ayass

Member

Mr. Roland Elias Haraoui

Member

Invest Bank P.S.C

Member

Promotion Des Investissements s.a.l. (Holding)

Member

United Investment Company (Lebanon) s.a.l. (Holding)

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

Me. Rawi B. Kanaan

Saadé, Debs & Partners

Foreign Affairs

Mr. Nabil Soubra – Chairman's Advisor

Auditors

Deloitte & Touche

Head Office Managers

Mr. Imad R. Al-Fata

(Corporate Banking Department)

Mr. Robert H. El Haddad

(Internal Audit Department)

Mr. Mahmoud G. Francis

(Branch Management Department)

Mr. Adam H. Mansour

(Compliance and Review Department)

Mr. Antoine C. Wakim

(Financial Control Department)

Mr. Raymond N. Yazbeck

(Credit Administration)

Mr. George F. Abi Hanna

(Human Resources Department)

Me. George K. Abi Karam

(Legal Department)

Mr. Khalil C. Badran

(Administration Department)

Mrs. Amina H. Bizri

(Retail Credit Department)

Mr. John N. Chalouhi

(Risk Management Department)

Mr. Wassim M. Daouk

(Small & Medium Enterprises Banking Department)

Ms. Nada F. El Zein

(Credit Review Department)

Mr. Joseph E. Estephan

(Recovery & Restructuring Department)

Mrs. Soumaya Y. Haris

(Treasury - Capital Market Department)

Mr. Salim L. Karroum

(Operations Department)

Mr. Marwan B. Khawand

(Information Technology Department)

Mr. Maher G. Mezher

(Marketing Department)

Mr. Elie M. Rahal

(Trade Finance Department)

Mr. Assaad K. Saliba

(Treasury - Foreign Exchange Department)

Branch Managers

Mr. Antoine G. Hafez

(Allenby Branch - Main Branch)

Mr. Firas Abi Farraj

(Aley Branch)

Mr. Ghassan R. Abou Zahr

(Saida Branch)

Mr. Wajih S. Akkari

(Verdun Branch)

Mr. Khalil M. Amhaz

(Mazraa Branch)

Mr. Joseph M. Azoury

(Jounieh Branch)

Mr. Mahmoud A. Berjawi

(Haret Hreik Branch)

Mr. Abed S. Chami

(Halba Branch)

Mr. Jean G. Chehadeh

(Hazmieh Branch)

Mr. Mohamad H. Chokr

(Chtoura Branch)

Mr. Youssef H. El Zoghbi

(Jdeideh Branch)

Mr. Hussein G. Fakhreddine

(Jnah Branch)

Mr. Issam H. Ghosn

(Nabatieh Branch)

Mr. Ahmad Saoud A. Hajar

(Tripoli Branch)

Mr. Fouad H. Hamadeh

(Choueifat Branch)

Mr. Ziad E. Kanaan

(Antelias Branch)

Mr. Elie H. Khalil

(Zouk Mousbeh Branch)

Mr. Nabil H. Serhan

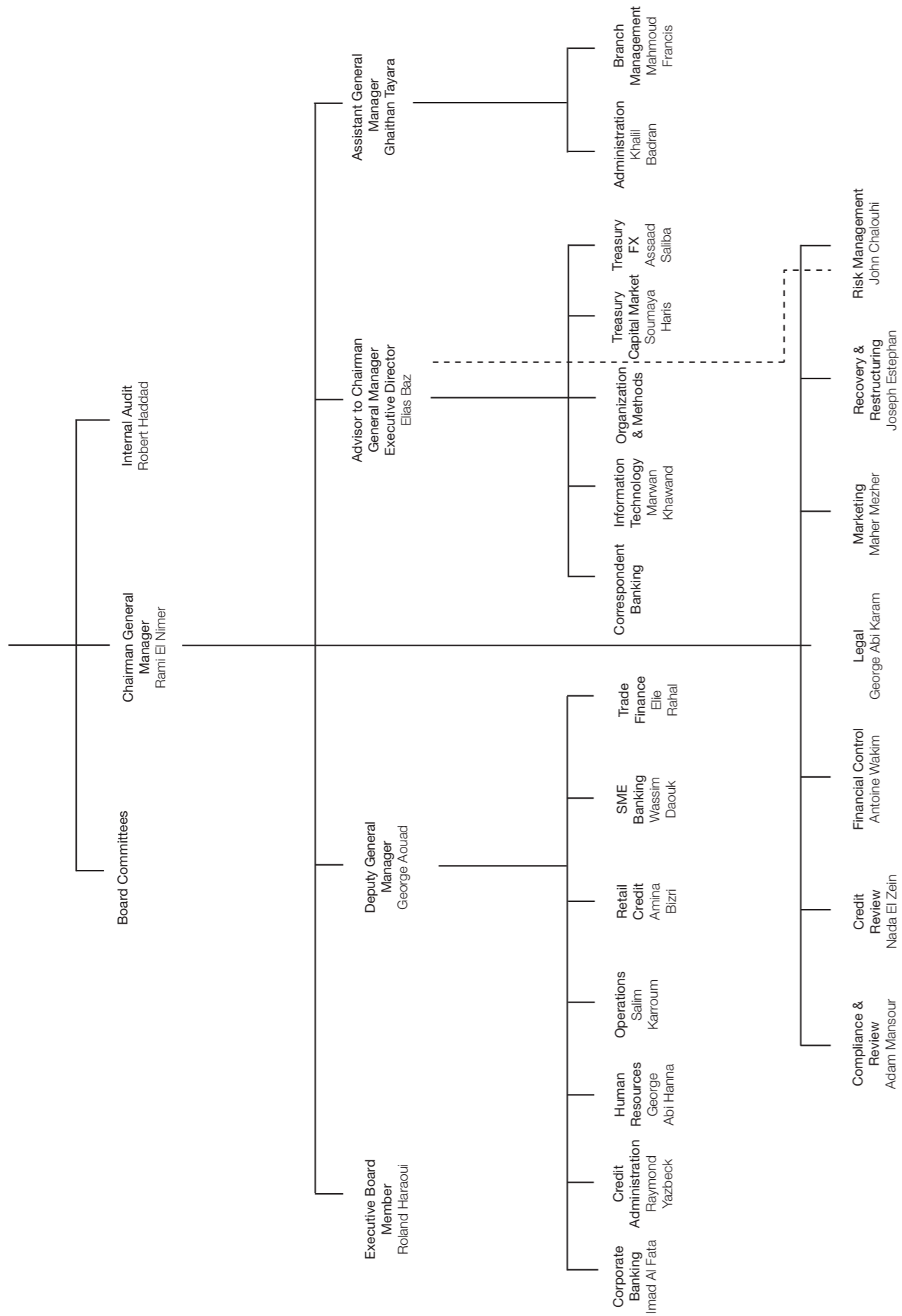
(Mais El Jabal Branch)

Mr. Erik P. Vasdekis

(Achrafieh Branch)

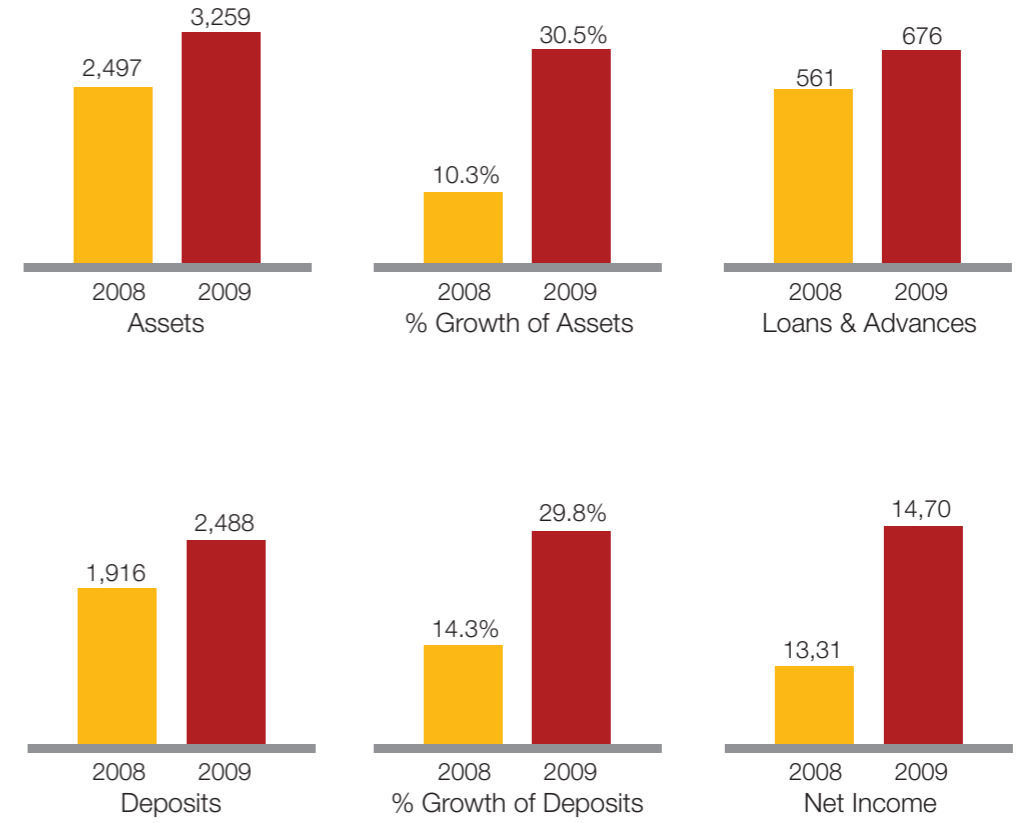
Mrs. Rola S. Zaghloul

(Hamra Branch)



KEY FIGURES OF FNB GROUP

in billions of LBP



MANAGEMENT DISCUSSION ⁰⁹ AND ANALYSIS

Satisfaction: The fulfillment of procedures and aims

16- OPERATING ENVIRONMENT

16- Economic Indicators

17- Banking Sector

18- FNB GROUP PERFORMANCE

18- Total Assets

19- SOURCES OF FUNDS

19- Deposits from Customers

20- Banks and Financial Institutions

20- Equity

21- USES OF FUNDS

21- Loans and Advances Customers

24- PROFITABILITY

25- CAPITAL MEASUREMENT

25- EXPANSION AND STRATEGIC ORIENTATIONS

26- FINANCIAL AND NON-FINANCIAL DEVELOPMENTS

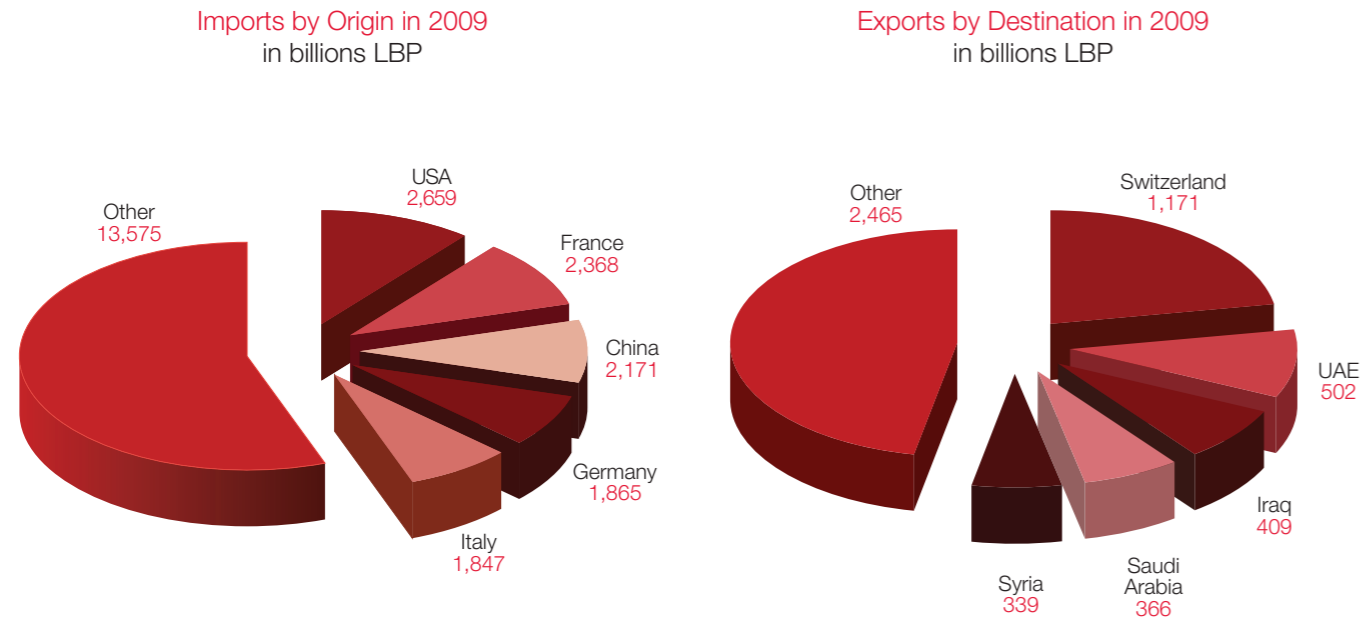
The management's discussion and analysis mainly highlights key information of the bank. The terms "the bank," "FNB," "we," "us," and "our," used here without any other qualifying description, will refer to First National Bank S.A.L.. The term "group" will refer to FNB consolidated (with Middle East Capital Group "MECG"). All the statements of financial position are consolidated, unless otherwise stated, and are based on the audited consolidated statements of our external auditor, Deloitte.

OPERATING ENVIRONMENT

Economic Indicators

The global financial crisis had a limited impact on the Lebanese banking sector in 2009. The relative insulation and the implementation of security measures adopted by the Central Bank to mitigate the impact of the crisis has build a monetary system confidence thus improving consumption and investment components. The national economy is once again robust and has overcome successive shock waves of the global turmoil that had severely hit regional markets.

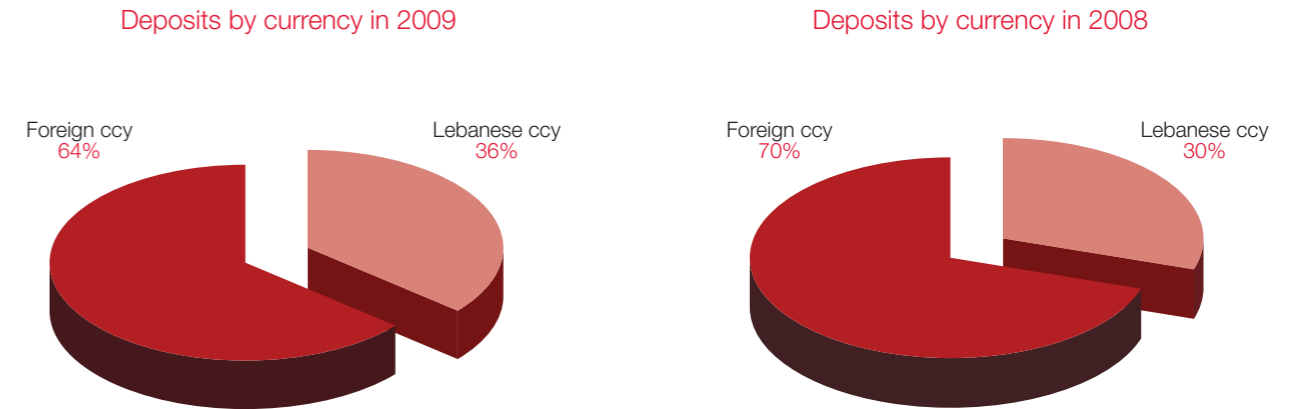
The diagnosis of the economic performance trend is indicated by the BDL coincident indicator that stood at 240.5 in December 2009 compared to 209.6 in December 2008, improving annually by 14.7%. Main areas of growth include tourism, with 22% growth in passenger flow, and the real estate sector that despite the severe harm done to real estate markets around the world, registered a record in growth by 16.07% of cement deliveries. Real GDP growth is estimated by the IMF to reach approximately 7% in 2009. The inflation rate dropped to 2.8%. Cleared checks in Lebanese pounds increased by 18.96% and in foreign currencies by 4.92%. Foreign trade registered a slight growth in 2009, where imports increased by 0.65% and exports by 0.18%. Freight at Port of Beirut recorded 9.74% increase in the volume of exchanged merchandise. The Net Total Public Debt reached LBP 66,499 billion at end 2009, with a 6.3% year on year increase.



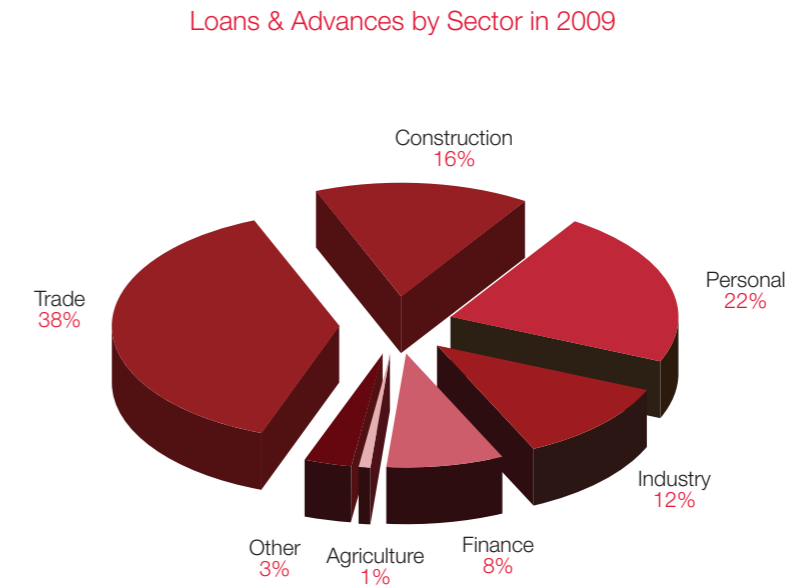
Source: Association of Banks in Lebanon, The Economic Letter, December 2009

Banking Sector

The consolidated statement of financial position of commercial banks recorded a significant increase due to the massive capital inflows, growing by 22.3% in 2009 compared to 14.6% in 2008 and reached LBP 173,740 billion. The upsurge in total assets was largely correlated to the 23.1% growth in deposits with a total volume equivalent to LBP 144,367 billion at end of December 2009 compared to LBP 117,253 billion in 2008. The dollarization rate declined from 69.6% in 2008 to 64.5% in 2009.



Total loans and advances increased by 13.31% in 2009 amounting LBP 42,774 billion.



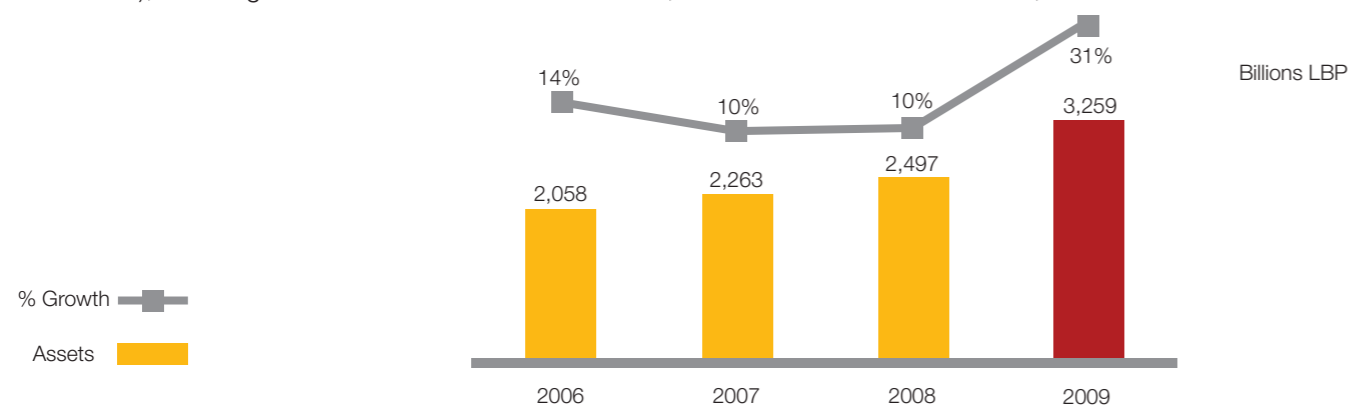
Source: BDL Monthly Bulletin, December 2009

FNB GROUP PERFORMANCE

In thousands of LBP	2006	2007	2008	2009
Assets	2,058,279,527	2,263,434,611	2,496,946,024	3,258,722,095
Loans and advances to customers	411,066,038	497,808,996	561,398,553	676,055,390
Customers' deposits	1,458,982,846	1,675,453,347	1,915,861,304	2,487,720,953
Shareholders' equity	71,811,076	139,554,887	157,971,466	244,660,670
Net income	9,040,438	10,561,362	13,312,260	14,702,909
Number of branches	18	18	18	19
Number of staff	340	339	357	425
Loans to deposits	28.17%	29.71%	29.30%	27.18%
Net doubtful loans/Total loans	4.61%	3.23%	3.44%	2.42%
Loan loss provisions/Gross loans	16.06%	11.36%	10.98%	10.14%
Net doubtful loans/Equity	26.40%	11.52%	12.22%	6.67%
Gross doubtful loans/Gross loans	19.93%	14.22%	14.04%	12.31%
Average equity to assets	3.82%	4.89%	6.25%	7.00%
Efficiency:				
Interest received to av. assets	7.08%	6.93%	6.37%	6.02%
Interest paid to av. assets	5.59%	5.51%	4.81%	4.67%
Interest paid to interest received	78.97%	79.57%	75.54%	77.56%
Spread	1.49%	1.42%	1.56%	1.35%
Cost to net financial income	69.77%	68.16%	66.68%	65.62%
Profitability:				
ROAA	0.47%	0.49%	0.56%	0.51%
ROAE	12.28%	9.99%	9.38%	7.84%

Total Assets

The consolidated assets of FNB as of December 31, 2009 amounted to approximately LBP 3,259 billion (USD 2.16 billion), showing an increase of 30.5% from LBP 2,497 billion as of December 31, 2008.

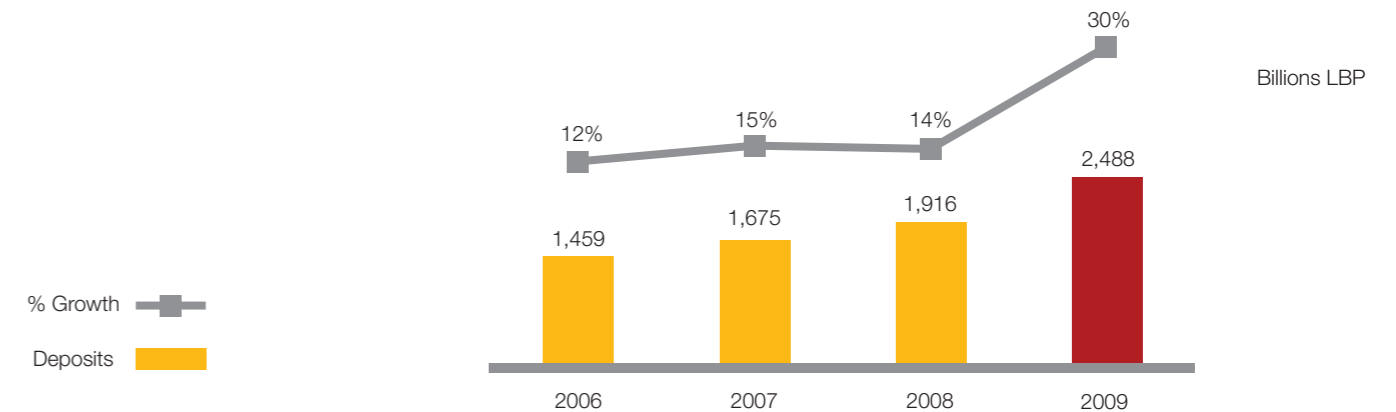


SOURCES OF FUNDS

FNB's source of funding comes mainly from deposits from customers representing 76% of total sources. Other sources of funds are banks and financial institutions which represent 14%, equity 8%, and other sources 2%.

Deposits from Customers

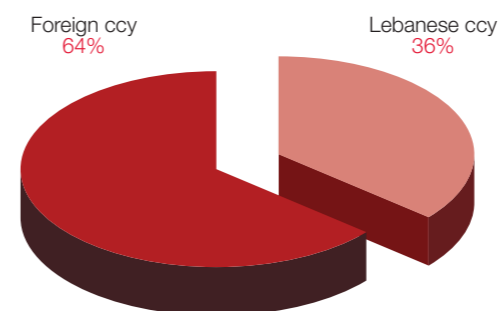
On December 31, 2009, the bank accumulated LBP 2,488 billion (USD 1,650 million) in customers' deposits as compared to LBP 1,916 billion (USD 1,271 million) in 2008, reflecting a growth rate of 29.8%.



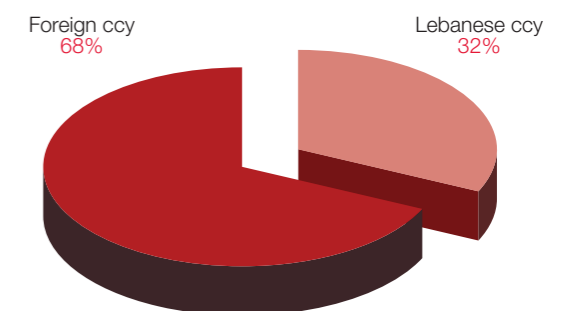
Dollarization

The aftermath of dropping interest rates favored the Lebanese pound. Deposits in Lebanese pound increased by 48% in 2009, from LBP 612 billion as of December 31, 2008 to LBP 905 billion as of December 31, 2009, while deposits in foreign currency increased by 21% from LBP 1,304 billion as of December 31, 2008 to LBP 1,583 billion as of December 31, 2009. The dollarization ratio decreased from 68.08% in 2008 to 63.61% in 2009.

FNB's Deposits by currency in 2009



FNB's Deposits by currency in 2008



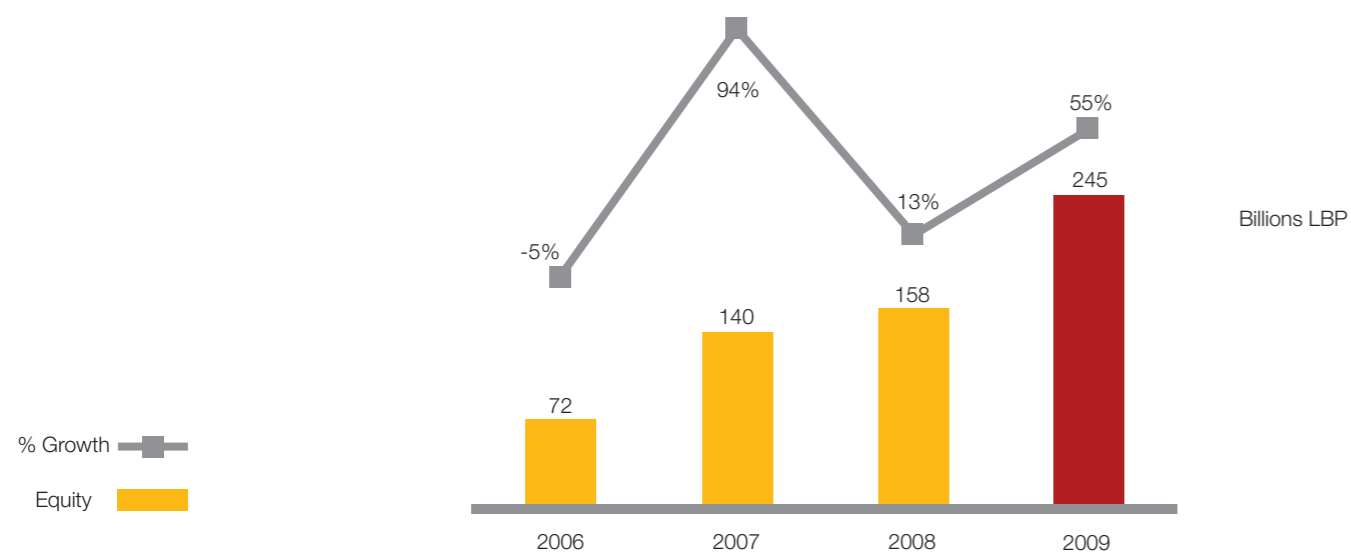
Banks and Financial Institutions

As of December 31, 2009, deposits and borrowings from banks and financial institutions equaled LBP 463 billion including the soft loan from Central Bank maturing in January 2011. The yearly increase is equal to 26%.

Equity

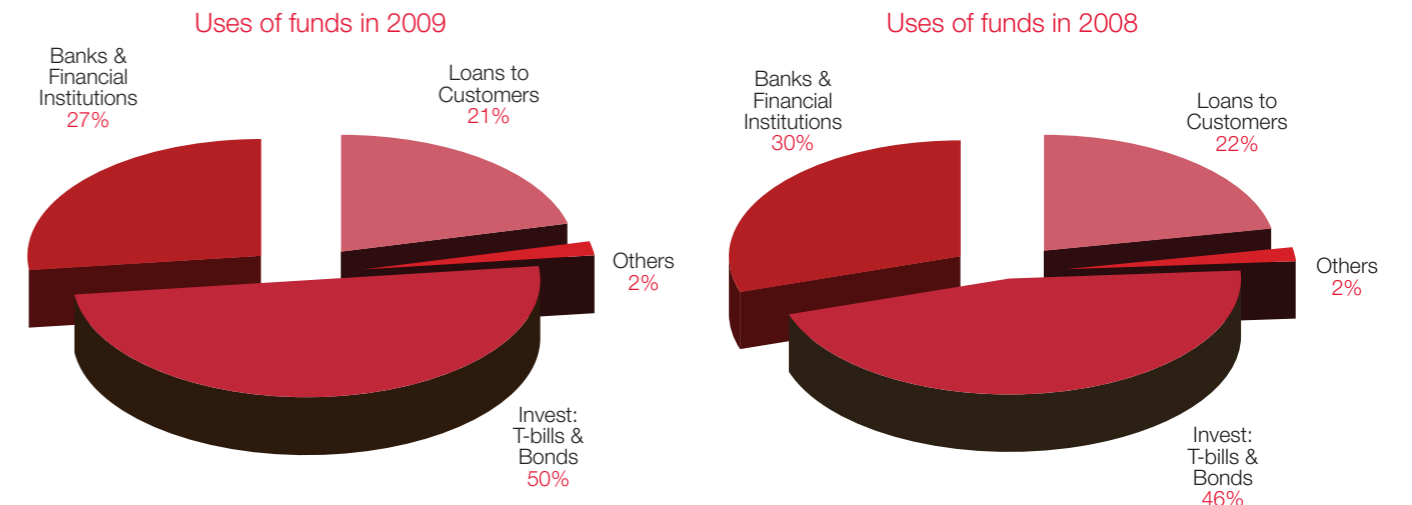
As of December 31, 2009, FNB's Shareholders' Equity stood at LBP 245 billion (USD 162 million) compared to LBP 158 billion (USD 105 million) as of December 31, 2008.

During 2009, in order to increase its capital, First National Bank S.A.L. issued Tier 1 non-cumulative perpetual redeemable series 1 preferred shares totaling USD 15 million at the issue price of USD 100 per share. The preferred shares are subject to dividends of USD 4.25 each for 2009 and USD 8.25 for the years thereafter.



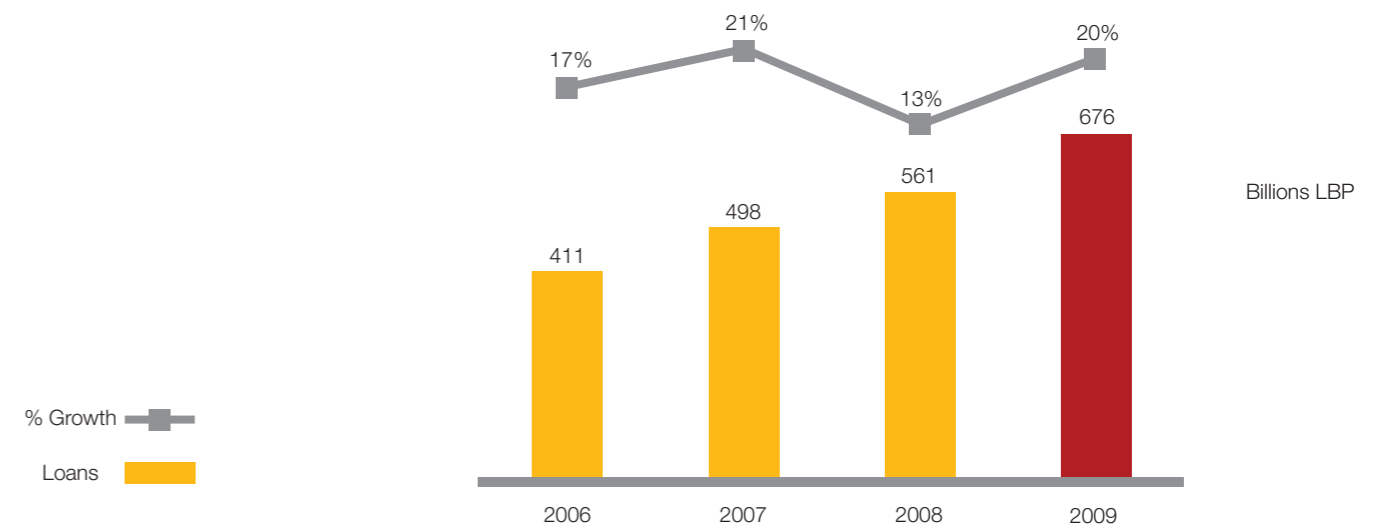
USES OF FUNDS

FNB's use of funding is classified in 3 main categories: Investments (T-bills & Bonds), Banks and Financial Institutions, and Loans and Advances to Customers.

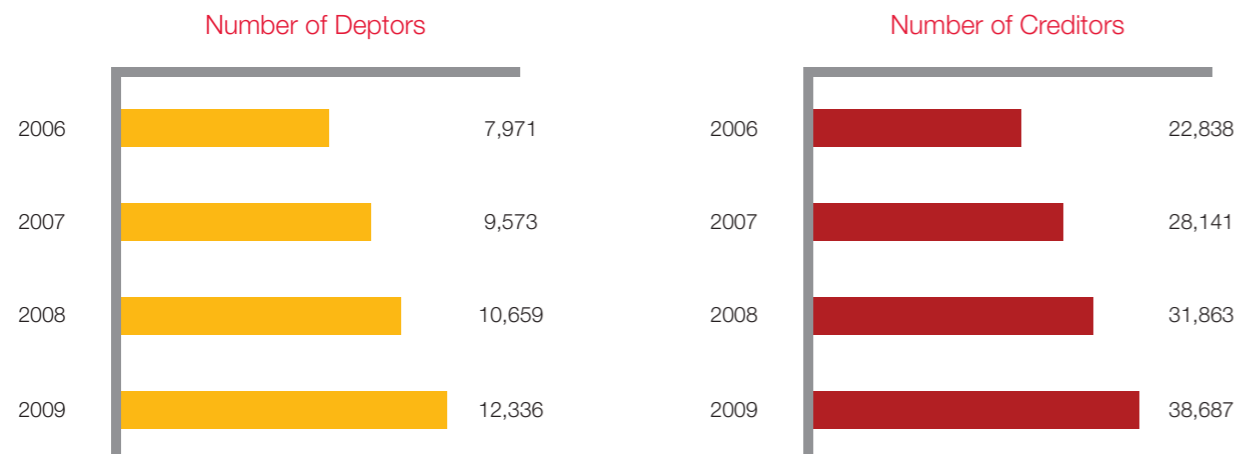


Loans and Advances to Customers

FNB was also successful in developing its retail and commercial lending sector. Loans and Advances to Customers increased by LBP 115 billion (USD 76 million) during 2009 to reach LBP 676 billion (USD 448 million) as of December 31, 2009, reflecting a growth rate of 20%.



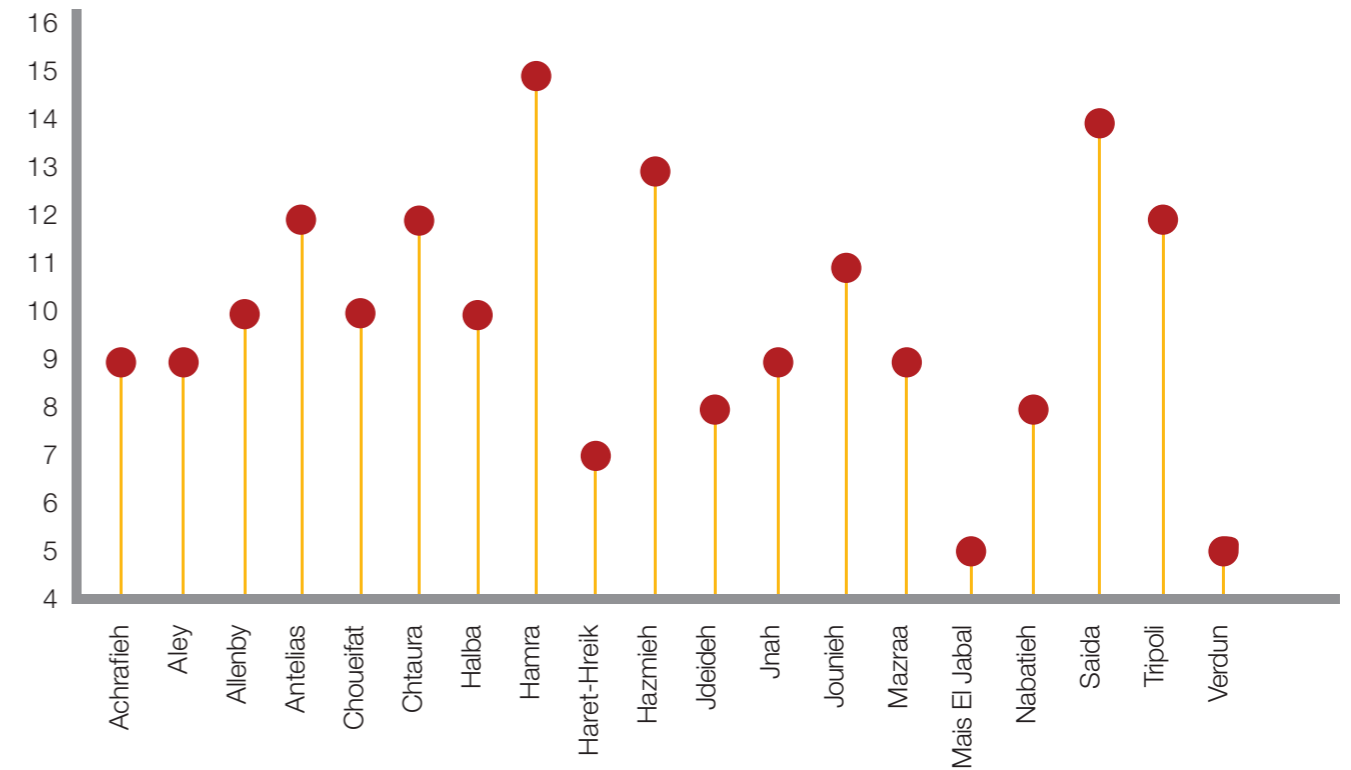
a. Number of Customers at the End of 2009



b. Branches and ATM's

The bank operates 20 ATM's within the 19 branches and 11 additional free-standing ATM's in order to allow banking access throughout Lebanon.

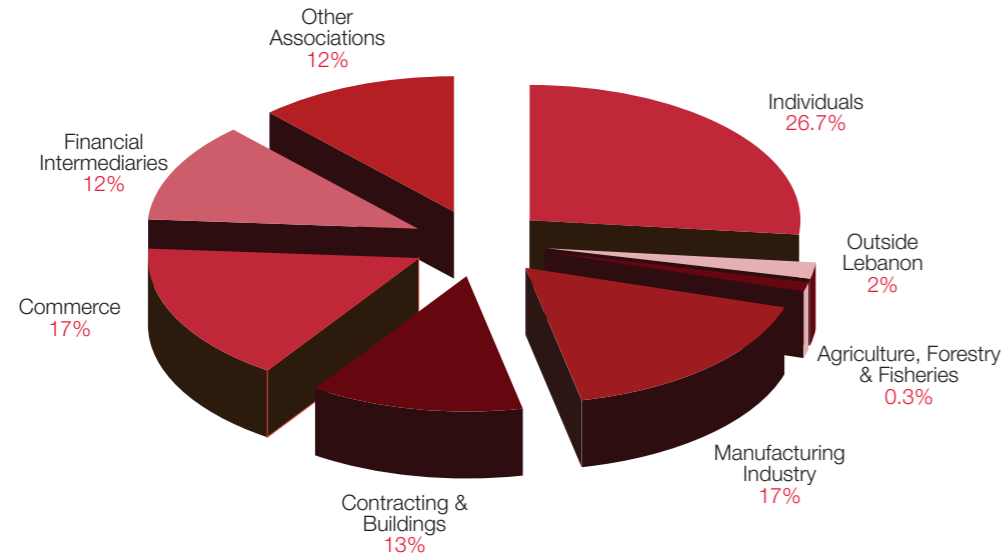
Branches by number of employees



List of free-standing ATM's

- Zouk** (EDL) Electricité Du Liban
- Kadicha** (EDL) Electricité Du Liban
- Gemayze** (EDL) Electricité Du Liban
- Tabarja** Aquamarina 2
- Aintoura** Aintoura School
- Riyak** Riyak Hospital
- Saida** Riad el Solh Sq.
- Mekalles** OTV Bldg
- Mathaf** General Security
- Aadlieh** General Security
- Hamra** Makdessi St.

c. Loan Portfolio by Economic Sector in 2009

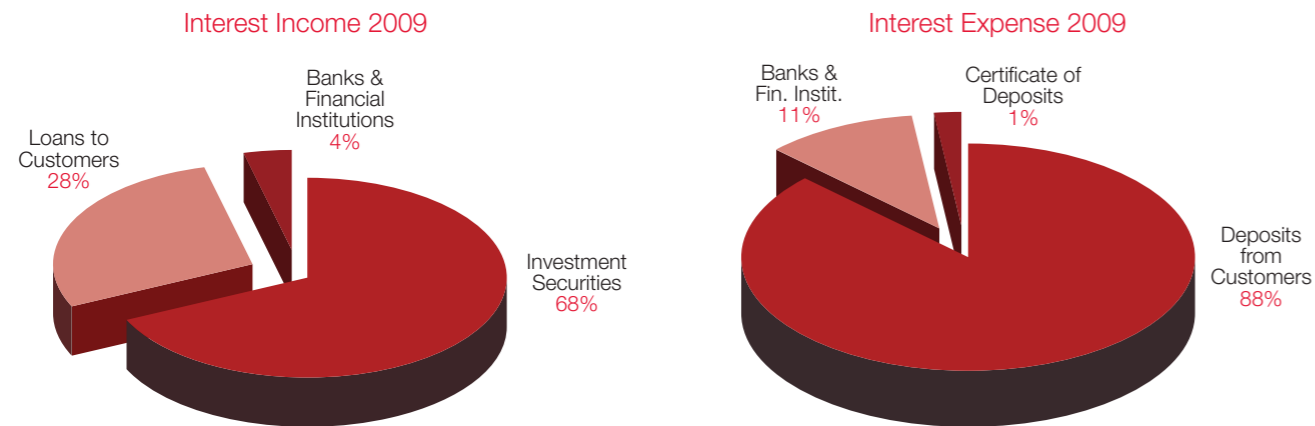


Non-interest operating income contributed to the growth of Net Income. Net Fees and Commissions increased by 7% reaching LBP 6.3 billion as of December 31, 2009. In addition, the Trading Portfolio gained LBP 1.1 billion as of December 31, 2009 with a yearly increase of 40%.

PROFITABILITY

As of December 31, 2009, the bank reported a net income of LBP 14.70 billion (USD 9.8 million) as compared to LBP 13.31 billion (USD 8.8 million) at the end of 2008, reflecting an annual growth rate of 10%. The increase in net income experienced during 2009 is mainly the result of income from investment securities.

The distribution of both interest income and interest expense is illustrated below:



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.

	2009	2008
Capital adequacy ratio Basel I	25.17%	18.65%
Capital adequacy ratio Basel II	9.94%	8.53%

EXPANSION AND STRATEGIC ORIENTATIONS

The year 2009 perceived a tremendous enlargement of the bank's market share among its peers of the Lebanese mid-sized group banks. The Chtaura branch opening in 2009 and the Zouk branch opening early 2010 were two notable achievements in this area.

On the other hand, the offering of 150,000 preferred shares dated September 2009 seemed to be another cornerstone in the bank's growth model by generating new funding for the development of investment activities and strengthening of the bank's capital structure. Thus, this contributed to the internal and external escalation.

The final chapter of 2009 witnessed a new era in FNB's strategic enlargement plan. The bank negotiated and signed an acquisition agreement with Capital Finance Company S.A.L. on August 2009 to acquire 100% of its shares, resulting in a new capital increase for the year to come.

FINANCIAL AND NON-FINANCIAL DEVELOPMENTS

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: monitors policies and procedures that ensure management directives are met. 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, assessed, and communicated in an efficient form and timeframe. Information systems produce reports containing

operational, financial, and compliance-related information that enables 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 BANKING

FNB's Corporate Banking Division provides its distinguished corporate clients with a wide range of innovative solutions to help meet their increasingly complex financial needs. FNB offers a full range of customer-focused products including overdraft facilities, Letter of Credit, Bank Guarantees, in addition to a variety of short, medium and long term loans including subsidized loans, kafalat loans, EIB loans.....

The product offerings are suitably structured taking into consideration client's risk profile and specific needs through Specialized banking services covering working capital finance, export-import trade financing, capital expenditure, fixed assets acquisition, project finance....

BRANCH MANAGEMENT

The Branch Management Department has succeeded in transforming the branch network from transaction points to customer advice and sales centers on both operational and cultural levels.

The ability to attract and retain qualified employees is critical to the success of the branches, and failure to do so may adversely affect performance and image. Therefore, a fully-equipped virtual branch that will simulate FNB branches is currently being developed as part of the new

which aid clients in achieving growth and success.

During the past year, the division's newly implemented corporate banking strategy in order to capture new large corporate customers and to maintain and develop the existing relationship with our loyal customers which led to growth and prosperity for the bank as well as for the employees, depositors and shareholders.

The Philosophy of FNB's Corporate Banking Division is to offer superior products and services so that their customers' business will flourish and succeed, leading to a long term mutually beneficial banking relationship for all involved.

FNB training center on the Jdeideh premises. It is designed to provide employees with advanced training and necessary skills and knowledge to meet even the most demanding requirements of FNB clients.

We are still moving forward with the dynamic expansion of the local branch network that enables FNB to succeed in its client-focused integrated bank strategy and exploiting market opportunities as they arise. The year 2009 has witnessed the inauguration of the Chtoura branch and obtained license authorization of the Zouk and Tarik el Jdideh branches.

MARKETING

FNB firmly believes in being socially responsible toward the community that it serves. In line with its mission to support community development and cultural and humanitarian events, First National Bank sponsored the “Yes Academy Lebanon 2009” event. The Yes Academy is organized by American Voices, a non-profit agency devoted to providing performance programs that create opportunities for youth through cultural engagement, including youth excellence on stage which builds self-confidence. Yes Academy Lebanon offers full or partial scholarships to 76% of all participants as it believes that today’s children are tomorrow’s future.

In addition, FNB sponsored the 2009 Amicable Frères Asian Chess Championship Tournament. This sponsorship was significant because FNB recognizes that the game of chess helps develop analytical and strategic thinking leading to better decision making in life. The Walk with Al Younbouh, a rehabilitation center for people with special needs, was also supported by the bank, as well as many other community and civic events.

The “Top 10 Books” exhibition, organized by the Dagpa

FICB

The Financial Institutions and Correspondent Banking Department (FICB) at First National Bank Group is responsible for relationships with banks and financial institutions in Lebanon and overseas. It offers comprehensive support and guidance with a strategic focus on financing foreign trade. The FICB uses a wide network of correspondent banks, along with business relationships in emerging markets, to support the group’s foreign trade worldwide. In addition, it assists other units with their international activities. The First National Bank Group provides a dedicated team of professionals to serve its clients with a complete

Group at the Linda Sursock villa in Ashrafieh, was another successful program which was sponsored and supported by the bank. FNB’s participation in this exhibition contributed to the “Beirut World Capital of Books” project. Lastly, FNB, in collaboration with its sister company MECG, launched the Micro Lending Program “El Hemme Hemtak,” which provides loans to small businesses in need of additional funds supporting and encouraging entrepreneurs.

In order to provide more convenience to its customers, FNB launched the new internet banking service as a first step towards building the new electronic banking service unit. Now customers may conduct banking transactions wherever they are in the world, from the comfort of home, the office, or anywhere else with an internet connection. In addition, FNB staff training was conducted in the areas of electronic banking and retail products. This training was given to employees in order to develop their understanding and become more acquainted with the new products and services offered by the bank. In turn, they are able to offer superior customer service and provide information in a professional and skilled manner.

range of correspondent banking needs.

Special services offered to FNB clients include:

- Liquidity and Capital Markets Solutions
- Check Collection Services
- Foreign Currency Services
- International Trade – Letters of Credit

The strategic objective for FICB is to gain market share in the foreign trade business as well as nurture long-term relationships with other financial institutions and focus on service excellence and reliability.

TREASURY

FNB’s Treasury Department provides its customers with innovative solutions while maintaining a strong capital position through the mitigation of both exposure and risk. With full access to the world’s money and capital markets, as well as FX, clients will enjoy natural risk diversification as services extend from that of investment banking and equities to fixed income and foreign exchange.

PRIVATE BANKING

The Middle East Capital Group (MECG) is a leading financial institution specializing in financial services in the MENA region. Headquartered in Beirut, Lebanon, MECG was incorporated in 1996 in Guernsey, Channel Islands, with an initial operating capital of \$32 million US dollars. MECG is committed to providing unparalleled financial advisory services primarily to high net worth individuals, institutional investors, and entrepreneurs.

In September of 2008, the First National Bank (FNB) of Lebanon acquired 98.5% of MECG’s outstanding equity. The combined expertise of these two institutions promises a new era of prosperity for MECG, its shareholders, and stakeholders.

Several major milestones were achieved by MECG in 2009 including:

The Treasury Department 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. The use of a wide range of currencies and products permits FNB to ensure well-diversified and efficient funding. In short, FNB has the global strength and industry experience to meet its customers rapidly changing needs.

- The creation of a 5-year comprehensive business plan to provide strategic and operational guidelines.
- The recruitment of a team of specialized financial advisors to provide customized advice to the group’s diverse clientele base.
- The relocation to state of the art premises in Beirut’s Central District.
- The creation of a new corporate identity which includes among other things, a new logo, stationery, application forms, and a website to be launched in 2010.
- The investment in two full-fledged IT systems, ICBS (Integrated Computerized Banking System) and CRM (Customer Relationship Management), to enhance the efficiency and effectiveness of the various decision making and operational processes.
- Membership in the Beirut Stock Exchange.
- The maintenance and management of client portfolios and the acquisition of a sizeable number of new accounts.

INTERNAL AUDIT

The Internal Audit Department plays the vital role of providing an internal checking mechanism by offering comprehensive and independent professional audit services and consulting throughout all divisions and entities within the FNB Group. The Internal Audit Department aids the group in accomplishing its objectives by adding value to the organization, evaluating, and improving the effectiveness of control and governance processes. The Internal Audit Department also assists management in maintaining proper controls over the group's assets while adding value to the overall business performance, displaying uniformity, comparability, and transparency. In addition, they ensure adherence to sound policies, procedures, overall control, compliance, and corporate governance within the FNB Group.

The Internal Audit Department uses a risk-based audit approach that includes compliance audit, financial audit, controls audit, transactional flow audit, performance audit, and procedural audit. The department has extensive experience and knowledge concerning auditing techniques, and is composed of dynamic, qualified staff.

While the Internal Audit function is guided by the Central

HUMAN RESOURCES

After achieving its business goals for 2008, the Human Resources Department focused on continued employee development and growth. During 2009, HR introduced FNB's Top 4 Business Performance Priorities and consequently determined employee job objectives. This alignment of job objectives has greatly improved employee engagement and participation, especially after the enhancement of the business values assessment

Bank regulations, the Internal Audit coverage exceeds these requirements and rigorously complies with international auditing standards and those related to other professional organizations. The Internal Audit Charter is regularly updated and clearly specifies the reporting level, mission, and scope of work of the Internal Audit.

The Internal Audit Department is independent of the management of FNB group and is supervised by the Head of Internal Audit Department who reports to the Audit Committee. The Internal Audit Department is structured around specialized audit sections that review the activities of business units of the bank and its subsidiary. The heads of the audit sections manage teams of senior and junior auditors, and are supervised by the Head of the Internal Audit Department.

The staff and management of the Internal Audit stay abreast of the constant changes in the audit and control fields through internal and external training sessions pertaining to different business and banking topics. They regularly tackle new areas in which to introduce improvements to the existing controls and to the audit methodology.

introduced in 2008.

The Learning and Development, a major objective for 2009, strengthened the internal talent pipeline in accordance with the tactical training plan that identified both business and individual needs. In addition, employees were exposed to more than 110 training courses on leadership, customer service, and performance.

During the year, focus was shifted from recruitment to resourcing. The resourcing strategy aimed to match the employee with the position which best fit their abilities, talents, and experience, thus redeploying, and in some cases, promoting those who demonstrated superior job capabilities.

In regards to compensation, benefits, and employee retention, internal and market benchmarking practices were followed. As a result, the pay strategy was adjusted accordingly. The attrition rate decreased from 13.7% in 2008 to 4.8% in 2009, a notable achievement.

As part of FNB's commitment to the community, more than 215 students participated in the 2009 Internship Program. The students came from a wide range of certified Lebanese universities in order to receive first-hand experience and be exposed to the Lebanese banking industry.

INFORMATION TECHNOLOGY

During the past 2 years, the Information Technology Department has focused on stabilizing the existing applications, performing upgrades, cleaning programs and data, documenting in-house developed applications, developing new functions integrated to Equation, acquiring new solutions, securing and enhancing infrastructure, and improving the support and service levels.

The IT Department relocated in September 2009 to its new location at Jdeideh, Sagesse Street. The disaster recovery site was also relocated to the main office in downtown (HO Data Center).

During December 2009, another major achievement, the upgrade of the core banking system Misys Equation 3.9, was realized. This project was successful due to the knowledge and skills of the IT staff. In addition, the IBAN International Bank Account Number module was installed.

An upgrade of the bank network and communication infrastructure was conducted, and non-Cisco routers and switches were replaced by Cisco devices. Redundancies were installed at both locations (HO and IT) at the level of core switches, firewalls, and internet connections, thus securing business continuity. Intrusion prevention systems were put into place to protect the bank's network from outside attacks. The installed LAN Management System provided better control and administration of network

devices and bandwidth consumption.

During this coming year, we will focus on completing core banking applications upgrade and activating new modules and functionalities in addition to new systems acquisition.

The main projects are:

- Upgrade branch teller system Misys Equation Branch Automation from V2.2HF11 to latest version 2.3 Hot Fix 21. Along with this project, we will replace old branch servers driven by the Windows 2000 Operating System with new 64 bit servers under the Windows Server 2008 R2 operating system. This upgrade will guarantee a secure and enhanced foundation for the bank's hardware infrastructure and lead to other Microsoft platform upgrades and enhancements (Exchange 2010, Hyper-V virtualization, etc.).
- Install and implement trade finance Misys TI Plus system covering LC, LG and collection modules.
- Install deal compensation and FX net settlement module.
- Activate clean payment, swift message management, and profitability analysis modules.
- Build an interface with the CFC Company to integrate and manage the loan portfolios and provide access to loan processing at FNB branches (issuance and settlement).
- Complete Internet Banking Phase 2 and SMS implementation.
- Upgrade ATM machines to become compliant with EMV2 standards. EURONET ATM interface will be enhanced to cover new Master Cards Un-embossed type.
- Launch laserfiche document management system to branches in order to automate the loan process workflow at both FNB and CFC.
- Upgrade bandwidth at both branches and head office and install new wired (land lines) redundant links based on DSP technology. WAN optimizer devices will be installed between HO and IT-Jdeideh to speed up replication and users access processes.

In the near future, we are looking to acquire and build new solutions related to business intelligence, risk management, data warehousing, and CRM solutions. In addition, the bandwidth will be upgraded.

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT



Culmination: The fruition of results

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INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2009

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 statement of financial position as at December 31, 2009 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 framework of 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.

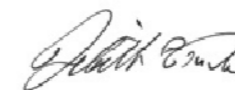
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2009, 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 19, 2010

Deloitte & Touche



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

ASSETS	Notes	2009 LBP'000	2008 LBP'000
Cash and central bank	5	426,857,374	382,437,353
Deposits with banks and financial institutions	6	424,005,286	342,530,683
Trading assets	7	4,201,285	4,939,379
Available-for-sale investment securities	8	1,012,919,855	679,349,044
Held-to-maturity investment securities	8	629,746,924	451,669,694
Loans to banks and financial institutions	9	18,637,981	17,858,593
Loans and advances to customers	10	676,055,390	561,398,553
Customer's liability under acceptances	11	15,787,640	12,787,789
Investment in a non-consolidated subsidiary	12	4,997	4,997
Investment in an associate	13	909,148	915,016
Assets acquired in satisfaction of loans	14	4,351,549	6,674,405
Property and equipment	15	30,503,270	21,588,612
Other assets	16	10,724,906	10,745,081
Regulatory blocked fund	17	1,500,000	1,500,000
Intangible assets	18	<u>2,516,490</u>	<u>2,546,825</u>
Total assets		<u>3,258,722,095</u>	<u>2,496,946,024</u>
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK			
Guarantees and standby letters of credit	37	56,767,131	58,870,372
Documentary and commercial letters of credit	37	24,603,010	44,580,857
Forward exchange contracts		48,374,963	27,419,413
FIDUCIARY ASSETS	38	394,192,638	479,468,665

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

LIABILITIES	Notes	2009 LBP'000	2008 LBP'000
Deposits and borrowings from banks and financial institutions	19	423,150,363	326,810,347
Customer's deposits at amortized cost	20	2,487,720,953	1,915,861,304
Liability under acceptances	11	15,787,640	12,787,789
Certificates of deposit	21	12,065,617	12,065,617
Soft loan from Central Bank of Lebanon	22	44,850,747	44,850,747
Other liabilities	23	26,319,627	23,023,306
Provisions	24	<u>4,166,478</u>	<u>3,575,448</u>
Total liabilities		<u>3,014,061,425</u>	<u>2,338,974,558</u>
EQUITY			
Share capital	25	115,000,000	100,000,000
Blocked deposits for capital increase	25	-	15,000,000
Preferred shares	26	22,605,000	-
Additional paid-in capital		17,298,563	17,298,563
Legal reserve	27	2,885,758	1,717,266
Reserve for general banking risks	27	9,791,276	6,218,134
Reserve for assets acquired in satisfaction of loans	14	548,263	517,257
Cumulative change in fair value of investment securities	28	41,359,575	(11,455,242)
Retained earnings		20,067,846	15,425,269
Profit for the year		<u>14,699,223</u>	<u>12,864,273</u>
Equity attributable to owners of the Bank		244,255,504	157,585,520
Non-controlling interest	29	<u>405,166</u>	<u>385,946</u>
Total Equity		<u>244,660,670</u>	<u>157,971,466</u>
Total Liabilities and Equity		<u>3,258,722,095</u>	<u>2,496,946,024</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31

	Notes	2009 LBP'000	2008 LBP'000
Interest income	30	173,380,300	151,606,439
Interest expense	31	<u>(134,471,830)</u>	<u>(114,517,471)</u>
Net interest income		<u>38,908,470</u>	<u>37,088,968</u>
Fee and commission income	32	8,397,250	8,475,291
Fee and commission expense	33	<u>(2,132,101)</u>	<u>(2,610,318)</u>
Net fee and commission income		<u>6,265,149</u>	<u>5,864,973</u>
Net interest and gain on trading assets	34	1,109,857	792,642
Other operating income (net)	35	<u>7,102,934</u>	<u>5,994,854</u>
Net financial revenues		53,386,410	49,741,437
Provision for impairment of loans and advances to customers (net)	10	(262,429)	(1,219,778)
Write-off of doubtful loans and advances to customers		(3,257)	(682,476)
Provision for decline in value of Available-for-sale securities	28	<u>(1,200,000)</u>	-
Net financial revenues after impairment charge		<u>51,920,724</u>	<u>47,839,183</u>
Staff costs		(19,960,769)	(16,956,226)
Administrative expenses		(12,638,667)	(11,710,831)
Depreciation and amortization	36	(2,982,253)	(3,013,489)
Other income/(expense)		(148,537)	(1,408,684)
Gain on disposal of property and equipment		<u>1,660,830</u>	<u>1,187,998</u>
Profit before income tax		17,851,328	15,937,951
Income tax expense		(3,298,419)	(2,625,691)
Deffered tax revenue	28	<u>150,000</u>	-
Profit for the year		<u>14,702,909</u>	<u>13,312,260</u>
Attributable to:			
Equity holders to the Bank		14,699,223	12,864,273
Non-controlling interest		<u>3,686</u>	<u>447,987</u>
		<u>14,702,909</u>	<u>13,312,260</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31

	2009 LBP'000	2008 LBP'000
Profit for the year	<u>14,702,909</u>	<u>13,312,260</u>
Other comprehensive income:		
Net change in fair value of available-for-sale securities	62,621,649	5,960,807
Net change in fair value recycled to profit and loss	(3,986,122)	(2,594,148)
Amortization of change in fair value of securities reclassified to held to maturity	219,828	396,760
Provision for decline in fair value of available-for-sale securities	1,200,000	-
Deferred tax	<u>(7,225,004)</u>	<u>(2,094,500)</u>
Other comprehensive income	<u>52,830,351</u>	<u>5,857,919</u>
Settlement of fair value of derivatives	-	(348,660)
Total comprehensive income	<u>67,533,260</u>	<u>18,821,519</u>
Attributable to:		
Equity owners of the Bank	67,514,040	16,761,860
Non-controlling interest	<u>19,220</u>	<u>2,059,659</u>
	<u>67,533,260</u>	<u>18,821,519</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity Attributable to Owners of the Group

	Share Capital	Blocked Deposit for Capital Increase	Shareholders' Cash Contribution to Capital	Preferred Shares	Additional Paid-in-Capital	Legal Reserve	Reserve for General Banking Risks	Reserves for Assets Acquired in Satisfaction of Debts	Cumulative Change in fair value of Investment Securities	Change in Retained Earning	Fair Value of Derivatives	Income for the year	Attributable to the Group	Non-controlling Interest	Total Equity
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1, 2008	100,000,000	-	136,068	-	17,298,563	910,601	4,754,195	-	(16,325,099)	8,390,959	348,660	10,272,534	125,786,481	13,768,406	139,554,887
Capital increase	-	14,863,932	-	-	-	-	-	-	-	-	-	-	14,863,932	-	14,863,932
Reallocation	-	136,068	(136,068)	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of 2007 profit	-	-	-	-	-	806,665	1,463,939	517,257	-	7,484,673	-	(10,272,534)	-	-	-
Effect of additional acquisition in subsidiary	-	-	-	-	-	-	-	-	-	(879,356)	-	-	(879,356)	(14,389,516)	(15,268,872)
Comprehensive income 2008	-	-	-	-	-	-	-	-	4,246,247	-	(348,660)	12,864,273	16,761,860	2,059,659	18,821,519
Adjustment of Non-controlling share for the effect of additional acquisition from Non-controlling	-	-	-	-	-	-	-	-	623,610	428,993	-	-	1,052,603	(1,052,603)	-
Balances at December 31, 2008	100,000,000	15,000,000	-	-	17,298,563	1,717,266	6,218,134	517,257	(11,455,242)	15,425,269	-	12,864,273	157,585,520	385,946	157,971,466
Transfer from blocked deposit to share capital	15,000,000	(15,000,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of 2008 profit	-	-	-	-	-	1,168,492	3,573,142	-	-	8,122,639	-	(12,864,273)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(3,450,000)	-	-	(3,450,000)	-	(3,450,000)
Issuance of preferred shares	-	-	-	22,605,000	-	-	-	-	-	-	-	-	22,605,000	-	22,605,000
Reserve for foreclosed assets	-	-	-	-	-	-	-	31,006	-	(31,006)	-	-	-	-	-
Comprehensive income 2009	-	-	-	-	-	-	-	-	52,814,817	-	-	14,699,223	67,514,040	19,220	67,533,260
Other adjustments	-	-	-	-	-	-	-	-	-	944	-	-	944	-	944
Balances at December 31, 2009	115,000,000	-	-	22,605,000	17,298,563	2,885,758	9,791,276	548,263	41,359,575	20,067,846	-	14,699,223	244,255,504	405,166	244,660,670

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	Notes	2009 LBP'000	2008 LBP'000
Cash flow from operating activities:			
Profit for the year		14,702,909	13,312,260
Adjustments for:			
Depreciation and amortization		2,982,253	3,013,489
Provision for write-off of impaired loans and advances to customers		265,686	1,902,254
(Gain) on sale of property and equipment		(98,145)	1,187,998
(Gain) on sale of assets acquired in satisfaction of loans		(1,685,967)	(1,240,655)
Change in fair value and gain on sale of trading assets	35	(762,662)	(419,860)
Provisions		827,179	1,240,655
Share in losses of an associate		5,868	4,391
Provision for decline in value of available-for-sale securities		1,200,000	-
Loss on disposal of an associate		-	137,495
Net change in loans to banks		(779,388)	(2,392,627)
Net change in loans and advances to customers		(117,036,669)	(67,158,352)
Net change in customers' deposits		571,859,649	240,407,957
Net change in trading securities		1,500,756	(502,871)
Net change in placements with banks (including compulsory reserves)		(9,934,152)	(13,233,133)
Net change in other assets and intangible assets		(97,208)	562,532
Net change in other liabilities		(3,929,974)	3,969,810
Settlement of provisions		(236,149)	478,640
Deposits and borrowings from banks and financial institutions		<u>(87,687,089)</u>	<u>(34,513,960)</u>
Net cash generated by operating activities		<u>371,096,897</u>	<u>144,262,467</u>
Cash flows from investing activities:			
Net change in investment securities		(452,791,394)	(191,657,005)
Acquisition of subsidiary		-	(14,439,511)
Net change in investment in an associate		-	1,976,303
Purchase of property and equipment		(11,089,914)	(1,162,769)
Proceeds from disposal of property and equipment		42,809	522,220
Proceeds from disposal of assets acquired in satisfaction of loans		<u>5,519,969</u>	<u>3,725,664</u>
Net cash used in investing activities:		<u>(458,318,530)</u>	<u>(201,035,098)</u>
Cash flows from financing activities:			
Capital injection		-	14,863,932
Preferred shares		22,605,000	-
Dividend distribution		<u>(3,450,000)</u>	-
Net cash used in financing activities		<u>19,155,000</u>	<u>14,863,932</u>
Net change in cash and cash equivalents		(68,066,633)	(41,908,69)
Cash and cash equivalents - Beginning of year	40	<u>47,799,159</u>	<u>89,707,858</u>
Cash and cash equivalents - End of year		<u>(20,267,474)</u>	<u>47,799,159</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Commercial 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 nineteen branches in various Lebanese regions. The consolidated financial statements of the Bank as at December 31, 2009 comprise the Bank and its subsidiary - Middle East Capital Group and its Subsidiaries ("MEGG") and are hereafter referred to as (the "Group").

The Group's headquarters are located in Beirut, Lebanon.

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

Standards affecting presentation and disclosure

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

- IAS 1 (as revised in 2007) Presentation of Financial Statements

IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

- Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Standards and Interpretations adopted with no effect on the financial statements

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

- Amendments to IFR 2 Share-based Payments - Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements . Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
- IFRIC 13 Customer Loyalty Programmes	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
- IFRIC 15 Agreements for the Construction of Real Estate	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the Construction of real estate should be recognized.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
- Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 Annual Improvements to IFRSs majority of which are effective for annual periods beginning on or after January 1, 2009.

Standards and Interpretations in issue but not yet effective. New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
- IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial statements - Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 1, 2009
- IFRS 3 (revised) Business Combinations - Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) Consolidated and Separate Financial Statements, IAS 28 (revised) Investments in Associates and IAS 31 (revised) Interests in Joint Ventures.	July 1, 2009
- IAS 39 (revised) Financial Instruments: Recognition and Measurement - Amendments relating to Eligible Hedged Items (such as hedging inflation risk and Hedging with options)	July 1, 2009
- IFRS 2 (revised) Share-based payment -Amendment relating to Bank cash-settled Share-based payments	January 1, 2010
- IAS 32 (revised) Financial Instruments: Presentation - Amendments relating to classification of Rights Issue	February 1, 2010
- IAS 24 Related Party Disclosures - Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
- IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
- Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 Annual Improvements to IFRSs.	Majority effective for annual periods beginning on or after January 1, 2010

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, except for IFRS 9 for which directors have not yet had an opportunity to consider the potential impact of the adoption / early adoption of this new standard.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance

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

B. Basis of Measurement

The consolidated financial statements 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 (IAS 39), especially financial assets and liabilities at fair value through profit and loss and available-for-sale financial assets measured at fair value.

Assets and liabilities are grouped according to their nature

and are presented in an approximate order that reflects their relative liquidity.

C. Basis of Consolidation

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

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

The consolidated subsidiaries as at December 31, 2009 comprise:

Company Name	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. Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling's share of change in net assets equity since the date of the combination.

D. Business Combinations

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

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of

cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

E. Investments in Associates

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

The results and assets and liabilities of associates, except where the Group has control over the associates' financial and operating policies, are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified a held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less

any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

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

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

F. Foreign Currencies

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

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that dates. 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 in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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

G. Financial Assets and Liabilities

Recognition and Derecognition

The Group initially recognizes loans and advances, deposits and 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 assets 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 financial position 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 expired.

Offsetting

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

Fair Value Measurement

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

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

Impairment of Financial Assets

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

future cash flows of the investment have been impaired.

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

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

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

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

H. Investment Securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through the income statement, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity 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 other comprehensive income and accumulated under equity. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in the income statement.

I. Trading Securities

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

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

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

J. 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 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, less impairment.

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

K. 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 statement of financial position date. The resulting gain or loss is recognized in the income statement 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 the income statement.

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 the income statement 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 the income statement from that date.

Cash Flow Hedge

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

Amounts previously recognized in other comprehensive income and accumulated in equity are recycled to profit

or loss in the periods when the hedged item is recognized in the income statement, 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in the income statement.

L. Financial Liabilities and Equity Instruments Issued by the Group

Classification as Debt or Equity

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

Equity Instruments

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

Financial Guarantee Contract Liabilities

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor

fails to make payment when due in accordance with the terms of a debt instrument. These contracts can have various judicial forms (guarantees, letters of credit, credit-insurance contracts).

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

Other Financial Liabilities

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

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

M. Property and Equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any.

Depreciation of property and equipment, other than land and advance payments on capital expenditures is calculated systematically using the straight-line method over the estimated useful lives of the related assets using the following annual rates:

Buildings	2%
Office improvements and installations	15%
Furniture, equipment and machines	8%
Computer equipment	20%
Vehicles	10%

N. Intangible Assets other than Goodwill

Intangible assets consisting of computer software are amortized over a period of three years and are subject to impairment testing. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

O. Goodwill

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

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

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

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

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.

- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

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

The impairment loss is charged to income.

P. Assets Acquired in Satisfaction of Loans:

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

Q. Impairment of Tangible and Intangible Assets

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

R. Provision for Employees' End-of-Service Indemnities

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

Fund. This provision is recognized as an expense on a current basis.

S. Provisions

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

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

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

T. Revenue and Expense Recognition

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities.

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

leased items are classified as operating leases. Operating lease payments are recorded in the consolidated income statement on a straight line basis over the lease term.

X. Cash and Cash Equivalents

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

A. Critical Accounting Judgments in Applying the Group's Accounting Policies:

Classification of Financial Assets

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

B. Key Sources of Estimation Uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at

the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for Credit Losses - 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.

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

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 3G. 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."

Impairment of Goodwill

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

Impairment of Available For-Sale Equity Investments

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

(i.e. commissions and fees earned on the loan book) are included under interest income and expense.

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

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

U. 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.

V. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income (OCI), in which case it is recognized in OCI.

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

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

W. Operating Lease Agreements

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the

5. CASH AND CENTRAL BANK

December 31

	2009 LBP'000	2008 LBP'000
Cash on hand	17,925,295	18,157,013
Current accounts with Central Bank of Lebanon	102,759,485	106,232,040
Term placements with Central Bank of Lebanon	306,022,500	257,647,500
Accrued interest receivable	<u>150,094</u>	<u>400,800</u>
	<u>426,857,374</u>	<u>382,437,353</u>

Current accounts at Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pound in the amount of LBP89billion (LBP87billion as of December 31, 2008) 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 Central Bank of Lebanon include the equivalent in foreign currencies of LBP306billion (LBP-227billion in 2008) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of 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, 2009
F/Cy Base Accounts

Maturity	Amount LBP'000	Average Interest Rate LBP'000
2010	155,272,500	0.46
2011	60,300,000	1.15
2012	45,225,000	1.16
2014	<u>45,225,000</u>	1.15
	<u>306,022,500</u>	

December 31, 2008

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

Interest rates on term placements with the Central Bank of Lebanon are reset periodically.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

December 31

	2009 LBP'000	2008 LBP'000
Checks in course of collection	16,855,295	2,958,330
Cash margin against facilities	7,165,954	-
Current accounts with banks and financial institutions	46,066,947	49,226,369
Term placements with banks and financial institutions	346,927,533	273,051,651
Discounted documentary letters of credit	1,863,430	14,695,390
Accrued interest receivable	5,126,127	2,598,943
	<u>424,005,286</u>	<u>342,530,683</u>

Term placements bear the following maturities:

December 31, 2009

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
2010	63,300,283	7.61	283,627,250	2.59
	<u>63,300,283</u>		<u>283,627,250</u>	

December 31, 2008

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
2009	103,305,825	8.06	146,955,266	4.56
2011	-		22,790,560	4.85
	<u>103,305,825</u>		<u>169,745,826</u>	

Discounted letters of credit in the amount of LBP1.8billion as of December 31, 2009 (LBP14.6billion as of December 31, 2008), represent the amount of import letters of credit in favor of the Group discounted and settled by the Group.

Cash margin against facilities represents cash margin against trading and foreign exchange transactions with non-resident banks. This margin bears a floating interest rate.

7. TRADING ASSETS

December 31

	2009 LBP'000	2008 LBP'000	Change in Fair Value During 2009 LBP'000
Lebanese treasury bills	3,120,000	3,067,500	52,500
Accrued interest receivable	93,129	99,086	-
	<u>3,213,129</u>	<u>3,166,586</u>	<u>52,500</u>
Corporate bonds – Non-resident	-	757,519	-
Quoted equity securities	988,156	1,015,274	329,386
Total	4,201,285	4,939,379	381,886

The change in fair value on held-for-trading securities (unrealized gain) in the amount of LBP382million is booked under "Net interest and gain on trading portfolio" in the income statement (LBP420million for the year 2008) (Note 34).

8. INVESTMENT SECURITIES

December 31

	2009 LBP'000	2008 LBP'000
Available-for-sale investment securities	989,895,147	664,530,429
Accrued interest receivable	23,024,708	14,818,615
	<u>1,012,919,855</u>	<u>679,349,044</u>
Held-to-maturity investment securities	619,966,417	441,907,923
Accrued interest receivable	9,780,507	9,761,771
	<u>629,746,924</u>	<u>451,669,694</u>
	<u>1,642,666,779</u>	<u>1,131,018,738</u>

A. Available-for-sale investment securities

December 31, 2009

	LBP			Foreign Currencies		
	Amortized Cost LBP'000	Carrying Fair Value LBP'000	Cumulative Change in Fair Value LBP'000	Amortized Cost LBP'000	Carrying Fair Value LBP'000	Cumulative Change in Fair Value LBP'000
Quoted equity securities	-	-	-	11,190,374	10,933,577	(256,797)
Funds	-	-	-	3,045,150	1,997,739	(1,047,411)
Unquoted equity securities at cost	34,167	34,167	-	7,877,668	7,877,668	-
Subordinated convertible bonds	-	-	-	1,507,500	1,507,500	-
Lebanese treasury bills	322,323,670	341,684,160	19,360,490	-	-	-
Lebanese Government bonds	-	-	-	245,651,678	256,332,717	10,681,039
Foreign government bonds	-	-	-	2,903,413	2,912,773	9,360
Corporate bonds	-	-	-	73,723,059	65,644,643	(8,078,416)
Certificates of deposits issued by Central Bank of Lebanon	170,950,521	193,738,767	22,788,246	78,142,725	81,598,894	3,456,169
Certificate of deposit issued by Lebanese banks	-	-	-	25,378,401	25,632,542	254,141
	<u>493,308,358</u>	<u>535,457,094</u>	<u>42,148,736</u>	<u>499,419,968</u>	<u>454,438,053</u>	<u>5,018,085</u>

December 31, 2008

	LBP			Foreign Currencies		
	Amortized Cost LBP'000	Carrying Fair Value LBP'000	Cumulative Change in Fair Value LBP'000	Amortized Cost LBP'000	Carrying Fair Value LBP'000	Cumulative Change in Fair Value LBP'000
Quoted equity securities	-	-	-	8,346,157	7,482,966	(863,191)
Funds	-	-	-	3,045,150	1,813,523	(1,231,627)
Unquoted equity securities	34,167	34,167	-	6,698,302	6,698,302	-
Subordinated convertible bonds	-	-	-	1,507,500	1,507,500	-
Lebanese Treasury bills	172,390,077	177,971,842	5,581,765	-	-	-
Lebanese Government bonds	-	-	-	235,708,068	225,894,681	(9,813,387)
Corporate bonds	-	-	-	76,808,246	70,125,103	(6,683,143)
Certificates of deposit issued by Central Bank of Lebanon	93,911,392	94,978,772	1,067,380	42,101,226	42,039,465	(61,761)
Certificate of deposit issued by Lebanese banks	-	-	-	37,941,598	35,984,108	(1,957,490)
	<u>266,335,636</u>	<u>272,984,781</u>	<u>6,649,145</u>	<u>412,156,247</u>	<u>391,545,648</u>	<u>(20,610,599)</u>

As of December 31, 2009 the Group had available-for-sale corporate bonds issued by non-resident banks amounting to LBP21billion (USD14million) pledged against borrowings from non-resident banks reflected under sale and repurchase agreements (Note 19)

As of December 31, 2008 the Group had available-for-sale certificates of deposit issued by the Central Bank of Lebanon amounting to LBP37.7billion (USD25million) pledged to the favor of a resident bank against sale and repurchase agreements (Note 19). These agreements

matured during year 2009 and the pledges were released.

During 2008, the Group signed a subordinated convertible loan agreement with a third party for a total limit of USD5,000,000 out of which USD1,000,000 (LBP1.5billion) was used at an interest rate of 6%. This loan matures in March 2010, extendable for an additional 6 months period. Upon maturity, the loan and related interest shall be converted into an equivalent amount of borrowers shares. The price of each ordinary share shall be determined based on the company's valuation at the date of conversion.

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

December 31, 2009						
Remaining Period to Maturity	LBP			Counter Value of F/Cy		
	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000
Subordinated Convertible Bonds:						
Up to one year	-	-	-	1,507,500	1,507,500	1,507,500
Lebanese Treasury Bills:						
Up to one year	41,621,890	41,846,741	44,111,830	-	-	-
1 year to 3 years	278,600,000	280,476,929	297,572,330	-	-	-
	320,221,890	322,323,670	341,684,160	-	-	-
Lebanese Government Bonds:						
Up to one year	-	-	-	16,445,963	16,458,101	16,437,808
1 year to 3 years	-	-	-	33,486,098	33,498,725	34,226,276
3 years to 5 years	-	-	-	74,856,853	74,876,876	76,417,433
5 years to 10 years	-	-	-	86,071,905	89,632,906	95,959,366
Beyond 10 years	-	-	-	31,043,173	31,185,070	33,291,834
	-	-	-	241,903,992	245,651,678	256,332,717
Foreign Government Bonds:						
5 years to 10 years	-	-	-	3,015,000	2,903,413	2,912,773
	-	-	-	3,015,000	2,903,413	2,912,773
Corporate Bonds:						
1 year to 3 years	-	-	-	17,520,950	17,555,677	17,703,396
3 years to 5 years	-	-	-	22,612,500	22,612,500	21,663,378
5 years to 10 years	-	-	-	33,761,557	33,554,882	26,277,869
	-	-	-	73,895,007	73,723,059	65,644,643
Certificates of Deposit Issued by Central Bank of Lebanon:						
1 year to 3 years	-	-	-	30,150,000	30,221,290	31,431,784
3 years to 5 years	170,000,000	170,950,521	193,738,767	-	-	-
5 years to 10 years	-	-	-	44,968,725	47,921,435	50,167,110
	170,000,000	170,950,521	193,738,767	75,118,725	78,142,725	81,598,894
Certificates of Deposit Issued by Lebanese Banks:						
Up to one year	-	-	-	226,125	250,478	227,986
1 year to 3 years	-	-	-	25,212,938	25,127,923	25,404,556
	-	-	-	25,439,063	25,378,401	25,632,542
Total	490,221,890	493,274,191	535,422,927	420,879,287	427,306,776	433,629,069

December 31, 2008

Remaining Period to Maturity	LBP			Counter Value of F/Cy		
	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000
Subordinated Convertible Bonds:						
From 1 to 3 years	-	-	-	1,507,500	1,507,500	1,507,500
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
Certificates 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
Certificates 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
Total	264,000,000	266,301,469	272,950,614	389,836,684	394,066,638	375,550,857

Certificates of deposit issued by Central Bank of Lebanon and classified as available-for-sale include certificates of LBP11.47billion (USD7,608,984) carrying value and a nominal value of LBP11.5billion (USD7,330,000) as of December 31, 2009 (LBP11.48billion c/v USD7,615,789 as at 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 2009 year-end is reflected under "Other liabilities" and amounted to LBP1.2billion as of December 31, 2009 (LBP386million for 2008) (Note 23).

B. Held-to-maturity investment securities

December 31, 2009

	LBP		Foreign Currencies	
	Amortized Cost LBP'000	Fair Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000
Lebanese treasury bills	216,749,393	224,449,410	-	-
Lebanese Government bonds	-	-	279,767,348	285,734,231
Corporate bonds	-	-	97,987,500	102,787,983
Certificates of deposit issued by Central Bank of Lebanon	15,613,878	15,100,070	-	-
Certificates of deposit issued by Lebanese banks	-	-	9,848,298	9,828,283
	<u>232,363,271</u>	<u>239,549,480</u>	<u>387,603,146</u>	<u>398,350,497</u>

December 31, 2008

	LBP		Foreing Currencies	
	Amortized Cost LBP'000	Fair Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000
Lebanese treasury bills	146,575,757	150,682,299	-	-
Lebanese Government bonds	-	-	166,467,846	163,056,776
Corporate bonds	-	-	97,987,500	96,760,395
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
	<u>152,553,755</u>	<u>157,191,014</u>	<u>289,354,168</u>	<u>284,492,231</u>

As of December 31, 2009 the Group had held-to-maturity Lebanese Government bonds amounting to LBP47.36billion (LBP48.3billion for year 2008) pledged against a soft loan granted by the Central Bank of Lebanon (Note 22).

As of December 31, 2009, the Group had held-to-maturity corporate bonds issued by non-resident banks amounting to LBP68billion (USD45million) pledged against repurchase agreements with non-resident banks (Note 19).

As of December 31, 2009, the Group had held-to-maturity Lebanese Government Eurobonds amounting to LBP57.28billion (USD38million) pledged against repurchase agreements with non-resident banks (Note 19).

As of December 31, 2008, the Group had held-to-maturity Lebanese Government bonds amounting to LBP43.72billion (USD29million) pledged against repurchase agreements with resident banks. During 2009, the agreements matured and the pledges were released.

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

December 31, 2009

Remaining Period to Maturity	LBP			Counter Value of F/Cy		
	Redemption Value LBP'000	Carrying Value LBP'000	Fair Value LBP'000	Redemption Value LBP'000	Carrying Value LBP'000	Fair Value LBP'000
Lebanese treasury bills:						
Up to 1 year	76,423,910	76,574,602	79,198,137	-	-	-
1 year to 3 years	110,000,000	112,192,671	116,604,070	-	-	-
3 years to 5 years	28,000,000	27,982,120	28,647,203	-	-	-
	<u>214,423,910</u>	<u>216,749,393</u>	<u>224,449,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lebanese Government bonds:						
Up to 1 year	-	-	-	54,052,840	53,942,261	53,981,004
1 year to 3 years	-	-	-	70,543,462	71,262,965	70,957,819
3 years to 5 years	-	-	-	29,904,318	29,144,034	30,117,016
5 years to 10 years	-	-	-	92,412,765	91,030,564	95,109,888
Beyond 10 years	-	-	-	33,255,450	34,387,524	35,568,504
	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,168,835</u>	<u>279,767,348</u>	<u>285,734,231</u>
Corporate bonds:						
Up to one year	-	-	-	60,300,000	60,300,000	60,995,862
1 year to 3 years	-	-	-	15,075,000	15,075,000	15,242,333
5 years to 10 years	-	-	-	22,612,500	22,612,500	26,549,788
	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,987,500</u>	<u>97,987,500</u>	<u>102,787,983</u>
Certificates of deposit issued by Central Bank of Lebanon:						
3 years to 5 years	5,000,000	5,000,000	5,826,531	-	-	-
5 years to 10 years	10,000,000	10,613,878	9,273,539	-	-	-
	<u>15,000,000</u>	<u>15,613,878</u>	<u>15,100,070</u>	<u>-</u>	<u>-</u>	<u>-</u>
Certificates of deposit issued by Lebanese banks:						
Up to one year	-	-	-	9,798,750	9,848,298	9,828,283
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,798,750</u>	<u>9,848,298</u>	<u>9,828,283</u>
Total	<u>229,423,910</u>	<u>232,363,271</u>	<u>239,549,480</u>	<u>387,955,085</u>	<u>387,603,146</u>	<u>398,350,497</u>

December 31, 2008

Remaining Period to Maturity	LBP			Counter Value of F/Cy		
	Redemption Value LBP'000	Carrying Value LBP'000	Fair Value LBP'000	Redemption Value LBP'000	Carrying Value LBP'000	Fair Value LBP'000
Treasury Bills:						
Up to 1 year	142,521,270	142,361,761	146,159,140	-	-	-
1 year to 3 years	<u>4,229,580</u>	<u>4,213,996</u>	<u>4,523,159</u>	-	-	-
	<u>146,750,850</u>	<u>146,575,757</u>	<u>150,682,299</u>	-	-	-
Lebanese Government Bonds:						
Up to 1 year	-	-	-	34,852,980	34,861,066	34,859,821
1 year to 3 years	-	-	-	56,085,244	60,386,445	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	-	-	-	<u>22,612,500</u>	<u>22,587,840</u>	<u>20,869,850</u>
	-	-	-	<u>154,253,224</u>	<u>166,467,846</u>	<u>163,056,776</u>
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	<u>6,000,000</u>	<u>5,977,998</u>	<u>6,508,715</u>	-	-	-
	<u>6,000,000</u>	<u>5,977,998</u>	<u>6,508,715</u>	<u>16,582,500</u>	<u>16,582,500</u>	<u>16,582,500</u>
Certificates of Deposit Issued by Lebanese Banks:						
1 year to 3 years	-	-	-	<u>8,291,250</u>	<u>8,316,322</u>	<u>8,092,560</u>
	-	-	-	<u>8,291,250</u>	<u>8,316,322</u>	<u>8,092,560</u>
Corporate Bonds:						
1 year to 3 years	-	-	-	75,375,000	75,375,000	74,147,895
3 years to 5 years	-	-	-	<u>22,612,500</u>	<u>22,612,500</u>	<u>22,612,500</u>
	-	-	-	<u>97,987,500</u>	<u>97,987,500</u>	<u>96,760,395</u>
Total	<u>152,750,850</u>	<u>152,553,755</u>	<u>157,191,014</u>	<u>277,114,474</u>	<u>289,354,168</u>	<u>284,492,231</u>

9. LOANS TO BANKS

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

	December 31	
	2009 LBP'000	2008 LBP'000
Loans to banks	18,467,500	17,768,778
Accrued interest receivable	<u>170,481</u>	<u>89,815</u>
	<u>18,637,981</u>	<u>17,858,593</u>

Loans to banks mature as follows:

	December 31, 2009		December 31, 2008	
	LBP LBP'000	Interest Rate %	LBP LBP'000	Interest Rate %
2009	-	-	2,920,028	7.25
2010	3,768,750	7.65	3,768,750	8.25
2011	6,406,875	7.68	4,522,500	8.25
2012	3,391,875	7.83	1,507,500	8.25
Beyond 5 years	<u>4,900,000</u>	5.32	<u>5,050,000</u>	5.37
	<u>18,467,500</u>		<u>17,768,778</u>	

10. LOANS AND ADVANCES TO CUSTOMERS

	December 31	
	2009 LBP'000	2008 LBP'000
Loans to customers	573,870,430	508,836,236
Loans and advances to related parties	69,378,591	28,329,113
Bills discounted	6,281,885	2,372,932
Creditors accidentally debtors	14,102,914	6,878,602
Substandard loans (net of unearned interest)	2,661,530	2,200,909
Bad and doubtful debts (net of unrealized interest)	35,086,879	37,861,220
Less: Allowance for impairment	(16,679,881)	(17,061,685)
Provision for impairment of collectivity assess loans	<u>(2,079,970)</u>	<u>(1,500,000)</u>
	682,622,378	567,917,327
Less: Escrow account to cover shortage in provision	<u>(6,566,988)</u>	<u>(6,518,774)</u>
	<u>676,055,390</u>	<u>561,398,553</u>

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

	December 31, 2009			
	Gross Amount LBP'000	Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000
Corporate customers	510,905,669	-	-	510,905,669
Retail customers:				
Car loans	21,595,508	-	-	21,595,508
Credit cards	5,780,850	-	-	5,780,850
Mortgage loans	60,947,446	-	-	60,947,446
Overdrafts	13,906,121	-	-	13,906,121
Personal loans and other	50,498,226	-	-	50,498,226
Substandard loans	4,662,444	(2,000,914)	-	2,661,530
Doubtful loans	92,648,981	(57,562,102)	(16,679,881)	18,406,998
Less: Collective provisions	-	-	(2,079,970)	(2,079,970)
	<u>760,945,245</u>	<u>(59,563,016)</u>	<u>(18,759,851)</u>	<u>682,622,378</u>

	December 31, 2008			
	Gross Amount LBP'000	Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000
Corporate customers	447,031,263	-	-	447,031,263
Retail customers:				
Car loans	13,011,663	-	-	13,011,663
Credit cards	4,794,874	-	-	4,794,874
Mortgage loans	47,963,185	-	-	47,963,185
Overdrafts	2,043,352	-	-	2,043,352
Personal loans and other	31,572,543	-	-	31,572,543
Substandard loans	3,932,478	(1,731,568)	-	2,200,910
Doubtful loans	88,513,612	(50,652,390)	(17,061,685)	20,799,537
Less: Collective provisions	-	-	(1,500,000)	(1,500,000)
	<u>638,862,970</u>	<u>(52,383,958)</u>	<u>(18,561,685)</u>	<u>567,917,327</u>

Loans and advances as at December 31, 2008 included an amount of LBP15.4billion (C/V in USD10,229,644) advanced to customers against pledged securities in the favor of the Group for USD7.6million, which were sold under repurchase agreement transactions amounting to LBP4.5billion (C/V USD3,000,000) with a foreign bank. The loans were settled and the pledge on securities was released.

The approximate movement of unrealized interest during 2009 and 2008 is summarized as follows:

	2009	
	Substandard LBP'000	Doubtful LBP'000
Balance, January 1	1,731,568	50,652,390
Additions	403,644	10,914,707
Settlements/recoveries	(134,298)	(4,004,995)
Balance, December 31	<u>2,000,914</u>	<u>57,562,102</u>

	2008	
	Substandard LBP'000	Doubtful LBP'000
Balance, January 1	3,711,123	46,468,673
Additions	484,762	9,816,189
Settlements/recoveries	(2,464,317)	(5,580,996)
Effect of exchange rates fluctuations	-	(51,476)
Balance, December 31	<u>1,731,568</u>	<u>50,652,390</u>

The approximate movement of allowance for impairment on loans is summarized as follows:

	2009	2008
	LBP'000	LBP'000
Balance, January 1	18,561,685	17,338,888
Additions	2,248,743	3,034,788
Recoveries	(1,986,314)	(1,815,010)
Write off	(64,263)	-
Effect of exchange rates fluctuations	-	3,019
Balance, December 31	<u>18,759,851</u>	<u>18,561,685</u>

The escrow account represents cash provisions from the former shareholders to cover any 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 LBP321million during 2009 (LBP211million during 2008). Withdrawals from this account amounted to LBP272million during 2009 (LBP398million during 2008).

11. 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.

12. INVESTMENT IN A NON-CONSOLIDATED SUBSIDIARY

Investment in a non-consolidated subsidiary as at December 31, 2009 and 2008 represents the Group's subscription 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.

13. INVESTMENT IN AN ASSOCIATE

This section consists of an investment in Park View Realty Company S.A.L. representing 12.77% equity stake as at December 31, 2009 and 2008:

	December 31,	
	2009 LBP'000	2008 LBP'000
Capital investment	598,134	598,134
Cumulative income	<u>305,877</u>	<u>311,745</u>
	<u>904,011</u>	<u>909,879</u>
Accrued interest receivable	<u>5,137</u>	<u>5,137</u>
Total	<u>909,148</u>	<u>915,016</u>

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 2009 and 2008.

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

	2009 LBP'000	2008 LBP'000
Balance, January 1	909,879	1,650,473
Share in losses	(5,868)	(4,391)
Partial disposal	-	(659,553)
Dividends received	-	<u>(76,650)</u>
Balance, December 31	<u>904,011</u>	<u>909,879</u>

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. This transaction resulted in a loss of LBP137million recorded under "Other operating income" in the consolidated income statement for the year ended December 31, 2008 (Note 35).

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. Bonds were subject to an interest rate of 10%. A balance of LBP5million remained unsettled.

14. 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 2009 and 2008 was as follows:

	2009 LBP'000	2008 LBP'000
Cost:		
Balance at January 1	6,730,288	9,075,703
Additions	1,511,146	139,594
Disposals	<u>(3,834,002)</u>	<u>(2,485,009)</u>
Balance at December 31	<u>4,407,432</u>	<u>6,730,288</u>
Accumulated allowance for impairment:		
Balance at December 31	<u>(55,883)</u>	<u>(55,883)</u>
Carrying amount at December 31	<u>4,351,549</u>	<u>6,674,405</u>

The acquisition of assets in settlement of loans is regulated by the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated 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. This reserve is reduced to 5% when certain conditions linked to the restructuring of non performing loan's portfolio are met. During 2009, the Group appropriated LBP31million from 2008 profits (LBP517million in 2008 from 2007 profits).

15. PROPERTY AND EQUIPMENT

The movement of property and equipment during 2009 and 2008 was as follows:

2009

2008

	Balance as at January 1, 2009	Additions/ Transfer from Advance Payments	Retirements	Balance as at December 31, 2009
	LBP'000	LBP'000	LBP'000	LBP'000
Cost:				
Land	-	7,145,596	-	7,145,596
Buildings	13,357,338	-	-	13,357,338
Furniture, equipment and computer	16,826,827	2,557,596	(285,559)	19,098,864
Vehicles	501,472	69,429	(123,282)	447,619
Office improvements & installations	<u>6,896,978</u>	<u>1,317,293</u>	-	<u>8,214,271</u>
	<u>37,582,615</u>	<u>11,089,914</u>	<u>(408,841)</u>	<u>48,263,688</u>
Accumulated Depreciation:				
Buildings	(2,170,302)	(317,450)	-	(2,487,752)
Furniture, equipment and computer	(10,219,058)	(1,436,642)	225,211	(11,430,489)
Vehicles	(259,458)	(37,292)	122,908	(173,842)
Office improvements & installations	<u>(4,160,849)</u>	<u>(439,224)</u>	-	<u>(4,600,073)</u>
	<u>(16,809,667)</u>	<u>(2,230,608)</u>	<u>348,119</u>	<u>(18,692,156)</u>
Net book value	20,772,948			29,571,532
Advance payment	815,664			931,738
	<u>21,588,612</u>			<u>30,503,270</u>

	Balance as at January 1, 2008	Additions/ Transfer from Advance Payments	Retirements	Balance as at December 31, 2008
	LBP'000	LBP'000	LBP'000	LBP'000
Cost:				
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 & installations	<u>6,864,176</u>	<u>32,802</u>	-	<u>6,896,978</u>
	<u>36,619,379</u>	<u>1,162,769</u>	<u>(199,533)</u>	<u>37,582,615</u>
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 & installations	<u>(3,699,579)</u>	<u>(461,270)</u>	-	<u>(4,160,849)</u>
	<u>(14,692,643)</u>	<u>(2,259,800)</u>	<u>142,776</u>	<u>(16,809,667)</u>
Net book value	21,926,736			20,772,948
Advance payment	93,130			815,664
	<u>22,019,866</u>			<u>21,588,612</u>

In September 2009, the Group signed an agreement to purchase plots 4151 and 4152 in Achrafieh for USD4,715,000 (LBP7.11 billion) in addition to registration fees for approximately LBP38million.

The Central Bank of Lebanon has not yet provided its approval on this acquisition.

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2009 LBP'000	2008 LBP'000
Less than 1 year	397,578	342,519
Between 1 and 5 years	1,488,038	1,547,574
More than 5 years	1,140,722	1,478,764
	<u>3,026,338</u>	<u>3,368,857</u>

16. OTHER ASSETS

December 31,

	2009 LBP'000	2008 LBP'000
Deferred charges	137,860	1,134,731
Prepayments	2,401,390	1,419,839
Deferred tax asset on change in fair value on available-for-sale securities (Note 28)	-	2,094,500
Refundable guarantee deposits	161,261	154,261
Stamps	45,986	33,877
Negative change in fair value of forward exchange contracts	1,267,820	-
Deferred charges on acquired bank	2,165,906	2,887,232
Other debit balances	5,211,793	4,064,626
Provision for doubtful receivables	(667,110)	(1,043,985)
	<u>10,724,906</u>	<u>10,745,081</u>

Deferred charges on acquired bank represent losses related to a bank (SBL) that was merged in the previous years. These losses were compensated in the 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 deferral earned (being the net of the interest earned on the mortgaged treasury bills against the interest paid on the soft loan). The movement of 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 18)	(2,400,000)
Accumulated amortization up to 2007 year-end	(5,209,185)
Amortization for 2008 (Note 36)	(723,271)
	<u>2,887,232</u>
Amortization for 2009 (Note 36)	(721,326)
	<u>2,165,906</u>

17. 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.

18. INTANGIBLE ASSETS

December 31,

	2009 LBP'000	2008 LBP'000
Goodwill on acquisition of SBL (Note 16)	2,400,000	2,400,000
Net key money (Bank's branches) and other costs	116,490	146,825
	<u>2,516,490</u>	<u>2,546,825</u>

19. 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,

	2009 LBP'000	2008 LBP'000
Central Bank- Arab country	1,646,820	1,646,879
Current deposits of banks and financial institutions	127,439,170	10,629,241
Money market deposits – A	210,473,443	127,175,032
Short term borrowings – B	3,785,663	5,376,965
Borrowings under sale and repurchase agreements – C	75,375,000	135,675,000
Other short term borrowings – D	2,652,180	43,739,873
Accrued interest payable	<u>1,778,087</u>	<u>2,567,357</u>
	<u>423,150,363</u>	<u>326,810,347</u>

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

December 31, 2009

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
2010	<u>24,190,127</u>	5.69	<u>186,283,316</u>	1.04

December 31, 2008

Maturity	LBP Base Accounts		F/Cy Base Accounts	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
2009	<u>22,652,789</u>	6.26	<u>104,522,243</u>	5.07

B. Short term borrowings amounting to LBP3.78billion as at December 31, 2009 (LBP5.37billion for 2008) represent withdrawals from the Arab Trade Finance Program. This credit facility has a limit to the extent of USD4million as at December 31, 2009 and 2008 respectively granted to the Group and maturing in the following year. The facility can be utilized by the Group to finance imports and exports among Arab countries.

C. Borrowings under sale and repurchase agreements as of December 31, 2009 and 2008 comprise the following:

December 31,

	2009 LBP'000	2008 LBP'000
Repurchase agreement contract with a resident bank (C1)	-	30,150,000
Repurchase agreement contract with a resident bank (C2)	-	30,150,000
Repurchase agreement contract with a non-resident bank (C3)	30,150,000	30,150,000
Repurchase agreement contract with a non-resident bank (C4)	<u>45,225,000</u>	<u>45,225,000</u>
	<u>75,375,000</u>	<u>135,675,000</u>

C.1 Repurchase agreement contract with a resident bank in the amount of USD20,000,000 (LBP30.15billion) bearing an interest rate of 6% against pledged Lebanese Government bonds with a nominal value of USD29,000,000 (LBP43.72billion). During 2009, the Group settled this borrowing and related securities were released.

C.2 Repurchase agreement contract with a resident bank 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 LBP37.7billion (C/V USD25,000,000). During 2009, the Group settled this borrowing and related securities were released.

C.3 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 Government bonds with a nominal value of USD38,000,000 (LBP57.28billion) detailed as follows:

Lebanese Government Bonds Nominal Value USD	Maturity	Interest Rate %	Classification in Financial Statements
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
<u>14,000,000</u>	May, 2016	11.63	Held-to-maturity
<u>38,000,000</u>			

C.4 Repurchase agreement contract with a non-resident bank maturing on March 20, 2011 in the amount of LBP45.23billion (C/V USD30,000,000) bearing an interest rate of 6.68% against pledged debt securities with a nominal value of USD65,000,000 (LBP98billion) detailed as follows:

Corporate Bonds Normal Value USD	Maturity	Interest Rate %	Classification in Financial Statement
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
14,000,000	June, 2016	7.50	Available-for-sale
<u>59,000,000</u>			

D. Other short term borrowings consist of the following:

	December 31,	
	2009 LBP'000	2008 LBP'000
Credit facility from a non-resident bank	-	33,915,259
Revolving credit facility	-	7,734,272
European Investment Bank (EIB)	<u>2,652,180</u>	<u>2,090,338</u>
	<u>2,652,180</u>	<u>43,739,869</u>

- The credit facility amounting to LBP33.92billion at 2008 year end 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. The Group did not renew this facility in 2009 and the balance was fully paid.

- Revolving credit facility amounting to LBP7.73billion during 2008, represents a borrowing against sale and repurchase transaction of financial instruments amounting to USD3million deposited by customers against loans granted to them and of financial instruments amounting to USD3million deposited by one of the shareholders. The Group did not renew this facility in 2009 and the balance was fully paid.

- EIB loan in the amount of LBP2.65billion (USD1,759,323) as at December 31, 2009 (LBP2.09billion equivalent to USD1,386,626 as at December 31, 2008) represents a loan managed by the Central Bank of Lebanon and financed by the 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.

The maturities of other short term borrowings are as follows:

	December 31, 2009 F/Cy Base Accounts	
Maturity	Amount LBP'000	Average Interest Rate %
2012	346,314	4.35
2013	1,348,603	5.87
2020	<u>957,263</u>	3.34
	<u>2,652,180</u>	

	December 31, 2008 F/Cy Base Accounts	
Maturity	Amount LBP'000	Average Interest Rate %
2010	2,649,709	1.15
2012	451,751	4.35
2013	1,638,587	5.87
2014	7,734,272	0.60
2016	<u>31,265,550</u>	1.02
	<u>43,739,869</u>	

20. CUSTOMERS' DEPOSITS AT AMORTIZED COST

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

	December 31, 2009		
	Deposit Balance LBP'000	Accrued Interest Payable LBP'000	Total LBP'000
Deposits from customers:			
Current / demand deposits	204,814,153	2,142,486	206,956,639
Term deposits	356,687,123	3,458,747	360,145,870
Saving accounts	1,537,261,870	7,149,884	1,544,411,754
Related party deposits	106,783,183	1,111,381	107,894,564
Collateral against loans and advances - Related parties	8,326,127	64,780	8,390,907
Collateral against loans and advances - Customers	175,090,884	1,097,624	176,188,508
Fiduciary accounts	62,477,031	-	62,477,031
Margins and other collateral:			
Margins for irrevocable letters of credit	14,153,456	-	14,153,456
Margins on letters of guarantee	<u>7,102,224</u>	<u>-</u>	<u>7,102,224</u>
	<u>2,472,696,051</u>	<u>15,024,902</u>	<u>2,487,720,953</u>

December 31, 2008

	Deposit Balance LBP'000	Accrued Interest Payable LBP'000	Total LBP'000
Deposits from Customers:			
Current / demand deposits	167,911,131	288,205	168,199,336
Term deposits	194,585,537	2,399,243	196,984,780
Saving accounts	1,206,527,295	6,155,142	1,212,682,437
Related party deposits	45,948,215	41,749	45,989,964
Collateral against loans and advances - Related parties	6,438,116	32,964	6,471,080
Collateral against loans and advances - Customers	224,504,323	1,297,471	225,801,794
Fiduciary accounts	16,370,704	-	16,370,704
Margins and Other Collaterals:			
Margins for irrevocable letters of credit	35,350,754	-	35,350,754
Margins on letters of guarantee	<u>8,010,455</u>	<u>-</u>	<u>8,010,455</u>
	<u>1,905,646,530</u>	<u>10,214,774</u>	<u>1,915,861,304</u>

Deposits are allocated by brackets as follows:

December 31, 2009

	Deposits in LBP		Deposits in F/Cy	
	Total Deposits LBP'000	% to Total Deposits	Total Deposits LBP'000	% to Total Deposits
Related parties	5,876,171	2.10	110,409,300	7.00
Customers				
Less than LBP 200million	236,070,184	25.70	239,577,712	15.10
Between LBP 200 million and LBP1.5billion	309,808,244	33.70	459,128,909	29.00
More than LBP1.5billion	<u>353,458,024</u>	38.50	<u>773,392,409</u>	48.90
	<u>905,212,623</u>		<u>1,582,508,330</u>	

December 31, 2008

	Deposits in LBP		Deposits in F/Cy	
	Total Deposits LBP'000	% to Total Deposits	Total Deposits LBP'000	% to Total Deposits
Related Parties	13,828,036	2.3	38,633,008	2.9
Customers:				
Less than LBP200million	184,701,022	30.2	245,037,976	18.9
From LBP200 million to LBP1.5billion	183,595,757	30.0	447,403,957	34.3
More than LBP1.5billion	<u>229,382,378</u>	37.5	<u>573,279,170</u>	43.9
	<u>611,507,193</u>		<u>1,304,354,111</u>	

Customers' deposits include coded accounts at December 31, 2009 amounting to LBP25billion (LBP18billion as at December 31, 2008). 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 Group'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 LBP'000	Allocation of Deposits		Cost of Funds LBP'000	Average Interest Rate %
		LBP %	F/Cy. %		
2009	2,154,896,676	35	65	117,915,224	5.47
2008	1,681,461,367	32	68	95,481,376	5.68
2007	1,657,846,092	23	77	94,928,941	5.73

Customers' deposits include an escrow account deposited by the former shareholders of Société Bancaire du Liban S.A.L. ("SBL") 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, 2009 and 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 the year. This escrow account earned interest at the rate of 4% during 2009 (5.71% during 2008).

21. CERTIFICATES OF DEPOSIT

On January 25, 2007, the Group issued certificates of deposit amounting to USD8,000,000 maturing on April 15, 2010 and bearing an average interest rate of 8.5%.

	December 31, 2009		December 31, 2008	
	USD	C/V in LBP'000	USD	C/V in LBP'000
Nominal value	8,000,000	12,060,000	8,000,000	12,060,000
Accrued interest payable	<u>3,726</u>	<u>5,617</u>	<u>3,726</u>	<u>5,617</u>
Carrying amount	<u>8,003,726</u>	<u>12,065,617</u>	<u>8,003,726</u>	<u>12,065,617</u>

22. SOFT LOAN FROM CENTRAL BANK OF LEBANON

On December 19, 2002, the 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:

	2009	2008
Soft loan amount	LBP44.84billion	LBP44.84billion
Maturity date	January 24,2011	January 24, 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	LBP1.92billion	LBP1.96billion
Pledged assets (Note 8)	Lebanese Treasury Bills	Lebanese Treasury Bills
Pledged assets nominal amount (Note 8)	LBP47.36billion	LBP48.30billion
Unearned interest on one year pledged treasury bills as at December 31	LBP119million	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	LBP3.37billion	LBP3.48billion

23. OTHER LIABILITIES

	December 31	
	2009 LBP'000	2008 LBP'000
Withheld taxes and other taxes payable	1,295,991	1,810,588
Income tax payable	61,691	577,336
Due to the National Social Security Fund	201,771	246,666
Checks and incoming payment orders in course of settlement	9,774,021	9,660,496
Accrued expenses	2,895,180	3,355,220
Provision for early redemption of investment securities (Note 8)	1,167,204	386,371
Deferred tax liability	7,075,004	-
Deferred income	80,769	1,041,572
Commitment on subscribed capital – Equity participation classified available-for-sale	-	226,125
Positive change in fair value of forward exchange contracts	-	1,973,024
Sundry accounts payable	3,767,996	3,745,908
	<u>26,319,627</u>	<u>23,023,306</u>

Deferred tax liability consists of the following as at December 31, 2009:

	LBP'000
Deferred tax on provision for decline in value of available-for-sale securities (Note 8)	(150,000)
Deferred tax on change in fair value of available-for-sale securities (Note 28)	<u>7,225,004</u>
	<u>7,075,004</u>

The Group's tax returns for fiscal years 2006 through 2009 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.

24. PROVISIONS

Provisions consist of the following:

	December 31	
	2009 LBP'000	2008 LBP'000
Provision for staff end-of-service indemnities	3,927,294	3,370,659
Provision for contingencies	234,360	196,549
Provision for foreign currency fluctuations	4,824	8,240
	<u>4,166,478</u>	<u>3,575,448</u>

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

	2009 LBP'000	2008 LBP'000
Balance, January 1	3,370,659	2,788,156
Additions	789,368	956,943
Settlements	(232,733)	(374,440)
Balance, December 31	<u>3,927,294</u>	<u>3,370,659</u>

The movement of the provision for contingencies was as follows:

	2009 LBP'000	2008 LBP'000
Balance, January 1	196,549	150,750
Additions	37,811	45,799
Balance, December 31	<u>234,360</u>	<u>196,549</u>

25. SHARE CAPITAL

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

During 2008, the shareholders deposited LBP15billion at the Central Bank of Lebanon through transferring LBP136million from cash contribution and the remaining balance was paid in cash.

The Extraordinary General Assembly held on January 30, 2009 approved the increase of capital from LBP100billion to LBP115billion through the transfer from "Blocked deposits for capital increase" of LBP15billion against issuing 1,500,000 nominal shares for LBP10,000 each.

26. PREFERRED SHARES

The Extraordinary General Assembly held on November 23, 2009 approved the issuance of 150,000 non-cumulative perpetual redeemable series 1 Preferred shares, with a nominal value of LBP10,000 each, and a premium of USD14million. Amount was paid in cash by the subscribers according to the terms and conditions set by the extraordinary General Assembly meeting held on May 8, 2009.

The preferred shares are subject to a dividends of USD4.25 each for 2009 and USD8.25 for the years thereafter.

27. 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 mile and a maximum of 3 per mile 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.

28. CUMULATIVE CHANGE IN FAIR VALUE OF INVESTMENT SECURITIES

This caption comprises the following:

	December 31,	
	2009 LBP'000	2008 LBP'000
Cumulative change in fair value of investment securities:		
- Securities purchased and originally classified as available-for-sale	47,166,821	(13,943,867)
- Securities originally classified as available-for-sale and transferred during 2004 to held-to-maturity	217,758	396,760
Deferred tax asset (Note 23)	(7,225,004)	2,091,865
Provisions for decline in fair value of available-for-sale securities	<u>1,200,000</u>	<u>-</u>
	<u>41,359,575</u>	<u>(11,455,242)</u>

During 2009, the Group provided for the decline in fair value of certain available-for-sale securities for the amount of LBP1.2billion which was reclassified from cumulative change in fair value to the income statement. Deferred tax income for an amount of LBP150million was booked in the income statement against other liabilities as a result of the set up of this provision. (Note 23)

29. NON-CONTROLLING INTEREST

	December 31,	
	2009 LBP'000	2008 LBP'000
Capital	436,211	437,832
Cumulative change in fair value of available-for-sale investment securities	2,073	(14,951)
Reserves and accumulated losses	<u>(33,118)</u>	<u>(36,935)</u>
	<u>405,166</u>	<u>385,946</u>

30. INTEREST INCOME

	2009	2008
	LBP'000	LBP'000
Interest income from:		
Term deposits with Central Bank	1,772,128	4,977,462
Deposits with Banks and financial institutions	4,236,904	9,410,848
Investment securities	118,418,549	90,233,758
Loans to banks	272,432	251,109
Loans and advances to customers	46,818,725	45,329,184
Loans and advances to related parties	<u>1,861,562</u>	<u>1,404,078</u>
	<u>173,380,300</u>	<u>151,606,439</u>

31. INTEREST EXPENSE

	2009	2008
	LBP'000	LBP'000
Interest expenses on:		
Deposits and borrowings from banks and financial institutions	12,332,108	16,041,548
Deposits from related financial institutions	1,278,781	-
Soft loan from Central Bank	1,920,617	1,966,638
Customer's deposits	112,589,779	93,033,882
Related parties' deposits	5,325,445	2,447,494
Certificates of deposit	<u>1,025,100</u>	<u>1,027,909</u>
	<u>134,471,830</u>	<u>114,517,471</u>

32. FEE AND COMMISSION INCOME

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Commission and documentary credits	654,004	1,040,980
Commission and letters of guarantee	909,411	790,497
Commission on certificates of deposits	14,068	14,068
Service fees on customers' transactions	5,856,833	6,384,798
Brokerage fees	419,285	79,276
Commission on transactions with banks	543,649	165,672
	<u>8,397,250</u>	<u>8,475,291</u>

33. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Commission on transactions with banks	1,888,990	2,489,646
Commission on private banking transactions	243,111	120,672
	<u>2,132,101</u>	<u>2,610,318</u>

34. NET INTEREST AND GAIN ON TRADING PORTFOLIO

	2009 LBP'000	2008 LBP'000
Interest income	347,195	373,893
Unrealized gain on trading portfolio (net) – (Note 7)	381,886	419,860
Net realized gain/(loss) on sale of trading securities	380,776	(1,111)
	<u>1,109,857</u>	<u>792,642</u>

35. OTHER OPERATING INCOME

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Gain on sale of available-for-sale investment securities	3,986,122	2,594,148
Dividends	431,260	711,300
Loss on partial disposal of investment in an associate (Note 13)	-	(137,495)
Share in losses of associate	(5,868)	(4,391)
Net exchange gain	1,796,553	2,452,637
Other	894,867	378,655
	<u>7,102,934</u>	<u>5,994,854</u>

36. DEPRECIATION AND AMORTIZATION

This caption consists of the following:

	2009 LBP'000	2008 LBP'000
Depreciation of property and equipment (Note 15)	2,230,592	2,259,800
Amortization of deferred accounts for merged bank (Note 16)	721,326	723,271
Amortization of intangible assets	30,335	30,418
	<u>2,982,253</u>	<u>3,013,489</u>

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

38. FIDUCIARY ASSETS

Fiduciary assets are invested as follows:

	December 31, 2009		
	Resident LBP'000	Non-Resident LBP'000	Total LBP'000
Deposits with financial institutions	99,934,134	-	99,934,134
Debt securities	164,080,196	20,624,455	184,704,651
Equity securities	98,248,757	11,305,096	109,553,853
	<u>362,263,087</u>	<u>31,929,551</u>	<u>394,192,638</u>

	December 31, 2008		
	Resident LBP'000	Non-Resident LBP'000	Total LBP'000
Deposits with financial institutions	220,686,807	-	220,686,807
Debt securities	156,949,567	22,773,486	179,723,053
Equity securities	63,580,612	15,658,193	79,238,805
	<u>441,216,986</u>	<u>38,431,679</u>	<u>479,468,665</u>

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

Debt securities are pledged to the extent of LBP172billion (USD113million) as of December 31, 2009 (LBP172billion as of December 31, 2008) against loans and advances to customers. Included in the balance of debt securities as at December 31, 2009, a balance amounting to USD7.6million pledged against loans and advances amounting to LBP15.4billion (USD10,229,644) (Note 10).

39. BALANCES/TRANSACTIONS WITH RELATED PARTIES

	December 31,	
	2009 LBP'000	2008 LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
Secured loans and advances	66,546,451	25,065,011
Unsecured loans and advances	2,827,559	3,264,102
Deposits	116,285,471	52,461,044
Indirect facilities	590,664	200,755

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 LBP45billion (LBP25billion as of December 31, 2008). In addition, loans and advances were covered by real estate mortgage to the extent of LBP1.71billion as of December 31, 2009 and 2008.

Directors' and senior staff remuneration amounted to LBP2.28million during 2009 (LBP1.72billion during 2008).

40. ACQUISITIONS

During the third quarter of 2008, the Bank acquired additional 111,500 shares representing an equity stake of 39.96% in its subsidiary Middle East Capital Group Limited for an amount of LBP14.5billion and accordingly the Bank's shares increased to 276,000 shares representing 98.92% of the share capital. This acquisition resulted in a negative goodwill booked to equity.

The Extraordinary General Assembly of shareholders held on January 8, 2010 approved the acquisition of 100% equity stake in "Capital Finance Corporation SAL" for USD 59,783,000(C/V LBP90Billion).

41. CASH AND CASH EQUIVALENTS

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

	December 31,	
	2009 LBP'000	2008 LBP'000
Cash	17,917,313	18,157,013
Current accounts with Central Bank of Lebanon	14,089,759	18,968,813
Time deposits with Central Bank of Lebanon	82,147,202	63,315,000
Current accounts with banks and financial institutions and purchased checks	62,918,469	52,153,473
Time deposits with banks and financial institutions	146,417,877	54,935,849
Demand deposits from banks	(129,085,990)	(12,256,334)
Time deposits from banks	<u>(214,672,104)</u>	<u>(147,474,655)</u>
	<u>(20,267,474)</u>	<u>47,799,159</u>

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

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

- Increase in assets acquired in satisfaction of loans in the amount of LBP1.5billion against loans and advances to customers for the year ended December 31, 2009 (LBP140million for the year ended December 31, 2008).
- Increase in cumulative change in fair value of available-for-sale securities for the amount of LBP60billion for the year ended December 31, 2009 against increase in available-for-sale securities amounting to LBP51billion and deferred tax liability amounting to LBP9million.
- Increase in other assets in the amount of LBP603million against decrease in loans and advances to customers for the year ended December 31, 2009.

42. CAPITAL MANAGEMENT

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.

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.

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 assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

The Group's risk based capital ratio prepared according to Basel I is as follows:

	2009 LBP'000	2008 LBP'000
Tier I and Tier II capital (including income for the year)	226,894,000	141,550,000
Consolidated assets and off-balance sheet weighted risk	<u>901,325,000</u>	<u>759,168,800</u>
Risk based capital ratio	<u>25.17%</u>	<u>18.65%</u>
Risk based capital ratio according to Basel II	<u>9.94%</u>	<u>8.53%</u>

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

A. Credit Risk

Credit risk is the risk of financial loss to the Group if a 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 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 Group'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:

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

b. Measuring credit risk through reviewing the following:

- Ability of the counterparty to honor its contractual obligations based on the account's performance, recurring overdues and related reasons, the counterparty's financial position and effect thereto of the economic environment and market conditions;

- Exposure levels of the counterparty and unutilized credit limits granted;

- Exposure levels of the counterparty with other banks;

- Purpose of the credit facilities granted to the counterparty and conformity of utilization by the counterparty.

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

Classification	Description	
1	Standard monitoring	Indicates that borrowers are able to honor their commitments and there is no reason to doubt their ability to repay principal and interest in full and in a timely manner. Some of the indicators related to this category are: continuous cash inflows, timely submission of financial statements and/or sufficient collateral.
2	Special monitoring (Watch list)	Indicates that borrowers are able to honor their current commitments, although repayment may be adversely affected by specific factors. Such borrowers are subject to special monitoring. Major characteristics of this category are: inadequate loan information such as annual financial statements availability, condition of and control over collateral held is questionable and/or declining profitability.

3	Substandard	Indicates that borrowers' ability to serve their commitments is in question. In this context, borrowers cannot depend on their normal business revenues to pay back principal and interest, i.e. losses may occur. The main characteristics of this category are severe decline in profitability and in cash inflows. In this case, the Group considers interests and commissions as unrealized but does not establish an allowance for impairment.
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)

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, 2009

Bracket	LBP Base Accounts Amount LBP'000	F/Cy Base Accounts Amount LBP'000
Related Party Customers:	<u>1,130,993</u>	<u>68,247,598</u>
Customers:		
Less than LBP 200 million	95,402,514	70,052,821
From LBP 200 million to LBP 1.5 billion	23,102,623	122,338,517
Over LBP 1.5 billion	<u>38,473,625</u>	<u>263,873,687</u>
	<u>156,978,762</u>	<u>456,265,025</u>
	<u>158,109,755</u>	<u>524,512,623</u>

December 31, 2008

Bracket	LBP Base Accounts Amount LBP'000	F/Cy Base Accounts Amount LBP'000
Related Party Customers:	<u>27,778,467</u>	<u>550,646</u>
Customers:		
Less than LBP 200 million	76,052,315	73,966,252
From LBP 200 million to LBP 1.5 billion	12,882,129	138,869,219
Over LBP 1.5 billion	<u>18,570,955</u>	<u>219,217,344</u>
	<u>107,505,399</u>	<u>432,082,815</u>
	<u>135,283,866</u>	<u>432,633,461</u>

Loans and advances above LBP 200 million relate to approximately 3% 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 (excluding escrow account):

December 31, 2009

	Net Exposure LBP'000	Provision LBP'000	Net Exposure LBP'000	Real Estate Mortgage LBP'000	Pledged Funds LBP'000	Guarantees Received		Total LBP'000
						Bank Guarantees LBP'000	Other Guarantees LBP'000	
Loans and advances (Regular and watch list)	<u>655,987,789</u>	<u>-</u>	<u>655,987,789</u>	<u>136,971,541</u>	<u>21,259,423</u>	<u>8,762,660</u>	<u>26,129,441</u>	<u>193,123,065</u>
Overdue loans and advances (Regular and watch list):								
Between 30 and 60 days	560,165	-	560,165	234,000	285	-	299,102	533,387
Between 60 and 90 days	1,588,862	-	1,588,862	552,200	114,724	-	841,057	1,507,981
Between 90 and 180 days	1,277,910	-	1,277,910	467,636	52,307	-	1,014,905	1,534,848
More than 180 days	<u>4,219,094</u>	<u>-</u>	<u>4,219,094</u>	<u>178,240</u>	<u>6,792</u>	<u>-</u>	<u>1,365,435</u>	<u>1,550,467</u>
	<u>7,646,031</u>	<u>-</u>	<u>7,646,031</u>	<u>1,432,076</u>	<u>174,108</u>	<u>-</u>	<u>3,520,499</u>	<u>5,126,683</u>
Loans individually impaired								
Substandard	2,661,530	-	2,661,530	216,929	-	-	-	216,929
Doubtful	<u>35,086,879</u>	<u>(16,679,881)</u>	<u>18,406,998</u>	<u>36,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,171</u>
	<u>37,748,409</u>	<u>(16,679,881)</u>	<u>21,068,528</u>	<u>253,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,100</u>
Provision for impairment of collectively assessed loans	<u>-</u>	<u>(2,079,970)</u>	<u>(2,079,970)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>701,382,229</u>	<u>(18,759,851)</u>	<u>682,622,378</u>	<u>138,656,717</u>	<u>21,433,531</u>	<u>8,762,660</u>	<u>29,649,940</u>	<u>198,502,848</u>

December 31, 2008

	Net Exposure LBP'000	Provision LBP'000	Net Exposure LBP'000	Real Estate Mortgage LBP'000	Guarantees Received			Total LBP'000
					Pledged Funds LBP'000	Bank Guarantees LBP'000	Other Guarantees LBP'000	
Loans and advances (Regular and watch list)	<u>536,339,089</u>	<u>-</u>	<u>536,339,089</u>	<u>143,169,854</u>	<u>106,041,834</u>	<u>7,243,538</u>	<u>105,284,302</u>	<u>361,739,528</u>
Overdue loans and advances (Regular and watch list):								
Between 30 and 60 days	7,367,265	-	7,367,265	3,241,007	605,057	-	11,953,327	15,799,391
Between 60 and 90 days	247,983	-	247,983	39,500	44,082	-	564,016	647,598
Between 90 and 180 days	600,081	-	600,081	301,311	-	-	720,184	1,021,495
More than 180 days	<u>362,465</u>	<u>-</u>	<u>362,465</u>	<u>20,240</u>	<u>27,321</u>	<u>-</u>	<u>473,295</u>	<u>520,856</u>
	<u>8,577,794</u>	<u>-</u>	<u>8,577,794</u>	<u>3,602,058</u>	<u>676,460</u>	<u>-</u>	<u>13,710,822</u>	<u>17,989,340</u>
Loans individually impaired								
Substandard	2,200,909	-	2,200,909	1,803,854	353,706	-	-	2,157,560
Doubtful	<u>37,861,220</u>	<u>(17,061,685)</u>	<u>20,799,535</u>	<u>20,226,937</u>	<u>244,996</u>	<u>-</u>	<u>3,015</u>	<u>20,474,948</u>
	<u>40,062,129</u>	<u>(17,061,685)</u>	<u>23,000,444</u>	<u>22,030,791</u>	<u>598,702</u>	<u>-</u>	<u>3,015</u>	<u>22,632,508</u>
Provision for impairment of collectively assessed loans	<u>-</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>586,479,012</u>	<u>(18,561,685)</u>	<u>567,917,327</u>	<u>168,802,703</u>	<u>107,316,996</u>	<u>7,243,538</u>	<u>118,998,139</u>	<u>402,361,376</u>

b. Concentration of financial assest and liabilities by geographical area:

December 31, 2009

	Lebanon LBP'000	Middle East & Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
Financial Assets						
Cash and central bank	426,857,374	-	-	-	-	426,857,374
Deposits with banks and financial institutions	227,722,082	42,855,542	27,737,963	122,327,148	3,362,551	424,005,286
Trading assets	4,201,285	-	-	-	-	4,201,285
Available-for-sale investment securities	932,480,461	1,010,990	12,173,468	67,254,936	-	1,012,919,855
Held-to-maturity investment securities	531,759,424	-	-	97,987,500	-	629,746,924
Loans to banks	18,637,981	-	-	-	-	18,637,981
Loans and advances to customers	<u>651,877,207</u>	<u>19,031,730</u>	<u>5,951</u>	<u>5,101,315</u>	<u>39,187</u>	<u>676,055,390</u>
Total	<u>2,793,535,814</u>	<u>62,898,262</u>	<u>39,917,382</u>	<u>292,670,899</u>	<u>3,401,738</u>	<u>3,192,424,095</u>
Financial Liabilities						
Deposits and borrowings from banks and institutions	44,475,768	300,472,371	1,030	78,201,194	-	423,150,363
Customer's deposit at amortized cost	2,195,107,674	186,020,239	3,757,962	46,706,922	56,128,156	2,487,720,953
Certificates of deposit	12,065,617	-	-	-	-	12,065,617
Soft loan from Central Bank of Lebanon	<u>44,850,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,850,747</u>
Total	<u>2,296,499,806</u>	<u>486,492,610</u>	<u>3,758,992</u>	<u>124,908,116</u>	<u>56,128,156</u>	<u>2,967,787,680</u>

December 31, 2008

	Lebanon LBP'000	Middle East & Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
Financial Assets						
Cash and central bank	382,437,353	-	-	-	-	382,437,353
Deposits with banks and financial institutions	259,202,127	30,104,632	16,598,606	36,411,680	213,638	342,530,683
Trading assets	4,181,859	757,520	-	-	-	4,939,379
Available-for-sale investment securities	598,268,444	244,168	134,742	80,701,690	-	679,349,044
Held-to-maturity investment securities	351,614,305	-	-	100,055,389	-	451,669,694
Loans to banks	12,787,789	-	-	-	-	12,787,789
Loans and advances to customers	<u>538,315,462</u>	<u>17,619,161</u>	<u>-</u>	<u>3,200,078</u>	<u>2,263,852</u>	<u>561,398,553</u>
Total	<u>2,142,625,480</u>	<u>48,725,481</u>	<u>16,733,348</u>	<u>220,368,837</u>	<u>2,477,490</u>	<u>2,430,930,636</u>
Financial Liabilities						
Deposits and borrowings from banks and institutions	100,350,734	107,000,436	261,932	119,197,245	-	326,810,347
Customer's deposit at amortized cost	1,711,981,190	174,382,895	2,463,574	21,746,757	5,286,888	1,915,861,304
Certificates of deposit	12,065,617	-	-	-	-	12,065,617
Soft loan Central from Bank of Lebanon	<u>44,850,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,850,747</u>
Total	<u>1,869,248,288</u>	<u>281,383,331</u>	<u>2,725,506</u>	<u>140,944,002</u>	<u>5,286,888</u>	<u>2,299,588,015</u>

B. Liquidity Risk

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

1. Management of liquidity risk

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, 2009

	Lebanese Pounds Base Accounts						
	Not Subject to Maturity LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	TOTAL LBP'000
Financial Assets							
Cash and central bank	99,530,705	-	-	-	-	-	99,530,705
Deposits with banks and financial institutions	6,089,033	57,125,986	6,174,297	-	-	-	69,389,316
Trading assets	3,120,000	-	-	-	-	-	3,120,000
Available-for-sale investment securities	58,830,924	-	27,621,890	292,600,000	170,000,000	-	549,052,814
Held-to-maturity investment securities	5,765,486	48,194,330	28,229,580	110,000,000	33,000,000	10,000,000	235,189,396
Loans to banks	62,302	-	-	-	-	4,900,000	4,962,302
Loans and advances to customers	<u>24,752,394</u>	<u>1,213,434</u>	<u>12,036,637</u>	<u>31,679,248</u>	<u>23,623,319</u>	<u>63,657,030</u>	<u>156,962,062</u>
Total	<u>198,150,844</u>	<u>106,533,750</u>	<u>74,062,404</u>	<u>434,279,248</u>	<u>226,623,319</u>	<u>78,557,030</u>	<u>1,118,206,595</u>
Financial Liabilities							
Deposits and borrowings from banks	306,442	24,190,127	-	-	-	-	24,496,569
Customer's deposit at amortized cost	156,420,109	701,500,713	59,002,538	1,523,413	-	-	918,446,773
Soft loan Central from Bank of Lebanon	10,747	-	-	44,840,000	-	-	44,850,747
Total	<u>156,737,298</u>	<u>725,690,840</u>	<u>59,002,538</u>	<u>46,363,413</u>	<u>-</u>	<u>-</u>	<u>987,994,089</u>
Maturity Gap	<u>41,413,546</u>	<u>(619,157,090)</u>	<u>15,059,866</u>	<u>387,915,835</u>	<u>226,623,319</u>	<u>78,557,030</u>	<u>130,412,506</u>

December 31, 2009

	Foreign Currency Base Accounts						
	Not Subject to Maturity LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	TOTAL LBP'000
Financial Assets							
Cash and central bank	21,304,169	49,747,500	105,525,000	105,525,000	45,225,000	-	327,326,669
Deposits with banks and financial institutions	68,966,369	265,900,851	19,748,750	-	-	-	354,615,970
Trading assets	1,081,285	-	-	-	-	-	1,081,285
Available-for-sale investment securities	37,296,302	16,442,303	229,785	107,068,391	96,027,750	206,802,510	463,867,041
Held-to-maturity investment securities	6,602,442	50,938,425	73,213,165	107,217,963	8,304,818	148,280,715	394,557,528
Loans to banks	108,179	-	-	9,798,750	3,768,750	-	13,675,679
Loans and advances to customers	<u>312,004,662</u>	<u>22,817,220</u>	<u>36,181,924</u>	<u>70,397,514</u>	<u>56,802,210</u>	<u>20,889,798</u>	<u>519,093,328</u>
Total	<u>447,363,408</u>	<u>405,846,299</u>	<u>234,898,624</u>	<u>400,007,618</u>	<u>210,128,528</u>	<u>375,973,023</u>	<u>2,074,217,500</u>
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	130,544,874	186,283,317	33,948,423	45,571,314	1,348,603	957,263	398,653,794
Customer's deposits at amortized cost	371,284,434	935,622,786	225,444,055	36,922,905	-	-	1,569,274,180
Certificates of deposit	5,617	-	12,060,000	-	-	-	12,065,617
Total	<u>501,834,925</u>	<u>1,121,906,103</u>	<u>271,452,478</u>	<u>82,494,219</u>	<u>1,348,603</u>	<u>957,263</u>	<u>1,979,993,591</u>
Maturity Gap	<u>(54,471,517)</u>	<u>(716,059,804)</u>	<u>(36,553,854)</u>	<u>317,513,399</u>	<u>208,779,925</u>	<u>375,015,760</u>	<u>94,223,909</u>

December 31, 2008

Lebanese Pounds Base Accounts

	Not Subject to Maturity LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	TOTAL 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	8,258,381	-	-	-	95,627,608
Trading assets	71,094	-	-	3,067,500	-	-	3,138,594
Available-for-sale investment securities	15,824,187	6,000,000	13,000,000	132,000,000	113,000,000	-	279,824,187
Held-to-maturity investment securities	2,897,297	90,968,790	51,552,480	10,229,580	-	-	155,648,147
Loans to banks	64,270	-	-	11,236,823	1,507,500	5,050,000	17,858,593
Loans and advances to customers	<u>11,998,932</u>	<u>1,072,318</u>	<u>16,417,278</u>	<u>17,925,111</u>	<u>12,439,524</u>	<u>47,652,236</u>	<u>107,505,399</u>
Total	<u>133,074,987</u>	<u>207,351,152</u>	<u>89,228,139</u>	<u>174,459,014</u>	<u>126,947,024</u>	<u>52,702,236</u>	<u>783,762,552</u>
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	201,272	22,663,535	-	-	-	-	22,864,807
Customers' deposits 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	<u>120,565,962</u>	<u>472,036,083</u>	<u>41,199,271</u>	<u>45,421,431</u>	<u>-</u>	<u>-</u>	<u>679,222,747</u>
Maturity Gap	<u>12,509,025</u>	<u>(264,684,931)</u>	<u>48,028,868</u>	<u>129,037,583</u>	<u>126,947,024</u>	<u>52,702,236</u>	<u>104,539,805</u>

December 31, 2008

Foreign Currency Base Accounts

	Not Subject to Maturity LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	TOTAL 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 investment securities	23,457,055	-	55,887,209	15,762,688	136,823,390	167,594,515	399,524,857
Held-to-maturity investment securities	8,365,125	-	51,435,480	150,293,442	19,597,500	66,330,000	296,021,547
Loans and advances to customers	<u>283,565,346</u>	<u>13,779,354</u>	<u>33,173,952</u>	<u>59,331,869</u>	<u>42,214,972</u>	<u>21,827,661</u>	<u>453,893,154</u>
Total	<u>393,136,273</u>	<u>291,806,400</u>	<u>177,882,018</u>	<u>293,225,499</u>	<u>243,860,862</u>	<u>256,509,695</u>	<u>1,656,420,747</u>
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	14,618,979	107,516,187	2,383,020	135,675,000	2,090,338	41,662,016	303,945,540
Customer's deposits 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	<u>395,420,175</u>	<u>808,913,400</u>	<u>172,157,305</u>	<u>200,122,034</u>	<u>2,090,338</u>	<u>41,662,016</u>	<u>1,620,365,268</u>
Maturity Gap	<u>(2,283,902)</u>	<u>(517,107,000)</u>	<u>5,724,713</u>	<u>93,103,465</u>	<u>241,770,524</u>	<u>214,847,679</u>	<u>36,055,479</u>

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, 2009				
	LBP LBP'000	USD LBP'000	Euro LBP'000	Other LBP'000	Total LBP'000
Assets					
Cash and central bank	99,530,705	323,709,756	2,324,148	1,292,765	426,857,374
Deposits with banks and financial institutions	55,713,632	223,749,790	98,503,192	46,038,672	424,005,286
Trading assets	3,197,932	1,003,353	-	-	4,201,285
Available-for-sale investment securities	549,052,814	425,659,052	34,076,191	4,131,798	1,012,919,855
Held-to-maturity investment securities	235,189,397	372,840,800	21,716,727	-	629,746,924
Loans to banks	18,637,981	-	-	-	18,637,981
Loans and advances to customers	156,762,062	491,380,920	21,795,939	6,116,469	676,055,390
Customers' acceptance Liability	-	12,103,811	3,445,692	238,137	15,787,640
Investment in a non-consolidated subsidiary	-	4,997	-	-	4,997
Investment in an associate	-	909,148	-	-	909,148
Assets acquired in satisfaction of loans	-	4,351,549	-	-	4,351,549
Property and equipment	23,395,408	7,107,862	-	-	30,503,270
Other assets	2,637,277	(11,951,565)	16,037,044	2,734,330	9,457,086
Regulatory blocked fund	1,500,000	-	-	-	1,500,000
Intangible assets	2,516,490	-	-	-	2,516,490
Total Assets	<u>1,148,133,698</u>	<u>1,850,869,473</u>	<u>197,898,933</u>	<u>60,552,171</u>	<u>3,257,455,275</u>
Liabilities					
Deposits and borrowings from banks and financial institutions	24,496,569	333,045,022	57,626,760	7,982,012	423,150,363
Customers' deposits at amortized cost	905,212,623	1,440,628,010	104,005,889	37,874,431	2,487,720,953
Liability under acceptances	-	12,103,811	3,445,692	238,137	15,787,640
Certificates of deposit	-	12,065,617	-	-	12,065,617
Soft loan from Central Bank of Lebanon	44,850,747	-	-	-	44,850,747
Other liabilities	13,970,844	12,004,220	261,741	82,822	26,319,627
Provisions	4,166,478	-	-	-	4,166,478
Total Liabilities	<u>992,697,261</u>	<u>1,809,846,680</u>	<u>165,340,082</u>	<u>46,177,402</u>	<u>3,014,061,425</u>
Currencies to be delivered	-	(15,888,684)	(25,329,734)	(7,156,545)	(48,374,963)
Currencies to be received	5,718,840	30,107,775	9,377,877	4,438,291	49,642,783
	<u>5,718,840</u>	<u>14,219,091</u>	<u>(15,951,857)</u>	<u>(2,718,254)</u>	<u>1,267,820</u>
Net Assets	<u>161,155,277</u>	<u>55,241,884</u>	<u>16,606,994</u>	<u>11,656,515</u>	<u>244,660,670</u>

	December 31, 2008				
	LBP LBP'000	USD LBP'000	Euro LBP'000	Other LBP'000	Total LBP'000
Assets					
Cash and central bank	124,160,024	255,920,762	1,760,681	595,886	328,437,353
Deposits with banks and financial institutions	95,627,608	183,855,561	18,874,923	44,172,591	342,530,683
Trading assets	3,138,594	1,800,785	-	-	4,939,379
Available-for-sale investment securities	279,824,187	351,144,834	44,993,615	3,386,408	679,349,044
Held-to-maturity investment securities	155,648,147	285,594,413	10,427,134	-	451,669,694
Loans to banks	17,858,593	-	-	-	17,858,593
Loans and advances to customers	107,505,399	434,913,634	12,635,191	6,344,329	561,398,553
Investment in an associate	719,572	195,444	-	-	915,016
Customers' acceptance Liability	-	9,370,185	3,417,604	-	12,787,789
Investment in a non-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	<u>818,680,837</u>	<u>1,531,328,425</u>	<u>92,432,294</u>	<u>54,504,468</u>	<u>2,496,946,024</u>
Liabilities					
Deposits and borrowings from banks and financial institutions	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 deposit	-	12,065,617	-	-	12,065,617
Other liabilities	14,347,408	(6,916,429)	(819,422)	14,438,725	21,050,282
Provisions	3,575,448	-	-	-	3,575,448
Total Liabilities	<u>697,145,603</u>	<u>1,499,356,683</u>	<u>94,233,888</u>	<u>46,265,360</u>	<u>2,337,001,534</u>
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
	<u>600,400</u>	<u>14,247,465</u>	<u>934,728</u>	<u>(17,755,617)</u>	<u>(1,973,014)</u>
Net Assets	<u>122,135,634</u>	<u>46,219,207</u>	<u>(866,866)</u>	<u>(9,516,509)</u>	<u>157,971,466</u>

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, 2009
Lebanese Pound

	Fixed Interest Rate						Floating Interest Rate						
	Non-Interest Bearing LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
Financial Assets													
Cash and central bank	99,530,705	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	6,089,033	57,125,986	6,174,297	-	-	-	63,300,283	-	-	-	-	-	-
Trading assets	3,197,932	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale investment securities	58,830,925	-	27,621,890	292,600,000	170,000,000	-	490,221,890	-	-	-	-	-	-
Held-to-maturity investment securities	5,765,487	48,194,330	28,229,580	110,000,000	33,000,000	10,000,000	229,423,910	-	-	-	-	-	-
Loans to banks and financial institutions	62,301	-	-	-	-	4,900,000	4,900,000	-	-	-	-	-	-
Loans and advances to customers	<u>24,352,394</u>	<u>1,131,389</u>	<u>6,040,627</u>	<u>27,455,068</u>	<u>2,759,598</u>	<u>8,201,650</u>	<u>45,588,332</u>	<u>82,044</u>	<u>5,996,010</u>	<u>4,224,216</u>	<u>20,863,721</u>	<u>55,455,379</u>	<u>86,621,370</u>
Total	<u>197,828,777</u>	<u>106,451,705</u>	<u>68,066,394</u>	<u>430,055,068</u>	<u>205,759,598</u>	<u>23,101,650</u>	<u>833,434,415</u>	<u>82,044</u>	<u>5,996,010</u>	<u>4,224,216</u>	<u>20,863,721</u>	<u>55,455,379</u>	<u>86,621,370</u>
Financial Liabilities													
Deposits and borrowings from banks and financial institutions	306,442	24,190,127	-	-	-	-	24,190,127	-	-	-	-	-	-
Customers' deposits at amortized cost	142,977,151	701,500,713	59,002,538	<u>1,523,413</u>	-	-	762,026,664	-	-	-	-	-	-
Soft loan from Central Bank of Lebanon	10,747	-	-	<u>44,840,000</u>	-	-	<u>44,840,000</u>	-	-	-	-	-	-
Total	<u>143,294,340</u>	<u>725,690,840</u>	<u>59,002,538</u>	<u>46,363,413</u>	-	-	<u>831,056,791</u>	-	-	-	-	-	-
Interest rate gap position	<u>54,534,437</u>	<u>(619,239,135)</u>	<u>9,063,856</u>	<u>383,691,655</u>	<u>205,759,598</u>	<u>23,101,650</u>	<u>2,377,624</u>	<u>82,044</u>	<u>5,996,010</u>	<u>4,224,216</u>	<u>20,863,721</u>	<u>55,455,379</u>	<u>86,621,370</u>

December 31, 2009
Foreign Currencies

	Fixed Interest Rate						Floating Interest Rate						
	Non-interest Bearing LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
Assets													
Cash and central bank	21,304,169	49,747,500	105,525,000	-	-	-	155,272,500	-	-	105,525,000	45,225,000	-	150,750,000
Deposits with banks and financial institutions	61,800,414	273,066,806	19,748,750	-	-	-	292,815,556	-	-	-	-	-	-
Trading assets	1,003,353	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale investment securities	37,296,302	16,442,303	229,785	95,008,391	80,952,750	206,802,509	399,435,738	-	-	12,060,000	15,075,000	-	27,135,000
Held-to-maturity investment securities	6,602,442	50,938,425	12,913,165	92,142,963	8,304,818	148,280,714	312,580,085	-	60,300,000	15,075,000	-	-	75,375,000
Loans to banks and financial institutions	108,180	-	-	-	-	-	-	-	-	9,798,750	3,768,750	-	13,567,500
Loans and advances to customers	<u>312,004,663</u>	<u>17,800,813</u>	<u>16,136,818</u>	<u>38,097,601</u>	<u>19,299,171</u>	<u>1,936,191</u>	<u>93,270,594</u>	<u>5,016,407</u>	<u>20,045,106</u>	<u>32,699,877</u>	<u>37,503,039</u>	<u>18,953,608</u>	<u>114,218,037</u>
Total	<u>440,119,523</u>	<u>407,995,847</u>	<u>154,553,518</u>	<u>225,248,955</u>	<u>108,556,739</u>	<u>357,019,414</u>	<u>1,253,374,473</u>	<u>5,016,407</u>	<u>80,345,106</u>	<u>175,158,627</u>	<u>101,571,789</u>	<u>18,953,608</u>	<u>381,045,537</u>
Financial Liabilities													
Deposits and borrowings from banks and financial institutions	130,529,642	186,283,316	33,948,423	47,892,413	-	-	268,124,152	-	-	-	-	-	-
Customers' deposits at amortized cost	371,284,435	949,065,743	225,444,055	36,922,905	-	-	1,211,432,703	-	-	-	-	-	-
Certificates of deposit	5,617	-	12,060,000	-	-	-	12,060,000	-	-	-	-	-	-
Total	<u>501,819,694</u>	<u>1,135,349,059</u>	<u>271,452,478</u>	<u>84,815,318</u>	<u>-</u>	<u>-</u>	<u>1,491,616,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest rate gap position	<u>(61,700,171)</u>	<u>(727,353,212)</u>	<u>(116,898,960)</u>	<u>140,433,637</u>	<u>180,556,739</u>	<u>357,019,414</u>	<u>(238,242,382)</u>	<u>5,016,407</u>	<u>80,345,106</u>	<u>175,158,627</u>	<u>101,571,789</u>	<u>18,953,608</u>	<u>381,045,537</u>

December 31, 2008
Foreign Currencies

Fixed Interest Rate

Floating Interest Rate

	Non-interest Bearing LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
Financial Assets													
Cash and central bank	97,160,024	27,000,000	-	-	-	-	27,000,000	-	-	-	-	-	-
Deposits with banks and financial institutions	4,778,947	82,310,044	8,258,381	-	-	-	90,568,425	280,236	-	-	-	-	280,236
Trading assets	71,094	-	-	3,067,500	-	-	3,067,500	-	-	-	-	-	-
Available-for-sale investment securities	8,217,239	13,606,948	13,000,000	132,000,000	113,000,000	-	271,606,948	-	-	-	-	-	-
Held-to-maturity investment securities	-	93,866,087	51,552,480	10,229,580	-	-	155,648,147	-	-	-	-	-	-
Loans to banks and financial institutions	64,270	-	-	11,236,823	1,507,500	5,050,000	17,794,323	-	-	-	-	-	-
Loans and advances to customers	411,197	1,009,647	5,219,490	15,859,110	1,768,399	-	23,856,646	11,650,406	11,197,788	2,066,001	10,671,125	47,652,236	83,237,556
Total	110,702,771	217,792,726	78,030,351	172,393,013	116,275,899	5,050,000	589,541,989	11,930,642	11,197,788	2,066,001	10,671,125	47,652,236	83,517,792
Financial Liabilities													
Deposits and borrowings from banks and financial institutions	111,195	22,663,536	-	-	-	-	22,663,536	90,076	-	-	-	-	90,076
Customers' accounts at amortized cost	6,068,237	448,978,785	41,199,271	581,431	-	-	490,759,487	114,679,469	-	-	-	-	114,679,469
Soft loan from Central Bank of Lebanon	10,747	-	-	44,840,000	-	-	44,840,000	-	-	-	-	-	-
Total	6,190,179	471,642,321	41,199,271	45,421,431	-	-	558,263,023	114,769,545	-	-	-	-	114,769,545
Interest rate gap position	104,512,592	(253,849,595)	36,831,080	126,971,582	116,275,899	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

Floating Interest Rate

	Non-interest Bearing LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Up to 3 Months LBP'000	3 to 12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
Financial Assets													
Cash and central bank	8,668,679	125,122,500	-	-	-	-	125,122,500	18,961,150	-	60,300,000	45,225,000	-	124,486,150
Deposits with banks and financial institutions	25,486,544	152,904,546	37,385,377	-	-	-	190,289,923	23,589,108	-	7,537,500	-	-	31,126,608
Trading assets	1,043,266	-	-	-	-	757,519	757,519	-	-	-	-	-	-
Available-for-sale investment securities	27,209,899	6,839,409	55,887,209	15,762,688	107,948,425	166,865,175	353,302,906	-	-	-	19,012,052	-	19,012,052
Held-to-maturity investment securities	5,894,741	2,470,384	51,435,480	74,918,442	19,597,500	66,330,000	214,751,806	-	-	75,375,000	-	-	75,375,000
Loans and advances to customers	<u>119,359</u>	<u>11,949,462</u>	<u>15,786,896</u>	<u>19,636,107</u>	<u>12,887,774</u>	<u>1,678,117</u>	<u>61,938,356</u>	<u>291,791,124</u>	<u>17,352,838</u>	<u>38,165,018</u>	<u>29,248,155</u>	<u>15,278,304</u>	<u>391,835,439</u>
Total	<u>68,422,488</u>	<u>299,286,301</u>	<u>160,494,962</u>	<u>110,317,237</u>	<u>140,433,699</u>	<u>235,630,811</u>	<u>946,163,010</u>	<u>334,341,388</u>	<u>17,352,838</u>	<u>181,377,518</u>	<u>93,485,207</u>	<u>15,278,304</u>	<u>641,835,249</u>
Financial Liabilities													
Deposits and borrowings from banks and financial institutions	2,742,014	107,528,672	2,383,020	75,375,000	2,090,338	-	187,377,030	11,876,965	-	60,300,000	-	41,649,531	113,826,496
Customers' accounts at amortized cost	54,886,942	701,221,324	169,773,823	49,186,410	-	-	920,181,557	326,084,987	-	3,200,625	-	-	329,285,612
Certificates of deposit	<u>5,617</u>	<u>-</u>	<u>-</u>	<u>12,060,000</u>	<u>-</u>	<u>-</u>	<u>12,060,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>57,634,573</u>	<u>808,749,996</u>	<u>172,156,843</u>	<u>136,621,410</u>	<u>2,090,338</u>	<u>-</u>	<u>1,119,618,587</u>	<u>337,961,952</u>	<u>-</u>	<u>63,500,625</u>	<u>-</u>	<u>41,649,531</u>	<u>443,112,108</u>
Interest rate gap position	<u>8,217,702</u>	<u>(509,463,695)</u>	<u>(11,661,881)</u>	<u>(24,777,226)</u>	<u>138,343,361</u>	<u>234,873,292</u>	<u>(172,686,149)</u>	<u>(3,620,570)</u>	<u>17,352,838</u>	<u>117,876,893</u>	<u>93,485,207</u>	<u>(26,371,227)</u>	<u>198,723,141</u>

45. 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, 2009

	Trading LBP'000	Available for-Sale LBP'000	Held-to-Maturity LBP'000	Loans and Receivables LBP'000	Amortized Cost LBP'000	Total Amount	
						Carrying LBP'000	Fair Value LBP'000
Financial Assets							
Cash and central bank	-	-	-	426,857,374	-	426,857,374	426,857,374
Deposits with banks and financial institutions	-	-	-	424,005,286	-	424,005,286	424,005,286
Trading assets	4,201,285	-	-	-	-	4,201,285	4,201,285
Available-for-sale investment securities	-	1,012,919,855	-	-	-	1,012,919,855	1,012,919,855
Held-to-maturity investment securities	-	-	629,746,924	-	-	629,746,924	647,680,484
Loans to banks and financial institutions	-	-	-	18,637,981	-	18,637,981	18,637,981
Loans and advances to customers	-	-	-	676,055,390	-	676,055,390	656,988,099
Total	4,201,285	1,012,919,855	629,746,924	1,545,556,031	-	3,192,424,095	3,191,290,364
Financial Liabilities							
Deposits and borrowings from banks and financial institutions	-	-	423,150,363	-	-	423,150,363	423,150,363
Customers' deposits at amortized cost	-	-	-	-	2,487,720,953	2,487,720,953	2,487,720,953
Certificates of deposit	-	-	12,065,617	-	-	12,065,617	12,065,617
Soft loan from Central Bank of Lebanon	-	-	44,850,747	-	-	44,850,747	44,850,747
Total	-	-	480,066,727	-	2,487,720,953	2,967,787,680	2,967,787,680

December 31, 2008

							Total Amount	
	Trading LBP'000	Available for-Sale LBP'000	Held-to-Maturity LBP'000	Loans and Receivables LBP'000	Amortized Cost LBP'000	Carrying LBP'000	Fair Value LBP'000	
Financial Assets								
Cash and central bank	-	-	-	382,437,353	-	382,437,353	382,437,353	
Deposits with banks and financial institutions	-	-	342,530,683	-	-	342,530,683	342,530,683	
Trading assets	4,939,379	-	-	-	-	4,939,379	4,939,379	
Available-for-sale investment securities	-	679,349,044	-	-	-	679,349,044	679,349,044	
Held-to-maturity investment securities	-	-	451,669,694	-	-	451,669,694	451,445,016	
Loans to banks and financial institutions	-	-	-	17,858,593	-	17,858,593	17,858,593	
Loans and advances to customers	-	-	-	<u>561,398,553</u>	-	<u>561,398,553</u>	<u>541,640,987</u>	
Total Assets	<u>4,939,379</u>	<u>679,349,044</u>	<u>794,200,377</u>	<u>961,694,499</u>	<u>-</u>	<u>2,440,183,299</u>	<u>2,420,201,055</u>	
Financial Liabilities								
Deposits and borrowings from banks and financial institutions	-	-	132,844,014	-	191,166,672	326,810,347	324,010,686	
Customers' deposits at amortized cost	-	-	-	-	1,671,546,436	1,915,861,304	1,671,546,436	
Certificates of deposit	-	-	10,828,315	-	-	12,065,617	10,828,315	
Soft loan from Central Bank of Lebanon	-	-	<u>44,850,747</u>	-	-	<u>44,850,747</u>	<u>44,850,747</u>	
Total liabilities	<u>-</u>	<u>-</u>	<u>188,523,076</u>	<u>-</u>	<u>1,862,713,108</u>	<u>2,299,588,015</u>	<u>2,051,236,184</u>	

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable;

December 31, 2009

	Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Trading Assets:				
Lebanese treasury bills	-	-	3,213,129	3,213,129
Quoted equity securities	<u>-</u>	<u>-</u>	<u>988,156</u>	<u>988,156</u>
	<u>-</u>	<u>-</u>	<u>4,201,285</u>	<u>4,201,285</u>
Available-for-sale investment securities:				
Quoted equity securities	10,933,577	-	-	23,279,510
Funds	-	1,997,739	-	1,997,739
Lebanese treasury bills	-	-	341,684,160	341,684,160
Lebanese Government bonds	-	-	256,332,717	256,332,717
Foreign Government bonds	-	-	2,912,773	2,912,773
Corporate bonds	-	-	65,644,643	65,664,643
Certificates of deposit issued by Lebanese banks	-	-	25,632,542	25,632,542
Certificates of deposit issued by the Central Bank of Lebanon	<u>-</u>	<u>193,738,767</u>	<u>81,598,894</u>	<u>81,598,894</u>
	<u>10,933,577</u>	<u>195,736,506</u>	<u>773,805,729</u>	<u>980,475,812</u>
Unquoted equity securities at cost				7,911,835
Subordinated convertible bonds				<u>1,507,500</u>
				<u>989,895,147</u>

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

a. Deposits with Central Bank and financial institutions:

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

b. Loans and advances to customers and to banks:

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

c. Held-to-maturity investment securities:

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

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

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

e. Other borrowings and certificates of deposit:

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

46. COMPARATIVE FINANCIAL STATEMENT

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

47. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2009 were approved by the Board of Directors in its meeting held on May 18, 2010.

ADDRESSES

Growth: Continuing to reach
out to customers

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Jnah - Amarat Al Arij Bldg. - Ground floor
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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	Commerz Bank - Frankfurt am Main	EUR
	Bank of New York - Frankfurt am Main	EUR
	JP Morgan AG - Frankfurt am Main	EUR
	Iraqi Middle East Investment Bank - Baghdad	USD
Iraq	Intesa Sanpaolo SPA - Milan	EUR
Italy	Bank of New York - Tokyo	JPY
Japan	Cairo Amman Bank - Amman	JOD & USD
Jordan	Gulf Bank K.S.C. - Kuwait	KWD & USD
Kuwait	DNB Nor Bank ASA - Oslo	NOK
Norway	Qatar National Bank - Doha	QAR
Qatar	Saudi Hollandi Bank - Riyadh	SAR & USD
Saudi Arabia	People's Bank - Colombo	USD
Sri Lanka	Skandinaviska Enskilda Banken AB - Stockholm	SEK
Sweden	Credit Suisse - Zurich	SFR
Switzerland	Investbank PSC - Sharjah	AED & USD
United Arab Emirates	MashreqBank PSC - Dubai City	AED
	Barclays Bank PLC - London	GBP
United Kingdom	JP Morgan Chase Bank - New York	USD
United States	MashreqBank - New York	USD
	Standard Chartered- New York	USD
	Wells Fargo Co. - Wachovia Bank - California	USD
	Bank of New York - New York	USD

