ANNUAL REPORT

2007

IBL BANK S.A.L

IBL Bank, constantly growing and expanding across the globe, is always proud of its strong Lebanese roots.

Being one of the pillars of the strong Lebanese economy, the Bank is paying a tribute to our Lebanese archaeological sites that are portrayed on some old series of our country's paper money, symbol of our local economy.

These strong icons are a live witness of our rich roots.

They remind us of all our past glories and give us the strength to carry on and to keep building and working for a better future.

IBL BANK

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الإقتصاد اللبناني

إن النمو البطيء الذي شهده الاقتصاد اللبناني خلال السنوات الثلاث السابقة كان نتيجة الظروف الاجتماعية والسياسية العصيبة التي مرت بها البلاد، وبالفعل، فقد شهدت سنة ٢٠٠٧ نموّاً ضئيلاً بلغ ٢ ٪ مقارنةً مع سنة ٢٠٠٦ كما أشارت تقديرات وزارة المالية، وهي نسبة نموّ دون المعدل الذي شهدته المنطقة والمقدر بـ ٦،٦ ٪

مع ذلك، وفي ظل هذه الظروف الاقتصادية المتردّية ، شكل مجموع موجودات القطاع المصرفي اللبناني سنة ٢٠٠٧ نسبة تفوق ٣٤٠ ٪ من الاقتصاد المحلي واستطاع بذلك أن يتخطى الوضع السياسي اللبناني الراهن وأن يساهم في دعم وصمود الاقتصاد الوطني، وانعكس ذلك ايجاباً في تحسن نتائج القطاع المصرفي خلال عام ٢٠٠٧ مقارنة مع عام ٢٠٠٦، إذ زاد مجموع موجوداته بنسبة ١٠,٧٪ ، في حين زادت ودائع العملاء بنسبة ١٠,٢٪ والأموال الخاصة بنسبة ٨,٢٪ خلال الفترة عينها.

ونشير الى أن القطاع المصرفي قد حقّق أحد أهم تحدياته، إذ اصبح جاهزاً لتطبيق اتفاقية بازل ٢ العالمية الواجبة التطبيق اعتباراً من ٢٠٠٩/١/١.

وهنا نشير باعتزاز الى أن مصرفنا هو على اتم الاستعداد لتطبيق هذه الاتفاقية وذلك بفضل جهود جميع الجهات المختصة لديه.

انجازات بنك انتركونتيننتال لبنان ش.م.ل. خلال عام ٢٠٠٧

إن استراتيجية مصرفنا مبنية على مبدأ تأمين النمو المستمر. فمن وجهة نظرنا ان الطريقة الأفضل لبلوغ أهدافنا تكمن بتنوع مصادر الربح وتفعيل طرق الرقابة والإدارة الرشيدة. ولقد نفّذنا استراتيجيتنا هذه عام ٢٠٠٧، من خلال:

– دعم صورة المصرف: بالفعل، وحيث ان صورة المصرف بالغة الاهمية في مجال الاعمال المصرفية، لذا قرّرنا تغيير اسم المصرف باللغة الأجنبية وعلامته التجارية logo ليصبح IBL Bank sal اسم مختصر لتطلّع اوسع.

– زيادة الأموال الخاصة: من ضمن سياستنا المستمرة لتحسين مستوى المصرف، حققنا زيادة رأسماله بمبلغ ٢٠،٦٦ مليون دولار أميركي. وقد تمّت هذه الزيادة على عدة مراحل بحيث أصبحت الأموال الخاصة للمصرف في ٢٠٠٧/١٢/٣١ توازي ١١٢,٧ مليون دولار أميركي لتصل في ٢٠٠٨/٦/٣٠ الى ما يوازي ٦، ١٤١ مليون دولار أميركي.

ولأنّ العميل هو محور اهتمامنا، ولأننا نعتبره الأهم لدينا، ركّز مصرفنا على تحسين برامج صيرفة التجزئة، فقام بتحديث المنتوجات الموجودة كما ابتكر منتوجات جديدة أخرى.

ولأن تحسين مستوى جميع الموظفين على صعيدي التدريب والاختصاص له من الاهمية بمكان، تابع مصرفنا استثماراته في الموارد البشرية. فخلال هذا العام عزّزنا جميع أقسام البنك، باعادة تنظيم داخلي وتدريبات مكثفة وبدعم الكفاءات الداخلية أولاً، و بتوظيف مدراء كفوئين وعناصر جديدة شابة. كما بذلنا مجهوداً كبيراً في تنمية ثقافة المصرف ودعم التواصل الداخلي فأطلقنا مجلة خاصة بالبنك، "Le journal de IBL" وهي طريقة مباشرة لنشر استراتيجية البنك وثقافته ونشاطاته، كما قمنا بتنظيم برامج تدريب مكثفة.

إن التوسع الاقليمي هو من صميم استراتيجيتنا إذ انه يتلاقى مع هدفنا في التنوع وزيادة قيمة إستثمار المساهمين. فخلال عام ٢٠٠٧

IBL BANK

> رسالة الرئيس

استحصل مصرفنا من المصرف المركزي في قبرص على رخصة لإنشاء فرع له في مدينة ليماسول في قبرص، فهذه الخطوة شكلت نقلة نوعية باتجاه توسيع نشاطات المصرف في أوروبا. وفي هذا الاطار أيضاً، إستحصل مصرفنا على موافقة مصرف لبنان لفتح فرع له في مدينة اربيل في العراق ليحل مكان مكتبنا التمثيلي الحالي هناك.

تميّزت سنة ٢٠٠٧ وأوائل سنة ٢٠٠٨ على الصعيد العالمي بأزمة مالية كبيرة. وبالرغم من ذلك ، واجه مصرفنا هذه الأزمة بدون أية خسائر، وذلك بفضل مهارة عالية في إدارة الخزينة وإدارة الموجودات والمطلوبات ومخاطر أسعار الفائدة كما في إدارة المخاطر.

فقد سجّل ربح المصرف تطوراً ملحوظاً في العام ٢٠٠٧ بحيث بلغت النتيجة المالية للمصرف قبل إقتطاع المؤونات والضرائب ٣٧,٥ مليار ليرة لبنانية (٢٥ مليون دولار أميركي)، والنتيجة المالية الصافية بلغت ٣٠ مليار ليرة لبنانية (٢٠ مليون دولار أميركي). وقد عرف مصرفنا، خلال عام ٢٠٠٧، نمواً بنسبة ١١٪ في مجموع موجوداته و١٣٪ في مجموع ودائع العملاء مقارنة بعام ٢٠٠٦، وسجّل خلال الفترة عينها نسبة ١٢٪ زيادة في الأموال الخاصة وبالتالي ارتفعت نسبة كفاية رأس المال حسب متطلبات اتفاقية بازل ١ الى ٤٧,٦٪ في ٢٠٠٧/١٢/٣١.

وبعد، وعلى صعيد مؤشرات الربح لبنك أنتركونتيننتال لبنان في العام ٢٠٠٧، و مقارنةً مع معدلات مجموعة ألفا للمصارف اللبنانية، حسب إحصائيات شركة Bankdata حقق المصرف:

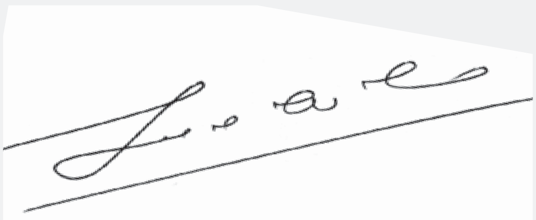
٢٣,٤٧٪ نسبة عائد على متوسط الأموال الخاصة مقابل ١١,٠٨٪ لمعدل مجموعة ألفا.

١,١٩٪ نسبة عائد على متوسط مجموع الموجودات مقارنة مع ٠,٩٢٪ لمعدل مجموعة ألفا.

وقد نجح المصرف بتسجيل هذه النتائج المالية مع حفاظه على نسبة سيولة بلغت ٩٢,٨١٪ في ٢٠٠٧/١٢/٣١، وهي نسبة مرتفعة جداً حسب المعايير المحلية والعالمية.

وأخيراً أريد أن أشكر جميع موظفي وأعضاء مجلس إدارة بنك أنتركونتيننتال لبنان على الجهود التي بذلوها لدفع المصرف دائماً الى الأمام .

سليم حبيب



رئيس مجلس الادارة–المدير العام

بنك انتركونتيننتال لبنان ش.م. ل.

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THE LEBANESE ECONOMY

Lebanon witnessed difficult sociopolitical circumstances during the last three years, which has been translated into a very slow growth of the Lebanese Economy. Indeed, even though 2007 marked a relatively better growth than 2006, with a 2% real growth, it was well below the average growth of the region estimated to 6.6%

However, in this adverse economic environment, the Banking sector, whose total assets represented more than 340% of the actual total GDP in 2007, has been able to overcome Lebanon's political situation while at the same time contributing to the resilience of the economy. This is reflected in the Banking sector's strong results, which show a 10.7% growth in total assets, 10.2% growth in total deposits, and an 8.2% growth in Shareholders' Equity in December 2007 as compared to December 2006.

Moreover, the Banking sector has accomplished one of its major challenges by being ready to implement the Basle II International Banking Regulations, which should be applied in Lebanon starting 2009. IBL Bank is perfectly compliant, due to the professionalism and know-how of all the concerned parties.

IBL BANK ACHIEVMENTS

Our strategy is focused on maintaining our long-term growth for the benefit of all our Stakeholders. We believe that it is our duty to our customers, shareholders and employees to foster ethical, responsible and sustainable corporate philosophy. In our point of view, the best way to implement our goals is by insuring Continuous Profitable Growth, while diversifying our sources of income and maintaining proper controls in an adequate Corporate Governance Framework.

> CHAIRMAN'S LETTER

Consequently we have applied our Strategy by:

• Enhancing the IBL Bank brand awareness. In fact, in the Banking industry, as we are in the Business of Trust, image is core. Therefore, in order to boost the Bank's positioning and brand awareness, we have changed the Bank's logo and name from Intercontinental Bank of Lebanon to IBL Bank. This shorter name and dynamic logo, intend to position IBL as an active and growing Bank.

• Having a policy of continuously improving the capital levels of the Bank, as we increased the Bank's capital by USD 20.66 million. Consequently this operation, which was realized in phases, closed on February 2008, and increased the Shareholders' Equity to USD 112.7 million in December 2007, and to USD 141.6 million in June 2008.

"At IBL, the clients are always at the center of our attentions"

At IBL, the clients are always at the center of our attentions. In fact, we believe that they are the Bank's most valuable asset. Consequently, IBL Bank enhanced its retail program development, by improving the existing products and offering new opportunities and distribution channels to its clients.

We are aware that Value Creation comes from highly trained, qualified, and motivated staff. Therefore, the Bank continuously invests in Human Capital. During this year, we have reinforced our departments, either by internal redeployment and trainings hence capitalizing on our internal talents first, or externally by recruiting skilled managers and dynamic young staff. During 2007, we have put a great effort in order to foster the Bank's personality and culture by strengthening the Internal Communication. We achieved that by launching our internal publication "Le Journal de l'IBL", a direct way to inform and to diffuse the Bank's Strategy, Culture and Values, as well as through an intensive Training Program.

Regional development is at the core of our strategy as it meets our goal of value creation and diversification. We have implemented our regional strategy in 2007 by acquiring a Branch License to operate in Limassol, Cyprus. This step represents a qualitative move towards the expansion of the Bank's activities in Europe. In addition, the Central Bank of Lebanon has granted IBL Bank its approval to upgrade its representative office in Erbil, Iraq into a full branch.

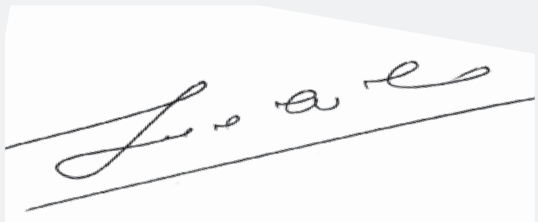
The year 2007 witnessed an important financial crisis on the international level, which is still ongoing in 2008. However, IBL Bank weathered this crisis without any loss, due to both its highly recognized know-how in terms of Treasury management and optimization of Assets – Liabilities management through efficient banking-book interest rate risk management and its strong and efficient risk management culture and practices.

Consequently IBL Bank achieved a Profit Before Provisions of LBP 37.5 billion (USD 25 million) and a Net Profit after tax for the year of LBP 30 billion (USD 20 million). While at the same time, our total Assets and our total deposits grew by 11% and 13% respectively in 2007 as compared to 2006. In addition, the Bank's shareholders' equity rose by 12% during 2007 and led to a capital adequacy ratio following Basel 1 of 47.6% after dividend distribution.

Furthermore, IBL Bank profitability ratio soared in 2007, as the Bank's Return on Average Equity (ROAE) reached 23.47% in December 2007 while the Alpha Group (top tier Lebanese banks) is 11.08% according to Bankdata, and the Bank's Return on Average Assets (ROAA) reached 1.19% in December 2007 while the Alpha Group average is 0.92% according to Bankdata.

These strong results were achieved notwithstanding the Bank's high liquidity with a total Liquidity ratio of 92.81% in December 2007, a high ratio by local and international standards.

Finally, I would like to express my sincere thanks to the Board of Directors and the Bank's staff for their continuous efforts to push the Bank towards higher summits.



Salim Habib
Chairman-General manager

HISTORY OF THE BANK

The Bank traces its roots back to 1961 when it was established by a group of investors lead by Mr. Joseph Saab. The Bank was incorporated on May 5, 1961, as a Société Anonyme Libanaise (joint stock Company) under the name of "Development Bank SAL" with a capital of LBP 8 million for a period of 99 years.

In 1998, the majority of the Bank's shares were purchased by a group of Lebanese and foreign investors. A year later, in September 1999, the Bank acquired the total share capital of BCP Oriel Bank, and consequently all branches of the acquired bank are to this date operating under Intercontinental Bank of Lebanon (IBL Bank). Mr. Salim Habib has been Chairman-General Manager of the Bank since 1998.

The current group of shareholders that took over the Bank in 1998 pursued a policy towards raising the Bank into the top national banks. While the Bank was ranked fifty-sixth in Lebanon in terms of total assets in 1999, according to Bankdata, the Bank was ranked twelfth in terms of total assets as at December 31, 2007.

The Bank has achieved a significant growth in total assets as well as in the main components of its balance sheet, during the last years. Its total assets grew from USD 437 million in 2000 to reach more than USD 1.8 billion at the end of 2007, meaning an increase of almost 310%. Despite its strong expansion in total assets since 2000, the Bank translated this growth into enhanced financial profits, with the net income attaining USD 20.3 million in the end of 2007 after taxes and reserves, representing an improvement of more than 1350% over net income of USD 1.4 million as at December 31, 2000. These results are driven by the continuing augmentation of the Bank's net interests and net commissions, as well as by the solid increase of the customers' base and deposits. Deposits topped at more than USD 1.6 billion in 2007 from USD 384 million in 2000.

Furthermore, the actual shareholders, having a policy of continuously improving the capital levels of the Bank, decided to go for a capital increase of USD 20 million in February 2008, raising the Share Capital from USD 9.6 million in 2000 to USD 55.7 million as at February 28, 2008, while the Total Shareholders' Equity grew from USD 18.4 million as at December 2000 to USD 112.7 million as at December 2007, and to USD 141.6 million as at June 2008.

Currently, the Bank has 13 active branches spread all over Lebanon, two new branches under constitution in Lebanon, one active representative office in Sao-Paolo - Brazil, and 1 active representative office in Erbil - Iraq. In 2008, the Bank obtained licenses to open 2 new branches in Cyprus and Iraq (Erbil). In addition, during 2008, the Board of Directors decided to change the Bank's name and logo from Intercontinental Bank of Lebanon to IBL Bank, in order to boost the Bank's positioning and Brand awareness.

The strong growth the Bank has achieved since 1998, has been accompanied and fostered by continuous investments in Human Capital, either organically (through seminars, training and effective Human Resources management) or externally by recruiting skilled managers and dynamic young staff.

Currently, the Bank, strong amid its track record of solid growth, rigorous risk management and adequate Capital levels, is in the process of developing its regional network.

The Bank's head office and main branch are located in Achrafieh, Beirut.

BOARD OF DIRECTORS

Mr. Salim Habib	Chairman, General Manager
His Excellency	Member
Mr. Elie Ferzli	Ex-Deputy Speaker of The Lebanese Parliament
His Excellency	Member
Dr. Mohammad Abdel Hamid Baydoun	Ex-Minister of Energy and Water
Mr. Kamal Abi Ghosn	Member, Deputy General Manager
Prince Sager Sultan Al Sudairy	Member
MM. Bicom SAL. Holding	Member
Represented by Mr. Garabed Kalaidjian	Ex-Vice Governor of the Central Bank
Mr. Merhy Abou Merhy	Member
Me. Mounir Fathallah	Member
Me. Ziad Fakhoury	Secretary of the Board

LEGAL ADVISORS AND AUDITORS

Cabinet Me. Rizkallah Makhlouf	
Me. Rizkallah Makhlouf	Legal Advisor

Fakhoury & Fakhoury Law Firm	
(Chawki Fakhoury & Associates)	
Me. Ziad Fakhoury	Legal Advisor

MM. Deloitte & Touche.	External Auditors

"The cedars of Lebanon, prized above all other trees throughout antiquity for their finest wood, represent the strongest Lebanese landmark as they are illustrated on the Lebanese flag, as well as on various Lebanese banknotes, such as the 100 L.L. issued in 1978."

GENERAL MANAGEMENT

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Deputy General Manager
Mr. Jean-Philippe Lefèvre	Assistant General Manager
Dr. Tony J. Ghorayeb	Advisor to the President
Mr. Samir Tawilé	Senior Manager International Banking Division
Mr. Nakhlé Khoneisser	Senior Manager Treasury and Financial Markets
Mrs. Dolly Merhy	Senior Manager Accounting & Finance
Mrs. Tania Tayah	Senior Manager Risk Management
Dr. Imad Hasbani	Manager Risk Management
Mr. Habib Lahoud	Senior Manager Retail Banking Division
Mr. Garabed Saboundjian	Manager Credit Management
Mr. Ghassan El Rayess	Manager Corporate Banking
Mr. Khalil Salameh	Manager Human Resources

> GENERAL MANAGEMENT

Mr. Antoine Assaad	Manager Internal Audit
Mr. Elias El Khazen	Assistant manager Internal Audit
Mr. Antoine Achou	Manager Treasury Back-office
Mr. Salim Jabaji	Advisor Information Technology
Mr. Elie Hlayel	Head of Information Technology
Me. Joe Boustany	Head of Compliance Unit
Mr. Esber Wehbé	Head of Information Security
Mr. Habib Abou Merhy	Head of Operations Trade Finance
Mr. Charbel Eid	Head of Organization and methods
Mr. Karim Habib	Head of Financial Control Unit
Mr. Georges Karam	Head of Representative office in Sao Paolo-Brazil
Mr. Elie Azar	Head of Representative office in Erbil-Iraq
Mr. Pierre Rouhana	Head of Limassol branch Cyprus

The Bank has several functional Committees including the Management Committee, the Internal Audit Committee, the Asset-Liability Committee, the Senior Credit Committee, the Junior Credit Committee, the Compliance Committee, the IT Committee, the IT Security Committee, and the Organization and Methods Committee.

MANAGEMENT COMMITTEE: The Management Committee acts as an advisory body to the Chairman General Manager on all issues relating to the Bank's general policies. It ensures the day-to-day management of the Bank according to prevailing laws, rules, regulations, best practices as well as the effective management of operational risks arising from inadequate or failed internal processes, people and systems or from external events. It defines the Bank's medium and long-term goals and strategy, and the business plan for achieving these goals. It outlines the Bank's medium and long-term growth plans, including branch networks and recommends the improvement of the Bank's organization structure, in case of need.

INTERNAL AUDIT COMMITTEE: The Internal Audit Committee, which is composed of three members of the Board of Directors, ensures the existence and the regular enhancement of an adequate system of internal controls. It receives reports from, and reviews the work of, the internal and external auditors and ensures compliance with Financial Reporting Standards.

ASSET-LIABILITY COMMITTEE (ALCO): The ALCO is responsible for setting up and supervising the implementation of asset/liability management policy, which the Treasury is responsible to execute. Its primary objective is to oversee the management of the balance sheet structure and liquidity of the IBL, to maximize income from interest spread and trading activity within the approved risk and gap parameters.
The ALCO is also responsible for assessing market conditions according to economic and political developments.

SENIOR CREDIT COMMITTEE: The Senior Credit Committee sets up the framework for credit risks, sectorial distributions, classification and provisioning policies, subject to the Board of Directors for approval. It is in charge of studying credit applications that exceed the limits of the Junior Credit Committee, loans to financial institutions, recovery processes and credit products proposals.

JUNIOR CREDIT COMMITTEE: The Junior Credit Committee evaluates and approves all corporate and commercial loans and facilities with a tenor not exceeding one year provided that they comply with the credit strategy approved by the Board of Directors and provided that the aggregate total cumulative secured and clean facilities granted to one client or group of interrelated names through commercial association and/or through common ownership/ management control do not exceed USD 400,000.

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> COMMITTEES

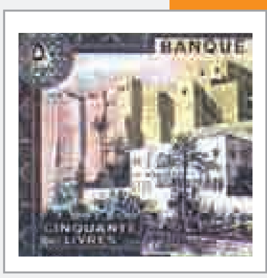
COMPLIANCE COMMITTEE: The Compliance Committee is responsible of checking the good execution as well as the effectiveness of procedures and systems adopted for Fighting Money Laundering and Terrorist Financing. It reviews and updates these procedures, on a regular basis, according to the latest applied approaches.

IT SECURITY COMMITTEE: The IT Security Committee develops the Bank's IT security policy and monitors IT security issues and follow-up on all incidents. It deals with any security breach and takes appropriate measures to avoid facing it another time.

IT COMMITTEE: The mission of the IT Committee is to set the IT strategy. It should establish and apply a structured approach regarding the long-range planning process, which should take into account risk assessment results, including business, environmental, technology and human resources risks.

ORGANIZATION AND METHODS COMMITTEE: The role of the Organization and methods committee, which is composed of highly qualified professionals in the fiels of Reengineering Process, Information Technology, Risk Management and Audit, is to review the process modelling and to settle on the right solutions. It suggests the policies and procedures, optimises the organization of the Bank, simplifies the procedures with respect to delegations and formal controls, reviews the structures with the new technologies and products introduced by the Bank.

"The city of Tripoli holds the fortress of Saint Gilles built during the 12th century BC and remodelled by the Mamluks and Ottomans later on, illustrated on the 50 L.L. banknotes issued in 1988."



IBL BANK

The Bank has been actively building up its domestic franchise in the last few years, as reflected by the significant rise in total assets and deposits.

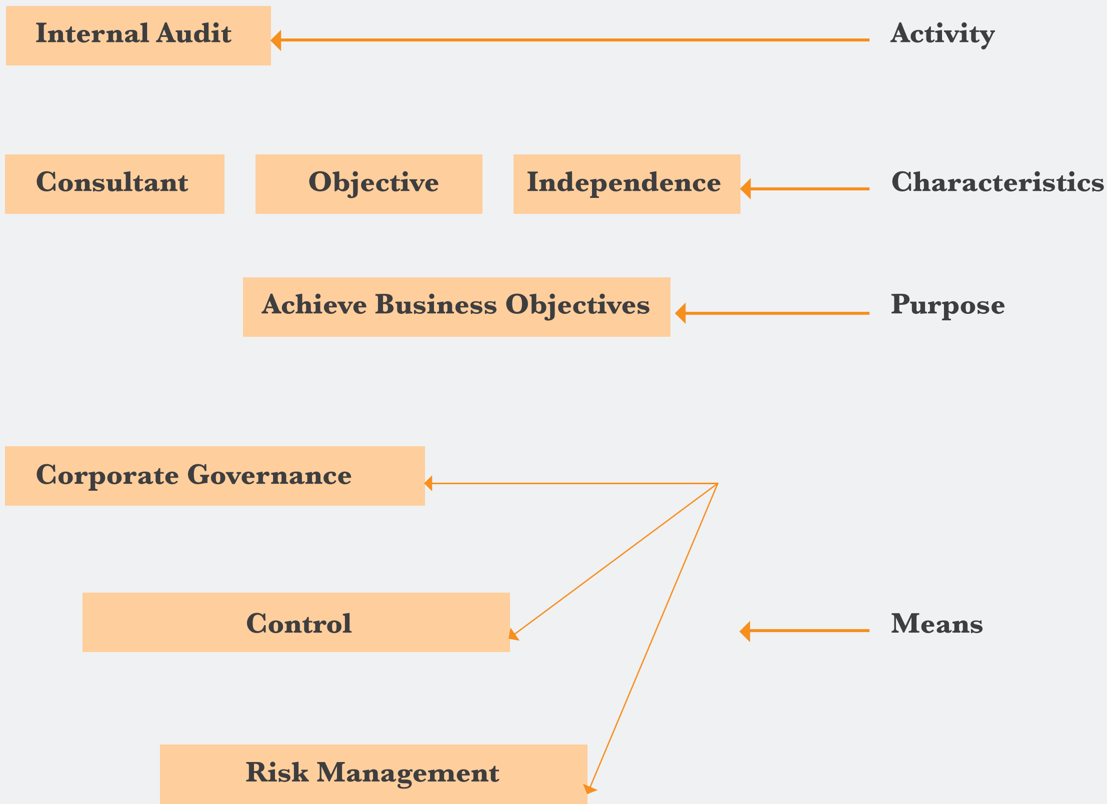
The Bank's principal activities are divided into three major areas: Retail Banking; Commercial Banking and Trade finance; Treasury and Capital Market Operations.

- **Retail Banking:** The Bank's management believes that retail banking is an efficient way to diversify earnings and risk, as well as a mean to consolidate its relationship with all its customers, and consequently emphasizes and focuses on this business line. The retail department has been consistently empowered with Human Capital and has been introducing new products ranging from bancassurance to retail loans to deposits programs, which are regarded as less risky and high yielding.

- **Commercial Banking and Trade Finance:** The Bank provides its clients with a full range of commercial banking services and products, in addition to trade finance services through its network of international correspondent banks. The Bank's loans are mainly granted in Foreign Currency, and are denominated predominantly in US Dollars, having either a maturity of up to one year with the possibility of renewal, or term loans with generally an interest re-pricing period of 1 year.

- **Treasury and Capital Markets Operations:** The Bank's Treasury operations consist of managing and placing the Bank's liquidity. The Treasury department invests those funds with prime international banks as well as with the Central Bank of Lebanon and other Lebanese banks. The Bank, in the course of its activity on the Lebanese interbank market, defines individual limits per bank, and deals only with prime banks. The Bank provides its customers with securities brokerage and trading activities.

INTERNAL AUDIT



Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.

The internal audit activity provides assurance that internal audit controls in place are adequate to mitigate the risks, governance processes are effective and efficient, organizational goals and objectives are met.

The internal audit activity evaluates risk exposures relating to the organization's governance, operations and information systems, in relation to:

- Effectiveness and efficiency of operations.
- Reliability and integrity of financial and operation information.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified.

WORK OF INTERNAL AUDITING:

The role of internal auditing includes the review of the accounting system and related internal controls, monitoring their operation and recommending improvements to them. It also generally includes a review of the means used to identify, measure and report financial and operating information and specific inquiry into individual items detailed testing of transactions, balance and procedures.

The Audit department is responsible of:

- Supporting management's efforts to establish a culture that embraces ethics, honesty, and integrity. They assist the management with the evaluation of internal controls used to detect or mitigate fraud, evaluate the organization's assessment of fraud risk, and are involved in any fraud investigation.
- Advising management on methods to ensure integrity and may become involved in communicating or interpreting those methods. They also help develop training related to integrity policies and fraud.
- Watching for potential fraud risks, assessing the adequacy of related controls, and making recommendations for improvement.
- Analyzing the breakdown in controls that could enable a fraud, and making recommendations for improvement. And reporting directly to the board of directors.
- Having a direct role in investigating fraud incidents.
- Adopting a policy that endorses their commitment to abiding by the Code of Ethics, avoiding conflict of interest, disclosing any activity that could result in a possible conflict of interests.
- Other control activities…

Internal auditing's key Risk management related roles and assurance activities include:

- Providing assurance on the design and effectiveness of risk management processes.
- Providing assurance that risks are correctly evaluated.
- Evaluating the reporting on the status of key risks and controls.
- Reviewing the management of keys risks, including the effectiveness of the controls and other responses to them.

The characteristics used by Internal Audit Department:

- Clear objectives and enterprise - wide authority for its activities.
- Carry out its responsibilities independently.
- Follow up with management on action taken in response to audit findings and recommendations.

INTERNAL ORGANIZATION

HUMAN RESOURCES

The Bank's human capital is its most solid foundation and most important asset. The commitment, engagement and enthusiasm of our employees go to the heart of our success as an organization and our ability to deliver on our strategies.

HR is committed to its role in the selection, motivation and growth of employees. Over the year, IBL has recruited skilled managers and dynamic young staff. HR continued to provide an environment of continuous learning and insure the build-up of a motivated and professional human capital.

In fact, the year 2007 witnessed the reinforcement of all IBL departments by internal redeployment and in-house trainings. Training sessions involved employees from all IBL departments and covered various topics related to banking techniques, marketing, as well as retail products.

ORGANIZATION AND METHODS

The Organizational and Methods development includes carrying out organizational reviews at different levels to improve efficiency and work procedures and methods.

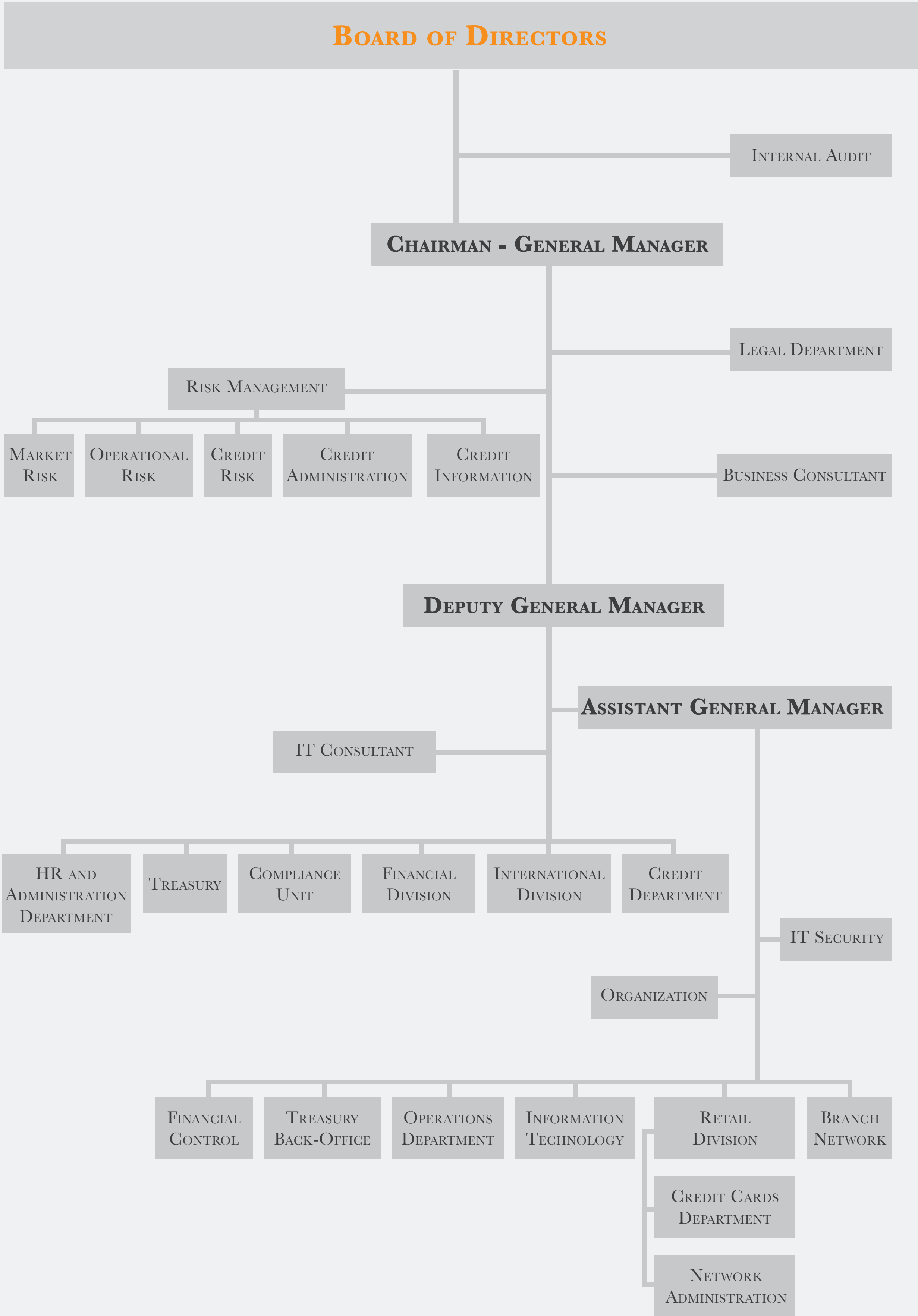
The Department introduces advanced knowledge into work procedures, and sets the work norms and standards required for employees' efficient functioning and welfare.

During the year 2007, the main objective was concentrated in transmission of the Banks' procedures accompanied with a full training to the concerned users.

BPR (Business Process Reengineering) takes an important share part in the yearly action plan of the Department creating a solid impact on Efficiencies, Productivity, Cost Savings, Quality of Service, Dynamic Corporate Culture and Customer Expectations.

Additional function was built-in to this entity by receiving Internal Clients needs and creating Book of Specifications in order to assist for proper and successful various implementations.

ORGANIZATIONAL CHART



RISK MANAGEMENT REPORT

The complexity of the Bank's business requires the identification, measurement and management of risks effectively, and the allocation of capital among the business lines appropriately. The Bank manages its risk and capital through a framework of principles, organizational structures as well as measurement and monitoring processes aligned with its activities.

The management of risk is a fundamental activity performed at all levels in the Bank. As such, it underpins the Bank's reputation, performance and future success. It is therefore critically important that the adequacy and effectiveness of its risk management processes are of appropriate standards.

The following key principles strengthen our approach to risk and capital management:
- The Board of Directors provides overall governance. It regularly monitors the Bank's risk and capital profile.
- Up-to-date policies, procedures, processes and systems allow the execution of effective risk management.
- The relevant committees structure enhances the approval and review of actions taken to manage risk.

The Risk Management Division proposes and reviews the overall risk policy for the Bank in anticipation of, and in compliance with, regulatory and international standards.

The Risk Management Division in the Bank is independent of its commercial function. It reports directly to the Chairman General Manager and the Board of Directors. As such, it contributes to the growth and profitability of the Bank by ensuring that the risk management framework in place is both sound and effective and complies with the Board's directives.

The Bank's risk management processes distinguish among four kinds of specific risks: credit risk, market risk, liquidity risk and operational risk.

A. Credit Risk Management

Credit Risk is the risk of loss arising from the inability of the bank's customers, sovereign issuers or other counterparties to meet their financial commitments. We distinguish among three kinds of credit risk: Default Risk, Country Risk and Settlement Risk.

Various factors may affect the ability of borrowers to repay loans in full and many circumstances may affect the Bank's ability to resolve non-performing loans. As a result, actual losses incurred in a problem loan recovery process may also affect the Bank's capital adequacy.

The Board of Directors and the Senior Credit Committee define the credit risk strategy of the Bank and approve both policy changes as well as other enhancements to the credit risk management framework.

The objective of the Bank's credit risk strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. This strategy is based on three core principles: conservatism, diversification and monitoring.

The Bank has set up clear processes for credit approval that include credit policies and procedures with clear credit concentration limits, approval limits depending on the size of business and/or the size of the credit line as well as credit risk mitigation techniques. Commercial and Corporate lendings are largely centralized at the Head Office and sanctioned by a Senior and a Junior credit committee depending on the exposure.

The Bank exercises, through the Credit Administration Department, an ongoing review and control of extended credit facilities and their respective guarantees. Regular monitoring and surveillance of the accounts are performed by the account officers.

Loan classification and monitoring:
Existing credit facilities are categorized within a range of Five (5) levels depending on the evaluation of the degree of risk involved. Credit facilities which, as a result of deterioration in the borrower's financial condition caused by adverse credit factors, require special attention on the part of management, will be classified "2" or worse.

Impaired Loans and Securities and Allowances for Impairment:
Under IFRS rules, loans are considered to be impaired when there is objective evidence that an impairment loss has been incurred. The bank may not collect all principal and interest due according to the contractual terms of the loan/securities agreement.

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank, are considered as past due but not impaired loans.

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The components of this allowance are the individually and the collectively assessed loss allowance.

B. Market Risk Management

Market Risk is the risk of loss resulting from changes in market prices and interest rates, from the correlations between these elements and from their volatility.

Interest Rate Risk. The Bank is exposed to interest rate risk as interest rates for assets and liabilities may be adjusted at different times or subject to different contractual maturities or the movements of the interest rates on assets may be inconsistent with those on liabilities, thus impacting on the Bank's net interest spreads.

Foreign Exchange. Rate Risk arises when the Bank is involved in foreign currency transactions, which may result in deficits or surpluses in the foreign currency position.

The Bank manages market risk through its Market Risk Management framework that specifies the global activity and individual limits, together with, but not limited to, stress testing and scenario analysis.

> RISK MANAGEMENT REPORT

The Asset/Liability Committee (ALCO) manages interest rate risk, which results from mismatches or gaps in the amounts of its assets and liabilities that mature or re-price within a given period, by matching the re-pricing of assets and liabilities.

C. Liquidity Risk Management

Liquidity Risk is the risk that the Bank may not be able to meet its obligations at maturity, i.e. available liquid assets cannot cover unexpected liabilities demand.

Liquidity Risk Factors include competition among commercial banks for larger market shares in deposits and coping with an unstable or potentially violent domestic political situation.

Liquidity Management within the Bank focuses on both overall balance sheet structure and the control within prudent limits of risk arising from the mismatch of maturities across the balance sheet and from contingent obligations.

D. Operational Risk Management

By operational risk, the Bank refers to the potential of incurring losses in relation to procedures, human error, internal systems or external events, including events with a low probability of occurrence but a high level of risk. Under this definition, operational risk also includes legal risk but excludes strategic and reputational risks.

Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with the business divisions.

The Bank manages its operational risk based on a consistent framework that enables it to determine its operational risk profile in comparison to its risk appetite and to define risk mitigating measures and priorities.

E. Capital Adequacy Risk Management

Capital Adequacy Risk is the risk that the Bank may not have enough capital and reserves to conduct normal business or to absorb unexpected losses arising from market, credit and operational risk factors.

The Bank's policy aims to ensure that it maintains an adequate level of capital to support growth strategies and to meet market expectations and regulatory requirements. Under current measurements of capital adequacy, IBL maintains a ratio of 35.21% while measured under Basle 2 this ratio stands at 10.45%, way above the notional 8% set by Basle.

During 2007, we implemented our development strategy while taking into consideration diversification, growth, profitability and controls, through:

- **Brand Awareness:** The Extraordinary General Assembly held on August 20, 2007 and based on the Board of Directors proposal, decided to change the Bank's logo and name from Intercontinental Bank of Lebanon to IBL Bank. The Decision was implemented in the beginning of 2008 by a vast marketing campaign and the new logo appeared on all our branches, official papers and communication.

- **Retail Banking Reinforcement Program through:**
  a. The "Double Your Interest" Campaign: IBL Bank offered the opportunity for all new and existing clients to double their interest on the classical saving account, for a period of 3 months, through the new "Double your interest" package, granting them a list of additional advantages. The Lebanese Market welcomed this novel idea, which shows the innovative spirit and capacity of IBL, transforming the most basic banking product into a star advantageous package.
  b. Call Center: CRM tool – 1284 : In the perspective of improving the quality of its service, IBL Bank has placed at its clients' disposal and prospects a basic Call Center, where specialized customer service representatives are accessible all weekdays in order to provide them with all the information required concerning new products and services.
  c. Cards Rewarding Program: Believing that a satisfied client is a loyal one, we, at IBL Bank, privilege our clients through special rewarding programs. Therefore, IBL Bank granted all the Bank's Visa and MasterCard holders the opportunity to get all their money back through its rewarding program "Anything you pay will get back to you". A draw was held at the end of the campaign, selecting 10 lucky winners who took advantage of this offer, getting all their purchases' money back.
  d. Internet Banking: During 2007, IBL launched its Internet Banking service, IBL Online, adding an additional Distribution Channel, at the disposal of its clients, and allowing them to conduct their financial transactions on a secure website operated by the Bank.
  e. Retail Consumer Loans: IBL offers a complete range of loans at very competitive conditions, granting the clients the opportunity to finance their needs, including Housing, Car, and Personal loans.

- **Human Capital Development:** IBL Bank places great emphasis on its staff professional development; Over 85 managers and staff, attended 43 different external seminars throughout the year.

  At our Training Center, intensive in-house training have taken place throughout the year to all personnel focusing on:

    - How to fight Money Laundering and Terrorist Financing
    - Risk Awareness
    - IT Security
    - Quality
    - New products

- **Internal Development:**

IT plays a major role in Banking, and has become a central element to the smooth running of our operations and a quality value-adding tool to our customers. Therefore, during 2007, we decided to implement a new state-of-the-art core banking system, which allows the Bank:

  - To stay online horizontally as all branches are interconnected
  - To be online vertically allowing the Head Office to view all transactions in real time
  - To enhance our MIS, by offering greater flexibility in reporting.

The migration to the new centralized system represented a huge challenge, which was overcome in a record time. After all necessary tests were successfully realized, we moved to the new system in February 2008.

- **IBL's Regional Achievements:**

The year 2007 was focal to the Bank's regional expansion as we have achieved two main successes:

- Branch opening License in Limassol - Cyprus:

On November 30, 2007, the Central Bank of Cyprus, has granted IBL Bank the License to operate in Cyprus, adding to its regional network constituted of 2 representative offices in Erbil-Iraq and in Brazil, a new branch in Limassol. IBL Bank will be operating in Cyprus by the second semester of 2008, The Bank's main activities will include commercial banking and trade finance.

- Branch opening License in Erbil - Iraq:

In the same context of its regional expansion, IBL Bank applied for a Branch License in Erbil - Iraq, transforming our actual Representative office in Erbil into a Full Branch. Our goal is to leverage our first-mover advantage in Iraq and on the excellent work undergone by our Representative Office since 2006. Indeed, due to the more than satisfactory results of our representative office in Erbil - Iraq, and our promising growth in the Iraqi Market, the Central Bank of Lebanon has granted IBL Bank on December 26, 2007 by the Resolution number 6/37/07 its approval to the Bank to set-up a foreign branch in Erbil.

MANAGEMENT ANALYSIS

ANNUAL REPORT 2007

IBL BANK S.A.L.

KEY FIGURES

AS AT 31 DECEMBER	2007 million LBP	% GROWTH 2006/2007	2006 million LBP	% GROWTH 2005/2006	2005 million LBP	% GROWTH 2004/2005	2004 million LBP	% GROWTH 2003/2004	2003 million LBP
Total Assets	2,703,628	11.01	2,435,503	7.19	2,272,081	-1.20	2,299,779	53.60	1,497,266
Customer Deposits	2,417,615	13.33	2,133,231	3.74	2,056,291	-3.24	2,125,185	56.47	1,358,175
Shareholders' Equity	169,923	12.56	150,956	69.81	88,897	30.80	67,962	30.73	51,986
Loans & Advances to Customers	310,053	-1.61	315,119	-8.73	345,260	2.33	337,397	48.11	227,806
Income for the Year	30,586	3.21	29,634	31.85	22,476	26.50	17,767	43.64	12,369
Liquidity Ratio in LBP	109.97		108.2		104.27		101.77		102.23%
Liquidity Ratio in FCY	80.83		76.85		69.31		70.35		68.79%
Liquidity Ratio in LL & FCY	92.81		91.10		86.65		87.07		83.39%
Return on Average Assets	1.19%		1.26%		0.98%		0.94%		0.99%
Return on Average Equity	23.47%		31.57%		38.55%		39.56%		32.45%

NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

IBL BANK

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Consolidated Financial Statements

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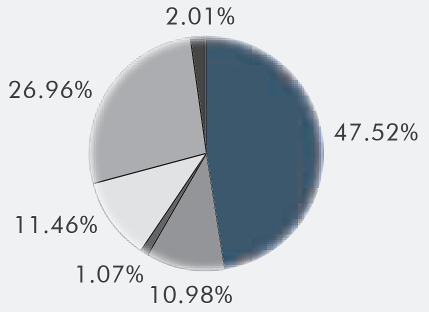
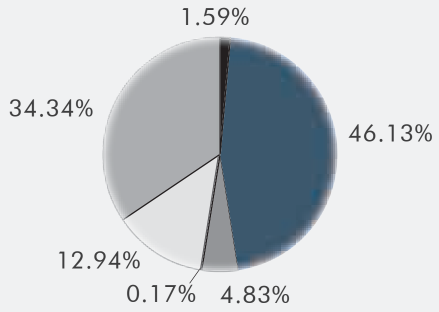
USES OF FUNDS

	END 2007
Cash, compulsory reserves and deposits at the Central Bank of Lebanon	47.52%
Deposits with Banks and Financial Institutions	10.98%
Loans to Banks	1.07%
Loans and Advances to customers	11.46%
Investment Securities	26.96%
Other Assets	2.01%
	100.00%



- Cash, compulsoty reserves and deposits at the Central Bank of Lebanon
- Deposits with Banks and Financial Institutions
- Loans to Banks
- Loans and Advances to Customers
- Investment Securities
- Other Assets

	END 2006
Cash, compulsory reserves and deposits at the Central Bank of Lebanon	46.13%
Deposits with Banks and Financial Institutions	4.83%
Loans to Banks	0.17%
Loans and Advances to customers	12.94%
Investment Securities	34.34%
Other Assets	1.59%
	100.00%



- Cash, compulsoty reserves and deposits at the Central Bank of Lebanon
- Deposits with Banks and Financial Institutions
- Loans to Banks
- Loans and Advances to Customers
- Investment Securities
- Other Assets

NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

> USES OF FUNDS

• "Cash, compulsory reserves and deposits at the Central Bank of Lebanon", which represent 47.52% of the total assets as at December 2007 as compared to 46.13% as at December 2006 are constituted up to 86.81% in December 2007 of Term placements with Central Bank of Lebanon compared to 86.46% in December 2006.

• "Deposits with Banks and Financial Institutions" increased from 4.83% of total assets in December 2006 to 10.98% as at December 2007.

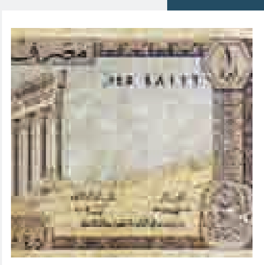
• "Loans to Banks" which represent 1.07% of total assets in December 2007 are reflected at amortized cost and consist of regular term loans with different maturities.

• "Loans and Advances to Customers", which slightly decreased during 2007, while the Total Assets of the Bank grew by 11.01%, led to a decreasing ratio of Loans to Total Assets from 12.94% at the year end 2006 to 11.46% as at December 2007.

• "Investment securities" include Bonds and Certificates of deposit that are classified as Available for Sale and Held To Maturity; The share of investment securities decreased from 34.34% of total uses of funds as at December 2006 to 26.96% at the year end December 2007

• "Other assets" at the year end December 2007 consist mainly of Property and equipment in a percentage of 45.26% of total other assets as compared to 59.90% at the year end December 2006, while Assets acquired in satisfaction of debts represented a percentage of 33.93% of total other assets at the year end December 2007 as compared to 27.37% at the year end December 2006

"The 6 standing columns of the temple of Jupiter in Baalbeck illustrated on the "One Pound" Lebanese banknote issued in 1964, and then again on the 1000 L.L. issued in 1988."

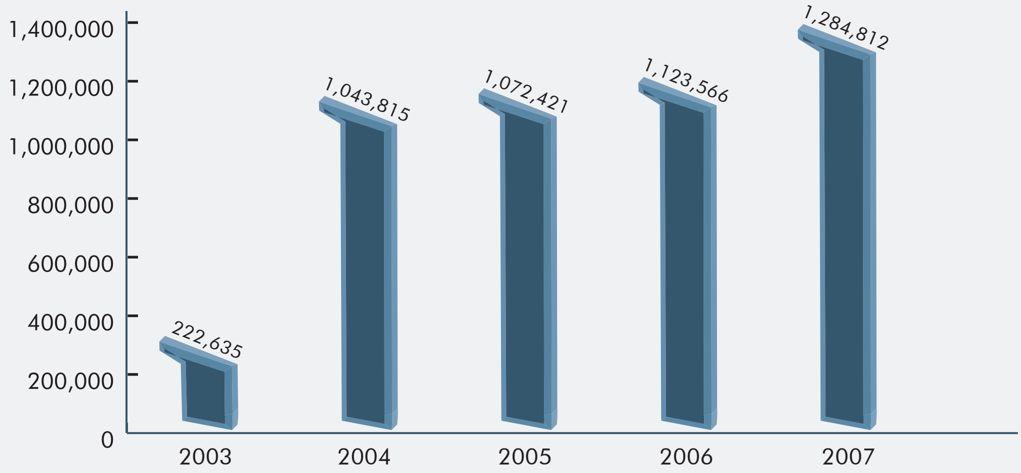


IBL BANK

CASH, COMPULSORY RESERVES AND DEPOSITS
AT THE CENTRAL BANK OF LEBANON

(in millions of LBP)

2003	2004	2005	2006	2007
222,635	1,043,815	1,072,421	1,123,566	1,284,812



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

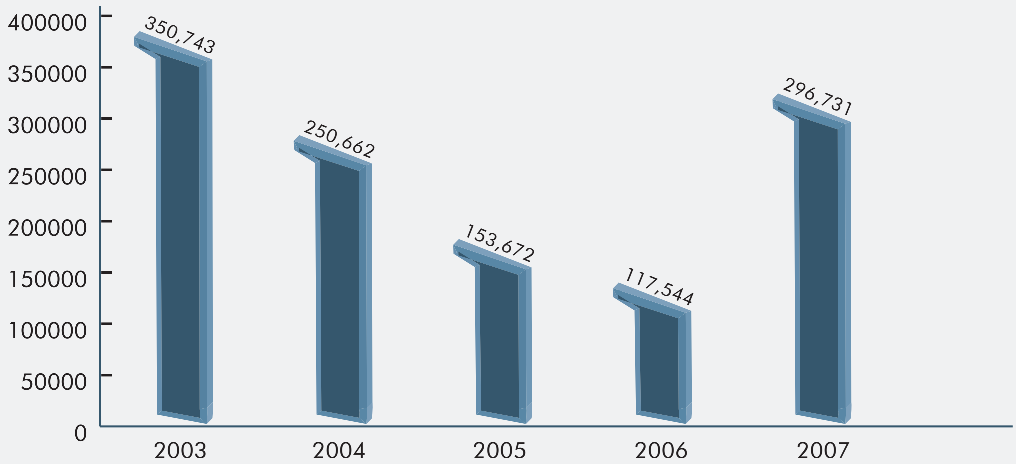
"Cash, compulsory reserves and deposits at the Central Bank" stood at LBP 1,284,812 million in 2007, up 14.35% from last year.

It comprises, at the end of 2007, an amount of LBP 155 billion (LBP 142 billion at the end of 2006) representing regulatory reserves held by the Bank at the Lebanese Central Bank in compliance with the banking laws and regulations in Lebanon which require banks to maintain mandatory reserve in Lebanese Pounds representing 15% to 25% of the deposits in Lebanese Pounds and in foreign currencies representing 15% of the deposits in foreign currencies.

Term placements with different maturities represented 86.81% of the total "Cash, compulsory reserves and deposits at the Central Bank" as at December 31, 2007 as compared to 86.46% as at 31 December 2006.

(in millions of LBP)

2003	2004	2005	2006	2007
350,743	250,662	153,672	117,544	296,731



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

"Deposits with Banks and financial institutions" reached LBP 297 billions at the year end December 2007 compared to LBP 118 billions at the year end December 2006. The increase was mainly caused by the Bank's policy of enhancing its liquidity profile following the heightened political tension in Lebanon, and the financial turmoil in the international financial markets.

The share of Term deposits (generally on very short maturities, yet higher yielding than demand deposits) was 90.84% of total "deposits with banks and financial institutions" as at 31 December 2007 as compared to 72.90% as at 31 December 2006.

99.33% of term deposits at the year end December 2007 are denominated in foreign currencies.

IBL BANK

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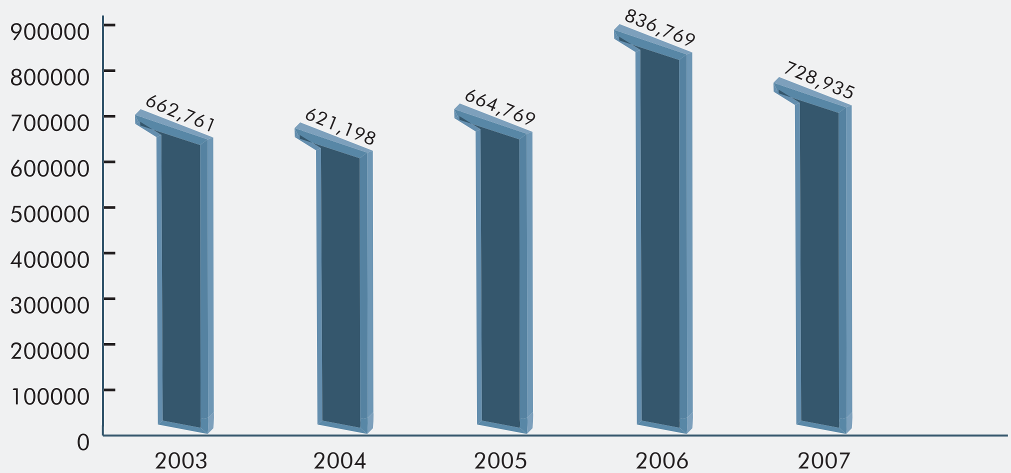
INVESTMENT SECURITIES

(in millions of LBP)

2003	2004	2005	2006	2007
662,761	621,198	664,769	836,275	728,935



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

Investment Securities are accounted for depending on their classification as either held to maturity -HTM or available for sale -AFS.

The Bank doesn't have any Held-for-Trading Securities Portfolio.

Held to maturity investments are non-derivative assets with determinable payments and fixed maturity, that the bank has the positive intent to hold to maturity. They are carried at amortized cost using the straight line method. At the year end December 2007, Lebanese Government bonds constituted 100% of total Held-to-maturity securities.

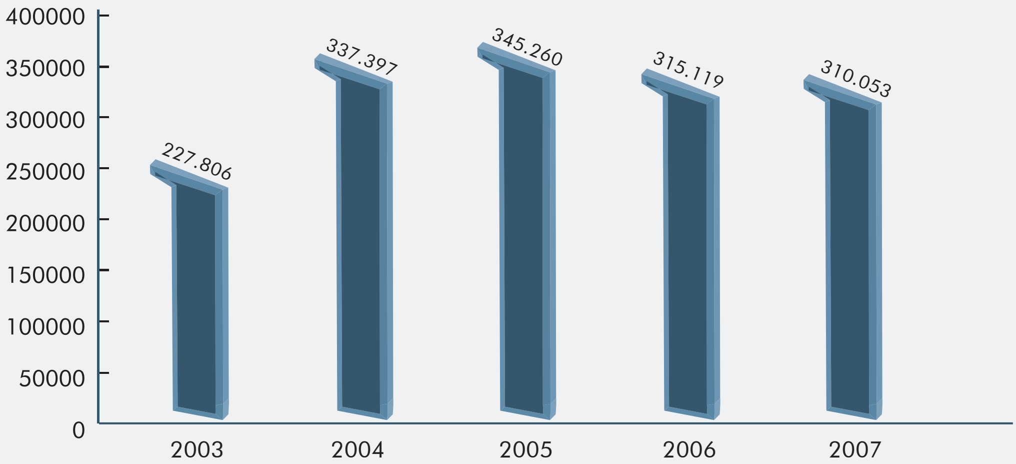
Available for sale investments are non-derivative assets that are not designated as another category of financial assets. They are carried at fair value and unrealized gains or losses are included in equity.

Available-for-sale securities are mainly constituted of Certificates of deposits issued by the Central Bank of Lebanon in a percentage of 52.87% and Lebanese Government Bonds in a percentage of 45.54%.

The share of Investment securities in the total uses of funds decreased from 34.34%at the year end 31 December 2006 to reach 26.96% as at 31 December 2007. The change in Investment securities was mainly characterized by a decrease of approximately LBP 100 billion in the portfolio of AFS certificates of deposits issued by the Central Bank of Lebanon.

(in millions of LBP)

2003	2004	2005	2006	2007
227,806	337,397	345,260	315,119	310,053



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

Loans and advances to customers are reported net of any suspended interest and provision. They showed a slight decrease of 1.60% between end of 2006 and end of 2007.

Therefore the Bank maintained a low loans to deposits ratio standing at 12.82% at the year end 2007 as compared to 14.77% at the year end 2006.

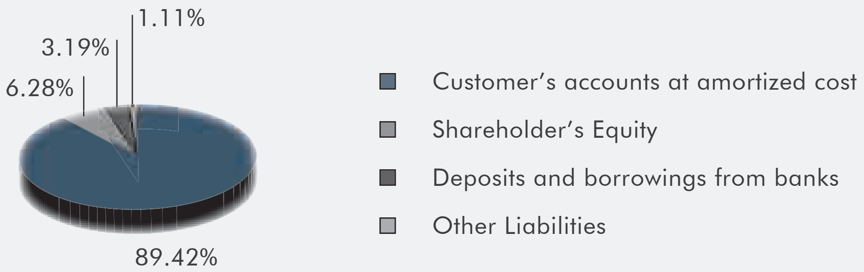
At December 31, 2007 loans and advances to customers were distributed between Lebanese Pounds and foreign currencies to the extend of 4.72% and 95.28% respectively.

88.87% of total loans and advances at the year end December 2007 are granted to regular corporate customers, whereas the loans for regular retail customers constitute 5.77%.

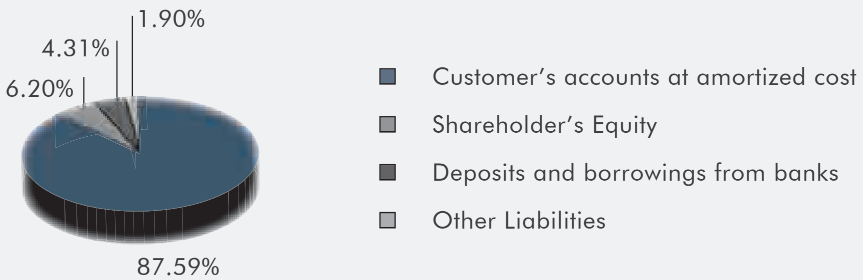
The share of net Doubtful Accounts dropped to 5.36% in 2007 from 6.30% in 2006.

SOURCES OF FUNDS

	END 2007
Deposits and borrowings from banks	3.19%
Customer's accounts at amortized cost	89.42%
Shareholder's equity	6.28%
Other liabilities	1.11%
	100.00%



	END 2006
Deposits and borrowings from banks	4.31%
Customer's accounts at amortized cost	87.59%
Shareholder's equity	6.20%
Other liabilities	1.90%
	100.00%



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

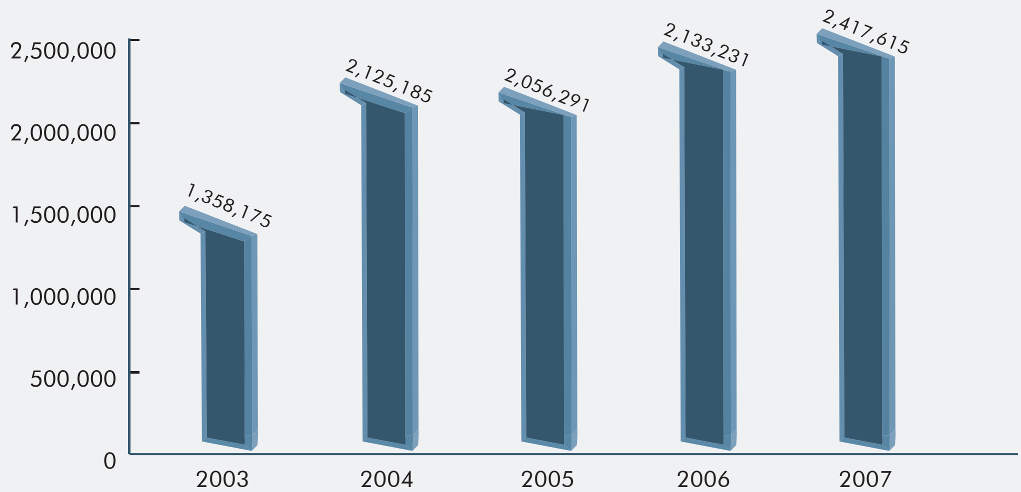
Interest bearing liabilities, as a percentage of total liabilities increased from 91.90% as at end of December 2006 to 92.61% as at end of December 2007 coupled with a decrease in non-interest bearing liabilities from 8.10% at the year end December 2006 to 7.39% at the year end December 2007, following the decrease in the share of other liabilities as a percentage of total liabilities from 1.90% to 1.11%.

The increase in interest bearing liabilities is revealed at the level of customer's accounts whose share increased, as a percentage of total liabilities, from 87.59% as at end of December 2006 to 89.42% as at end of December 2007, while the share of Deposits and borrowings from banks decreased from 4.31% of total liabilities to 3.19% over the same period.

CUSTOMER'S ACCOUNTS AT AMORTIZED COST

(in millions of LBP)

2003	2004	2005	2006	2007
1,358,175	2,125,185	2,056,291	2,133,231	2,417,615



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

Total customer deposits constitute the Bank's main source of funds and they account for 89.42% of total funding as at December 2007 as compared to 87.59% as at December 2006.

Despite the difficult economic and banking environment that prevailed during 2007, IBL customer's deposits increased by 13.33 % as compared to the year end December 2006, whereas the increase between end of 2005 and end of 2006 was of 3.74%.

Foreign currencies' share of total customer's deposits went up ,standing at 58.79% of total deposits for the year end December 2007 slightly up from 54.66% at the year end December 2006.

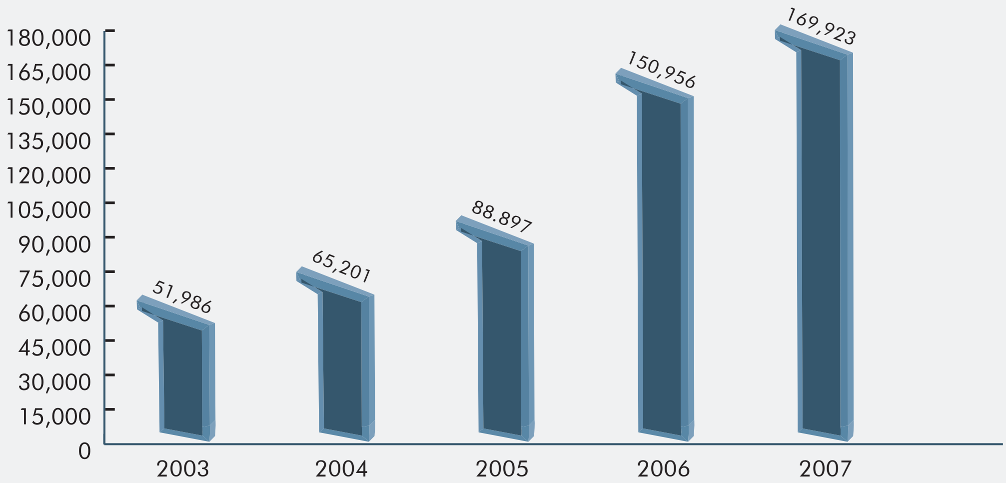
The Bank's Customer deposits, at the year end December 2007, are mainly constituted of term deposits which represented 82.69% of total deposits.

IBL BANK S.A.L

SHAREHOLDER'S EQUITY

(in millions of LBP)

2003	2004	2005	2006	2007
51,986	65,201	88,897	150,956	169,923



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

Shareholder's equity which is divided into core capital (Tier I) and supplementary capital (Tier II) increased from LBP 150,956 million at the year end December 2006 to LBP 169,923 million at the year end December 2007, meaning an increase of 12.56%.

Tier I capital which comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings , general reserves and negative change in fair value of available for sale securities reached LBP 165,258 million as at December 2007 compared to LBP 145,315 million at the end of 2006, representing an increase of 13.72%.

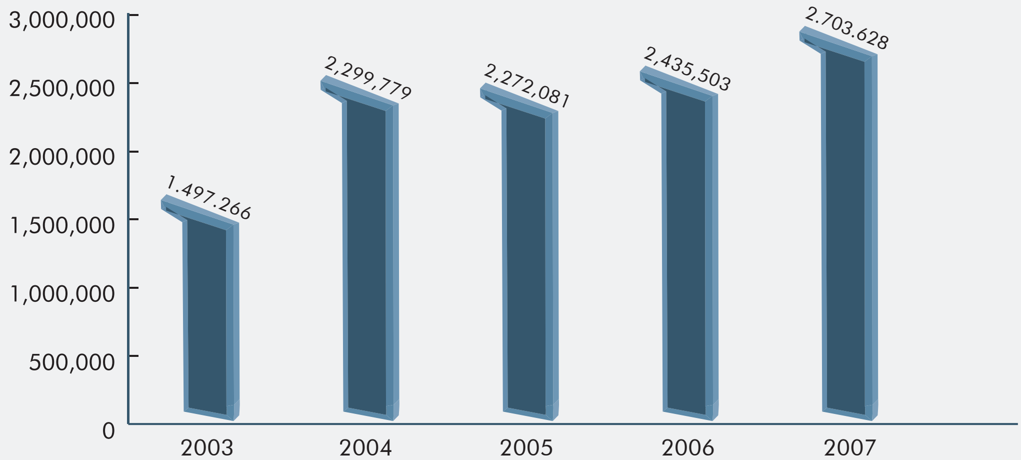
The Tier I increase can be mainly attributed to the retained profits of the year 2007 amounting to LBP 26,086 million before dividend distribution.

Tier II capital which is constituted from the revaluation surplus accepted as supplementary capital and the positive change in fair value of available for sale securities decreased from LBP 5,641 million at the year end 2006 to LBP 4,665 million at the year end 2007 as a result of the drop in the cumulative change in fair value which was due to the decline of the financial assets fair value prices and which appeared as negative in Tier I capital in 2007.

TOTAL ASSETS

(in millions of LBP)

2003	2004	2005	2006	2007
1,497,266	2,299,779	2,272,081	2,435,503	2,703,628



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

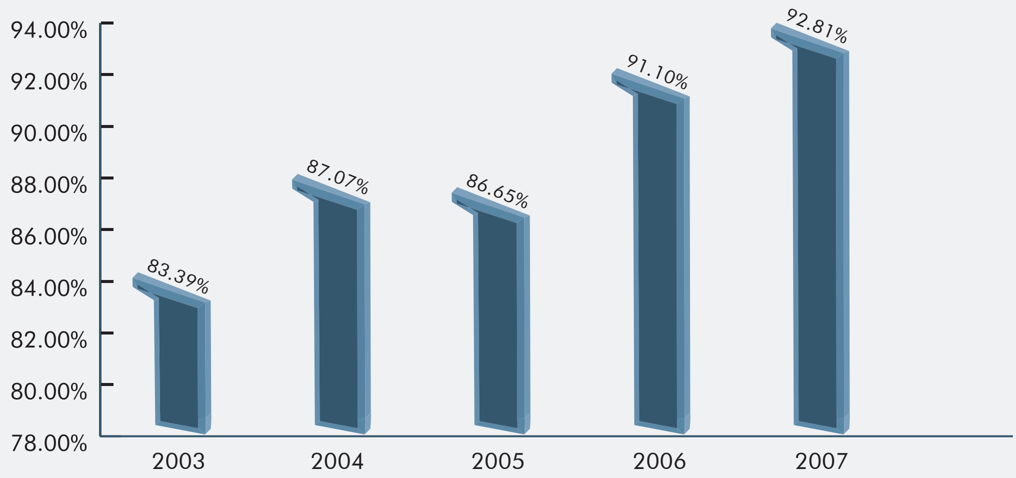
The Bank's total assets increased by LBP 268,125 million to reach LBP 2,703,628 million as at December 2007 registering a rise of 11.01% over the year 2006.

The major part of the growth in assets was denominated in foreign currency as a result of a year marked with political tension in Lebanon, which led to a preference for Foreign Currencies, and consequently to a higher dollarization rate.

IBL average growth in assets during the past five years reached 24% as compared to 14% for the Alpha Group average Growth over the same period.

LIQUIDITY RATIO

2003	2004	2005	2006	2007
83.39%	87.07%	86.65%	91.10%	92.81%



As shown above, the Bank continued to maintain a high level of liquid assets to meet foreseeable liability maturity requirements.

As at 31 December 2007, liquid assets represented 92.81% of customers' deposits compared to 91.10% as at 31 December 2006.

At the LBP liquidity side, total liquid assets in LBP which represented 108.2% of LBP deposits in 2006, represented 109.97% of LBP deposits in 2007, which means an available liquidity covering LBP deposits in total

The liquidity ratio in Fcy also increased from 76.85% at the year end December 2006 to reach 80.83% as at 31 December 2007.

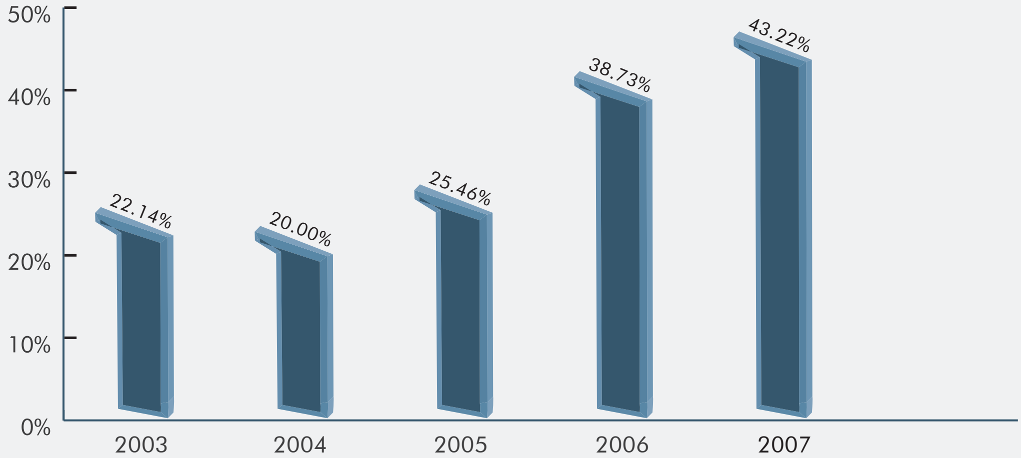
IBL Bank, along with all Lebanese Banks, witnesses mismatches in maturities, as customers' deposits represent the principal source of funding.

While the gap is negative for maturities of up to one year, it turns back positive for maturities of over one year. However although short-term in nature as compared to most assets, customers' deposits are considered to be recurring and core. In fact, according to management estimates, as at December 31, 2007, 84% of the Bank's deposits are considered as core.

In addition, the Bank manages such maturity discrepancies and mitigates resulting risks by maintaining a high level of liquidity (as defined in the Bank's market risk policy), exercising (through ALCO) regular re-pricing to insure the best use of available funds while minimizing risk, and using other traditional hedging techniques.

CAPITAL ADEQUACY RATIO

2003	2004	2005	2006	2007
22.14%	20.00%	25.46%	38.73%	43.22%



The Bank's risk weighted assets stood at end of December 2007 at LBP 382,264 million, translating into a capital adequacy ratio of 43.22% before dividend distribution. This ratio is almost 3.6 times the ratio of 12% required by the Central Bank of Lebanon and 5.4 times the international ratio of 8% required by the Basel Commission.

After dividend distribution, the capital adequacy ratio reached 41.32% for Tier I and Tier II and 40.47% for Tier I alone.

The capital increase, which occurred in February 2008 increased the capital adequacy ratio of IBL, after dividend distribution, to 47.63%.

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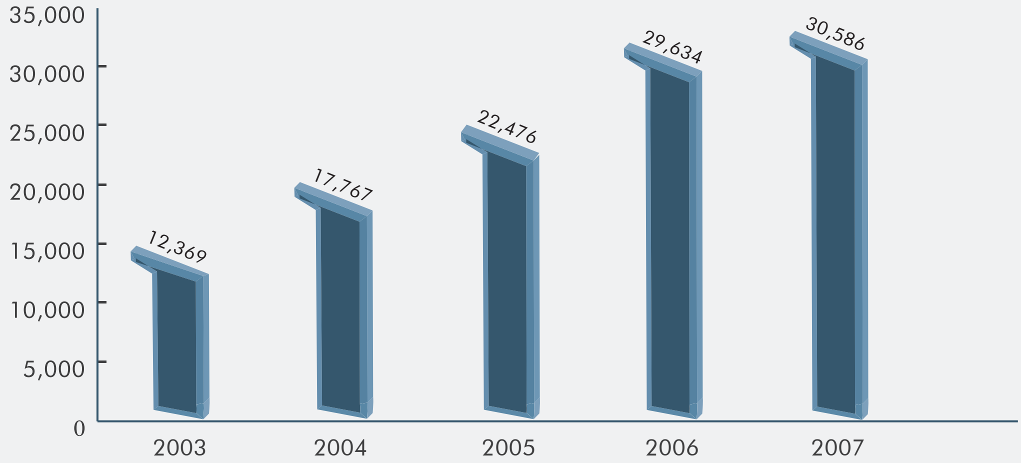
PROFITABILITY

NET INCOME FOR THE YEAR

(in millions of LBP)

2003	2004	2005	2006	2007
12,369	17,767	22,476	29,634	30,586



Despite a difficult economic environment since mid-2006, IBL Bank consolidated net income rose from LBP 29,634 million at the year end December 2006 to LBP 30,586 million at the year end December 2007 meaning an increase of 3.21%.

IBL Bank maintained its position in its peer group (the peer group is constituted of the top tier Lebanese banks) as the leading bank in terms of profitability as its Return On Average Equity (ROAE) reached 23.47% in 2007, against an average ratio of 11.08% for the Bank's peer group according to Bankdata

In addition, the Bank's Return On Average Assets (ROAA) for the year 2007 toped at 1.19% against a ratio of 0.92% for the peer group according to Bankdata.

CORRESPONDENT	CITY	SWIFT CODE
National Bank of Abu Dhabi	Abu Dhabi	NBADAEAA
The Housing Bank for Trade & Finance	Amman	HBHOJOAX
Jordan Ahli Bank PLC	Amman	JONBJOAX
Bank Austria Creditanstalt AG	Austria	BKAUATWW
Bank of Baghdad	Baghdad	BABIIQBA
Iraqi Middle East Investment Bank	Baghdad	IMEBIQBA
ING Belgium SA/NV	Brussels	BBRUBEBB010
Byblos Bank Europe SA	Brussels	BYBBBEBB
Danske Bank A/S	Copenhagen	DABADKKK
Doha Bank	Doha	DOHBQAQA
BLC Bank (France) SA	Dubai	LICOAEAD
Mashreq Bank	Dubai	BOMLAEAD
Central Bank of Kurdistan Region Minare Bank	Erbil	XXXXXXXX
Deutsche Bank AG	Frankfurt	DEUTDEFF
Dresdner Bank AG	Frankfurt	DRESDEFF
Commerzbank AG	Frankfurt	COBADEFF
Bankmed (Suisse) SA	Geneva	MEDSCHGG
SG Private Banking (Suisse) SA	Geneva	BCLACH22
Banque Cantonale de Genève	Geneva	BCGECHGG
The National Commercial Bank	Jeddah	NCBKSAJE
The Commercial Bank of Kuwait	Kuwait	COMBKWKW
Wachovia Bank, NA	London	PNBPGB2L
EFG Private Bank Ltd	London	EFGBGB2L
Banco Popular Español	Madrid	POPUESMM
Banco de Sabadell SA	Madrid	ATLAESMM
Intesa Sanpaolo spa (formerly Banca Intesa spa)	Milano	BCITITMM
The Bank of New York	New York	IRVTUS3N
Wachovia Bank, NA	New York	PNBPUS3NNYC
Bank of Cyprus Public Company LTD	Nicosia	BCYPCY2N
DNB Nor Bank ASA	Oslo	DNBANOKK
BLC Bank (France) SA	Paris	LICOFRPP
Banque Audi Saradar (France) SA	Paris	AUDIFRPP
Al Rajhi Bank (Head office) SA	Riyadh	RJHISARI
Banca Nazionale del Lavoro SPA	Roma	BNLIITRR
Skandinaviska Enskilda Banken	Stockholm	ESSESESS
The Commonwealth Bank of Australia	Sydney	CTBAAU2S
The Bank of New York	Tokyo	IRVTJPJX
IntesaBCI S.P.A.	Tokyo	BCITJPJT
The Royal Bank of Canada	Toronto	ROYCCAT2
Rabobank Nederland	Utrecht	RABONL2U

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MAIN RESOLUTIONS OF THE ORDINARY GENERAL ASSEMBLY

Held on September 11, 2008

RESOLUTION 1:

The Ordinary General Assembly , after listening to the reports of the Board of Directors and the external Auditors regarding the accounts of the year 2007, and after reviewing the balance sheet and the profit and loss accounts for the same year, decided:

The ratification of the reports, the balance sheets and all other accounts of the Bank relating to the fiscal year ending on 31/12/2007.

Decision taken unanimously.

RESOLUTION 2:

The Ordinary General Assembly , after taking note of the net profits realized during 2007, which amounted to /26 086 446 860/ LBP. decided:

The Distribution of LBP /3 615 581 535/ (approximately US$ 2 400 000) to the holders of series 1 preferred shares, amount which represent 13.86% of the net non consolidated profits of the Bank pursuant to the first decision (Item 5) of the Extraordinary General Assembly held on December 27, 2005.

The distribution of LBP /3 615 581 535/ (approximately US$ 2 400 000) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

It was also decided to transfer the remaining balance of the net profits of the year 2007 to retained earnings (previous results).

Decision taken unanimously.

RESOLUTION 8:

The Ordinary General Assembly, after going through the reports of the Board of Directors and the external Auditors in compliance with article 158 of the Code of Commerce and article 152 paragraph 4 of the Code of Money and Credit, decided:

The ratification of the activities carried out in accordance to the above-mentioned laws, and renewal of the prior authorization given to the Directors to act according to those articles, in addition to the prior authorization of article 159 of the Code of Commerce.

Decision taken unanimously.

CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2007

IBL BANK S.A.L

BT 32289/DTT

To the Shareholders
IBL Bank S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of IBL BANK S.A.L. (FORMERLY INTERCONTINENTAL BANK OF LEBANON S.A.L.) AND SUBSIDIARY (the Bank), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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 financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 30, 2008

Deloitte & Touche

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Cash, compulsory reserves and deposits at the Central Bank of Lebanon	5	1,284,812,446	1,123,566,309
Deposits with banks and financial institutions	6	296,731,307	117,544,487
Loans to banks	7	28,830,248	4,190,836
Loans and advances to customers	8	310,052,634	315,119,927
Available-for-sale investment securities	9	531,325,664	622,967,115
Held-to-maturity investment securities	9	197,608,896	213,307,983
Customers' liability under acceptances	11	7,721,820	3,436,891
Assets acquired in satisfaction of loans	12	18,414,911	10,621,228
Property and equipment	13	24,565,245	23,065,332
Intangible assets	14	383,295	176,802
Other assets	15	3,181,497	1,505,689
Total Assets		**2,703,627,963**	**2,435,502,599**

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

Documentary and commercial letters of credit	32	31,157,692	30,906,158
Guarantees and standby letters of credit	32	46,604,530	40,583,062
Forward contracts		47,571,765	8,254,570
Fiduciary deposits		7,839,000	12,813,750

THE ACCOMPANYING NOTES 1 TO 39 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (Continued)

LIABILITIES	Notes	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Deposits and borrowings from banks	16	86,189,155	105,061,307
Customers' accounts at amortized cost	17	2,417,614,810	2,133,231,481
Acceptance liability		7,721,820	3,436,891
Other long term debts	18	6,978,914	28,469,587
Other liabilities	19	12,747,485	11,492,328
Provisions	20	2,453,026	2,854,813
Total liabilities		**2,533,705,210**	**2,284,546,407**
EQUITY			
Common shares	21	60,094,800	46,557,248
Preferred shares at par	22	6,300,000	6,300,000
Preferred share premium	22	31,657,500	31,657,500
Reserves	23	5,328,519	7,654,598
Asset revaluation surplus		3,634,712	3,634,712
Cumulative change in fair value of investment securities	24	(3,974,711)	1,288,534
Regulatory reserve for assets acquired in satisfaction of debts	12	1,030,457	717,970
Retained earnings	25	35,265,541	23,511,923
Income for the year	19	30,585,935	29,633,707
Total Equity		**169,922,753**	**150,956,192**
Total Liabilities and Equity		**2,703,627,963**	**2,435,502,599**

THE ACCOMPANYING NOTES 1 TO 39 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

	Notes	Year Ended December 31, 2007 LBP'000	2006 LBP'000
Interest income	26	209,856,493	201,253,697
Interest expense	27	(157,882,754)	(150,270,922)
Net interest income		**51,973,739**	**50,982,775**
Fee and commission income	28	2,559,392	3,339,031
Fee and commission expense	29	(388,578)	(1,093,219)
Net fee and commission income		**2,170,814**	**2,245,812**
Other operating income	30	6,270,018	4,796,476
Net financial revenues		**60,414,571**	**58,025,063**
Allowance for impairment of loans and advances net of write-backs	8	(2,814,795)	(3,853,621)
Net financial revenues after impairment charge for credit losses		**57,599,776**	**54,171,442**
Staff costs	31	(11,452,791)	(9,859,950)
Administrative expenses		(9,165,693)	(8,036,554)
Depreciation and amortization	12,13,14,15	(1,625,428)	(1,404,818)
Other Income		194,667	345,723
		22,049,245	**18,955,599**
Profit before income tax		35,550,531	35,215,843
Income tax expense		(4,964,596)	(5,582,136)
Income for the year		**30,585,935**	**29,633,707**

THE ACCOMPANYING NOTES 1 TO 39 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares LBP'000	Preferred Shares LBP'000	Preferred Share Premiums LBP'000
Balances at January 1, 2006	46,557,248	-	-
Income for the year 2006	-	-	-
Decrease in asset revaluation surplus	-	-	-
Change in fair value of available-for-sale net of deferred tax	-	-	-
Comprehensive income for 2006	-	-	-
Issuance of preferred shares	-	6,300,000	31,657,500
Adjustments	-	-	-
Dividends declared during 2006	-	-	-
Allocation of income of the year 2005	-	-	-
Balances at December 31, 2006	46,557,248	6,300,000	31,657,500
Income for the year 2007	-	-	-
Change in fair value of available-for-sale net of deferred tax	-	-	-
Comprehensive income for 2007	-	-	-
Issuance of common shares	13,537,552		
Dividends paid	-	-	-
Regulatory reserves for liquidating assets acquired in satisfaction of debts	-	-	-
Allocation of income of the year 2006	-	-	-
Balances at December 31, 2007	60,094,800	6,300,000	31,657,500

THE ACCOMPANYING NOTES 1 TO 39 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Reserves LBP'000	Asset Revaluation Surplus LBP'000	Cumulative Change in Fair Value of Investment Securities LBP'000	Regulatory Reserves for Liquidating Assets Acquired in Satisfaction of Loans LBP'000	Retained Earnings LBP'000	Net Income for the Year LBP'000	Total Equity LBP'000
4,775,550	**3,689,336**	**2,598,821**	**535,748**	**8,799,923**	**22,658,617**	**89,615,243**
-	-	-	-	-	29,633,707	29,633,707
-	(54,624)	-	-	-	-	(54,624)
-	-	(1,310,287)	-	-	-	(1,310,287)
-	**-**	**(1,310,287)**	**-**	**-**	**29,633,707**	**28,323,420**
-	-	-	-	-	-	37,957,500
-	-	-	-	1,922	-	1,922
-	-	-	-	(4,887,269)	-	(4,887,269)
2,879,048	-	-	182,222	19,597,347	(22,658,617)	-
7,654,598	**3,634,712**	**1,288,534**	**717,970**	**23,511,923**	**29,633,707**	**150,956,192**
-	-	-	-	-	30,585,935	30,585,935
-	-	(5,263,245)	-	-	-	(5,263,245)
-	**-**	**(5,263,245)**	**-**	**-**	**30,585,935**	**25,322,690**
(6,000,000)				(7,537,552)	-	-
-	-	-	-	(6,560,449)	-	(6,560,449)
-	-	-	204,320	-	-	204,320
3,673,921	-	-	108,167	25,851,619	(29,633,707)	-
5,328,519	**3,634,712**	**(3,974,711)**	**1,030,457**	**35,265,541**	**30,585,935**	**169,922,753**

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2007 LBP'000	2006 LBP'000
Cash flows from operating activities:			
Income after tax		30,585,935	29,633,707
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation and amortization		1,625,428	1,404,818
Provision for credit losses (net of write backs)		2,814,795	3,853,621
Gain on sale of assets acquired in satisfaction of loans		(17,735)	-
Gain on sale of property and equipment		(52,107)	(67,657)
Net (increase)/decrease in loans to banks		(24,639,412)	(4,190,836)
Net decrease in loans and advances to customers		(5,636,513)	14,052,923
Net (increase)/decrease in compulsory reserves at the Central Bank		(13,240,501)	1,700,000
Net (increase)/decrease in deposits with banks and financial institutions		(206,025)	27,343,609
Net (increase)/decrease in other assets		(88,312,841	(43,503,815)
Net (decrease)/increase in deposits and borrowings from banks		(18,872,152)	51,877,503
Net (increase)/decrease in term deposits with the Central Bank		(40,920,660)	40,173,920
Net (decrease)/increase customers' accounts at amortized cost		284,383,329	83,966,035
Net (decrease)/increase other long term debts		(21,442,168)	621,876
Net increase/(decrease) in other liabilities		1,206,669	(39,071,451)
Net decrease in provisions		(401,787)	799,026
Net cash provided by operating activities		**106,874,255**	**168,593,279**
Cash flow from investing activities:			
Property and equipment		(2,777,937)	(1,194,635)
Intangible assets		(312,899)	-
Proceeds from assets acquired in satisfaction of loans		113,063	206,690
Proceeds from sale of property and equipment		355,674	270,319
Securities		102,077,293	(166,213,196)
Net cash provided by/ (used in) investing activities		**99,455,194**	**(166,930,822)**
Cash flows from financing activities:			
Preferred shares		-	37,957,500
Dividends paid		(6,560,449)	(4,887,269)
Net cash (used in)/ provided by financing activities		**(6,560,449)**	**33,070,231**
Net increase in cash and cash equivalents		199,769,000	34,732,688
Cash and cash equivalents - Beginning of year	**34**	**(201,887,475)**	**167,154,787**
Cash and cash equivalents - Ending of year	**34**	**401,656,475**	**201,887,475**

THE ACCOMPANYING NOTES 1 TO 39 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IBL Bank S.A.L. (formerly Intercontinental Bank of Lebanon S.A.L.) is a Lebanese joint-stock company registered in the Lebanese commercial register under No. 10472 and in the list of banks published by the Central Bank of Lebanon under No. 52. The consolidated financial statements of the Bank as at December 31, 2007 comprise the Bank and its subsidiaries (the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Bank's foreign name was changed during 2008 from Intercontinental Bank of Lebanon S.A.L. to IBL Bank S.A.L. by virtue of the resolution of the Extraordinary General Assembly of Shareholders held on August 20, 2007.

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance

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

B. Basis of Measurement

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

- Land and buildings acquired in prior to 1997 are measured at their revalued amounts based on market prices prevailing during that period.
- Financial assets and liabilities at fair value through profit and loss.
- Available-for-sale financial assets are measured at fair value.
- Derivative financial instruments are measured at fair value.

The principal accounting policies are set out below:

C. Basis of Consolidation:

The consolidated financial statements of Intercontinental Bank of Lebanon S.A.L. incorporate the financial statements of the Bank and its subsidiary company, Al-Ittihadiah real estate S.A.L. controlled, owned by the Bank up to 99.97% and incorporated in Lebanon. Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The business activity of Al-Ittihadiah real estate S.A.L. is to own real estates, construct, and rent or sell buildings.

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

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

D. Foreign Currencies:

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

E. Financial assets and Liabilities:

Recognition and Derecognition:

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

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

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

Offsetting:

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

Fair Value Measurement:

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

Impairment of Financial Assets:

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

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

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

F. Investment Securities:

Investment securities are initially measured at fair value plus incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

Held-to-Maturity Investment Securities:

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

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

Available-for-Sale Investment Securities:

Available-for-sale investments are non derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value and unrealized gains or losses are included in equity.

G. Loans and Advances

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

H. Derivative Financial Instruments:

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Embedded derivatives:

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

Hedge accounting:

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

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

Fair Value Hedge:

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

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

Cash Flow Hedge:

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

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

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

I. Investments in Associates:

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

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

J. Financial Guarantees:

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

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

K. Property and Equipment

Property and equipment except for buildings acquired prior to 1997 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	20%
Furniture, equipment and machines	8%
Computer equipment	20%
Vehicles	20%

L. Intangible Assets:

Computer Software

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

M. 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 two 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.

N. Impairment of Tangible and Intangible Assets:

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

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

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

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

O. Employees' End-of-Service Indemnities:

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

P. Provisions:

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

Q. Revenue and Expense Recognition:

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities.
- Fair value changes in qualifying derivatives and related hedged items when interest rate risk is the hedged risk.

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

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

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

R. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for Credit Losses:

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

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques. 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, uncertainly of market factors, pricing assumptions and other risks affecting the specific instrument.

Impairment of available for-sale equity investments:

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination requires judgment. In making this judgment the Group evaluates among other factors, the normal volatility in share price.

5. CASH, COMPULSORY RESERVES AND DEPOSITS AT THE CENTRAL BANK OF LEBANON

	December 31,	
	2007 LBP'000	2006 LBP'000
Cash on hand	14,582,866	10,409,372
Non interest-earning accounts:		
Compulsory reserve with Central Bank of Lebanon	154,909,929	141,669,428
Interest earning accounts:		
Term placements with Central Bank of Lebanon	805,661,486	766,638,000
Accrued interest receivable	309,658,165	204,849,509
	1,284,812,446	**1,123,566,309**

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

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

The term placements with Central Bank of Lebanon includes the equivalent in foreign currencies of LBP 218 billion deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposits and loans acquired from non-resident financial institutions.

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

	December 31, 2007			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year))	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2008	-	-	218,061,486	5.60
2009	562,600,000	13.25	-	-
2010	25,000,000	13.25	-	-
	587,600,000		**218,061,486**	

	December 31, 2006			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2007	-	-	179,038,000	5.46
2008	-	-	-	-
2009	562,600,000	13.25	-	-
2010	25,000,000	13.25	-	-
	587,600,000		**179,038,000**	

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2007 and 2006:

	December 31,	
Currency	2007 LBP or Counter Value of LBP LBP'000	2006 LBP or Counter Value of LBP LBP'000
LBP	308,617,129	204,068,077
USD	808,450	624,496
Euro	231,921	156,936
Others	665	-
	309,658,165	**204,849,509**

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Checks in course of collection	7,847,242	3,383,575
Current accounts with banks and financial institutions	5,445,429	11,692,412
Term placements with banks and financial institutions	269,564,113	85,701,243
Pledged deposits with banks and financial institutions	13,375,609	16,655,340
Accrued interest receivable	498,914	111,917
	296,731,307	**117,544,487**

Deposits with banks and financial institutions include deposits in the amount of LBP 13 billion subject to right of set-off by the related correspondents against banking facilities to finance documentary credit transactions (list any other facilities) in the amount of LBP 13 billion at 2007 year end.

Term placements and pledged deposits bear the following maturities:

	December 31, 2007			
	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2008	-	-	282,939,722	4.71
	-		282,939,722	

	December 31, 2006			
	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2007	-	-	102,356,583	4.83
	-		102,356,583	

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2007 and 2006:

Currency	December31, 2007 LBP or Counter Value of LBP LBP'000	December 31, 2006 LBP or Counter Value of LBP LBP'000
USD	463,968	61,108
Euro	10,964	45,089
Others	23,982	5,720
	498,914	111,917

7. LOANS TO BANKS

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

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Regular accounts	28,765,582	4,140,000
Accrued interest receivable	64,666	50,836
Doubtful bank accounts	84,583	84,082
Less: Allowance for impairment	(84,583)	(84,082)
	28,830,248	**4,190,836**

Loans to banks classified as regular accounts mature as follows:

	December 31, 2007			December 31, 2006		
	LBP	*Counter-Value* of F/Cy in LBP	*Interest* Rate	LBP	*Counter Value* of F/Cy in LBP	*Interest* Rate
	LBP'000	LBP'000	%	LBP'000	LBP'000	%
Up to 1 year	460,000	23,085,582	7.95	460,000	-	5.49
1 year to 3 years	1,120,000	-	5,49	920,000	-	5.49
3 years to 5 years	1,320,000	-	5,49	920,000	-	5.49
Beyond 5 years	2,780,000	-	5.49	1,840,000	-	5.49
	5,680,000	**23,085,582**		**4,140,000**	**-**	

8. LOANS AND ADVANCES TO CUSTOMERS

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

	December 31,					
	2007			2006		
	Gross Amount Net of Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000	Gross Amount Net of Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000
Regular retail customers:						
- Mortgage loans	6,939,955	-	6,939,955	7,001,768	-	7,001,768
- Personal loans	1,936,200	-	1,936,200	2,089,094	-	2,089,094
- Overdrafts	9,002,229	-	9,002,229	14,630,681	-	14,630,681
	17,878,384	-	17,878,384	23,721,543	-	23,721,543
Classified retail customers						
- Substandard loans	(3,725)	-	(3,725)	(3,725)	-	(3,725)
- Doubtful and bad loans	21,211,883	(19,718,743)	1,493,140	21,979,239	(18,960,524)	3,018,715
	21,208,158	(19,718,743)	1,489,415	21,975,514	(18,960,524)	3,014,990
Regular corporate customers:						
- Large Enterprises	149,097,000	-	149,097,000	121,112,348	-	121,112,348
- Small and medium enterprises	126,433,620	-	126,433,620	150,387,702	-	150,387,702
	275,530,620	-	275,530,620	271,500,050	-	271,500,050
Classified corporate customers						
- Substandard loans	1,064,749	-	1,064,749	1,261,274	-	1,261,274
- Doubtful and bad loans	30,902,653	(15,314,073)	15,588,580	29,721,364	(13,484,459)	16,236,905
	31,967,402	(15,314,073)	16,653,329	30,982,638	(13,484,459)	17,498,179
Allowance for collective impairment	-	(1,509,170)	(1,509,170)	-	(647,231)	(647,231)
Accrued interest receivable	10,056	-	10,056	32,396	-	32,396
	346,594,620	(36,541,986)	310,052,634	348,212,141	(33,092,214)	315,119,927

The carrying value of loans and advances to customers include accidentally temporary debtors with carrying value amounting to LBP 1,4 billion as at December 31, 2007 (LBP 8 billion in 2006).

This section also includes net multicurrency trading exposures amounting to LBP 3,5 billion million at 2007 year end (LBP 15,1 billion at 2006 year end) that are fully secured by cash margins in the amount of LBP 13,19 billion as at December 31, 2007 and recorded under "Customers' accounts at amortized cost" under liabilities.

The movement of substandard loans with related unrealized interest is summarized as follows:

	2007		
	Substandard Loans	Unrealized Interest	Net Book Value
	LBP'000	LBP'000	LBP'000
Balance January 1	1,930,599	673,050	1,257,549
Additions	595,522	168,798	426,724
Settlements	(156,663)	-	(156,663)
Write-off	-	-	-
Recoveries	-	-	-
Transfer to/from doubtful and bad loans	(723,421)	(230,933)	(492,488)
Effect of exchange rates changes	36,127	10,225	25,902
Balance December 31	**1,682,164**	**621,140**	**1,061,024**

The movement of doubtful and bad loans and related unrealized interest and allowance for impairment is summarized as follows:

	December 31, 2007			
	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January	172,396,433	19,921,473	32,444,983	20,029,977
Additions	5,606,583	5,571,887	2,741,765	(2,707,069)
Settlements	(4,699,385)	-	-	(4,699,385)
Write-off	(2,046,405)	-	-	(4,699,385)
Recoveries	-	(257,938)	(786,854)	1,044,792
Transfer to/from substandard Loans	723,421	230,933	-	492,488
Transfer to/from regular loans	3,004,721	-	-	3,004,721
Effect of exchange rates changes	1,940,124	213,520	1,778,273	(51,669)
Balance December 31	**76,925,492**	**24,810,956**	**35,032,816**	**17,081,720**

The movement of the allowance for collective impairment during 2007 and 2006 is as follows:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Balance January 1	647,231	401,932
Additions	859,884	1,101,917
Write-off	-	-
Recoveries	-	-
Transfer to specific allowance for impairment	-	(358,894)
Transfer to provision for contingencies	-	(497,475)
Effect of exchange rates changes	2,055	(249)
Balance December 31	**1,509,170**	**647,231**

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2007 and 2006:

Currency	December31, 2007 LBP or Counter Value of LBP LBP'000	December 31, 2006 LBP or Counter Value of LBP LBP'000
LBP	6,602	161
USD	3,454	32,235
	10,056	**32,396**

9.INVESTMENT SECURITIES

	December 31, 2007					
		Available for-Sale			Held-to Maturity	
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Equity securities	190,262	2,628,369	2,818,631	-	-	-
Lebanese treasury bills	37,331,588	-	37,331,588	-	-	-
Lebanese Government bonds	-	200,286,152	200,286,152	-	192,977,776	192,977,776
Certificates of deposit issued by Central Bank of Lebanon	45,000,000	231,577,467	276,577,467	-	-	-
Certificates of deposit issued by banks	-	5,576,597	5,576,597	-	-	-
Accrued interest receivable	1,978,116	6,757,113	8,735,229	-	4,631,120	4,631,120
	84,499,966	**446,825,698**	**531,325,664**	**-**	**197,608,896**	**197,608,896**

	December 31, 2006					
		Available for-Sale			Held-to Maturity	
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Equity securities	190,262	1,828,815	2,019,077	-	-	-
Lebanese treasury bills	8,818,520	-	8,818,520	22,415,040	-	22,415,040
Lebanese Government bonds	-	199,881,899	199,881,899	-	186,544,448	186,544,448
Certificates of deposit issued by Central Bank of Lebanon	148,372,758	228,695,535	377,068,293	-	-	-
Certificates of deposit issued by Banks	-	5,758,650	5,758,650	-	-	-
Accrued interest receivable	20,591,576	8,829,100	29,420,676	-	4,348,495	4,348,495
	177,973,116	**444,993,999**	**622,967,115**	**22,415,040**	**190,892,943**	**213,307,983**

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

	2007				
	Available-for-Sale		Held-to-Maturity		
	LBP	C/V of F/Cy	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1, 2007	157,381,540	436,164,899	22,415,040	186,544,448	802,505,927
Additions	63,605,284	123,797,963	-	-	187,403,247
Sale	(139,148,507)	(120,039,045)	(22,415,040)	-	(281,602,592)
Gain/(loss) from change in fair value	1,024,275	(1,713,389)	-	-	(689,114)
Effect of discount/premium amortization	(340,742)	(771,712)	-	21,923	(1,090,531)
Effect of exchange rates changes	-	2,629,869	-	6,411,405	9,041,274
Balance December 31,2007	**82,521,850**	**440,068,585**	**-**	**192,977,776**	**715,568,211**

	2006				
	Available-for-Sale		Held-to-Maturity		
	LBP	C/V of F/Cy	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1, 2006	157,154,287	347,148,394	22,378,991	133,271,697	659,953,369
Additions	227,253	103,920,739	-	74,952,418	179,100,410
Sale	-	(7,808,850)	-	(3,779,302)	(11,588,152)
Gain / (loss) from change in fair value	-	(7,095,384)	-	-	(7,095,384)
SWAP	-	-	-	(19,866,198)	(19,866,198)
Effect of discount/premium amortization	-	-	36,049	-	36,049
Effect of exchange rates changes	-	-	-	1,965,833	1,965,833
Balance December 31,2006	**157,381,540**	**436,164,899**	**22,415,040**	**186,544,448**	**802,505,927**

A. Available-for-sale investment securities:

	December 31, 2007 LBP Base Accounts			
	Amortized Cost LBP'000	Fair Value LBP'000	Cumulative Change in Fair Value LBP'000	Accrued Interest Receivable LBP'000
Quoted equities	-	-	-	-
Unquoted equities at cost	31,041	-	190,262	159,221
Lebanese treasury bills	36990,846,	-	37,331,588	340,742
Lebanese Government bonds	-	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	44,316,467	-	45,000,000	683,533
Certificates of deposit issued by Banks	-	-	-	-
	81,338,354	**-**	**82,521,850**	**1,183,496**

	December 31, 2006 LBP Base Accounts			
	Amortized Cost LBP'000	Fair Value LBP'000	Cumulative Change in Fair Value LBP'000	Accrued Interest Receivable LBP'000
Quoted equities	-	-	-	-
Unquoted equities at cost	31,041	-	190,262	159,221
Lebanese treasury bills	8,635,183	-	8,818,520	183,337
Lebanese Government bonds	-	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	143,754,602	-	148,372,758	4,618,156
Certificates of deposit issued by Banks	-	-	-	-
	152,420,826	**-**	**157,381,540**	**4,960,714**

December 31, 2007			
F/Cy Base Accounts			
Amortized Cost	Fair Value	Cumulative Change in Fair Value	Accrued Interest Receivable
C/V LBP'000	C/V LBP'000	C/V LBP'000	C/V LBP'000
1,844,938	-	2,628,369	783,431
-	-	-	-
-	-	-	-
205,662,058	-	200,286,152	(5,375,906)
231,720,621	-	231,577,467	(143,154)
5,999,151	-	5,576,597	(422,554)
445,226,768	**-**	**440,068,585**	**(5,158,183)**

December 31, 2006			
F/Cy Base Accounts			
Amortized Cost	Fair Value	Cumulative Change in Fair Value	Accrued Interest Receivable
C/V LBP'000	C/V LBP'000	C/V LBP'000	C/V LBP'000
1,468,062	-	1,828,815	360,753
-	-	-	-
-	-	-	-
203,398,591	-	199,881,899	(3,516,692)
228,748,765	-	228,695,535	(53,230)
5,994,272	-	5,758,650	(235,622)
439,609,690	**-**	**436,164,899**	**(3,444,791)**

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

	December 31, 2007			
	LBP Base Accounts			
Contractual Maturity	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Yield %
Lebanese treasury bills:				
- Up to 1 year	-	-	-	-
- 1 year to 3 years	8,818,520	8,684,576	8,818,520	12.09
- 3 years to 5 years	28,306,270	28,306,270	28,513,068	11.50
	37,124,790	36,990,846	37,331,588	
Lebanese Government bonds:				
- Up to 1 year	-	-	-	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 Years	-	-	-	-
	-	-	-	
Certificates of deposit issued by Central Bank of Lebanon:				
- Up to 1 year	-	-	-	-
- 1 year to 3 years	45,000,000	44,316,467	45,000,000	12.09
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	45,000,000	44,316,467	45,000,000	
Certificates of deposit issued by Banks:				
- Up to1 year	-	-	-	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	-	-	-	
Preferred shares:				
- Beyond 10 years	-	-	-	-
	-	-	-	
	82,124,790	81,307,313	82,331,588	
Common shares			190,262	
			82,521,850	

December 31, 2007			
F/Cy Base Accounts			
Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Yield %
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	
135,561,938	135,844,692	133,486,397	7.02
40,891,719	40,750,667	38,910,858	7.12
3,895,380	3,880,950	3,739,175	8.00
20,800,485	22,042,065	21,299,372	8.95
3,164,243	3,143,684	2,850,350	8.33
204,313,765	205,662,058	200,286,152	
-	-	-	-
77,092,042	77,085,758	74,984,563	7.5
118,112,625	117,790,413	117,793,721	9.07
38,396,025	36,844,450	38,799,183	9.54
-	-	-	-
233,600,692	231,720,621	231,577 ,467	
-	-	-	-
-	-	-	-
6,030,000	5,999,151	5,576,597	7.5
-	-	-	-
-	-	-	-
6,030,000	5,999,151	5,576,597	
1,243,688	1,243,688	1,243,688	7.00
1,243,688	1,243,688	1,243,688	
445,188,145	444,625,518	438,683,904	
		1,384,681	
		440,068,585	

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Contractual Maturity	December 31, 2006 LBP Base Accounts Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Yield %
Lebanese treasury bills:				
- Up to 1 year	-	-	-	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	8,818,520	8,635,183	8,818,520	12.09
	8,818,520	8,635,183	8,818,520	
Lebanese Government bonds:				
- Up to 1 year	-	-	-	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	-	-	-	
Certificates of deposit issued by Central Bank of Lebanon:				
- Up to 1 year	38,000,000	38,000,000	40,372,758	13.21
- 1 year to 3 years	108,000,000	105,754,602	108,000,000	12.38
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	146,000,000	143,754,602	148,372,758	
Certificates of deposit issued by Banks:				
- Up to1 year	-	-	-	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	-	-	-	
Preferred shares:				
- Beyond 10 years	-	-	-	-
	-	-	-	-
	154,818,520	152,389,785	157,191,278	
Common shares			190,262	
			157,381,540	

December 31, 2006			
F/Cy Base Accounts			
Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Yield %
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	
-	-	-	-
159,269,852	160,203,131	157,411,881	7.06
10,228,502	10,153,352	9,785,617	7.55
28,561,397	29,899,222	29,766,020	8.2
3,164,243	3,142,886	2,918,381	8.33
201,223,994	203,398,591	199,881,899	
-	-	-	-
192,580,110	192,580,110	189,151,308	7.5
-	-	-	-
37,461,375	36,168,655	39,544,227	9.58
-	-	-	-
230,041,485	228,748,765	228,695,535	
-	-	-	-
-	-	-	-
6,030,000	5,994,272	5,758,650	7,75
-	-	-	-
-	-	-	-
6,030,000	5,994,272	5,758,650	
866,813	866,813	866,813	-
866,813	866,813	866,813	-
438,162,292	439,008,441	435,202,897	
		962,002	
		436,164,899	

Certificates of deposit issued by the Central Bank of Lebanon include certificates of deposit with carrying value of LBP 36,844 million (counter value of USD 24,440,763) and nominal value of LBP 38,396 million (counter value of USD 25,470,000) maturing in 2015 with a put option exercisable at a redemption value of 91.63% of the par value in year 2012.
Interest is recognized on these securities based on the yield to put.

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

Currency	December31, 2007 LBP or Counter Value of LBP LBP'000	December 31, 2006 LBP or Counter Value of LBP LBP'000
LBP	1,978,116	20,591,576
USD	5,654,243	7,838,043
Euro	1,102,870	991,057
	8,735,229	**29,420,676**

B. Held-to-maturity investment securities

	LBP Base Accounts			
	Amortized Cost LBP'000	Allowance for Impairment LBP'000	Unamortized Change in Fair Value LBP'000	Carrying Value LBP'000
Lebanese treasury bills	-	-	-	-
Lebanese Government bonds	-	-	-	-
	-	**-**	**-**	**-**

	LBP Base Accounts			
	Amortized Cost LBP'000	Allowance for Impairment LBP'000	Unamortized Change in Fair Value LBP'000	Carrying Value LBP'000
Lebanese treasury bills	22,415,040	-	-	22,415,040
Lebanese Government bonds	-	-	-	-
	22,415,040	**-**	**-**	**22,415,040**

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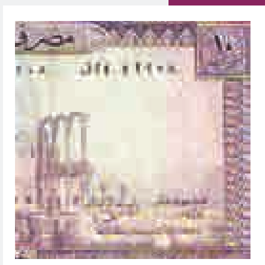

"Anjar, 58km from beirut, is different from other archeological experiences in Lebanon since it represents only one epoch: the Umayyad. Standing high since the 8th century AD, its slender columns and fragile arches illustrate the 10 L.L. banknotes issued in 1964."

December 31, 2007

	F/Cy Base Accounts				
Fair Value LBP'000	Amortized Cost LBP'000	Allowance for Value LBP'000	Unamortized Change in Fair Value LBP'000	Carrying Value LBP'000	Fair Value LBP'000
-	-	-	-	-	-
-	192,977,776	-	-	192,977,776	181,211,243
-	**192,977,776**	**-**	**-**	**192,977,776**	**181,211,243**

December 31, 2006

	F/Cy Base Accounts				
Fair Value LBP'000	Amortized Cost LBP'000	Allowance for Value LBP'000	Unamortized Change in Fair Value LBP'000	Carrying Value LBP'000	Fair Value LBP'000
22,784,125	-	-	-	-	-
-	186,544,448	-	-	186,544,448	179,681,746
22,784,125	**186,544,448**	**-**	**-**	**186,544,448**	**179,681,746**

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

Remaining Period to Maturity	December 31, 2007 LBP Base Accounts Redemption Value LBP'000	Net Carrying Value LBP'000	Fair Value LBP'000	Yield %
Lebanese Government bonds:				
- Up to 1 year	-	-	-	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	-	-	-	

Remaining Period to Maturity	December 31, 2006 LBP Base Accounts Redemption Value LBP'000	Net Carrying Value LBP'000	Fair Value LBP'000	Yield %
Lebanese Government bonds:				
- Up to 1 year	22,000,000	22,394,289	22,784,125	-
- 1 year to 3 years	-	-	-	-
- 3 years to 5 years	-	-	-	-
- 5 years to 10 years	-	-	-	-
- Beyond 10 years	-	-	-	-
	22,000,000	22,394,289	22,784,125	

December 31, 2007			
F/Cy Base Accounts			
Redemption Value	Net Carrying Value	Fair Value	Yield
LBP'000	LBP'000	LBP'000	%
-	-	-	-
80,998,322	82,598,104	77,899,079	7.61
72,840,290	75,088,623	68,005,308	5.97
-	-	-	-
39,195,000	39,922,169	35,306,856	8.24
193,033,612	**197,608,896**	**181,211,243**	

December 31, 2006			
F/Cy Base Accounts			
Redemption Value	Net Carrying Value	Fair Value	Yield
LBP'000	LBP'000	LBP'000	%
-	-	-	-
57,317,366	58,323,997	56,578,605	-
34,974,000	35,513,403	33,623,123	-
55,137,283	57,152,719	52,356,421	-
39,195,000	39,923,575	37,123,597	-
186,623,649	**190,913,694**	**179,681,746**	

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2007 and 2006:

	Currency	December 31, 2007 LBP or Counter Value of LBP LBP'000	December 31, 2006 LBP or Counter Value of LBP LBP'000
Government bonds	USD	1,973,538	1,981,095
Government bonds	Euro	2,657,582	2,367,400
		4,631,120	**4,348,495**

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. ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

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

	Real Estate LBP'000
Cost:	
Balance January 1, 2006	3,823,126
Additions	7,391,455
Disposals	(316,317)
Balance December 31, 2006	10,898,264
Additions	7,889,011
Disposals	(126,530)
Balance December 31, 2007	18,660,745
Accumulated allowance for impairment:	
Balance January 1, 2006	386,663
Additions	(109,627)
Balance December 31, 2006	277,036
Write-off on disposal	(31,202)
Balance December 31, 2007	245,834
Carrying amount:	
December 31, 2007	18,414,911
December 31, 2006	10,621,228

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years.
In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years.
However, the intermediary circular No. 41 issued by the Central Bank of Lebanon has allowed banks to extend yearly appropriation over a period of 20 years with respect to those assets acquired through loans' restructuring subject to Central Bank of Lebanon approval or with respect to the entirety of those assets acquired in settlement of loans provided that banks restructure before 2007 year end, at least 50% of the balance of non-performing loans outstanding at June 30, 2003.

13. PROPERTY AND EQUIPMENT

	Buildings LBP'000	Freehold Improvements LBP'000
Gross/Revalued Amount:		
Balance, January 1, 2006	20,921,524	5,280,521
Additions	1,235,667	393,385
Disposals	-	(1,255)
Balance, December 31, 2006	22,157,191	5,672,651
Accumulated Depreciation:		
Balance, January 1, 2007	797,604	4,100,901
Additions	57,326	568,910
Write-off on disposal	-	(1,255)
Balance, December 31, 2007	854,930	4,668,556
Carrying Amount:		
Balance, December 31, 2007	**21,302,261**	**1,004,095**
Balance, December 31, 2006	**20,123,920**	**1,179,620**

Furniture and Equipments	Computer Equipments	Vehicles	Advances on Capital Expenditures	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
2,184,362	2,152,546	267,157	6,058	30,812,168
311,341	554,274	6,170	277,100	2,777,937
(14,997)	(47,153)	(5,999)	(283,158)	(352,562)
2,480,706	2,659,667	267,328	-	33,237,543
969,010	1,740,575	138,746	-	7,746,836
151,853	169,006	27,362	-	974,457
(10,810)	(32,430)	(4,500)	-	(48,995)
1,110,053	1,877,151	161,608	-	8,672,298
1,370,653	**782,516**	**105,720**	**-**	**24,565,245**
1,215,352	**411,971**	**128,411**	**6,058**	**23,065,332**

14. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost:	
Balance at January 1, 2006	1,282,146
Acquisitions	39,570
Balance December 31, 2006	1,321,716
Acquisitions	312,899
Balance December 31, 2007	1,634,615
Amortization:	
Balance at January 1, 2006	1,032,851
Amortization for the year	112,063
Balance December 31, 2006	1,144,914
Amortization for the year	106,406
Balance December 31, 2007	1,251,320
Carrying Amounts:	
December 31, 2007	383,295
December 31, 2006	176,802

15. OTHER ASSETS

	December 31,	
	2007 LBP'000	2006 LBP'000
Accounts receivable - Credit card	2,097,365	272,392
Deferred charges	246,569	580,750
Prepayments	549,846	466,811
Net Forward foreign currency position	110,178	-
Sundry accounts receivable	177,539	185,736
	3,181,497	**1,505,689**

"Accounts receivable-Credit cards" represents client withdrawals on the credit cards that the bank has settled to "Credit Card Service Co". These receivables were collected in the subsequent period.

16. DEPOSITS AND BORROWINGS FROM BANKS

Deposits and borrowings from Central Bank and Financial Institutions are reflected at amortized cost and consist of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Current deposits of banks and financial institutions	34,515,777	23,467,287
Money market deposits	51,577,809	81,525,180
Accrued interest payable	95,569	68,840
	86,189,155	**105,061,307**

The maturities of money market deposits are as follows:

	December 31, 2007			
	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2008	48,233,110	4.13	3,344,699	2.66
	48,233,110		**3,344,699**	

	December 31, 2006			
	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2007	64,486,452	4,12	17,038,728	4,35
	64,486,452		**17,038,728**	

Accrued interest payable is segregated between the major currencies as follows as at December 31, 2007 and 2006:

	December 31, 2007 Non-Related Parties LBP'000	December 31, 2006 Non-Related Parties LBP'000
Current deposits	2,757	5,533
Money Market deposits	92,812	63,307
	95,569	**68,840**

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17. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2007		
	LBP		
	Interest Bearing LBP'000	Non-Interest Bearing LBP'000	Total LBP'000
Deposits from customers:			
- Current/demand deposits	11,712,198	-	11,712,198
- Term deposits	822,789,133	-	822,789,133
- Collateral against loans and advances	122,932,984	-	122,932,984
	957,434,315	-	957,434,315
Margin and other accounts:			
- Margins for irrevocable import letters of credit	3,486,000	-	3,486,000
- Margins on letters of guarantee	1,001,657	-	1,001,657
- Other margins	11,572,013	-	11,572,013
- Escrow account for capital increase	-	14,859,825	14,859,825
	16,059,670	14,859,825	30,919,495
Accrued interest payable	7,933,418	-	7,933,418
Total	**981,427,403**	**14,859,825**	**996,287,228**

	December 31, 2006		
	LBP		
	Interest Bearing LBP'000	Non-Interest Bearing LBP'000	Total LBP'000
Deposits from customers:			
- Current / demand deposits	17,481,216	-	17,481,216
- Term deposits	803,161,744	-	803,161,744
- Collateral against loans and advances	126,145,463	-	126,145,463
	946,788,423	-	946,788,423
Margins and other accounts:			
- Margins for irrevocable import letters of credit	5,150,359	-	5,150,359
- Margins on letters of guarantee	830,612	-	830,612
- Other margins	4,409,714	-	4,409,714
	10,390,685	-	10,390,685
Accrued interest payable	10,097,968	-	10,097,968
Total	**967,277,076**	**-**	**967,277,076**

December 31, 2007		
Counter Value in LBP of F/Cy		
Interest Bearing	Non-Interest Bearing	Total
LBP'000	LBP'000	LBP'000
86,212,627	-	86,212,627
1,176,311,749	-	1,176,311,749
139,546,724	-	139,546,724
1,402,071,100	-	1,402,071,100
9,275,895	-	9,275,895
2,395,073	-	2,395,073
1,619,537	-	1,619,537
-	-	-
13,290,505	-	13,290,505
5,965,977	-	5,965,977
1,421,327,582	**-**	**1,421,327,582**

December 31, 2006		
Counter Value in LBP of F/Cy		
Interest Bearing	Non-Interest Bearing	Total
LBP'000	LBP'000	LBP'000
106,946,409	-	106,946,409
966,226,888	-	966,226,888
76,703,179	-	76,703,179
1,149,876,476	-	1,149,876,476
8,047,941	-	8,047,941
2,584,153	-	2,584,153
895,672	-	895,672
11,527,766	-	11,527,766
4,550,163	-	4,550,163
1,165,954,405	**-**	**1,165,954,405**

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

	December 31, 2007					
	LBP			Counter Value of F/Cy		
	Total Deposits LBP'000	to Total Deposits %	No. of Account	Total Deposits LBP'000	to Total Deposits %	No. of Account
Less than LBP50,000	64,311,715	6,51	9,634	69,465,567	4,91	8,611
From 50,001 to 250,000	159,781,995	16,17	1,427	177,588,797	12,55	1,536
From250,001to 750,000	140,003,392	14,17	340	197,084,249	13,92	464
From 750,001- to 1,500,000	91,081,874	9,22	87	121,115,929	8,55	118
More than 1,500,001	533,174,834	53,93	77	850,107,063	60,07	107
	988,353,810			**1,415,361,605**		

	December 31, 2006					
	LBP			Counter Value of F/Cy		
	Total Deposits LBP'000	to Total Deposits %	No. of Account	Total Deposits LBP'000	to Total Deposits %	No. of Account
Less than LBP50,000	57,220,514	5,98	8,296	49,019,293	4,22	6,983
From 50,001 to 250,000	140,783,729	14,70	1,272	146,385,500	12,6	1,253
From250,001 to 750,000	120,174,381	12,56	290	171,137,835	14,74	404
From 750,001 to 1,500,000	82,008,223	8,57	78	107,123,729	9,22	104
More than 1,500,001	556,992,261	58,19	63	687,737,885	59,22	93
	957,179,108			**1,161,404,242**		

Deposits from customers at amortized cost include at December 31, 2007 coded deposit accounts in the aggregate of LBP86,04billion (LBP83,7billion in 2006). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers at amortized cost include at December 31, 2007 fiduciary deposits received from banks for a total amount of LBP102,1billion (LBP61,6billion in 2006).

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

Average Balance of Deposits

Year	LBP Base Accounts LBP'000	F/Cy Base Accounts LBP'000	Cost of Funds LBP'000	Average Interest Rate %
2007	961,224,365	1,174,634,146	153,955,697	7,21
2006	1,016,220,081	1,016,220,081	143,360,585	7,05
2005	975,623,135	975,623,135	137,170,511	7,03

Accrued interest payable is segregated among the major currencies as follows:

Currency	December31, 2007 LBP or Counter Value of LBP LBP'000	December 31, 2006 LBP or Counter Value of LBP LBP'000
LBP	7,933,418	10,097,968
USD	5,563,009	4,012,624
Euro	373,312	504,558
Others	29,656	32,981
	13,899,395	**14,648,131**

18. OTHER LONG TERM DEBTS

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

	December 31, 2007			December 31, 2006		
	LBP LBP'000	C/V of F/Cy LBP'000	Total LBP'000	LBP LBP'000	C/V of F/Cy LBP'000	Total LBP'000
Soft loan received from Central Bank of Lebanon (a)	-	-	-	22,000,000	-	22,000,000
Subordinated loan (b)	-	6,862,096	6,862,096	-	6,149,543	6,149,543
Accrued interest payable	-	116,818	116,818	242,543	77,501	320,044
	-	**6,978,914**	**6,978,914**	**22,242,543**	**6,227,044**	**28,469,587**

Soft loan received from the Central Bank of Lebanon:

a) On September 15, 1999, upon the Central Bank approval of the acquisition of "B.C.P Orial Bank S.A.L., The Bank was granted a soft loan in the amount of LBP22billion payable on a balloon basis after eight years, at November 21, 2007, against Lebanese treasury bills in the amount of LBP23,7billion that are pledged to the order of Central Bank of Lebanon. Interest expense for the year ended 2007 amounted to 709million (LBP 962million in 2006).

At September 27, 2007, the bank settled to the Central Bank of Lebanon.

Subordinated loan :

b) On January 11, 2002, based on the general assembly resolution dated December 21 2001, the bank was granted a loan of Euro3,101,428. This loan is subject to the interest rate of Euribor 3 months plus margin (2% per annum), payable quarterly starting from April 11, 2002 until January 11, 2008, the maturity date of the loan.

Interest expense on this loan amounted to LBP411million during 2007 (LBP277million during 2006) and Accrued interest payable amounted to LBP117million as at December 31, 2006 (LBP78million as at December 31, 2006) and are reflected under "Other liabilities".

In accordance with local banking laws and regulations, subordinated loans are included in tier II capital in computing the solvency ratio provided that it is amortized on the basis of 20% over five years.

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19. OTHER LIABILITIES

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Current tax liability	2,206,320	3,472,486
Withheld taxes and property taxes	2,111,702	1,338,340
Deferred tax liability	-	227,389
Due to the Social Security National Fund	140,539	107,004
Checks and incoming payment orders in course of settlement	521,597	2,118,823
Blocked capital subscriptions for companies under incorporation	299,700	249,400
Accrued expenses	2,272,791	843,141
Dividends declared and payable	6,619	8,865
Payable to personnel and directors	370,120	295,000
Unearned revenues	1,595,049	1,799,183
Due to former shareholders	417,577	417,577
Sundry accounts payable	2,805,471	606,210
Net Forward foreign currency position	-	8,910
	12,747,485	**11,492,328**

Current tax liability include income tax payable calculated as follows:

	2007 LBP'000	2006 LBP'000
Profit before tax	35,550,531	35,215,843
Tax effect of non deductible expenses	2,725,181	6,155,355
Tax effect of non-taxable income	(5,277,411)	(5,328,839)
Tax effect of carried forward losses of the subsidiary	(900,994)	(312,966)
Taxable income	32,097,307	35,729,393
Income tax (15% tax rate)	4,814,596	5,359,409
Property tax	150,000	150,000
Less: Tax paid during the year	(2,758,276)	(2,036,923)
Current tax liability as at December 31	**2,206,320**	**3,472,486**

20. PROVISIONS

Provisions consist of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Provision for staff end of service indemnity	2,320,140	2,224,452
Provision for contingencies	45,636	543,111
Provision for loss in foreign currency position	87,250	87,250
	2,453,026	**2,854,813**

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

	2007 LBP'000	2006 LBP'000
Balance January 1	2,224,452	1,922,901
Additions	387,239	388,848
Settlements	(291,551)	(87,297)
Balance December 31	**2,320,140**	**2,224,452**

21. SHARE CAPITAL

At December 31, 2007, the Bank's authorized ordinary share capital was LBP 60,094 million consisting of 8,012,640 fully paid shares (6,207,633 shares in 2006) of LBP 7,500 each.
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the General Assembly meetings.

The Group hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD 6,300,000.

22. PREFERRED SHARES

At December 31, 2007, the authorized preferred share capital amounting to LBP 6.3 billion consist of 840,000 non-cumulative, redeemable, preferred shares of LBP 7,500 par value and a premium of USD 25 per share (840,000 shares in 2006). These shares are entitled to dividends at the rate of 13.86% of the non-consolidated Bank net income for 2006 and each year thereafter.These dividends should not fall below 8.5% or above 12% of the issue price amounting to USD 30 per share. These shares do not carry the right to vote except in limited circumstances. They are redeemable in full or in part at not less than 20% at the discretion of the Bank and at any time in case of any new regulatory event at the issue price of USD 30 per share; within 60 days following the date of the Ordinary General Assembly of shareholders held to approve the accounts of the Group for the year for the year 2010 and for any subsequent year thereafter in its sole discretion.

These shares are convertible into common shares on one to one basis after 30 days following the 60 days of the Ordinary General Assembly of shareholders held to approve the annual accounts for the fiscal year 2015. The right of dividends is non-cumulative, and such dividend distribution shall be made from free profits.

23. RESERVES

Reserves consist of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Legal reserve	1,115,201	4,178,944
Reserve for general banking risks	4,213,318	3,475,654
	5,328,519	**7,654,598**

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

The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end, on condition that the aggregate rate does not fall bellow 1.25% at the end of the tenth year, starting 1998 and 2% at the end of the twentieth year which is 2007. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution and to be used to cover any annual losses or unexpected losses agreed on with the banking control commissions.

24. CUMULATIVE CHANGE IN FAIR VALUE OF INVESTMENT SECURITIES

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

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Unrealized gain on Lebanese treasury bills	340,742	183,337
Unrealized loss on Lebanese government bonds	(5,375,930)	(3,516,692)
Unrealized gain on certificates of deposit issued by Central Bank of Lebanon	540,379	4,564,926
Unrealized loss on certificates of deposit issued by commercial banks	(422,554)	(235,622)
Unrealized gain on shares	942,652	519,974
Less: Deferred tax	-	(227,389)
Total	**(3,974,711)**	**1,288,534**

25. DIVIDENDS PAID

The following dividends were declared and paid by the Group:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Ordinary shares	3,000,000	3,747,600
Preferred shares	3,560,449	1,139,669
	6,560,449	**4,887,269**

Subsequent to the balance sheet, the following dividends were proposed by the Board of Directors from 2007 net income.

	LBP
Ordinary shares	3,615,582
Preferred shares	3,615,582
	7,231,164

26. INTEREST INCOME

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Free deposits with the Central Bank of Lebanon	115,688,608	101,163,153
Deposits with banks and financial institutions	6,700,434	6,084,144
Available-for-sale investment securities	46,362,388	39,946,920
Held-to-maturity investment securities	15,281,917	27,975,970
Loans to banks	772,703	244,145
Loans and advances to customers	25,031,887	25,803,038
Loans and advances to related parties	18,556	36,327
	209,856,493	**201,253,697**

Interest income realized on impaired loans and advances to customers represent recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery/ rescheduling agreement signed with customers.

27. INTEREST EXPENSE

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Deposits and borrowings from banks and financial institutions	3,217,935	3,940,897
Free deposits with the Central Bank of Lebanon	709,174	2,967,890
Customers' accounts at amortized cost	153,737,358	143,251,754
Related parties' accounts at amortized cost	218,287	110,381
	157,882,754	**150,270,922**

28. FEE AND COMMISSION INCOME

This caption consists of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Commission on documentary credits	606,907	513,716
Commission on letters of guarantee	537,286	592,916
Service fees on customers' transactions	940,375	1,751,534
Asset management fees	322,516	344,036
Other	152,308	136,829
	2,559,392	**3,339,031**

Asset management fees represent fees earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers.

29. FEE AND COMMISSION EXPENSE

This caption consist of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Commission on transactions with banks	230,317	386,097
Other	158,261	707,122
	388,578	**1,093,219**

30. OTHER OPERATING INCOME

This caption consists of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Gain on sale of available-for-sale securities		
Equities	72,748	-
Lebanese treasury bills	389,354	374,101
Lebanese Government bonds	36,829	-
Certificates of deposit issued by Central Bank of Lebanon	5,251,112	2,843,820
Dividends on available for-sale securities	115,280	158,882
Foreign exchange gain	509,561	1,356,426
Other	(104,866)	63,247
	6 ,270,018	**4,796,476**

31. STAFF COSTS

This caption consists of the following:

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Salaries	9,839,969	8,387,277
Social Security contributions	1,222,072	1,082,565
Provision for end-of-service indemnities	390,750	390,108
	11,452,791	**9,859,950**

32. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

33. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
Secured loans and advances	16,385,970	3,494,706
Deposits	37,428	-
Indirect facilities:		
Letters of guarantee	2,232,296	1,524,836

Secured loans and advances are covered by real estate mortgage to the extent of LBP 7,5 billion and by pledged deposits of the respective borrowers to the extent of LBP 16 billion.

The remunerations of executive management amounted to LBP 1,22 billion during 2007. Board of directors Representation allowances amounted to LBP 449,66 million during 2007.

34. CASH AND CASH EQUIVALENTS

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

	December 31, 2007 LBP'000	December 31, 2006 LBP'000
Cash	14,582,866	10,409,372
Time deposits with the Central Bank of Lebanon	177,140,826	179,038,000
Current accounts with banks and financial institutions	13,292,672	15,075,987
Time deposits with banks and financial institutions	282,733,697	102,356,583
Demand deposits from banks	(34,515,777)	(23,467,287)
Time deposits from banks	(51,577,809)	(81,525,180)
	401,656,475	**201,887,475**

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

35. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator. As at December 31, 2007, the Group was required to comply with the minimum capital adequacy requirements of 12% as set the Central Bank of Lebanon.

The Group's capital is split as follows:

Tier I capital: Comprises share capital, non-cumulative perpetual preferred shares, share premium, reserves, retained earnings less any excess over required ratios and unfavorable changes in fair value of available-for-sale securities.

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

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

The Group's policy is to maintain an acceptable level of capital base so as to comply with regulatory requirement in addition to economic capital to sustain future growth. Part of efficient capital management objectives, is the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Over the past years, the Bank achieved equity funding through retention of profits and by adoption of a conservative policy for distribution of dividends.

The Bank complies also with externally imposed capital requirements throughout the year. From a strategic point of view, there has not been any material change in the Bank's management of capital during the current period.

The Group's capital adequacy ratio was as follows:

	December 31,	
	2007 LBP'000	2006 LBP'000
Tier I and Tier II capital as per regulatory regulations, before profits of the year computed as stated by Central Bank of Lebanon	134,613	120,039
Aggregate risk weighted assets	354,422	346,618
Aggregate risk weighted off-balance sheet items financial instruments	26,062	21,057
Foreign currency global position	1,780	1,157
Total	382,264	368,832
Capital adequacy ratio	**35.21%**	**32.54%**

36. FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk
- Interest rate risk
- Foreign Exchange risk
Operational risk

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Bank.

A. Credit Risk

1. Credit risk management

Credit risk represents the risk of loss due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. The objective of the Bank's credit risk strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. This strategy is based on three core principles: Conservatism, diversification and monitoring. The Bank manages credit risk through underwriting, periodically reviewing and approving its credit exposures using Board of directors and Credit Committee(s) approved credit policies and guidelines. Additionally the Bank manages credit risk through loan portfolio diversification, limiting exposure to any single industry, customer and guarantor within various geographical areas.

Corporate and Commercial Lending are largely centralized at head office and are sanctioned by relating credit committees.

2. Loan classification and monitoring

The Bank loan classification and internal rating system is derived from the frame work of the regulatory classification requirement, and which is consistent with best practices. The loans' classification methodology is as follows:

A. Ordinary accounts:
- Regular
- Watch, for incomplete documentation

B. Special mention accounts.
C. Substandard accounts.
D. Doubtful accounts.
E. Bad or failing accounts.

- **Ordinary Accounts:** All payments are current and full repayment of interest and principal from normal sources is not in doubt.

- **Watch List:** Loans and advances rated Watch List are loans that are not impaired nor they show any creditworthiness weakness but for which the Group determines that they require special monitoring due to certain deficiencies in the credit file with respect to the financial statements, collaterals, profitability, or others.

- **Past due but not impaired:** Loans past due but not impaired are loans where contractual interest or principal are past due but believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.

- **Substandard loans:** There is weakness in the borrower's creditworthiness, profitability, cash flows for a long period and collaterals or uses of the facilities for other purposes. Default has occurred or is likely to occur or the repayment schedule has been restructured. Past due for more than 90 but less than 270 days.

- **Doubtful loans:** More adverse conditions than those related to the above mentioned classification, with a greater degree of risk associated with the on going deterioration in the client position and sufficiency of collateral and the cease of deposits for greater than 270 days and less than 365 days or the cease of settlements or rescheduled payments for more than 90 days.

- **Bad or failing accounts:** It covers credits that are regarded as uncollectible, when the delay in payments exceeds 365 days.

Loan account classifications are reviewed periodically by the Credit department. Accounts' classification is monitored based on relevant facts closely related to the accounts' performance and are up and/or down-graded depending on the credit worthiness of the borrowers and their ability to pay back, taking into consideration the quality of the guarantees. Once Accounts are classified as less then regular, they become closely monitored for debtor's behavior, accounts performance, deterioration in the borrower's solvency, cash generation and overall financial condition.

The Group's approach to risk management is to secure, to the extent deemed appropriate under the circumstances, to retain sufficient liquidity to meet its commitments when due under both normal and stressed conditions, without incurring undue liquidity pressure. The Bank also mitigates liquidity risk by maintaining a sufficient available balance of cash, cash equivalents and readily marketable securities to the extent of the population of high exposure on the funding side.

Based on the financial asset and liability profile and the projected cash flow requirements committed for lending needs, the central treasury maintains a portfolio of short-term liquid assets largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

If, however, the borrower's difficulties appear to be more fundamental and/or the collateral no longer adequately covers the facility, whether due to excessive exposure or diminution in the value of the collateral then the account is classified as Class C and interest is discontinued to be recognized in the income statement.

3. Risk mitigation policies

Collateral:

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

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

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

A plan of action is determined in relation to each Class C account. If there is no improvement, a provision is taken in respect of the principal based on the expected debt recovery, and the account is then classified as Class D. Once recovery becomes very remote, the full outstanding balance is provided for; the account is down graded to Class E.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are graded C, D and E in the Bank's internal credit risk grading methodology.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes-off a loan or security (and any related allowances for impairment losses) when Bank's management and credit business unit determine that the loans/securities are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally updated every 2 years and when a loan is individually assessed as impaired.

Generally, Collateral is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2007 and 2006.

As part of its risk management policy over its loan book, the bank exercises through its credit administration unit, an ongoing review and surveillance of extended credit facilities and their respective guarantees.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets by risk grade, as well as the fair value of collaterals taken against these loans.

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

	Gross Loans Net of Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000
Regular loans and advances	288,207,723	-	288,207,723
Past due regular loans and advances but not impaired:			
30-60 days	18,347	-	18,347
60-90 days	1,140,519	-	1,140,519
90-180 days	731,819	-	731,819
Over 180 days	3,320,652	-	3,320,652
	5,211,337	-	5,211,337
Individually impaired:			
Substandard	1,061,024	-	1,061,024
Doubtful	49,119,919	33,818,448	15,301,471
Restructured and doubtful	2,994,617	1,214,368	1,780,249
	53,175,560	35,032,816	18,142,744
Collectively impaired:	-	1,509,170	(1,509,170)
	346,594,620	**36,541,986**	**310,052,634**

December 31, 2007				
Fair Value of Collateral Held				
Pledged Funds LBP'000	1st degree Mortgage LBP'000	Equity Securities LBP'000	Other Securities LBP'000	Total LBP'000
256,329,863	112,217,718	4,760,096	2,215,350	375,523,027
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,032	861,750	-	218,104	1,081,886
198,163	22,035,372	-	73,240	22,306,775
1,507	1,340,831	-	-	1,342,338
201,702	24,237,953	-	291,344	24,730,999
-	-	-	-	-
256,531,565	**136,455,671**	**4,760,096**	**2,506,694**	**400,254,026**

	Gross Loans Net of Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000
Regular loans and advances	293,719,976	-	293,719,976
Past due regular loans and advances but not impaired			
30-60 days	1,534,014	-	1,534,014
	1,534,014	-	1,534,014
Individually impaired:			
Substandard	717,213	-	717,213
Restructured and substandard	540,335	-	540,335
Doubtful	47,586,522	32,444,983	15,141,539
Restructured and doubtful	4,114,081	-	4,114,081
	52,958,151	32,444,983	20,513,168
Collectively impaired:	-	647,231	(647,231)
	348,212,141	**33,092,214**	**315,119,927**

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Fair Value of Collateral Held				
Pledged Funds LBP'000	1st degree Mortgage LBP'000	Equity Securities LBP'000	Other Securities LBP'000	Total LBP'000
219,664,924	110,072,766	4,760,096	1,973,194	336,470,980
-	-	-	-	-
-	-	-	-	-
196,721	587,971	-	218,104	1,002,796
-	768,825	-	-	768,825
164,045	20,793,046	-	73,240	21,030,331
-	572,006	-	-	572,006
360,766	22,721,848	-	291,344	23,373,958
-	-	-	-	-
220,025,690	**132,794,614**	**4,760,096**	**2,264,538**	**359,844,938**

b) Concentration of financial assets by industry or sector:

	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000
Balance sheet Exposure:			
Cash, compulsory reserves and Central Banks	1,270,229,581	-	-
Deposits with banks and financial institutions	-	296,731,307	-
Loans to banks	-	28,830,248	-
Loans and advances to customers	-	4,682,808	37,161,000
Available-for-sale investment securities	522,930,436	-	-
Held-to-maturity investment securities	197,608,896	-	-
Other assets	-	-	-
	1,990,768,913	330,244,363	37,161,000
Off-balance sheet exposure:			
Letters of credit	-	31,157,692	-
Letters of guarantee	-	46,604,530	-
Forward contracts	-	47,571,765	-
	-	**125,333,987**	**-**

December 31, 2007					
Manufacturing	Consumer Goods Trading	Real Estate Trading	Services	Private Individuals	Other
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	-	-	-	-	14,582,865
-	-	-	-	-	-
-	-	-	-	-	-
16,839,000	126,698,826	1,666,000	40,109,000	18,219,000	64,677,000
-	-	-	-	-	8,395,228
-	-	-	-	-	-
-	-	-	-	-	3,181,497
16,839,000	126,698,826	1,666,000	40,109,000	18,219,000	90,836,590
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000
Balance sheet Exposure:			
Cash, compulsory reserves and Central Banks	1,113,156,938	-	-
Deposits with banks and financial institutions	-	117,544,487	-
Loans to banks	-	4,190,836	-
Loans and advances to customers	-	21,369,000	47,106,787
Available-for-sale investment Securities	615,189,388	-	-
Held-to-maturity investment securities	213,307,983	-	-
Other assets	-	-	-
	1,941,654,309	143,104,323	47,106,787
Off-balance sheet exposure:			
Letters of credit	-	30,906,158	-
Letters of guarantee	-	40,583,062	-
Forward contracts	-	8,254,570	-
	-	**79,743,790**	**-**

December 31, 2006					
Manufacturing	Consumer Goods Trading	Real Estate Trading	Services	Private Individuals	Other
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	-	-	-	-	10,409,371
-	-	-	-	-	-
-	-	-	-	-	-
16,660,000	119,408,140	1,905,000	26,188,000	23,226,000	59,257,000
-	-	-	-	-	7,777,727
-	-	-	-	-	-
-	-	-	-	-	1,505,689
16,660,000	119,408,140	1,905,000	26,188,000	23,226,000	78,949,787
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**

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c) Concentration of assets and liabilities by geographical area:

	December 31, 2007					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'0000	LBP'000	LBP'000
ASSETS						
Cash, compulsory reserves and Central Banks	1,284,812,446	-	-	-	-	1,284,812,446
Deposits with banks and financial institutions	25,488,339	11,665,428	-	244,698,515	14,879,025	296,731,307
Loans to banks	5,744,666	23,085,582	-	-	-	28,830,248
Loans and advances to customers (net)	269,219,286	40,833,348	-	-	-	310,052,634
Available-for-sale investment securities	531,325,664	-	-	-	-	531,325,664
Held-to-maturity investment securities	197,608,896	-	-	-	-	197,608,896
Customers' liability under acceptances	7,721,820	-	-	-	-	7,721,820
Assets acquired in s atisfaction of loans	18,414,911	-	-	-	-	18,414,911
Property and equipment	24,565,245	-	-	-	-	24,565,245
Intangible assets	383,295	-	-	-	-	383,295
Other assets	3,181,497	-	-	-	-	3,181,497
Total assets	**2,368,466,065**	**75,584,358**	**-**	**244,698,515**	**14,879,025**	**2,703,627,963**
LIABILITIES						
Deposits and borrowings from banks and financial institutions	53,650,126	12,560,000	-	19,979,029	-	86,189,155
Customers' accounts at amortized cost	2,417,150,404	316,511	5,294	124,482	18,119	2,417,614,810
Acceptance Liability	7,721,820	-	-	-	-	7,721,820
Other long term debts	-	-	-	6,978,914	-	6,978,914
Other liabilities	12,329,908	-	-	-	-	12,329,908
Shareholders current account	417,577	-	-	-	-	417,577
Provisions	2,453,026	-	-	-	-	2,453,026
Total liabilities	**2,493,722,861**	**12,876,511**	**5,294**	**27,082,425**	**18,119**	**2,533,705,210**

	December 31, 2006					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash, compulsory reserves and Central Banks	1,123,566,309	-	-	-	-	1,123,566,309
Deposits with banks and financial institutions	34,126,941	5,222,000	-	77,998,546	197,000	117,544,487
Loans to banks	4,190,836	-	-	-	-	4,190,836
Loans and advances to customers	302,323,717	12,796,210	-	-	-	315,119,927
Available-for-sale investment securities	622,967,115	-	-	-	-	622,967,115
Held-to-maturity investment securities	213,307,983	-	-	-	-	213,307,983
Customers' liability under acceptances	3,436,891	-	-	-	-	3,436,891
Assets acquired in satisfaction of loans	10,621,228	-	-	-	-	10,621,228
Property and equipment	23,065,332	-	-	-	-	23,065,332
Intangible assets	176,802	-	-	-	-	176,802
Other assets	1,505,689	-	-	-	-	1,505,689
Total assets	**2,339,288,843**	**18,018,210**	**-**	**77,998,546**	**197,000**	**2,435,502,599**
LIABILITIES						
Deposits and borrowings from Banks and financial institutions	65,124,648	23,498,657	-	16,438,000	-	105,061,307
Customers' accounts at amortized cost	2,132,974,560	196,667	6,766	37,236	16,262	2,133,231,481
Acceptance liability	3,436,891	-	-	-	-	3,436,891
Other long term debts	22,242,543	-	-	6,227,044	-	28,469,587
Other liabilities	11,074,751	-	-	-	-	11,074,751
Shareholders C/A	417,577	-	-	-	-	417,577
Provisions	2,854,813	-	-	-	-	2,854,813
Total liabilities	**2,238,125,783**	**23,695,324**	**6,766**	**22,702,280**	**16,262**	**2,284,546,407**

B. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities at a point of time.

Liquidity risk management

The Group credit risk management and monitoring is based on the aggregate structure of the balance sheet through mitigating risks that are directly associated to the mismatch between maturities in the balance sheet and contingent liabilities. The Group balance sheet structure is run in a way aimed at maintaining diversification and lowering concentration among different sources of funds.

The Group has adopted a policy to minimize liquidity cost in accordance with the market conditions through monitoring its daily and long term liquidity position. Besides, the Group takes into consideration future plans for raising funds in line with the market conditions.

The daily liquidity position is monitored and regular liquidity analysis is conducted under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

Residual contractual maturities of financial assets and liabilities:

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

	December 31, 2007					
	LBP Base Accounts					
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Total
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
ASSETS						
Cash, compulsory reserves and Central Banks	-	159,730	-	896,217	-	1,055,947
Deposits with banks and financial institutions	-	1,978	-	-	-	1,978
Loans to banks	-	-	-	5,745	-	5,745
Loans and advances to customers	-	-	11,106	3,506	6	14,618
Available-for-sale investment securities	-	191	-	55,305	29,004	84,500
Assets acquired in satisfaction of loans	678	-	-	-	-	678
Property and equipment	24,565	-	-	-	-	24,565
Intangible assets	383	-	-	-	-	383
Other assets	1,072	-	-	-	-	1,072
Total assets	26,698	161,899	11,106	960,773	29,010	1,189,486
LIABILITIES						
Deposits and borrowings from banks andfinancial institutions	-	48,309	-	-	-	48,309
Customers' accounts at amortized cost	-	665,389	330,815	83	-	996,287
Other liabilities	8,396	-	-	-	-	8,396
Provisions	2,065	-	-	-	-	2,065
Total liabilities	10,461	713,698	330,815	83	-	1,055,057
Maturity Gap	**16,237**	**(551,799)**	**(319,709)**	**960,690**	**29,010**	**134,429**

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	Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000
ASSETS		
Cash, compulsory reserves at the Central Bank of Lebanon	-	187,615
Deposits with banks and financial institutions	-	294,549
Loans to banks	-	-
Loans and advances to customers	-	-
Available-for-sale investment securities	-	-
Held-to-maturity investment securities	-	-
Customers' liability under acceptances	-	6,044
Assets acquired in satisfaction of loans	17,737	-
Other assets	2,110	-
Total assets	19,847	488,208
LIABILITIES		
Deposits and borrowings from banks and financial institutions	-	34,588
Customers' accounts at amortized cost	-	1,102,010
Acceptance liability	-	6,044
Other long term debts	-	6,979
Other liabilities	3,934	-
Shareholders current account	418	-
Provisions	388	-
Total liabilities	4,740	1,149,621
Maturity Gap	**15,107**	**(661,413)**

December 31, 2007				
F/Cy Base Accounts				
3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
41,250	-	-	-	228,865
204	-	-	-	294,753
23,085	-	-	-	23,085
163,522	131,690	223	-	295,435
135,274	109,029	175,243	27,280	446,826
-	82,598	75,089	39,922	197,609
929	749	-	-	7,722
-	-	-	-	17,737
-	-	-	-	2,110
364,264	324,066	250,555	67,202	1,514,142
3,292	-	-	-	37,880
317,909	1,409	-	-	1,421,328
929	749	-	-	7,722
-	-	-	-	6,979
-	-	-	-	3,934
-	-	-	-	418
-	-	-	-	388
322,130	2,158	-	-	1,478,649
42,134	**321,908**	**250,555**	**67,202**	**35,393**

	Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000
ASSETS		
Cash, compulsory reserves at the Central Bank of Lebanon	-	145,144
Deposits with banks and financial institutions	-	947
Loans to banks	-	-
Loans and advances to customers	-	-
Available-for-sale investment securities	-	192
Held-to-maturity investment securities	-	-
Assets acquired in satisfaction of loans	439	-
Property and equipment	23,065	-
Intangible assets	177	-
Other assets	1,506	-
Total assets	25,187	146,283
LIABILITIES		
Deposits and borrowings from banks and financial institutions	-	64,520
Customers' accounts at amortized cost	-	812,225
Other long term debts	22,243	-
Other liabilities	7,530	-
Provisions	2,035	-
Total liabilities	31,808	876,745
Maturity Gap	**(6,621)**	**(730,462)**

December 31, 2006				
LBP Base Accounts				
3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
-	791,668	-	-	936,812
-	-	-	-	947
-	4,191	-	-	4,191
14,532	919	10	-	15,461
-	57,770	110,952	9,059	177,973
22,394	-	-	-	22,394
-	-	-	-	439
-	-	-	-	23,065
-	-	-	-	177
-	-	-	-	1,506
36,926	854,548	110,962	9,059	1,182,965
-	-	-	-	64,520
100,052	-	-	-	967,277
-	-	-	-	22,243
-	-	-	-	7,530
-	-	-	-	2,035
155,052	-	-	-	1,063,605
(118,126)	**854,548**	**110,962**	**9,059**	**119,360**

	Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000
ASSETS		
Cash, compulsory reserves at the Central Bank of Lebanon	-	148,041
Deposits with banks and financial institutions	-	90,306
Loans and advances to customers	-	-
Available-for-sale investment securities	-	-
Held-to-maturity investment securities	-	-
Customers' liability under acceptances	-	1,744
Assets acquired in satisfaction of loans	10,182	-
Total assets	10,182	240,091
LIABILITIES		
Deposits and borrowings from banks and financial institutions	-	35,593
Customers' accounts at amortized cost	-	1,112,846
Acceptance liability	-	1,744
Other long term debts	6,227	-
Other liabilities	3,545	-
Shareholders current account	418	-
Provisions	820	-
Total liabilities	11,010	1,150,183
Maturity Gap	**(828)**	**(910,092)**

December 31, 2006				
F/Cy Base Accounts				
3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
38,713	-	-	-	186,754
26,291	-	-	-	116,597
278,974	19,236	463	959	299,659
-	353,699	15,731	75,565	444,995
-	58,324	35,513	95,076	190,913
1,693	-	-	-	3,437
-	-	-	-	10,182
345,671	431,286	51,707	173,600	1,252,537
4,948	-	-	-	40,541
40,548	12,560	-	-	1,165,954
1,693	-	-	-	3,437
-	-	-	-	6,227
-	-	-	-	3,545
-	-	-	-	418
-	-	-	-	820
47,189	12,560	-	-	1,220,942
298,482	**418,726**	**51,707**	**173,600**	**31,595**

Concentration of Liabilities by counterparty:

Information regarding the concentration of liabilities by counterparty is disclosed under the respective notes to the financial statements.

C. Market Risks

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

1. Market risk management

The group manages market risks through a framework that defines the global activity and individual limits in addition to stress testing and sensitivity analysis.

The Treasury Division manages and monitors day-to-day trading activities under the supervision of ALCO, which ensures that the level of assumed risks is maintained at or below the approved level.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or expected cash flows from income generating financial assets and liabilities. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities.

The Bank's ALCO manages interest rate risk, which results from mismatches or gaps in the amounts of its assets and liabilities that mature or re-price within a given period, by matching the re-pricing of assets and liabilities.

Large amounts of the group's financial assets, primarily investments in certificates of deposits and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk.

Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed interest rates.

Exposure to interest rate risk

On the following pages is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate broken down between Lebanese Pound and foreign currencies base accounts:

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

	December 31, 2007 LBP Base Accounts						
	Floating Interest Rate						
	Non-Interest Earning	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000
ASSETS							
Cash, compulsory reserves at the Central Bank of Lebanon	6,006	153,724	-	-	-	-	153,724
Deposits with banks and financial institutions	1,978	-	-	-	-	-	-
Loans to banks	-	-	-	-	-	-	-
Loans and advances to customers	1,727	-	-	-	-	-	-
Available for sale investment securities	735	-	-	-	-	-	-
Assets acquired in satisfaction of loans	678	-	-	-	-	-	-
Property and equipment	24,565	-	-	-	-	-	-
Intangible assets	383	-	-	-	-	-	-
Other assets	9,931	-	-	-	-	-	-
Total assets	46,003	153,724	-	-	-	-	153,724
LIABILITIES							
Deposits and borrowings from banks and financial institutions	76	-	-	-	-	-	-
Customers' accounts at amortized cost	60,720	-	-	-	-	-	-
Other liabilities	8,396	-	-	-	-	-	-
Provisions	2,065	-	-	-	-	-	-
Total liabilities	71,257	-	-	-	-	-	-
Interest rate gap position	**(25,254)**	**153,724**	**-**	**-**	**-**	**-**	**153,724**

December 31, 2007 LBP Base Accounts Fixed Interest Rate					
Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
LBP' 000 000	LBP' 000 000	LBP' '000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000
-	-	896,217	-	-	896,217
-	-	-	-	-	-
-	-	5,745	-	-	5,745
5,963	3,416	3,506	6	-	12,891
-	-	55,252	28,513	-	83,765
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,963	3,416	960,720	28,519	-	998,618
48,223	-	-	-	-	48,223
875,519	59,933	115	-	-	935,567
-	-	-	-	-	-
-	-	-	-	-	-
923,752	59,933	115	-	-	983,800
(917,789)	**(56,517)**	**960,605**	**28,519**	**-**	**14,818**

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

	December 31, 2007 F/Cy Base Accounts						
		Floating Interest Rate					
	Non-Interest Earning	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP' 000 000	LBP' 000 000	LBP' '000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000
ASSETS							
Cash, compulsory reserves at the Central Bank of Lebanon	9,618	177,140	40,921	-	-	-	218,061
Deposits with banks and financial institutions	6,397	-	-	-	-	-	-
Loans to banks	-	-	-	-	-	-	-
Loans and advances to customers	15,998	12,847	-	-	-	-	12,847
Available for sale investment securities	6,268	-	-	4,350	-	-	4,350
Held-to-maturity investment securities	4,630	-	-	19,598	-	-	19,598
Customers' liability under acceptances	7,722	-	-	-	-	-	-
Assets acquired in satisfaction of loans	17,737	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Other assets	(6,749)	-	-	-	-	-	-
Total assets	61,621	189,987	40,921	23,948	-	-	254,856
LIABILITIES							
Deposits and borrowings from banks and financial institutions	74	-	-	-	-	-	-
Customers' accounts at amortized cost	107,323	-	-	-	-	-	-
Acceptance liability	7,722	-	-	-	-	-	-
Other long term debts	-	-	-	-	-	-	-
Other liabilities	3,934	-	-	-	-	-	-
Shareholders current account	418	-	-	-	-	-	-
Provisions	388	-	-	-	-	-	-
Total liabilities	119,859	-	-	-	-	-	-
Interest rate gap position	**(58,238)**	**189,987**	**40,921**	**23,948**	**-**	**-**	**254,856**

December 31, 2007 F/Cy Base Accounts Fixed Interest Rate					
Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
LBP' '000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000	LBP' 000 000
1,186	-	-	-	-	1,186
288,357	-	-	-	-	288,357
23,084	-	-	-	-	23,084
5,751	128,929	131,688	222	-	266,590
-	133,486	221,606	56,966	24,150	436,208
-	-	61,343	72,816	39,222	173,381
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
318,378	262,415	414,637	130,004	63,372	1,188,806
34,461	3,345	-	-	-	37,806
1,248,387	61,439	4,178	-	-	1,314,004
-	-	-	-	-	-
6,979	-	-	-	-	6,979
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,289,827	64,784	4,178	-	-	1,358,789
(971,449)	**197,631**	**410,459**	**130,004**	**63,372**	**(169,983)**

2. Foreign Exchange risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.
Below is the carrying value of assets and liabilities segregated by major currencies to reflect theGroup's exposure to foreign currency exchange risk at year end:

ASSETS	LBP LBP'000	USD C/V in LBP LBP'000
Cash, compulsory reserves at the Central Bank of Lebanon	1,055,947,371	91,378,192
Deposits with banks and financial institutions	1,977,558	267,113,551
Loans to banks	5,744,666	23,085,582
Loans and advances to customers	14,617,828	223,677,295
Available-for-sale investment securities	84,499,965	421,577,483
Held-to-maturity investment securities	-	133,205,711
Customers' liability under acceptances	-	5,386,141
Assets acquired in satisfaction of loans	678,293	17,736,618
Property and equipment	24,565,245	-
Intangible assets	383,295	-
Other assets	9,930,686	(11,088,215)
Total assets	1,198,344,907	1,172,072,358
LIABILITIES		
Deposits and borrowings from banks and financial institutions	48,308,863	36,247,458
Customers' accounts at amortized cost	996,287,226	1,098,434,403
Acceptance liability	-	5,386,141
Other long term debts	-	-
Other liabilities	8,395,958	3,543,138
Shareholders current account	-	417,577
Provisions	2,065,442	387,584
Total liabilities	1,055,057,489	1,144,416,301
Currencies to be delivered	-	(17,162,119)
Currencies to be received	-	14,998,285
Net exchange position	**-**	**(2,163,834)**

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Euro C/V in LBP LBP'000	GBP C/V in LBP LBP'000	Other Currencies C/V in LBP LBP'000	Total LBP'000
135,031,637	52,996	2,402,250	1,284,812,446
18,087,155	7,242,943	2,310,100	296,731,307
-	-	-	28,830,248
69,732,909	1,567,954	456,648	310,052,634
25,248,216	-	-	531,325,664
64,403,185	-	-	197,608,896
2,335,679	-	-	7,721,820
-	-	-	18,414,911
-	-	-	24,565,245
-	-	-	383,295
4,532,385	(1,407,135)	1,103,598	3,071,319
319,371,166	7,456,758	6,272,596	2,703,517,785
1,629,400	-	3,434	86,189,155
309,180,244	7,444,957	6,267,980	2,417,614,810
2,335,679	-	-	7,721,820
6,978,914	-	-	6,978,914
377,843	11,799	1,170	12,329,908
-	-	-	417,577
-	-	-	2,453,026
320,502,080	7,456,756	6,272,584	2,533,705,210
(12,060,573)	(1,505,915)	(16,732,982)	(47,461,589)
14,659,992	-	17,913,490	47,571,767
2,599,419	**(1,505,915)**	**1,180,508**	**110,178**

ASSETS	LBP LBP'000	USD C/V in LBP LBP'000
Cash, compulsory reserves at the Central Bank of Lebanon	936,812,172	85,748,886
Deposits with banks and financial institutions	946,512	67,886,052
Loans to banks	4,190,836	-
Loans and advances to customers	15,460,930	234,080,331
Available-for-sale investment securities	177,973,116	421,277,775
Held-to-maturity investment securities	22,394,288	133,183,964
Customers' liability under acceptances	-	3,148,112
Assets acquired in satisfaction of loans	439,521	10,181,707
Property and equipment	23,065,332	-
Intangible assets	176,802	-
Other assets	10,792,734	(8,532,184)
Total assets	1,192,252,243	946,974,643
LIABILITIES		
Deposits and borrowings from banks and financial institutions	64,519,693	37,109,256
Customers' accounts at amortized cost	967,277,078	888,703,938
Acceptance liability	-	3,148,112
Other long term debts	22,242,543	-
Other liabilities	7,521,162	(5,504,534)
Shareholders current account	-	417,577
Provisions	2,034,058	820,755
Total liabilities	1,063,594,534	924,695,104
Currencies to be delivered	-	-
Currencies to be received	-	8,254,570
Net exchange position	**-**	**8,254,570**

December 31, 2006			
Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
LBP'000	LBP'000	LBP'000	LBP'000
100,910,490	89,068	5,693	1,123,566,309
31,247,849	8,621,433	8,842,641	117,544,487
-	-	-	4,190,836
64,272,688	844	1,305,134	315,119,927
23,716,224	-	-	622,967,115
57,729,731	-	-	213,307,983
288,779	-	-	3,436,891
-	-	-	10,621,228
-	-	-	23,065,332
-	-	-	176,802
(650,616)	125,769	(230,014)	1,505,689
277,515,145	8,837,114	9,923,454	2,435,502,599
2,202,317	24,862	1,205,179	105,061,307
266,016,756	8,800,908	2,432,801	2,133,231,481
288,779	-	-	3,436,891
6,227,044	-	-	28,469,587
2,752,545	11,343	6,285,325	11,065,841
-	-	-	417,577
-	-	-	2,854,813
277,487,441	8,837,113	9,923,305	2,284,537,497
(1,982,810)	-	(6,280,670)	(8,263,480)
-	-	-	8,254,570
(1,982,810)	**-**	**(6,280,670)**	**(8,910)**

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 is determined with reference to quoted market prices; an illiquidity discount, at variable degrees based on circumstances, is applied for prices quoted in inactive market, to compensate for illiquidity factor.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair value of derivative instruments is 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; and the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

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

	Available-for Sale LBP'000	Held-to Maturity LBP'000
FINANCIAL ASSETS		
Cash, compulsory reserves at the Central Bank of Lebanon	-	-
Deposits with banks and financial institutions	-	-
Loans to banks	-	-
Loans and advances to customers	-	-
Available for sale investment securities	531,325,664	-
Held-to-maturity investment securities	-	197,608,896
Total	**531,325,664**	**197,608,896**
FINANCIAL LIABILITIES		
Deposits and borrowings from banks and financial institutions	-	-
Customers' accounts at amortized cost	-	-
Other long term debts	-	-
Total	**-**	**-**

"Tyre is the fourth largest city in Lebanon. It was an island in the past. Its preserved roman remains illustrated on the 250 L.L. issued in 1978 and then in 1988, enrich our heritage."

December 31, 2007			
Loans and Receivables	Other Amounts at Amortized Cost	Total Carrying Value	Total Fair Value
LBP'000	LBP'000	LBP'000	LBP'000
-	1,284,812,446	1,284,812,446	1,284,812,444
-	296,731,307	296,731,307	296,731,307
-	28,830,248	28,830,248	28,830,248
310,052,634	-	310,052,634	311,627,473
-	-	531,325,664	522,590,435
-	-	197,608,896	181,211,243
310,052,634	**1,610,374,001**	**2,649,361,195**	**2,625,803,150**
-	86,189,155	86,189,155	86,189,155
-	2,417,614,810	2,417,614,810	2,417,652,055
-	6,975,914	6,978,914	6,862,096
-	**2,510,782,879**	**2,510,782,879**	**2,510,703,306**

	Available for-Sale LBP'000	Held to-Maturity LBP'000
FINANCIAL ASSETS		
Cash, compulsory reserves at the Central Bank of Lebanon	-	-
Deposits with banks and financial institutions	-	-
Loans to banks	-	-
Loans and advances to customers	-	-
Available for sale investment securities	622,967,115	-
Held-to-maturity investment securities	-	213,307,983
Total	**622,967,115**	**213,307,983**
FINANCIAL LIABILITIES		
Deposits and borrowings from banks and financial institutions	-	-
Customers' accounts at amortized cost	-	-
Other long term debts	-	-
Total	**-**	**-**

December 31, 2006			
Loans and Receivables	Other Amounts at Amortized Cost	Total Carrying Value	Total Fair Value
LBP'000	LBP'000	LBP'000	LBP'000
-	1,123,566,309	1,123,566,309	1,123,566,309
-	117,544,487	117,544,487	117,544,487
-	4,190,836	4,190,836	4,190,836
315,119,927	-	315,119,927	313,974,797
-	-	622,967,115	593,546,439
-	-	213,307,983	181,211,243
315,119,927	**1,245,301,632**	**2,396,696,657**	**2,334,034,111**
-	105,061,307	105,061,307	105,061,307
-	2,133,233,481	2,133,231,481	2,133,036,073
-	28,469,587	28,469,587	28,469,587
-	**2,266,762,375**	**2,266,762,375**	**2,266,566,967**

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.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2007 were approved by the Board of Directors in its meeting held on June 20, 2008.

39. COMPARATIVE FINANCIAL STATEMENT

Certain balances included in the 2006 financial statements were reclassified to conform to current year presentation.

BALANCE SHEET & INCOME STATEMENT

ANNUAL REPORT 2007

IBL BANK S.A.L.

BT 32289/DTT

To the Shareholders
IBL Bank S.A.L.
Beirut, Lebanon

We have audited the accompanying non-consolidated financial statements of IBL BANK S.A.L. (FORMERLY INTERCONTINENTAL BANK OF LEBANON S.A.L.), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

> INDEPENDENT AUDITOR'S REPORT

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 financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 30, 2008

Deloitte & Touche

AUDITED BALANCE SHEET (Standalone Figures)

(in thousands of LBP)	December 31, 2007	December 31, 2006
ASSETS		
Cash, Compulsory Reserves and Central Banks	1,284,812,446	1,123,566,309
Deposits with banks and financial institutions	296,731,307	117,544,487
Loans to banks	28,830,248	4,190,836
Loans and advances to customers	310,052,634	315,119,927
Loans and advances to related parties	370,845	4,992,069
Available for sale investment securities	531,325,664	622,967,115
Held-to-maturity investment securities	197,608,896	213,307,983
Customers' liability under acceptances	7,721,820	3,436,891
Investments in associates	18,244,302	18,244,302
Assets acquired in satisfaction of loans	18,414,911	10,621,228
Property and equipment	6,407,030	4,907,117
Intangible assets	383,295	176,802
Other assets	3,181,411	1,505,603
Total Assets	**2,704,084,809**	**2,440,580,669**
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK		
Documentary and commercial letters of credit	31,157,692	30,906,158
Guarantees and standby letters of credit	46,604,530	40,583,062
Forward contracts	47,571,765	8,254,570
Fiduciary deposits	7,839,000	12,813,750

	December 31, 2007	December 31, 2006
LIABILITIES		
Deposits and borrowings from banks	86,189,155	105,061,307
Customers' accounts at amortized cost	2,417,614,810	2,133,231,481
Related parties' accounts at amortized cost	2,829,420	6,659,728
Customers' acceptance liability	7,721,820	3,436,891
Other borrowings	6,978,914	28,469,587
Other liabilities	11,824,619	10,617,967
Provisions	2,439,141	2,832,345
Total liabilities	**2,535,597,879**	**2,290,309,306**
EQUITY		
Share capital	60,094,800	46,557,248
Preferred shares	6,300,000	6,300,000
Preferred shares premium	31,657,500	31,657,500
Reserves	5,328,520	7,654,598
Owned buildings revaluation surplus	3,634,712	3,634,712
Cumulative change in fair value of investment securities	(3,974,711)	1,288,534
Reserves for liquidation of assets acquired in settlement of debts	1,030,457	717,970
Retained earnings	34,580,712	22,990,060
Net profit for the year	29,834,941	29,470,741
Total equity	**168,486,930**	**150,271,363**
Total Liabilities and Equity	**2,704,084,809**	**2,440,580,669**

AUDITED INCOME STATEMENT (Standalone Figures)

(in thousands of LBP)	Year ended December 31, 2007	2006
Interest income	209,856,493	201,253,697
Interest expense	(158,082,470)	(150,189,260)
Net interest income	**51,774,023**	**51,064,437**
Fee and commission income	2,559,392	3,339,031
Fee and commission expense	(388,578)	(1,093,219)
Net fee and commission income	**2,170,814**	**2,245,812**
Other operating income	6,289,518	5,030,969
Net financial revenues	**60,234,355**	**58,341,218**
Allowance for impairment of loans and advances	(3,601,647)	(4,447,790)
Write-back of impairment loss on loans and advances	786,852	594,169
Net financial revenues after impairment charge for credit losses	**57,419,560**	**54,487,597**
Staff costs	(11,288,399)	(9,695,438)
Administrative expenses	(9,993,960)	(8,680,409)
Depreciation and amortization	(1,625,428)	(1,512,985)
Other expenses	137,764	195,945
Profit before income tax	34,649,537	34,794,710
Income tax expense	(4,814,596)	(5,432,136)
Net profit for the period	**29,834,941**	**29,362,574**

BRANCHES

ANNUAL REPORT 2007

IBL BANK S.A.L

Current Geographical Representation of IBL Bank:

The Bank has thirteen operational branches: five branches along with the head office are located in the Greater Beirut region, three branches in the North of Lebanon, two branches in the South of Lebanon, two branches in the Mount Lebanon area and one branch in the Bekaa.

In the past six years, the Bank expanded its branch network by opening eleven new branches, most of which resulted from the acquisition of BCP Oriel Bank in 1999. During 2004, the Bank opened two branches, one in Chtaura (Bekaa) and one in Tyr (South of Lebanon), and during the first quarter of 2005, the Bank opened a new branch in Hazmieh (Baabda).

In addition, and in order to ensure a wider presence on the Lebanese territory, two new branches are under construction, one in Verdun (Beirut) and one in Antelias (Mount Lebanon)and will both be inaugurated by the end of 2008.

Furthermore, during the last three years, the Bank has undergone a substantial process of modernization and harmonization of its branches in order to support its image as a leading bank on the market, and to rationalize the workflow, so as to enhance branches' productivity and customers' satisfaction.

The Bank inaugurated its first representative office in 2004 in Brazil, and established one representative office in the Kurdistan region of the north of Iraq - Erbil in July 2006. And due to the more than satisfactory results of our representative office in Erbil, IBL Bank applied for a Branch License in the same city. On December 26, 2007, the Central Bank of Lebanon approved the set-up of an IBL Bank branch in Erbil - Iraq.

In November 2007, the Central Bank of Cyprus has granted IBL Bank the License to operate in Limassol - Cyprus. IBL Bank forecasts to be operating in Cyprus during the second semester of 2008.

The Bank sees its branches abroad and representative offices network as a mean to diversify its stream of deposits, investments and revenues. In fact, consequent to the opening of Latin American and Arab offices, the Bank is aiming to attract deposits and banking business through the important Lebanese and Arab communities in these regions. For instance, the Lebanese community in Brazil is considered to be 8.5 millions strong and could be seriously attracted by the presence of a Lebanese bank, facilitating trade business between the Lebanese community located abroad and its home country.

IBL BANK

Management Analysis

Consolidated Financial Statements

Balance Sheet & Income Statement

Branches

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Fax: (01) 249031
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> BRANCHES 2007

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