IBL BANK

Annual Report 2008

IBL BANK

ANNUAL REPORT 2008

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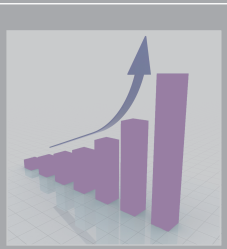


Chairman's Letter

Salim Habib

Chairman General Manager

KEY ECONOMIC FACTORS 2008

In the wake of the financial crisis of our Time, we must stop at what the world have learnt about how to run banks, and why the Lebanese banking sector have proved to be immune.

Indeed, after the world economy realized losses estimated at $ 3 Trillion dollars, the world is now aware that:

First, Capital is important and must match the risks in the Balance Sheet. Insensible leverage should not be allowed.

Second, Regulation, it must be smart, sensible, without ambiguity and with broad global principles that establish the pillars of prudent finance.

Third and foremost, Liquidity must be on both sides of the Balance-Sheet. One shouldn't only look on the assets side, but also on the quality of the funding of banks.

If we look carefully at the Lebanese banking sector constituencies, one shouldn't be surprised of the Safe-Haven we represent as it has been praised by most if not all major specialized journals.

Indeed, this confidence stems from the good track-record, resourcefulness, carefulness and far-sighted players, namely:

Chairman's Letter

Chairman's Letter

Chairman's Letter

The Regulators, which have enacted as early as 4 years ago sound rules and regulations, which preserved the Banking System.

The Banking sector which has a keen knowledge of crisis management and extreme stress-test scenarios management, evidenced by:

First, the maintenance and accumulation of Capital as banks are mindful of previous politico-economic crisis, with an aggregate Basel II Capital Adequacy Ratio of Lebanese banks as high as 12% in comparison with Basel's minimum requirement of 8% - while IBL enjoys a 16% CAR 2 ratio.

Second, the culture Lebanese banks have of maintaining high liquidity standards on both sides of the Balance Sheet evidenced at IBL by a Total Liquidity Ratio of 90.50% a high ratio by local and international standards, as well as the quality of our financing mainly constituted by our deposits base which is recurring and core.

All of the above has led, despite the Global financial crisis and difficult local sociopolitical circumstances, to Lebanon realizing during 2008:

An estimated real GDP growth of 8% or better, the value of Deposits in the Banking Sector rising by 15% to reach $79 billion equal to 273% of GDP, the Balance of Payments marking a surplus of $3.5 billion, fueled by a 71% increase in net Capital inflows boosting the Central Bank's Gross foreign currency reserves to more than $20 billion, and finally an amelioration of Lebanon's Sovereign Credit Rating.

IBL BANK ACHIEVEMENTS

During 2008, we have continued to implement our Strategic Business Plan, which has a proved record of profitable growth, in a sound Corporate Governance framework.

To name only the main landmarks achieved during 2008, we have increased our local and regional branch network through the opening of two new branches in Lebanon, one branch in Limassol – Cyprus and one branch in Erbil – Iraq.

In addition, we have signed a Long Term Finance Agreement with the European Investment Bank as well as launched new innovative retail products by introducing new ideas in Banking, to the benefit of our Customers who always remain at the Center of our attentions, while continuing to enhance our Internal Controls and Risk Management practices through investments in Human Capital and Technology.

Moreover, we are fully aware of our Corporate Responsibility and our role as a leading constituent of our society.

Hence, IBL Bank has pursued two big projects in order to fulfill its part in Lebanon's development:

First, during 2008, we launched a contribution card with the "Les Petits Soleils" Association, who has helped more than 10,000 Lebanese children to get medical care. In fact, annual fees and all commissions generated by the card are transferred to the "Les Petits soleils" Association.

Second, in view of supporting our youth and helping in channeling their energy into constructive ends, the Bank decided to sponsor "the Champville" Basketball Team.

Our Partnership with "Champville" aims to enhance the training of young talents offering them proper training grounds and equipment keeping Basketball first in Lebanese hearts.

In addition, the year 2008 resulted in a solid growth in our Balance Sheet and profitability evidenced by:

IBL Bank continued its expansion during 2008, with total assets growing by 17% to reach USD 2.1 billion, while our 5 years total assets average growth attained 23% as compared to the Alpha Group (top tier Lebanese banks) 5 years average growth of 15%.

This growth was led by an increase of our total deposits by 18% during 2008 as well as by a 42% jump of our Shareholders' Equity, which resulted in IBL's Capital Adequacy Ratio according to Basel 1 reaching 57% and 16% according to the Basel 2 Accord while the industry average is 12% and the minimum required ratio is 8%.

At the same time, our total loans portfolio grew by 52% while remaining adequately diversified and covered up to 85% by cash collaterals.

Furthermore, IBL Bank remained and for the last five consecutive years the most profitable bank in the Alpha group with the highest Return on Average Equity (ROAE) of 23% in 2008.

Our profitability is also evidenced by an increase of 27% of our Net Income during 2008 as well as a Return on Average Assets as high as 1.3% while our cost-to-income ratio, despite massive investments in Human Capital and technology, remaining as low as 32% in 2008 - the lowest of the Alpha Group which realized an average of 52%.

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

Salim Habib

Chairman – General Manager

History of the Bank

History of the Bank

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, 2008.

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 2.1 billion at the end of 2008, meaning an increase of almost 380%.

Despite its strong expansion in total assets since 2000, the Bank translated this growth into enhanced financial profits, with the net income attaining USD 25.7 million in the end of 2008 after taxes and reserves, representing an improvement of more than 1735% 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 USD 1.9 billion in 2008 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 in 2008, and to another Capital increase in 2009 to take the Share Capital to more than USD 86 million, while the Total Shareholders' Equity grew from USD 18 million as at December 2000 to USD 160 million as at December 2008.

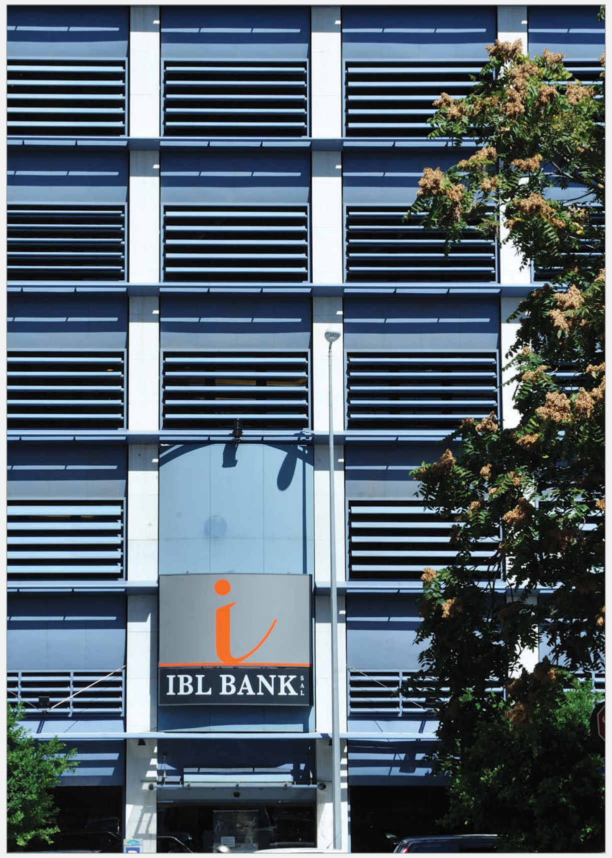
Currently, the Bank has 15 active branches spread all over Lebanon, one new branch under constitution in Lebanon, one active representative office in Sao-Paolo – Brazil, and 2 Branches abroad. Indeed, during 2008 the Bank opened 2 new foreign branches: the first in Europe (Cyprus - Limassol), and the Second in 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.



IBL Bank Headquarters - Achrafieh

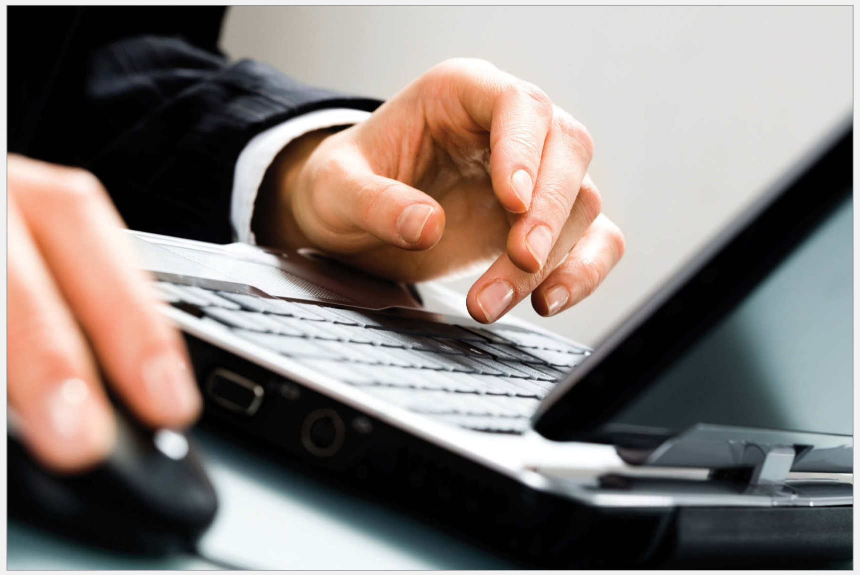

IBL Bank - Hazmieh

Board of Directors

Mr. Salim Habib	Chairman, General Manager
His Excellency Mr. Elie Ferzli	Member Ex-Deputy Speaker of The Lebanese Parliament
His Excellency Dr. Mohammad Abdel Hamid Baydoun	Member Ex-Minister of Energy and Water
Mr. Kamal Abi Ghosn	Member, Deputy General Manager
Prince Sager Sultan Al Sudairy	Member
MM. Bicom SAL. Holding Represented by Mr. Mazen El Bizri	Member
Mr. Merhi Abou Merhi	Member
Me. Mounir Fathallah	Member
MM Euromena Intercontinental Holding sal Represented by Mr. Romen Mathieu	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



IBL BANK

General Management

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Deputy 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. Ghassan El Rayess	Manager Corporate Banking
Mr. Khalil Salameh	Manager Human Resources
Mr. Antoine Assaad	Manager Internal Audit

General Management

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
Mr. Georges Karam	Head of Representative office Sao Paolo-Brazil
Miss Ishtar Zulfa	Manager of Erbil Branch Iraq
Mr. Pierre Rouhana	Manager of Limassol branch Cyprus

Committees

Committees

Committees

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, the Organization and Methods Committee and the Business Continuity Management 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 International 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.

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 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 from highly qualified professionals in the fields 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 to be applied, optimises the organization of the Bank, simplifies the procedures with respect to delegations and formal controls, and reviews the structures with the new technologies and products introduced by the Bank.

BUSINESS CONTINUITY MANAGEMENT COMMITTEE

The unstable political and economic environment and the fast evolving best practices and technology were pressing conditions to create an active Business Continuity Management Committee.

The mission of the committee is to maintain the ongoing support and viability for the BCP program, to support the change management occurring as a result of the BCP implementation and to make global decisions that affect BCP at the Bank level.

Main Activities

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.

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.

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. In keeping with this strategy, our number of ATMs across the country has reached 20. Our branch network likewise grew in 2008 to reach 15 local branches, a branch in Limassol, Cyprus, a branch in Erbil, Iraq and a representative office in Sao-Paolo, Brazil.

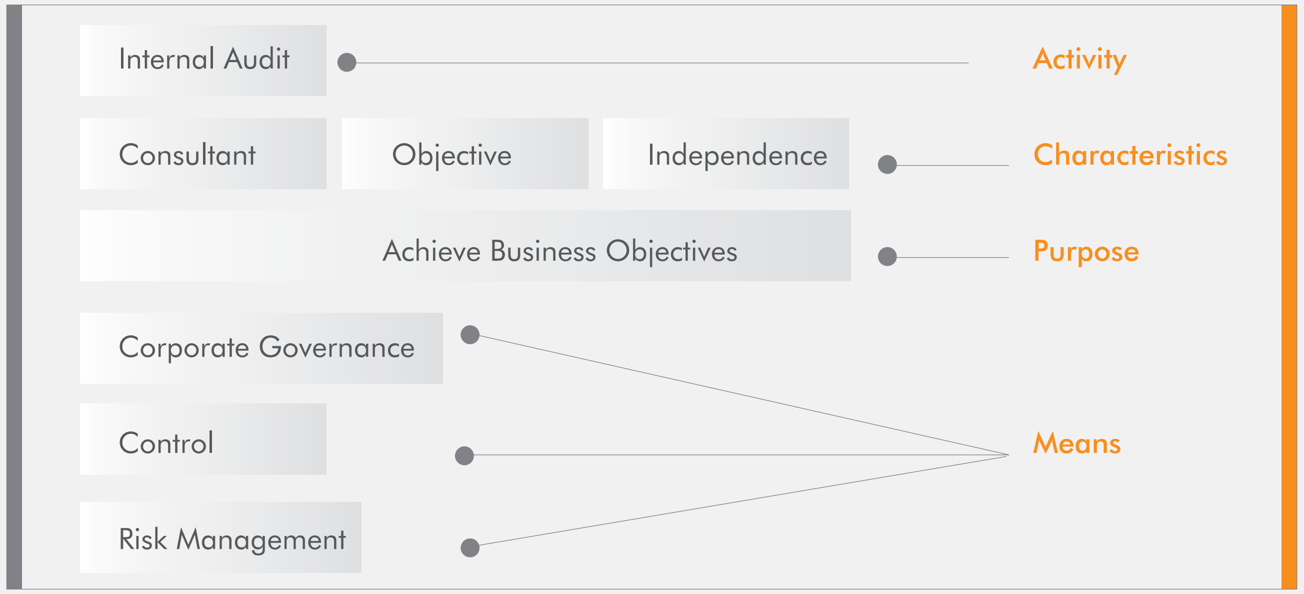
COMMERCIAL BANKING AND TRADE FINANCE

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.

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.

Internal Audit

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. 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 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 investigations.
- 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.

The characteristics used by the 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.

The Human Resources Department 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. The HR Department continued to provide an environment of continuous learning and insure the build-up of a motivated and professional human capital.

In fact, the last years 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 and corporate programs.

ORGANIZATION AND METHODS

The Organizational and Methods Department's mission is to carry out organizational reviews at different levels to improve efficiency, work procedures, and methods.

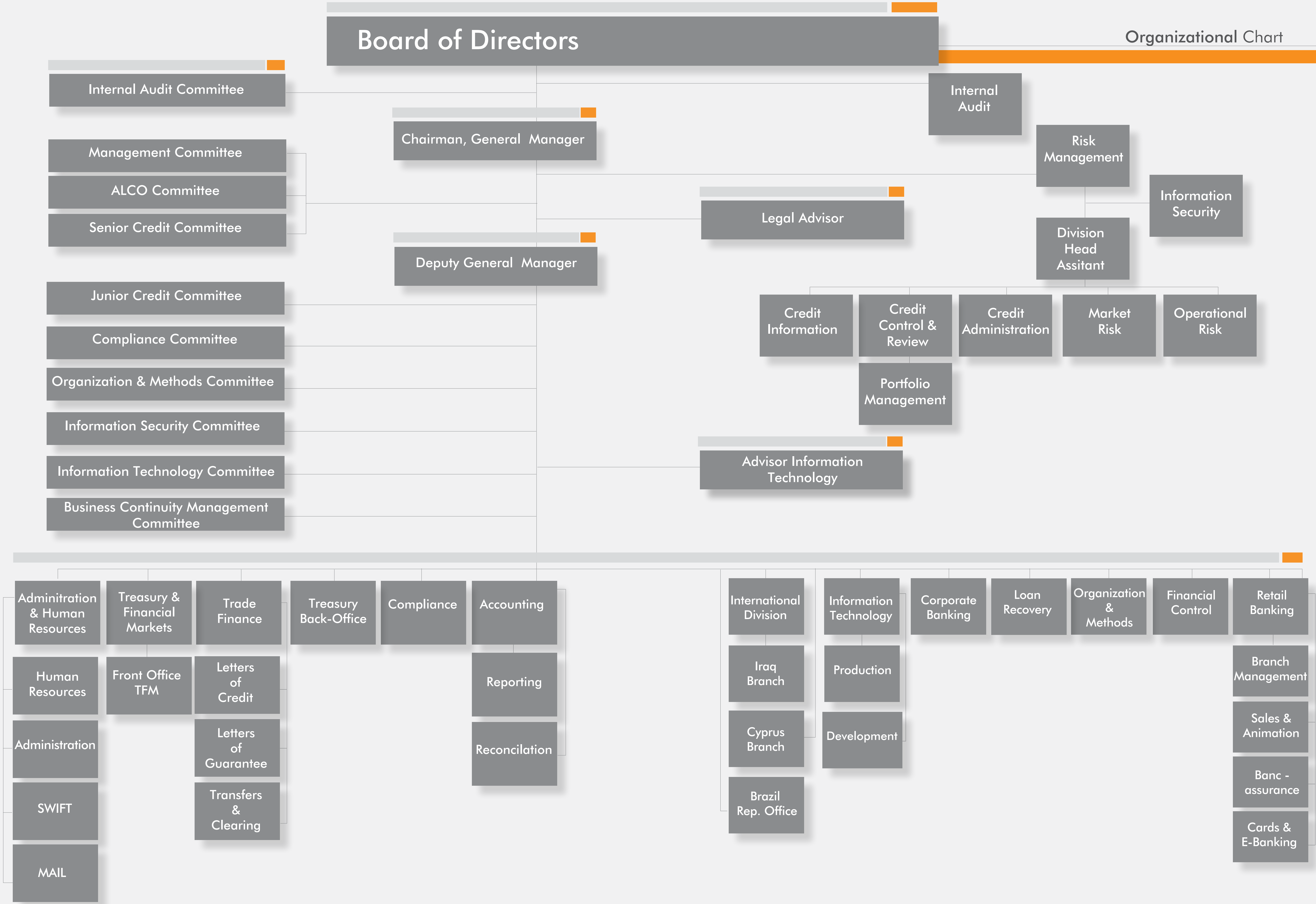
The Department introduces advanced knowledge into procedures, and sets the norms and standards required for employees' efficient performance and welfare.

The main objective of the Department is concentrated in the reviewing and updating of the Bank's procedures as per changes in the operating environment, while ensuring a full training to the concerned users.

In addition, BPR (Business Process Reengineering) takes an important share in the yearly action plan of the Department leading to a solid impact on Overall Efficiency, Productivity, Cost Savings, Quality of Service, Dynamic Corporate Culture and Customer Expectations.

As to enhance project management and timely delivery of projects, the Department is entrusted with the responsibility of receiving Internal Clients' needs and translating them into Book of Specifications in order to lead to proper, and successful implementations.

Organizational Chart



Board of Directors' Report

Board of Directors' Report

During 2008, we implemented:

BRANCH NETWORK EXPANSION

The Bank continued during 2008 its process of modernization and harmonization of its branches, in order to support its image as a leading bank in the market, and to rationalize the workflow, so as to enhance branches' productivity and customers' satisfaction.

In addition, and in order to insure a wider presence on the Lebanese territory, we have inaugurated two new branches in Verdun (Beirut) and Antélias (Mount Lebanon) during 2008, taking our total Local branch network to 15.

EUROPEAN INVESTMENT BANK

In addition to our Agreements with leading Arab Institutions, the Bank signed during 2008, a Long Term Finance Agreement with the European Investment Bank (EIB). Following to this Contract, we have secured a clean loan for 10 Years at competitive rates.

This Loan will be used by IBL to finance productive and environmental friendly projects in Lebanon at Competitive interest rate.

RETAIL ACTIVITY

In view of continuously improving our services for the benefit of our customers, we set the Retail Banking Division as one of our main priorities.

Hence, in order to achieve our target, a well-planned strategy was set in our business plan, that includes three major pillars equally important:

- First, the Internal level: we realized a restructuring in the Retail Banking Division and a reinforcement in Human Capital that enabled us to stay ahead and on top of all the market challenges in a timely secure manner.

We focused in 2008, on the Credit Retail Department, which completed its range of retail loan and developed the necessary modules on the core system, while improving our internal procedures. In fact, the institution of the Retail Credit Committee along with the new procedures, allowed us to speed-up our approvals on Retail Loans, and eventually increase the number of loans processed on monthly basis by more than 100%, while maintaining the same level of security and diligence.

- Second, the Cards Business Department: Our major concern is security and control. Automated processes and key performance indicators have been implemented enhancing our vision and control over our portfolio.

In fact, an intensive training program was scheduled to all our employees, who attended four external seminars in the past year that allowed them to stay up to date and cope with all the enhancements done.

In addition, we succeeded in positioning ourselves among market leaders by introducing both Revolving Credit Cards and Direct Debit Cards successfully in the market during 2008.

- Third, the Product Level: IBL continued with its track record of launching new innovative products on the market that allow us to penetrate new lucrative niches and to overcome existing competition.

In addition, IBL is proud to have the most competitive Retail Products in the market. Indeed, the Retail Banking Division daily monitors the competition, analyzes, and studies their products and reacts accordingly by continuously amending our respective products so as to always offer the best conditions.

Finally, a central Sales Force was created during 2008, allowing us to offer a tailored, personalized service to our clientele. They were mainly involved in handling large corporations, for salary domiciliation and on site services allowing us to penetrate successfully this very competitive segment.

HUMAN CAPITAL DEVELOPMENT

During this year, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, the development of Human Capital is linked to the amelioration of Productivity. Consequently, 2008 was rich in investments, trainings and recruitments of new talents.

In addition, we decided to go forward in preparing an internal Auditorium equipped with state-of-the art technology and with a total capacity of 220 seats. The new auditorium will be used, in addition to our Dora Training Center, at the service of the huge in-house continuous training program.

Finally, given our emphasis on staff professional development, over 59 managers and staff members assisted to 63 different external seminars throughout the year in Lebanon and abroad, meaning 136 total participations.

ENHANCEMENT OF INTERNAL CONTROLS AND RISK MANAGEMENT

As planned in our Strategic Business Plan, the Bank continued to enhance its internal controls by investing in Human Capital and Technology. The Bank continued to invest in the Risk Management Division by recruiting specialized staff, sending key personnel to specialized trainings, and implementing new softwares in line with international standards. In fact, during 2008, a new Operational Risk Management software has been installed and implemented enhancing the risk awareness and controls throughout the Bank.

Also, the Bank entered in an agreement with a specialized IT security firm in order to implement state-of-the art security norms and to reach our strategic objective of being compliant with international standards.

Finally, it is important to note that the Bank has been realizing major milestones in fighting money laundering and terrorist financing by applying local and international standards through a dedicated and qualified department along with major technological tools. Our work translated positively in our relationship with our correspondent banks and on our rating by the Special Investigation Commission at the Central Bank.

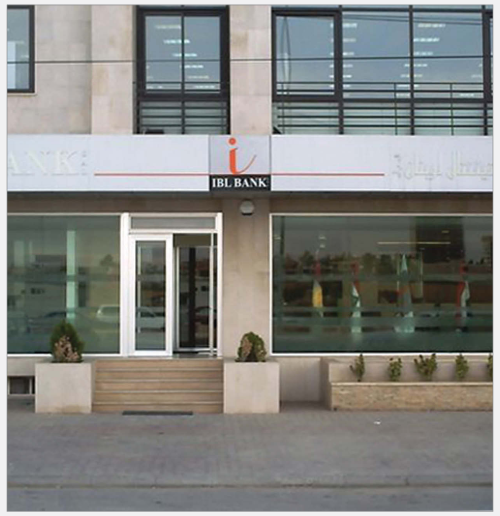
Board of Directors' Report

REGIONAL ACHIEVEMENTS

2008 is the year of Regional development for IBL. In fact, and as planned, we successfully realized major achievements attaining our goal of value creation and growth, through regional diversification:

a. **Branch opening in Limassol – Cyprus:**
After receiving the License to operate a Branch in Cyprus in November 2007, we successfully opened our Branch in Limassol. It is important to note that Cyprus, being part of the European Union, is also under the Supervision of the Eurosystem and the European Central Bank (ECB) in addition to the Central Bank of Cyprus. Consequently, thanks to the effort of our staff and managers in Beirut, the Bank is currently compliant to the Eurosystem requirements.

b. **Branch opening in Iraq:**
While we have received the Central Bank's approval to transform our Representative office in Erbil into a Full Branch in order to leverage on our first-mover advantage in Iraq and on the excellent work undergone by our Representative Office since 2006, our branch became fully operational in Erbil – Iraq in 2008. In addition, due to the success of our operations in Iraq, we have applied and received the License to open a full IBL Bank Branch in Baghdad, which is currently under formation.



IBL Bank - Erbil Branch

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.

Risk Management Report

Risk Management Report

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 lending are largely centralized at 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.

Risk Management Report

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.

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 57.20%. While measured under Basle 2 this ratio stands at 16%, way above the notional 8% set by Basle.

Activities

IBL Bank supporting the ESA Christmas Concert

In the perspective of the end of year holidays, a Christmas Concert, entitled NOTES DE JOIE (Notes of Joy) was held on Friday December 19, 2008 at Saint Louis Cathedral in Downtown Beirut.

This initiative, taken by students, graduates, friends and members of staff of the Ecole Supérieure des Affaires witnessed a tremendous success as a very large public attended to celebrate Christmas in a joyful musical ambiance with the ESA family.

The musical group presented a superb assortment of classical English and French Christmas carols as well as a classical Lebanese chant in Arabic, including "Il est né le divin enfant", Adeste Fideles, Venez Divin Messie, O little Town of Bethlehem, Ding Dong merrily on high and We wish you a merry Christmas…etc. A bouquet of eternal Christmas chants and hymns.

The musical group, conducted by Georges Najm, Head of Communications and Public Relations at ESA, was composed of a 14 instruments orchestra and a choir of 26 singers.

This ambitious musical project has been realized thanks to the support of IBL Bank in a step showing its sensitivity to this demonstration of hope and solidarity.

IBL Bank supporting the "les petits soleils" association

In a sumptuous dinner held at Eau de Vie restaurant, Phoenicia, on 25/09/2008, IBL Bank launched its new mastercard providing anyone with a simple way to contribute to the "les petits soleils" association.

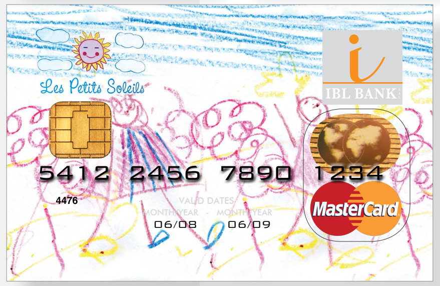
The "Les petits soleils" MasterCard is a contribution card from IBL Bank that provides you with a simple way to contribute in keeping the smiles of our children shining while making your daily purchases! This card offers an attractive package of services to facilitate your purchases and contributions:

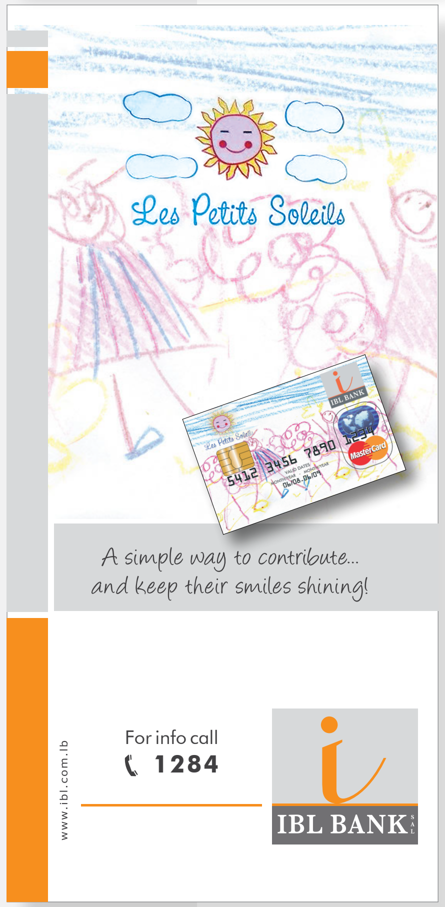
• No need to have an account at IBL Bank in order to own and use this card.

• Annual fees and all commissions generated by your purshases will be directly transfered to the "les petits soleils" association.

• Benefit from an AIG travel insurance accepted at all embassies for Visa requests, and including:
• Emergency hospitalization abroad
• Delay and loss of luggage coverage
• Flight delays compensation
• Passport loss, etc.

• Our SMS service will permanently inform you of all attractive promotions and reductions offered by our merchant partners (restaurants, travel agencies, tour operators, hotels…etc.)





Activities

Zouk Mikael Festival

In support of local art and music, IBL Bank was the proud sponsor of the Zouk Festival 2008.

The festival, held in the charming Lebanese town of Zouk Mikael, attracts guests from all over the country and abroad.

The town, 10 minutes away from Beirut, is perched on a hill of Kesrouwan overlooking the Mediterranean.

Its roman styled amphitheatre, built for major events with a capacity of 3000, hosts the festival.

IBL Bank - "Shooting for Excellence"

IBL Bank is shooting for excellence through its own football team, composed solely of some of the bank's staff members, and participating to various competitive games against other banks' football teams.

IBL Bank's Football Team **2008**

IBL Bank - "Training"

IBL Bank continued in the effort to help reconstruct the Iraqi banking sector by organizing many training sessions in the Head-Office in Beirut.

Here is a souvenir picture of Managers and Employees from the Central Bank of Irak, Suleimaniah branch with the Chairman-General Manager, after their achievement of an extensive 2-week training in IBL Bank.

Launch

The LUCKY4LIFE account

During the year 2008, IBL Bank launched "The **lucky4life** account", which is a term deposit providing potential new clients with multiple free chances of becoming the new billionaire!

By opening a **lucky4life** account at IBL Bank with a minimum deposit of USD 10,000 or LBP 15,000,000, clients would get a very competitive fixed interest rate each year and, in addition, 104 free chances of winning per year!

This original approach to rewarding banking was welcomed by the public, and witnessed numerous new account openings, as well as many gains ranging from the simple LBP 6,000 to the second place winner (5 numbers). And the winners saw their accounts automatically accredited with their gains.

The Mini LUCKY4LIFE account

Following the success of "The **lucky4life** account", IBL launched a new "Mini" version of the program: The Mini LUCKY4LIFE account, which is also a term deposit providing you with multiple free chances of becoming the new billionaire.

This time, the minimum deposit is of USD 5,000 or LBP 7,500,000, and the competitive fixed interest rate is offered every 6 months!

MANAGEMENT **ANALYSIS**

IBL BANK S.A.L.

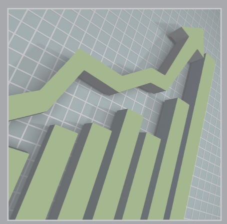
Key Figures
2008

AS AT 31 DECEMBER	2008 million LBP	% GROWTH 2007/2008	2007 million LBP	% GROWTH 2006/2007	2006 million LBP	% GROWTH 2005/2006	2005 million LBP	% GROWTH 2004/2005	2004 million LBP
Total Assets	3,169,244	17.22	2,703,598	11.01	2,435,503	7.19	2,272,081	-1.20	2,299,779
Customer Deposits	2,851,705	17.96	2,417,615	13.33	2,133,231	3.74	2,056,291	-3.24	2,125,185
Shareholders' Equity	240,416	41.51	169,893	12.54	150,956	69.81	88,897	30.80	67,962
Loans & Advances to Customers and Related Parties	470,849	51.86	310,053	-1.61	315,119	-8.73	345,260	2.33	337,397
Income for the Year	38,808	26.88	30,586	3.21	29,634	31.85	22,476	26.50	17,767
Liquidity Ratio in LBP	111.49 %		109.97 %		108.20 %		104.27 %		101.77 %
Liquidity Ratio in FCY	71.26%		80.83 %		76.85 %		69.31 %		70.35 %
Liquidity Ratio in LL & FCY	90.50 %		92.81 %		91.10 %		86.65 %		87.07 %
Return on Average Assets	1.32 %		1.19 %		1.26 %		0.98 %		0.94 %
Return on Average Equity	22.77 %		23.47 %		31.57 %		38.55 %		39.56 %

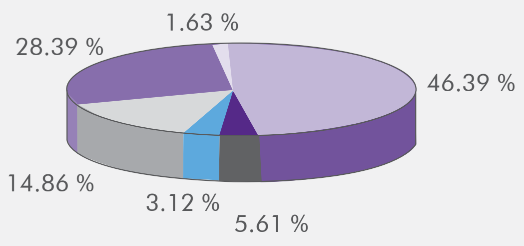
NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements.

MANAGEMENT ANALYSIS

IBL BANK

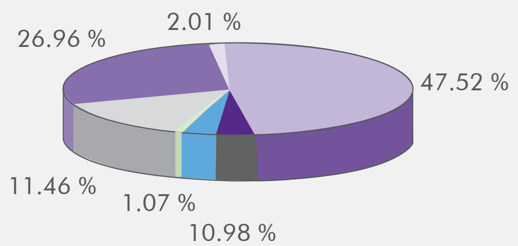


Balance Sheet Structure - Assets in %	END 2008
Cash, compulsory reserves and deposits at Central Banks	46.39 %
Deposits with Banks and Financial Institutions	5.61 %
Loans to Banks	3.12 %
Loans and Advances to customers and related parties	14.86 %
Investment Securities	28.39 %
Other Assets	1.63 %
	100.00 %



- Cash, compulsoty reserves and deposits at Central Banks
- Deposits with Banks and Financial Institutions
- Loans to Banks
- Loans and Advances to Customers and Related Parties
- Investment Securities
- Other Assets

Balance Sheet Structure - Assets in %	END 2007
Cash, compulsory reserves and deposits at Central Banks	47.52 %
Deposits with Banks and Financial Institutions	10.98 %
Loans to Banks	1.07 %
Loans and Advances to customers and related parties	11.46 %
Investment Securities	26.96 %
Other Assets	2.01 %
	100.00 %



- Cash, compulsoty reserves and deposits at Central Banks
- Deposits with Banks and Financial Institutions
- Loans to Banks
- Loans and Advances to Customers and Related Parties
- Investment Securities
- Other Assets

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

Uses of Funds 2008

IBL Bank's strategy stresses on the maintenance of high asset quality and a strong liquid portfolio of investments.

This is reflected in the return on assets ratio which reached 1.30% in 2008.

Interest earning assets represented 91.61% of total assets at 31 December 2008 compared to 91.72% at 31 December 2007.

The share of "cash, compulsory reserves and deposits at Central Banks" lessened to 46.39% in 2008 from 47.52% in 2007, as well as the share of deposits with Banks and Financial institutions which decreased from 10.98% to 5.61%.

"Loans to Banks" are recorded at amortized cost, they constituted 3.12% of total assets as at 31 December 2008 up from 1.07% as at 31 December 2007.

They include certificates of deposits issued by the Central Bank of Lebanon in a percentage of 77.96%, previously recorded under "Available for sale investment securities", and reclassified to "loans to Banks" according to IAS 39 amendments.

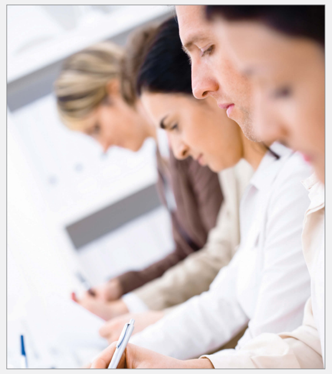
The ratio of total "Loans and advances to customers and related parties" to total assets was 14.86% as at 31 December 2008 compared to 11.46% as at 31 December 2007 translating the Bank's willingness to finance the real economy.

The share of "Investment securities" to total assets stood at 28.39% at the year end 31 December 2008 up from 26.96% at the year end 31 December 2007 showing the eagerness of the Bank to always remain liquid.

"Other Assets" represented 1.63% of total assets as at 31 December 2008 down from 2.01% as at 31 December 2007.

"Other Assets" are mainly constituted of Property and equipment in a percentage of 52.47% of total "Other Assets" as compared to 45.26% as at 31 December 2007.

Assets acquired in satisfaction of debts represented 35.08% of total "other assets" at the year end December 2008 as compared to 33.93% at the year end December 2007.



Cash, Compulsory Reserves and Deposits at Central Banks

(in millions of LBP)

2004	2005	2006	2007	2008
1,043,815	1,072,421	1,123,566	1,284,812	1,470,178

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

Cash, compulsory reserves and deposits at Central Banks are distributed as follows:	END 2008		END 2007	
Cash on hand	17,048	1.16 %	14,583	1.14 %
Non-Interest earning accounts	197,241	13.42 %	154,910	12.06 %
Interest earning accounts	1,255,889	85.42 %	1,115,319	86.80 %
	1,470,178	100.00 %	1,284,812	100.00 %

"Cash, compulsory reserves and deposits at Central Banks" stood at LBP 1,470,178 million at the year end 2008 up 14.43% from last year.

Non-interest earning accounts constituted 13.42% of total "Cash, compulsory reserves and deposits at Central Banks" as at end December 2008, compared to 12.06% as at end December 2007.

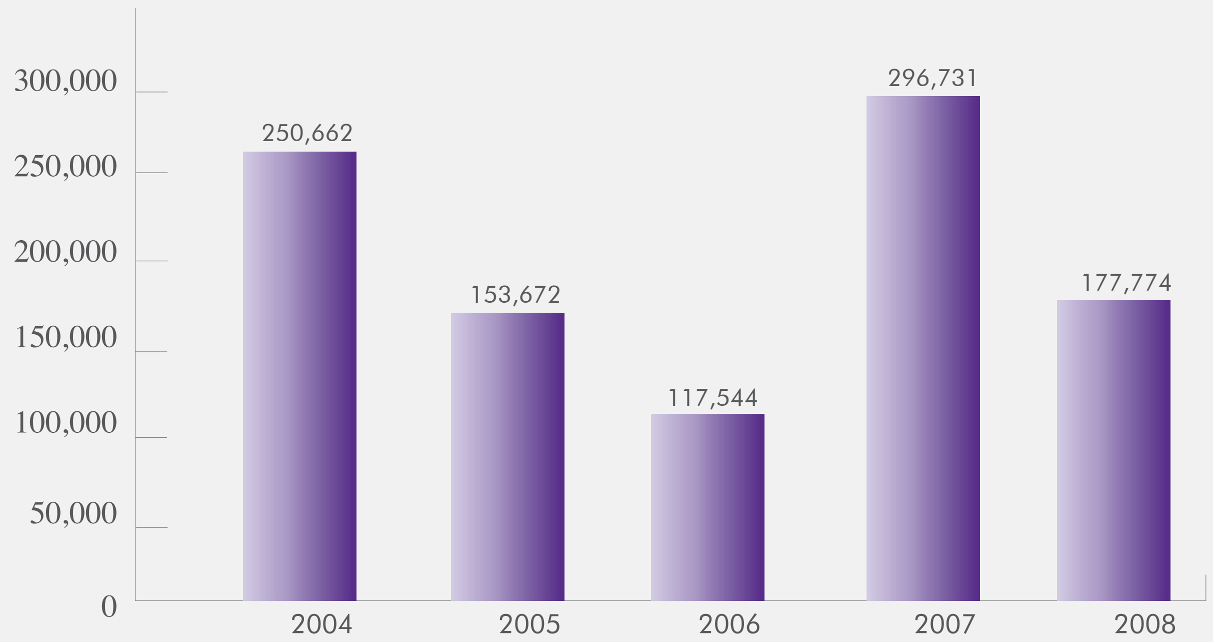
These accounts represent non-interest bearing balances held by the Bank at the Central Bank of Lebanon in compliance with the obligatory reserve requirements for all banks operating in Lebanon on commitments in Lebanese Pounds calculated on the basis of 25% of sight and 15% of term commitments, as well as the current account with the Central Bank of Kurdistan released during December 2008 when IBL Bank obtained the approval of the Central Bank of Iraq to start the branch operations in Erbil.

Interest earning accounts are constituted of the term placements with the Central Bank of Lebanon. They also include the equivalent in foreign currencies of LBP 210 billion deposited in accordance with local banking regulations which require banks to maintain interest bearing placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies.

Deposits With Banks and Financial Institutions

(in millions of LBP)

2004	2005	2006	2007	2008
250,662	153,672	117,544	296,731	177,774



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

The Bank's "deposits with Banks and Financial Institutions" decreased by 40% in 2008 to LBP 177,774 million as compared to LBP 296,731 million in 2007 to constitute 5.61% of total assets as at end December 2008 as compared to 10.98% as at end December 2007.

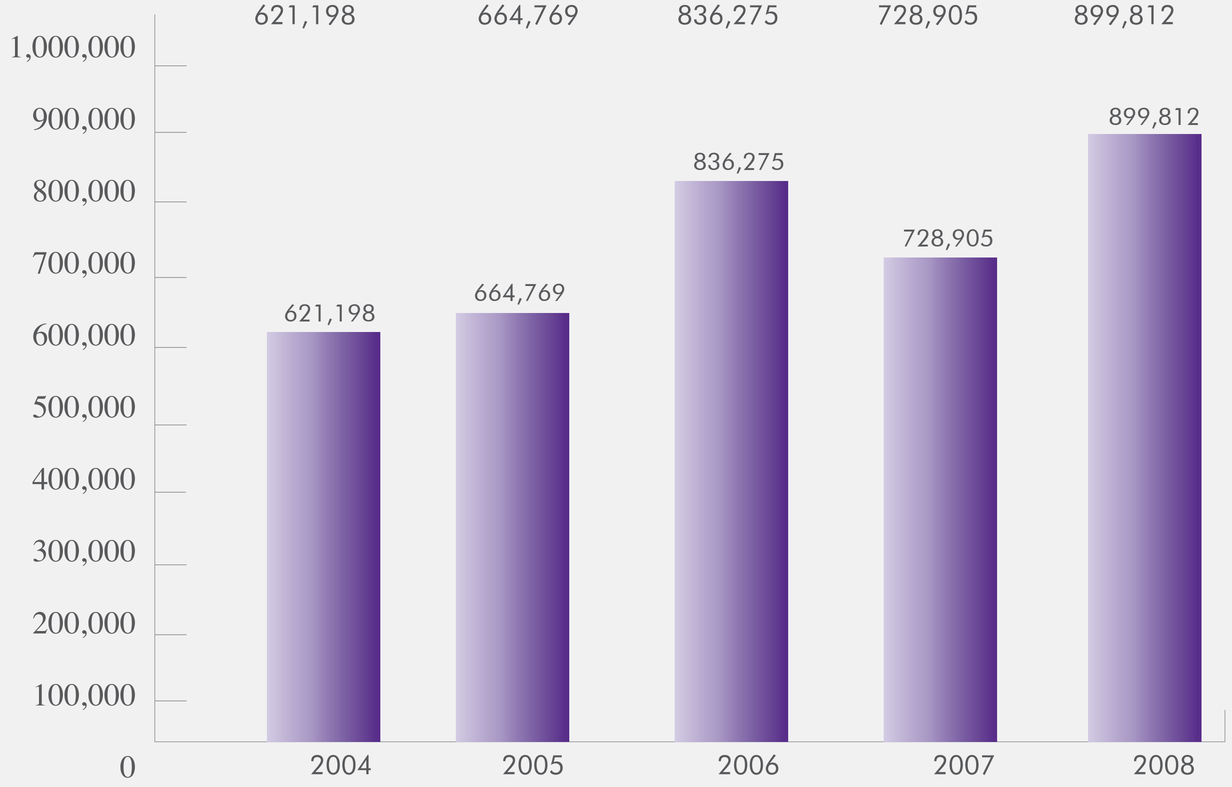
Term placements and pledged deposits constituted 62.63% of total "Deposits with Banks and Financial Institutions"as at 31 December 2008 down from 95.35% as at 31 December 2007.

Like for previous years, more than 99% of the current and term deposits are denominated in foreign currencies.

Investment Securities

(in millions of LBP)

2004	2005	2006	2007	2008
621,198	664,769	836,275	728,905	899,812



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

Pursuant to IAS 39, the Bank's securities are classified as either held to maturity-HTM or available for sale-AFS: IBL Bank doesn't have neither a Held for Trading nor a FVTPL portfolio:

• Held to maturity Investment are non-derivative assets with fixed or determinable payments and fixed maturity and they are classified as held to maturity when the Bank has the positive intention and ability to hold these investments to maturity.

At the year end December 2008, Lebanese Government bonds constituted 54.71% of total held to maturity securities while the certificates of deposits issued by Central Bank of Lebanon represented 45.29% .

• Available for sale Investments are non derivative financial assets that are designated as available for sale or are not classified as another category of financial assets.

They are carried at fair value and unrealized gains or losses are included in equity.

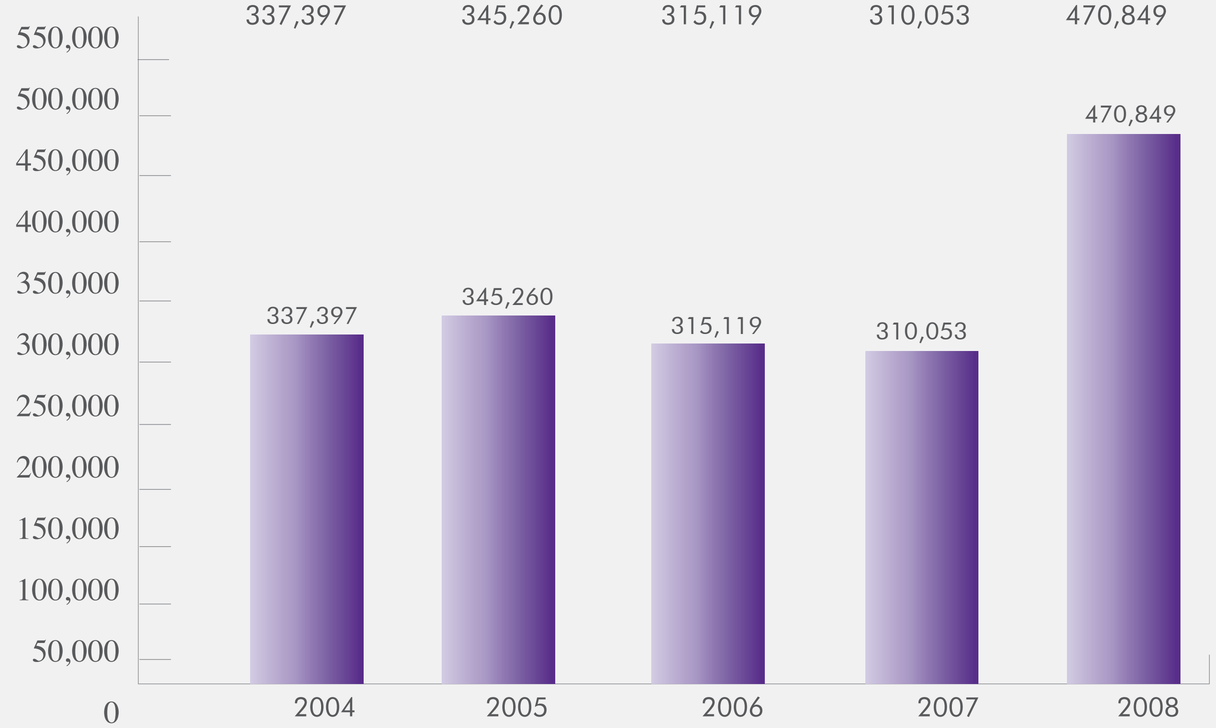
At the year end December 2008, IBL Available for sale investment securities portfolio was mainly constituted of Certificates of deposits issued by Central Bank of Lebanon with a percentage of 67.23%, and Lebanese Government Bonds with a percentage of 31.09%. Interest on these securities are recognized based on their respective yields .

The share of "Investment securities" in the Balance sheet structure slightly increased from 26.96% at the year end December 2007 to reach 28.39% at the year end December 2008.

Loans and Advances to Customers and Related Parties

(in millions of LBP)

2004	2005	2006	2007	2008
337,397	345,260	315,119	310,053	470,849



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

As at 31 December 2008 "Loans and advances to customers and related parties" (net of provisions for doubtful debts and reserved interests) amounted to LBP 470,849 million compared to LBP 310,053 million as at 31 December 2007, reflecting a year-on-year increase of 51.86%. The growth in the loans portfolio is mainly due to the extention of loans to corporate customers and commercial facilities to SMEs. A significant proportion of the Bank's loans and facilities are secured by prime and enforceable guarantees. The types of collateral include cash collateral, prime real estate mortgages, bank and personal guarantees and securities. In fact, loan portfolio to customers is secured up to 81% by Cash Collaterals.

Loans to related parties constituted 4.87% of the total loans portfolio as at 31 December 2008 compared to 7.09% as at 31 December 2007. They consist mainly of direct facilities to principal shareholders authorised by the Bank's General Assembly and approved by the Board of Directors and are fully secured,in line with article 152 of the code of Money and Credit. These facilities do not exceed in the aggregate 5% of the Bank's shareholders equity, and as such, the Bank is in compliance with article 152 of the code of Money and Credit.

The secured loans granted to related parties are covered by real estate mortgages to the extent of LBP 11,31 billion and by pledged deposits of the respective borrowers to the extent of LBP 16,83 billion.

The ratio of total loans to total assets rose to 14.86% as at 31 December 2008 from 11.46% as at 31 December 2007. As at 31 December 2008, the loans-to-deposits ratio remained relatively low at 16.51% compared to 12.82% as at 31 December 2007. Of the total loans portfolio, only 3.15% are denominated in Lebanese Pounds, with the remaining 96.85% denominated in foreign currencies, principally in US Dollars.

IBL Bank continued its policy of maintaining high levels of provisions set against Non-Performing Loans (NPLs) through increasing those provisions by LBP 7,578 million as additional provisions charge during 2008. Consequently, total provisions and suspended interests on Non-Performing Loans amounted to LBP 69,799 million as at 31 December 2008, which represented 12.91% of the total loan portfolio, or 80% of Non-Performing Loans, reinforcing the loan portfolio, should economic conditions deteriorate.

Balance Sheet Structure - Liabilities in %

	END 2008
Deposits and borrowings from banks	1.75 %
Customers' and related parties accounts at amortized cost	89.98 %
Shareholder's equity	7.59 %
Other liabilities	0.68 %
	100.00 %

Balance Sheet Structure - Liabilities in %

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

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

Sources of Funds

2008

Sources of funding fall into four main categories: Customers and related parties accounts, shareholder's equity (Tier I & Tier II), deposits and borrowings from Banks and other liabilities.

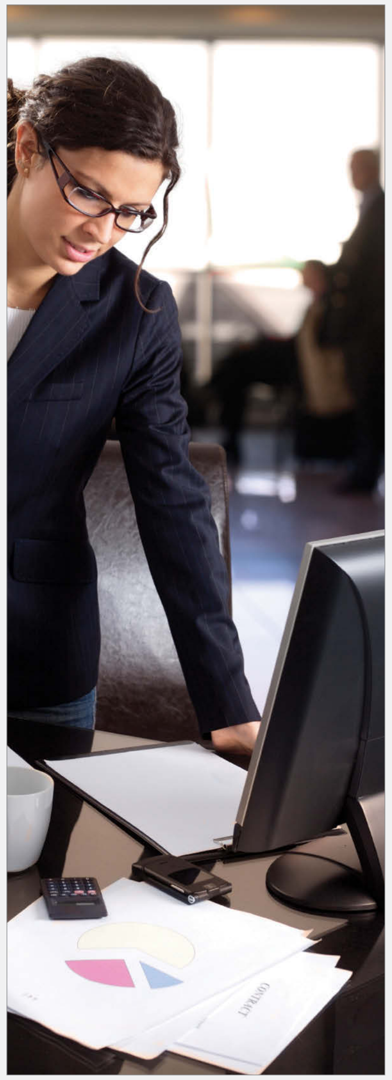
The Bank's main source of funds came in the form of customers and related parties deposits which accounted for 89.98% of total funding in 2008 compared to 89.42% in 2007.

Shareholder's equity constituted 7.59% of total funds for 2008 up from 6.28% in 2007

The share of deposits and borrowings from banks amounted to 1.75% of total funds in 2008 down from 3.19% in 2007.

Interest bearing liabilities as a percentage of total liabilities slightly decreased from 92.73% as at end of December 2007 to 91.73% as at end of December 2008, coupled with an increase in non-interest bearing liabilities from 7.39% as at end of December 2007 to 8.27% as at end of December 2008, following the increase in the share of shareholder's equity.

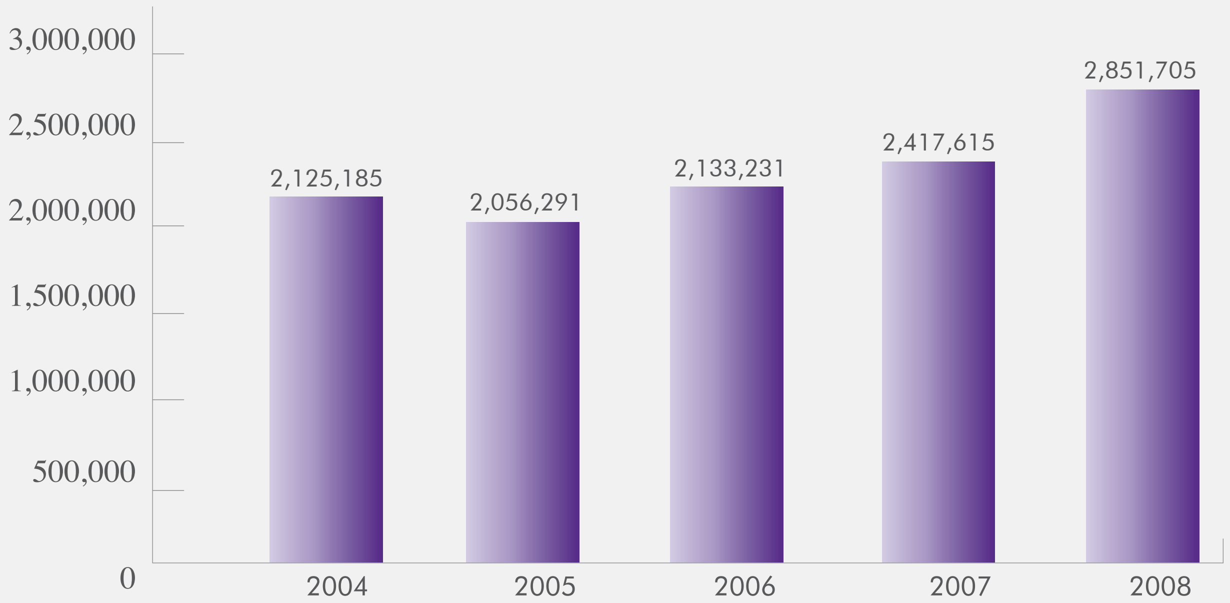
The decrease in interest bearing liabilities is revealed at the level of deposits and borrowings from Banks whose share decreased between end of December 2007 and end of December 2008 by a percentage of 82.29%



Customer's and Related Parties Accounts at Amortized Cost

(in millions of LBP)

2004	2005	2006	2007	2008
2,125,185	2,056,291	2,133,231	2,417,615	2,851,705



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

Total customer's and related parties accounts constitute the Bank's main source of funds and they account for 89.98% of total funding as at December 2008 as compared to 89.42% as at December 2007.

Total customer's and related parties accounts increased to LBP 2,851,705 million as at 31 December 2008 from LBP 2,417,615 million as at 31 December 2007, which means a growth of 17.96%, outperforming the average growth in total deposits of the Lebanese banking sector which stood at 14.50% during the year 2008.

As at 31 December 2008, term deposits, which have average maturities of approximately 3 to 6 months represented the largest portion of customer's and related parties accounts, being 82.63%.

Demand deposits represented 6.08% of total deposits and collateral against loans and advances represented 11.29% of total deposits.

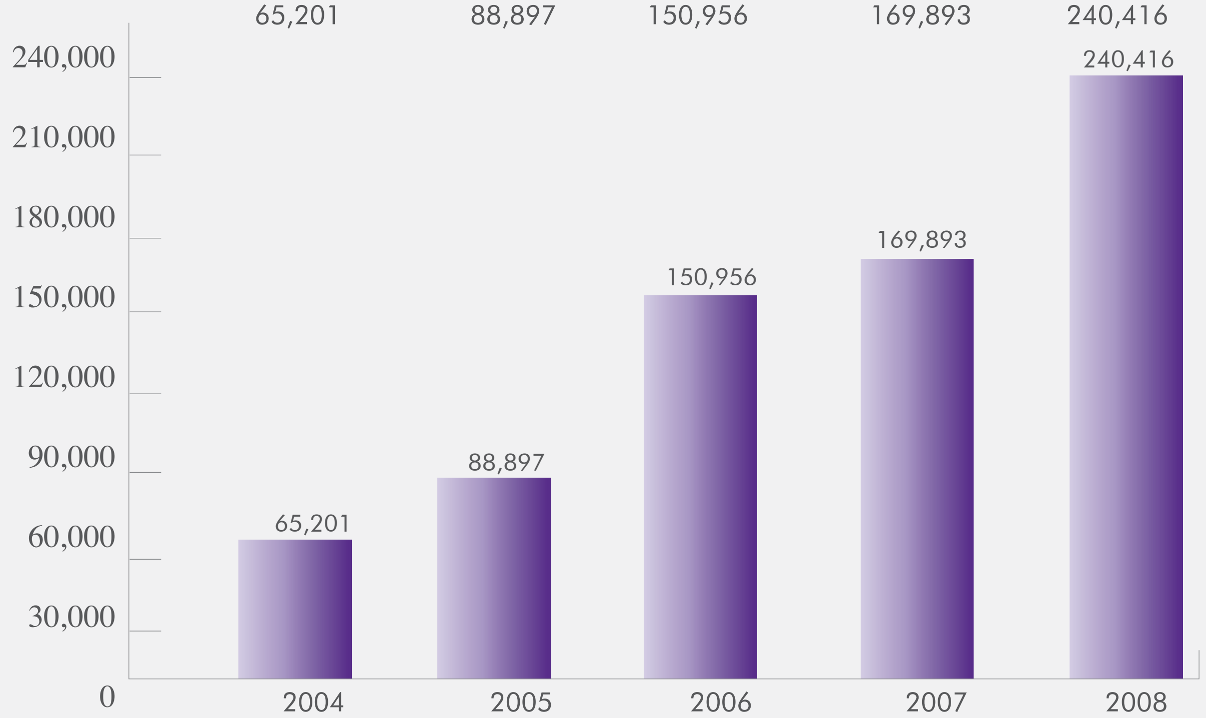
A closer look on the evolution of customer's deposits by currency suggests that the growth was mainly realised at the Lebanese Pounds side whose 2008 growth rate recorded 36.90% while the growth in foreign currency deposits rose by 4.63% over the year.

Such evolutions led to an increase in the local currency deposits, as a percentage of total deposits, from 41.29% as at end of December 2007 to 47.92% as at end of December 2008, in a year that relatively favored the Lebanese currency side of the Balance sheet, mirroring the decreasing dollarisation of the Lebanese economy which demonstrates the growing confidence in the Lebanese Lira.

Shareholders' Equity

(in millions of LBP)

2004	2005	2006	2007	2008
65,201	88,897	150,956	169,893	240,416



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

Shareholders' equity which is divided into core capital (Tier I) and supplementary capital (Tier II) increased from LBP 169,893 million at the year end December 2007 to LBP 240,416 million at the year end December 2008, meaning an increase of 41.51%.

Tier I capital, which is the main source of equity of the Bank, comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings and general reserves.

Tier I capital reached LBP 224,172 million as at December 2007 compared to LBP 165,228 million at the end of 2007, representing an increase of 35.67%.

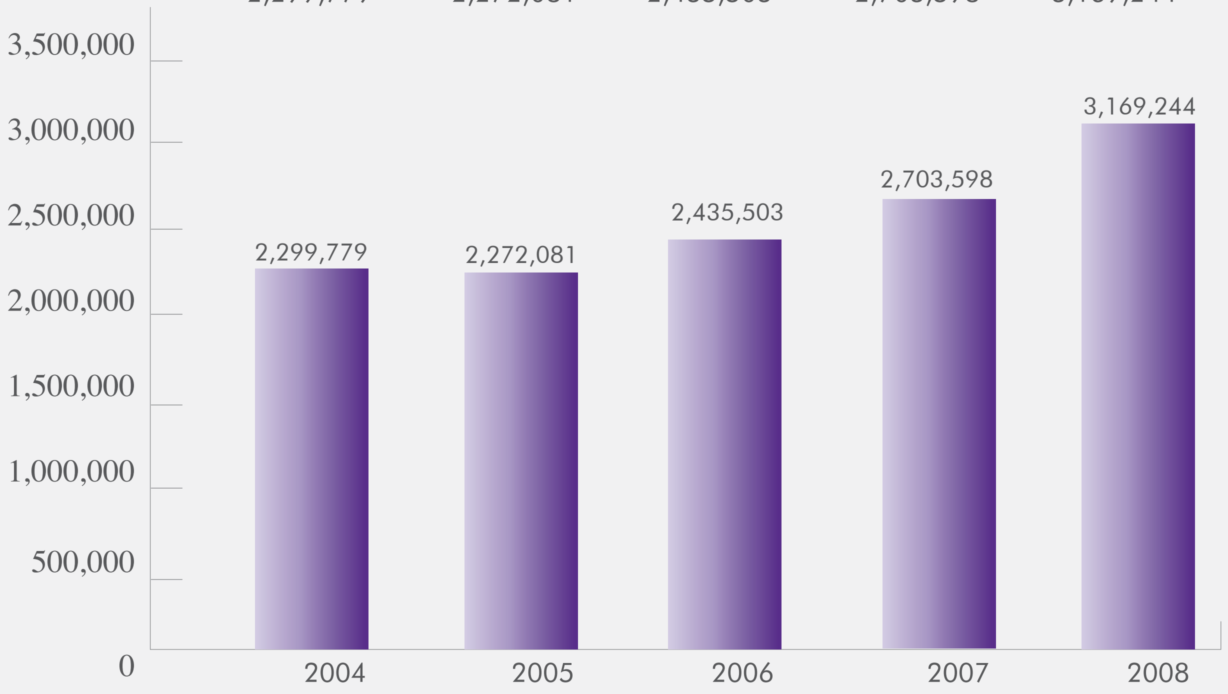
The Tier I increase is mainly attributed to the current shareholders cash capital increase of LBP 17,605 million with a premium of LBP 6,515 million, which occurred in February 2008, as well as to the increase in the retained earnings by an amount of LBP 18,879 million following the growth in the financial result of the year 2008 comparing to the year 2007 of LBP 8,222 million.

Tier II capital is constituted from the revaluation surplus accepted as supplementary capital which decreased from LBP 3,635 million at the end of December 2007 to LBP 2,753 million at the end of December 2008, and from the positive change in fair value of Available For Sale securities which increased by LBP 16,009 million between 31 December 2007 and 31 December 2008, following the ascendency of the financial assets fair value prices.

Total Assets

(in millions of LBP)

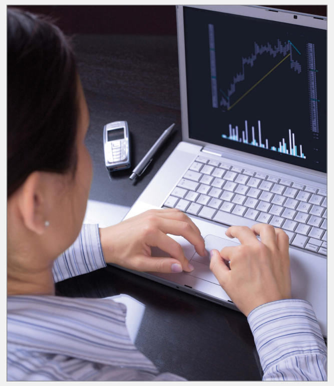
2004	2005	2006	2007	2008
2,299,779	2,272,081	2,435,503	2,703,598	3,169,244



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

Total assets of the Bank recorded an increase of 17.22% during the year 2008 to reach LBP 3,169,244 million at the end of December 2008 up from LBP 2,703,598 million at the end of December 2007 as compared to the growth in total assets of the Lebanese banking sector that stood at 14.62% during the year 2008.

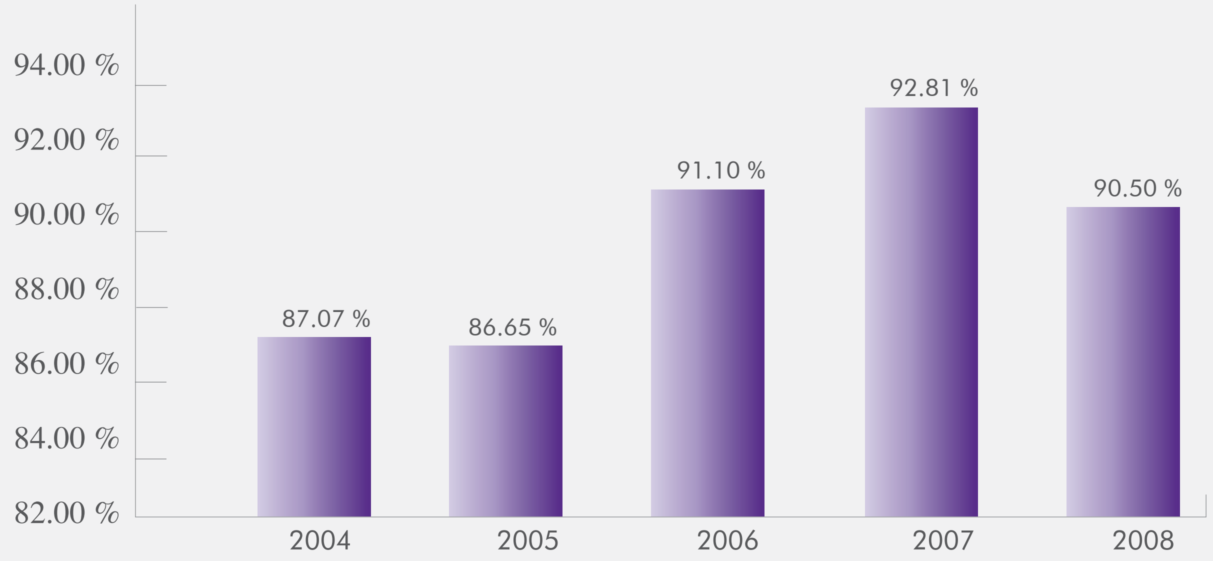
The increase in total assets was substantially matched by increases in funding which consisted primarily of customer's deposits and shareholder's equity.



Liquidity Ratio

(in LBP and FCY)

2004	2005	2006	2007	2008
87.07 %	86.65 %	91.10 %	92.81 %	90.50 %



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

IBL Bank's ability to maintain high liquidity levels, minimizing risks and ensuring high quality of assets, has been at the center of liquidity management and is one of the core objectives of the Bank.

At the end of December 2008, the overall liquidity ratio held at a very confortable level reaching 90.50%. The liquidity was distributed on the basis of 111.49% in Lebanese Pounds meaning an available liquidity covering LBP deposits in total and 71.26% in foreign currencies, compared to 109.97% and 80.83% respectively at the end of preceding year.

Maturity mismatch between Assets and Liabilities, which characterises the Lebanese banking sector, was also noticable in IBL Bank accounts.

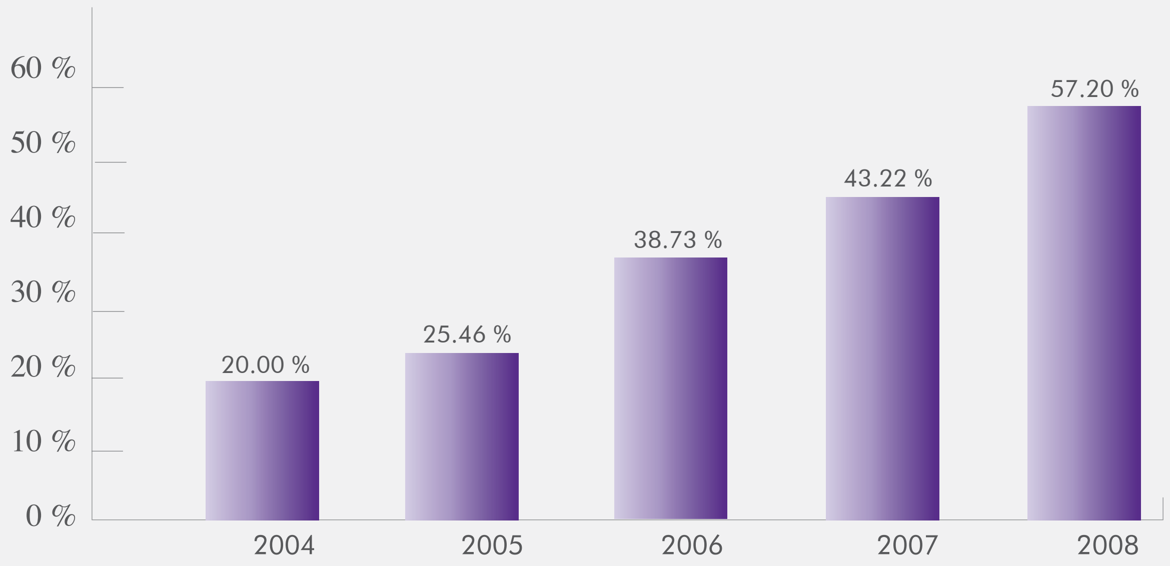
In 2008, the interest rate gap position was negative in the maturities from 0 to 3 months and afterwards, the maturity gaps turned back positive.

The ALCO manages the mismatches, by maintaining strict liquidity criterias on Investments and by following the behavior of deposits, which proved to be recurring and core.

Capital Adequacy Ratio

(in LBP and FCY)

	2004	2005	2006	2007	2008
	20.00 %	25.46 %	38.73 %	43.22 %	57.20 %
Requested by BDL :	8 %	12 %	12 %	12 %	12 %



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

As at 31 December 2008, the Bank's risk weighted assets amounted to LBP 413,890 million, against LBP 382,264 million in 2007, meaning an increase of 8.27%.

The statutory shareholders' equity, after allocation of the financial year's income before distributions, increased from LBP 165,199 at the end of 2007 to LBP 236,744 at the end of 2007, meaning a rise of 43.31%. Consequently, as at 31 December 2008, the Capital Adequacy Ratio was 57.20% compared to 43.22% as at 31 December 2007, thus exceeding by more than 4,5 times the minimum 12% required by the Central Bank of Lebanon.

After dividend distribution, the Capital Adequacy Ratio reached 55.19% as at 31 December 2008 compared to 41.32% as at 31 December 2007.

During the year 2008, IBL Bank performed regular Quantitative Impact Studies (QIS) to measure the impact of the implementation of Basel II Accord on its Capital Adequacy Ratio.

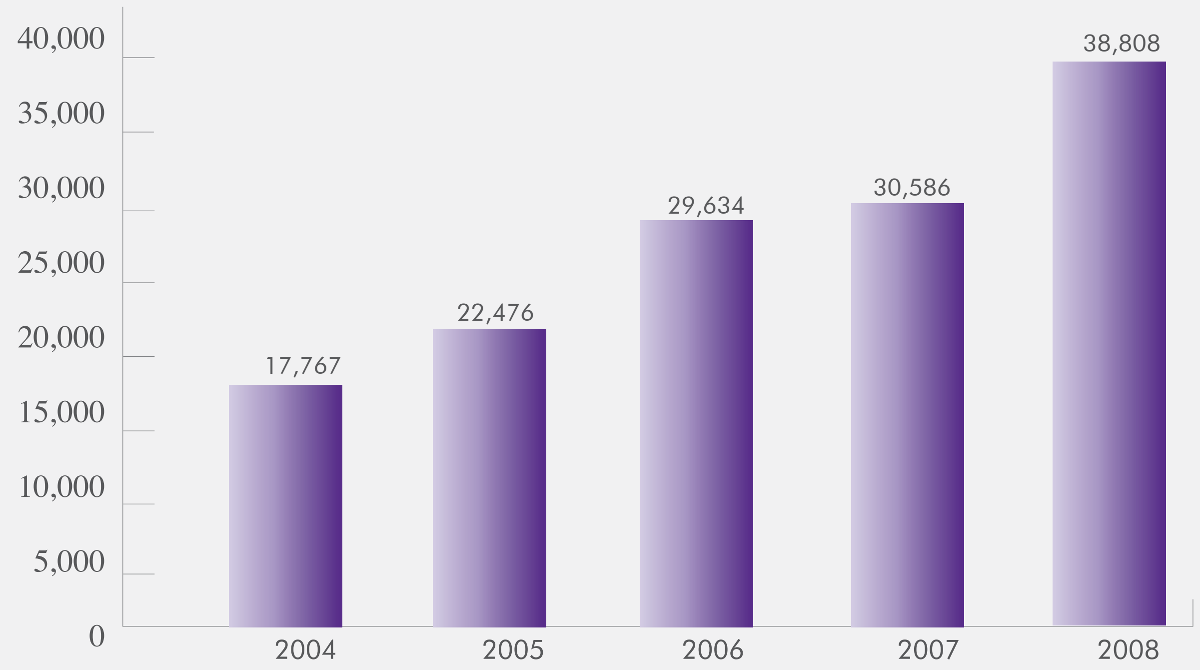
The result of the study standing as at 31 December 2008 demonstrated that the Capital Adequacy Ratio of the Bank, after dividend distribution, reached 16%, compared to the minimum requirement of 8% as set by the Accord, after taking into consideration the different requirements relating to credit, market and operational risks.

Profitability

NET INCOME FOR THE YEAR

(in millions of LBP)

2004	2005	2006	2007	2008
17,767	22,476	29,634	30,586	38,808



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

The year 2008 was highly a profitable year for the Bank. Consolidated net earnings rose to LBP 38,808 million at the end of December 2008 growing by 26.88% relative to 2007.

This performance is even more significant when considering that it was realized in the context of a difficult economic environment and a severe "wait and see" attitude.

The year-on-year analysis reveals that the increase in consolidated earnings resulted from an increase in net financial revenues from LBP 60,415 million as at 31 December 2007 to LBP 80,820 million as at 31 December 2008, meaning a rise of 33.83%. Net Financial revenues, after allowance for impairment and write-off of loans and advances (net of write-backs) reached LBP 72,136 million in 2008 as compared to LBP 57,600 million in 2007 meaning an increase of 25.28%.

This reflects the conservative policy followed by IBL Bank in provisioning non-performing and doubtful loans. Return on average assets (ROAA) and return on average equity (ROAE) stood at 1.32% and 22.77% respectively at the end of 2008 compared to 1.19 % and 23.47% respectively at the end of 2007.

These ratios are among the highest in the Lebanese banking sector.

Despite the increase in staff and operating expenses, IBL's overall cost-to-income ratio improved to 32.22% as at 31 December 2008, compared to 37.80% for the year ended 31 December 2007 showing the increasing productivity of the Bank.

List of Main Correspondents - Treasury & Financial Markets

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
Unicredit Bank Austria AG.	Vienna	BKAUATWW
Bank of Baghdad	Baghdad	BABIIQBA
Iraqi Middle East Invetment Bank	Baghdad	IMEBIQBA
Byblos Bank Europe SA	Brussels	BYBBBEBB
Danske Bank A/S	Copenhagen	DABADKKK
Doha Bank	Doha	DOHBQAQA
Al Khaliji France SA	Dubai	LICOAEAD
MashreqBank	Dubai	BOMLAEAD
Central Bank of Kurdistan Region Minare Bank	Erbil	XXXXXXXX
Deutsche Bank AG	Frankfurt	DEUTDEFF
Commerzbank AG	Frankfurt	COBADEFF
Bankmed (Suisse) SA	Geneva	MEDSCHGG
The National Commercial Bank	Jeddah	NCBKSAJE
The Commercial Bank of Kuwait	Kuwait	COMBKWKW
Wachovia Bank , NA	London	PNBPGB2L
Banco Popular Espanol	Madrid	POPUESMM
Banco de Sabadell SA	Barcelona	ATLAESMM
Intesa Sanpaolo spa (formerly Banca Intesa spa)	Milano	BCITITMM
J P Morgan Chase Bank	New York	CHASUS33
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
Al Khaliji France SA	Paris	LICOFRPP
Banque Audi Saradar (France) SA	Paris	AUDIFRPP
Al Rajhi Bank (Head office) sa	Riyadh	RJHISARI
Skandinaviska Enskilda Banken	Stockholm	ESSESESS
North Bank	Sulaimaniyah	XXXXXXXX
J P Morgan Chase Bank	Sydney	CHASAU2X
The Bank of New York	Tokyo	IRVTJPJX
IntesaBCI S.P.A.	Tokyo	BCITJPJT
The Royal Bank of Canada	Toronto	ROYCCAT2

Main Resolutions of the Ordinary General Assembly Held on July 15, 2009

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 2008, 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 31/12/2008.

Decision taken unanimously.

Resolution 2:

The Ordinary General Assembly, after taking note of the net profits realized during 2008, which amounted to LBP 30,077 million decided:

- The Distribution of LBP 4,169 million (approximately US$ 2 800 000) of these profits, to the holders of series 1 preferred shares, amount which represents 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 4,169 million (approximately US$ 2 800 000) 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 2008 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:

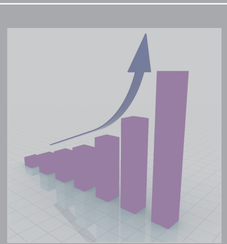
The ratification of the activities carried out in accordance to the above-mentioned laws, and renewal of the prior authorization given to the Directors to act according to those articles, in addition to the prior authorization of article 159 of the Code of Commerce.

Decision taken unanimously.

CONSOLIDATED **FINANCIAL STATEMENTS**

IBL BANK S.A.L.

CONSOLIDATED **FINANCIAL** STATEMENTS



BT 32289/DTT
INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of IBL BANK S.A.L. AND SUBSIDIARY (the Bank), which comprise the balance sheet as at December 31, 2008, 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 framework of existing banking laws in Lebanon.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IBL Bank S.A.L. as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Beirut, Lebanon
May 31, 2009

Deloitte & Touche

Consolidated Balance Sheet

ASSETS	Notes	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Cash, compulsory reserves and deposits at Central Banks	5	1,470,178,184	1,284,812,446
Deposits with banks and financial institutions	6	177,773,750	296,731,307
Loans to banks	7	98,885,461	28,830,248
Loans and advances to customers	8	447,896,237	288,071,559
Loans and advances to related parties	9	22,952,326	21,981,075
Available-for-sale investment securities	10	466,404,983	531,295,724
Held-to-maturity investment securities	10	433,407,425	197,608,896
Customers' liability under acceptances	11	4,199,827	7,721,820
Assets acquired in satisfaction of loans	12	18,154,089	18,414,911
Property and equipment	13	27,149,334	24,565,245
Intangible assets	14	437,696	383,295
Other assets	15	1,804,797	3,181,497
Total Assets		3,169,244,109	2,703,598,023

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Documentary and commercial letters of credit	32	78,432,368	31,157,692
Guarantees and standby letters of credit	32	53,292,504	46,604,530
Forward contracts		81,380,747	47,571,765
Fiduciary deposits		7,145,550	7,839,000

LIABILITIES	Notes	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Deposits and borrowings from banks	16	55,490,180	86,189,155
Customers' accounts at amortized cost	17	2,802,862,570	2,273,075,884
Related parties accounts at amortized cost	33	48,842,314	144,538,926
Acceptance liability	11	4,199,827	7,721,820
Other long term debts	18	-	6,978,914
Other liabilities	19	14,416,340	12,747,485
Provisions	20	3,017,149	2,453,026
Total Liabilities		2,928,828,380	2,533,705,210

EQUITY

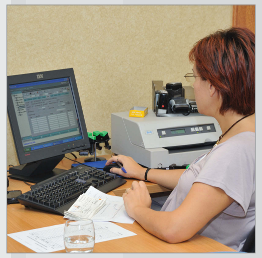
Common shares	21	77,700,000	60,094,800
Preferred shares	22	6,300,000	6,300,000
Common shares premium	21	6,514,784	-
Preferred shares premium	22	31,657,500	31,657,500
Reserves	23	9,077,014	5,328,519
Asset revaluation surplus		2,752,680	3,634,712
Cumulative change in fair value of investment securities	24	12,034,206	(3,974,711)
Regulatory reserve for assets acquired in satisfaction of loans	12	1,456,736	1,030,457
Retained earnings	25	54,115,005	35,235,601
Income for the year		**38,807,804**	**30,585,935**
Total Equity		**240,415,729**	**169,892,813**
Total Liabilities and Equity		3,169,244,109	2,703,598,023

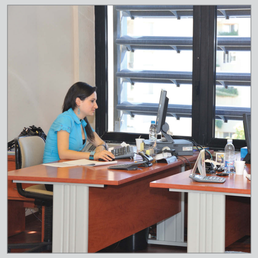
THE ACCOMPANYING NOTES 1 TO 39 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Notes	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Interest income	26	247,372,054	209,856,493
Interest expense	27	(175,643,140)	(157,882,754)
Net interest income		**71,728,914**	**51,973,739**
Fee and commission income	28	2,904,167	2,559,392
Fee and commission expense	29	(539,647)	(388,578)
Net fee and commission income		**2,364,520**	**2,170,814**
Other operating income	30	6,725,840	6,270,018
Net financial revenues		80,819,274	60,414,571
Allowance for impairment and write-off of loans and advances (net of write-backs)	8	(8,683,528)	(2,814,795)
Net financial revenues after impairment charge for credit losses		**72,135,746**	**57,599,776**
Staff costs	31	(14,566,208)	(11,452,791)
Administrative expenses		(10,800,001)	(9,165,693)
Depreciation and amortization	12,13,14,15	(1,481,651)	(1,625,428)
Other income		914,590	194,667
		(25,933,270)	(22,049,245)
Profit before income tax	19	46,202,476	35,550,531
Income tax expense		(7,394,672)	(4,964,596)
Income for the year		**38,807,804**	**30,585,935**

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

Thank You for choosing **IBL Bank**





IBL BANK S.A.L

Consolidated Statement of Changes in Equity

December 31, 2008

	Common Shares	Preferred Shares	Common Shares Premium	Preferred Shares Premium	Reserves	Asset Revaluation Surplus	Cumulative Change in Fair Value of Investment Securities	Regulatory Reserves for Assets Acquired in Satisfaction of Loans	Retained Earnings	Income for the Year	Total Equity
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1, 2007	46,557,248	6,300,000	-	31,657,500	7,654,598	3,634,712	1,288,534	717,970	23,481,983	29,633,707	150,926,252
Income for the year 2007	-	-	-	-	-	-	-	-	-	30,585,935	30,585,935
Change in fair value of available-for-sale securities	-	-	-	-	-	-	(5,263,245)	-	-	-	(5,263,245)
Comprehensive Income for 2007	-	-	-	-	-	-	(5,263,245)	-	-	30,585,935	25,322,690
Issuance of common shares	13,537,552	-	-	-	(6,000,000)	-	-	-	(7,537,552)	-	-
Dividends declared	-	-	-	-	-	-	-	-	(6,560,449)	-	(6,560,449)
Regulatory reserves for assets acquired in satisfaction of loans	-	-	-	-	-	-	-	204,320	-	-	204,320
Allocation of income of the year 2006	-	-	-	-	3,673,921	-	-	108,167	25,851,619	(29,633,707)	-
Balance at December 31, 2007	60,094,800	6,300,000	-	31,657,500	5,328,519	3,634,712	(3,974,711)	1,030,457	35,235,601	30,585,935	169,892,813
Income for the year 2008	-	-	-	-	-	-	-	-	-	38,807,804	38,807,804
Change in fair value of available -for-sale securities	-	-	-	-	-	-	16,008,917	-	-	-	16,008,917
Comprehensive income for 2008	-	-	-	-	-	-	16,008,917	-	-	38,807,804	54,816,721
Prior period adjustments	-	-	-	-	-	-	-	-	(300,595)	-	(300,595)
Issuance of common shares	17,605,200	-	6,514,784	-	-	-	-	-	-	-	24,119,984
Dividends declared	-	-	-	-	-	-	-	-	(7,231,162)	-	(7,231,162)
Regulatory reserves for assets acquired in satisfaction of loans	-	-	-	-	-	-	-	426,279	(426,279)	-	-
Release of assets revaluation surplus	-	-	-	-	-	(882,032)	-	-	-	-	(882,032)
Allocation of income of the year 2007	-	-	-	-	3,748,495	-	-	-	26,837,440	(30,585,935)	-
Balance at December 31, 2008	77,700,000	6,300,000	6,514,784	31,657,500	9,077,014	2,752,680	12,034,206	1,456,736	54,115,005	38,807,804	240,415,729

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

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

Consolidated Statement of Cash Flows

	Notes	Year Ended December 31 2008 LBP'000	2007 LBP'000
Cash flows from operating activities:			
Income after tax		38,807,804	30,585,935
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation and amortization		1,481,651	1,625,428
Provision for credit losses (net of write backs)		8,683,528	2,814,795
Gain on sale of assets acquired in satisfaction of loans		(25,292)	(17,735)
Gain on sale of property and equipment		(792,351)	(52,107)
Net increase in loans to banks		(70,055,213)	(24,639,412)
Net increase in loans and advances to customers		(168,624,325)	(5,636,513)
Net increase in loans and advances to related parties		(971,251)	-
Net increase in compulsory reserves at the Central Banks		(30,059,117)	(13,240,501)
Net decrease/(increase) in deposits with banks and financial institutions		206,025	(206,025)
Net increase in other assets		(118,059,596)	(88,312,841)
Net increase/(decrease) in deposits and borrowings from banks		2,265,008	(18,872,152)
Net increase in term deposits with the Central Banks		(140,668,960)	(40,920,660)
Net decrease in customers' accounts at amortized cost		529,786,686	284,383,329
Net decrease in related parties' accounts at amortized cost		(95,696,612)	-
Net decrease in other long term debts		(6,978,914)	(21,442,168)
Net increase in other liabilities		1,668,855	1,206,669
Net increase/(decrease) in provisions		564,123	(401,787)
Net cash (used in)/provided by operating activities		**(48,467,951)**	**106,874,255**
Cash flow from investing activities:			
Property and equipment		(5,431,384)	(2,777,937)
Intangible assets		(186,098)	(312,899)
Proceeds from sale of assets acquired in satisfaction of loans		402,233	113,063
Proceeds from sale of property and equipment		2,512,389	355,674
Securities		(154,898,871)	102,077,293
Net cash(used in)/provided by investing activities		**(157,601,731)**	**99,455,194**
Cash flows from financing activities:			
Issuance of common shares		24,119,984	-
Dividends paid		(7,231,162)	(6,560,449)
Net cash provided by/(used in) financing activities		**16,888,822**	**(6,560,449)**
Net (decrease)/increase in cash and cash equivalents		(189,180,860)	199,769,000
Cash and cash equivalents - Beginning of year	34	**401,656,475**	**201,887,475**
Cash and cash equivalents - Ending of year	34	**212,475,615**	**401,656,475**

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

Notes to the Consolidated Financial Statements

Year Ended **December 31, 2008**

1. GENERAL INFORMATION

IBL Bank 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, 2008 comprise the Bank and its subsidiaries (the "Bank"). The Bank 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.

During 2008, the Bank established two overseas branches one in Kurdistan - Erbil District, and the other one in Limassol, Cyprus.

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

IFRS 2 (Amendment) Share based payment (effective for annual periods beginning on or after January 1, 2009);

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

IFRS 5 (Amendment) Non-Current Assets held for sale and discontinued operations (effective for annual periods beginning on or after July 1, 2009);

IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for annual periods beginning on or after January 1, 2009);

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

IAS 1 (Amendment and Revision) Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009)

IAS 16 (Amendment) Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2009)

IAS 19 (Amendment) Employee Benefits (effective for annual periods beginning on or after January 1, 2009)

IAS 23 (Amendment and Revision) Borrowing Costs (effective for annual periods beginning on or after January 1, 2009 and for Borrowing costs relating to qualifying assets for which the commencement date for capitalizatio is on or after January 1,2009)

IAS 27 (Amendment) Consolidated and Separate Financial Statements (Amendments resulting from May 2008 Annual Improvements to IFRSs - effective for annual periods beginning on or after January 1, 2009) and (Consequential amendments arising from amendments to IFRS 3 - effective for annual periods beginning on or after July 1, 2009)

IAS 28 (Amendment) Investments in Associates (Amendments resulting from May 2008 Annual Improvements to IFRSs - for annual periods beginning on or after January 1, 2009) and (Consequential amendments arising from amendments to IFRS 3 - effective for annual periods beginning on or after July 1, 2009)

IAS 29 (Amendment) Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after January 1, 2009)

IAS 31 (Amendment) Interests in Joint Ventures (Amendments resulting from May 2008 Annual Improvements to IFRSs - effective for annual periods beginning on or after January 1, 2009) and (Consequential amendments arising from amendments to IFRS 3 - effective for annual periods beginning on or after July 1, 2009)

IAS 32 (Amendment) Financial Instruments: Presentation (effective for annual periods (beginning on or after January 1, 2009)

IAS 36 (Amendment) Impairment of Assets (effective for annual periods beginning on or after January 1, 2009)

IAS 38 (Amendment) Intangible Assets (effective for annual periods beginning on or after January 1, 2009)

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (Amendments resulting from May 2008 Annual Improvements to IFRSs - effective for annual periods beginning on or after January 1, 2009) and (Amendments for embedded derivatives when reclassifying financial instruments - effective for annual periods beginning on or after June 30, 2009) and (Amendments for eligible hedged items - effective for annual periods beginning on or after July 1, 2009)

IAS 40 (Amendment) Investment Property (effective for annual periods beginning on or after January 1, 2009)

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

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2009)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 1, 2008)

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009)

IFRIC 18 Transfers of Assets from Customers (for transfers received on or after July 1, 2009)

The financial control unit responsible of financial reporting anticipate that the adoption of the above Standards and Interpretations will have no material impact on the financial statements of the Bank 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 prior to 1993 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 IBL Bank S.A.L. (formerly 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., incorporated in Lebanon, controlled and owned by the Bank up to 99.97%. 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 estate properties, construct, and rent or sell buildings. Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those used by other entities of the Bank. All intra-bank 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 individual entities, 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 Bank's foreign operations are expressed in Lebanese Pound 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 Bank 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 Bank becomes a party to the contractual provisions of the instrument.

The Bank derecognizes a financial asset (or a part of a financial asset, or a part of a Bank of similar assets) 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 Bank 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 Bank has a legal right to set off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value Measurement:

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities and those traded in inactive markets (excluding derivative instruments) are determined either based on quoted prices adjusted downward for factors related to illiquidity or in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, as applicable; and

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Impairment of Financial Assets:

Financial assets, other than those at fair value through profit 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 financial 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 impairment 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 Bank 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 Bank 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 (AFS) investments are non derivative investments that are not designated as another category of financial assets.

Available-for-sale securities are stated at fair value, except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Fair value is determined in the manner described in the preceding paragraphs.

Gains and losses arising from changes in fair value are recognized directly in equity in the "change in fair value of available-for-sale securities" with the exception of impairment losses, interest and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the "change in fair value of available-for-sale securities" is included in profit or loss for the period.

The change in fair value on available-for-sale debt securities reclassified to held-to-maturity is segregated from the change in fair value of available-for-sale debt securities under equity and is amortized over the remaining term to maturity of the debt security as a yield adjustment.

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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank has significant influence are accounted for at cost in the standalone financial statements and reflected on the basis of the equity method of accounting in the consolidated financial statements.

J. Financial Liabilities and Equity Instruments Issued by the Bank

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

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

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

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

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

Other financial liabilities:
Other financial liabilities, including customers' deposits, money market and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost, with interest expense recognized on an effective yield basis.

K. 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%

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

L. Intangible Assets

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 2 years from acquisition. In case of default of liquidation the Bank'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 Bank 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 Bank has a present obligation (legal or constructive) 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 obligation.

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 Bank's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

A. *Critical accounting judgments in applying the Bank's accounting policies*

Classification of Financial Assets:
The Bank'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 Bank has determined that it has both the positive intent and ability to hold these assets until their maturity as required by accounting policy under note 3(H).

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.

(i) Impairment losses on loans and advances:
The Bank reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans.This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors of the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses judgment and estimates based on historical loss

experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Determining Fair Values:

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

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

Level 1 - quoted prices for identical items in active, liquid and visible markets such as stock exchanges,

Level 2 - observable information for similar items in active or inactive markets,

Level 3 - unobservable inputs used in situations where markets either do not exist or are illiquid.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data. Where practical, the discount rate used in the mark to model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the Lebanese Government debt securities and Central Bank of Lebanon certificates of deposit.

(iii) Impairment of available for-sale equity investments:

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

5. CASH COMPULSORY RESERVES AND DEPOSITS AT CENTRAL BANKS

	December 31,	
	2008 LBP'000	2007 LBP'000
Cash on hand	17,048,297	14,582,866
Non-interest earning accounts:		
Compulsory reserve with Central Bank of Lebanon	184,969,046	154,909,929
Current account at the Central Bank of Kurdistan - Erbil, Iraq	12,271,561	-
Interest earning accounts:		
Term placements with Central Bank of Lebanon	827,807,750	805,661,486
Accrued interest receivable	428,081,530	309,658,165
	1,470,178,184	1,284,812,446

Compulsory deposit with Central bank of Lebanon is not available for use in the Bank's day-to-day operations and is 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 include the equivalent in foreign currencies of LBP210billion 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.

The current account at the Central Bank of Kurdistan represents a non-interest earning account that was released during December 2008 when the Bank detained the consent of the Central Bank of Kurdistan to start the branch operations in Erbil.

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

	December 31, 2008			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2009	592,700,000	13.25	210,107,750	3.79
2010	25,000,000	13.25	-	-
	617,700,000		210,107,750	

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

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2008 and 2007:

Currency	December 31, 2008 LBP or Counter Value of LBP LBP'000	December 31, 2007 LBP or Counter Value of LBP LBP'000
LBP	427,332,220	308,617,129
USD	644,275	808,450
EURO	-	231,921
Others	105,035	665
	428,081,530	309,658,165

6. DEPOSIT WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Checks in course of collection	3,308,185	7,847,242
Current accounts with banks and financial institutions	63,096,550	5,445,429
Term placements with banks and financial institutions	101,778,688	269,564,113
Pledged deposits with banks and financial institutions	9,555,905	13,375,609
Accrued interest receivable	34,422	498,914
	177,773,750	296,731,307

Deposits with banks and financial institutions include deposits in the amount of LBP9.5billion subject to right of setoff by the related correspondents against banking facilities to finance documentary credit transactions in the amount of LBP9.5billion at 2008 year end.

Term placements and pledged deposits bear the following maturities:

	December 31, 2008			
	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2009	1,500,000	4.5	109,834,593	4
	1,500,000		109,834,593	

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

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2008 and 2007:

	December 31,	
	2008	2007
Currency	LBP or Counter Value of LBP	LBP or Counter Value of LBP
	LBP'000	LBP'000
LBP	1,479	-
USD	25,251	463,968
Euro	-	10,964
Others	7,692	23,982
	34,422	498,914

7. LOANS TO BANK

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

	December 31,	
	2008	2007
	LBP'000	LBP'000
Regular accounts	19,220,000	28,765,582
Certificates of deposit issued by Central Bank of Lebanon	77,085,759	-
Accrued interest receivable	2,579,702	64,666
Doubtful bank accounts	77,204	84,583
Less: Allowance for impairment	(77,204)	(84,583)
	98,885,461	28,830,248

Loans to banks classified as regular accounts mature as follows:

	December 31, 2008			December 31, 2007		
	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	-	5.49	460,000	23,085,582	7.95
1 year to 3 years	2,720,000	-	5.49	1,120,000	-	5.49
3 years to 5 years	4,120,000	-	5.49	1,320,000	-	5.49
Beyond 5 years	11,920,000	-	5.49	2,780,000	-	5.49
	19,220,000	-		5,680,000	23,085,582	

During 2008, certificates of deposit issued by Central Bank of Lebanon in the aggregate amount of LBP77.08billion (USD51.13million), previously recorded under "Available-for-sale investment securities", were reclassified to "Loans to banks" according to IAS 39 amendments.

8. LOANS AND ADVANCES TO CUSTOMERS

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

	December 31,					
	2008			2007		
	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP' 000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular retail customers:						
- Mortgage loans	8,765,564	-	8,765,564	6,939,955	-	6,939,955
- Personal loans	6,922,954	-	6,922,954	1,936,200	-	1,936,200
- Overdrafts	2,280,129	-	2,280,129	9,002,229	-	9,002,229
	17,968,647	-	17,968,647	17,878,384	-	17,878,384
Classified retail customers:						
- Substandard loans	-	-	-	(3,725)	-	(3,725)
- Doubtful and bad loans	22,741,949	(19,775,801)	2,966,148	21,211,883	(19,254,855)	1,957,028
	22,741,949	(19,775,801)	2,966,148	21,208,158	(19,254,855)	1,953,303
Regular corporate customers:						
- Large Entreprises	290,538,611	-	290,538,611	127,115,924	-	127,115,924
- Small and medium entreprises	124,981,269	-	124,981,269	126,433,620	-	126,433,620
	415,519,880	-	415,519,880	253,549,544	-	253,549,544
Classified corporate customers:						
- Substandard loans	1,138,278	-	1,138,278	1,064,749	-	1,064,749
- Doubtful and bad loans	33,282,963	(19,779,794)	13,503,169	30,902,653	(15,777,960)	15,124,693
	34,421,241	(19,779,794)	14,641,447	31,967,402	(15,777,960)	16,189,442
Allowance for collective impaiment	-	(3,359,598)	(3,359,598)	-	(1,509,170)	(1,509,170)
Accrued interest receivable	159,713	-	159,713	10,056	-	10,056
	490,811,430	(42,915,193)	447,896,237	324,613,544	(36,541,985)	288,071,559

Notes to the **Consolidated Financial Statements**

Year Ended **December 31, 2008**

The carrying value of loans and advances to customers includes accidentally temporary debtors with carrying value amounting to LBP1.6billion as at December 31, 2008 (LBP1.4billion in 2007).

This section also includes net multicurrency trading exposures amounting to LBP258million at 2008 year end (LBP3.5billion at 2007 year end) that are fully secured by cash margins in the amount of LBP16.65billion as at December 31,2008 (LBP13.19billion at 2007 year end) and recorded under "Customers' accounts at amortized cost" under liabilities.

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

	2008		
	Substandard Loans	Unrealized Interest	Net Book Value
	LBP'000	LBP'000	LBP'000
Balance January 1, 2008	1,682,164	621,140	1,061,024
Additions	1,642,213	223,760	1,418,453
Settlements	(967,164)	-	(967,164)
Write-off	(479,568)	(262,410)	(217,158)
Write-back	-	(62,024)	62,024
Transfer to/from doubtful and bad loans	(225,974)	(7,073)	(218,901)
Balance December 31, 2008	**1,651,671**	**513,393**	**1,138,278**

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

	2008			
	Doubtful and Bad loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1, 2008	76,925,492	24,810,956	35,032,816	17,081,720
Additions	6,626,385	6,340,025	5,862,223	(5,575,863)
Settlements	(1,727,003)	-	-	(1,727,003)
Write-off	(2,171,517)	(1,405,740)	(644,296)	(121,481)
Write-back	-	-	(133, 933)	133,933
Transfer to/from substandard loans	225,974	7,073	-	218,901
Transfer to/from regular loans	6,540,053	(7,049)	-	6,547,102
Effect of exchange rates changes	(664,270)	(15,063)	(561,215)	(87,992)
Balance December 31, 2008	**85,755,114**	**29,730,202**	**39,555,595**	**16,469,317**

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, 2008	1,930,599	673,050	1,257,549
Additions	595,522	168,798	426,724
Settlements	(156,663)	-	(156,663)
Write-off	-	-	-
Write-back	-	-	-
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, 2007	**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:

	2007			
	Doubtful and Bad loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1, 2007	72,396,433	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)	(868,919)	(1,145,351)	(32,135)
Write-back	-	(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, 2007	**76,925,492**	**24,810,956**	**35,032,816**	**17,081,720**

The movement of the allowance for collective impairment during 2008 and 2007 is as follows:

	2008	2007
	LBP'000	LBP'000
Balance January 1	1,509,170	647,231
Additions	1,850,428	859,884
Write-off	-	-
Write-back	-	-
Transfer to specific allowance for impairment	-	-
Effect of exchange rates changes	-	2,055
Balance December 31	**3,359,598**	**1,509,170**

In addition to the specific allowance for impairment and the collective impairment that were provided for during 2008, the Bank wrote-off loans and advances in the amount of LBP1.1billion recorded directly to the income statement.

Accrued interest receivable is segregated between the major currencies as follows as at December 31,2008 and 2007:

	December 31,	
	2008	2007
Currency	LBP or Counter Value of LBP	LBP or Counter Value of LBP
	LBP'000	LBP'000
LBP	5,455	6,602
USD	137,594	3,454
Euro	15,646	-
Others	1,018	-
	159,713	10,056

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption consists of loans and advances granted by the Bank to one of its major shareholders and his related companies in the amount of LBP22.95billion as of December 31, 2008 (LBP21.98billion as of December 31, 2007) and covered to the extent of LBP16.3billion by cash margin recorded under "Related parties accounts at amortized cost".

10. INVESTMENT SECURITIES

December 31, 2008

	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	160,322	1,974,346	2,134,668	-	-	-
Lebanese treasury bills	-	-	-	-	-	-
Lebanese Government bonds	-	142,079,368	142,079,368	-	232,019,650	232,019,650
Certificates of deposit issued by Central Bank of Lebanon	267,887,895	40,184,764	308,072,659	-	193,448,997	193,448,997
Certificates of deposit issued by banks	-	5,661,055	5,661,055	-	-	-
Accrued interest receivable	4,799,770	3,657,463	8,457,233	-	7,938,778	7,938,778
	272,847,987	193,556,996	466,404,983	-	433,407,425	433,407,425

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	160,321	2,628,370	2,788,691	-	-	-
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
	84,470,025	446,825,699	531,295,724	-	197,608,896	197,608,896

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

	2008				
	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, 2008	82,491,910	440,068,585	-	192,977,776	715,538,271
Additions	325,059,968	241,812,918	-	115,474,500	682,347,386
Sales	(138,725,810)	(302,630,879)	-	-	(441,356,689)
Reclassification	-	(196,071,480)	-	118,118,911	(77,952,569)
Gain/(loss) from change in fair value	(777,851)	7,014,528	-	-	6,236,677
Effect of discount/ premium amortization	-	-	-	(1,102,540)	(1,102,540)
Effect of exchange rates changes	-	(294,139)	-	-	(294,139)
Balance December 31, 2008	268,048,217	189,899,533	-	425,468,647	883,416,397

	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	157,351,600	436,164,899	22,415,040	186,544,448	802,475,987
Additions	63,605,284	123,797,963	-	-	187,403,247
Sales	(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	82,491,910	440,068,585	-	192,977,776	715,538,271

A. Available-for-sale investment securities:

	December 31, 2008 LBP Base Accounts				December 31, 2008 F/Cy Base Accounts			
	Amortized Cost	Fair Value	Cumulative change in Fair Value	Accured Interest Receivable	Amortized Cost	Fair Value	Cumulative change in Fair Value	Accured Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	C/V LBP'000	C/V LBP'000	C/V LBP'000	C/V LBP'000
Quoted equity securities	-	-	-	-	1,581,126	1,974,345	393,219	-
Unquoted equity securities at cost	1,122	160,322	159,200	-	-	-	-	-
Lebanese treasury bills	-	-	-	-	-	-	-	-
Lebanese Government bonds	-	-	-	-	144,325,631	142,079,369	(2,246,262)	2,934,122
Certificates of deposit issued by Central Bank of Lebanon	257,818,314	267,887,895	10,069,581	4,799,770	37,060,926	40,184,764	3,123,838	703,060
Certificates of deposit issued by Banks	-	-	-	-	6,004,415	5,661,055	(343,360)	20,281
	257,819,436	268,048,217	10,228,781	4,799,770	188,972,098	189,899,533	927,435	3,657,463

	December 31, 2007 LBP Base Accounts				December 31, 2007 F/Cy Base Accounts			
	Amortized Cost	Fair Value	Cumulative change in Fair Value	Accured Interest Receivable	Amortized Cost	Fair Value	Cumulative change in Fair Value	Accured Interest Receivable
	LBP' 000	LBP'000	LBP'000	LBP'000	C/V LBP'000	C/V LBP'000	C/V LBP'000	C/V LBP'000
Quoted equity securities	-	-	-	-	1,844,938	2,628,369	783,431	-
Unquoted equity securities at cost	1,100	160,321	159,221	-	-	-	-	-
Lebanese treasury bills	36,990,846	37,331,588	340,742	734,782	-	-	-	-
Lebanese Government bonds	-	-	-	-	205,662,058	200,286,152	(5,375,906)	3,619,641
Certificates of deposit issued by Central Bank of Lebanon	44,316,467	45,000,000	683,533	1,243,334	231,720,621	231,577,467	(143,154)	3,117,127
Certificates of deposit issued by Banks	-	-	-	-	5,999,151	5,576,597	(422,554)	20,345
	81,308,413	82,491,909	1,183,496	1,978,116	445,226,768	440,068,585	(5,158,183)	6,757,113

Year Ended **December 31, 2008**

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

	December 31, 2008 LBP Base Accounts				December 31, 2008 F/Cy Base Accounts			
Contractual Maturity:	Nominal Value	Amortized Cost	Net Carrying Fair Value	Yield	Nominal Value	Amortized Cost	Net Carrying Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	-	-	-	-	-	-	-	-
- 3 years to 5 years	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	
Lebanese Government bonds:								
- Up to 1 year	-	-	-	-	8,291,250	8,286,788	8,167,560	6.52
- 1 year to 3 years	-	-	-	-	1,448,398	1,385,872	1,380,269	7.13
- 3 years to 5 years	-	-	-	-	53,546,395	53,340,303	52,428,614	8.70
- 5 years to 10 years	-	-	-	-	77,036,265	78,168,120	77,182,646	9.02
- Beyond 10 years	-	-	-	-	3,164,242	3,144,548	2,920,279	8.33
	-	-	-	-	143,486,550	144,325,631	142,079,368	
Certificates of deposit issued by Central Bank of Lebanon:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	4,000,000	3,964,519	4,047,673	12.09	-	-	-	-
- 3 years to 5 years	253,000,000	253,853,795	263,840,222	11.40	38,938,725	37,060,926	40,184,764	9.53
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-	-	-	-	-	-
	257,000,000	257,818,314	267,887,895		38,938,725	37,060,926	40,184,764	
Certificates of deposit issued by Banks:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	-	-	-	-	-	-	-	-
- 3 years to 5 years	-	-	-	-	6,030,000	6,004,415	5,661,055	7.75
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-	-	-	-	-	-
	-	-	-	-	6,030,000	6,004,415	5,661,055	
Preferred shares:								
- Beyond 10 years	-	-	-	-	979,875	-	-	-
	-	-	-		979,875	-	-	
	257,000,000	257,818,314	267,887,895		189,435,150	187,390,972	187,925,187	
Common shares			160,322				1,974,346	
			268,048,217				189,899,533	

Notes to the **Consolidated Financial Statements**

Year Ended **December 31, 2008**

	December 31, 2007				December 31, 2007			
	LBP Base Accounts				F/Cy Base Accounts			
Contractual Maturity:	Nominal Value	Amortized Cost	Net Carrying Fair Value	Yield	Nominal Value	Amortized Cost	Net Carrying Fair Value	Yield
	LBP' 000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
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	-	-	-	-	135,561,938	135,844,692	133,486,397	7.02
- 1 year to 3 years	-	-	-	-	40,891,719	40,750,667	38,910,858	7.12
- 3 years to 5 years	-	-	-	-	3,895,380	3,880,950	3,739,175	8.00
- 5 years to 10 years	-	-	-	-	20,800,485	22,042,065	21,299,372	8.95
- Beyond 10 years	-	-	-	-	3,164,243	3,143,684	2,850,350	8.33
	-	-	-	-	204,313,765	205,662,058	200,286,152	
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	77,092,042	77,085,758	74,984,563	7.50
- 3 years to 5 years	-	-	-	-	118,112,625	117,790,413	117,793,721	9.07
- 5 years to 10 years	-	-	-	-	38,396,025	36,844,450	38,799,183	9.54
- Beyond 10 years	-	-	-	-	-	-	-	-
	45,000,000	44,316,467	45,000,000		233,600,692	231,720,621	231,577,467	
Certificates of deposit issued by Banks:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	-	-	-	-	-	-	-	-
- 3 years to 5 years	-	-	-	-	6,030,000	5,999,151	5,576,597	7.50
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-	-	-	-	-	-
	-	-	-	-	6,030,000	5,999,151	5,576,597	
Preferred shares:								
- Beyond 10 years	-	-	-	-	1,243,688	1,243,688	1,243,688	7.00
	-	-	-		1,243,688	1,243,688	1,243,688	
	82,124,790	81,307,313	82,331,588		445,188,145	444,625,518	438,683,904	
Common shares			160,321				1,384,681	
			82,491,909				440,068,585	

Certificates of deposit issued by the Central Bank of Lebanon as at December 31, 2008 include certificates of deposit with carrying value of LBP40.18billion (counter value of USD26,656,600) and nominal value of LBP38.939million (counter value of USD25,830,000) 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:

	December 31,	
	2008	2007
Currency	LBP or Counter Value of LBP	LBP or Counter Value of LBP
	LBP'000	LBP'000
LBP	4,799,770	1,978,116
USD	3,295,628	5,654,243
EURO	361,835	1,102,870
	8,457,233	8,735,229

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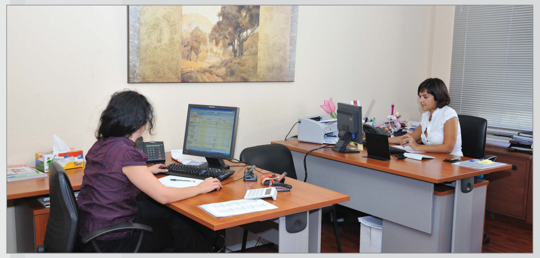

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B. Held to-maturity investment securities:

December 31, 2008 LBP Base Accounts	Amortized Cost	Allowance for Impairment	Unamortized Change in Fair Value	Carrying Value	Fair Value
	LBP'000	LBP' 000	LBP'000	LBP'000	LBP'000
Lebanese Government bonds	-	-	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	-	-
	-	-	-	-	-

December 31, 2008 F/Cy Base Accounts	Amortized Cost	Allowance for Impairment	Unamortized Change in Fair Value	Carrying Value	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Government bonds	232,019,650	-	-	237,109,682	232,019,650
Certificates of deposit issued by Central Bank of Lebanon	193,448,997	-	2,848,746	196,297,743	196,297,743
	425,468,647	-	2,848,746	433,407,425	428,317,393

December 31, 2007 LBP Base Accounts	Amortized Cost	Allowance for Impairment	Unamortized Change in Fair Value	Carrying Value	Fair Value
	LBP'000	LBP' 000	LBP'000	LBP'000	LBP'000
Lebanese Government bonds	-	-	-	-	-
	-	-	-	-	-

December 31, 2007 F/Cy Base Accounts	Amortized Cost	Allowance for Impairment	Unamortized Change in Fair Value	Carrying Value	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Government bonds	192,977,776	-	(11,766,533)	197,608,896	181,211,243
	192,977,776	-	(11,766,533)	197,608,896	181,211,243

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

December 31, 2008

	LBP Base Accounts				F/Cy Base Accounts			
Remaining Period to Maturity:	Redemption Value	Net Carrying Value	Fair Value	Yield	Redemption Value	Net Carrying Value	Fair Value	Yield
	LBP'000	LBP' 000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:								
- Up to 1 year	-	-	-	-	58,842,612	59,970,619	-	6.73
- 1 year to 3 years	-	-	-	-	34,974,000	35,463,395	-	8.57
- 3 years to 5 years	-	-	-	-	57,910,590	60,028,630	-	6.49
- 5 years to 10 years	-	-	-	-	40,099,500	41,726,418	41,143,778	8.45
- Beyond 10 years	-	-	-	-	39,195,000	39,920,620	-	8.24
	-	-	-		**231,021,702**	**237,109,682**	41,143,778	
Certificates of deposit issued by Central Bank of Lebanon:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	-	-	-	-	-	-	-	-
- 3 years to 5 years	-	-	-	-	193,487,625	196,297,743	-	9.01
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-		-	-	-	-
	-	-	-		**193,487,625**	196,297,743	-	
	-	-	-		**424,509,327**	433,407,425	41,143,778	

December 31, 2007

	LBP Base Accounts				F/Cy Base Accounts			
Remaining Period to Maturity:	Redemption Value	Net Carrying Value	Fair Value	Yield	Redemption Value	Net Carrying Value	Fair Value	Yield
	LBP'000	LBP' 000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:								
- Up to 1 year	-	-	-	-	-	-	-	-
- 1 year to 3 years	-	-	-	-	80,998,322	82,598,104	77,899,079	7.61
- 3 years to 5 years	-	-	-	-	72,840,290	75,088,623	68,005,308	5.97
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-	-	39,195,000	39,922,169	35,306,856	8.24
	-	-	-	-	**193,033,612**	**197,608,896**	**181,211,243**	

Accrued interest receivable is segregated between the major currencies as follows as at December 31, 2008 and 2007:

	December 31,	
	2008	2007
Currency	LBP or Counter Value of LBP LBP'000	LBP or Counter Value of LBP LBP'000
USD	5,365,060	1,973,538
EURO	2,573,718	2,657,582
	7,938,778	4,631,120

11. CUSTOMER'S LIABILITY UNDER ACCEPTANCES

Acceptances represent documentary credits which the Bank 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 2008 and 2007 was as follows:

	Real Estate LBP'000
Cost:	
Balance January 1, 2007	10,898,264
Additions	7,889,011
Disposals	(126,530)
Balance December 31, 2007	18,660,745
Additions	116,119
Disposals	(381,541)
Balance December 31, 2008	18,395,323
Accumulated allowance for impairment:	
Balance January 1, 2007	277,036
Write-off on disposal	(31,202)
Balance December 31, 2007	245,834
Write-off on disposal	(4,600)
Balance December 31, 2008	241,234
Carrying amount:	
Balance December 31, 2008	18,154,089
Balance December 31, 2007	18,414,911

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 2008 year end, at least 50% of the balance of non-performing loans outstanding at June 30, 2003.

13. PROPERTY AND EQUIPMENT

	Buildings	Freehold Improvements	Furniture and Equipments	Computer Equipments	Vehicles	Advances on Capital Expenditures	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Gross/Revalued Amount:							
Balance, January 1, 2008	22,157,191	5,672,651	2,480,706	2,659,667	267,328	-	33,237,543
Additions	479,664	1,180,875	724,281	328,868	92,953	2,624,743	5,431,384
Disposals	(884,245)	(201,884)	(51,357)	(62,916)	-	(1,047,193)	(2,247,595)
Balance, December 31, 2008	21,752,610	6,651,642	3,153,630	2,925,619	360,281	1,577,550	36,421,332
Accumulated Depreciation:							
Balance, January 1, 2008	854,930	4,668,556	1,110,053	1,877,151	161,608	-	8,672,298
Additions	78,564	583,651	178,034	253,173	33,835	-	1,127,257
Disposals	(302,744)	(196,689)	(9,633)	(18,491)	-	-	(527,557)
Balance, December 31, 2008	630,750	5,055,518	1,278,454	2,111,833	195,443	-	9,271,998
Carrying Amount:							
Balance, December 31, 2008	21,121,860	1,596,124	1,875,176	813,786	164,838	1,577,550	27,149,334
Balance, December 31, 2007	21,302,261	1,004,095	1,370,653	782,516	105,720	-	24,565,245

14. INTANGIBLE ASSETS

	Purchased Software
	LBP'000
Cost:	
Balance at January 1, 2007	1,321,716
Acquisitions	312,899
Balance December 31, 2007	1,634,615
Acquisitions	186,098
Balance December 31, 2008	1,820,713
Amortization:	
Balance at January 1, 2007	1,144,914
Amortization for the year	106,406
Balance December 31, 2007	1,251,320
Amortization for the year	131,697
Balance, December 31, 2008	1,383,017
Carrying amount:	
December 31, 2008	437,696
December 31, 2007	383,295

15. OTHER ASSETS

	December 31,	
	2008	2007
	LBP'000	LBP'000
Accounts receivable-Credit Cards	763,160	2,097,365
Deferred charges	1,070	246,569
Prepayments	536,190	549,846
Net Forward foreign currency position	34,276	110,178
Sundry accounts receivable	470,101	177,539
	1,804,797	3,181,497

"Accounts receivable-Credit cards" represents client withdrawals on the credit cards that the bank has settled on their behalf to "CreditCard 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:

	2008 LBP'000	2007 LBP'000
Current deposits of banks and financial institutions	47,979,566	34,515,777
Money market deposits	7,487,143	51,577,809
Accrued interest payable	23,471	95,569
	55,490,180	86,189,155

The maturities of money market deposits are as follows:

December 31, 2008

	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2009	2,022,222	3.50	5,464,921	2.26
	2,022,222		5,464,921	

December 31, 2007

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

Accrued interest payable is segregated between the major accounts as follows as at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
	Non-Related Parties	Non-Related Parties
	LBP'000	LBP'000
Current deposits	1,200	2,757
Money Market depostis	22,271	92,812
	23,471	95,569

17. CUSTOMER'S ACCOUNTS AT AMORTIZED COST

	December 31, 2008 LBP Interest Bearing	Non-Interest Bearing	Total	Counter Value in LBP of F/Cy Interest Bearing	Non-Interest Bearing	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from customers:						
- Current / demand deposits	14,079,202	-	14,079,202	108,847,803	-	108,847,803
- Term deposits	1,166,094,714		1,166,094,714	1,190,243,720		1,190,243,720
- Collateral against loans and advances	144,697,744	-	144,697,744	108,717,857	-	108,717,857
	1,324,871,660	-	1,324,871,660	1,407,809,380	-	1,407,809,380
Margin and other accounts:						
- Margins for irrevocable import letters of credit	571,923	-	571,923	29,569,781	-	29,569,781
- Margins on letters of guarantee	715,742	-	715,742	2,917,684	-	2,917,684
- Other margins	14,454,182	-	14,454,182	2,200,620	-	2,200,620
	15,741,847	-	15,741,847	34,688,085	-	34,688,085
Accrued interest payable	15,201,493	-	15,201,493	4,550,105	-	4,550,105
Total	1,355,815,000	-	1,355,815,000	1,447,047,570	-	1,447,047,570

	December 31, 2007 LBP			Counter Value in LBP of F/Cy		
	Interest Bearing	Non-Interest Bearing	Total	Interest Bearing	Non-Interest Bearing	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from customers:						
- Current / demand deposits	11,712,198	-	11,712,198	79,377,137	-	79,377,137
- Term deposits	820,198,974	-	820,198,974	1,059,757,401	-	1,059,757,401
- Collateral against loans and advances	120,824,911	-	120,824,911	123,166,721	-	123,166,721
	952,736,083	-	952,736,083	1,262,301,259	-	1,262,301,259
Margin and other accounts:						
- Margins for irrevocable import letters of credit	3,486,000	-	3,486,000	9,275,895	-	9,275,895
- Margins on letters of guarantee	1,001,657	-	1,001,657	2,324,220	-	2,324,220
- Other margins	11,572,013	-	11,572,013	1,619,537	-	1,619,537
- Escrow account for capital increase	-	14,859,825	14,859,825	-	-	-
	16,059,670	14,859,825	30,919,495	13,219,652	-	13,219,652
Accrued interest payable	7,933,418	-	7,933,418	5,965,977	-	5,965,977
Total	976,729,171	14,859,825	991,588,996	1,281,486,888	-	1,281,486,888

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

December 31, 2008

	LBP			Counter Value of F/Cy		
	Total Deposits	to Total Deposits	No.of Account	Total Deposits	to Total Deposits	No.of Account
	LBP' 000	%		LBP'000	%	
Less than LBP50,000	72,835,081	5.43	10,345	66,111,912	4.58	9,521
From 50,001 to 250,000	207,983,434	15.51	1,862	165,755,631	11.49	1,426
From 250,001 to 750,000	215,816,348	16.11	526	165,527,402	11.48	391
From 750,001 to 1,500,000	151,256,915	11.28	147	123,851,674	8.59	120
More than 1,500,001	692,721,729	51.67	125	921,250,846	63.86	116
	1,340,613,507			1,442,497,465		

December 31, 2007

	LBP			Counter Value of F/Cy		
	Total Deposits	to Total Deposits	No.of Account	Total Deposits	to Total Deposits	No.of Account
	LBP' 000	%		LBP'000	%	
Less than LBP50,000	64,219,438	6.53	9,622	69,347,648	5.44	8,599
From 50,001 to 250,000	159,505,307	16.22	1,424	176,914,959	13.87	1,531
From 250,001 to 750,000	138,975,155	14.12	338	194,277,627	15.23	459
From 750,001 to 1,500,000	91,081,874	9.26	87	121,115,929	9.50	118
More than 1,500,001	529,873,804	53.87	76	713,864,748	55.96	101
	983,655,578			1,275,520,911		

Deposits from customers at amortized cost include at December 31, 2008 coded deposit accounts in the aggregate amount of LBP103.36billion (LBP 86.04billion in 2007).

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, 2008 fiduciary deposits received from banks for a total amount of LBP119.6billion (LBP102.1billion in 2007).

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	F/Cy Base Accounts	Cost of funds	Average Interest Rate
	LBP'000	LBP'000	LBP'000	%
2008	1,182,462,601	1,455,405,989	171,364,136	6.50
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

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

Currency	December 31, 2008 LBP or Counter Value of LBP LBP'000	December 31, 2007 LBP or Counter Value of LBP LBP'000
LBP	15,201,493	7,933,418
USD	3,929,052	5,563,009
EURO	570,694	373,312
Others	50,359	29,656
	19,751,598	13,899,395

18. OTHER LONG TERM DEBTS

On January 11, 2002, based on the general assembly resolution dated December 21 2001, the Bank was granted a subordinated 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 where the Bank settled total amount of loan and related interest due.

Interest expense on this loan amounted to LBP2million as at December 31, 2008 (LBP411million as at December 31, 2007).

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.

19. OTHER LIABILITIES

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Current tax liability	5,109,134	2,206,320
Withheld taxes and property taxes	1,597,505	2,111,702
Due to the Social Security National Fund	186,949	140,539
Checks and incoming payment orders in course of settlement	524,836	521,597
Blocked capital subscriptions for companies under incorporation	929,136	299,700
Accrued expenses	2,080,940	2,272,791
Dividends declared and payable	6,865	6,619
Payable to personnel and directors	454,600	370,120
Unearned revenues	1,911,140	1,595,049
Due to former shareholders	417,577	417,577
Sundry accounts payable	1,197,658	2,805,471
	14,416,340	12,747,485

Current tax liability includes income tax payable calculated as follows:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Profit before tax	46,202,476	35,550,531
Losses of Erbil Branch	28,931	-
Tax effect of non deductible expenses	10,484,406	2,725,181
Tax effect of non-taxable income	(8,363,379)	(5,277,411)
Tax effect of carried forward losses of subsidiary	(840,659)	(900,994)
Taxable income	47,511,775	32,097,307
Income tax (15% tax rate)	7,126,766	4,814,596
Property tax	150,000	150,000
Less: Tax paid during the year	(2,167,632)	(2,758,276)
Current tax liability as at December 31	**5,109,134**	**2,206,320**

20. PROVISIONS

Provisions consist of the following:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Provision for staff end of service indemnity	2,884,263	2,320,140
Provision for contingencies	45,636	45,636
Provision for loss in foreign currency position	87,250	87,250
	3,017,149	2,453,026

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

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Balance, January 1	2,320,140	2,224,452
Additions	893,954	387,239
Settlements	(329,831)	(291,551)
Balance,December 31	**2,884,263**	**2,320,140**

21. SHARE CAPITAL

According to the decision of the Extraordinary General Assembly held on February 20, 2007, the Bank issued 2,347,360 ordinary shares with a nominal value of LBP7,500 per share, in addition to an additional paid in capital amounting to USD4,321,582 (equivalent to LBP6.51billion); accordingly, the Bank's authorized ordinary share capital as at December 31, 2008 amounted to LBP77.70billion consisting of 10,360,000 fully paid shares (8,012,640 shares in 2007) of LBP7,500 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 Bank hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD6,300,000 .

22. PREFERRED SHARES

At December 31, 2008, the authorized preferred share capital amounting to LBP6.3billion consist of 840,000 non-cumulative, redeemable, preferred shares of LBP7,500 par value and a premium of USD 25 per share (840,000 shares in 2007).

These shares are entitled to dividends at the rate of 13.86% of the non-consolidated Bank net income for 2008 and each year thereafter. These dividends should not fall below 8.5% or above 12% of the issue price amounting to USD30 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 USD30 per share; within 60 days following the date of the Ordinary General Assembly of shareholders held to approve the accounts of the Bank for the year for the year 2010 and for any subsequent year thereafter in its sole discretion.

Theses 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, 2008 LBP'000	December 31, 2007 LBP'000
Legal Reserve	4,098,696	1,115,201
Reserve for general banking risks	4,978,318	4,213,318
	9,077,014	5,328,519

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 Bank'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, 2008 LBP'000	December 31, 2007 LBP'000
Unrealized gain on Lebanese treasury bills	877,968	340,742
Unrealized loss on Lebanese government bonds	(2,246,263)	(5,375,930)
Unrealized gain on certificates of deposit issued by Central Bank of Lebanon	13,193,420	540,379
Unrealized loss on certificates of deposit issued by commercial banks	(343,360)	(422,554)
Unrealized gain on shares	552,441	942,652
Total	12,034,206	(3,974,711)

25. DIVIDENDS PAIDS

The following dividends were declared and paid by the Bank:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Ordinary shares	3,615,581	3,000,000
Preferred shares	3,615,581	3,560,449
	7,231,162	6,560,449

26. INTEREST INCOME

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Free deposits with the Central Bank of Lebanon	129,763,116	115,688,608
Deposits with banks and financial institutions	3,264,399	6,700,434
Available-for-sale investment securities	49,565,499	46,362,388
Held-to-maturity- investment securities	32,896,245	15,281,917
Loans to banks	3,390,068	772,703
Loans and advances	28,492,727	25,050,443
	247,372,054	209,856,493

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, 2008 LBP'000	December 31, 2007 LBP'000
Deposits and borrowings from banks and financial institutions	4,422,704	3,217,935
Free deposits with the Central Bank of Lebanon	-	709,174
Customers' accounts at amortized cost	171,220,436	153,955,645
	175,643,140	157,882,754

28. FEE AND COMMISSION INCOME

This caption consists of the following:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Commission on documentary credits	826,733	606,907
Commission on letters of guarantee	661,416	537,286
Service fees on customers' transactions	1,248,106	940,375
Asset management fees	-	322,516
Other	167,912	152,308
	2,904,167	2,559,392

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

29. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Commission on transactions with banks	389,830	230,317
Other	149,817	158,261
	539,647	388,578

30. OTHER OPERATING INCOME

This caption consists of the following:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Gain on sale of available-for-sale securities		
Equities	12,992	72,748
Lebanese treasury bills	2,816,710	389,354
Lebanese Government bonds	-	36,829
Certificates of deposit issued by Central Bank of Lebanon	1,986,659	5,251,112
Dividends on available for-sale-securities	179,393	115,280
Foreign exchange gain	1,681,992	509,561
Other	48,094	(104,866)
	6,725,840	6,270,018

31. STAFF COSTS

This caption consists of the following:

	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Salaries	12,281,571	9,839,969
Social Security contributions	1,407,451	1,222,072
Provision for end-of-service indemnities	877,186	390,750
	14,566,208	11,452,791

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:

Shareholders, directors and other key management personnel and close family members:	December 31, 2008 LBP'000	December 31, 2007 LBP'000
Direct facilities and credit balances:		
Secured loans and advances	22,952,326	21,981,075
Deposits	48,842,314	144,538,926
Indirect facilities:		
Letters of guarantee	2,294,281	2,232,296

Secured loans and advances are covered by real estate mortgage to the extent of LBP7,5billion that was subsequently increased to the extent of LBP11.31billion, and by pledged deposits of the respective borrowers to the extent of LBP16.83billion.

The remunerations of executive management amounted to LBP1.61billion during 2008 (LBP1.22billion during 2007). Board of directors Representation allowances amounted to LBP396.66million during 2008 (LBP449.66million 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,	
	2008 LBP'000	2007 LBP'000
Cash	17,048,297	14,582,866
Current account at the Central Bank of Kurdistan	12,271,561	-
Time deposits with the Central Bank of Lebanon	58,618,130	177,140,826
Current accounts with banks and financial institutions	66,404,737	13,292,672
Time deposits with banks and financial institutions	111,334,593	282,733,697
Demand deposits from banks	(47,979,568)	(34,515,777)
Time deposits from banks	(5,222,135)	(51,577,809)
	212,475,615	401,656,475

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 days or less.

35. CAPITAL MANAGEMENT

The Bank manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Bank's lead regulator. As at December 31, 2008, the Bank was required to comply with the minimum capital adequacy requirements of 12% as set by the Central Bank of Lebanon.

The Bank'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 Bank's capital adequacy ratio was as follows:

	December 31,	
	2008 LBP'000	2007 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	197,936	134,613
Aggregate risk weighted assets	381,005	354,422
Aggregate risk weighted off-balance sheet items financial instruments	31,486	26,062
Foreign currency global position	1,399	1,780
Total	413,890	382,264
Capital adequacy ratio	47.82%	35.21%

The Bank'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.

36. FINANCIAL RISK MANAGEMENT

The Bank 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 credit exposures based on prevailing credit policies and guidelines. Additionally the Bank manages credit risk through loan portfolio diversification, limiting exposure to any single industry, risk mitigation, 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 Bank 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 Bank.

- 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 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.

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 Bank 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

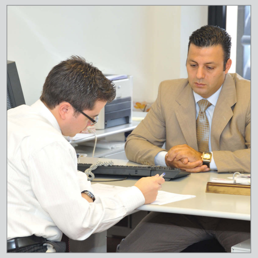
The Bank writes-off a loan or security (and any related allowances for impairment losses) when Bank's management and credit business unit determine that the loans/securities are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant 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, 2008 and 2007.

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.

Thank You for choosing IBL Bank



IBL BANK S.A.L

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

December 31, 2008

	Gross Loans Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Fair Value of Collateral Held: Pledged Funds	1st degree Mortgage	Equity Securities	Other Securities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	428,697,613	-	428,697,613	363,439,639	110,408,335	1,875,323	3,385,938	479,109,235
Past due regular loans and advances but not impaired					-	-	-	-
Between 30-60 days	956,714	-	956,714	-	-	-	-	-
Between 60-90 days	173,163	-	173,163	-	-	-	-	-
Between 90-180 days	1,952,876	-	1,952,876	-	-	-	-	-
Beyond 180 days	1,900,847	-	1,900,847	-	-	-	-	-
	4,983,600	-	4,983,600	-	-	-	-	-
Individually Impaired								
Substandard	869,254	-	869,254	-	585,112	-	218,104	803,216
Restructured substandard	269,025	-	269,025	-	512,550	-	-	512,550
Doubtful and bad	52,791,526	37,961,512	14,830,014	575,025	22,180,608	-	123,307	22,878,940
Restructed doubtful and bad	3,200,412	1,594,083	1,606,329	-	3,665,498	-	-	3,665,498
	57,130,217	39,555,595	17,574,622	575,025	26,943,768	-	341,411	27,860,204
Collectively Impaired	-	3,359,598	(3,359,598)	-	-	-	-	-
	490,811,430	42,915,193	447,896,237	364,014,664	137,352,103	1,875,323	3,727,349	506,969,439

December 31, 2007

	Gross Loans Net of Unrealized Interest	Allowance for Impairement	Net Exposure	Fair Value of Collateral Held: Pledged Funds	1st degree Mortgage	Equity Securities	Other Securities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular loans and advances	266,226,647	-	266,226,647	256,329,863	112,217,718	4,760,096	2,215,350	375,523,027
Past due regular loans and advances but not impaired								
Between 30-60 days	18,347	-	18,347	-	-	-	-	-
Between 60-90 days	1,140,519	-	1,140,519	-	-	-	-	-
Between 90-180 days	731,819	-	731,819	-	-	-	-	-
Beyond 180 days	3,320,652	-	3,320,652	-	-	-	-	-
	5,211,337	-	5,211,337	-	-	-	-	-
Individually Impaired								
Substandard	1,061,024	-	1,061,024	2,032	861,750	-	218,104	1,081,886
Doubtful	49,119,919	33,818,447	15,301,472	198,163	22,035,372	-	73,240	22,306,775
Restructed and doubtful	2,994,617	1,214,368	1,780,249	1,507	1,340,831	-	-	1,342,338
	53,175,560	35,032,815	18,142,745	201,702	24,237,953	-	291,344	24,730,999
Collectively Impaired	-	1,509,170	(1,509,170)	-	-	-	-	-
	324,613,544	36,541,985	288,071,559	256,531,565	136,455,671	4,760,096	2,506,694	400,254,026

b) Concentration of financial assets by industry or sector:

December 31, 2008

	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Real Estate Trading	Services	Private Individuals	Other
Balance sheet Exposure:	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash, compulsory reserves and deposits at Central Banks	1,453,129,888	-	-	-	-	-	-	-	17,048,296
Deposits with banks and financial institutions	-	177,773,750	-	-	-	-	-	-	-
Loans to banks	-	98,885,461	-	-	-	-	-	-	-
Loans and advances to customers	8,022	49,865,515	37,798,380	44,663,427	114,584,494	589,154	167,188,288	29,245,900	3,953,057
Loans and advances to related parties	-	-	-	-	-	-	22,952,326	-	-
Available for sale investment Securities	464,270,316	-	-	-	-	-	-	-	2,134,667
Held-to-maturity investment securities	433,407,425	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	1,804,797
	2,350,815,651	326,524,726	37,798,380	44,663,427	114,584,494	589,154	190,140,614	29,245,900	24,940,817
Off-Balance sheet Risks:									
Letters of credit	-	78,432,368	-	-	-	-	-	-	-
Letters of guarantee	-	53,292,504	-	-	-	-	-	-	-
Forward Contracts	-	81,380,747	-	-	-	-	-	-	-
	-	213,105,619	-	-	-	-	-	-	-

December 31, 2007

Balance sheet Exposure:	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Real Estate Trading	Services	Private Individuals	Other
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash, compulsory reserves and deposits at Central Banks	1,270,229,581	-	-	-	-	-	-	-	14,582,865
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	16,839,000	126,698,826	1,666,000	18,127,925	18,219,000	64,677,000
Loans and advances to related parties	-	-	-	-	-	-	21,981,075	-	-
Available for sale investment Securities	528,507,033	-	-	-	-	-	-	-	2,788,691
Held-to-maturity investment Securities	197,608,896	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	3,181,497
	1,996,345,510	330,244,363	37,161,000	16,839,000	126,698,826	1,666,000	40,109,000	18,219,000	85,230,053
Off-Balance sheet Exposure:									
Letters of credit	-	31,157,692	-	-	-	-	-	-	-
Letters of guarantee	-	46,604,530	-	-	-	-	-	-	-
Forward Contracts	-	47,571,765	-	-	-	-	-	-	-
	-	125,333,987	-	-	-	-	-	-	-

c) Concentration of assets and liabilities by geographical area:

December 31, 2008

	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 deposits at Central Banks	1,457,354,468	12,823,716	-	-	-	1,470,178,184
Deposits with banks and financial institutions	5,145,299	8,869,895	53,505,160	110,196,922	56,474	177,773,750
Loans to banks	98,885,461	-	-	-	-	98,885,461
Loans and advances to customers	281,633,005	8,659,953	19	157,603,097	163	447,896,237
Loans and advances to related parties	22,952,326	-	-	-	-	22,952,326
Available-for-sale investment Securities	466,404,983	-	-	-	-	466,404,983
Held-to-maturity investment Securities	433,407,425	-	-	-	-	433,407,425
Customers' liability under acceptances	4,199,827	-	-	-	-	4,199,827
Assets acquired in satisfaction of loans	18,154,089	-	-	-	-	18,154,089
Property and equipement	26,553,492	595,842	-	-	-	27,149,334
Intangible assets	428,289	9,407	-	-	-	437,696
Other assets	1,758,446	46,351	-	-	-	1,804,797
Total Assets	2,816,877,110	31,005,164	53,505,179	267,800,019	56,637	3,169,244,109
LIABILITIES						
Deposits and borrowings from banks	7,555,127	44,703,580	-	3,231,473	-	55,490,180
Customers' accounts at amortized Cost	2,332,867,606	213,000,672	18,509,243	230,568,576	7,916,473	2,802,862,570
Related parties accounts at amortized cost	48,842,314	-	-	-	-	48,842,314
Acceptance liability	4,199,827	-	-	-	-	4,199,827
Other long term debts	-	-	-	-	-	-
Other liabilities	14,414,169	2,171	-	-	-	14,416,340
Provisions	3,017,149	-	-	-	-	3,017,149
Total liabilities	2,410,896,192	257,706,423	18,509,243	233,800,049	7,916,473	2,928,828,380

December 31, 2007

	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 deposits at 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)	247,238,211	40,833,348	-	-	-	288,071,559
Loans and advances to related parties	21,981,075	-	-	-	-	21,981,075
Available-for-sale investment Securities	531,295,724	-	-	-	-	531,295,724
Held-to-maturity investment Securities	197,608,896	-	-	-	-	197,608,896
Customers' liability under acceptances	7,721,820	-	-	-	-	7,721,820
Assets acquired in satisfaction of loans	18,414,911	-	-	-	-	18,414,911
Property and equipement	24,565,245	-	-	-	-	24,565,245
Intangible assets	383,295	-	-	-	-	383,295
Other assets	3,181,497	-	-	-	-	3,181,497
Total Assets	2,368,436,125	75,584,358	-	244,698,515	14,879,025	2,703,598,023
LIABILITIES						
Deposits and borrowings from banks	53,650,126	12,560,000	-	19,979,029	-	86,189,155
Customers' accounts at amortized Cost	2,272,611,478	316,511	5,294	124,482	18,119	2,273,075,884
Related parties accounts at amortized cost	144,538,926	-	-	-	-	144,538,926
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

B. Liquidity risk

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

1. Liquidity risk management

The Bank 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 Bank's balance sheet structure is run in a way aimed at maintaining diversification and lowering concentration among different sources of funds. 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 segragated by maturity.

December 31, 2008
LBP Base Accounts

	Accounts With no Maturity	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 and deposits at Central Banks	5,475	489,450	698,766	40,616	-	-	1,234,307
Deposits with banks and financial institutions	131	1,565	-	-	-	-	1,696
Loans to banks	-	-	672	2,720	4,120	11,920	19,432
Loans and advances to customers	(6,098)	11,497	9,340	104	-	-	14,843
Loans and advances to related parties	-	2	-	-	-	-	2
Available-for-sale investment Securities	-	160	-	4,161	268,527	-	272,848
Held-to-maturity investment Securities	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	687	-	-	-	-	-	687
Property and equipement	26,553	-	-	-	-	-	26,553
Intangible assets	429	-	-	-	-	-	429
Other assets	908	-	-	-	-	-	908
Total Assets	28,085	502,674	708,778	47,601	272,647	11,920	1,571,705
LIABILITIES							
Deposits and borrowings from banks	-	2,069	-	-	-	-	2,069
Customers' accounts at amortized Cost	-	1,211,242	143,074	1,499	-	-	1,355,815
Related parties' accounts at amortized cost	-	10,814	-	-	-	-	10,814
Acceptance liability	-	-	-	-	-	-	-
Other long term debts	-	-	-	-	-	-	-
Other liabilities	10,156	-	-	-	-	-	10,156
Provisions	2,549	-	-	-	-	-	2,549
Total liabilities	12,705	1,224,125	143,074	1,499	-	-	1,381,403
Maturity Gap	15,380	(721,451)	565,704	46,102	272,647	11,920	190,302

December 31, 2008
F/Cy Base Accounts

	Accounts With no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	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 and deposits at Central Banks	23,844	171,719	40,308	-	-	-	235,871
Deposits with banks and financial institutions	3,177	172,901	-	-	-	-	176,078
Loans to banks	-	-	79,454	-	-	-	79,454
Loans and advances to customers	16,406	59,460	354,955	1,848	384	-	433,053
Loans and advances to related parties	-	2	22,948	-	-	-	22,950
Available-for-sale investment Securities	-	995	8,202	1,392	101,571	81,397	193,557
Held-to-maturity investment Securities	-	-	59,895	22,008	269,856	81,648	433,407
Customers' liability under acceptances	-	3,692	508	-	-	-	4,200
Assets acquired in satisfaction of loans	17,467	-	-	-	-	-	17,467
Property and equipement	596	-	-	-	-	-	596
Intangible assets	9	-	-	-	-	-	9
Other assets	897	-	-	-	-	-	897
Total Assets	62,396	408,769	566,270	25,248	371,811	163,045	1,597,539
LIABILITIES							
Deposits and borrowings from banks	-	53,421	-	-	-	-	53,421
Customers' accounts at amortized Cost	129,272	1,215,924	97,498	4,125	-	228	1,447,047
Related parties' accounts at amortized cost	-	38,028	-	-	-	-	38,028
Acceptance liability	-	3,692	508	-	-	-	4,200
Other long term debts	-	-	-	-	-	-	-
Other liabilities	4,261	-	-	-	-	-	4,261
Provisions	468	-	-	-	-	-	468
Total liabilities	134,001	1,311,065	98,006	4,125	-	228	1,547,425
Maturity Gap	(71,605)	(902,296)	468,264	21,123	371,811	162,817	50,114

December 31, 2007
LBP Base Accounts

	Accoutns 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 deposits at 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
Loans and advances to related parties	-	-	87	-	-	87
Available-for-sale investment Securities	-	160	-	55,305	29,004	84,469
Assests acquired in satisfaction of loans	678	-	-	-	-	678
Property and equipement	24,565	-	-	-	-	24,565
Intangible assets	383	-	-	-	-	383
Other assets	1,072	-	-	-	-	1,072
Total Assets	26,698	161,868	11,193	960,773	29,010	1,189,542
LIABILITIES						
Deposits and borrowings from banks and financial institutions	-	48,309	-	-	-	48,309
Customers' accounts at amortized Cost	-	660,690	330,815	83	-	991,588
Related parties' accounts at amortized cost	-	6,707	-	-	-	6,707
Other liabilities	8,396	-	-	-	-	8,396
Provisions	2,065	-	-	-	-	2,065
Total liabilities	10,461	715,706	330,815	83	-	1,057,065
Maturity Gap	16,237	(553,838)	(319,622)	960,690	29,010	132,477

December 31, 2007
F/Cy Base Accounts

	Accoutns With no Maturity	Up to 3 Months	3 Months to 1Year	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 and deposits at Central Banks	-	187,615	41,250	-	-	-	228,865
Deposits with banks and financial institutions	-	294,549	204	-	-	-	294,753
Loans to banks	-	-	23,085	-	-	-	23,085
Loans and advances to customers	-	-	141,542	131,690	223	-	273,455
Loans and advances to related parties	-	-	21,894	-	-	-	21,894
Available-for-sale investment Securities	-	-	135,274	109,029	175,243	27,280	446,826
Held-to-maturity investment Securities	-	-	-	82,598	75,089	39,922	197,609
Customers' liability under acceptances	-	6,044	929	749	-	-	7,722
Assets acquired in satisfaction of loans	17,737	-	-	-	-	-	17,737
Other assets	2,110	-	-	-	-	-	2,110
Total Assets	19,847	488,208	364,178	324,066	250,555	67,202	1,514,056
LIABILITIES							
Deposits and borrowings from banks and financial institutions	-	34,588	3,292	-	-	-	37,880
Customers' accounts at amortized Cost	-	962,170	317,909	1,049	-	-	1,281,488
Related parties' accounts at amortized cost	-	137,832	-	-	-	-	137,832
Acceptance liability	-	6,044	929	749	-	-	7,722
Other long term debts	-	6,979	-	-	-	-	6,979
Other liabilities	3,934	-	-	-	-	-	3,934
Shareholders current account	418	-	-	-	-	-	418
Provisions	388	-	-	-	-	-	388
Total liabilities	4,740	1,147,613	322,130	2,158	-	-	1,476,641
Maturity Gap	15,107	(659,405)	42,048	321,908	250,555	67,202	37,415

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.

The Bank manages market risks through a framework that defines the global activity and individual limits and sensitivity analysis.

1. 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.Large amounts of the Bank'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**

Below is a summary of the Bank'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 Bank'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, 2008 LBP Base Accounts Floating Interest Rate							December 31, 2008 LBP Base Accounts Fixed 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	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000'000	LBP'000 000
Cash, Compulsory reserves and deposits at Central Banks	5,476	183,798	-	-	-	-	183,798	305,651	-	698,766	40,616	-	1,045,033
Deposits with banks and financial institutions	131	-	-	-	-	-	-	1,565	-	-	-	-	1,565
Loans to banks	-	-	-	-	-	-	-	-	672	2,720	4,120	11,920	19,432
Loans and advances to customers	(5,744)	-	-	-	-	-	-	11,143	9,340	104	-	-	20,587
Loans and advances to related parties	-	-	-	-	-	-	-	2	-	-	-	-	2
Available for sale investment securities	161	-	-	-	-	-	-	-	-	4,161	268,526	-	272,687
Held-to-maturity investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Customers' liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	687	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	26,553	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	429	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	908	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	28,601	183,798	-	-	-	-	183,798	318,361	10,012	705,751	313,262	11,920	1,359,306
LIABILITIES													
Deposits and borrowings from banks	-	-	-	-	-	-	-	2,069	-	-	-	-	2,069
Customers' accounts at amortized cost	76,562	-	-	-	-	-	-	1,134,680	143,074	1,499	-	-	1,279,253
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	10,814	-	-	-	-	10,814
Acceptance Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long term debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilites	10,156	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	2,549	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	89,267	-	-	-	-	-	-	1,147,563	143,074	1,499	-	-	1,292,136
Interest rate gap position	(60,666)	183,798	-	-	-	-	183,798	(829,202)	(133,062)	704,252	313,262	11,920	67,170

Year Ended **December 31, 2008**

Below is a summary of the Bank'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, 2008 F/CY Base Accounts Floating Interest Rate							December 31, 2008 F/CY Base Accounts Fixed 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	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000'000	LBP'000 000
Cash, Compulsory reserves and deposits at Central Banks	25,014	-	-	-	-	-	-	170,549	40,308	-	-	-	210,857
Deposits with banks and financial institutions	3,177	-	-	-	-	-	-	172,901	-	-	-	-	172,901
Loans to banks	-	-	-	-	-	-	-	-	79,454	-	-	-	79,454
Loans and advances to customers	19,959	-	-	-	-	-	-	55,907	354,955	1,848	384	-	413,094
Loans and advances to related parties	-	-	-	-	-	-	-	2	22,948	-	-	-	22,950
Available for sale investment securities	-	-	4,499	-	-	-	4,499	995	3,703	1,392	101,571	81,397	189,058
Held-to-maturity investment securities	-	-	19,695	-	-	-	19,695	-	40,200	22,008	269,856	81,648	413,712
Customers' liability under acceptances	-	-	-	-	-	-	-	3,692	508	-	-	-	4,200
Assets acquired in satisfaction of loans	17,467	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	596	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	9	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	897	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	67,119	-	24,194	-	-	-	24,194	404,046	542,076	25,248	371,811	163,045	1,506,226
LIABILITIES													
Deposits and borrowings from banks	-	-	-	-	-	-	-	53,421	-	-	-	-	53,421
Customers' accounts at amortized cost	127,774	-	-	-	-	-	-	1,217,423	97,498	4,125	-	228	1,319,274
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	38,028	-	-	-	-	38,028
Acceptance Liability	-	-	-	-	-	-	-	3,692	508	-	-	-	4,200
Other long term debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilites	4,260	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	468	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	132,502	-	-	-	-	-	-	1,312,564	98,006	4,125	-	228	1,414,923
Interest rate gap position	(65,383)	-	24,194	-	-	-	24,194	(908,518)	444,070	21,123	371,811	162,817	91,303

Below is a summary of the Bank'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							December 31, 2007 LBP Base Accounts Fixed 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	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000'000	LBP'000 000
Cash, Compulsory reserves and deposits at Central Banks	6,006	153,724	-	-	-	-	153,724	-	-	896,217	-	-	896,217
Deposits with banks and financial institutions	1,978	-	-	-	-	-	-	-	-	-	-	-	-
Loans to banks	-	-	-	-	-	-	-	-	-	5,745	-	-	5,745
Loans and advances to customers	1,727	-	-	-	-	-	-	5,963	3,321	3,506	6	-	12,796
Loans and advances to related parties	-	-	-	-	-	-	-	-	87	-	-	-	87
Available for sale investment securities	705	-	-	-	-	-	-	-	-	55,252	28,513	-	83,765
Assets acquired in satisfaction of loans	678	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	24,565	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	383	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	9,931	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	45,973	153,724	-	-	-	-	153,724	5,963	3,408	960,720	28,519	-	998,610
LIABILITIES													
Deposits and borrowings from banks	76	-	-	-	-	-	-	48,233	-	-	-	-	48,233
Customers' accounts at amortized cost	60,720	-	-	-	-	-	-	870,821	59,933	115	-	-	930,869
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	6,707	-	-	-	-	6,707
Other liabilites	8,396	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	2,065	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	71,257	-	-	-	-	-	-	925,761	59,933	115	-	-	985,809
Interest rate gap position	(25,284)	153,724	-	-	-	-	153,724	(919,798)	(56,525)	960,605	28,519	-	12,801

Below is a summary of the Bank'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							December 31, 2007 F/CY Base Accounts Fixed 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	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	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000'000	LBP'000 000
ASSETS													
Cash, Compulsory reserves and deposits at Central Banks	9,618	177,140	40,921	-	-	-	218,061	1,186	-	-	-	-	1,186
Deposits with banks and financial institutions	6,397	-	-	-	-	-	-	288,357	-	-	-	-	288,357
Loans to banks	-	-	-	-	-	-	-	23,084	-	-	-	-	23,084
Loans and advances to customers	15,998	12,847	-	-	-	-	12,847	5,751	107,043	131,688	222	-	244,704
Loans and advances to related parties	-	-	-	-	-	-	-	-	21,894	-	-	-	21,894
Available for sale investment securities	6,268	-	-	4,350	-	-	4,350	-	133,486	221,606	56,966	24,150	436,208
Held-to-maturity investment securities	4,630	-	-	19,598	-	-	19,598	-	-	61,343	72,816	39,222	173,381
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	318,378	262,423	414,637	130,004	63,372	1,188,814
LIABILITIES													
Deposits and borrowings from banks	74	-	-	-	-	-	-	34,461	3,345	-	-	-	37,806
Customers' accounts at amortized cost	107,323	-	-	-	-	-	-	1,108,546	61,439	4,178	-	-	1,174,163
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	137,832	-	-	-	-	137,832
Acceptance Liability	7,722	-	-	-	-	-	-	-	-	-	-	-	-
Other long term debts	-	-	-	-	-	-	-	6,979	-	-	-	-	6,979
Other liabilites	3,934	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders current account	418	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	388	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilites	119,859	-	-	-	-	-	-	1,287,818	64,784	4,178	-	-	1,356,780
Interest rate gap position	(58,238)	189,987	40,921	23,948	-	-	254,856	(969,440)	197,639	410,459	130,004	63,372	(167,966)

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 the Bank's exposure to foreign currency exchange risk at year end:

December 31, 2008

	LBP	USD C/V in LBP	EURO C/V in LBP	GBP C/V in LBP	IQD C/V in LBP	Other Currencies C/V in LBP	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash, Compulsory reserves and deposits at Central Banks	1,234,307,378	126,115,288	109,184,785	33,077	531,200	6,456	1,470,178,184
Deposits with banks and financial institutions	1,695,743	150,911,056	2,749,428	7,938,855	-	14,478,668	177,773,750
Loans to banks	19,431,941	79,453,520	-	-	-	-	98,885,461
Loans and advances to customers	14,842,943	352,582,976	77,797,450	1,589,561	-	1,083,307	447,896,237
Loans and advances to related parties	1,863	22,949,789	674	-	-	-	22,952,326
Available for sale investment securities	272,847,988	185,463,928	8,093,067	-	-	-	466,404,983
Held-to-maturity investment securities	-	371,221,482	62,185,943	-	-	-	433,407,425
Customers' liability under acceptances	-	2,328,201	1,871,626	-	-	-	4,199,827
Assets acquired in satisfaction of loans	686,852	17,467,237	-	-	-	-	18,154,089
Property and equipment	26,553,492	328,091	-	-	267,751	-	27,149,334
Intangible assets	428,289	-	-	-	9,407	-	437,696
Other assets	**907,420**	**531,578**	**141,253**	**20,077**	**(284,742)**	**454,935**	**1,770,521**
Total assets	**1,571,703,909**	**1,309,353,146**	**262,024,226**	**9,581,570**	**523,616**	**16,023,366**	**3,169,209,833**
LIABILITIES							
Deposits and borrowings from banks	2,068,783	50,179,994	370,431	2	-	2,870,970	55,490,18
Customers' accounts at amortized cost	1,355,815,000	1,177,912,474	247,279,812	15,070,257	550,361	6,234,666	2,802,862,570
Related parties' accounts at amortized cost	10,813,756	32,094,088	5,934,330	140	-	-	48,842,314
Acceptance Liability	-	2,328,201	1,871,626	-	-	-	4,199,827
Other long term debts	-	-	-	-	-	-	-
Other liabilites	10,156,059	3,593,717	643,716	12,569	2,186	8,093	14,416,340
Provisions	2,549,185	467,964	-	-	-	-	3,017,149
Total liabilites	1,381,402,783	1,266,576,438	256,099,915	15,082,968	552,547	9,113,729	2,928,828,380
Currencies to be delivered	-	(17,136,360)	(11,260,225)	(6,558,990)	-	(46,390,896)	(81,346,471)
Currencies to be received	-	25,173,120	4,588,224	12,028,969	-	39,590,434	81,380,747
Net exchange position	-	8,036,760	(6,672,001)	5,469,979	-	(6,800,462)	34,276

December 31, 2007

	LBP	USD C/V in LBP	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	LBP'000	LBP'000
ASSETS						
Cash, Compulsory reserves and deposits at Central Banks	1,055,947,371	91,378,192	135,031,637	52,996	2,402,250	1,284,812,446
Deposits with banks and financial institutions	1,977,558	267,113,551	18,087,155	7,242,943	2,310,100	296,731,307
Loans to banks	5,744,666	23,085,582	-	-	-	28,830,248
Loans and advances to customers	14,522,586	202,326,237	69,550,135	1,567,954	104,647	288,071,559
Loans and advances to related parties	86,921	21,893,678	476	-	-	21,981,075
Available for sale investment securities	84,470,025	421,577,483	25,248,216	-	-	531,295,724
Held-to-maturity investment securities	-	133,205,711	64,403,185	-	-	197,608,896
Customers' liability under acceptances	-	5,386,141	2,335,679	-	-	7,721,820
Assets acquired in satisfaction of loans	678,293	17,736,618	-	-	-	18,414,911
Property and equipment	24,565,245	-	-	-	-	24,565,245
Intangible assets	383,295	-	-	-	-	383,295
Other assets	9,930,686	(11,088,215)	4,532,385	(1,407,135)	1,103,598	3,071,319
Total assets	**1,198,306,646**	**1,172,614,978**	**319,188,868**	**7,456,758**	**5,920,595**	**2,703,487,845**
LIABILITIES						
Deposits and borrowings from banks	48,308,863	36,247,458	1,629,400	-	3,434	86,189,155
Customers' accounts at amortized cost	991,588,998	1,062,097,091	205,861,122	7,444,741	6,083,932	2,273,075,884
Related parties' accounts at amortized cost	6,707,448	34,739,523	103,091,739	-	216	144,538,926
Acceptance Liability	-	5,386,141	2,335,679	-	-	7,721,820
Other long term debts	-	-	6,978,914	-	-	6,978,914
Other liabilites	8,395,958	3,543,138	377,843	11,799	1,170	12,329,908
Shareholders current account	-	417,577	-	-	-	417,577
Provisions	2,065,442	387,584	-	-	-	2,453,026
Total liabilites	**1,057,066,709**	**1,142,818,512**	**320,274,697**	**7,456,540**	**6,088,752**	**2,533,705,210**
Currencies to be delivered	-	(17,162,119)	(12,060,573)	(1,505,915)	(16,732,982)	(47,461,589)
Currencies to be received	-	14,998,285	14,659,992	-	17,913,490	47,571,767
Net exchange position	-	**(2,163,834)**	**2,599,419**	(1,505,915)	1,180,508	110,178

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

December 31, 2008

	Available for-sale	Held-to Maturity	Loans and Receivables	Other Amounts at Amortized Cost	Total Carrying Value	Total Fair Value
FINANCIAL ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash, Compulsory reserves and deposits at Central Banks	-	-	-	1,470,178,184	1,470,178,184	1,470,178,184
Deposits with banks and financial institutions	-	-	-	177,773,750	177,773,750	177,773,750
Loans to banks	-	-	79,453,520	19,431,941	98,885,461	98,885,461
Loans and advances to customers	-	-	447,896,237	-	447,896,237	447,415,162
Loans and advances to related parties	-	-	22,952,326	-	22,952,326	22,952,326
Available for sale investment securities	466,404,983	-	-	-	466,404,983	457,947,750
Held-to-maturity investment securities	-	433,407,425	-	-	433,407,425	428,317,394
Total	**466,404,983**	**433,407,425**	**550,302,083**	**1,667,383,875**	**3,117,498,366**	**3,103,470,027**

FINANCIAL LIABILITIES	Available for-sale	Held-to Maturity	Loans and Receivables	Other Amounts at Amortized Cost	Total Carrying Value	Total Fair Value
Deposits and borrowings from banks	-	-	-	55,490,180	55,490,180	55,490,180
Customers' accounts at amortized cost	-	-	-	2,802,862,570	2,802,862,570	2,802,862,570
Related parties' accounts at amortized cost	-	-	-	48,842,314	48,842,314	48,842,314
Other long term debts	-	-	-	-	-	-
Total	-	-	-	**2,907,195,064**	**2,907,195,064**	**2,907,195,064**

	December 31, 2007					
	Available-for-sale	Held-to-Maturity	Loans and Receivables	Other Amounts at Amortized Cost	Total Carrying Value	Total Fair Value
FINANCIAL ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash, Compulsory reserves and deposits at Central Banks	-	-	-	1,284,812,446	1,284,812,446	1,284,812,444
Deposits with banks and financial institutions	-	-	-	296,731,307	296,731,307	296,731,307
Loans to banks	-	-	-	28,830,248	28,830,248	28,830,248
Loans and advances to customers	-	-	288,071,559	-	288,071,559	289,767,071
Loans and advances to related parties	-	-	21,981,075	-	21,981,075	21,981,075
Available for sale investment securities	531,295,724	-	-	-	531,295,724	522,590,436
Held-to-maturity investment securities	-	197,608,896	-	-	197,608,896	181,211,243
Total	531,295,724	197,608,896	310,052,634	1,610,374,001	2,649,331,255	2,625,923,824

FINANCIAL LIABILITIES						
Deposits and borrowings from banks	-	-	-	86,189,155	86,189,155	86,189,155
Customers' accounts at amortized cost	-	-	-	2,273,075,884	2,273,075,884	2,274,243,753
Related parties' accounts at amortized cost	-	-	-	144,538,926	144,538,926	144,538,926
Other long term debts	-	-	-	6,978,914	6,978,914	6,862,096
Total	-	-	-	2,510,782,879	2,510,782,879	2,511,833,930

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. COMPARATIVE FINANCIAL STATEMENT

Certain balances included in the 2007 financial statements were reclassified to conform to current year presentation.

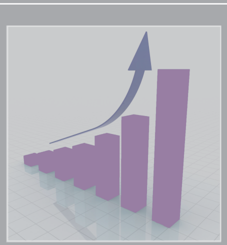
39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2008 were approved for issuance by the Chairman-General Manager on May 21, 2009.

BRANCHES

IBL BANK S.A.L.

BRANCHES



Branch Network 2008

2008
IBL Bank
expanded its branch network

Current Geographical Representation of IBL Bank

The Bank has fifteen operational branches: six 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, three branches in the Mount Lebanon area and one branch in the Bekaa.

In the past few years, the Bank expanded its branch network by opening thirteen new branches, seven of which resulted from the acquisition of BCP Oriel Bank in 1999. In 2002, the Bank opened a new branch in the region of Kobayat (North Lebanon). 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 were inaugurated during 2008, one in Verdun (Beirut) and one in Antélias (Mount Lebanon). Finally, a new branch is currently under construction in Elissar (Mount Lebanon) and is expected to start operations during the second semester of 2009.

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. Following to the more than satisfactory results of our representative office in Erbil, the Board of Directors decided to leverage our first mover advantage in Iraq and to upgrade our representative office in Erbil into a Full Branch that started its operations during 2008.

Furthermore, and following to the successful ventures abroad, IBL Bank decided to open a branch in Europe. In November 2007, the Central Bank of Cyprus has granted IBL Bank the License to operate in Limassol - Cyprus. In 2008, our Branch started its operations on Makarios III Avenue in Limassol.

The Bank sees its branches abroad and representative office 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.

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Letters of Guarantee & Letters of Credit
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Fax: +961 01 204524
Call Center: 1284
Swift code: INLELBBE
E-mail: ibl@ibl.com.lb
Domain: www.ibl.com.lb

BRANCHES IN LEBANON

BEIRUT AND ITS SUBURBS:

ACHRAFIEH
P.O.Box 11-5292 Beirut
Phone: (01) 200350 - (01) 334102
Fax: (01) 204524
Manager: Mr. Antoine Achkar

HAMRA
Maamari Sourati St.
P.O.Box 113-6553 - Hamra
Phone: (01) 743006/7 - (01) 347822/3
Fax: (01) 350608
Manager: Mr. Abdel Kader Tawil

MOUSSAITBEH
Mar Elias Street, New Center
P.O.Box 11 - 5292 Beirut
Phone: (01) 304727 - (01) 313414
Fax: (01) 304727
Manager: Mr. Mohamad Osseiran

DORA
Dora Blvd. - Ghantous Bldg. - 5th Floor
P.O.Box 90263 Dora
Phone: (01) 260556 - (01) 260530/5
Fax: (01) 255111
Manager: Mr. Ayad Boustany

BAUCHRIEH
St. Joseph Hospital Street - Bakhos Bldg.
P.O.Box 11-5292 Beirut
Phone: (01) 249031 - (01) 248990
Fax: (01) 249031
Manager: Mr. Nabil Abou Jaoude

ANTELIAS
Bouldoukian - Garden Tower Bldg.
P.O.Box 11-5292 Beirut
Phone: (04) 407043 - (04) 406916
(04) 406993
Manager: Mr. Fady Nader

VERDUN
Rachid Karame Street
P.O.Box 11-5292 Beirut
Phone: (01) 797321/2/3/4
Manager: Mr. Abdel Rahman Zeidan

IBL Bank - Verdun Branch

Branches 2008

2008
Branches
expanded its branch network

2008
Branches
expanded its branch network

OTHER REGIONS:

BATROUN
Main Street - Zakaria Bldg.
P.O.Box 11-5292 Beirut
Tel: (06) 642218 - (06) 740552
Fax: (06) 643218
Manager: Mr. Antoine Jabbour

JOUNIEH
Serail Street - Bechara Menassa Bldg.
P.O.Box 1820 Jounieh
Phone & Fax: (09) 915715 - (09) 918438
Manager: Mr. Joseph Chehwan

SAIDA
Jezzine Street, Near EDL Building
P.O.Box 11 - 5292 Beirut
Phone: (07) 723909 - (07) 725701
Fax: (07) 732273
Manager: Mr. Hassan Hachichou

TRIPOLI
Boulevard Street - Islamic Hospital Bldg.
P.O.Box 240 Tripoli
Phone: (06) 440450 - (06) 628228/9
Fax: (06) 628229
Manager: Mr. Hamed Raad

KOBAYAT
Place Zouk Kobayat - Mtanios Mekhael Bldg.
P.O.Box 11 - 5292 Beirut
Phone: (06) 351951/5
Fax: (06) 351956
Manager: Mr. Assaad Obeid

CHTAURA
Main Road - Kikano Bldg.
P.O.Box 11 - 5292 Beirut
Phone: (08) 546802/4
Fax: (08) 546801
Manager: Mr. Iskandar Joanny

TYR
Boulevard Maritime
P.O.Box 11 - 5292 Beirut
Phone: (07) 346813/1
Fax: (07) 346804
Manager: Mr. Youssef Chebli

HAZMIEH
International Road - Beirut Direction
P.O.Box 11 - 5292 Beirut
Phone: (05) 952801/2/3
Fax: (05) 952804
Manager: Mr. Charbel Helou

ELISSAR
Mazraat Yashou - Main Road
Ziad Yashoui Bldg.
P.O.Box 11 - 5292 Beirut
Phone: (04) 916029/31/32
Fax: (04) 916034
Manager: Mr. Jean-Pierre Abi Doumeth

REPRESENTATIVE OFFICES AND BRANCHES ABROAD

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Representative Office
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CEP 04011-000
Sao Paolo - SP
Tel: +55 (11) 55393825
Fax: +55 (11) 55718467
In charge: Mr. Georges Karam

IRAQ - ERBIL
Erbil Branch
DAR bldg - Ainkawa road
Mahala 319 Bakhteary
Phone: +964 (66) 2251342
Direct line: +964 (66) 2561512
Mobile: +964 (750) 424376
Swift: INLELBBE
Manager: Miss Ishtar Zulfa

CYPRUS - LIMASSOL
IDEAL building, 1st Floor , 214 Arch,
Makarios III Avenue
3030 Limassol, CYPRUS.
P.O.BOX 54273 - 3722 Limassol - CYPRUS
Phone: +357 (25) 504444
Fax: +357 (25) 504450
Manager: Mr. Pierre Rouhana

Sao Paolo - BRAZIL


Erbil - IRAQ


Limassol - CYPRUS