BANK AUDI ANNUAL REPORT 2009

In the Making In a world where tomorrow's outcome is a product of today's decisions, Bank Audi continues to explore new frontiers and evolve in its continuous expedition towards mutual growth and development.



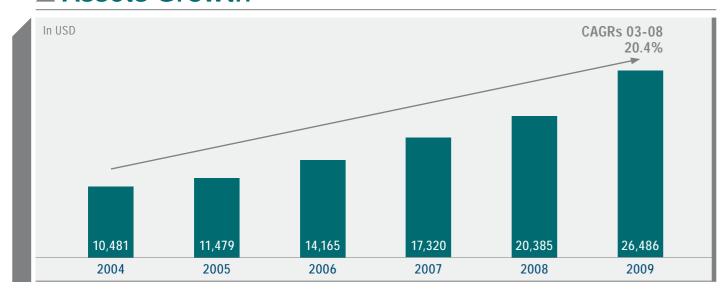
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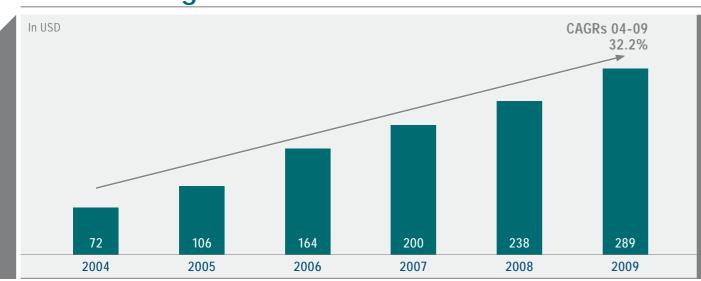
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Financial Highlights

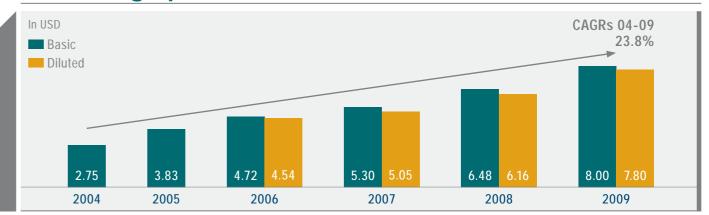
▲ Assets Growth



▲ Net Earning Growth



▲ Earnings per Common Share



■ Bank Audi sal: Selected Financial Data

| In USD Million | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | CAGRs 04-09 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|-------------|
| Assets | 10,481 | 11,479 | 14,165 | 17,320 | 20,385 | 26,486 | 20.37% |
| Loans to customers | 2,166 | 2,468 | 3,235 | 4,708 | 6,129 | 6,747 | 25.51% |
| Customers' deposits | 8,798 | 9,889 | 11,847 | 14,299 | 17,337 | 22,985 | 21.17% |
| Shareholders' equity | 697 | 953 | 1,699 | 1,824 | 1,966 | 2,193 | 25.75% |
| Net earnings | 72 | 106 | 164 | 200 | 238 | 289 | 32.15% |
| Number of branches | 75 | 90 | 114 | 136 | 143 | 154 | 15.48% |
| Number of staff | 2,188 | 2,302 | 2,886 | 3,872 | 4,291 | 4,388 | 14.93% |
| Liquidity and asset quality | | | | | | | |
| Liquid assets / deposits | 88.15% | 84.66% | 85.50% | 82.86% | 77.39% | 82.10% | |
| Loans to deposits | 24.62% | 24.96% | 27.31% | 32.92% | 35.35% | 29.35% | |
| Net doubtful loans / gross loans | 2.85% | 1.06% | 1.24% | 0.75% | 0.33% | 0.35% | |
| Loan loss provisions / | | | | | | | |
| gross doubtful loans | 63.98% | 80.62% | 78.62% | 81.20% | 89.17% | 89.65% | |
| Net doubtful loans / equity | 9.36% | 2.88% | 2.49% | 2.17% | 1.06% | 1.10% | |
| Capital adequacy | | | | | | | |
| Average equity to assets | 4.55% | 7.52% | 10.34% | 11.19 | 10.05 | 8.87 | |
| Capital adequacy ratio as per BASEL | | | | | | | |
| II requirement | | | | 12.68% | 12.84% | 11.93% | |
| Profitability | | | | | | | |
| Cost to income | 61.62% | 56.20% | 51.68% | 55.89% | 54.91% | 48.41% | |
| ROAA | 0.82% | 0.96% | 1.28% | 1.27% | 1.26% | 1.23% | |
| ROACE | 12.70% | 14.92% | 13.59% | 12.25% | 13.30% | 14.77% | |
| Share data | | | | | | | |
| Common shares outstanding | 22,766,240 | 22,766,240 | 32,766,240 | 32,902,309 | 34,189,389 | 34,418,941 | 8.62% |
| Preferred shares outstanding | 6,400,000 | 7,650,000 | 7,650,000 | 5,250,000 | 1,250,000 | 1,250,000 | -27.87% |
| Net dividends on common | | | | | | | |
| share (in USD million) | 25 | 34 | 57 | 66 | 77 | 120 | 37.05% |
| Net dividends on preferred | | | | | | | |
| shares (in USD million) | 16 | 18 | 26 | 18 | 18 | 10 | -9.49% |
| Payout ratio | 57% | 50% | 51% | 42% | 40% | 45% | -4.60% |
| Basic common earnings per | | | | | | | |
| share (in USD) | 2.75 | 3.83 | 4.72 | 5.30 | 6.48 | 8.00 | 23.78% |
| Diluted common earnings per | | | | | | | |
| share (in USD) | | | 4.54 | 5.05 | 6.16 | 7.80 | |
| Share price (in USD) | 24 | 60 | 59 | 70 | 52 | 83 | 28.58% |
| Market capitalisation (In USD '000s) | 537,283 | 1,363,698 | 1,933,208 | 2,303,162 | 1,777,848 | 2,855,051 | 39.66% |

Statement of the Chairman and Chief Executive Officer

The year 2009 was a spectacular year for Bank Audi sal - Audi Saradar Group, in spite of difficult operating conditions for banking in an environment of global financial turmoil. Bank Audi managed indeed to post an exceptional performance over the year, driven by a buoyant growth in its Lebanese entities within massive inflows towards the home economy and by outstanding results of its regional entities within the context of the regional expansion strategy launched few

In fact, all consolidated activity indicators of Bank Audi reported significant increases in 2009, reflecting Bank Audi's capacity to weather well the storm created by the global financial crisis. The Bank's total assets reached USD 26.5 billion, rising by 29.9%, with activity growth driven by customers' deposits which reported an annual increase of 32.6%. Loans also managed to grow by 10.6% in an environment of deleveraging across the region and across the globe at large. As to net profits, they reached USD 289 million, rising by 21.4% over a year that witnessed net profit contractions for regional and global banking sectors. Bank Audi's performance in 2009 continues a long-standing and steady performance, as reflected by the two-digit growth rates sustained over the past six years, be it in consolidated assets (24.2%), footings (23.4%), shareholders' equity (29.3%), and net earnings (32.3%).

All those results bear witness to the Bank's accounts and customers' attraction capacity in its domestic market and in the foreign markets of presence. Through the size of its network, its regional coverage, its leading number of accounts and customers, the very significant growth of all its business parameters, Bank Audi is confirming again that its leadership across the different business lines is incontestable, consolidating its positioning as the largest and most diversified bank in Lebanon. As a matter of fact, the year 2009 reported a rise of 109 basis points in the Bank's domestic market share, moving from 16.87% in December 2008 to 17.96% in December 2009, along with an increase in the contribution of regional entities to consolidated assets and earnings to 20% after only 3 years of average activity.

The Bank's outstanding performance has clearly reflected on its domestic positioning relative to peers. The Bank reinforced its position as the largest Lebanese bank according to the major ranking criteria, and improved further its rank among the top 20 Arab banking institutions. Bank Audi was first in assets, deposits, loans and shareholders' equity among Lebanese banks at end-2009. On a regional level, Bank Audi reported the second highest growth in assets and deposits among MENA banks at large.

The Bank's strong activity growth was not realised at the detriment of its financial standing or risk profile. The Bank continues to enjoy solid capitalisation, with a capital adequacy ratio as per Basel II of 11.9% at end-2009. It reported a further improvement in asset quality, with a ratio of a mere 0.35% for net doubtful loans to gross loans within the context of a provisioning coverage ratio on those doubtful loans of 89.7%, and exceeding 100% when accounting for collaterals. The Bank continues to be highly liquid, with overall primary liquidity of USD 12.8 billion, representing 55.7% of customers' deposits, one of the highest liquidity levels in the region. Notwithstanding the Bank's strong earning power, with USD 8 of basic earnings per common share, growing by 23.5% relative to 2008, and leading to an additional rise in the return on average common equity to 14.8% in a year of global turmoil.

As a result of a successful expansion and diversification plan, Bank Audi has become a dynamic regional bank offering a wide range of universal banking services covering Commercial and Corporate Banking, Retail Banking, Private Banking, and Treasury and Capital Market activities.

Indeed, Bank Audi has today a strong regional franchise in both Commercial and Corporate banking activities, supported by a diversified loan portfolio. Over and above the Bank's domestic Commercial Banking franchise which encompasses the top 100 enterprises, Bank Audi managed to build an important Corporate Banking franchise in the MENA region, deploying its ample liquidity to provide financing to the top regional corporates. In parallel, the Bank's focus over the past couple of years was to enhance and reinforce its capabilities in the Syndication business. As such, it has established a dedicated Syndication Department overseeing a desk active in primary and secondary transactions. At the level of primary syndications, over and above

arranging close to USD 1.2 billion worth of deals ranging across various sectors (Telecom, Manufacturing, Cement Plants, Insurance, Retail and Contracting), Bank Audi has successfully launched the largest syndication in the Levant, allowing the Group to reinforce its position as a major player in the Syndication business in the Middle East, expanding its Corporate Banking offering towards a growing high value added business in the region. Notwithstanding Investment Banking and Capital Markets activities, where Bank Audi has developed a substantial franchise in trading, origination and research in Lebanon and the MENA region at large.

At the Retail level, Retail Banking is growing steadily as a central aspect of Bank Audi's business diversification and regional expansion strategy. Today, Retail Banking offerings encompass a wide spectrum of 119 retail products and services covering consumer lending, accounts offering, bancassurance, credit cards and internet banking, provided in most countries where Bank Audi operates. The Bank's Retail Banking activities in the MENA region are supported by an active branching out through a regional network of 155 branches, and by the latest technology and spirit of innovation. Bank Audi's Retail activities actually enjoy strong support of a full fledged IT infrastructure and electronic banking platform. The Bank is continuously developing its technology platform and streamlining processes by implementing a series of solutions among them: core banking products, payment products, trade processing, risk management product, enterprise data management, automation products, and services spanning the full range of customer interaction, from acquisition, product sales, to service, across multiple channels.

At the Private Banking level, on the background of a strong leadership in Private Banking activities catered through Banque Audi (Suisse) (which is today the second largest Arab private bank in Switzerland), the Bank's subsidiaries in KSA, Qatar and the United Arab Emirates, and Audi Saradar Private Bank, its subsidiary in Lebanon, the Bank decided to reorganise the Private Banking structure at group level in a manner to regroup the Private Banking business under one corporate structure and one Management. Accordingly, a Group Private Banking Executive Committee was formed with a mission to develop and implement a well coordinated Private Banking structure and reinforce it with salient risk, compliance, IT and HR infrastructure. Supported by a single sales team and one Product Development Unit, this new structure aims at setting up Private Banking platforms in all markets of presence of the Group, as well as in other enticing markets, in a way to expand the geographic reach of the business line at group level.

Raymond W. Audi Chairman and General Manager with Bank Audi's strategy to develop its Private Banking activities in Europe. In parallel, Banque Audi (Suisse) sa has recently obtained a license to open a branch in Gibraltar. The new Gibraltar branch is part of the efforts of Banque Audi (Suisse) to diversify its product offering, giving customers the possibility to place fiduciary deposits and benefit from more flexible conditions, both in terms of tenors as well as interest rates. This will also create enhanced lending opportunities for customers wishing to perform leveraging against their assets. The strategic geographic position of Gibraltar also allows the Bank to develop its Asset Management customer base in the Iberian Peninsula and North Africa, in line with the Group's overall expansion. Within the same context, Bank Audi Saradar France is in the process of obtaining regulatory approvals for opening a new

Within the same context, Bank Audi has entered in agreement

to acquire Dresdner Bank Monaco SAM from Commerzbank.

The acquisition of Dresdner Bank Monaco SAM is in line

branch for Private Banking activity in London.

As such, Bank Audi has significantly diversified its business lines and market presence, acquiring henceforth one of the best universal banking profiles in the region. Bank Audi is increasingly benefiting from a huge cross-selling potential providing the largest spectrum of products and services to its integrated regional customer base, taking advantage from a fast growing intra regional trade and adequately servicing the millions of Arab citizens and diasporas of the Arab MENA region. Having been able to realise an unmatched performance in the region by successfully launching, over the past three years, six new regional entities and building organically more than USD 5 billion of assets outside its home country Lebanon gives a strong indication about the Group's capacity to develop and service in a short term horizon the widest full fledged network in the region. The Bank is steadily growing towards its objective to shortly become the most diversified regional bank by both business lines and countries of presence on a regional landscape that still lacks a full fledged well diversified regional bank at large.

In pursuing our objectives, we continue to count on the permanent support of our different stakeholders: our customers who have again showed strong confidence in us, our shareholders who have backed us in all circumstances, and our employees who demonstrated firm loyalty and exemplary dedication. To all those stakeholders, we are happy to express, once again, our renewed commitment for striving to align their individual interest with our overall corporate objectives.

Samir N. Hanna **Group Chief Executive Officer**

Corporate Governance

▲ 01. CorporateGovernance Framework

▲ INTRODUCTION

Two years after the completion of its Corporate Governance Enhancement program (an 18 month-plan completed in 2007), the Board of Directors is satisfied that the Bank's Governance structure is adapted to its needs and to the expectations of depositors, regulators, investors and the markets generally. The Governance framework of Bank Audi is now thoroughly documented, notably through the "Corporate Governance Guidelines" adopted by the Board in 2006 and a number of Charters, Codes and Terms of References covering, among other things, the Board Committees and other key Standing Management Committees as well as key functions. The framework is mapped in a chart of authorities and delegations that improves clarity of responsibility and roles and that allows the governing bodies to function in harmony. Clear lines of responsibility and accountability have been established throughout the organisation with a continuous chain of oversight for the Group as a whole and with effective channels of communication of the Executive Committee's guidance and core Group strategy.

Strategic objectives, guiding corporate values and high standards of professional conduct have been clearly established and widely communicated throughout the Group, providing appropriate incentives for professional behavior and promoting a performance remuneration approach.

The Bank's Corporate Governance Guidelines are accessible on the Bank's website at www.banqueaudi.com

▲ GOVERNANCE FRAMEWORK

Bank Audi is governed by a Board of Directors consisting of up to 12 members elected by the General Assembly of shareholders for a term of 3 years. The responsibility of the Board is to ensure strategic direction, Management supervision and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank.

The Board is supported in carrying out its duties by the Audit Committee, the Corporate Governance and Remuneration Committee, and the Group Executive Committee.

- The mission of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities as regards (i) the adequacy of accounting and financial reporting policies, internal control and the compliance system; (ii) the integrity of the financial statements and the reliability of disclosures; (iii) the appointment, remuneration, qualifications, independence, and effectiveness of the external auditors; and (iv) the independence and effectiveness of the internal audit function¹.
- The mission of the Corporate Governance and Remuneration Committee is to assist the Board in maintaining an effective institutional governance framework for the Group, an optimal Board composition, effective Board process and structure, and a set of values and incentives for executives and employees that are focused on performance and promote integrity, fairness, loyalty and meritocracy.
- The mission of the Group Executive Committee is to develop and implement business policies for the Bank and to issue guidance for the Group within the strategy approved by the Board. The Group Executive Committee also supports the Group Chief Executive Officer in the day-to-day running of the Bank and in

guiding the Group. The Group Executive Committee is chaired by the Group Chief Executive Officer and composed of 5 Executive Directors and 6 senior executives who are not members of the Board. Members of the Group Executive Committee were appointed by the Board on the recommendation of the CEO by actively identifying the necessary skills deemed necessary to manage the business and by selecting the persons accordingly.

▲ 02. Composition of the Board of Directors

Members of the Board of Directors of Bank Audi sal - Audi Saradar Group serving during the year 2009 were elected by the General Assembly of shareholders (held on April 18, 2007 and on August 11, 2008) for a term expiring on the date of the General Assembly (held on April 12, 2010) that examined the accounts and activity of the year 2009.

A new Board of Directors was elected by the General Assembly of shareholders held on April 12, 2010 for a term expiring on the date of the General Assembly (expected to be held in April 2013) that will examine the accounts and activity of the year 2012.

The Board of Directors of Bank Audi sal - Audi Saradar Group comprises the following Directors²:

^{1 -} It is not the duty of the Audit Committee to plan or to conduct audits or make specific determinations that the Bank's statements and disclosures are complete and accurate, nor is it its duty to assure compliance with laws, regulations and the Bank's Code of Ethics and Conduct. These are the responsibilities of Management and of external auditors.

^{2 -} Listed according to their dates of appointment (beyond the Group CEO).

Board of Directors

| Chairman | H.E. Mr. Raymond W. Audi | Independent (as per the Bank's Corporate Governance Guidelines³) | Member of the Executive Committee ⁴ | Member of the Corporate Governance and Remuneration Committee ⁴ | Member of the Audit Committee ⁴ |
|------------------------------------|---|--|--|---|--|
| | | | | Chair | |
| Vice-chairman | Dr. Marwan M. Ghandour | ٠ | | ٠ | • |
| Members | Dr. Georges A. Gedeon Achi (Chairman of the Board until December 2009) | • | | | • Chair |
| | Mr. Samir N. Hanna | | • Chair | | |
| | Sheikha Suad H. Al Homaizi | | | | |
| | Mr. Marc J. Audi | | • | | |
| | Dr. Freddie C. Baz | | • Deputy Chair | | |
| | Sheikha Mariam N. Al Sabbah | | | | |
| | Dr. Imad I. Itani | | ٠ | | |
| | Mr. Mario J. Saradar | | ٠ | | |
| | Mr. Abdullah I. Al Hobayb (elected on April 12, 2010) | | | | |
| | Dr. Khalil M. Bitar (elected on April 12, 2010) | ٠ | | | |
| | EFG-Hermes Holding Co. sae represented by Mr. Yasser S. El Mallawany (resigned on January 21, 2010) | | | | ٠ |
| | EFG-Hermes Advisory Inc. represented by Mr. Hassan M. Heikal (resigned on January 21, 2010) | | | • | |
| Secretary of the Board | Mr. Farid F. Lahoud | | | | |
| Group Sharia' Supervisory Board | Dr. Abdulsattar A. Abu Ghudda Dr. Mohamed A. Elgari Sheikh Nizam M. Yaqoobi Dr. Khaled R. Al Fakih | | | | Chair Member Member Secretary |
| Legal Advisors | Law Offices of Ramzi Joreige & Partners | | | | |
| Auditors | Semaan, Gholam & Co. Ernst & Young | | | | |

The Board of Directors has nominated **Mr. Georges W. Audi** as Honorary Chairman for life.

In 2009, the Board was supported by an Advisory Board comprising the following members:

- Dr. Carlos J. Ghosn
- Mr. Abdullah I. Al Hobayb (appointed member of the Board in 2010)
- Mr. Said T. Khoury
- Mr. Ali Ghassan A. Merhebi
- Mr. Sayer B. Al Sayer

The mandate of the Advisory Board expired on April 12, 2010.

Upon his resignation from the Board in July, 2008, Mr. Maurice H. Sayde (who served as a member of the Board and Chairman of its Audit Committee from June 2, 2006 until July 18, 2008) was appointed as advisor to the Board for Audit Committee matters.

▲ CHANGES TO THE BOARD OF DIRECTORS DURING THE YEARS 2009 AND 2010 TO DATE:

DECEMBER 2009:

- (i) Resignation of Dr. Georges Achi from the Chairmanship of the Board (while retaining his position as an independent member of the Board of Directors and Chairman of its Audit Committee).
- (ii) Election of H.E. Mr. Raymond Audi as Chairman of the Board of Directors for the remainder of the current Board's term.
- (iii) Election of Dr. Marwan Ghandour as Vice-chairman of the Board for the remainder of the current Board's term.

JANUARY 2010:

(iv) In connection with EFG-Hermes Holding sae's and EFG-Hermes Advisory Inc.'s (the Sellers) sale of their entire stakes in the capital of the Bank, the Sellers resigned their positions on the Board of the Bank and its committees, effective January 21, 2010.

APRIL 2010:

- (v) Re-election of 10 Directors (H.E. Mr. Raymond W. Audi, Dr. Marwan M. Ghandour, Dr. Georges A. Gedeon Achi, Mr. Samir N. Hanna, Mr. Marc J. Audi, Dr. Freddie C. Baz, Dr. Imad I. Itani, Mr. Mario J. Saradar, Sheikha Suad H. Al Homaizi, Sheikha Mariam N. Al Sabbah), and election of 2 new Directors (Mr. Abdullah I. Al Hobayb and Dr. Khalil M. Bitar) for a three-year term of office that expires upon holding the Ordinary General Assembly of shareholders that will examine the accounts of the financial year 2012.
- (vi) Election of H.E. Mr. Raymond Audi as Chairman of the Board of Directors for the new Board's term.
- (vii) Election of Dr. Marwan Ghandour as Vice-chairman of the Board for the new Board's term.

3 - Definition of Director independence as per the Bank's Governance Guidelines (summary):

"In order to be considered independent, a Director should have no relationship with the Bank that would interfere with the exercise of independent judgment. Such a relationship should be assumed to exist when a Director (him/her self or in conjunction with affiliates):

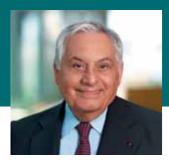
- Is a significant client of the Bank;
- Is a significant supplier of the Bank;
- Has been a consultant to the Bank over the year preceding the appointment;
- Owns more than 5% of outstanding common stock;
- Has been over the 3 years preceding his appointment a partner or an employee of the external auditors; or
- Is a partner with the Bank in any material joint venture;"

In addition to the above, the Board of Directors is satisfied with the ability of the independent Directors to exercise sound judgment after fair consideration of all relevant information and views without undue influence from Management or inappropriate outside interests.

4 - Membership of committees as at December 31, 2009.

▲ 03. Biographies of Board Members

Raymond W. AUDI



Chairman of the Board and General Manager Age: 77 - Lebanon

Director since February 1962 Chairman since December 2009 Term expires at the 2013 Annual General Assembly of shareholders

 Chairman of the Corporate Governance and Remuneration Committee

Raymond Audi acts as Chairman of the Board of Directors and General Manager since December 2009. He had also served as Chairman of the Board of Directors and General Manager from 1998 through 2008, resigning from this position when he was appointed as Minister of the Displaced in the Lebanese Government. Mr. Audi resumed his position as Chairman of the Board of Directors effective December 22, 2009.

He started his banking career in 1962, when, together with his brothers and with prominent Kuwaiti businessmen, he founded Banque Audi sal (now Bank Audi sal - Audi Saradar Group), building on a successful long-standing family business. Raymond Audi has played an active role in leading Bank Audi through both prosperous and challenging times to its current status as a widely recognised leading Lebanese and regional bank. He served as President of the Association of Banks in Lebanon in 1994.

Raymond Audi is the recipient of several honours and awards, including, in July 2007, an Honorary Doctorate in Humane Letters from the Lebanese American University.

Marwan M. GHANDOUR



Vice-chairman of the Board Age: 66 - Lebanon

Director since March 2000 Term expires at the 2013 Annual General Assembly of shareholders

- Non-executive Director
- Member of the Audit Committee
- Member of the Corporate Governance and Remuneration Committee

Marwan Ghandour is an independent member of the Board of Directors since March 2000 and the Vice-Chairman of the Board of Directors since December 2009.

He is a previous Vice-Governor of the Central Bank of Lebanon. He held this position between January 1990 and August 1993, with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission and various other government committees involved in economic policy. In this capacity, he liaised with various international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). Since 1995, Marwan Ghandour has been Chairman and General Manager of Lebanon Invest sal, a leading financial services group in the region whose holding company merged with Bank Audi in 2000. He was elected member of the Board of Directors in 2000, and Chairman of the Board of Directors of Audi Saradar Investment Bank sal, a fully owned subsidiary of Bank Audi, in 2005. In December 2009, he was elected Vice-Chairman of the Board of Directors.

Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois (Post-Doctorate research at Stanford University).

Georges A. GEDEON ACHI



Board Member Chairman of the Board until December 21, 2009 Age: 85 - Lebanon

Director since August 2008
Term expires at the 2013 Annual General Assembly of shareholders

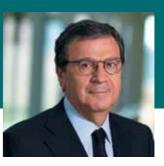
- Non-executive Director
- · Chairman of the Audit Committee

Georges Achi is a former Chairman of the Board of Directors. He was elected member and Chairman of the Board of Directors in August 2008 following the resignation of H.E. Mr. Raymond Audi as Chairman and General Manager of Bank Audi during his appointment as a minister in the Lebanese Government from August 2008 through December 2009. Georges Achi is currently an independent Board member and serves as Chairman of the Board of Directors of Bank Audi Syria sa (a 47% subsidiary of the Bank) since 2005.

He started his career as a Professor at the Damascus University and as Director of the Exchange Office in Syria. In 1954, he moved to the private sector and held managerial positions in commercial banks in Syria and Lebanon, notably the position of Chairman of the Board and General Manager of Crédit Commercial du Moyen-Orient sal ("CCMO") from 1988 until the merger of CCMO with Bank Audi. Following the said merger, he was appointed in 1998 member of the Board of Directors and held this position until 2004. He was reappointed member of the Board of Directors in 2008 and Chairman of the Board of Directors from August 2008 until he resigned as Chairman of the Board in December 2009. He also served two mandates as Chairman of the Association of Banks in Lebanon between 1989 and 1993.

Georges Achi holds a PhD in Economics from the University of Geneva and a PhD in Law from the University of Paris, and is the author of three books.

Samir N. HANNA



General Manager – Group Chief Executive Officer Age: 65 - Lebanon

Director since August 1990 Term expires at the 2013 Annual General Assembly of shareholders

• Chairman of the Group Executive Committee

Samir Hanna started his banking career at Banque Audi sal (now Bank Audi sal - Audi Saradar Group) in January 1963.

He held positions across several departments of the Bank in Lebanon, before moving to the United Arab Emirates in 1975, where he was appointed General Manager of a joint venture bank in which Bank Audi participated. He relocated to Lebanon in 1982 and was appointed General Manager of Bank Audi in 1986. In the early 1990s, he initiated and managed the restructuring and expansion strategy of the Bank, transforming it into a local banking powerhouse that offers universal banking products and services.

He currently serves as the Chief Executive Officer of the Group and, as such, is leading the development of the Group to become a leading regional financial institution.

Suad H. AL HOMAIZI



Board Member Age: 67 - Kuwait

Director since February 1962 Term expires at the 2013 Annual General Assembly of shareholders

· Non-executive Director

Sheikha Suad Al Homaizi is the widow of late Sheikh Jaber Al Sabbah, a prominent figure of the ruling family of Kuwait. She is one of the founders of the Bank.

Sheikha Suad Al Homaizi serves as Chairman of the Commercial Kuwaiti Company Hamad Saleh Al Homaizi, which owns international licenses for pharmaceutical products, and is a member of the Board of Directors of several other Kuwaiti companies.

She is a member of the Board of Directors of Bank Audi since February 1962.

Marc J. AUDI



General Manager – Country Manager Lebanon Age: 52 - Lebanon

Director since March 1996 Term expires at the 2013 Annual General Assembly of shareholders

• Member of the Group Executive Committee

Marc Audi started his banking career at Banque Audi (France) sa (now Bank Audi Saradar France sa) in 1981. He then moved to Banque Audi California where he was appointed Director and Executive Vice-President. He later came back to Lebanon to join Banque Audi sal (now Bank Audi sal - Audi Saradar Group) in 1993, and was appointed member of its Board of Directors in 1996. He held executive responsibilities successively in Commercial Lending and Capital Markets Divisions. Marc Audi served as General Manager of Banque Audi (Suisse), the Private Banking arm of the Audi Group of Banks until 2005, and has been General Manager of the Bank since 2004, where he currently acts as the Lebanon Country Manager.

Marc Audi holds a Master's of Business Administration from the University of Paris IX – Dauphine.

Freddie C. BAZ



General Manager – Group Chief Financial Officer and Strategy Director Age: 57 - Lebanon

Director since March 1996 Term expires at the 2013 Annual General Assembly of shareholders

• Deputy Chairman of the Group Executive Committee

Mariam N. AL SABBAH



Board Member Age: 61 - Kuwait

Director since March 2001 Term expires at the 2013 Annual General Assembly of shareholders

· Non-executive Director

Freddie Baz joined the Bank in 1991 as advisor to the Chairman and founded the Secretariat for Planning and Development at the Bank.

As the Group Chief Financial Officer and Strategy Director of the Bank, he now has overall authority over the finance and accounting, MIS and budgeting functions throughout the Group, and is responsible for the development of the Group strategy. He is also the Chairman of the Board of Directors of Bank Audi Saradar France sa, a fully owned subsidiary of Bank Audi. Furthermore, Freddie Baz is the Managing Director of Bankdata Financial Services WLL which publishes Bilanbanques, the only reference in Lebanon that provides an extensive structural analysis of all banks located in Lebanon.

Freddie Baz holds a State PhD degree in Economics from the University of Paris I (Panthéon – Sorbonne).

Sheikha Mariam Al Sabbah is the daughter of late Sheikh Nasser Sabah Al Nasser Al Sabbah and the widow of the late Sheikh Ali Sabah Al Salem Al Sabbah, who was the son of the former Prince of Kuwait and who held several ministerial positions in Kuwait, notably the Ministry of Interior.

Sheikh Nasser Al Sabbah was one of the founders of Bank

Sheikha Mariam Al Sabbah is a member of the Board of Directors of several Kuwaiti companies.

She is a member of the Board of Directors of Bank Audi since March 2001.

Imad I. ITANI



General Manager – Head of Retail Banking Age: 48 - Lebanon

Director since June 2002 Term expires at the 2013 Annual General Assembly of shareholders

• Member of the Group Executive Committee

Prior to joining the Bank, **Imad Itani** held several key positions in Corporate Finance for major energy companies in Canada. In parallel, he taught Economics and Finance to graduate students at the American University of Beirut.

He joined Bank Audi in 1997 and headed the team that successfully launched the Bank's retail business line, today a major pillar of the Bank's innovative and leading position. In 2002, Imad Itani was appointed Deputy General Manager and Member of the Board of Directors. He was later appointed General Manager. Imad Itani is also the Chairman of the Bank's Sudanese Islamic Banking subsidiary acquired within the context of the Bank's regional expansion, in addition to his responsibilities as Group Head of Retail and Islamic Banking.

Imad Itani holds a PhD in Economics from the University of Chicago.

Mario J. SARADAR



General Manager – Head of Private Banking Age: 42 - Lebanon

Director since August 2004 Term expires at the 2013 Annual General Assembly of shareholders

• Member of the Group Executive Committee

Mario Saradar is the Chairman and General Manager of Audi Saradar Private Bank sal and Banque Audi (Suisse) sa, and other affiliated companies of the Group. He is also the Chairman and General Manager of Capital Outsourcing, a 75% subsidiary of Bank Audi, established in the Dubai International Financial Center and specialising in IT and business processing outsourcing. Mario Saradar is a General Manager of the Bank and heads the Group's Private Banking division

He was elected several times member of the Board of the Association of Banks in Lebanon, and is currently member of the International Chamber of Commerce, the RDCL (Rassemblement des Dirigeants et des Chefs d'entreprises Libanais) and the YPO (Young Presidents' Organisation).

Mario Saradar holds a DESS ("Diplôme d'Etudes Supérieures Spécialisées") in Financial Instruments from the Institut des Techniques de Marché de Paris and a BSc in Economics from the University College of London.

Abdullah I. AL HOBAYB



Board Member Age: 67 - Saudi Arabia

Director since April 2010 Term expires at the 2013 Annual General Assembly of shareholders

Non-executive Director

Abdullah Al-Hobayb is the Chairman of Audi Capital (an Investment Banking subsidiary of Bank Audi, incorporated in the Kingdom of Saudi Arabia) and a member of the Board of Directors of Bank Audi sae in Egypt. He also was an advisor to the outgoing Board of Directors of Bank Audi.

He is the Chairman of several leading companies in Saudi Arabia comprising ABB Saudi Arabia (a leader in power and automation technologies), General Lighting Company Ltd (one of the largest manufacturers in the Middle East lighting industry), Ink Products Company Ltd (manufacturer of industrial ink) and United Industrial Investments Company Ltd (a leading paint manufacturing company).

Abdullah Al-Hobayb holds a Master's degree in Electrical Engineering from Karlsruhe University in Germany.

Khalil M. BITAR



Board Member Age: 67 - Lebanon

Director since April 2010 Term expires at the 2013 Annual General Assembly of shareholders

Non-executive Director

Khalil Bitar is a current Professor of Physics and a former Dean of the Faculty of Arts and Sciences of the American University of Beirut (AUB). He held this last position from 1997 until 2009, playing an instrumental role in advocating AUB's strengths and regional position as the premier center for higher education, and in re-establishing its PhD programs.

Throughout his career, he held several academic and administrative positions, including Associate Director of the Supercomputer Computations Research Institute – Florida State University (between the years 1994 and 1997) and visiting professor at leading academic institutes in Europe and North America (including the European Organisation for Nuclear Research in Geneva, the International Centre for Theoretical Physics in Italy, The Institute for Advanced Study in New Jersey, the Fermi National Accelerator Laboratory (Fermilab) in Illinois, the University of Illinois, Brookhaven National Lab. in New York, the Max Planck Institute in Munich and the Rockefeller University in New York).

He also served two mandates as member of The Institute for Advanced Study in Princeton, New Jersey, between 1968 and 1972.

Khalil Bitar holds a Bachelor of Science degree in Physics from the American University of Beirut, a Master's of Science degree in Physics, and a PhD in Theoretical Physics from Yale University in the United States.

■ Management of Bank Audi sal - Audi Saradar Group

| | H.E. Mr. Raymond W. Audi | Chairman, General Manager |
|---|--------------------------|--|
| Group Executive Committee (as at December 31, 2009) | Mr. Samir N. Hanna | Group Chief Executive Officer – General Manager |
| | Dr. Freddie C. Baz | Group Chief Financial Officer & Strategy Director – General Manager |
| | Mr. Marc J. Audi | Country Manager Lebanon – General Manager |
| | Dr. Imad I. Itani | Head of Retail Banking – General Manager |
| | Mrs. Jocelyne A. Jalkh | Group Chief Operating Officer |
| | Mr. Chahdan E. Jebeyli | Group Chief Legal and Compliance Officer – General Manager |
| | Mr. Gaby G. Kassis | Regional Expansion – General Manager |
| | Mr. Ramzi N. Saliba | Head of Corporate Banking – General Manager |
| | Mr. Elia S. Samaha | Regional Expansion Syria/Jordan – General Manager |
| | Mr. Mario J. Saradar | Head of Private Banking – General Manager |
| | Mr. Adel N. Satel | Group Chief Risk Officer – General Manager |



Fueling the Future

With the future in mind and the present in our hands, we envision more opportunities today with aspirations for a brighter tomorrow.

Management Discussion and Analysis 2009

The analysis that follows highlights the consolidated performance of Bank Audi sal - Audi Saradar Group in 2009. The report is based on the audited consolidated financial statements of the Bank as at and for the years ended December 31, 2009 and December 31, 2008.

Unless otherwise indicated, all figures are expressed in US Dollars. US Dollar amounts are translated from Lebanese Pounds at the closing rate of exchange published by the Central Bank of Lebanon at the relevant date, which was LBP 1,507.50 as of each of December 31, 2009 and December 31, 2008. References to banks operating in Lebanon or to the banking sector are to the 53 commercial banks in Lebanon published by the Central Bank of Lebanon and references to the Bank's peer group are to the Alpha Bank Group consisting of the 12 banks with total deposits in excess of USD 2.0 billion each, as determined by Bankdata Financial Services WLL (publishers of Bilanbanques).

Lebanon's economic and banking data and information are derived from the International Monetary Fund, the Central Bank of Lebanon, various Lebanese governmental entities and the Bank's internal sources. The region's economic and banking data and information are derived from the International Monetary Fund, the Economist Intelligence Unit, the region's central banks, and the Bank's internal sources.

Any reference to "the Bank" or "the Group" is tied to the consolidated situation of entities in Lebanon and abroad. This mainly includes Bank Audi sal, Audi Saradar Private Bank sal, Audi Saradar Investment Bank sal, LIA Insurance sal, Banque Audi (Suisse) sa, Bank Audi Saradar France sa, Bank Audi sal - Jordan Branches, Bank Audi Syria sa, Bank Audi sae (Egypt), National Bank of Sudan, Audi Capital (KSA) cjsc, Bank Audi LLC (Qatar) and Capital Outsourcing.

The analysis that follows starts with an overview of Bank Audi's overall strategy, to be followed by a review of the economic and banking conditions that impacted the activity of the Group in the year 2009. We then proceed to

an analysis of consolidated financial conditions and results of operations of the Group, followed by performance reviews by business and markets. We end the analysis with sections highlighting share information, investment considerations and Investor Relation activities, as well as Human Resources and IT developments in 2009.

■ 01. Strategy

Over the past ten years, the Bank successfully implemented a business diversification strategy which transformed it from a Lebanese traditional commercial bank to the largest bank in Lebanon with the most universal banking profile. This was followed, since 2005, by a regional expansion strategy throughout the MENA region, capitalising on the region's economic growth prospects, as well as on the growth potential in Retail, Commercial and Corporate Banking, in addition to Private Banking and Capital Markets activities. The regional expansion strategy achieved very positive first results, as revealed by the successful launch of six new entities, 70 new branches, and building organically USD 5.2 billion of assets representing 19.1% of consolidated assets. Based on those encouraging results, the Bank complemented, early 2010, its regional expansion strategy by adding new value added European markets comprising an important presence among individuals and corporates from the MENA region. It entered into an agreement to acquire Dresdner Bank Monaco SAM. Upon regulatory approvals closing, this acquisition would allow the Bank to cater Private Banking services in Monaco, South of France and Northern Italy. In addition, the Bank launched a branch in Gibraltar and intends to expand its activities to the United Kingdom.

The exponential growth the Bank has witnessed in Lebanon and in the region over the past few years was met by a significant investment in support functions upgradings including ICT, risk management, audit and

Going forward, the Group intends to consolidate and strengthen its leadership in Lebanon, while developing and servicing the widest full fledged network in the region, benefiting from the huge cross-selling potential to an integrated customer base. In Lebanon, Management's main focus remains to grow a mid-market Retail customer base, while increasing penetration in large corporates and deepening SMEs relationship. In Europe, Management will continue to favour capturing cross-border transactions between European & Middle Eastern companies, while expanding the Private Banking franchise towards non-Lebanese and non-Arab customers, and developing asset management business. In the MENA region, Management intends to actively expand the network, allowing increased customer and business penetration and building scale. Accordingly, the Bank will rely on cross-selling businesses and countries to build captive market shares and rank among the top 3 to 5 banks in every country where it is present.

Ultimately, those strategic objectives aim at transforming the Group, in a short time horizon, to become a regional universal bank and to integrate the inner circle of major Arab regional banks.

▲ 02. Economic and Banking Conditions

The operating conditions of Bank Audi were obviously impacted by the overall environment in which the Bank operates. Following is an overview of the Bank's operating environment, i.e. economic conditions and banking activity in the three regions the Bank is active in, namely Lebanon, the Arab MENA region and West Europe.

▲ 02.1. DOMESTIC OPERATING ENVIRONMENT

Banking activity in Lebanon benefited from buoyant economic conditions and healthy growth in banking aggregates, coupled with relatively tougher operating conditions. Lebanon's economic activity reported strong real growth amid global contraction and regional slowdown. Healthy economic growth was coupled with an outstanding growth in banking activity within the context of massive inflows towards the home economy. Banks' operating conditions were yet tougher within the context of the significant drop in foreign benchmark interest rates, adversely affecting Lebanese banks spreads and interest margins.

In fact, on the background of improving politicoeconomic conditions in the country, Lebanon's economic and financial performance was outstanding amid an environment of global turmoil. Driven by both improved consumption and investment components, real GDP growth is estimated to have reached close to 9% in 2009, as per IMF estimates. It looks like the domestic consumption aggregate benefited from last year's wage adjustment on one hand, and the significant incoming of Lebanese non-residents to their home land on the other hand. The domestic investment aggregate benefited in parallel from regained confidence in Lebanon's short to medium term economic prospects, with growing capital spending by businesses and corporates.

The external environment contagion effects on Lebanon were limited. Lebanese exports maintained their high level of 2008, despite the shrinkage in global and regional foreign trade, as Lebanon exports mainly consist of necessity goods, not durable goods or luxury products that are highly sensitive to crisis environments. As to foreign direct investment, in a year of contracting cross border FDIs worldwide because of the global liquidity squeeze, Lebanon witnessed a positive FDI growth of circa 20% to reach circa USD 4.3 billion in 2009. At the level of remittances, with capital inflows towards the home economy exceeding USD 20 billion, the balance of payments reported a record high surplus of USD 7.9 billion in 2009. As for tourism, the aggregate number of tourists rose by 39% in 2009, among the highest in the world, amid a contracting number of international travellers globally.

As a matter of fact, all major real sector indicators registered positive growth in 2009, supporting the buoyant real growth performance. Among the latter, we mention the growth of property sales value (+8.2%), cement deliveries (+19.2%), merchandise at the Port (+10.9%), passengers at the Airport (+22.6%), cleared checks (+7.4%), and de-taxed purchases (+13%). Imports, accounting for about 40% of domestic consumption and investment demand, managed to rise by 0.7% over the covered period, noting that such a growth rate reaches 13.5% in real terms, i.e. when adjusted for oil price and Euro appreciation effects. As to BDL's coincident indicator, it increased by an average of 14.8% in 2009.

At the monetary level, the Central Bank continued its monetary easing. BDL decreased its benchmark LBP rates in parallel with the worldwide drop in rates. The 5-year CDs rate dropped by 1.5% over the first half of 2009, moving from 10.75% in December 2008 to 9.25% in June 2009. Since then, 5-year CDs were replaced with 5-year Tbs, the yield of which dropped by 1.26%, moving from 9.00% to 7.74% at end-2009. The rate of inflation, which reached a 10-year peak last year of 10.74% on average, as per the Consultation and Research Institute, as a result of external factors, somehow moderated this year. The CPI average growth rate dropped to 2.82% in 2009 (4.22% year-on-year).

| Lebanon's Major Economic Indicators | | | |
|-------------------------------------|--------|--------|-----------|
| In USD Million | 2008 | 2009 | Var 09/08 |
| Macroeconomy | | | |
| GDP | 29,485 | 33,585 | 13.9% |
| Real GDP growth | 9.0% | 9.0% | - |
| GDP per capita (USD) | 7,743 | 8,707 | 12.4% |
| Monetary sector | | | |
| Var M3 | 8,829 | 13,417 | 52.0% |
| Velocity | 0.72 | 0.65 | -9.7% |
| Cleared checks | 52,524 | 56,387 | 7.4% |
| Average CPI inflation (%) | 10.7% | 2.8% | -7.9% |
| Public sector | | | |
| Gross domestic debt | 25,875 | 29,835 | 15.3% |
| Foreign debt | 21,140 | 21,259 | 0.6% |
| Total gross debt | 47,015 | 51,094 | 8.7% |
| Gross debt / GDP (%) | 159% | 152% | -7.3% |
| Deficit | 2,921 | 2,960 | 1.3% |
| Deficit / GDP (%) | 9.9% | 8.8% | -1.1% |
| External sector | | | |
| Imports | 16,137 | 16,242 | 0.7% |
| Exports | 3,478 | 3,484 | 0.2% |
| Trade deficit | 12,659 | 12,758 | 0.8% |
| Gross inflows of capitals | 16,121 | 20,657 | 28.1% |
| Balance of payments | 3,462 | 7,899 | 128.2% |

Sources: Ministry of Finance, Central Bank of Lebanon, the concerned public and private organisms, Bank Audi's Research Department.

At the capital markets level, market conditions improved notably during the year. The price index for Lebanese stocks listed on the BSE rose by 27% during the year, amidst growing demand for local equities perceived to be relatively undervalued. Likewise, the local bond market activity improved tangibly, and was characterised by strong demand stemming from both resident and non-resident investors. This led to a contraction in the average spread of 437 basis points in 2009, after it had widened considerably in the last quarter of the previous year. Local currency Treasury bills and Certificates of Deposit similarly benefited from buoyant demand, as suggested by large subscriptions in such instruments since the beginning of 2009.

The banking sector activity was at the image of the buoyant economic conditions in 2009. Total sector activity, measured by the consolidated domestic assets of operating banks in Lebanon, grew significantly by USD 21.0 billion in 2009, moving from USD 94.3 billion at end-2008 to USD 115.3 billion at end-2009. The main activity drive remains customers' deposits. The latter's growth in 2009 was 1.7 times the growth reported in 2008 and 3.3 times the average growth reported over the previous six years. Bank deposits grew by a healthy 23.1% in 2009, the equivalent of USD 18.0 billion, which is the most significant growth in volume ever reported in Lebanon, and reached a historical high level of USD 95.8 billion at end-2009. The outstanding performance of customers' deposits reflects depositor confidence in the well regulated highly liquid

deposit-rich Lebanese banks and the continuous strong inflows of capital towards the country.

In view of significant conversions from FC holdings to LBP holdings, fuelled by the growing depositor confidence in stable monetary conditions, the growth in customers' deposits was accounted for to the extent of 57.7% by LBP deposits. LBP deposits actually grew by USD 10,371 million in 2009, while FC deposits, accounting for 42.3% of the growth, rose by USD 7,615 million in 2009. Within this context, the deposit dollarisation ratio of commercial banks continued its steady decline in 2009, dropping from 69.6% at end-2008 to a nine-year low of 64.5% at end-2009. In parallel, the additional funding in LBP was mainly directed towards LBP Certificates of Deposit during the first half of 2009, before BDL suspended issuing those LBP CDs by early July. The total LBP deposits at BDL reached 55.5% of LBP deposits at end-2009, against 42.4% at end-2008. The rise in the share of LBP deposits at BDL was reported at the detriment of the shares of LBP Tbs and LBP loans as a percentage of LBP deposits. In fact, the former dropped from 63.4% at end-2008 to 51.2% at end-2009, while the latter decreased from 14.2% to 13.3% over the same period.

The Lebanese banking sector maintained strong liquidity levels in 2009 in a period where high liquidity represented an important driver for capital flows across banking sectors. Primary liquidity in foreign currency reached USD 31,426 million, the equivalent of 50.9% of foreign currency

customers' deposits. Primary FC liquidity is divided over FC deposits at BDL, which accounted for 26.6% of FC customers' deposits at end-2009 (29.0% at end-2008) and FC liquidity in foreign banks at 24.3% at end-2009 (21.0% at end-2008).

On the lending front, within the context of tight global credit market conditions, the year 2009 witnessed a relative slowdown in lending activity growth in Lebanon. Bank loans to the private sector posted an increase of USD 3.3 billion, i.e. lower than the USD 4.6 billion high of last year, yet much higher than the average annual growth of the past six years (USD 1.6 billion), and this in an environment of deleveraging across the globe. The capacity to lend in such atypical times could be attributed to the relatively large flexibility at Lebanese banks characterised by high liquidity and significant operating surpluses. It is worth mentioning that LBP loans accounted for 35.2% of the growth in bank loans in 2009, versus a much lower share of 12.7% in 2008. The rise is mainly driven by the substantial growth in LBP customers' deposits and the new circulars issued by the Central Bank, exempting a

number of lending categories from reserve requirement in LBP by allowing banks to deduct up to 60% of new lending in local currency directly from their LBP required reserves.

Last but not least, banks' operating conditions were relatively tougher over the past year. As a result of the significant drop in foreign benchmarks rates to historical lows, Lebanese bank spreads contracted considerably in 2009. In the absence of consolidated sector statistics for profitability in 2009, we resorted to the financials of the Alpha banks that account for more than 80% of the banking activity, and whose net spread dropped from 2.18% in December 2008 to 1.93% in December 2009. Still, banks' bottom lines benefited from a positive quantity effects that outpaced the negative price effects. In a period where most regional and global banks are witnessing net contractions in earnings, Alpha banks reported a 19.3% growth in net profits in 2009, with banks' significant overall balance sheet growth generating a supportive quantity effect that more than offset the adverse price effect of shrinking spreads.

Lebanon's Banking Sector Activity Indicators

| In USD Million | 2008 | 2009 | Change | % |
|--|--------|---------|--------|-------|
| Assets | 94,255 | 115,250 | 20,995 | 22.3% |
| Equity | 6,751 | 7,492 | 741 | 11.0% |
| Deposits | 77,779 | 95,766 | 17,986 | 23.1% |
| o.w. in LBP | 23,666 | 34,037 | 10,371 | 43.8% |
| o.w. in FC | 54,114 | 61,729 | 7,615 | 14.1% |
| Loans | 25,040 | 28,374 | 3,334 | 13.3% |
| o.w. in LBP | 3,366 | 4,540 | 1,174 | 34.9% |
| o.w. in FC | 21,674 | 23,834 | 2,160 | 10.0% |
| Deposit dollarisation ratio (%) | 69.6% | 64.5% | -5.1% | -5.1% |
| Loan dollarisation ratio (%) | 86.6% | 84.0% | -2.6% | -2.6% |
| Loans / Deposits (%) Deposits / Assets (%) Equity / Assets (%) | 32.2% | 29.6% | -2.6% | -2.6% |
| | 82.5% | 83.1% | 0.6% | 0.6% |
| | 7.2% | 6.5% | -0.7% | -0.7% |

▲ 02.2. REGIONAL OPERATING ENVIRONMENT

Banking activity in the Arab MENA region, where Bank Audi has a growing presence, was somehow impacted by the global financial environment and the ensuing economic sluggishness, but the banks of the region faced the global crisis somehow better than global peers. The region's macroeconomic activity reported a slowdown in real growth amid a global contractionary trend, but did not fall into recessionary trap. Lower economic growth was coupled with a retreat in capital inflows towards the region, adversely impacting banks' activity growth rates which contracted but did not turn into negative rates. Banks' operating conditions were tougher as

the significant drop in foreign benchmark interest rates adversely affected regional banks' spreads within the context of higher provisioning requirements at large.

The economic environment in the region actually slowed down in 2009. The region's real GDP growth fell down from 5.4% in 2008 to circa 2.2% in 2009 according to IMF estimates. Thus, the region's economy was not insulated from the global financial crisis. Most particularly, spillovers manifested through fluctuations in oil prices and cuts in oil production, and through other transmission channels, such as contractions in foreign direct investments, as a result of lower liquidity at hand and weaker global trade activity within the context of global recessionary conditions. A large drop in current account and fiscal

account surpluses was thus reported, with the former dropping from 18.2% of GDP in 2008 to 2.8% in 2009, and the latter declining from 17.3% of GDP to 1.9% for the MENA region at large.

But the region's economies were well placed to follow anti-cyclical policies in a period of global turmoil. The region's economies benefit from competitive strengths, namely sound macro fundamentals, and large international reserves, strong financial sector supervision which have actually been helping them fare better in difficult times. Governments were able to support their respective economies during the turmoil by investing in infrastructure and implementing various aggressive stimulus measures, while broad structural reforms over the past few years and diversification efforts have started to yield favourable results and provided diversified investment opportunities.

Within this context, the region was able to escape the recessionary trap and to record positive growth in 2009, albeit at a lower pace than that of previous years. The 2009 regional growth (2.2%) remains higher than the 2.0% figure estimated for emerging markets, the -3.2% real growth figure for advanced countries, and the -0.8% estimate for the global economy. The region recently benefited from the gradual recovery in oil prices, in addition to the relative alleviation of external pressures that had weighed on its foreign direct investment, exports and remittances.

In particular, the economies of the Levant, where Bank Audi's regional presence is concentrated, reported relative resilience to the global crisis environment, all reporting real growth rates of 3% to 4% or above. The reasons for such a resilience are related to domestic factor considerations that offset external spillover effects. Among those domestic considerations, we mention the improving political relations between Syria and neighbouring countries and the western world, which had a positive effect on tourism, trade and investment in Syria. We likewise mention the aggressive countercyclical policies in Jordan that had a considerable impact on public demand expansion, offsetting some weakness in private demand. Notwithstanding the continuous businessoriented reforms in Egypt that significantly improved the overall investment framework in the country and made Egypt, as of last year, the region's stellar performer in terms of business attractiveness at large.

It is yet worth mentioning that the global financial crisis had an adverse impact on banking activity growth in the MENA region. While such growth remained positive at 7.2%, the additional bank assets in 2009 are 50% less than the corresponding figure in the previous year. Bank assets reached USD 1,768 billion, growing by USD 119 billion in 2009, against an increase of USD 236 billion in 2008. Likewise, regional deposits grew in 2009 by 38% less than their growth in 2008. More importantly, regional loans grew by a mere USD 36 billion in 2009, i.e. 82% less than their growth in 2008, in a period of acute deleveraging in the region and across the world.

Banking Sectors' Assets in the Arab MENA Region

| | Assets | | | | | |
|---|---------|---------|--------|-------|-----------------|--|
| In USD Billion | Dec-08 | Dec-09 | Change | % | Var 09 / Var 08 | |
| Regional countries of presence of the Group | | | | | | |
| Egypt | 190.5 | 210.0 | 19.5 | 10.2% | 232.6% | |
| Jordan | 42.1 | 45.2 | 3.1 | 7.3% | -29.3% | |
| Lebanon | 94.3 | 115.2 | 21.0 | 22.3% | 74.8% | |
| Qatar | 110.4 | 128.5 | 18.1 | 16.4% | -38.8% | |
| Saudi Arabia | 347.3 | 365.4 | 18.1 | 5.2% | -70.0% | |
| Sudan | 14.0 | 16.3 | 2.3 | 16.1% | 88.8% | |
| Syria | 37.0 | 43.0 | 6.0 | 16.1% | 181.4% | |
| United Arab Emirates | 396.8 | 413.9 | 17.1 | 4.3% | -73.2% | |
| Other countries in Arab MENA | | | | | | |
| Bahrain | 63.5 | 59.6 | -3.9 | -6.1% | -127.8% | |
| Kuwait | 142.2 | 140.7 | -1.5 | -1.1% | -112.7% | |
| Libya | 40.5 | 47.6 | 7.1 | 17.5% | -43.8% | |
| Morocco | 91.4 | 99.5 | 8.1 | 8.9% | -7.1% | |
| Oman | 35.8 | 36.8 | 1.0 | 2.7% | -89.1% | |
| Tunisia | 35.7 | 39.5 | 3.8 | 10.7% | -797.3% | |
| Yemen | 7.7 | 8.3 | 0.6 | 7.2% | -51.1% | |
| Arab MENA | 1,649.3 | 1,769.5 | 120.0 | 7.2% | -49.6% | |

Sources: Central banks, Thomson Reuters, Bank Audi's Research Department.

The operating conditions for banks in the region were considerably tougher in 2009. Although banks embarked on reducing deposit interest rates, the drastic reduction

in international benchmark rates adversely impacted the spreads of banks in the region. As such, a number of regional banks have witnessed contracting profitability as a result of contracting interest margins, the slump on regional equity markets, and growing provisioning requirements for banks at large. Still, all major banks in the region continue to remain profitable, with their earnings posting a net decline relative to the levels reported in the previous year, driven by provisioning and slower balance sheet growth. Earnings are likely to recover again on the back of reduced provisioning, improved loan growth and better cost management. The slowing balance sheet growth momentum has allowed banks to focus on the sources and security of their funding, as well as on optimising their funding mix.

Finally, it is worth mentioning that gradually improving macroeconomic conditions in late 2009 and early 2010 started to reflect positively on banking sector performances which are apt to witness again positive growth in activity and net results. With deposit growth and capital inflows regaining relative strengths, both funding and lending conditions are relatively improving, alleviating pressures on regional banks witnessed since the onset of the global turmoil. As such, banks in the region are well positioned to weather the current downturn with more limited negative impact compared to their global peers, and with ability to recover sharply as the global and regional economy stabilises. On a more structural basis, countries across the MENA region possess favourable population demographics and relatively low penetration levels, which underpins the structural growth story of the banking sectors at large.

■ 02.3. OPERATING ENVIRONMENT IN WEST EUROPE

Banking activity in West Europe, where Bank Audi has historical presences, was obviously impacted by the global financial environment and the ensuing economic sluggishness. Yet, it is worth mentioning that, as the Bank's customer base at Bank Audi Saradar France and Banque Audi (Suisse) is mainly a regional clientele from the Middle East, the operating conditions of our West European entities were to a large extent insulated from the significant pressures on European banks over the past year.

In fact, macroeconomic activity in West Europe reported recessionary conditions in 2009, with first net contraction in years. Banks suffered from the deteriorating environment through various channels, mainly the deterioration in asset quality, the volatility of investment and private banking revenues, and the weakening of asset positions as a result of capital losses. Within this environment, West European governments implemented massive programs to support the financial sector, which proved to be timely and effective to escape a wide scale banking crisis.

In France, the universal banking business models adopted by banks in the country have somehow provided them with a relative buffer against the worst effects of the financial crisis. But those banks have not been immune to the global crisis, as the macroeconomic environment deteriorated and brought with it a negative credit cycle. Within this environment, banks' asset quality deteriorated across all business lines and geographical zones, but there were no bank failures, large recapitalisations were avoided and depositor confidence was retained. The broad support measures implemented by French authorities somehow helped alleviate the impact of the crisis on local banks and avert outflows, with customers' deposits almost stagnating in 2009. The reduction in cost of deposits somewhat alleviating pressures on core banking revenues, coupled with some recovery in market sensitive fees and commissions, helped offset impairment charges and support banks' bottom lines.

In Switzerland, the other country of presence of Bank Audi in West Europe, banks' operating conditions were adversely impacted by the weakening of the domestic macroeconomic environment, the increasing pressure on banking secrecy rules, and the difficult operating environment for private and domestic banks. Nevertheless, domestic players continue to display somehow consistent earnings due to their solid franchises and low levels of risk, although competition and cost efficiencies remain significant challenges. While decelerating lending activity and substantial write downs largely constrained top banks' core banking income, the recent improvement in global operating conditions supported their diversified business lines and somehow softened the blow on banks' bottom line figures.

▲ 03. Consolidated Performance in 2009

In 2009, the favourable domestic environment benefited to Bank Audi sal - Audi Saradar Group which posted an exceptional performance supported by a massive growth in Lebanon and by impressive results of the expansion

strategy implemented few years ago. In fact, all activity indicators of Bank Audi reported significant growth in 2009, as set forth in the following table, reflecting Bank Audi's capacity to well weather the storm created by the global financial crisis. Consolidated assets grew by 29.9%, moving from USD 20.4 billion at end-December 2008 to USD 26.5 billion at end-December 2008, mainly driven by a 32.6% growth in customers' deposits over the year.

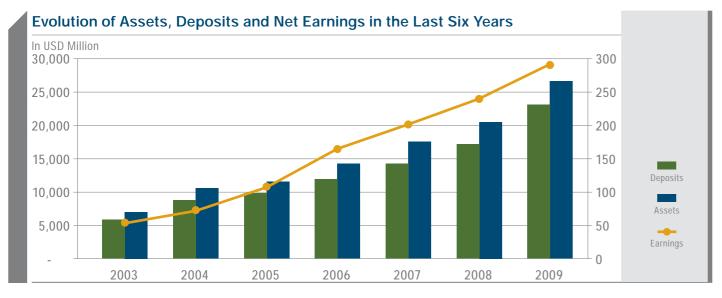
Activity Highlights

| In USD Million | Dec-08 | Dec-09 | Change | % |
|-----------------|---------|---------|--------|-------|
| Assets | 20,385 | 26,486 | 6,101 | 29.9% |
| Deposits | 17,337 | 22,985 | 5,648 | 32.6% |
| Loans | 6,129 | 6,747 | 618 | 10.1% |
| AUMs | 6,504 | 6,966 | 462 | 7.1% |
| Outstanding LCs | 375 | 516 | 141 | 37.7% |
| Outstanding LGs | 1,132 | 1,823 | 691 | 61.0% |
| Net income | 238.1 | 289.0 | 50.9 | 21.4% |
| Branches | 152 | 155 | 3 | 2.0% |
| Staff | 4,266 | 4,388 | 122 | 2.9% |
| Customers | 421,884 | 472,900 | 51,016 | 12.1% |
| Accounts | 697,941 | 792,561 | 94,620 | 13.6% |

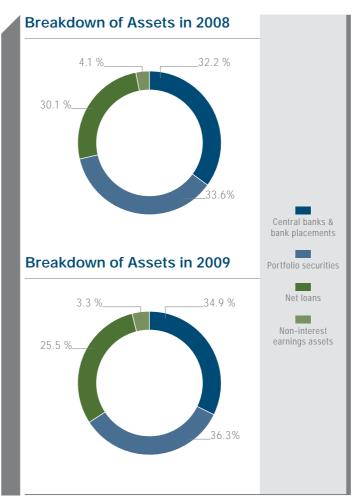
Customers' deposits increased from USD 17.3 billion at end-December 2008 to USD 23 billion at end-December 2009, reflecting an increase by USD 5.6 billion, which represents the second largest increase in customers' deposits in the Middle East and North Africa region. In addition, loans to customers grew by USD 618 million in 2009, while trade financing activity posted a significant performance, as revealed by the 37.7% growth in outstanding letter of credits and 61% growth in letter of guarantees. The strong activity growth reveals strong business dynamics, as well as significant customers' attractions capacity, both supported by an increase in the number of customers (51,016 new customers) and in the number of accounts as a corollary (94,620 new accounts). Activity per account also improved, as witnessed by an

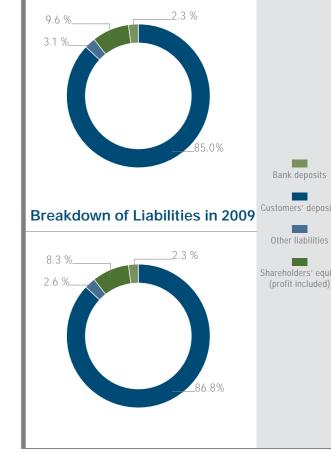
increase in automated and user-driven transactions both on absolute terms and by account basis. Activity growth in 2009 translated into consolidated net earnings of USD 289 million, as compared to USD 238.1 million in 2008, reflecting a growth of 21.4% over the year.

As a result, Bank Audi has further consolidated its domestic positioning as by far the largest bank in Lebanon and increased its positioning among the top 25 Arab banking institutions. Bank Audi's performance in 2009 continues a long standing and steady performance over the past years, as reflected by the two-digit growth rates sustained over the past six years, in consolidated assets (24.2%), footings (23.4%), shareholders' equity (29.3%), and net earnings (32.2%).



The following charts highlight the assets and liabilities structure of the Group in 2009 as compared to 2008.





Breakdown of Liabilities in 2008

▲ 03.1. LIABILITIES

Historically, Bank Audi has always relied for its funding on private customers' deposits. The year 2009 was no exception, since the USD 6.1 billion increase in consolidated assets remains principally attributed to a record increase in consolidated customers' deposits by USD 5.6 billion, built to the extent of USD 4.4 billion in Lebanese entities and USD 1.2 billion in entities abroad, mainly in regional subsidiaries launched recently. As such, deposits in domestic entities moved from USD 13.3 billion at end-December 2008 to USD 17.7 billion at end-December 2009. Within the context of an increase in deposits in the Lebanese banking sector of USD 18.9 billion, Bank Audi would have accounted for 23.3% of that increase, as compared to 19.8% in 2008. The breakdown by currency shows that 35.8% of the total deposits growth was in LBP, reflecting a shift in the Bank's deposits dollarisation rate from 78.4% at end-December 2008 to 74.8% at end-December 2009. Accordingly, Lebanese Pounds denominated deposits reached USD 5.8 billion at end-December 2009 (as compared to USD 3.8 billion at end-December 2008), while foreign currency denominated deposits amounted to USD 17.2 billion at end-December

2009 (as compared to USD 13.6 billion at end-December 2008). Customers' deposits represented 86.8% of total liabilities at end-December 2009, as compared to the 85% at end-December 2008.

The USD 453 million differential in total funding increase was accounted for by increases in bank deposits (USD 139 million), other liabilities (USD 87 million), and shareholders' equity (USD 227 million). In fact, bank deposits grew from USD 464 million at end-December 2008 to USD 603 million at end-December 2009, principally triggered by a soft loan from the Central Bank amounting to USD 88 million, in relation with the subsidy provided to customers impacted by the 2006 war of Israel on Lebanon. Still, at end-December 2009, bank deposits still accounted for 2.3% of total funding, while other liabilities represented 2.6% of the total (as compared to 3.1% at end-December 2008). At the level of shareholders' equity, the Bank's internal capital generation offset the redemption of Series "C" preferred shares amounting to USD 100 million in April 2009, leading nonetheless to a 1.4% drop in the ratio of equity to assets from 9.6% at end-December 2008 to 8.3% at end-December 2009. Still, shareholders' equity was further reinforced in 2009 to reach USD 2.2 billion, thus representing 27.4% of consolidated shareholders'

equity in the Lebanese banking sector and translating into a Basle II capital adequacy ratio of 11.9%, a level exceeding the 8% minimum requirement.

Interest-bearing Liabilities

Based on the above, the share of interest-bearing liabilities in total liabilities increased from 87.8% at end-December 2008 to 89.4% at end-December 2009. In absolute terms, interest-bearing liabilities stood at USD 23.7 billion at end-December 2009, as compared to USD 17.9 billion at end-December 2008, registering a growth of 32.3% over the year.

▲ 03.2. **ASSETS**

The USD 6.1 billion increase in total funding in 2009 was used in an increase in primary liquidity of USD 2,681 million (excluding increase in BDL Certificates of Deposit), and an increase in portfolio securities by USD 2,772 million, while loans to customers rose by USD 618 million. The remaining USD 30 million represent an increase in fixed assets and other assets associated with the regular course of business.

■ 03.2.1. PRIMARY LIQUIDITY

The Bank has consistently maintained a highly liquid position even before the global credit crunch began. Even more, the considerable increase in customers' deposits translated in a significant increase in primary liquidity in 2009, which represented 48.3% of total assets when including the Central Bank's Certificates of Deposit. As such, the Bank's overall primary liquidity (comprised principally of amounts held at the Central Bank including Certificates of Deposit and placements with foreign banks) increased from USD 8,905 million at end-December 2008 to USD 12,796 million at end-December 2009, and represented 55.7% of customers' deposits at end-December 2009, as compared to 51.4% at end-December 2008.

The Bank's primary liquidity in Lebanese Pounds, composed of placements in cash, deposits and Certificates of Deposit at the Central Bank, increased from USD 2,009 million at end-December 2008 to USD 3,599 million at end-December 2008, growing by 80% in 2009, a rate which still reflects the lower level of lending opportunities in Lebanese Pounds available to Lebanese banks due to the higher interest rates applied on loans in Lebanese Pounds, as compared to those in US Dollars. As a result, the ratio of primary liquidity in Lebanese Pound to Lebanese Pound denominated customers' deposits increased from 53.5% at end-December 2008 to 62.3% at end-December 2009. This shift could be reversed in the coming years with the introduction in July 2009 by Banque du Liban of new incentive measures to promote lending in Lebanese Pounds through the reduction of reserves requirements on

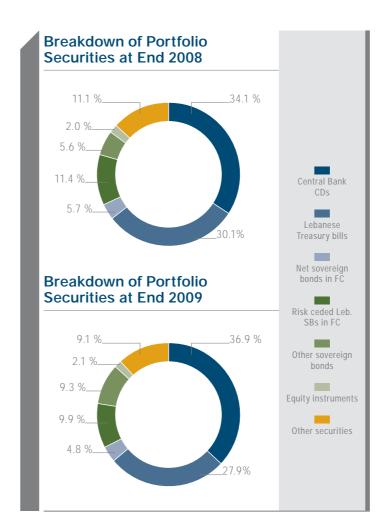
Lebanese Pound denominated deposits.

The Bank's primary liquidity in foreign currency consists of cash and deposits placed at the Central Bank, including Certificates of Deposit, as well as placements in prime banks in OECD countries. At end-December 2009, primary liquidity in foreign currencies stood at USD 9,197 million, as compared to USD 6,897 million at end-December 2008, and represented respectively 53.7% and 50.8% of consolidated deposits in foreign currencies. Foreign currency denominated placements with central banks of the countries in which Bank Audi has operations accounted for 29.6% of consolidated deposits in foreign currencies, with the remaining 24.1% of foreign currency customers' deposits related to placements with OECD banks. Since the last quarter of 2008, placements with OECD banks have been redeployed in geographically diverse, large, highly rated deposit rich international banks which have been relatively insulated from the recent crisis. At end-December 2009, the distribution of placements in OECD banks by geography and rating was as follows: 67.2% in Europe, 9.5% in the United States, and 23.3% in the Middle East, principally in state-owned banks; and, 40.3% in AAA to AA- rated institutions, 51.9% in A+ to BBB- rated institutions, and 3% in BB+ to B- rated institutions, while 4.8% were placed in "not rated" institutions.

▲ 03.2.2. PORTFOLIO SECURITIES

Portfolio securities, made of LBP Treasury bills, FC sovereign bonds, BDL Certificates of Deposit, fixed income instruments and marketable securities, increased by USD 2,772 million in 2009, from USD 6,849 million at end-December 2008 to USD 9,621 million at end-December 2009. As a percentage of assets, the Bank's portfolio securities represented 36.3% at end-December 2009, as compared to 33.6% at end-December 2008. Within the context of a significant growth in funding, the increase in portfolio securities principally reflects Management's desire to mitigate the impact of the negative carry borne on the Bank's foreign currency denominated primary liquidity by investing in high yielding securities.

However, a breakdown of the portfolio securities over the different components, shown in the pie charts set forth, highlights a different structure at end-December 2009, as compared to that at end-December 2008.



In fact, in view of the forthcoming growth of Bank Audi, expected to double in size over the medium term, Management resolved in August 2009 to shift the asset mix of the Bank to reflect the Bank's developing regional profile. In line with this policy decision, the Bank's investments in foreign currencies were channelled towards placements in highly rated sovereign bonds or sovereign-related corporates essentially from Qatar and Abu Dhabi, at the detriment of foreign currency denominated Lebanese sovereign bonds. At end-December 2009, Bank Audi's exposure to bonds from Abu Dhabi and Qatar reached USD 928 million, representing 9.6% of the total portfolio securities and 5.4% of foreign currency denominated customers' deposits. Subsequently, within the context of the considerable growth in assets and deposits, the Bank's gross exposure to foreign currency denominated Lebanese sovereign bonds increased from USD 1,163 million at end-December 2008 to USD 1,414 million at end-December 2009, representing 8.2% of foreign currency denominated deposits, as compared to 8.5% at end-December 2008.

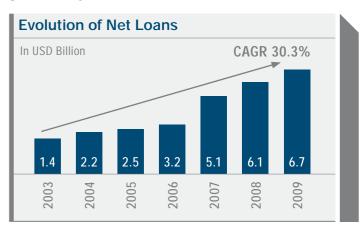
In parallel, the Bank's net exposure to Lebanese sovereign bonds has also declined in 2009. For reference, net exposure represents the gross exposure to Lebanese sovereign bonds minus the risk ceded

to customers' deposits linked instruments underlying a contractual agreement with qualified customers accepting deposits repayment in cash or in Lebanese sovereign bonds against a higher return on their deposits. At end-December 2009, net exposure to Lebanese sovereign bonds amounted to a mere USD 465 million, representing only 4.8% of total portfolio securities and 2.9% of adjusted foreign currency denominated customers' deposits.

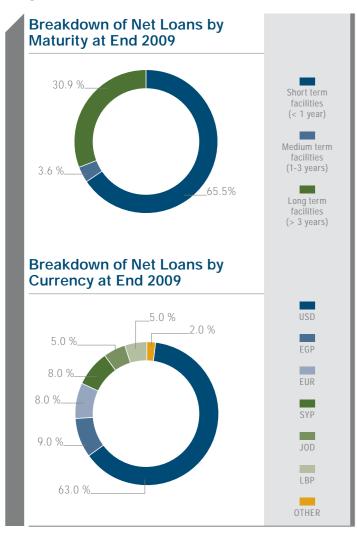
As a percentage of shareholders' equity, Bank Audi's net exposure to Lebanese sovereign bonds also increased from 19.7% at end-December 2008 to 21.3% at end-December 2009, still by far the lowest level in the Lebanese banking sector.

▲ 03.3. LOANS TO CUSTOMERS

The evolution of the share of liquidity and portfolio securities in total assets is a direct corollary of the change in the Bank's loans to assets ratio, which fell to 25.5% at end-December 2009, as compared to 30.1% at end-December 2008. This decline principally reflects the stronger growth in consolidated assets in 2009 (29.9%), as compared to a 10.1% growth in loans to customers. The slower growth rate remains nonetheless coincidental, tied to specific market conditions. In fact, on the backdrop of the outburst of the global financial crisis late in 2008 impacting significantly the operating environment early 2009, Bank Audi's Management, renowned for its conservative approach in terms of lending, significantly slowed down in the first guarter of the year all new lending across the Group, adopting a wait-and-see attitude. As soon as market conditions became clearer, the Bank resumed in the second and third quarters of 2009 granting loans principally to leading large regional corporates from the MENA region. As a result, loans to customers increased by USD 618 million in 2009, from USD 6,129 million at end-December 2008 to USD 6,747 million at end-December 2009, while the Trade Finance activity soared over the same period with letters of credit growing by 37.7% and letters of guarantee by 61%.

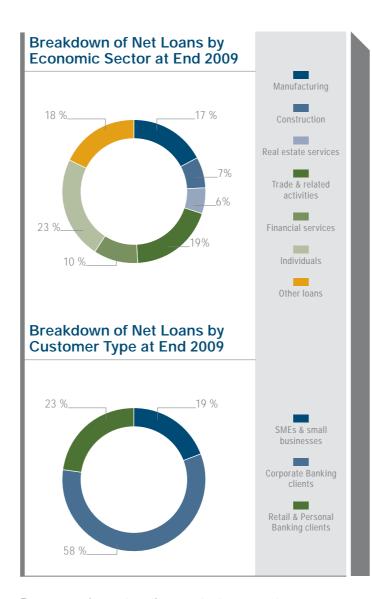


The following analysis covers the breakdown of loans to customers by maturity, currency, customers' type, economic sector, as well as by geography and type of guarantee.

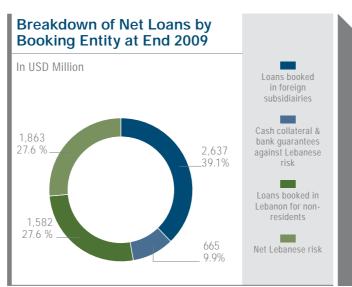


The pie chart set forth reveals that 65.5% of all Retail and Corporate loans are short term facilities (i.e. less than one year), and almost two thirds (63%) are denominated in US Dollars.

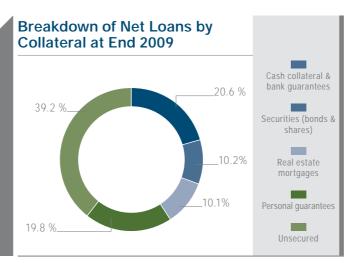
Broken down by customers' type, 57.8% of net loans are to corporate clients, 16.4% to small and medium-sized institutions as well as small businesses, and 23.3% to Retail and Personal Banking clients.



By economic sector, the greatest aggregate exposure is to individuals (23%), followed by Trade and related activities (19%), Manufacturing (17%), Financial services (10%), Construction (7%), Real Estate services (6%), and other loans (18%).



By country, loans booked in subsidiaries outside Lebanon represented 39.1% of the total loans, while loans booked in Lebanon for non-residents accounted for 27.6%. The remaining 37.5% are accounted by loans extended to the Lebanese private sector, broken down over 27.6% of net Lebanese exposure, and 9.9% of Lebanese risk against cash collateral.



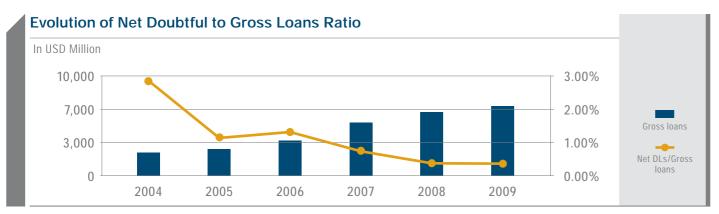
Loan growth was not made at the detriment of loan quality which sustained its good level in 2009. As shown by the table set forth, gross doubtful loans increased from USD 192 million at end-December 2008 to USD 234 million at end-December 2009, resulting in a ratio of doubtful loans to gross loans of 3.36% at end-December 2009 against 3.05% at end-December 2008. In parallel, loan loss reserves on doubtful loans increased from USD

172 million at end-December 2008 to USD 210 million at end-December 2009, resulting in maintaining the ratio of net doubtful loans to gross loans at 0.35% at end-December 2009, as compared to 0.33% at end-December 2008. In absolute terms, net doubtful loans increased by USD 3.4 million, moving from USD 20.8 million at end-December 2008 to USD 24.2 million at end-December 2009.

| Loan Quality | | | | |
|--|-----------|-----------|---------|--------|
| In USD Thousand | Dec-08 | Dec-09 | Change | % |
| Gross substandard loans (SLs) | 10,604 | 10,214 | -390 | -3.67% |
| o.w. interest | 2,130 | 2,518 | 387 | 18.18% |
| Net substandard loans | 8,473 | 7,696 | -777 | -9.17% |
| Doubtful loans (DLs) | 192,423 | 234,020 | 41,598 | 21.62% |
| o.w. net doubtful loans | 20,840 | 24,212 | 3,372 | 16.18% |
| o.w. provisions | 126,032 | 156,701 | 30,669 | 24.33% |
| o.w. interest in suspense | 45,550 | 53,107 | 7,556 | 16.59% |
| Net DLs + SLs | 29,314 | 31,909 | 2,595 | 8.85% |
| DLs + SLs | 203,026 | 244,234 | 41,208 | 20.30% |
| Loan loss reserves (LLRs) on DLs and SLs | 173,713 | 212,326 | 38,613 | 22.23% |
| Gross loans | 6,302,825 | 6,959,046 | 656,220 | 10.41% |
| Ratios | | | | |
| DLs / Gross loans | 3.05% | 3.36% | 0.31% | |
| SLs + DLs / Gross loans | 3.22% | 3.51% | 0.29% | |
| Net DLs / Gross loans | 0.33% | 0.35% | 0.02% | |
| Net DLs + SLs / Gross loans | 0.47% | 0.46% | -0.01% | |
| LLRs on SLs / SLs | 20.09% | 24.6% | 4.6% | |
| LLRs on DLs / DLs | 89.17% | 89.7% | 0.5% | |
| LLRs on DLs + SLs / DLs+SLs | 85.56% | 86.9% | 1.4% | |
| LLRs / Gross loans | 2.76% | 3.05% | 0.29% | |

It is worth noting that, since the outburst of the global financial crisis, the Group Corporate Banking and Credit teams are undergoing on a monthly basis comprehensive reviews of the quality of the consolidated loan book. At end-December 2009, the outcome of those reviews

did not point out the need to downgrade specific files. Accordingly, out of the Bank's loan loss reserves amounting to USD 212 million, a significant amount of provisions might potentially be reversed with plausible improvements on the outstanding NPLs.



As a percentage of customers' deposits, loans to customers represented 29.4% at end-December 2009. However, adjusting to the USD 4.8 billion of financial instruments classified as loans and receivables as per IFRS, the Bank's broads loans to deposits ratio would represent 50.4%. Going forward, the Bank expects a significantly higher loan growth, based on the following:

- Deployment of the Bank's large flexibility to extend loans to regional prime corporates: Within the context of an ongoing credit crunch throughout the MENA region, Bank Audi is able to deploy its firepower to grant new loans to prime leading enterprises from the region. As a matter of fact, in the last quarter of 2009, in view of its high liquidity level and the scarcity prevailing in the region, prime regional corporates in the GCC region approached more and more Bank Audi for their financing needs. Several application files are currently under evaluation, while some have already materialised in the first half of 2010, driving the increase in the loan book by USD 793 million (corresponding to a year-to-date growth of 11.8%) over the period.
- ▲ Expected high loan growth in the newly established regional entities: the Bank's regional expansion strategy has been displaying very positive results as the newly established entities are more and more contributing to the consolidated assets and earnings growth. In particular, the contribution of MENA entities in the consolidated loans growth in 2009 reached 43.3%, a level forecast to increase as those regional entities develop even further.
- Development prospect of Retail lending in Lebanon: the Retail segment in Lebanon is still in its infancy, representing a mere 13% of loans to the private sector. Given the increase in demand witnessed in the recent past, as well as the development strategies undertaken by the banking sector to promote consumer lending

at large, Management expects Retail lending to constitute, in a medium term, a sustainable 25% of the total loan portfolio in the domestic market, in line with markets having similar per capita income levels.

■ Expected growing financing needs in the Corporate sector in Lebanon to finance new investments triggered by a closing of the output gap estimated at 30%, which reflects a potential GDP of USD 47 billion, as compared to an actual GDP of USD 33 billion at end-December 2009. Closing this gap would implicitly imply a new wave of loans to the private sector estimated at USD 10-12 billion.

Based on all those criteria, Management expects loan growth to be sustained over the medium term in the range of 20-25%. The latter should translate into a loan to deposits ratio at the horizon in excess of 45%.

Interest-earning Assets

Based on the above, the share of interest-earning assets in total assets increased from 96% at end-December 2008 to 96.8% at end-December 2009. In absolute terms, interest-earning assets stood at USD 25.6 billion at end-December 2009, as compared to USD 19.6 billion at end-December 2008, registering a growth of 31% over the year.

▲ 03.4. PROFITABILITY

Following the strong activity growth, Bank Audi's consolidated audited net earnings rose from USD 238.1 million in 2008 to USD 289 million in 2009, reflecting an increase by USD 50.9 million, the highest among domestic peers. The table below summarises the principal components of Bank Audi's net earnings, as well as the year-on-year value and percentage change in those components.

| Summarised Income Statement | | | | | | |
|---|--------|-----------|--------|-----------|--------|--------|
| In USD Million | Dec-08 | Structure | Dec-09 | Structure | Change | % |
| Interest income | 423.0 | 63.9% | 424.0 | 57.5% | 1.0 | 0.2% |
| Non-interest income | 238.6 | 36.1% | 313.1 | 42.5% | 74.5 | 31.2% |
| o.w. net commissions | 141.1 | 21.3% | 147.2 | 20.0% | 6.0 | 4.3% |
| o.w. net revenues from financial operations | 52.8 | 8.0% | 125.8 | 17.1% | 73.0 | 138.3% |
| o.w. net other revenues* | 44.7 | 6.8% | 40.1 | 5.4% | -4.5 | -10.1% |
| Total income | 661.6 | 100.0% | 737.1 | 100.0% | 75.5 | 11.4% |
| Operating expenses | 363.3 | 85.8% | 356.9 | 79.6% | -6.4 | -1.8% |
| Loans loss provisions | 5.0 | 1.2% | 23.2 | 5.2% | 18.2 | 364.0% |
| Net other provisions | 8.7 | 2.1% | 7.8 | 1.7% | -0.9 | -10.7% |
| Tax | 46.5 | 11.0% | 60.3 | 13.5% | 13.8 | 29.7% |
| Total cost | 423.5 | 100.0% | 448.2 | 100.0% | 24.7 | 5.8% |
| Net earnings | 238.1 | | 289.0 | | 50.9 | 21.4% |

^{*} Includes share of profit of associates under equity method and net gain (loss) on disposal of assets.

The increase in net earnings resulted from an 11.4% growth in total income, largely offsetting the 5.8% growth in cost base attributed essentially to increases in credit cost and tax cost.

The USD 75.5 million increase in total income is principally attributed to non-interest income (rising by USD 74.5 million) within the context of a slight increase in interest income by USD 1 million. The latter is explained by the negative carry borne on the Bank's primary liquidity in foreign currency, following the significant drop in US reference rates. This trend reversal in the market led to a contraction in the Bank's interest margin by 47 basis points, moving from 2.34% in 2008 to 1.88% in 2009, which largely offset the quantity effect as a result of a 25.1% growth in average interest-earning assets over the year. In value terms, the contraction refers to USD 93 million of foregone income on the Bank's USD 4.5 billion

of primary liquidity harshly impacted by a 2% negative carry. The drop in interest income triggered immediate contra cyclical measures from Management, such as the control of cost of deposits (contracting by 43 basis points on a year-to-date basis), the repricing of the non-Libor based loans, as well as the deployment of a portion of the increase in funding in high yielding uses, and drastic cost cutting measures. Having said that, as soon as the Libor rates rise again, the Bank's interest margin will automatically expand. Internal computation reveals that with everything being equal, each increase in the Libor rate by 1% will result in additional total income for Bank Audi by close to USD 50 million, equivalent to a spread widening by 21 basis points.

Breakdown of Non-interest Income by Business Line

| | 2009 | | | | | |
|--|---------|---------|-------|-------|--|--|
| In USD Million | Lebanon | Europe* | MENA* | Total | | |
| Commercial / Corporate Banking | 42.5 | 6.1 | 23.2 | 71.7 | | |
| Private Banking | 4.1 | 24.7 | 1.5 | 30.3 | | |
| Retail & Personal Banking | 42.1 | 4.1 | 22.8 | 69.1 | | |
| Treasury & Capital Markets | 92.6 | 0.0 | 6.4 | 99.1 | | |
| o.w. dividends | 14.1 | 0.0 | 0.5 | 14.7 | | |
| o.w. trading | 49.6 | 0.0 | 5.7 | 55.3 | | |
| o.w. revaluation | 28.9 | 0.0 | 0.2 | 29.1 | | |
| Others (including insurance and outsourcing) | 13.7 | 2.0 | 27.2 | 42.9 | | |
| Non-interest income | 195.0 | 36.9 | 81.2 | 313.1 | | |

^{*} Europe excludes Capital Outsourcing Monaco and Capital Outsourcing Paris which are consolidated within MENA elsewhere.

The increase in non-interest income translated into an increase in its share in total income from 36.1% in 2008 to 42.5% in 2009, one of the highest levels in the sector. The increase in non-interest income was primarily driven by an increase in recurrent operating commissions across all lines of business, as well as higher income from financial operations stemming from increased market making activity on Lebanese and regional bonds.

Total cost (comprised of general operating expenses, loan loss provisions, other provisions and income tax) increased by USD 24.7 million, broken down over an increase in total provisions by USD 17.8 million and an increase in tax cost by USD 13.8 million, within the context of a contraction in general operating expenses by USD 6.4 million.

Accordingly, general operating expenses decreased in 2009 relative to 2008, resulting, within the context of the

massive growth in assets and the corollary increase in total income, into a significant improvement in efficiency. In fact, Bank Audi's cost to income ratio dropped by 6.5%, moving from 54.9% in 2008 to 48.4% in 2009. In parallel, the ratio of cost to average assets reported an improvement by 40 basis points in 2009, registering 1.53% in 2009 against 1.93% in 2008. Management remains committed to bringing the cost to income ratio further down to a sustainable level of 45% over the medium term. Accordingly, Group-wide efficiency enhancement measures articulated around strategic reorganisation remain in effect in 2010.

Loan loss provisions increased by USD 18.2 million in 2009, from USD 5 million in 2008 to USD 23.2 million in 2009, which reflects constitution of loans loss provisions of USD 39.8 million within the context of write-back of provisions no more required of USD 16.6 million. A further breakdown of the USD 39.8 million of provisions taken in 2009 reveals that Bank Audi took, on the backdrop of this year's tough global environment and in line with IFRS standard 39 on collective provisioning allocation, USD 20.7 million of collective provisions which are to be added to a USD 19.1 million of specific provisions.

| Key Performance Metrics | | | |
|--|------------|------------|-----------|
| In USD Thousand | 2008 | 2009 | 2009/2008 |
| Average assets | 18,852,513 | 23,435,521 | 4,583,008 |
| Average interest-earning assets | 18,051,510 | 22,582,145 | 4,530,635 |
| Average interest-bearing liabilities | 16,485,317 | 20,795,779 | 4,310,463 |
| Average equity | 1,894,881 | 2,079,459 | 184,578 |
| Yield on earning assets | 6.35% | 5.53% | -0.83% |
| - Cost of earning assets | 4.01% | 3.65% | -0.36% |
| Cost of funds | 4.39% | 3.96% | -0.43% |
| Interest differential | 1.96% | 1.56% | -0.40% |
| = Interest margin | 2.34% | 1.88% | -0.47% |
| x Average IEA/AA | 95.75% | 96.36% | 0.61% |
| Spread | 2.24% | 1.81% | -0.43% |
| + Non-interest income / AA | 1.27% | 1.34% | 0.07% |
| = Asset utilisation | 3.51% | 3.15% | -0.36% |
| x Net operating margin | 35.99% | 39.20% | 3.22% |
| o.w. cost to income | 54.91% | 48.41% | -6.50% |
| o.w. credit cost | 0.76% | 3.15% | 2.39% |
| o.w. provisions on impairment of financial instruments | 1.32% | 1.06% | -0.26% |
| o.w. tax cost | 7.03% | 8.18% | 1.15% |
| = ROAA | 1.26% | 1.23% | -0.03% |
| x Leverage | 9.95 | 11.27 | 1.32 |
| = ROAE | 12.56% | 13.90% | 1.33% |
| ROACE | 13.30% | 14.77% | 1.47% |

As average assets grew by 24.3% in 2009 while total revenues grew by 11.4%, Bank Audi's asset utilisation ratio dropped from 3.51% at end-2008 to USD 3.15% at end 2009, principally due to the negative carry. Nonetheless, driven by the significant improvement in overall efficiency, Bank Audi's net operating margin improved by 3.22%, moving from 35.99% in 2008 to 39.20% in 2009, largely offsetting the drop and turning a return on average assets in 2009 of 1.23%, as compared to 1.26% in 2008. In addition, the Bank's leverage rose from 9.95 times to 11.27 times over the same period, resulting in an increase in return on average equity from 12.56% at end 2008 to 13.90% at end 2009. Return on average common equity rose in parallel from 13.30% at end 2008 to 14.77% at end 2009.

▲ 03.5. CAPITAL MANAGEMENT

Consolidated shareholders' equity increased from USD 1,966 million at end-December 2008 to USD 2,193 million

at end-December 2009, an increase mainly attributed to the internal capital generation which offset the redemption of the USD 100 million Series "C" preferred share in April 2009. Subsequently, within the context of an increase in minority shares by USD 47.3 million in 2009, the Group share consolidated common shareholders' equity rose from USD 1,636 million, reaching USD 1,924 million at end-December 2009.

Management believes that Bank Audi has adequate capitalisation when compared to the size of its business activity and its third party risks. At end-December 2009, the average equity to assets ratio represented 8.9%, while the capital adequacy ratio stood at 17.27% as per Basel I and 11.93% as per Basel II, as compared to the regulatory minimum of respectively 12% and 8%. The differential between the Basel I and Basel II capital adequacy ratio principally reflects the 100% risk-weighting of foreign currency exposure to the Lebanese sovereign (Eurobonds and Central Bank) under Basel II that goes down to 0%

under Basel I, as well as the credit, market and operational risk charges required by Basel II.

Up till the end of December 2009, the base for capital adequacy computation as directed by the Central Bank of Lebanon was that of Basel I, with banks required to run parallel computation of capital adequacy ratio as per Basel II. Effective January 1, 2010, the base for capital adequacy computation changed to Basel II which requires banks, in addition to meeting the Pillar I requirements (i.e. minimum capital requirements under Basel II), to establish a documented assessment mechanism carried out in accordance with certain guidelines, including (i) the risks to which the Bank is exposed, such as credit risk, market risk, operational risk, interest rate risk, credit concentration risk, liquidity

risk and strategic risk; (ii) the future capital needs of the Bank to be determined in light of the Bank's strategy and stress testing results; and (iii) the periodic monitoring of the sufficiency of the Bank's capital to cover the minimum requirements to counter any risks or potential negative changes while evaluating all the qualitative (i.e. corporate governance, risk management and internal control regulations) and quantitative (i.e. the calculation of the capital requirements in accordance with Pillar I and Pillar II) elements.

Bank Audi has been conducting quantitative impact studies since September 2006, both for Pillar I and potential adjustments for Pillar II. The table set forth highlights the evolution of Basel II capital adequacy ratio components in 2009.

Capital Adequacy Ratio as per Basle II

| Capital Macquacy Matter as por Basic II | | | | |
|---|---------|---------|--------|---------|
| In USD Million | 2008 | 2009 | Change | % |
| Risk-weighted assets | 12,699 | 14,760 | 2,061 | 16.23% |
| Tier one capital net of Treasuries | 1,645 | 1,715 | 69 | 4.22% |
| - Goodwill | 139 | 145 | 6 | 4.33% |
| - Intangible assets | 13 | 17 | 5 | 36.80% |
| - 50% participation in insurance companies | 28 | 29 | 2 | 6.93% |
| = Tier one capital accounted for capital ratios | 1,466 | 1,523 | 57 | 3.88% |
| o.w. common | 1,241 | 1,398 | 157 | 12.64% |
| o.w. preferred | 225 | 125 | -100 | -44.44% |
| Tier two capital | 22 | 79 | 57 | 255.12% |
| o.w. revaluation variance Groupe Audi | 12 | 12 | 0 | 0.00% |
| o.w. 50% AFS reserves | 33 | 81 | 48 | 146.04% |
| o.w. foreign currency transalation reserves | 5 | 15 | 11 | 232.53% |
| - 50% participation in insurance companies | 28 | 29 | 2 | 6.93% |
| Total capital | 1,488 | 1,602 | 113 | 7.63% |
| Tier one capital ratio | 11.55% | 10.32% | -1.23% | |
| Tier two capital ratio | 0.17% | 0.53% | 0.36% | |
| Total capital ratio | 11.72% | 10.85% | -0.87% | |
| Net profits | 238.07 | 288.95 | 50.88 | 21.37% |
| - less common dividends | 77.11 | 120.47 | 43.36 | 56.23% |
| - less preferred dividends | 18.44 | 9.69 | -8.75 | -47.46% |
| = Internal capital generation | 142.52 | 158.80 | 16.27 | 11.42% |
| Tier one capital (profits net of dividends included) | 1,609 | 1,682 | 73 | 4.55% |
| o.w. common | 1,384 | 1,557 | 173 | 12.52% |
| o.w. preferred | 225 | 125 | -100 | -44.44% |
| Tier two capital | 22 | 79 | 57 | 255.12% |
| Total capital | 1,631 | 1,761 | 130 | 7.96% |
| Required Tier one capital ratio (profits net of dividends included) | 12.67% | 11.40% | -1.27% | |
| o.w. common | 10.90% | 10.55% | -0.35% | |
| o.w. preferred | 1.77% | 0.85% | -0.92% | |
| Tier two capital ratio | 0.17% | 0.53% | 0.36% | |
| Total capital ratio | 12.84% | 11.93% | -0.91% | |
| | .2.0170 | 11.7070 | 0.7170 | |

The table above highlights that risk-weighted assets expanded in 2009 by 16.2%, representing an increase of USD 2.1 billion. However, impacted by the redemption of preferred shares, total capital accounted for in capital ratio computation did not follow suit. Tier one capital rose by a mere 4.6% to USD 1,682 million, while total capital rose by 8% to USD 1,761 million. In relative terms, Tier one capital ratio was at end-December 2009 at 11.40%, as compared to 12.67% as at end-December 2008, while the total capital ratio was of 11.93%, as compared to 12.84% at end-December 2008. The calculation of total capital adequacy ratio does not take into account the elimination of USD 948 million of Lebanese government Eurobonds, whose risk has been ceded to qualified customers by contractual agreements. When adjusting the risk-weighted assets to the risk ceded, the capital

adequacy ratio would rise to 12.75%.

■ 04. Business Review

As a result of a successful restructuring and diversification plan undertaken over the past decade, Bank Audi is today a regional bank offering a full range of Commercial and Corporate Banking, Retail Banking, Private Banking, and Treasury and Capital Market activities. Subsequently, Bank Audi has significantly diversified the range of its services and products, acquiring henceforth one of the best universal banking profiles in the region. The table set forth maps a business distribution over the main banking entities of the Group.

Business Distribution over Banking Entities

| | Commercial / | | | Treasury & |
|------------------------------|--------------|---------|-------------------|-----------------|
| | Corporate | Private | Retail & Personal | Capital Markets |
| ENTITIES | Banking | Banking | Banking | Activities |
| Lebanon | | | | |
| Bank Audi | • | • | • | • |
| Audi Saradar Investment Bank | • | | | • |
| Audi Saradar Private Bank | | • | | |
| Europe | | | | |
| Bank Audi Saradar France | • | • | • | • |
| Banque Audi (Suisse) | | • | | |
| MENA | | | | |
| Bank Audi - Jordan Branches | • | | • | • |
| Bank Audi Syria | • | | • | • |
| Bank Audi (Egypt) | • | | • | • |
| National Bank of Sudan | • | | • | • |
| Bank Audi (Qatar) | • | • | | |
| Audi Capital (KSA) | | • | | • |

▲ 04.1. CORPORATE AND COMMERCIAL BANKING

Bank Audi has a strong franchise in both Commercial and Corporate Banking activities, supported by a diversified loan portfolio. In Lebanon, the Bank's Commercial and Corporate Banking franchise encompasses the top 100 enterprises, aggregating, at end-December 2009, a loan book of USD 2.9 billion, the largest country-wide. Over and above, Bank Audi managed to build, over the recent years, an important Corporate Banking franchise in the MENA region, deploying its ample liquidity to provide financing to the top regional corporates booked either in regional subsidiaries or in Lebanon. At end-December 2009, the Bank's Corporate loan book represented USD 3.7 billion, accounting for 49% of the consolidated loans book. In addition, Bank Audi has a wide coverage of the Levant and Africa out of its subsidiary in France.

Moreover, over the past couple of years, Bank Audi has focused on enhancing and reinforcing its capabilities in the Syndication business. Within this scope, it has established a dedicated Syndication Department overseeing a desk active in primary and secondary transactions. At the level of primary syndications, the Bank, over and above arranging close to USD 1.2 billion worth of deals ranging across various sectors (Telecoms, Manufacturing, Cement Plants, Insurance, Retail and Contracting), has successfully launched the largest syndication in the Levant where it acted as the sole runner and arranger of a USD 380 million syndicated bridge facility for a private company in the Middle East, featuring, among other things, the affirmative participation of 14 players among export credit agencies, multilateral agencies, and local and regional commercial banks, at a time when access to credit was nearly extinct. This milestone transaction allowed the Group to reinforce its position as a major player in the Syndication business in the Middle East, expanding its Corporate Banking

offering towards a growing high value added business in the region at large. Successfully arranging the largest project financing for a private entity in the region while ensuring the involvement of multilateral and export credit agencies is a clear witness of Bank Audi's ability to handle complex and challenging transactions, and of its growing role in the region. The operation actually represents a flagship in the banking sectors of the Levant region, which compelled Euromoney to grant Bank Audi the Deal of the Year 2010 award. Going forward, Bank Audi's Management expects to generate significant commissions from the Syndication business.

▲ 04.2. **RETAIL BANKING**

The development of Retail Banking is a central aspect of Bank Audi's business diversification and regional expansion strategy. Retail Banking offerings encompass a wide spectrum of 123 Retail products and services covering consumer lending, accounts offering, bancassurance, credit cards and internet banking, provided in most countries where Bank Audi operates. Supported in Lebanon by the widest branch network counting 80 branches, the domestic Retail franchise is the largest market-side, accounting by itself for a household penetration of 29% and a customer penetration of 22.5% on the basis of a customer base double the size of the next competitor. In the MENA region, the Bank's Retail Banking activities are supported by an active branching out through a network of 70 branches built in 3 years of average activity.

Supported by the latest technology and spirit of innovation, the Retail strategy in 2009 aimed on one hand at enlarging the core product offering with the launch of new targeted and competitively priced products, and on the other hand at enhancing the customer penetration rate with existing products. Main drivers of the Retail strategy revolved around continuously anticipating and answering customers' needs, while ensuring product diversification, pricing optimisation, and risk mitigation, allowing the achievement of a leading position in all markets of presence. Accordingly, the Bank endeavoured, in 2009, to revamp its Home Loan range and launch a new Car Loan, in addition to introducing a range of niche consumer lending products, such as university products, teachers' loans, third party settlement loans, and a host of innovative high tech Retail products and services developed in association with leading partners, while completing the bancassurance range with products targeting university students and chronic disease patients.

Retail Banking initiatives in 2009 were closely supported by ongoing campaigns and presentations targeting strategic corporate relationships, as well as a number of other external parties aiming to acquire new customers, cross-sell on products, and revamp existing relationships. In parallel, an event-based CRM platform continuously ensured branch sales support assisting through direct mail and telemarketing campaigns.

At the level of Electronic Banking and Cards Services, Bank Audi established in Lebanon in 2004 a state of the art center dedicated to serve the Bank's regional network in Lebanon, Jordan, Syria, Egypt, Saudi Arabia, Qatar, and all other prospective regional countries. Since then, it relentlessly endeavoured to widen its card offering which encompasses today the most innovative and differentiated card products (credit, debit, prepaid, charge, instalment and co-branded cards), as well as the most technologically advanced electronic payment solution to individuals, governmental institutions and corporations provided through electronic terminals and E-Commerce. This is supported by the fact that Bank Audi is, since 2003, a principal issuer and acquirer member of MasterCard & Visa, and has an exclusive partnership with American Express. In 2009, Bank Audi achieved a 33% market share in issuing cards (as compared to 5% in 2004), ranking first in the country, as well as a 30% market share in acquiring business (against 5% in 2004).

Acknowledging those achievements, Bank Audi was appointed in 2007 member of MasterCard incorporated's Board of Directors for the South Africa, Middle East and Asia region, and was ranked 6th by the Nilson Report among credit card issuers of the MENA region in 2008.

As a reference, Bank Audi's Electronic Banking platform includes phone banking, PC banking, internet banking and ATMs services. At end-December 2009, the Bank operated the largest ATM network in Lebanon, counting 153 ATMs, which represents 13% of the national network. On a consolidated basis, Bank Audi operates a network of 279 ATMs.

As a result of those initiatives, the cumulative Retail portfolio was significantly boosted in 2009 to encompass 697,000 products sold with improved cross-selling from 3.4 products per customer in 2008 to 3.9 products per customer in 2009. In parallel, the consumer lending portfolio grew by 9%, reaching at end-December 2009 USD 1,004 million, representing 14.9 % of the consolidated loan portfolio (as compared to 12% in 2008).

The growth in the consumer loan portfolio in 2009 was principally driven by an 18% growth in the domestic entity, in addition to a growth of 33% in Syria and of 23% in Egypt. A detailed analysis of the component of the consumer loan portfolio reveals that the car loan was the star product in 2009, with around 8,000 new cars sold, totalling USD 98 million. Accordingly, the car loan portfolio grew by 24% in 2009, reaching USD 247 million at end-December 2009, the equivalent of 22,600 cars

sold. Nonetheless, personal loans remain the leading product, with around 20,000 new loans acquired in 2009, representing USD 166 million. Accordingly, the cumulative personal loan portfolio grew by 21% in 2009, reaching USD 288 million at end-December 2009, the equivalent of 43,000 loans.

▲ 04.3. PRIVATE AND PERSONAL BANKING

Banque Audi (Suisse) sa and Audi Saradar Private Bank sal, along with Bank Audi LLC (Qatar) and Audi Capital (KSA) cjsc, represent Bank Audi's Private Banking arm. The Bank has a strong leadership in Private Banking activities catered through Banque Audi (Suisse) which draws on more than 30 years of experience and valuable expertise, and which is today the second largest Arab private bank in Switzerland. In Lebanon, Private Banking activities include primarily wealth management products and services offered through Audi Saradar Private Bank sal, the only banking subsidiary in Lebanon entirely dedicated to Private Banking. In parallel, Bank Audi offers a wide coverage of the Private Banking market in the broader MENA region through its subsidiaries' operations in Saudi Arabia and Qatar, and its representative office in the United Arab Emirates, offering its clients trading capabilities, advisory services and traditional discretionary portfolio, as well as asset management services. In 2009, the Bank decided to reorganise the Private Banking structure at Group level in a manner to regroup the Private Banking business under one corporate structure and one Management. Accordingly, a Group Executive Committee was formed with a mission to develop and implement a well coordinated structure covering various entities, platforms and representative office spread over multiple locations in 3 continents, and reinforce it with salient risk, compliance, IT and human infrastructures. The Group Private Banking products are emphasised by cutting edge tailor-made investment strategies allowing for an unparalleled offering of enhanced financial products and investment opportunities.

Supported by a single sales team and one-product Development Unit, this new structure aims at expanding the geographic reach of the business line at Group level, targeting high to ultrahigh net worth individuals and groups among the Arab and Lebanese diaspora worldwide, in addition to nationals in all markets of presence. Within this context, Bank Audi has entered into an agreement to acquire Dresdner Bank Monaco SAM, a transaction still subject to receipt of necessary approvals. This acquisition would allow the Bank to expand its reach to southern regions of Italy and France. In addition, Banque Audi (Suisse) has recently obtained a license to open a branch in Gibraltar, whose strategic positioning would also allow the Group to develop its asset management business in

the Iberian Peninsula and North Africa. Within the same context, Bank Audi Saradar France intends to expand its activities to London. Those three recent expansions, along with existing presences, laid milestones for Bank Audi in Europe, while setting a springboard reach to the Arab diaspora in Latin America and Africa, complementing at the same time the regional expansion strategy undergone over the recent past through the addition of new European value added markets comprising an important presence of Middle Eastern high networth individuals.

▲ 04.4. TREASURY AND CAPITAL MARKETS ACTIVITIES

Bank Audi has developed a substantial Capital Markets and Investment Banking franchise and is a leader in Lebanon in both primary and secondary market activities and economic research. Over the past years, Bank Audi has co-led and managed several high profile deals issued out of the Middle East. The aggregate amounts are in excess of USD 6 billion and relate to both debt and equity raising.

Moreover, since 1996, Bank Audi has developed a substantial capital markets franchise, covering all Lebanese securities (fixed income and equity) and, more recently, securities out of the MENA region, in particular out of the Gulf Cooperation Council (GCC) region. In the fixed income arena, Bank Audi is extremely active in both primary and secondary market activities, and is considered an important market-maker on all Lebanese and most GCC/MENA bonds. Fixed income trading activities across the Group reported a yearly average annual turnover of USD 5.7 billion on Lebanese Treasury bills and Eurobonds, and an excess of USD 7 billion on regional sovereign and private bonds. On the equity front, Bank Audi is the largest intermediary on the Beirut Stock Exchange, with a 30% market share, in parallel with its regional presence, principally in KSA and Egypt.

■ 05. Markets Review

Following the successful business and regional diversification strategies undertaken in the recent past, Bank Audi sal was transformed from a Lebanese commercial bank by the end of the last decade to a Lebanese universal bank, and is now on its way to become a regional universal bank in a fast growing Middle Eastern region at large. The Group is currently present in 11 countries through 9 banks, 2 insurance companies, 1 investment company and a representative office. As a matter of fact, over and above its historic presence in Lebanon and in Europe (France and Switzerland), the Bank is currently present in 7 countries of the Middle East and North Africa region.

The following analysis covers the Group's performance broken down successively over Lebanon, Europe and the MENA region. The Bank's outstanding performance in 2009 was tied to the exceptional performance achieved by Lebanese entities on the backdrop of a record performance of the Lebanese banking sector that is to be added to a strong performance registered in entities in the MENA region whose contribution to the consolidated position is increasing over time. At end-December 2009, a geographic breakdown of the Group's main performance indicators, highlighted in the table below, reveals that

73.7% of consolidated assets are accounted for by Lebanese entities, 19.5% by regional entities and 6.8% by entities in Europe. This is to be compared to a contribution of 77.2% for Lebanese entities to consolidated assets in 2006, 14.2% for regional entities and 8.6% for entities in Europe. A similar breakdown at the level of net earnings in 2009 reveals a contribution of 75.7% for Lebanese entities, 5.2% for entities in Europe and 19.1% for regional entities, as compared to respectively 92.6%, 6.7% and 0.8% in 2006.

Diversification Trend by Geography

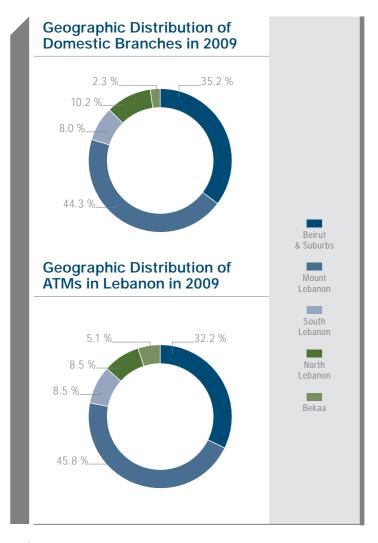
| | 20 | 06 | 20 | 09 | |
|--------------------|--------|-----------|--------|-----------|--------|
| In USD Million | Volume | Structure | Volume | Structure | CAGRs |
| ASSETS | | | | | |
| Lebanon | 10,937 | 77.2% | 19,511 | 73.7% | 23.4% |
| Europe | 1,215 | 8.6% | 1,805 | 6.8% | 15.5% |
| MENA | 2,019 | 14.2% | 5,170 | 19.5% | 40.8% |
| Total assets | 14,170 | 100.0% | 26,486 | 100.0% | 25.5% |
| DEPOSITS | | | | | |
| Lebanon | 9,591 | 81.0% | 17,709 | 77.0% | 25.0% |
| Europe | 676 | 5.7% | 1,190 | 5.2% | 22.8% |
| MENA | 1,580 | 13.3% | 4,087 | 17.8% | 41.3% |
| Total deposits | 11,847 | 100.0% | 22,985 | 100.0% | 27.3% |
| Loans to customers | | | | | |
| Lebanon | 2,324 | 71.8% | 4,110 | 60.9% | 23.0% |
| Europe | 460 | 14.2% | 700 | 10.4% | 16.5% |
| MENA | 451 | 13.9% | 1,936 | 28.7% | 69.8% |
| Total loans | 3,235 | 100.0% | 6,747 | 100.0% | 30.6% |
| NET EARNINGS | | | | | |
| Lebanon | 151.9 | 92.6% | 218.7 | 75.7% | 14.2% |
| Europe | 10.9 | 6.7% | 15.0 | 5.2% | 12.3% |
| MENA | 1.3 | 0.8% | 55.2 | 19.1% | 291.8% |
| Total net earnings | 164.1 | 100.0% | 289.0 | 100.0% | 22.8% |

In the coming years, the share of net earnings outside Lebanon is foreseen to rise even further as a result of the normal lag between the expenses of those "green field" operations and the awaited revenues. The Bank's medium term target is to reach a balanced breakdown of asset and net earnings over Lebanon and abroad.

▲ 05.1. LEBANESE ENTITIES' PERFORMANCE

The analysis of the Lebanese entities covers the performance, on a consolidated basis, of domestic entities, namely Bank Audi sal, Audi Saradar Private Bank sal, Audi Saradar Investment Bank sal, and LIA Insurance sal. Bank Audi's performance in Lebanon was at the image of a buoyant performance in the Lebanese economy characterised by high real growth and commensurably strong results in the banking sector, unscathed by the adverse contagion effects of the global financial crisis.

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Within this environment, Bank Audi's Lebanese entities registered strong balance sheet and income statement growth, gaining domestic market shares for 11 years in a row. Domestic assets grew by 31.7%, from USD 14.8 billion at end-December 2008 to USD 19.5 billion at end-December 2009, as compared to an assets growth by 21.3% in the sector. Assets growth was mainly driven by customers' deposits moving from USD 13.4 billion at end-December 2008 to USD 17.7 billion at end-December 2009, the equivalent of a 32.6% growth, as compared to a growth by 22.5% in the banking sector at large. Within the context of an increase in customers' deposits by USD 18.9 billion in the sector, the USD 4.4 billion increase registered at Bank Audi represents 23.3% of the total, as compared to 19.8% in 2008.

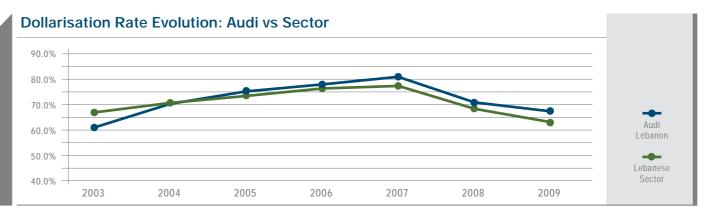
As Bank Audi consistently outperformed the banking sector in Lebanon, the Bank's Lebanese asset market share improved by 129 basis, moving from 15.05% at end-December 2008 to 16.34% at end-December 2009. Similarly, the deposits market share grew by 121 basis points, moving from 16.67% at end-December 2008 to 17.88% at end-December 2009.

| Bank Audi Lebanon: Growth and Market SI | nares | | | | |
|---|----------|--------|---------|---------|--|
| | Bank Aud | di sal | Sector* | | |
| Balance sheet and earnings data (USD Million) | Dec-08 | Dec-09 | Dec-08 | Dec-09 | |
| Assets | 14,814 | 19,511 | 98,415 | 119,410 | |
| Loans to customers | 3,875 | 4,110 | 25,862 | 29,356 | |
| Customers' deposits | 13,353 | 17,709 | 80,112 | 99,025 | |
| Shareholders' equity | 1,966 | 2,193 | 7,101 | 7,945 | |
| Growth (%) | Dec-08 | Dec-09 | Dec-08 | Dec-09 | |
| Assets | 18.56% | 31.70% | 14.59% | 21.33% | |
| Loans and discounts | 12.24% | 6.06% | 22.60% | 13.51% | |
| Customers' deposits | 20.39% | 32.62% | 15.59% | 23.61% | |
| Shareholders' equity | 7.80% | 11.54% | 13.42% | 11.88% | |
| Market share (%) | Dec-08 | Dec-09 | 09/08 | | |
| Assets | 15.05% | 16.34% | 1.29% | | |
| Loans and discounts | 14.98% | 14.00% | -0.98% | | |
| Customers' deposits | 16.67% | 17.88% | 1.21% | | |
| Shareholders' equity | 27.69% | 27.60% | -0.09% | | |

^{*} Loans and deposits figures for the sector relate to those of commercial and investment banks, as released by the Central Bank of Lebanon.

The breakdown by currency shows that 46.4% of the total deposits growth in Lebanese entities was in LBP, reflecting a shift in the Bank's deposits dollarisation rate from 71.9% at end-December 2008 to 67.4% at end-December 2009, a pace slower than that observed in the sector, moving from 69.6% to 63.5% over the same period. Accordingly,

Lebanese Pounds denominated deposits reached USD 5.8 billion at end-December 2009 (as compared to USD 3.8 billion at end- December 2008), while foreign currency denominated deposits amounted to USD 11.9 billion at end-December 2009 (as compared to USD 9.6 billion at end-December 2008).



Subsequently, deposits market share in Lebanese Pounds reported a net expansion of 102 basis points, moving from 14.95% at end-December 2008 to 15.97% at end-December 2009. In foreign currency, within the context of a larger increase at Bank Audi relative to the sector, it grew by 153 basis points from 17.45% at end-December 2008 to 18.99% at end-December 2009.

Bank Audi's performance in 2009 translated, at the level of the income statement, into a growth in net earnings by 18.1% relative to 2008 which rose to USD 218.7 million, accounting for 22% of the consolidated profits of the Lebanese banking sector.

Relative to its domestic peers, Bank Audi's achievement in 2009 is to be added to a long-standing, steady and sustained outperformance that propelled it to be by far the largest bank in Lebanon. In fact, Bank Audi has benefited, across the years, from the most universal banking profile among domestic peers, capitalising on the largest branch network (with 80 branches) and the most diversified products and services offering. With a 19% average market share, 29% of household penetration, 22% of customer penetration and more than half a million accounts in Lebanon, the Bank looks at further consolidating its Commercial Banking franchise, strengthening Retail Banking and developing Private Banking toward asset management business.

▲ 05.2. ENTITIES IN EUROPE

Bank Audi's presence in Europe goes back to the late 1970s through two entities: Bank Audi Saradar France sa and Banque Audi (Suisse) sa. Bank Audi Saradar France, the second largest Near Eastern bank operating in France, is primarily a commercial bank managing an important Trade Finance activity catered essentially to

Middle Eastern traders. Its action plan revolves around consolidating the Commercial Banking activity, while expanding the Corporate Banking business towards European sub-contracting business in the MENA region. In addition, the Bank is currently in the process of developing a Private Banking platform aimed at servicing principally high and ultrahigh net worth individuals in Europe. Within this context, Bank Audi Saradar France intends to expand its activities to London.

Drawing on more than 30 years of experience, Banque Audi (Suisse) constitutes the main Private Banking arm of the Group. It ranks as the second largest Arab bank in Switzerland, catering a wide range of sophisticated financial products with a global reach to a selective clientele principally from Lebanon and the MENA region. Banque Audi (Suisse) recently obtained a license to open a branch in Gibraltar, in an effort to diversify its product offering, giving customers the possibility to place fiduciary deposits and benefit from more flexible conditions, both in terms of tenors as well as interest rates, while enhancing at the same time lending opportunities for customers wishing to perform leveraging against their assets. The strategic geographic position of Gibraltar also allows the Bank to develop its asset management customer base in the Iberian Peninsula and North Africa, in line with the Group's overall expansion. Looking forward, Banque Audi (Suisse) will constitute the core of the private Banking business that is currently being consolidated at Group level, driving its development towards building an institutional franchise from the GCC region, along achieving a wider reach of ultra and high networth individuals.

Activity Highlights of European Entities

| | | | Private | | | |
|-----------------------------|--------|----------|----------------------|-----------|---------------|-------------|
| | Launch | | Customers' | Loans to | Shareholders' | |
| In USD Million | Date | Assets | Deposits | Customers | Equity | Net Profits |
| Bank Audi Saradar France sa | 1979 | 894 | 621 | 419 | 100 | 7.4 |
| Banque Audi (Suisse) sa | 1976 | 3,805(1) | 1,553 ⁽²⁾ | 282 | 107 | 7.8 |

1 - Assets and assets under management.

loans to customers increased from USD 1.7 billion to USD 1.9 billion, equivalent to an increase by USD 267 million, accounting for 43% of the consolidated increase in loans to customers. Regional entities generated net earnings of USD 55.2 million in 2009, as compared to USD 29.9 million in 2008, posting a year-on-year growth of 84.9%.

2 - o.w. USD 990 million of fiduciary deposits.

In 2009, the performance of Bank Audi's entities in Europe was impacted on one hand by the prevailing recessionary economic environment following the global financial crisis, and on the other hand by the loosening of regulations related to banking secrecy laws in Switzerland and to a lesser extent in France. This translated in a major impediment to balance sheet growth, leading, within the context of weak operating conditions, to contraction at the level of bottom lines. As such, the aggregate net earnings of Bank Audi's entities in Europe decreased by 36% from USD 23.5 million in 2008 to USD 15 million in 2009, while their contribution to consolidated net earnings dropped from 9.9% in 2008 to 5.2% in 2009. Everything held constant, a reversal in market conditions will automatically translate in a higher contribution of those entities to consolidated earnings. At end-December 2009, assets of Bank Audi Saradar France stood at USD 894 million, while assets and assets under management of Banque Audi (Suisse) totalled USD 3.8 billion.

4 05.3. **ENTITIES IN THE MENA REGION**

In the recent past, Bank Audi embarked on a regional expansion strategy, adding footprints in six new countries in the Middle East and North Africa region. The regional network offers comprehensive Retail and Commercial Banking services in Jordan, Syria and Egypt, Islamic Banking in Sudan, Private and Corporate Banking in Qatar, and Investment and Private Banking in Saudi Arabia. Through those subsidiaries, Bank Audi intends to become the local bank in every market of presence. At end-2009, Bank Audi had the fourth largest spread in the Middle East and North Africa region, among the top 15 Arab banking groups by assets.

Bank Audi's regional entities reported strong growth in 2009, despite the moderate growth registered in the region, as witnessed by the real GDP growth, reporting circa 2.2% in 2009 according to the IMF estimates, mainly driven by a gradual recovery in oil prices, in addition to the relative alleviation of external pressures that had weighed on the region's foreign direct investment, exports and remittances. In 2009, consolidated assets of regional entities grew by 26%, from USD 4.1 billion at end-December 2008 to USD 5.2 billion at end-December 2009, mainly driven by a 32.0% increase in customers' deposits from USD 3.1 billion to USD 4.1 billion. In addition,

The strong performance in 2009 is to be added to good results registered since the launch of the "green field" operations in the region. Accordingly, in less than three years of average activity based on the current size of the network, Bank Audi has succeeded in building organically through a network of 70 newly launched branches a regional franchise of more than 150,000 customers and 213,000 accounts, translating in USD 5.2 billion of assets contributing to 19.5% of consolidated assets, as compared to a contribution of 14.2% in 2006. In turn, the contribution of the new regional entities to consolidated net earnings increased exponentially in recent years, moving from USD 1.3 million in 2006 to USD 55.2 million in 2009, representing respectively 0.8% and 19.1% of consolidated net earnings. The Bank's medium term target is to reach a balanced breakdown of earnings over Lebanon and abroad, which would in turn improve earnings' quality and reinforce their immunity.

The Bank's regional expansion results were principally realised in three main countries of presence: Jordan, Syria and Egypt, where the Bank has a comprehensive offering of Retail and Commercial banking products. The Jordan Branch network is today banking with top Jordanian corporates and enjoys a high brand image in the Jordanian market. Assets reached USD 824 million by year-end, comparing very favourably to large foreign banks operating in Jordan. On the other hand, Bank Audi Syria has had, since inception, an exceptional performance with total assets reaching USD 1.7 billion at end-December 2009, built in less than 2.5 years of average activity and contributing to consolidated net earnings by USD 13.4 million. Likewise, Bank Audi sae (Egypt) reported a "high growth" performance, contributing by USD 2.1 billion to consolidated assets and USD 22.1 million to consolidated net earnings in 2009, supported by a network of 29 new branches. Beyond their contribution to consolidated assets and earnings, the importance of the new regional entities lies in the embedded value of each of those franchises and their implicit contribution to value creation for the Bank's shareholders. Going forward, Bank Audi

aims at ranking among the top private banks in each market of presence, while expanding the spread to new enticing markets in the region.

▲ 06. Share Information

At end-December 2009, Bank Audi's share capital was made up of 24,262,180 common shares, 10,156,761 GDRs representing common shares, and 1,250,000 preferred

Following the re-launch of the trading activity on the Beirut Stock exchange after thirteen years of compulsory suspension, Bank Audi listed part of its common shares for the first time on this Exchange on January 22, 1996. In an aim to reinforce accessibility to foreign investors, Bank Audi executed two GDRs issues successively in October 1995 and October 1997, with immediate listing on the London Stock Exchange where GDRs were quoted on Seag International. In 2000, pursuant to the amendment of the Beirut Stock Exchange's bylaws allowing to list new forms of securities, Bank Audi GDRs were admitted for listing in Beirut. Moreover, on October 20, 2006, pursuant to the decision of the General Assembly dated June 23, 2006, all outstanding common shares of the Bank were listed on the Beirut Stock Exchange. The GDRs represent the Bank's common shares and are held by a depositary bank, "Deutsche Bank Americas".

Audi GDRs Program

| Audi GDRs Program | | Audi Ordinary Shares Program | |
|-------------------|------------------------|------------------------------|--------------|
| GDR Ticker | AUSR | Ordinary Ticker | AUDI.BY |
| CUSIP | 66705302 | CUSTODIAN | Midclear |
| ISIN | US0667053021 | ISIN | LB0000010415 |
| Ratio | 1 To 1 | | |
| Depositary | Deutsche Bank Americas | Nominal Value | 12,250 LBP |
| Effective Date | 24/10/97 | Effective Date | 20/10/06 |
| Underlying ISIN | LB0000010415 | Underlying ISIN | LB0000010415 |
| SEDOL | 5338397 | SEDOL | 6113407 LB |
| Country | Lebanon | | Lebanon |
| Industry | Banks | | Banks |

Bank Audi is part of the "Lebanon Index" since its inception in 1997, along with major Lebanese banks and corporates in Lebanon, namely Solidere, BLOM Bank, Byblos Bank and Fransabank. At end-December 2009, the Bank's common share price rose to USD 82.95 from USD 52.0 59.52%, while the price of the GDR quoted in London rose from USD 50.70 at end-December 2008 to USD 86.50 at end-December 2009, reflecting and appreciation of 70.6%. By comparison, the Lebanon Index improved in 2009 by 27.4%, while the Arabian Markets Index improved by 17.3% and MSCI World Index by 31.5%.

at end-December 2008, reflecting an appreciation of

Evolution of Comparative Price Indices Base Dec. 2008=100 180 160 Audi GDR 140 Lebanon Index 120 Arab markets 100 Gobal markets Dec-09 Mar-10 Sep-09

Sources: BSE, MSCI Barra, Bank Audi's Research Department.

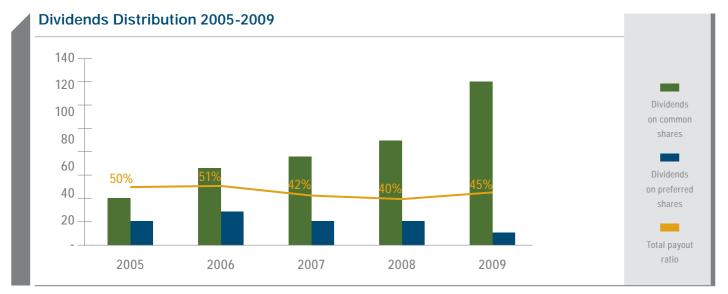
Over the period extending from January 1, 2008 to December 31, 2009, the Bank's GDR price rose by 7.7%, as compared to a contraction by 3.4% for the Lebanon Index, 47.2% for the Arabian Markets Index, and 25.7% for the MSCI World Index. After reaching its record high price in May 2008, the price of Bank Audi's share was negatively impacted by the effects of the global financial crisis on Capital Markets activities, translating into a corollary drop in the share price. Nonetheless, the widely recognised resilience of Lebanon and the soundness of its banking sector, among which Bank Audi, completely offset the price shortfall, allowing for an appreciation of Bank Audi's share price by 76.5% in the last three quarters of 2009, as

compared to an appreciation by 41.2% for Lebanon Index and by 32.3% for Arabian markets.

Subsequently, Bank Audi posted, at end-December 2009, a market capitalisation of USD 2,917 million, ranking 2nd in Lebanon.

■ 07. Dividend Policy

Since 1996, it has been the policy of Bank Audi to recommend a common dividend distribution of approximately 30% of the after-tax profits in each year.



As per the Bank's by-laws, the net allocation of the net earnings follows the subsequent order of priority:

- ▲ Allocation of 10% of net income to the legal reserve;
- Allocation of amounts required for the establishment of reserves for general banking risks (a minimum of 0.2% and a maximum of 0.3% of risk-weighted assets and off-balance sheet accounts based on rates specified by the Central Bank to cover general banking risks);
- Payment of distributions in respect of the preferred shares issued by Bank Audi;
- Establishment of additional special or general reserves; and
- Distribution to holders of common shares,

while the remaining are allocated to retained earnings.

Nonetheless, the Central Bank of Lebanon and the Banking Control Commission have the power to suspend the distribution of dividends should the Bank be in material breach of the regulations of the Central Bank of

Lebanon. To its knowledge, Bank Audi is not in breach of such regulations.

Following a proposal from the Board of Directors, the Ordinary General Assembly held on 12/04/2010 resolved the payment of a common dividend per share of USD 3.50 for the 2009 exercise. At the time, the ex-dividend date and dividend payment date were set to be respectively on 09/04/2010 and 15/04/2010.

▲ 08. Investment Considerations

Bank Audi's performances in 2009 translated in basic earnings per common share of USD 8.00, as compared to USD 6.48 in 2008, reflecting a growth of 23.5%. Post dilution, dilutive earnings per common share amounted to USD 7.80, as compared to USD 6.17 in 2008, implying a growth by 26.4%. For reference, basic earnings per share are calculated based on the weighted number of common shares actually issued, while diluted earnings per share are calculated by reference to the weighted average number of common shares including the 1,343,917 common shares which would be issued under the Employee Stock

Option to cover grants not yet exercised at end-December 2009. In parallel, book value per common share grew by 17.1% to USD 57.09. Accordingly, on the basis of a price

of USD 82.85 at end-December 2009, the common share is traded at 1.45 times the common book value per share and 10.35 times the common earnings per share.

| Per Share Data | | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------------|
| In USD Thousand | 2005 | 2006 | 2007 | 2008 | 2009 |
| Common book (Group share) Change | 623,430 | 1,319,254 695,824 | 1,499,885 180,631 | 1, 635,615 135,730 | 1,923,903 288,288 |
| Net earnings Net earnings (Group share) Dividends on preferred shares | 105,825 104,849 18,450 | 164,122 163,562 25,638 | 200,272 192,162 18,438 | 238,071 233,199 18,438 | 288,950 278,240 9,688 |
| Common earnings (Group share) | 86,399 | 137,925 | 173,724 | 214,762 | 268,553 |
| Common book per share Common earnings per share (basic) P/E* P/B* | \$27.44 \$3.83 | \$40.42 \$4.72 | \$45.60 \$5.30 | \$48.53 \$6.48 | \$57.09 \$8.00 10.35 1.45 |

^{*} On the basis of a GDR price of USD 82.85 as at 31/12/2009.

▲ 09. Investor Relations Activity in 2009

The year 2009 was an active year for Investor Relations at Bank Audi, marked by the change in sentiment at the level of investment community. As such, within the context of the global financial markets crisis impacting principally the US and developed world, the investment community continued, for the major part of 2009, to favour investment in emerging market equities among which the MENA equities remained the strongest call. This sentiment remained supported by a strong belief that MENA equities had lagged and were trading at material discount from the US and developed world aggregates. Within the MENA region, preferences went to countries which have reported strong resilience, as well as strong growth rates such as Qatar, Lebanon and Egypt.

The growing interest in the MENA region translated into more and more investors visiting the region, searching for investment opportunities. Within this context, Bank Audi participated in 2009 in 9 equities conferences, as

well as one non-deal road show fulfilling 148 meetings with 174 institutional investors, principally from the United states, the United Kingdom and the MENA region. Over and above, Bank Audi's Management fulfilled 18 site visit meeting requests with 22 different institutional investors.

▲ COVERAGE

Over the past years, the sell side community covering Bank Audi was limited to the 4 rating agencies reviewing the Bank on an annual basis, in addition to research coverage of the stock by EFG-Hermes which did not translate into an opinion due to conflict of interest consideration existing then. In 2009, the interest shown by institutional investors in Lebanon and Bank Audi more specifically compelled research teams of several London-based banks and regional financial institutions to resume or initiate coverage of Bank Audi's stock. The importance of the resumption of coverage lies principally in its direct impact on enhancing the liquidity of the stock, as it definitely constitutes preferred information source of the buy side community with the widest reach. The table below lists the institutions which initiated coverage on the Bank's stock.

Coverage Initiation or Commitments on Bank Audi Stock

| Institutions | Country | Analyst | Date of Release |
|---------------------|---------|------------------------|-----------------|
| EFG-Hermes | Egypt | Elena Sanchez-Cabuzedo | Apr-10 |
| FFA | Lebanon | Marwan Salem | Oct-09 |
| Beltone | Egypt | Radwa El Swaifi | Dec-09 |
| MAF & HC Securities | Egypt | Janany Vamadeva | Feb-10 |
| HSBC | Global | Shirin Panicker | May-10 |
| | | David Kinsey | |

Award

On November 23, 2009, the sell side and buy side communities both voted for Bank Audi to be granted the Best Investor Relation in the Levant Award by the Middle East chapter of The Investors Relations Society, recognising Management's continued efforts at the level of Investor Relations.

▲ 10. HR Developments

Dedicated to its mission as "the Bank's Strategic Partner", Human Resources at Bank Audi continued to accomplish a number of milestones over the past year.

Fully recognised for being a benchmark in the selection, motivation and growth of human capital, Bank Audi is committed to recruiting and retaining high value individuals in all areas of the Bank.

To this effect, the year 2009 marked the recruitment of 136 new employees in Lebanon alone, among which 47 are specialised professionals in the banking sector and 8 are part of the Bank's fast track programs. 103 replacements were also effected during the year.

The Bank's human capital represents a central pillar and focus in our business strategy and a high sense of employee commitment and engagement is at the forefront of the Human Resources mission. This is translated in the Bank's efforts to continuously upgrade and enhance the Performance Management systems throughout the Group. 2009's initiative culminated in introducing Risk Awareness and Compliance as necessary core competencies. Reinforcing this initiative is the completed training manual on Group Ethics and Values.

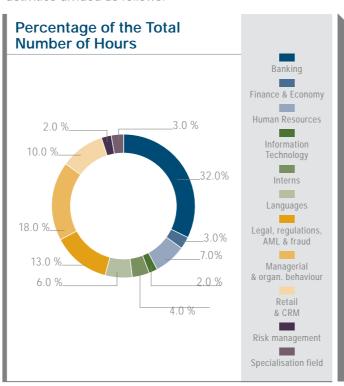
Realising employee well-being as an integral element of success and a main source of staff engagement and motivation, multi-faceted interventions were implemented, such as proactive awareness sessions on prevention of back pain and flu contagion, health day campaigns, dietary consultancy, increased gymactivities, personal trainers, self-defence, and the introduction of a full time internal infirmary as an Emergency Center and Free Clinic. Work-life Balance was also promoted through the opportunity for employees to participate in various recreational classes which contribute to promoting creativity and team spirit.

To sustain and feed into our growth strategy and leadership position, development initiatives remain strong and ongoing, such as Leadership Development Programs and Managerial Coaching Programs, Educational Sponsorship Programs, and Specialised Training Programs, thus ensuring a competitive workforce equipped both technically and behaviourally. For the third consecutive year, the Managerial Development Program (MDP) marked the graduation of a number of milestones. The Bank

continues to provide educational sponsorship to a total of 83 employees, of which 34 were registered in 2009.

Furthermore, HR focused their efforts once again on providing employees with a rewarding and challenging atmosphere, giving them the opportunity to assume higher responsibilities and take advantage of new career paths. To this end, HR took on the crucial role of providing employees with alternative opportunities in the form of missions and transfers: the expatriation of 10 employees, the repatriation of 25 employees, and the transfer of 9 employees across overseas and local entities. Furthermore, the 148 promotions recorded in 2009 confirm the Bank's commitment to developing from within.

The above opportunities were reinforced through a total number of training interventions of 324,267 hours aimed at upgrading necessary competencies for enhanced individual and organisational performance, benefiting both new recruits and existing employees: 118,283 hours of on-the-job training, 97,920 hours of student internship training hours, and 108,064 hours of Group training activities divided as follows:



To ensure standards of quality are met across the Group, 18 missions were conducted to seven different entities by HR specialists to provide technical support and follow up on the implementation of Group HR systems and practices. A Group HR Summit brought together Human Resources professionals from the different entities of the Group for the purpose of resource pooling, strategy alignment and Group coherence.

▲ 11. IT Developments

Bank Audi is keen on continuously enhancing its IT infrastructure that enables the Bank to be fast, secure, and resilient, in addition to streamlining processes, improving data quality, reducing risks, managing costs throughout the actions life cycle, and eliminating the burdensome manual processes. Within this context, Bank Audi is continuously developing its technology platform which fosters aggressive initiatives by implementing a series of solutions among which: Core Banking products, Payment products, Trade processing, Risk Management products, Enterprise Data Management, Automation products, and services spanning the full range of customer interaction, from acquisition, product sales through to service, across multiple channels.

Throughout 2009, the IT provided business solutions that optimise performance and offer the agility needed to close the gap between strategy and execution: IT implemented a series of CRM campaigns, introduced new online banking services, enhanced its ERP system to better meet business operations and needs, worked on the implementation of phase II of its PeopleSoft Human Resources Management System, introduced IBAN in the international payment system, developed a centralised cash transfer process between branches, provided finance against goods purchasing (post-financing loans integration) solution, developed a Credit Cards application workflow, implemented Guarantees and Collections in Egypt, and implemented Guarantees in Syria, among many other projects. IT also upgraded the Bank's Electronic Funds Transfer (EFT) systems in Syria, Jordan, and Egypt. The Bank's ATMs can now accept MasterCard cards in Lebanon, Egypt, and Syria, and the issuing of MasterCard unembossed debit cards (Gold and Platinum) in Syria. In addition, IT implemented an EFT monitoring center in Egypt. Placing increased emphasis on the importance of clarity and efficiency, the IT developed a Market Risk Management solution enabling the Bank to better manage market and liquidity risks.

As detecting suspicious financial activities became more and more critical in the financial market, IT evolved its anti-money laundering solution in 2009, addressing the high-profile problem of money laundering stemming from unlawful activities, such as terrorist financing and drug traffic. This enhanced solution has the ability to grow with the organisation, incorporating increasingly effective methods of detecting money laundering and best practices in regulatory compliance. The IT will expand the implementation of this anti-money laundering solution in 2010 to the Bank's international subsidiaries.

Since mid 2009, the Business and IT have been working together to pave the way for an integrated Credit, Market and Operational Risk solution providing a picture of the

business that supports better decision-making through access to timely, accurate and consistent financial results.

Among the most important and newly introduced projects is the Treasury and Capital Markets solution, to increase revenue and raise profitability significantly by introducing a state-of-the-art technology as well as software tools into the front, middle, and back offices, expanding the product offering and improving efficiency. This solution, which is still under assessment, is intended to strengthen Risk Management through improved aggregation of financial intermediary limits and exposures, interbank liquidity reporting, market risk data, and other risk measures. The Bank is seeking a Treasury and Capital Markets solution capable of supporting its current operations and its 5-year projected growth.

The Bank (network, business lines and major support functions) is currently mobilised to implement a new Core Application which accompanies the forthcoming development of Bank Audi which is apt to double in size in the next three to five years and rank among the top ten banks of the region. At this stage, the new requirements were well defined. A number of demonstrations were made to the Bank which will be selecting the most adequate option imminently. The new Core Application is apt to offer new dimensions for advanced data processing and analysis, and cutting edge support to decision-making processes.



Field of Dreams

Every healthy seed requires a solid foundation from which to emerge and flourish. At Bank Audi, our field is the nurturing ground for optimal growth and development.

General Assembly Excerpts

April 12, 2010

| Resolution No 1 | The Ordinary General Assembly of shareholders of the Bank approved the Bank's accounts, in |
|-----------------|--|
| | particular the balance sheet and the profit and loss statement as at and for the year ended on |

December 31, 2009, and granted full discharge to the Chairman and members of the Board of

Directors in respect of their management of the Bank's activities during the year 2009.

Resolution No 2 The Ordinary General Assembly of shareholders of the Bank resolved to appropriate the stand

alone profits of Bank Audi sal - Audi Saradar Group for the year 2009 as follows:

| Net profits for the year 2009* Less: | Amoun | ts in 000s of LBP 314,256,252 |
|---|-------------------------------------|-------------------------------|
| - Appropriation of 10% to the legal reserve | 31,425,625 | 202 020 /27 |
| - Appropriation for general banking risks o.w. Lebanon branches: o.w. Jordan branches: | 40,259,526 40,000,000 259,526 | 282,830,627 242,571,101 |
| Less: - Transfer to reserves appropriated to capital increase resulting from the liquidation of fixed assets acquired in settlement of debt | 509,392 | |
| - Transfer to the reserves for fixed assets earmarked for liquidation and acquired in settlement of debt | 1,254,430 | |
| Net profits available for distribution Add: | | 240,807,279 |
| - Transfer from previous retained earnings | 17,601,062 | 258,408,341 |
| Less: - Distribution to holders of 1,250,000 series "D" preferred shares on the basis of USD 7.75 per share at the exchange rate of LBP 1,507.50 per USD | 14,603,906 | |
| Net profits available for distribution to holders of common shares | | 243,804,435 |
| Less: - Dividend to holders of 34,418,941 common shares on the basis of LBP 5,276.25 per common share | 181,602,937 | |
| Net profits after distribution Less: | | 62,201,498 |
| - Transfer to general reserves | 35,000,000 | |
| Profits carried forward to 2010 o.w. Lebanon branches: o.w. Jordan branches: | 188,152 27,013,346 | 27,201,498 |

Resolution No 3

In line with the preceding resolution, the Ordinary General Assembly of shareholders of the Bank announced a series "D" preferred shares distribution of USD 7.75 per share, and a dividend to common shares of LBP 5,276.25 per share, all subject to the withholding of distribution tax, and resolved that all distributions and dividends will be paid starting April 15, 2010, to the holders of shares on record as at April 09, 2010 ("Record Date") as per records of Midclear sal.

^{*}Examination of the accounts on a stand alone basis.

Consolidated Financial Statements

31 December 2009



Ernst & Young p.c.c.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK AUDI SAL - AUDI SARADAR GROUP

We have audited the accompanying consolidated financial statements of Bank Audi SAL - Audi Saradar Group and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2009, the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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. The procedures selected depend on the auditors' 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, the auditor considers 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

23 March 2010 Beirut, Lebanon Semaan, Gholam & Co

| Consolidated Income Statement | | | |
|---|----------|--------------------------|----------------------------|
| For the year ended 31 December 2009 | Notes | 2009 LBP (000) | 2008 LBP (000) |
| Interest and similar income | 5 | 1,880,992,436 | 1,729,336,931 |
| Interest and similar expense | 6 | (1,241,820,422) | (1,091,656,429) |
| NET INTEREST INCOME | | 639,172,014 | 637,680,502 |
| Fee and commission income | 7 | 265,499,438 | 253,608,931 |
| Fee and commission expense | 7 | (43,638,184) | (40,865,080) |
| NET FEE AND COMMISSION INCOME | | 221,861,254 | 212,743,851 |
| Net trading income | 8 | 111,489,088 | 67,406,174 |
| Net gain (loss) on financial assets designated at fair value through profit or loss | 9 | 958,639 | (34,709,164) |
| Net gain on financial investments Other operating income | 10 | 77,183,045 56,329,294 | 46,870,475 66,532,429 |
| TOTAL OPERATING INCOME | | 1,106,993,334 | 996,524,267 |
| Net credit losses | 11 | (35,013,746) | (7,546,809) |
| Impairment loss on financial instruments | 12 | (11,746,470) | (13,147,677) |
| NET OPERATING INCOME | | 1,060,233,118 | 975,829,781 |
| Personnel expenses | 13 | (303,028,267) | (299,390,549) |
| Depreciation of property and equipment | 27 | (35,354,571) | (31,736,871) |
| Amortisation of intangibles assets Impairment of goodwill | 28 31 | (7,388,688) | (6,208,415) (1,267,841) |
| Other operating expenses | 14 | (192,192,187) | (209,049,715) |
| TOTAL OPERATING EXPENSES | | (537,963,713) | (547,653,391) |
| OPERATING PROFIT | | 522,269,405 | 428,176,390 |
| Share of profit of associates under equity method | 26 | 1,657,893 | 3,710,843 |
| Net gain (loss) on disposal of assets | | 2,536,513 | (2,910,374) |
| PROFIT BEFORE TAX | | 526,463,811 | 428,976,859 |
| Income tax | 15 | (90,871,253) | (70,084,691) |
| Profit after tax from operating activities | | 435,592,558 | 358,892,168 |
| PROFIT FOR THE YEAR | | 435,592,558 | 358,892,168 |
| Attributable to: | | | |
| Equity holders of the parent | | 419,453,155 | 351,547,718 |
| Minority interest | | 16,139,403 | 7,344,450 |
| Basic earnings per share | 16 | 12.063 | 9.764 |
| Diluted earnings per share | 16 | 11.752 | 9.288 |

| Consolidated Statement of Comprehensive Income For the year ended 31 December 2009 | Notes | 2009 LBP (000) | 2008 LBP (000 |
|--|----------|--|---|
| PROFIT FOR THE YEAR | | 435,592,558 | 358,892,168 |
| Exchange differences on translation of foreign operations | 46 | 15,510,096 | (27,585,009 |
| Net (loss) gain on cash flow hedges | 46 | (1,257,709) | 1,257,70 |
| Net gain (loss) on available for sale financial assets* Income tax | | 165,396,105 (20,378,691) | (9,448,372 (1,037,983 |
| | 46 | 145,017,414 | (10,486,355 |
| Other comprehensive income (loss), net of tax | - | 159,269,801 | (36,813,655 |
| Total comprehensive income for the period, net of tax | = | 594,862,359 | 322,078,51 |
| Attributable to: Equity holders of the parent Minority interest | | 578,722,956 16,139,403 594,862,359 | 314,734,06 7,344,45 322,078,51 |
| * Available for sale financial assets: Gains (losses) arising during the period Fair value gains transferred to income statement on disposal Amounts transferred to the income statement in respect of impairment losses | 10 12 | 152,132,389 26,616,046 (13,352,330) 165,396,105 | (19,910,078 23,609,38 (13,147,677 (9,448,372 |

| Consolidated Statement of Financial Position | | | |
|---|--|--|--|
| 31 December 2009 | Notes | 2009 LBP (000) | 2008 LBP (000) |
| ASSETS Cash and balances with central banks Due from banks and financial institutions Desirative financial instruments | 17 18 | 6,206,156,293 7,737,364,110 | 4,440,912,539 5,460,552,948 |
| Derivative financial instruments Financial assets held for trading Financial assets designated at fair value through profit or loss Loans and advances to customers | 19 20 21 | 38,436,439 835,042,479 - 9,930,856,223 | 48,442,051 21,142,253 324,104,505 8,982,760,985 |
| Loans and advances to related parties Debtors by acceptances Available for sale financial instruments | 22 50 23 | 239,824,175 284,422,998 6,003,316,357 | 256,876,352 234,396,245 3,809,668,101 |
| Financial assets classified as loans and receivables Financial instruments held to maturity Investments in associates Property and equipment | 24 25 26 27 | 7,298,526,697 367,378,773 31,697,269 503,489,670 | 5,910,767,280 259,918,374 33,123,593 433,407,201 |
| Intangible fixed assets Non-current assets held for sale Deferred taxes assets | 28 29 15 | 25,905,687 29,261,024 2,416,603 | 18,547,241 38,533,656 10,852,427 |
| Other assets Goodwill | 30 31 | 174,832,706 218,746,364 | 236,740,885 209,674,694 |
| TOTAL ASSETS | | 39,927,673,867 | 30,730,421,330 |
| Due to central banks Due to banks and financial institutions Derivative financial instruments Customers' deposits Deposits from related parties Debt issued and other borrowed funds Engagements by acceptances Current tax liabilities Deferred tax liabilities Other liabilities Provisions for risks and charges End of service benefits | 32 33 19 34 35 36 50 15 15 37 38 39 | 133,359,003 775,059,042 28,630,659 34,382,301,284 267,874,328 153,147,545 284,422,998 45,721,390 21,262,611 467,547,680 24,127,222 38,460,659 | 699,149,736 46,588,397 25,898,206,481 237,029,650 153,147,545 234,396,245 33,610,126 2,479,346 408,933,037 22,426,040 30,644,100 |
| TOTAL LIABILITIES | | 36,621,914,421 | 27,766,610,703 |
| SHAREHOLDERS' EQUITY – GROUP SHARE Share capital – Common shares | 40 | 421,632,029 | 376,083,279 |
| Share capital – Preferred shares Issue premium – Common shares Issue premium – Preferred shares Merger premiums Cash contribution to capital | 40 41 41 41 42 | 15,312,500 843,902,284 173,125,000 36,006,451 72,586,125 | 57,750,000 1,017,928,321 281,437,500 36,006,451 72,586,125 |
| Capital reserves Treasury shares Retained earnings Other components of equity | 43 45 46 | 782,672,286 (74,390,330) 124,367,704 288,658,018 | 518,887,254 (58,091,049) 50,515,985 128,020,326 |
| Result of the year MINORITY INTEREST | 47 | 419,453,155 3,103,325,222 202,434,224 | 2,832,671,910 131,138,717 |
| TOTAL SHAREHOLDERS' EQUITY | | 3,305,759,446 | 2,963,810,627 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | | 39,927,673,867 | 30,730,421,330 |

| Consolidated Statement of Financial Position | | | |
|---|-------|--------------------------|-------------------|
| 31 December 2009 | Notes | 2009 LBP (000) | 2008 LBP (000) |
| OFF-BALANCE SHEET ITEMS | | | |
| Financing commitments | | | |
| Financing commitments given | 50 | 778,181,327 | 565,196,156 |
| Engagements to customers | 50 | 487,833,725 | 589,426,852 |
| Bank guarantees | | | |
| Guarantees given to banks and financial institutions | 50 | 294,932,444 | 253,330,700 |
| Guarantees received from banks and financial institutions | 53 | 697,489,840 | 299,274,499 |
| Guarantees given to customers | 50 | 2,453,685,630 | 1,453,659,083 |
| Guarantees received from customers | 53 | 8,033,875,678 | 5,665,618,381 |
| Foreign currency forwards | | | |
| Foreign currencies to receive | | 1,275,714,082 | 1,222,074,353 |
| Foreign currencies to deliver | | 1,269,291,802 | 1,237,529,137 |
| Commitments on term financial instruments | | 631,713,913 | 104,102,412 |
| Fiduciary assets | | 1,493,914,683 | 2,743,542,230 |
| Asset under management | | 9,006,902,657 | 7,061,327,295 |
| Mutual funds | | 137,622,941 | - |
| Bad debts fully provided for | | 359,735,133 | 313,125,264 |

Consolidated Cash Flow Statement

| Consolidated Cash Flow Statement | | | |
|---|----------|----------------------------------|---|
| For the year ended 31 December 2009 | Notes | 2009 LBP (000) | 2008 LBP (000) |
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 526,463,811 | 428,976,859 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| Non-cash: Depreciation and amortisation | 27&28 | 42,743,259 | 37,945,286 |
| Impairment of assets acquired in settlement of debt | 21020 | 42,143,237 | 136,536 |
| Impairment of goodwill | 31 | - | 1,267,841 |
| Net gain on financial instruments | 10 | (55,932,254) | (29,188,652) |
| Provision for balances with banks and financial institutions | 11 | - | 734,616 |
| Provisions for loans and advances | 11 | 59,973,811 | 37,721,645 |
| Recoveries of provision for loans and advances | 11 | (24,991,202) | (30,924,390) |
| Share of net profit of associates Net (gain) loss on disposal of property and equipment, intangibles and assets acquired in settlement of debt | 26 14 | (1,657,893) 632,840 | (3,710,843) 540,727 |
| Net (gain) loss on sale or disposal of assets | 17 | (2,563,513) | 2,910,374 |
| Provision for risks and charges | 38 | 3,607,670 | 1,464,692 |
| Write back of provisions for risks and charges | 38 | (3,437,350) | (2,851,380) |
| Provision for impairment of financial instruments | 12 | 11,746,470 | 13,147,677 |
| Provision for end of services benefits | 39 | 10,321,224 | 10,328,865 |
| Employees' share-based payments expense | 44 | 4,584,259 | 9,637,374 |
| Westing and to be disclosured. | | 571,491,132 | 478,137,227 |
| Working capital adjustments: Deposits with the central banks, banks and financial institutions maturing in more than 3 months | | (2 24E 700 421) | 15 274 544 |
| Change in derivatives and financial assets held for trading | | (3,245,709,631) (821,852,352) | 15,374,544 738,331,018 |
| Change in financial assets designated at fair value through profit or loss | | 324,104,505 | 123,839,628 |
| Change in loans and advances to customers and related parties | | (968,370,645) | (2,154,103,854) |
| Change in other assets | | 50,309,615 | (37,734,539) |
| Change in current and deferred tax accounts | | 3,155,995 | 30,194,939 |
| Change in deposits from customers and related parties | | 8,514,939,481 | 4,416,313,233 |
| Change in other liabilities | | 59,709,862 | 178,748,343 |
| Proceeds from sale of assets acquired in settlement of debts Change in minority interest | | 8,952,222 71,295,507 | 6,962,369 9,077,767 |
| Cash from operations | | 4,568,025,691 | 3,805,140,675 |
| Dravisians for continguacies and charges noid | 20 | /A7E A/E\ | (2 721 227) |
| Provisions for contingencies and charges paid End of service benefits paid | 38 39 | (475,465) (2,969,572) | (2,731,337) (4,887,115) |
| Taxation paid | 15 | (72,857,903) | (95,047,592) |
| Net cash flows from operating activities | | 4,491,722,751 | 3,702,474,631 |
| INVESTING ACTIVITIES | | | |
| Increase in financial instruments – other than trading | | (3,477,070,158) | (2,301,355,084) |
| Purchase of property and equipment and intangibles | | (106,725,016) | (70,432,123) |
| Investments and related loans equity method | | 868,192 | (8,997,993) |
| Cash collected from sale of property and equipment and intangibles | | 7,934,894 | 5,640,282 |
| Cost of business combination | 3 | (16,017,188) | (3,649,296) |
| Net cash flows used in investing activities | | (3,591,009,276) | (2,378,794,214) |
| FINANCING ACTIVITIES | | | |
| Redemption of preferred share series "C" | | (150,750,000) | |
| Increase in share capital and issue premium from stock options exercise | 40 | 9,581,503 | 53,816,631 |
| Distribution of dividends Treasury GDR transactions | 40 | (144,038,454) (13,838,852) | (126,994,993) (57,592,345) |
| | | | |
| Net cash flows used in financing activities | | (299,045,803) | (130,770,707) |
| DECREASE IN CASH AND CASH EQUIVALENTS | | 601,667,672 | 1,192,909,710 |
| Net foreign exchange difference | | (14,590,696) | (7,531,134) |
| Cash and cash equivalents at 1 January | | 7,158,290,413 | 5,972,911,837 |
| CASH AND CASH EQUIVALENTS | 48 | 7,745,367,389 | 7,158,290,413 |
| I | 10 | - 1,1 10,001,007 | .,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |

Consolidated Statement of Changes in Equity For the year ended 31 December 2009

| For the year ended 31 December 2009 | | | | | | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------|-----------------|--------------|--------------|--------------|-----------------|---------------|---------------|--------------|---------------|
| | | Share Capital - | Issue Premium - | Issue Premium - | | Cash and Cash | | | | Other | | | | |
| | Share Capital - | Preferred | Common | Preferred | Merger | Contribution to | Capital | Treasury | Retained | Components | Result | | Minority | Total |
| | Common Shares | Shares | Shares | Shares | Premiums | Capital | Reserves | Shares | Earnings | of Equity | of the Year | Total | Interest | Equity |
| | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Balance at 1 January 2009 | 376,083,279 | 57,750,000 | 1,017,928,321 | 281,437,500 | 36,006,451 | 72,586,125 | 518,887,254 | (58,091,049) | 50,515,985 | 128,020,326 | 351,547,718 | 2,832,671,910 | 131,138,717 | 2,963,810,627 |
| Net profits for the year | - | - | - | - | - | - | - | - | - | - | 419,453,155 | 419,453,155 | 16,139,403 | 435,592,558 |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | 159,269,801 | - | 159,269,801 | - | 159,269,801 |
| Total comprehensive income | - | - | - | - | - | - | - | - | - | 159,269,801 | 419,453,155 | 578,722,956 | 16,139,403 | 594,862,359 |
| Appropriation of 2008 profits | - | - | - | - | - | - | 117,398,657 | - | 87,589,967 | 2,520,640 | (207,509,264) | - | - | |
| Distribution of dividends on ordinary shares | - | - | - | - | - | - | - | - | - | - | (116,243,923) | (116,243,923) | - | (116,243,923) |
| Distribution of dividends on preferred shares | - | - | - | - | - | - | - | - | - | - | (27,794,531) | (27,794,531) | - | (27,794,531) |
| Employees' share-based payments (Note 44) | 2,812,013 | - | 10,390,846 | - | - | - | 514,164 | - | 448,739 | - | - | 14,165,762 | - | 14,165,762 |
| Entities under equity method | - | - | - | - | - | - | (670,566) | - | - | - | - | (670,566) | - | (670,566) |
| Redemption of preferred shares | - | (44,000,000) | - | (106,750,000) | - | - | - | - | - | - | - | (150,750,000) | - | (150,750,000) |
| Capital increase (Note 40) | 42,736,737 | 1,562,500 | (34,437,500) | (1,562,500) | - | - | (8,299,237) | - | - | - | - | - | - | |
| Absorption of subsidiaries' income | - | - | - | - | - | - | - | - | - | - | - | - | (7,344,450) | (7,344,450) |
| Minority share of capital relating to consolidated subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | 60,389,597 | 60,389,597 |
| Minority share of reserves | - | - | - | - | - | - | (1,457,430) | - | (653,527) | - | - | (2,110,957) | 2,110,957 | |
| Treasury shares transactions | - | - | - | - | - | - | 2,460,429 | (16,299,281) | - | - | - | (13,838,852) | - | (13,838,852) |
| Transfer related to foreclosed assets disposal | - | - | - | - | - | - | 1,152,749 | - | - | (1,152,749) | - | - | - | |
| Transfer from issue premium to general reserve | - | - | (150,000,000) | - | - | - | 150,000,000 | - | - | - | - | - | - | |
| Other movements | - | - | 20,617 | - | - | - | 738,029 | - | (1,066,506) | - | - | (307,860) | - | (307,860) |
| Difference of exchange | - | - | - | - | - | - | 1,948,237 | - | (12,466,954) | - | - | (10,518,717) | - | (10,518,717) |
| Balance at 31 December 2009 | 421,632,029 | 15,312,500 | 843,902,284 | 173,125,000 | 36,006,451 | 72,586,125 | 782,672,286 | (74,390,330) | 124,367,704 | 288,658,018 | 419,453,155 | 3,103,325,222 | 202,434,224 | 3,305,759,446 |
| Balance at 1 January 2008 | 361,925,399 | 57,750,000 | 957,937,538 | 281,437,500 | 36,006,451 | 72,586,125 | 361,112,335 | (1,530,549) | 56,304,781 | 154,886,541 | 289,684,156 | 2,628,100,277 | 121,157,096 | 2,749,257,373 |
| Not and the for the const | | | | | | | | | | | 254 5 47 740 | 251 5 47 710 | 7.244.450 | 250 002 1/0 |
| Net profits for the year | - | - | - | - | - | - | - | - | - | - (2/ 042 / 55) | 351,547,718 | 351,547,718 | 7,344,450 | 358,892,168 |
| Other comprehensive income | | - | - | - | | - | - | - | - | (36,813,655) | - | (36,813,655) | - | (36,813,655) |
| Total comprehensive income | - | - | - | - | - | - | - | - | - | (36,813,655) | 351,547,718 | 314,734,063 | 7,344,450 | 322,078,513 |
| Appropriation of 2007 profits | - | - | - | - | - | - | 123,706,777 | - | 35,989,275 | 2,993,111 | (162,689,163) | - | - | |
| Distribution of dividends on ordinary shares | - | - | - | - | - | - | - | - | - | - | (99,200,462) | (99,200,462) | - | (99,200,462) |
| Distribution of dividends on preferred shares | - | - | - | - | - | - | - | - | - | - | (27,794,531) | (27,794,531) | - | (27,794,531) |
| Employees' share-based payments (Note 44) | 14,157,880 | - | 60,011,401 | - | - | - | (11,425,292) | - | 710,016 | - | - | 63,454,005 | - | 63,454,005 |
| Entities under equity method | - | - | - | - | - | - | (470,155) | - | - | - | - | (470,155) | - | (470,155) |
| Absorption of subsidiaries' income | - | - | - | - | - | - | - | - | - | - | - | - | (12,225,250) | (12,225,250) |
| Minority share of capital relating to consolidated subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | 13,958,567 | 13,958,567 |
| Minority share of reserves | - | - | - | - | - | - | (3,822,384) | - | 2,918,530 | - | - | (903,854) | 903,854 | - |
| Treasury shares transactions | - | - | - | - | - | | (1,031,846) | (56,560,500) | - | - | - | (57,592,346) | | (57,592,346) |
| Transfer related to foreclosed assets disposal | - | - | - | - | - | - | 716,111 | - | - | (716,111) | - | - | - | - 1 |
| Prior year adjustment | - | - | - | - | - | - | 2,303,871 | - | (763,217) | - | - | 1,540,654 | - | 1,540,654 |
| Entities acquired during the year | - | - | - | - | - | _ | 44,771 | - | 109,885 | - | - | 154,656 | - | 154,656 |
| Entities deconsolidated during the year | - | _ | - | - | - | | (77,368) | - | 135,291 | - | - | 57,923 | - | 57,923 |
| Transfer from general reserve to translation reserve | - | - | - | - | - | - | (7,670,440) | - | - | 7,670,440 | - | - | - | - |
| Transfer from general reserve to retained earnings | - | - | - | - | - | | 58,137,221 | - | (58,137,221) | - | - | _ | - | _ |
| Difference of exchange | - | - | (20,618) | - | - | - | (2,636,347) | - | 13,248,645 | - | - | 10,591,680 | - | 10,591,680 |
| Balance at 31 December 2008 | 376,083,279 | 57,750,000 | 1,017,928,321 | 281,437,500 | 36,006,451 | 72,586,125 | 518,887,254 | (58,091,049) | 50,515,985 | 128,020,326 | 351,547,718 | 2,832,671,910 | 131,138,717 | 2,963,810,627 |
| | | | | | | | | | | | | | | |

Notes to the Consolidated Financial Statements

At 31 December 2009

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▲ 01. Corporate Information

Bank Audi sal - Audi Saradar Group (the Bank) is a Lebanese joint stock company registered since 1962 in Lebanon under No 11347 at the Register of Commerce and under No 56 on the Banks' list at the Bank of Lebanon. The Bank's head office is located in Bank Audi Plaza, Omar Daouk Street, Beirut, Lebanon.

The Bank, together with its affiliated banks and subsidiaries (the Group), provides a full range of Retail, Commercial, Investment and Private Banking activities through its headquarters, as well as its branches in Lebanon and its presence in Europe, the Middle East and North Africa.

The consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 23 March 2010.

▲ 02. Significant Accounting Policies

▲ 02.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention as modified for the restatement of: a) certain tangible real estate properties in Lebanon according to the provisions of law No 282 dated 30 December 1993, b) and for the measurement at fair value of derivatives and financial assets held for trading, financial investments available for sale, and financial assets designated at fair value through profit and loss.

The consolidated financial statements and the relevant disclosures have been presented in thousands of Lebanese Pounds (LBP 000) which is the functional and presentation currency of the Bank.

▲ 02.1.1. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and regulations of the Bank of Lebanon and the Banking Control Commission.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than one year after the statement of financial position date (non-current) is presented in Note 56.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

▲ 02.1.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Bank Audi sal - Audi Saradar Group and its controlled subsidiaries drawn up to 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group, and are presented separately in the consolidated income statement and within the equity in the consolidated statement of financial position, separately from the parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired, the difference is recognised directly in the consolidated income statement in the year of acquisition.

▲ 02.2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the previous financial year, except that the Bank has adopted the following standards, amendments and interpretations which did not have any effect on the financial performance or position of the Bank. They did, however, give rise to additional disclosures.

IAS 1 - "Presentation of Financial Statements"

This standard requires an entity to present all owner changes in equity and all non-owner changes to be

presented in either in one statement of comprehensive income or two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed.

The Bank has elected to present comprehensive income in two separate statements of income and comprehensive income

IFRS 8 - "Operating Segments"

This standard requires disclosure of information about the Bank's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. The Bank concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. The new standard requires changes in the way the Group discloses information about its operating segments.

IFRS 7 – "Financial Instruments Disclosures"

The amendment requires additional disclosures related to fair valuation and liquidity risk.

With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

Amendment to IFRS 2 "Share-based Payment – Vesting Conditions and Cancellations" (early adopted)

This amendment to IFRS 2 "Share-based Payment" was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

In addition, the following standards and interpretations are effective for the financial year 2009. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Bank:

▲ IAS 23 "Borrowing Costs" (revised).

▲ Amendments to IAS 32 "Financial Instruments:

Presentation" and IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation".

▲ Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement – Embedded Derivatives".

▲ IFRIC 13 "Customer Loyalty Programmes".

- ▲ IFRIC 15 "Agreements for the Construction of Real Estate".

▲ 02.2.1. FUTURE CHANGES IN ACCOUNTING POLICIES

Below is the list of standards issued but not yet effective for the year ended 31 December 2009:

- ▲ IFRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions".
- ⊿ IFRS 3 "Business Combinations" (revised) and IAS 27 "Consolidated and Separate Financial Statements" (amended).
- ▲ Amendment to IAS 39 "Financial Instruments:

 Recognition and Measurement Eligible Hedged Items".

 ▲ IFRS 9 "Financial Instruments".

The following represents the relevant interpretations issued by the International Financial Reporting Interpretations Committee:

▲ IFRIC 17 "Distributions of Non-cash Assets to Owners".

▲ IFRIC 18 "Transfers of Assets from Customers".

▲ IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments".

Except for the effect of implementing IFRS 9, Management does not expect the above standards to have a significant impact on the Bank's financial statements when implemented in future years. Management was still in the process of quantifying the effect of implementing IFRS 9 as of the date of these financial statements.

▲ 02.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

▲ 02.3.1. FOREIGN CURRENCY TRANSLATION

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates "the functional currency".

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and

losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

Group Companies

The results and financial position of all the Bank's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

▲ Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

▲ Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

▲ All resulting exchange differences are recognised as a separate component of shareholders' equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The table below presents the exchange rates of the currencies used to translate assets, liabilities and statement of income items of foreign branches and subsidiaries:

| 1 | 2009 | | 200 | 08 |
|-----------------|----------------------------|---------------------------|----------------------------|---------------------------|
| | Year-end Rate LBP (000) | Average Rate LBP (000) | Year-end Rate LBP (000) | Average Rate LBP (000) |
| US Dollar | 1,507.5 | 1,507.5 | 1,507.5 | 1,507.5 |
| Euro | 2,159.95 | 2,104.14 | 2,136.88 | 2,225.69 |
| Swiss Franc | 1,451.33 | 1,394.83 | 1,428.1 | 1,407.46 |
| Syrian Lira | 32.99 | 32.26 | 32.49 | 32.36 |
| Jordanian Dinar | 2,126.98 | 2,127.26 | 2,126.23 | 2,127.88 |
| Egyptian Pound | 274.75 | 271.5 | 272.97 | 276. 93 |
| Sudanese Dinar | 649.84 | 645.69 | 688.23 | 721.04 |
| Saudi Riyal | 401.92 | 401.95 | 401.68 | 401.93 |
| Qatari Riyal | 413.94 | 414.02 | 413.92 | 414.11 |

■ 02.3.2. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation of convention in the market place.

(ii) Initial Recognition of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not classified at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives Recorded at Fair Value through Profit or Loss

Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net Trading Income".

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated income statement.

(iv) Financial Assets Held for Trading

Financial assets held for trading are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividends are recognised in "Net Trading Income". Interest income is recorded in "Interest and Similar Income" according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities, equities and short positions, and customer loans which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Fair Value through Profit or Loss Financial Investments

Financial assets and financial liabilities classified in this category are designated on initial recognition when the following criteria are met:

- ▲ The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or liabilities or recognising gains or losses on them on a different basis; or
- ▲ The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contact.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the consolidated income statement "Net Gain or Loss on Financial Assets and Liabilities Designated at Fair Value through Profit on Loss". Interest earned

or incurred is accrued in interest and similar income or expense, respectively, according to the terms of the contract.

(vi) Day 1 Profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit) in the consolidated income statement in "Net Trading Income (Loss)". In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

(vii) Held to Maturity Financial Investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "Interest and Similar Income" or "Interest Expense and Similar Charges" in the consolidated income statement. The losses arising from impairment of such investments are recognised in the consolidated income statement as "Provision on Impairment of Financial Instruments".

(viii) Available for Sale Financial Investments

Available for sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held to maturity or loans and receivables. After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in shareholders' equity as "Revaluation of Financial Instruments Reserve". When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement "Net Gain or Loss on Financial Investments". The losses arising from impairment of such investments are recognised in the consolidated income statement in "Provision on Impairment of Financial Instruments" and removed from the "Revaluation of Financial Instruments Reserve".

(ix) Due from Banks and Loans and Advances to Customers

"Due from Banks" and "Loans and Advances to Customers" include non-derivative financial assets with

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fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term, and those that the Bank upon initial recognition designates as at fair value through profit or loss:
- ▲ Those that the Group, upon initial recognition, designates as available for sale; or
- ▲ Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts "Due from Banks" and "Loans and Advances to Customers" are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "Interest and Similar Income" in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in "Net Credit Losses".

The Group may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held for trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

(x) Debt Issued and Other Borrowed Funds

Financial instruments or their components issued by the Group, which are not designated at fair value through profit or loss, are classified as liabilities under "Debt Issued and Other Borrowed Funds", where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue

date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(xi) Customers' Deposits

All customers' deposits are carried at amortised cost less amounts repaid.

(xii) Reclassification of Financial Assets

Effective 1 July 2008, the Group may reclassify, in certain circumstances, non-derivative financial assets out of the "Held for Trading" category and into the "Available for Sale", "Loans and Receivables", or "Held to Maturity" categories. From this date, it may also reclassify, in certain circumstances, financial instruments out of the "Available for Sale" category and into the "Loans and Receivables" category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

The Group may reclassify a non-derivative trading asset out of the "Held for Trading" category and into the "Loans and Receivables" category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

For a financial asset reclassified out of the "Available for Sale" category, any previous gain or loss on that asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is recycled to the consolidated income statement.

Reclassification is at the election of Management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

■ 02.3.3. DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- ₄ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- ▲ Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

▲ 02.3.4. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognised on the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Cash Collateral on Securities Lent and Repurchase Agreement" reflecting the transaction's economic substances as a loan to the Group. The difference between the sale and repurchase prices is

treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the consolidated statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the consolidated statement of financial position within "Financial Assets Given as Collateral and Reverse Purchase Agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest and similar income and is accrued over the life of the agreement using the effective interest method.

▲ 02.3.5. DETERMINATION OF FAIR VALUE

The fair value for financial instruments traded in active markets at the financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction cost.

For all other financial instruments not listed in an active market, fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

■ 02.3.6. IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events)

has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the consolidated income statement.

(i) Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers, financial assets classified as loans and receivables, as well as held to maturity investments), the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Net Provision for Credit Losses".

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the Group has reclassified trading assets

to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available for Sale Financial Investments

For available for sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and Similar Income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in

the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in the fair value after impairment are recognised directly in other comprehensive income.

(iii) Renegotiated Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms, and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

▲ 02.3.7. HEDGE ACCOUNTING

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed semi annually. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and

presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

(i) Fair Value Hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the consolidated income statement in "Net Trading Income". Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement in "Net Trading Income".

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

(ii) Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge" reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in "Net Trading Income".

When the hedged cash flow affects the consolidated income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the consolidated income statement. When a hedging instrument expires or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Hedge of a Net Investment

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity statement is transferred to the consolidated income statement.

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▲ 02.3.8. RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and Similar Income and Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset on a group of similar financial assets has been reduced due to an impairment loss, interest income continue to be recognised using the rate of interest used to discount the future cash flows of the purpose of measuring the impairment loss.

Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

When it is unlikely that a loan be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee Income from Providing Transaction Services

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

▲ Dividend Income

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

▲ Net Trading Income

Results arising from trading activities include all gains and losses from changes in fair value and related income or expense and dividends for financial assets held for trading. This includes any ineffectiveness recorded in hedging transactions.

▲ Insurance Revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the prorate temporise method for non-marine business and 25% of gross premiums for marine business. Unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage.

If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums, a premium deficiency reserve is created.

▲ 02.3.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as referred to in the cash flow statement comprise balances with original maturities of a period of three months or less including: cash and non-restricted balances with the central banks, deposits with banks and financial institutions, and deposits due to banks and financial institutions.

■ 02.3.10. BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated income statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

▲ 02.3.11. PROPERTY AND EQUIPMENT

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value.

Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is provided on a straight line basis on all tangible fixed assets. The rates of depreciation are based upon the following estimated useful lives:

| ▲ Buildings | 40 to 50 years |
|--|----------------|
| | 5 to 11 years |
| Motor vehicles | 5 to 7 years |
| ■ Office equipment and computer hardware | 5 to 11 years |
| ■ Office machinery and furniture | 5 to 11 years |

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other Operating Income" or "Other Operating Expenses" in the consolidated income statement in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of tangible fixed assets. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

▲ 02.3.12. NON-CURRENT ASSETS HELD FOR SALE

The Group occasionally acquires real estate in settlement of certain loans and advances in accordance with the regulatory authorities' directives. Such an asset is stated at its current fair value based on the instructions of the regulatory authorities. Gains or losses on disposal and revaluation losses are recognised in the consolidated income statement.

▲ 02.3.13. INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

▲ Computer software5 years▲ Key money70 years▲ Existing technology10 years▲ Customer relationships10 years▲ Others7 to 10 years

▲ 02.3.14. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence but no control and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

▲ 02.3.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to Goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

▲ 02.3.16. FIDUCIARY ASSETS AND ASSETS UNDER MANAGEMENT

Assets held in trust, under management or in a fiduciary capacity, are not treated as assets of the Group and accordingly are recorded as off-balance sheet items.

▲ 02.3.17. FINANCIAL GUARANTEES

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit and guarantee. Financial guarantees are initially recognised in the financial statements (within "Other Liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the consolidated income statement in "Net Credit Losses". The premium received is recognised in the consolidated income statement in "Net Fee and Commission Income" on a straight line basis over the life of the guarantee.

■ 02.3.18. CUSTOMER ACCEPTANCES

Customer acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

▲ 02.3.19. EMPLOYEES' END OF SERVICE BENEFITS

For the Bank and its subsidiaries operating in Lebanon, subscriptions for end of service benefits paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final end of service benefits due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last monthly salary multiplied by the number of years of service. The Bank and its subsidiaries in Lebanon are liable to pay to the NSSF the difference between the subscriptions paid and the final end of service benefits due to employees.

End of service benefits of foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries operate.

▲ 02.3.20. PROVISION FOR RISKS AND CHARGES

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

▲ 02.3.21. TAXATION

Taxation is provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(ii) Deferred Tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

▲Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

▲ In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- ✓ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss: and
- ✓ In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the

extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

▲ 02.3.22. SHARE-BASED PAYMENTS PLAN

Employees (including senior executives) of the Bank receiveremuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period is recorded under "personnel expenses" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement,

or is otherwise beneficial to the employee as measured at the date of modification.

Where any equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per common share.

▲ 02.3.23. TREASURY SHARES

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (Treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase sale, issue or cancellation of the Bank's own equity instruments is recognized directly in equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

▲ 02.3.24. OPERATING LEASE AGREEMENTS

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the consolidated income statement on a straight line basis over the lease term.

△ 02.4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, Management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant use of judgment and estimates is as follows:

▲ 02.4.1. GOING CONCERN

The Bank's Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

■ 02.4.2. CLASSIFICATION OF INVESTMENTS

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss account, or available for sale.

For those deemed to be held to maturity, Management ensures that the requirements of IAS 39 (revised) are met, and in particular, the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through profit or loss account depends on how Management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the Management accounts, they are classified as fair value through profit or loss.

All other investments are classified as available for sale.

■ 02.4.3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are derived from observable markets data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rates and assumptions for asset backed securities.

■ 02.4.4. VALUATION OF UNQUOTED EQUITY INVESTMENTS

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
 - Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant

estimation. There are a number of investments where this estimation cannot be reliably determined, and as a result, these investments are carried at cost. The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observation of current market transactions in the same instrument or other available market information.

▲ 02.4.5. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific provisions against individually significant loans and advances, the Group also makes a collective impairment provision against loans and advances which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the loans since it was granted. The amount of the provision is based on the historical loss pattern for loans within each grade and is adjusted to reflect current economic changes.

These internal gradings take into consideration factors such as any deterioration in country risk, industry, technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

▲ 02.4.6. IMPAIRMENT OF AVAILABLE FOR SALE INVESTMENTS

The Group reviews its debt securities classified as available for sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Group also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

■ 02.4.7. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, Management must estimate the expected future cash flows of the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

▲ 02.4.8. SHARE-BASED PAYMENTS

The Bank measures the cost of share-based payments by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity of instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The use of other estimates, assumptions, or models results in a different valuation which, in its turn, results in a different cost for the stock option plan.

▲ 02.4.9. DEFERRED TAX ASSETS

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

▲ 03. Business Combination

In January 2009, the Bank closed the acquisition of the share of Adtek Information Systems, Inc., and in August 2009, the Group invested in steps up to 66.34% stake of Arabian Opportunities Fund.

The fair value of the identifiable assets and liabilities acquired and goodwill arising as at the date of the acquisition was:

| 1 | 2009 | | | | |
|--|---------------------------------|---------------------------------|-----------------------------|--------------------------------|--|
| | Adtek Informati | on Systems, Inc. | Arabian Oppo | Arabian Opportunities Fund | |
| | Fair Value Recognised on | Carrying | Fair Value Recognised on | Carrying | |
| | Acquisition LBP (000) | Carrying Value LBP (000) | Acquisition LBP (000) | Carrying Value LBP (000) | |
| Cash and cash equivalents Due from banks Accounts receivable | 134,790 132,219 372,959 | 134,790 132,219 372,959 | - 19,281,579 - | 19,281,579 | |
| Financial assets held for trading Property and equipment | 185,759 | 185,759 | 33,016,359 | 33,016,359 | |
| Intangible fixed assets Other assets | 9,548,028 91,353 | 85,450 91,353 | 61,492 | 61,492 | |
| | 10,465,108 | 1,002,530 | 52,359,430 | 52,359,430 | |
| Accounts payable Deferred revenue Other liabilities | 360,788 1,779,486 436,136 | 360,788 1,779,486 436,136 | - - 4,660,140 | - - 4,660,140 | |
| | 2,576,410 | 2,576,410 | 4,660,140 | 4,660,140 | |
| Acquisition percentage | 100.00% | | 66.34% | | |
| Fair value of net assets Goodwill arising on acquisition | 7,888,698 8,128,490 | | 47,699,290 | | |
| Cost of acquisition | 16,017,188 | | 31,641,324 | | |

| 2009 | 2009 | | |
|----------------------------|---|--|--|
| Adtek | Arabian | | |
| Information | Opportunities | | |
| Systems, Inc. LBP (000) | Fund LBP (000) | | |
| (15,644,229) | (31,641,324) | | |
| 267,009 | 19,281,579 | | |
| (15,377,220) | (12,359,745) | | |
| | Adtek Information Systems, Inc. LBP (000) (15,644,229) 267,009 | | |

From the date of acquisition, Adtek Information Systems, Inc. and Arabian Opportunities Fund contributed to LBP (000) 751,774 and to loss of LBP (000) 2,194,595 respectively to the net profit of the Group.

If the combination had taken place at the beginning of the year, the total net operating income for the year for the

Group would have been more by LBP (000) 2,538,000. Adtek Information Systems Inc., incorporated in New York, is a leading provider of integrated software products and customised software services to the banking and finance industries in the US and international markets.

Arabian Opportunities Fund (AOF) is an open-ended medium to long term investment fund managed by Audi Capital, a subsidiary. The fund comprises a diversified portfolio of equities from the Middle East and North Africa (MENA) region. The fund applies an opportunistic approach towards the MENA investment market as a whole, without any predefined allocations to a given sector or country.

▲ 04. Operating Segments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segments are evaluated based on net operating income.

Interest income is reported net, since Management monitors net interest revenue not the gross revenue and expense amounts. Net interest income is allocated to the business segment based on the assumption that all positions are funded or invested via a central funding unit. An internal Funds Transfer Pricing (FTP) mechanism was implemented between operating segments.

The assets and liabilities that are reported in the segments are net from inter-segments' assets and liabilities since they constitute the basis of the Management measures of the segments' assets and liabilities and the basis of the allocation of resources between segments.

▲ 04.1. BUSINESS SEGMENTS

The Group operates in four main business segments which are Corporate and Commercial Banking, Treasury and Capital Markets, Retail and Personal Banking, and Group Functions and Head Office.

▲ 04.1.1. CORPORATE AND COMMERCIAL BANKING

Provides diverse products and services to customers including customers' deposits, trade finance, exchange of foreign currencies, as well as all regular Commercial, Retail, and Private Banking and Insurance activities.

▲ 04.1.2. RETAIL AND PERSONAL BANKING

Provides individual customers' deposits and consumer loans, overdrafts, credit cards, and funds transfer facilities.

▲ 04.1.3. TREASURY AND CAPITAL MARKETS

Provides Treasury services including transactions in money and capital markets for the Group's customers, manages investment and trading transactions (locally and internationally), and manages liquidity and market risks. This segment also offers investment banking and brokerage services, and manages the Group's own portfolio of stocks, bonds, and other financial instruments.

▲ 04.1.4. GROUP FUNCTIONS AND HEAD OFFICE

Consists of capital and strategic investments, exceptional profits and losses, as well as operating results of subsidiaries which offer non-banking services.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

 $_{4}$

The following table presents net operating income, total assets and total liabilities and shareholders' equity of the Group's business segments.

| | | | 2009 | | |
|--|-----------------------------|------------------------|----------------------|--------------------------|--------------------|
| | Corporate and Commercial | Retail and Personal | Treasury and Capital | Group Functions and | |
| | Banking LBP (000) | Banking LBP (000) | Markets LBP (000) | Head Office LBP (000) | Total LBP (000) |
| Net interest income | 236,181,398 | 144,113,507 | 107,577,028 | 151,300,081 | 639,172,014 |
| Non-interest income | | | | | |
| Commissions | 100,719,192 | 100,067,162 | 7,029,385 | 14,045,515 | 221,861,254 |
| Foreign exchange operations | 1,994,625 | 14,821,436 | 16,916,001 | 8,522,437 | 42,254,499 |
| Financial operations | - | 7,267,344 | 75,152,070 | 64,956,859 | 147,376,273 |
| Other operating income | 298,644 | 4,081,597 | 3,728,680 | 48,220,373 | 56,329,294 |
| Total non-interest income | 103,012,461 | 126,237,539 | 102,826,136 | 135,745,184 | 467,821,320 |
| Total operating income | 339,193,859 | 270,351,046 | 210,403,164 | 287,045,265 | 1,106,993,334 |
| Net credit losses | (31,632,270) | (12,431,555) | (761,021) | 9,811,100 | (35,013,746) |
| Provision on impairment of financial instruments | - | (2,093,797) | (11,874,980) | 2,222,307 | (11,746,470) |
| Net operating income | 307,561,589 | 255,825,694 | 197,767,163 | 299,078,672 | 1,060,233,118 |
| Total assets | 7,422,918,747 | 3,790,030,686 | 26,461,059,516 | 2,253,664,918 | 39,927,673,867 |
| Total liabilities and shareholders' equity | 4,703,082,759 | 28,938,398,982 | 4,077,683,791 | 2,208,508,335 | 39,927,673,867 |
| | | | | | |

| | 2008 | | | | |
|--|-----------------------------|------------------------|----------------------|--------------------------|--------------------|
| | Corporate and Commercial | Retail and Personal | Treasury and Capital | Group Functions and | |
| | Banking LBP (000) | Banking LBP (000) | Markets LBP (000) | Head Office LBP (000) | Total LBP (000) |
| Net interest income | 174,938,761 | 140,190,101 | 179,367,980 | 143,183,660 | 637,680,502 |
| Non-interest income | | | | | |
| Commissions | 68,041,792 | 123,194,113 | 6,417,424 | 15,090,522 | 212,743,851 |
| Foreign exchange operations | 1,193,735 | 10,248,234 | 15,514,873 | (275,777) | 26,681,065 |
| Financial operations | - | 280,101 | 12,179,847 | 40,426,472 | 52,886,420 |
| Other operating income | - | 2,220,178 | 298,849 | 64,013,402 | 66,532,429 |
| Total non-interest income | 69,235,527 | 135,942,626 | 34,410,993 | 119,254,619 | 358,843,765 |
| Total operating income | 244,174,288 | 276,132,727 | 213,778,973 | 262,438,279 | 996,524,267 |
| | | | | | |
| Net credit losses | 942,331 | (15,876,057) | - | 7,386,917 | (7,546,809) |
| Provision on impairment of financial instruments | - | - | (13,147,677) | - | (13,147,677) |
| Net operating income | 245,116,619 | 260,256,670 | 200,631,296 | 269,825,196 | 975,829,781 |
| Total assets | 7,168,810,743 | 2,598,832,269 | 19,086,136,851 | 1,876,641,467 | 30,730,421,330 |
| Total liabilities and shareholders' equity | 3,643,006,643 | 21,929,885,649 | 3,284,507,996 | 1,873,021,042 | 30,730,421,330 |
| | | | | | |

▲ 04.2. **GEOGRAPHICAL SEGMENTS**

The Group operates in three geographical segments: Lebanon, Middle East and North Africa (MENA) and Europe, and as such, is subject to different risks and returns. The following tables show the distribution of the Group's external net operating income, assets and liabilities and shareholders' equity allocated based on the location of the subsidiaries.

Transactions between segments are carried at market prices and within pure trading conditions.

| 1 | 2009 | | | | |
|---|--|--|--|--|--|
| | Lebanon LBP (000) | MENA LBP (000) | Europe LBP (000) | Total LBP (000) | |
| Net interest income | 432,880,000 | 177,912,040 | 28,379,974 | 639,172,014 | |
| Non-interest income Commissions Foreign exchange operations Financial operations Other operating income | 132,002,021 12,249,836 138,810,772 26,868,303 | 54,756,840 15,528,803 8,542,107 2,922,668 | 35,102,393 14,475,860 23,394 26,538,323 | 221,861,254 42,254,499 147,376,273 56,329,294 | |
| Total non-interest income | 309,930,932 | 81,750,418 | 76,139,970 | 467,821,320 | |
| Total operating income | 742,810,932 | 259,662,458 | 104,519,944 | 1,106,993,334 | |
| Net credit losses Provision on impairment of financial instruments | (26,235,809) (7,156,238) | (10,403,347) (4,621,303) | 1,625,410 31,071 | (35,013,746) (11,746,470) | |
| Net operating income | 709,418,885 | 244,637,808 | 106,176,425 | 1,060,233,118 | |
| Total assets | 29,448,476,673 | 7,734,193,094 | 2,745,004,100 | 39,927,673,867 | |
| Total liabilities and shareholders' equity | 30,947,634,964 | 6,770,173,912 | 2,209,864,991 | 39,927,673,867 | |

| 1 | 2008 | | | |
|---|---|--|---|---|
| | Lebanon LBP (000) | MENA LBP (000) | Europe LBP (000) | Total LBP (000) |
| Net interest income | 435,522,195 | 159,601,178 | 42,557,129 | 637,680,502 |
| Non-interest income Commissions Foreign exchange operations Financial operations Other operating income | 130,936,001 11,679,782 46,667,442 30,080,082 | 36,728,513 4,955,752 7,351,958 14,316,056 | 45,079,337 10,045,531 (1,132,980) 22,136,291 | 212,743,851 26,681,065 52,886,420 66,532,429 |
| Total non-interest income | 219,363,307 | 63,352,279 | 76,128,179 | 358,843,765 |
| Total operating income | 654,885,502 | 222,953,457 | 118,685,308 | 996,524,267 |
| Net credit losses Provision on impairment of financial instruments | 5,168,724 | (15,137,669) (13,147,677) | 2,422,136 | (7,546,809) (13,147,677) |
| Net operating income | 660,054,226 | 194,668,111 | 121,107,444 | 975,829,781 |
| Total assets | 22,430,712,925 | 6,025,879,148 | 2,273,829,257 | 30,730,421,330 |
| Total liabilities and shareholders' equity | 23,938,636,424 | 5,049,298,154 | 1,742,486,752 | 30,730,421,330 |

▲ 05. Interest and Similar Income

| Balances with central banks Due from banks and financial institutions Loans and advances to customers Loans and advances to related parties (Note 51) Available for sale financial instruments Financial assets classified as loans and receivables Financial instruments held to maturity Other interest income | 2009 LBP (000) | 2008 LBP (000) |
|--|--|--|
| | 77,127,028 62,790,595 652,331,277 17,952,224 363,921,480 626,773,150 21,034,621 7,372,154 | 91,222,160 218,783,860 590,968,609 22,027,233 340,689,869 359,638,449 19,916,170 10,454,492 |
| Financial assets held for trading Financial assets designated at fair value through profit or loss | 1,829,302,529 37,462,863 14,227,044 1,880,992,436 | 1,653,700,842 37,830,876 37,805,213 1,729,336,931 |

△ 06. Interest and Similar Expense

| | 2009 LBP (000) | 2008 LBP (000) |
|---|---|---|
| Due to central banks Due to banks and financial institutions Customers' deposits Deposits from related parties (Note 51) Debt issued and other borrowed funds | 3,913,345 18,881,755 1,193,360,381 9,459,315 16,205,626 | 32,635,204 1,028,328,217 14,358,748 16,334,260 |
| | 1,241,820,422 | 1,091,656,429 |

Interest and similar expenses relate to financial liabilities not designated at fair value through profit or loss.

▲ 07. Net Fee and Commission Income

| | 2009 LBP (000) | 2008 LBP (000) |
|-------------------------------------|-------------------|-------------------|
| Fee and commission income | | |
| General banking income | 52,213,701 | 39,051,542 |
| Credit-related fees and commissions | 49,620,406 | 42,625,276 |
| Brokerage and custody income | 30,199,451 | 42,951,714 |
| Trade finance income | 51,159,563 | 38,657,551 |
| Electronic banking | 44,035,493 | 39,056,700 |
| Insurance income | 16,155,376 | 16,461,233 |
| Other fees and commissions | 22,115,448 | 34,804,915 |
| | 265,499,438 | 253,608,931 |
| Fee and commission expense | | |
| Insurance fees | 6,653,119 | 6,673,922 |
| Brokerage and custody fees | 7,014,187 | 6,563,168 |
| Electronic banking | 20,800,060 | 19,045,003 |
| Other fees and commissions | 9,170,818 | 8,582,987 |
| | 43,638,184 | 40,865,080 |
| Net fee and commission income | 221,861,254 | 212,743,851 |

▲ 08. Net Trading Income

| | 2009 LBP (000) | 2008 LBP (000 |
|---|-------------------|------------------|
| Lebanese sovereign | | |
| Treasury bills | 11,224,037 | 2,230,515 |
| Eurobonds | 44,910,374 | 28,709,414 |
| | 56,134,411 | 30,939,929 |
| Other sovereign | | |
| Treasury bills | 25,355 | 90,23 |
| Other governmental securities | 1,697,705 | (96,223 |
| | 1,723,060 | (5,992 |
| Private sector and other securities | | |
| Banks and financial institutions CDs | - | 20,87 |
| Banks and financial institutions debt instruments | (1,325) | 2,270,76 |
| Corporate debt instruments | 8,884,588 | 6,640,33 |
| Structured products | - | (5,576,811 |
| Equity instruments | 2,493,855 | 6,436,01 |
| | 11,377,118 | 9,791,17 |
| Net gain on foreign exchange operations | 42,254,499 | 26,681,06 |
| | 111,489,088 | 67,406,17 |

Trading income includes the results of buying and selling, and changes in the fair value of the above classes of securities.

Interest income on trading debt securities was classified

under "Interest and Similar Income". Dividend income was included under "Equity Instruments" above and amounted to LBP (000) 869,589 for the year ended 31 December 2009 (2008: LBP (000) 479,011).

▲ 09. Net Gain (Loss) on Financial Assets Designated at Fair Value through Profit or Loss

| | 2009 LBP (000) | 2008 LBP (000) |
|---|---|---|
| Credit-linked notes Embedded derivatives Currency options and forwards Others | 13,823,684 (12,885,576) - 20,531 | (27,056,081) 5,113,847 (12,766,930) |
| | 958,639 | (34,709,164) |

Credit-linked notes represent financial instruments with risk features related to the Lebanese sovereign. The net gain on these notes for the year 2009 represents the result of sale of these instruments during the year.

Embedded derivatives include a loss of LBP (000) 12,342,355 (2008: gain of LBP (000) 5,460,791) representing the change in fair value of the credit default swaps related to the Lebanese sovereign risk and embedded in some of the Bank's deposits, as discussed in Note 34 to these financial statements.

For the year ended 31 December 2008, the change in fair value of credit-linked notes attributable to changes in credit risk and interest rate risk amounted to a loss of LBP (000) 19,131,879 and a gain of LBP (000) 15,600,532, respectively. Losses resulting from the disposal of credit-linked notes during the year 2008 amounted to LBP (000) 23,524,734.

■ 10. Net Gain on Financial Investments

| | | 2009 | |
|---|-------------------|--------------------------|--------------------|
| | Available for | Loans and | |
| | Sale LBP (000) | Receivables LBP (000) | Total LBP (000) |
| Lebanese sovereign and Central Bank of Lebanon | | | |
| Central Bank certificates of deposit | - | 9,589,242 | 9,589,242 |
| Treasury bills | 10,756,064 | - | 10,756,064 |
| Eurobonds | 12,047,347 | 27,659,664 | 39,707,011 |
| | 22,803,411 | 37,248,906 | 60,052,317 |
| Other sovereign | | | |
| Treasury bills | 1,735,235 | - | 1,735,235 |
| Other governmental securities | 300,085 | 817,317 | 1,117,402 |
| | 2,035,320 | 817,317 | 2,852,637 |
| Private sector and other securities | | | |
| Banks and financial institutions CDs | - | 176,788 | 176,788 |
| Banks and financial institutions debt instruments | 1,059,534 | (8,291,429) | (7,231,895) |
| Corporate debt instruments | 1,534,442 | (635,374) | 899,068 |
| Equity instruments | (816,661) | - | (816,661) |
| | 1,777,315 | (8,750,015) | (6,972,700) |
| Dividends | 21,250,791 | - | 21,250,791 |
| | 47,866,837 | 29,316,208 | 77,183,045 |
| | | | |

| 1 | | 2008 | |
|---|------------------------------|--------------------------|--------------------|
| | | Loans and | |
| | Available for Sale LBP (000) | Receivables LBP (000) | Total LBP (000) |
| Lebanese sovereign and Central Bank of Lebanon Central Bank certificates of deposit | | 5,307,724 | 5,307,724 |
| Treasury bills | 12,577,685 | 5,307,724 | 12,577,685 |
| Eurobonds | 4,275,495 | - | 4,275,495 |
| | 16,853,180 | 5,307,724 | 22,160,904 |
| Other sovereign Treasury bills | 1,435,616 | - | 1,435,616 |
| Private sector and other securities Banks and financial institutions CDs | _ | (1,857) | (1,857) |
| Banks and financial institutions debt instruments | (361,866) | - | (361,866) |
| Corporate debt instruments | 579,865 | 273,402 | 853,267 |
| Equity instruments | 5,102,588 | - | 5,102,588 |
| | 5,320,587 | 271,545 | 5,592,132 |
| Dividends | 17,681,823 | - | 17,681,823 |
| | 41,291,206 | 5,579,269 | 46,870,475 |

Gains and losses on available for sale financial instruments include the amounts transferred from equity to the

consolidated income statement upon derecognition.

▲ 11. Net Credit Losses

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Charges for the year | | |
| Due from banks and financial institutions (Note 18) | - | 734,616 |
| Loans and advances to customers (Note 21) | 59,973,811 | 37,721,645 |
| Loans directly written off | 31,137 | 14,938 |
| | 60,004,948 | 38,471,199 |
| Recoveries for the year | | |
| Impairment allowance recovered (Note 21) | (10,476,386) | (10,905,768) |
| Unrealised interest recovered (Note 21) | (3,604,458) | (9,656,878) |
| Recoveries of debts previously written off | (10,910,358) | (10,361,744) |
| | 35,013,746 | 7,546,809 |
| | | |

▲ 12. Impairment Loss on Financial Instruments

| | 2009 LBP (000) | 2008 LBP (000) |
|--|-----------------------|-------------------|
| Charges for the year Available for sale financial instruments (Note 23) Financial assets classified as loans and receivables (Note 24) | 13,352,330 226,125 | 13,147,677 |
| Recoveries for the year Financial assets classified as loans and receivables (Note 24) | (1,831,985) | - |
| | 11,746,470 | 13,147,677 |

▲ 13. Personnel Expenses

| | 2009 LBP (000) | 2008 LBP (000) |
|-----------------------------------|-------------------|-------------------|
| Salaries and related benefits | 225,721,230 | 215,431,270 |
| End of service benefits (Note 39) | 10,321,224 | 10,328,865 |
| Social security contributions | 26,208,058 | 24,018,029 |
| Transportation | 6,554,617 | 6,314,296 |
| Food and beverage | 3,570,065 | 2,642,888 |
| Schooling | 5,692,822 | 5,935,745 |
| Training and seminars | 3,988,600 | 5,508,130 |
| Medical expenses | 3,957,289 | 2,931,340 |
| Share-based payments | 4,584,258 | 9,637,374 |
| Others | 12,430,104 | 16,642,612 |
| | 303,028,267 | 299,390,549 |
| | | |

▲ 14. Other Operating Expenses

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Buildings rental under operating leases | 20,759,209 | 24,327,585 |
| Facilities services and maintenance | 5,786,380 | 5,051,634 |
| Electricity, water and fuel | 6,076,520 | 6,594,979 |
| Telephone and mail | 11,752,137 | 12,117,951 |
| Subscription to communication services | 5,657,811 | 5,842,683 |
| Information technology | 7,002,578 | 6,098,636 |
| Maintenance machines and material | 6,132,398 | 6,272,513 |
| Office supplies | 5,076,782 | 6,458,049 |
| Outsourcing services | 4,427,774 | 2,996,337 |
| Advertising fees | 14,327,444 | 15,243,374 |
| Receptions and gifts | 3,449,932 | 5,022,057 |
| Travel and related expenses | 10,674,386 | 16,426,669 |
| Documentation and miscellaneous subscriptions | 4,802,117 | 2,530,202 |
| Insurance premiums | 6,960,430 | 5,338,911 |
| Professional fees | 18,958,074 | 19,350,729 |
| Donations and social aids | 2,076,085 | 3,878,749 |
| Regulatory charges | 2,388,261 | 2,845,118 |
| Taxes and similar disbursements | 10,105,288 | 9,053,558 |
| Board of Directors' fees | 1,703,137 | 682,440 |
| Premium for guarantee of deposits | 11,491,655 | 9,537,974 |
| Special rewards | 14,434,350 | 19,003,169 |
| Provisions for risks and charges (Note 38) | 3,607,670 | 1,464,692 |
| Loss from disposal of assets acquired against debts | 632,840 | 540,727 |
| Others | 13,908,929 | 22,370,979 |
| | 192,192,187 | 209,049,715 |

▲ 15. Income Tax

The components of income tax expense for the year ended 31 December are:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|------------------------|------------------------|
| Current tax Current income tax | 82,098,121 | 67,764,776 |
| Adjustment in respect of current income tax of prior years Other taxes treated as income tax | (682,920) 6,300,027 | 3,799,050 4,759,705 |
| | 87,715,228 | 76,323,531 |
| Deferred tax Relating to origination and reversal of temporary differences | 3,156,025 | (6,238,840) |
| | 90,871,253 | 70,084,691 |

The tax rates applicable to the parent and subsidiaries vary from 0% to 40% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense and are based

on the current understanding of the existing tax laws and regulations and tax practices.

The relationship between taxable profit and accounting profit is as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|--|-------------------|-------------------|
| Accounting profit before tax | 526,463,810 | 428,976,859 |
| Add: | | |
| Non-deductible expenses | 64,994,596 | 38,963,927 |
| Allowance for impairment losses | 14,639,765 | 22,848,506 |
| Grants and donations | 694,286 | 990,986 |
| Loss on revaluation of financial instruments | 3,032,488 | 4,820,706 |
| Difference in depreciation rates | 1,346,367 | 2,597,432 |
| | 84,707,502 | 70,221,557 |
| Less: | | |
| Revenues previously subjected to tax | 71,539,168 | 44,615,669 |
| Provisions previously subjected to tax | 8,264,896 | 23,341,776 |
| Exempted revenues | 30,513,123 | 8,101,647 |
| Difference in depreciation rates | 4,315,061 | 2,684,566 |
| Carried forward losses | 48,169,004 | 18,712,465 |
| Other tax deductible income | 7,829,675 | 4,488,648 |
| | 170,630,926 | 101,944,771 |
| Profit subject to tax | 440,540,386 | 397,253,645 |
| Tax due | 82,098,121 | 67,764,776 |
| Effective income tax rate | 15.59% | 15.80% |

Deferred taxes recorded in the consolidated statement of financial position result from the following items:

| | 20 | 09 |
|--|---------------------|--------------------------|
| | Deferred Tax | Deferred Tax |
| | Assets LBP (000) | Liabilities LBP (000) |
| Provisions | - | (3,993,682) |
| Impairment allowance for loans and advances to customers | 1,859,563 | |
| Fair value of financial instruments | 349,868 | 22,640,463 |
| Difference in depreciation rates | - | 2,558,371 |
| Other temporary differences | 207,172 | 57,459 |
| | 2,416,603 | 21,262,611 |
| | | |

| | 2008 | |
|--|--------------|--------------|
| | Deferred Tax | Deferred Tax |
| | Assets | Liabilities |
| | LBP (000) | LBP (000) |
| Provisions | 1,451,164 | - |
| Impairment allowance for loans and advances to customers | 898,058 | - |
| Fair value of financial instruments | 2,445,556 | 2,227,788 |
| Carried forward taxable losses | 7,320,167 | - |
| Difference in depreciation rates | (1,674,111) | - |
| Other temporary differences | 411,593 | 251,558 |
| | 10,852,427 | 2,479,346 |

The movement of current tax liabilities during the year was as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------------------------|--------------------------------------|
| Balance at 1 January | 33,610,126 | 58,349,047 |
| Charges for the year Transfers to provisions for risk and charges (Note 38) Foreign exchange difference | 87,715,228 (2,844,905) 98,844 | 76,323,776 (6,007,065) (8,040) |
| Less taxes paid: | 84,969,167 | 70,308,671 |
| Current year tax liabilities* Prior years tax liabilities | 42,383,902 30,474,001 | 38,170,198 56,877,394 |
| Balance at 31 December | 72,857,903 45,721,390 | 95,047,592 33,610,126 |

^{*} Represents 5% tax paid on interest received from Lebanese Treasury Bills and Central Bank of Lebanon certificates of deposit.

▲ 16. Earnings per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by the same manner after adding to the weighted average number of common shares outstanding the weighted average number of dilutive shares that would have been issued pursuant to the Bank's share-based payments plan. The number of shares issued has been calculated at the date of the statement of financial position for the purpose of calculating diluted earnings per share based on the realisation of accomplishment

conditions as if the accomplishment date is the current statement of financial position date.

The following table shows the income and share data used to calculate basic and diluted earnings per share:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-----------------------------|-----------------------------|
| Profit for the year Less: dividends payable to preferred shares | 419,453,155 (14,603,906) | 351,547,718 (27,794,531) |
| Profit available to common shareholders | 404,849,249 | 323,753,187 |
| Weighted average number of shares outstanding Basic earnings per share | 33,562,377 12.063 | 33,157,325 9.764 |
| Weighted average number of common shares after dilutive effect of share-based payments Diluted earnings per share | 34.448.168 11.752 | 34.855.934 9.288 |

There have been no transactions involving common shares or potential common shares between the reporting date

and the date of the completion of these financial statements which would require the restatement of earnings per share.

▲ 17. Cash and Balances with Central Banks

| | 2009 LBP (000) | 2008 LBP (000) |
|---|--|---|
| Cash on hand | 243,590,728 | 219,706,833 |
| Central Bank of Lebanon Current accounts Time deposits Accrued interest | 1,224,695,105 2,925,906,650 5,949,117 | 730,763,810 2,325,468,160 12,971,732 |
| Other central banks Current accounts Time deposits Accrued interest | 886,015,753 919,260,481 738,459 6,206,156,293 | 541,127,146 600,692,311 10,182,547 4,440,912,539 |

The Central Bank of Lebanon regulations stipulate that commercial banks operating in Lebanon must deposit a compulsory reserve in Lebanese Pounds representing 15% on term and saving accounts and 25% on sight accounts in Lebanese Pounds and in foreign currencies, representing 15% of term and sight accounts in foreign currencies.

Foreign commercial banking subsidiaries are also subject to

compulsory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they operate.

Compulsory reserve deposits are not available for use in the Bank's day-to-day operations. The following table summarises the Group's placements in central banks available against the compulsory reserves as of 31 December:

| | 2009 LBP (000) | 2008 LBP (000) |
|--|--------------------------------|------------------------------|
| Placements in Lebanese Pounds Placements in foreign currencies | 1,111,189,213 3,328,123,355 | 687,049,947 3,047,671,766 |
| | 4,439,312,568 | 3,734,721,713 |

▲ 18. Due from Banks and Financial Institutions

| 1 | 2009 LBP (000) | 2008 LBP (000) |
|--|--|---|
| Current deposits Checks for collection | 986,364,205 171,392,433 | 830,908,709 150,223,403 |
| Time deposits Loans and advances Other amounts due | 6,429,379,483 109,122,011 30,829,774 | 4,365,576,747 73,985,006 25,511,215 |
| Accrued interest Less: impairment allowance | 11,450,106 (1,173,902) | 15,387,386 (1,039,518) |
| | 7,737,364,110 | 5,460,552,948 |

The movement of the impairment allowance during the year was as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|--------------------|
| Balance at 1 January Charges for the year (Note 11) | 1,039,518 | 311,958 734,616 |
| Foreign exchange difference | 134,384 | (7,056) |
| Balance at 31 December | 1,173,902 | 1,039,518 |
| Individual impairment | 1,173,902 | 1,039,518 |

The commitments arising from bank facilities received are disclosed in Note 50 to these financial statements.

▲ 19. Derivative Financial Instruments

The tables below show the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions

outstanding at year end and are indicative of neither the market risk nor the credit risk.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group.

The Group has positions in the following types of derivatives:

| 1 | | Notional Amount by Term to Maturity | | | | | |
|------------------------------------|---------------|-------------------------------------|---------------|---------------|-------------|-----------|-----------|
| | Positive Fair | Negative Fair | Notional | Within | 3-12 | 1-5 | Over |
| 31 December 2009 | Value | Value | Amount | 3 Months | Months | Years | 5 Years |
| | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Derivatives held for trading | | | | | | | |
| Forward foreign exchange contracts | 6,574,394 | 4,538,860 | 180,733,947 | 142,012,056 | 38,721,891 | - | |
| Forwards precious metals contracts | 535,900 | 35,105 | 19,474,888 | 18,770,305 | 704,583 | - | |
| Precious metals swaps | 190,748 | 14,078 | 10,461,858 | 10,083,358 | 378,500 | - | |
| Currency swaps | 11,926,684 | 8,217,403 | 1,058,621,109 | 1,018,695,564 | 39,925,545 | - | |
| Currency options | 15,825,213 | 15,825,213 | 631,713,913 | 592,842,940 | 38,870,973 | - | |
| Credit default swaps | 1,281,375 | - | 1,430,043,726 | 980,208,219 | 444,634,632 | 5,200,875 | |
| Equity options | 2,102,125 | - | 79,206,432 | 73,113,750 | - | 716,530 | 5,376,152 |
| | 38,436,439 | 28,630,659 | = | | | | |

| | | Notional Amount by Term to Maturity | | | | | |
|------------------------------------|--------------------|-------------------------------------|---------------------|-----------------------|---------------------|--------------------|----------------------|
| | Positive Fair | Negative Fair | Notional | Within | 3 -12 | 1-5 | Over |
| 31 December 2008 | Value LBP (000) | Value LBP (000) | Amount LBP (000) | 3 Months LBP (000) | Months LBP (000) | Years LBP (000) | 5 Years LBP (000) |
| Derivatives held for trading | | | | | | | |
| Forward foreign exchange contracts | 12,279,005 | 15,989,927 | 519,994,672 | 497,279,099 | 22,715,573 | - | - |
| Forwards precious metals contracts | 65,704 | 14,281 | 811,161 | 811,161 | - | - | - |
| Precious metals swaps | 104,251 | 47,127 | 15,514,879 | 15,514,879 | - | - | - |
| Currency swaps | 13,284,614 | 23,859,266 | 709,013,757 | 691,288,413 | 17,725,344 | - | - |
| Currency options | 6,677,796 | 6,677,796 | 104,102,412 | 71,971,179 | 32,131,233 | - | - |
| Credit default swaps | 13,623,730 | - | 1,168,693,447 | 346,816,246 | 753,817,226 | 68,059,975 | - |
| Equity options | 2,406,951 | - | 45,000,000 | - | - | 45,000,000 | - |
| | 48,442,051 | 46,588,397 | - | | | | |

▲ 19.1. FORWARDS AND FUTURES

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

▲ 19.2. **OPTIONS**

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

▲ 19.3. **SWAPS**

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates, as well as the contracted upon amounts for currency swaps.

A credit default swap (CDS) is a credit derivative between two counterparties, whereby they isolate the credit risk of at least one third party and trade it. Under the agreement, one party makes periodic payments to the other and receives the promise of a payoff if the third party defaults. The former party receives credit protection and is said to be the "buyer", while the other party provides credit protection and is said to be the "seller". The third party is known as the "reference entity".

The notional amount of credit default swaps represents the carrying value of certain time deposits held by the Group as of 31 December 2009 and 2008 (Note 34).

■ 19.4. DERIVATIVE FINANCIAL INSTRUMENTS HELD OR ISSUED FOR TRADING PURPOSES

Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IAS 39 hedge accounting criteria.

▲ 20. Financial Assets Held for Trading

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Lebanese sovereign | | |
| Treasury bills | 520,547,846 | - |
| Eurobonds | 248,151,375 | 6,039,830 |
| | 768,699,221 | 6,039,830 |
| Other sovereign | | |
| Eurobonds | - | 10,043 |
| Private sector and other securities | | |
| Banks and financial institutions debt instruments | 1,561,246 | 57,868 |
| Corporate debt instruments | 4,975,624 | 8,094,374 |
| Structured products | 82,485 | 242,768 |
| Investments and mutual funds | | 361,989 |
| Equity instruments | 59,723,903 | 6,335,381 |
| | 66,343,258 | 15,092,380 |
| | 835,042,479 | 21,142,253 |

The classification of debt instruments held for trading according to the type of interest is as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---------------------------|-------------------|-------------------|
| Fixed interest | EDI (000) | LDI (000) |
| Lebanese sovereign | 768,699,221 | 5,216,202 |
| Other sovereign | | 10,043 |
| Private sector securities | 6,536,870 | 8,094,374 |
| | 775,236,091 | 13,320,619 |
| Variable interest | | |
| Lebanese sovereign | | 823,628 |
| Private sector securities | 82,485 | 300,636 |
| | 82,485 | 1,124,264 |
| | 775,318,576 | 14,444,883 |
| | | |

▲ 21. Loans and Advances to Customers

| 1 | | | 2009 | | |
|--|-------------------------------|--------------------------------------|---------------------------------------|--------------------------|---|
| | | | Retail and Personal | Public | |
| | Corporate LBP (000) | SME LBP (000) | Banking LBP (000) | Sector LBP (000) | Total LBP (000) |
| Overdraft accounts | 1,568,669,182 | 643,608,630 | 502,101,375 | 1,456,081 | 2,715,835,268 |
| Loans Discounted bills and commercial paper Other advances | 4,255,603,810 175,369,636 | 984,012,870 60,787,718 302,640 | 1,863,400,005 27,419,180 24,324 | 159,975,453 8,206,130 | 7,262,992,138 271,782,664 326,964 |
| | 5,999,642,628 | 1,688,711,858 | 2,392,944,884 | 169,637,664 | 10,250,937,034 |
| Impairment allowance Unrealised interest | (101,964,442) (21,422,049) | (56,185,361) (31,477,979) | (77,605,668) (30,953,409) | (471,903) - | (236,227,374) (83,853,437) |
| | 5,876,256,137 | 1,601,048,518 | 2,284,385,807 | 169,165,761 | 9,930,856,223 |

| 1 | 2008 | | | | |
|---------------------------------------|------------------------|------------------|----------------------|---------------------|--------------------|
| | | | Retail and | | |
| | | | Personal | Public | |
| | Corporate LBP (000) | SME LBP (000) | Banking LBP (000) | Sector LBP (000) | Total LBP (000) |
| | | | | | |
| Overdraft accounts | 1,660,039,203 | 638,201,550 | 438,160,026 | 1,456,081 | 2,737,856,860 |
| Loans | 4,277,580,213 | 780,326,946 | 1,156,683,383 | 66,989,580 | 6,281,580,122 |
| Discounted bills and commercial paper | 132,693,706 | 56,388,176 | 26,386,264 | 8,907,609 | 224,375,755 |
| Other advances | 3,533 | 226,948 | 589,728 | - | 820,209 |
| | 6,070,316,655 | 1,475,143,620 | 1,621,819,401 | 77,353,270 | 9,244,632,946 |
| Impairment allowance | (77,233,400) | (57,050,478) | (55,237,667) | (471,903) | (189,993,448) |
| Unrealised interest | (16,019,860) | (28,525,895) | (27,332,758) | - | (71,878,513) |
| | 5,977,063,395 | 1,389,567,247 | 1,539,248,976 | 76,881,367 | 8,982,760,985 |

The breakdown and movement of the impairment allowance during the year were as follows:

| 1 | | | 2009 | | |
|--|------------------------|------------------|----------------------|---------------------|--------------------|
| | | | Retail and | | |
| | | | Personal | Public | |
| | Corporate LBP (000) | SME LBP (000) | Banking LBP (000) | Sector LBP (000) | Total LBP (000) |
| Balance at 1 January | 77,233,400 | 57,050,478 | 55,237,667 | 471,903 | 189,993,448 |
| Add: | | | | | |
| Charges for the year (Note 11) | 29,630,624 | 5,215,305 | 25,127,882 | - | 59,973,811 |
| Transfers from provisions for risk and charges | | | | | |
| (Note 38) | 1,043,053 | 63,374 | 926,118 | - | 2,032,545 |
| Less: | | | | | |
| Recoveries (Note 11) | (3,940,885) | (4,669,878) | (1,865,623) | - | (10,476,386) |
| Write-offs | (2,051,176) | (1,178,211) | (1,641,583) | - | (4,870,970) |
| Foreign exchange difference | 49,426 | (295,707) | (178,793) | - | (425,074) |
| Balance at 31 December | 101,964,442 | 56,185,361 | 77,605,668 | 471,903 | 236,227,374 |
| | | | | | |
| Individual impairment | 80,459,674 | 53,872,124 | 40,887,812 | - | 175,219,610 |
| Collective impairment | 21,504,768 | 2,313,237 | 36,717,856 | 471,903 | 61,007,764 |
| | 101,964,442 | 56,185,361 | 77,605,668 | 471,903 | 236,227,374 |
| | | | | | |

| | | | 2008 | | |
|--|-------------|-------------|--------------|-----------|----------------|
| | | | Retail and | | |
| | | | Personal | Public | |
| | Corporate | SME | Banking | Sector | Total |
| | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Balance at 1 January | 75,401,432 | 58,279,530 | 40,519,727 | 471,903 | 174,672,592 |
| Add: | | | | | |
| Entities acquired during the year | 29,017 | - | - | - | 29,017 |
| Charges for the year (Note 11) | 6,433,238 | 6,523,332 | 24,765,075 | - | 37,721,645 |
| Transfers from provisions for risk and | | | | | |
| charges (Note 38) | 931,124 | - | - | - | 931,124 |
| Less: | | | | | |
| Recoveries (Note 11) | (1,817,140) | (4,145,532) | (4,943,096) | _ | (10,905,768) |
| Write-offs | (3,808,994) | (1,720,492) | (4,952,475) | - | (10,481,961) |
| | (3/333/ | () | (3) | | (1,11 , 1 , 1 |
| Foreign exchange difference | 64,723 | (1,886,360) | (151,564) | - | (1,973,201) |
| | | | | | |
| Balance at 31 December | 77,233,400 | 57,050,478 | 55,237,667 | 471,903 | 189,993,448 |
| | | | | | |
| Individual impairment | 69,586,230 | 56,473,785 | 38,357,560 | - | 164,417,575 |
| Collective impairment | 7,647,170 | 576,693 | 16,880,107 | 471,903 | 25,575,873 |
| l | 77.000.400 | 57.050.470 | FF 007 / / 7 | 474.000 | 100,000,440 |
| l | 77,233,400 | 57,050,478 | 55,237,667 | 471,903 | 189,993,448 |

The movement of unrealised interest during the year was as follows:

| | | 20 | 09 | |
|---|------------------------|--|--|---|
| | Corporate LBP (000) | SME LBP (000) | Retail and Personal Banking LBP (000) | Total LBP (000) |
| Balance at 1 January | 16,019,860 | 28,525,895 | 27,332,758 | 71,878,513 |
| Add: Unrealised interest applied on non-performing loans Foreign exchange difference | 6,128,981 3,700 | 6,634,947 3,862 | 5,405,877 140 | 18,169,805 7,702 |
| Less: Unrealised interest written off Unrealised interest recovered (Note 11) Foreign exchange difference | (412,562) (317,930) | (1,274,822) (2,330,611) (81,292) | (759,487) (955,917) (69,962) | (2,446,871) (3,604,458) (151,254) |
| Balance at 31 December | 21,422,049 | 31,477,979 | 30,953,409 | 83,853,437 |

| | | 20 | 08 | |
|---|------------------------------------|--------------------------------------|---|---|
| | Corporate | SME | Retail and Personal Banking | Total |
| | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Balance at 1 January | 17,498,717 | 26,673,777 | 43,941,129 | 88,113,623 |
| Add: Unrealised interest applied on non-performing loans Foreign exchange difference | 4,070,439 86 | 7,453,433 49,703 | 8,274,528 29,887 | 19,798,400 79,676 |
| Less: Unrealised interest written off Unrealised interest recovered (Note 11) Foreign exchange difference | (5,461,780) (82,288) (5,314) | (2,034,412) (3,630,217) 13,611 | (18,942,717) (5,944,373) (25,696) | (26,438,909) (9,656,878) (17,399) |
| Balance at 31 December | 16,019,860 | 28,525,895 | 27,332,758 | 71,878,513 |

The distribution of loans and advances to customers by economic sector was as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Agriculture | 45,085,740 | 56,828,267 |
| Extractive industry | 1,374,026 | 5,183,932 |
| Manufacturing industries | 1,761,182,817 | 1,714,752,836 |
| Electricity, gas, water and telecommunication | 150,729,210 | 91,917,063 |
| Construction | 637,542,924 | 694,223,806 |
| Wholesale and retail trade | 1,880,361,186 | 1,769,892,827 |
| Hotels and restaurants | 116,120,844 | 135,478,129 |
| Transportation and warehousing | 1,005,685,969 | 926,617,723 |
| Financial services and brokerage | 1,018,366,587 | 770,646,774 |
| Real estate services | 592,938,039 | 586,329,381 |
| Public administration | 2,267,366 | 7,483,017 |
| Professional services | 280,909,015 | 229,716,143 |
| Regional and international organisations | 114,733,295 | 29,119,386 |
| Individuals – excluding housing | 1,603,559,564 | 1,018,766,580 |
| Individuals – housing | 618,399,919 | 432,460,214 |
| Others | 101,599,722 | 513,344,907 |
| | 9,930,856,223 | 8,982,760,985 |

▲ 22. Loans and Advances to Related Parties

| | | | 09 | |
|--|------------------------|-------------------------------|--|-------------------------------------|
| | | | Retail and Personal | |
| | Corporate LBP (000) | SME LBP (000) | Banking LBP (000) | Total LBP (000) |
| Overdraft accounts Loans Discounted bills and commercial paper | 8,295,374 - | 4,354,375 138,417,719 - | 27,618,473 61,055,321 82,913 | 31,972,848 207,768,414 82,913 |
| | 8,295,374 | 142,772,094 | 88,756,707 | 239,824,175 |
| 1 | | 20 | 08 | |
| | Corporate LBP (000) | SME LBP (000) | Retail and Personal Banking LBP (000) | Total LBP (000) |
| Overdraft accounts Loans Discounted bills and commercial paper | 3,264,229 | 7,872,691 142,709,545 | 53,082,707 49,922,507 24,673 | 60,955,398 195,896,281 24,673 |
| | 3,264,229 | 150,582,236 | 103,029,887 | 256,876,352 |

The distribution of loans and advances to related parties by economic sector was as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|----------------------------------|-------------------|-------------------|
| Manufacturing industries | | 14,844,263 |
| Construction | 93,736,574 | 84,984,481 |
| Wholesale and retail trade | 45,320,951 | 42,310,712 |
| Hotels and restaurants | 812,566 | 44,408 |
| Financial services and brokerage | 1,012,122 | 685,452 |
| Real estate services | 23,465,122 | 26,453,734 |
| Professional services | 124,793 | 38,018 |
| Individuals – excluding housing | 63,628,882 | 75,118,290 |
| Individuals – housing | 11,644,696 | 12,139,504 |
| Others | 78,469 | 257,490 |
| | 239,824,175 | 256,876,352 |

▲ 23. Available for Sale Financial Instruments

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Lebanese sovereign and Central Bank of Lebanon | | |
| Central Bank certificates of deposit | 3,577,130 | 3,067,346 |
| Treasury Bills | 3,391,517,329 | 3,109,747,350 |
| Eurobonds | 758,034,796 | 59,850,118 |
| | 4,153,129,255 | 3,172,664,814 |
| Other sovereign | | |
| Treasury bills | 211,137,170 | 181,976,08 |
| Other governmental securities | 543,124,756 | 148,478,71 |
| Eurobonds | - | 7,751,810 |
| | 754,261,926 | 338,206,61 |
| Private and other sector securities | | |
| Banks and financial institutions CDs | 58,740,983 | 18,721,84 |
| Banks and financial institutions debt instruments | 163,156,102 | 29,074,982 |
| Corporate debt instruments | 622,392,819 | 26,615,640 |
| Structured products | 2,426,136 | 3,041,08 |
| nvestments and mutual funds | 12,153,491 | 18,250,15 |
| Equity instruments | 264,628,195 | 218,203,61 |
| Less: impairment allowance | (27,572,550) | (15,110,659 |
| | 1,095,925,176 | 298,796,670 |
| | 6,003,316,357 | 3,809,668,10 |

The classification of available for sale debt instruments according to the type of interest is as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|--|-------------------|-------------------|
| Fixed interest | | |
| Lebanese sovereign and Central Bank of Lebanon | 4,153,129,256 | 3,124,856,114 |
| Other sovereign | 754,261,924 | 338,206,617 |
| Private sector and other securities | 831,294,759 | 55,676,077 |
| | 5,738,685,939 | 3,518,738,808 |
| Variable interest | | |
| Lebanese sovereign | - | 47,808,700 |
| Private sector and other securities | 15,421,282 | 14,930,912 |
| | 15,421,282 | 62,739,612 |
| | 5,754,107,221 | 3,581,478,420 |
| | | |

The movement of the impairment allowance during the year was as follows:

| | | 2009 | | 2008 |
|---|----------------------------------|-------------------------|-------------------------|---------------------------|
| | Banks and Financial | | | |
| | Institutions Debt Instruments | Equity Instruments | Total | Total |
| | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Balance at 1 January | 6,846,566 | 8,264,093 | 15,110,659 | 8,259,598 |
| Charges for the year (Note 12) Write-offs | - | 13,352,330 (896,394) | 13,352,330 (896,394) | 13,147,677 (6,353,948) |
| Foreign exchange difference | (7,005) | 12,960 | 5,955 | 57,332 |
| Balance at 31 December | 6,839,561 | 20,732,989 | 27,572,550 | 15,110,659 |
| Individual impairment | 6,839,561 | 20,732,989 | 27,572,550 | 15,110,659 |
| | | | | |

▲ 24. Financial Assets Classified as Loans and Receivables

| | 2009 LBP (000) | 2008 LBP (000) |
|--|--|--|
| Lebanese sovereign and Central Bank of Lebanon Central Bank certificates of deposit Eurobonds | 5,342,796,134 939,553,389 | 3,520,268,579 1,478,490,134 |
| | 6,282,349,523 | 4,998,758,713 |
| Other sovereign and central banks Central Bank certificates of deposit Treasury bills Other governmental securities | - 332,991,649 226,054,986 | 54,138,360 139,972,724 14,545,670 |
| | 559,046,635 | 208,656,754 |
| Private sector and other securities Banks and financial institutions CDs Banks and financial institutions debt instruments Corporate debt instruments Others | 222,648,836 114,538,401 119,800,090 482,425 | 236,146,317 135,434,921 326,892,936 6,822,712 |
| Less: impairment allowance | 457,469,752 (339,213) | 705,296,886 (1,945,073) |
| | 7,298,526,697 | 5,910,767,280 |

The classification of the above instruments according to the type of interest is as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|--|---|
| Fixed interest Lebanese sovereign and Central Bank of Lebanon Other sovereign and central banks Private sector and other securities | 6,282,349,523 559,046,635 375,734,855 | 4,998,758,713 208,656,754 590,079,740 |
| Variable interest Private sector and other securities | 7,217,131,013 81,734,897 7,298,865,910 | 5,797,495,207 115,217,146 5,912,712,353 |

The movement of impairment allowance during the year was as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|------------------------|-------------------|
| Balance at 1 January | 1,945,073 | 1,945,073 |
| Charges for the year (Note 12) Recoveries during the year (Note 12) | 226,125 (1,831,985) | - |
| Balance at 31 December | 339,213 | 1,945,073 |

The above allowance relates fully to private sector and other securities.

▲ 25. Financial Instruments Held to Maturity

| | 2009 LBP (000) | 2008 LBP (000) |
|--|--|---------------------------------------|
| Lebanese sovereign Treasury bills Eurobonds | 133,974,916 185,449,542 | 208,544,337 |
| | 319,424,458 | 208,544,337 |
| Other sovereign Other governmental securities Eurobonds | 12,375,262 23,543,346 35,918,608 | 24,286,768 8,273,963 32,560,731 |
| Private sector and other securities Banks and financial institutions debt instruments Corporate debt instruments | 10,661,957 1,373,750 | 18,096,680 716,626 |
| | 12,035,707 | 18,813,306 |
| | 367,378,773 | 259,918,374 |

The classification of the above instruments according to the type of interest is as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|---------------------------|---------------------------|
| Fixed interest Lebanese sovereign Other sovereign | 319,424,458 35,918,608 | 208,544,337 32,560,731 |
| Variable interest | 355,343,066 | 241,105,068 |
| Private sector and other securities | 12,035,707 | 18,813,306 |
| | 367,378,773 | 259,918,374 |

The Lebanese Treasury bills are pledged to the Central Bank of Lebanon.

▲ 26. Investments in Associates

| _ | | 2009 | 9 | | 2008 | | |
|---|---------------------------|--|-------------------------------------|--|-------------------------------------|--|--|
| | Ownership % | Country of Incorporation | Number of Shares | Cost LBP (000) | Number of Shares | Cost LBP (000) | |
| Assurex sal Syrian Arab Insurance sa Pin Pay sal Globalcom Holding sal | 23.92 49.5 39 49 | Lebanon Syria Lebanon Lebanon | 47,830 990,000 3,900 4,900 | 3,553,771 18,368,034 329,824 11,661,665 | 47,830 990,000 3,900 4,900 | 4,178,561 17,588,336 1,200,000 10,156,696 | |
| Provision for impairment | | | | 33,913,294 (2,216,025) 31,697,269 | | 33,123,593 - 33,123,593 | |

The Bank's investments accounted for under the equity method are not listed on public exchanges. The following

table illustrates the summarised financial information of these investments:

| 1 | | 2009 LBP (000) | 2008 LBP (000) |
|---|---|--|--|
| | Share of associates' statement of financial position | | |
| | Current assets Non-current assets Current liabilities Non-current liabilities | 50,234,371 17,662,914 (10,525,761) (25,770,179) | 43,008,920 22,113,121 (12,492,578) (19,663,533) |
| | Net assets | 31,601,345 | 32,965,930 |
| | Share of associates' revenues and profits | | |
| | Revenues | 25,226,118 | 16,375,628 |
| | Share of profits for the year | 1,657,893 | 3,710,843 |

▲ 27. Property and Equipment

| 4 | | | | | | | |
|-----------------------------------|-------------|-------------------|-----------|------------------|------------------|------------|--------------|
| | | | | Office Equipment | | | |
| | Land and | Installations and | Motor | and Computer | Office Machinery | Other | |
| | Buildings | Fixtures | Vehicles | Hardware | and Furniture | Assets | Total |
| l | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Cost or revaluation: | | | | | | | |
| At 1 January 2009 | 364,415,571 | 111,537,020 | 4,309,841 | 78,132,396 | 75,720,647 | 13,491,744 | 647,607,219 |
| Entities acquired during the year | - | - | - | 185,759 | - | - | 185,759 |
| Additions | 57,964,184 | 22,932,291 | 113,495 | 9,707,712 | 6,867,232 | 1,439,184 | 99,024,098 |
| Transfers | (5,808,620) | 10,932,611 | 42,540 | 661,036 | 3,364,356 | 673 | 9,192,596 |
| Disposals | (5,358,479) | (3,171,892) | (374,766) | (2,661,066) | (2,421,926) | (1,470) | (13,989,599) |
| Foreign exchange difference | 715,499 | 1,336,367 | (19,634) | 68,006 | 155,397 | 159,434 | 2,415,069 |
| At 31 December 2009 | 411,928,155 | 143,566,397 | 4,071,476 | 86,093,843 | 83,685,706 | 15,089,565 | 744,435,142 |
| Depreciation: | | | | | | | |
| At 1 January 2009 | 47,773,516 | 64,849,860 | 1,837,787 | 56,844,972 | 36,046,484 | 6,847,399 | 214,200,018 |
| Depreciation charge for the year | 7,225,120 | 12,137,123 | 609,571 | 8,086,712 | 6,454,384 | 841,661 | 35,354,571 |
| Transfers | (749,124) | 305,834 | - | (183,708) | 139,085 | - | (487,913) |
| Disposals | (429,231) | (3,126,857) | (336,795) | (2,548,664) | (2,176,671) | - | (8,618,218) |
| Foreign exchange difference | (789,226) | 1,007,933 | (6,219) | 109,025 | 62,495 | 113,006 | 497,014 |
| At 31 December 2009 | 53,031,055 | 75,173,893 | 2,104,344 | 62,308,337 | 40,525,777 | 7,802,066 | 240,945,472 |
| Net book value: | | | | | | | |
| At 31 December 2009 | 358,897,100 | 68,392,504 | 1,967,132 | 23,785,506 | 43,159,929 | 7,287,499 | 503,489,670 |
| | | | | | | | |

their fair market value according to applicable Lebanese laws. The original cost and accumulated depreciation of revaluated assets were substituted by the revaluated

During 1995, certain tangible fixed assets were revalued to amount. The revaluation difference amounting to LBP (000) 18,599,623 (2008: LBP(000) 18,599,623) was booked under "Other Components of Equity".

| | Land and Buildings LBP (000) | Installations and Fixtures LBP (000) | Motor Vehicles LBP (000) | Office Equipment and Computer Hardware LBP (000) | Office Machinery and Furniture LBP (000) | Other Assets LBP (000) | Total LBP (000) |
|-----------------------------------|------------------------------------|--|-----------------------------|---|--|---------------------------|--------------------|
| Cost or revaluation: | | | | | | | |
| Balance at 1 January 2008 | 344,464,940 | 90,758,875 | 3,847,438 | 75,073,211 | 67,883,895 | 11,237,343 | 593,265,702 |
| Entities acquired during the year | 3,206,720 | 86,280 | - | 139,614 | - | - | 3,432,614 |
| Additions | 25,012,204 | 12,741,167 | 966,076 | 8,054,938 | 6,207,050 | 2,409,963 | 55,391,398 |
| Transfers | 19,099 | 7,921,357 | (174,167) | (3,625,395) | 1,906,664 | (552,076) | 5,495,482 |
| Disposals | (8,411,514) | (699,872) | (326,309) | (1,699,185) | (617,536) | (80,975) | (11,835,391) |
| Foreign exchange difference | 124,122 | 844,639 | (3,197) | 188,578 | 353,603 | 477,489 | 1,985,234 |
| Adjustment | - | (115,426) | - | 635 | (13,029) | - | (127,820) |
| 31 December 2008 | 364,415,571 | 111,537,020 | 4,309,841 | 78,132,396 | 75,720,647 | 13,491,744 | 647,607,219 |
| Depreciation: | | | | | | | |
| Balance at 1 January 2008 | 42,702,708 | 55,705,821 | 1,608,476 | 50,494,162 | 31,159,066 | 5,857,413 | 187,527,646 |
| Entities acquired during the year | 71,661 | 13,624 | - | 42,347 | - | - | 127,632 |
| Depreciation charge for the year | 7,021,961 | 9,727,882 | 545,757 | 8,449,807 | 5,394,932 | 596,532 | 31,736,871 |
| Transfers | (136,536) | 3,208 | (135,693) | (641,955) | (256,171) | - | (1,167,147) |
| Disposals | (1,995,481) | (629,683) | (161,301) | (1,575,916) | (313,406) | (7,754) | (4,683,541) |
| Impairment of assets | - | 6,932 | - | - | 23,506 | - | 30,438 |
| Foreign exchange difference | 109,203 | 22,076 | (19,452) | 76,527 | 38,557 | 401,208 | 628,119 |
| At 31 December 2008 | 47,773,516 | 64,849,860 | 1,837,787 | 56,844,972 | 36,046,484 | 6,847,399 | 214,200,018 |
| Net book value: | | | | | | | |
| At 31 December 2008 | 316,642,055 | 46,687,160 | 2,472,054 | 21,287,424 | 39,674,163 | 6,644,345 | 433,407,201 |
| 1 | | | | | | | |

▲ 28. Intangible Fixed Assets

| | | Computer | Existing | Customer | | |
|--|------------------------|-----------------------|-------------------------|----------------------------|--------------------|--------------------|
| | Key Money LBP (000) | Software LBP (000) | Technology LBP (000) | Relationships LBP (000) | Other LBP (000) | Total LBP (000) |
| Cost: | | | | | | |
| At 1 January 2009 | 2,991,015 | 42,929,775 | - | - | - | 45,920,790 |
| Entities acquired during the year | - | 85,450 | 2,541,645 | 5,737,545 | 1,183,388 | 9,548,028 |
| Additions during the year | - | 4,661,644 | - | - | 251,005 | 4,912,649 |
| Transfers | - | 271,689 | - | - | - | 271,689 |
| Foreign exchange difference | 44,457 | 87,954 | - | - | - | 132,411 |
| At 31 December 2009 | 3,035,472 | 48,036,512 | 2,541,645 | 5,737,545 | 1,434,393 | 60,785,567 |
| Amortisation: | | | | | | |
| At 1 January 2009 | 219,124 | 27,154,425 | - | - | - | 27,373,549 |
| Amortisation charge for the year | 40,977 | 6,456,808 | 234,667 | 529,740 | 126,496 | 7,388,688 |
| Foreign exchange difference | 2,725 | 114,918 | - | - | - | 117,643 |
| At 31 December 2009 | 262,826 | 33,726,151 | 234,667 | 529,740 | 126,496 | 34,879,880 |
| Net book value: At 31 December 2009 | 2,772,646 | 14,310,361 | 2,306,978 | 5,207,805 | 1,307,897 | 25,905,687 |
| | | | | | | |

| | Key Money LBP (000) | Computer Software LBP (000) | Existing Technology LBP (000) | Customer Relationships LBP (000) | Other LBP (000) | Total LBP (000) |
|-----------------------------------|------------------------|-----------------------------------|-------------------------------------|--|--------------------|--------------------|
| Cost: | , | , | , | , | , , | , |
| Balance at 1 January 2008 | 2,793,626 | 29,226,441 | - | _ | - | 32,020,067 |
| Entities acquired during the year | - | 4,665,582 | - | - | - | 4,665,582 |
| Additions | - | 5,841,656 | - | - | - | 5,841,656 |
| Disposals | - | (15,402) | - | - | - | (15,402) |
| Transfers | - | 3,048,279 | - | - | - | 3,048,279 |
| Foreign exchange difference | 197,389 | 163,219 | - | - | - | 360,608 |
| At 31 December 2008 | 2,991,015 | 42,929,775 | - | - | - | 45,920,790 |
| Amortisation: | | | | | | |
| Balance at 1 January 2008 | 172,682 | 18,576,393 | _ | _ | _ | 18,749,075 |
| Entities acquired during the year | - | 1,286,956 | - | _ | - | 1,286,956 |
| Amortisation charge for the year | 41,104 | 6,167,311 | - | - | - | 6,208,415 |
| Disposals | - | (12,121) | - | - | - | (12,121) |
| Transfers | - | 1,042,518 | - | - | - | 1,042,518 |
| Foreign exchange difference | 5,338 | 93,368 | - | - | - | 98,706 |
| At 31 December 2008 | 219,124 | 27,154,425 | - | - | - | 27,373,549 |
| Net book value: | | | | | | |
| At 31 December 2008 | 2,771,891 | 15,775,350 | - | - | - | 18,547,241 |

■ 29. Non-current Assets Held for Sale

| | Properties Acquired in Settlement of Debts LBP (000) | Investments Acquired in Settlement of Debts LBP (000) | Total LBP (000) |
|---|--|---|-------------------------|
| Cost: | 20 427 244 | | |
| At 1 January 2009 Additions | 39,436,241 3,358,438 | 15,075 - | 39,451,316 3,358,438 |
| Disposals Foreign exchange difference | (12,513,486) 25,841 | | (12,513,486) 25,841 |
| At 31 December 2009 | 30,307,034 | 15,075 | 30,322,109 |
| Impairment: At 1 January 2009 Impairment for the year | 917,660 143,425 | - | 917,660 143,425 |
| At 31 December 2009 | 1,061,085 | - | 1,061,085 |
| Net book value: At 31 December 2009 | 29,245,949 | 15,075 | 29,261,024 |

| | Properties Acquired in | Investments Acquired in | |
|-----------------------------|-------------------------------------|-------------------------------------|--------------------|
| | Settlement of Debts LBP (000) | Settlement of Debts LBP (000) | Total LBP (000) |
| Cost: | | | |
| At 1 January 2008 | 41,058,097 | - | 41,058,097 |
| Additions | 3,534,994 | 15,075 | 3,550,069 |
| Transfers | (45,689) | - | (45,689) |
| Disposals | (5,066,305) | - | (5,066,305) |
| Foreign exchange difference | (44,856) | - | (44,856) |
| At 31 December 2008 | 39,436,241 | 15,075 | 39,451,316 |
| Impairment: | | | |
| At 1 January 2008 | 781,124 | - | 781,124 |
| Impairment for the year | 136,536 | - | 136,536 |
| At 31 December 2008 | 917,660 | - | 917,660 |
| Net book value: | | | |
| At 31 December 2008 | 38,518,581 | 15,075 | 38,533,656 |
| | | | |

■ 30. Other Assets

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Prepaid charges and deferred acquisition cost | 40,381,149 | 40,828,098 |
| Fiscal stamps, bullions and commemorative coins | 1,564,093 | 1,913,472 |
| Hospitalisation and medical care under collection | 6,547,659 | 5,676,052 |
| Electronic cards and regularisation accounts | 11,669,074 | 14,321,327 |
| Advances on investments | 3,243,397 | 61,415,050 |
| Advances on acquisition of fixed assets | 23,839,711 | 46,870,491 |
| Advances to staff | 12,346,769 | 8,453,788 |
| Debtors accounts related to insurance operations | 12,478,709 | 10,806,547 |
| Reinsurers' shares in technical provisions | 13,149,975 | 9,030,585 |
| Management and advisory fees receivable | 646,725 | 1,868,392 |
| Consolidation differences | 3,234,272 | 4,493,444 |
| Interest and commissions to be received | 6,091,787 | 2,045,673 |
| Trading receivables related to non-banking operations | 7,166,296 | 1,617,076 |
| Miscellaneous debtors and other debtor accounts | 32,473,090 | 27,400,890 |
| | 174,832,706 | 236,740,885 |

▲ 31. Goodwill

At 31 December 2008

| | Lebanon LBP (000) | Switzerland LBP (000) | Egypt LBP (000) | Sudan LBP (000) | United States LBP (000) | Others LBP (000) | Total LBP (000) |
|--|----------------------|------------------------------|---------------------------------|-----------------------------|----------------------------|-----------------------------|-------------------------------------|
| Cost: At 1 January 2009 Additions Difference of exchange | 54,715,410 - - | 37,998,143 - 2,724,285 | 106,252,394 - (1,218,396) | 6,827,208 - (380,826) | - 8,128,490 - | 3,881,539 - (181,883) | 209,674,694 8,128,490 943,180 |
| At 31 December 2009 | 54,715,410 | 40,722,428 | 105,033,998 | 6,446,382 | 8,128,490 | 3,699,656 | 218,746,364 |
| | | | | | | | |
| | Lebanon LBP (000) | Switzerland LBP (000) | Egypt LBP (000) | Sudan LBP (000) | United States LBP (000) | Others LBP (000) | Total LBP (000) |
| Cost At 1 January 2008 Additions | 54,715,410 | 44,945,772 | 106,416,668 | 7,333,819 | - | 1,719,651 3,340,666 | 215,131,320 3,340,666 |

54,715,410 37,998,143 106,252,394

The cost of equity assigned to an individual CGU and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk rate in the country concerned and a premium to reflect the

inherent risk of the business being evaluated.

6,827,208

Management judgment is required in estimating the future cash flows of the CGUs. These values are sensitive cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the term sustainable pattern of cash flows thereafter. While the

110

3,881,539 209,674,694

acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance as verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect Management view of future business prospects.

The following CGUs include in their carrying value goodwill that is a significant proportion of total goodwill reported by the Group. These CGUs do not carry on their statement of financial position any intangible assets with indefinite lives, other than goodwill. The following schedule shows the discount and terminal growth rates used for CGUs subject to impairment testing.

| | 2009 | | 2008 | |
|--|----------|-------------|----------|-------------|
| | Discount | Terminal | Discount | Terminal |
| | Rate | Growth Rate | Rate | Growth Rate |
| | % | % | % | % |
| Cash generating units | | | | |
| Commercial and Private Banking – Lebanon | 15.10 | 2.00 | 16.00 | 2.00 |
| Private Banking – Switzerland | 9.00 | 2.00 | 10.00 | 2.00 |
| Commercial Banking – Egypt | 15.50 | 5.00 | 16.50 | 5.00 |
| Commercial Banking – Sudan | 17.50 | 4.00 | 20.00 | 4.00 |

At 31 December 2009, aggregate goodwill of LBP (000) 3,699,565 was allocated to CGUs that were not considered

individually significant (2008: LBP (000) 3,881,539).

■ 32. Due to Central Banks

| 1 | 2009 LBP (000) | 2008 LBP (000) |
|--------------------------------|------------------------|-------------------|
| Term loans Accrued interest | 132,612,000 747,003 | |
| | 133,359,003 | - |

During 2009, in accordance with the basic decision No 6116 dated 7 March 1996 relating to financial facilities from the Central Bank of Lebanon to banks and in accordance with article 102 of the Lebanese law of money and credit, the Bank signed a credit agreement with the Central Bank of

Lebanon amounting LBP (000) 132,612,000 subject to an interest rate of 4.716% for the first three years, capitalised and paid each three months starting the loan using date. The purpose of this loan is to fund subsidised loans.

■ 33. Due to Banks and Financial Institutions

| 2009 LBP (000) | 2008 LBP (000) |
|-------------------|---|
| 201,728,137 | 310,048,309 |
| 353,588,177 | 229,558,365 |
| 217,521,368 | 156,007,137 |
| 2,221,360 | 3,535,925 |
| 775,059,042 | 699,149,736 |
| | LBP (000) 201,728,137 353,588,177 217,521,368 2,221,360 |

The covenants arising from term deposits taken by the Group are listed in Note 50.

▲ 34. Customers' Deposits

| 1 | | | 2009 | | |
|--------------------------------|------------------|--------------------------|---------------------|--------------------|--------------------|
| | Corporate and | | Public | | |
| | SME LBP (000) | Individuals LBP (000) | Sector LBP (000) | Other LBP (000) | Total LBP (000) |
| Sight deposits | 1,317,212,538 | 3,666,551,070 | 78,683,833 | 4,754,236 | 5,067,201,677 |
| Time deposits | 4,406,502,881 | 21,836,847,067 | 795,126,615 | 860,730,524 | 27,899,207,087 |
| Saving accounts | 15,894,652 | 622,400,135 | - | - | 638,294,787 |
| Certificates of deposit | - | 57,489,789 | - | - | 57,489,789 |
| Margins on LC's and LG's | 280,583,460 | 91,498,182 | - | - | 372,081,642 |
| Other margins | 48,286,243 | 55,439,426 | - | 905 | 103,726,574 |
| Other deposits | 33,361,469 | 205,871,354 | 846,438 | 4,220,467 | 244,299,728 |
| | 6,101,841,243 | 26,536,097,023 | 874,656,886 | 869,706,132 | 34,382,301,284 |
| Deposits pledged as collateral | 840,835,595 | 1,517,022,546 | - | 905 | 2,357,859,046 |
| I | | | | | |

| 1 | | | 2008 | | |
|--------------------------------|----------------------|--------------------------|---------------------|--------------------|--------------------|
| | Corporate | | Public | | |
| | and SME LBP (000) | Individuals LBP (000) | Sector LBP (000) | Other LBP (000) | Total LBP (000) |
| Sight deposits | 654,066,127 | 2,863,045,612 | 58,554,985 | 12,562,174 | 3,588,228,898 |
| Time deposits | 3,786,622,189 | 16,712,499,033 | 305,314,665 | 139,889,392 | 20,944,325,279 |
| Saving accounts | 17,257,754 | 740,296,053 | - | - | 757,553,807 |
| Certificates of deposit | - | 53,697,471 | - | - | 53,697,471 |
| Margins on LC's and LG's | 110,060,866 | 55,106,182 | - | - | 165,167,048 |
| Other margins | 154,835,822 | 41,334,031 | - | 905 | 196,170,758 |
| Other deposits | 47,882,433 | 144,034,331 | 190,932 | 955,524 | 193,063,220 |
| | 4,770,725,191 | 20,610,012,713 | 364,060,582 | 153,407,995 | 25,898,206,481 |
| Deposits pledged as collateral | 860,606,184 | 795,109,845 | - | 905 | 1,655,716,934 |
| | | | | | |

Time deposits include special deposits amounting to LBP (000) 1,430,043,726 as at 31 December 2009 (2008: LBP (000) 1,168,693,447) that pay a preferential (simple) interest rate. The principal is settled at maturity according to the full discretion of the Bank either in cash or in

Lebanese government Eurobonds/EuroCDs denominated in US Dollars and having the same nominal amount. As these deposits are linked to the credit risk of the Lebanese Republic, the Bank separated the embedded derivative and accounted for it at fair value through profit or loss.

▲ 35. Deposits from Related Parties

| | | 2009 | |
|--|---|--|---|
| | Corporate and SME LBP (000) | Individuals LBP (000) | Total LBP (000) |
| Sight deposits Time deposits Saving accounts Margins on LC's and LG's Other deposits | 3,654,063 122,083,704 - - 3,593,092 | 38,973,422 72,416,747 6,463,171 361,726 20,328,403 | 42,627,485 194,500,451 6,463,171 361,726 23,921,495 |
| Deposits pledged as collateral | 129,330,859 34,459,533 | 138,543,469 18,081,254 | 267,874,328 |

| | | 2008 | |
|--------------------------------|------------------|--------------------------|--------------------|
| | Corporate and | | |
| | SME LBP (000) | Individuals LBP (000) | Total LBP (000) |
| Sight deposits | 6,990,231 | 7,179,008 | 14,169,239 |
| Time deposits | 132,387,052 | 54,799,253 | 187,186,305 |
| Saving accounts | - | 11,536,682 | 11,536,682 |
| Margins on LC's and LG's | 241,803 | 1,508 | 243,311 |
| Other deposits | 3,560,811 | 20,333,302 | 23,894,113 |
| | 143,179,897 | 93,849,753 | 237,029,650 |
| Deposits pledged as collateral | 31,550,664 | 4,401,766 | 35,952,430 |

▲ 36. Debt Issued and other Borrowed Funds

| | 2009 LBP (000) | 2008 LBP (000) |
|--|--------------------------|--------------------------|
| Certificates of deposit Accrued interest | 150,750,000 2,397,545 | 150,750,000 2,397,545 |
| | 153,147,545 | 153,147,545 |

a subsidiary, issued certificates of deposit for an amount payable semi-annually and maturing on 9 May 2010.

During the year 2000, Audi Saradar Investment Bank sal, of USD 100,000,000 bearing an interest rate of 10.75%

▲ 37. Other Liabilities

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| | | |
| Accrued expenses | 33,842,688 | 37,639,264 |
| Social security dues | 3,785,604 | 3,562,725 |
| Operational taxes | 23,098,845 | 25,400,875 |
| Employee accrued benefits | 27,255,633 | 34,503,510 |
| Provisions for technical reserves related to insurance operations | 212,817,593 | 166,395,813 |
| Due to National Institute for Guarantee of Deposits | 213,053 | 8,440,523 |
| Electronic cards and regularisation accounts | 2,908,485 | 3,090,738 |
| Unearned commissions and premiums | 11,543,610 | 7,596,480 |
| Credit balances of factoring clients | 90,440,209 | 61,796,954 |
| Reinsurers' and brokers' accounts | 5,074,173 | 8,143,256 |
| Consolidation differences | 5,269,218 | 10,110,268 |
| Miscellaneous suppliers and other payables | 34,272,574 | 32,015,786 |
| Other credit balances | 17,025,995 | 10,236,845 |
| | 467,547,680 | 408,933,037 |

▲ 38. Provisions for Risks and Charges

| Provision for insurance risks Provision for legal claims Provision for contingencies Other provisions Balance at 1 January 2009 Add: Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities Foreign exchange difference | 1,101,641 872,039 19,656,190 2,497,352 24,127,222 22,426,040 | 623,434 1,029,848 17,238,361 3,534,397 22,426,040 |
|---|---|---|
| Provision for contingencies Other provisions Balance at 1 January 2009 Add: Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities | 872,039 19,656,190 2,497,352 24,127,222 | 17,238,361 3,534,397 22,426,040 |
| Other provisions Balance at 1 January 2009 Add: Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities | 2,497,352 | 3,534,397 |
| Balance at 1 January 2009 Add: Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities | 24,127,222 | 22,426,040 |
| Add: Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities | | |
| Add: Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities | 22,426,040 | 14 / 50 007 |
| Charge during the year (Note 14) Transfer from current tax liabilities (Note 15) Transfer from other liabilities | | 14,650,007 |
| Transfer from current tax liabilities (Note 15) Transfer from other liabilities | | |
| Transfer from other liabilities | 3,607,670 | 1,464,692 |
| Transfer from early machines | 2,844,905 | 6,007,065 |
| Foreign exchange difference | 1,095,219 | 4,129,833 |
| | 98,748 | 44 |
| | 7,646,542 | 11,601,634 |
| Less: | | |
| Payment | 475,465 | 2,731,337 |
| Write-offs | 3,437,350 | 163,140 |
| Transfer to loans and advances to customers (Note 21) | 2,032,545 | 931,124 |
| | 5,945,360 | 3,825,601 |
| Balance at 31 December 2009 | 24,127,222 | 22,426,040 |

▲ 39. End of Service Benefits

The movement of provision for staff termination indemnities was as follows:

| 1 | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Balance at 1 January | 30,644,100 | 25,555,296 |
| Add: | | |
| Charge for the year (Note 13) | 10,321,224 | 10,328,865 |
| Entities acquired during the year | - | 17,360 |
| Indemnities transferred from other entities | 716,200 | 39,750 |
| Reimbursement of advances on EOSB | | 4,899,902 |
| Less: | | |
| Paid during the year | 2,969,572 | 9,787,017 |
| Indemnities transferred to other entities | 212,814 | 323,623 |
| Difference of exchange | 38,479 | 86,433 |
| | 38,460,659 | 30,644,100 |
| | | |

▲ 40. Share Capital

| | 2009 | | 2008 | | |
|-----------------------------|-------------|------------|-------------|------------|-------------|
| | Stock | | | | |
| | Exchange | Number of | | Number of | |
| | Listing | Shares | LBP (000) | Shares | LBP (000) |
| | | | | | |
| Ordinary shares | Beirut | 24,262,180 | 297,211,706 | 24,359,487 | 267,954,357 |
| l i | London SEAQ | | | | |
| Global depository receipts | and Beirut | 10,156,761 | 124,420,323 | 9,829,902 | 108,128,922 |
| Preferred shares series "C" | - | - | - | 4,000,000 | 44,000,000 |
| Preferred shares series "D" | Beirut | 1,250,000 | 15,312,500 | 1,250,000 | 13,750,000 |
| | | | | | |
| | | 35,668,941 | 436,944,529 | 39,439,389 | 433,833,279 |
| | | | | | |

Based on the decision of the Extraordinary General Assembly dated 27 July 2009, the Bank increased its capital for an amount of LBP (000) 2,812,012 by issuing 229,552 common shares dedicated for those benefiting from the stock option plan who have exercised their rights. The increase in share capital was approved by the Extraordinary General Assembly held on 14 October 2009. Besides, 326,859 ordinary shares were converted to global depository receipts during 2009.

Based on the decision of the Extraordinary General Assembly dated 7 May 2009, the Bank called and annulled the preferred shares series "C" and decreased

the capital number of shares by 4,000,000 shares in result

value, the General Assembly decided to increase the outstanding shares' nominal value proportionally to the annulated shares by capitalising part of reserves (LBP 36 billion from issue premium and LBP 8 billion from general reserve). Thus, the nominal value per share increased to reach LBP 12,241.56 per share. To round the nominal value to LBP 12,250 per share, the Bank increased its capital by transferring LBP (000) 299,237 from general reserve.

of the annulations. In order to preserve the same capital

Based on the decision of the Extraordinary General Assembly held on 5 September 2005, the Bank issued 1,250,000 preferred shares series "D" according to the following terms:

- Number of shares: 1.250.000 - Share's issue price:

- Share's nominal value: LBP 10,000 (subsequently increased to LBP 12,250 due to the increase of the share's nominal value).

Calculated in USD as the difference between USD 100 and the counter value of the par value per share

- Issue premium:

- Benefits: Annual dividends of USD 7.75 per share, non cumulative.

- Repurchase right: The Bank has the right to purchase the share, 5 years after its issue, as well as calling it off by then.

▲ PAID AND PROPOSED DIVIDENDS

According to the resolution of the General Assembly dated 2 April 2009, dividends were distributed as follows:

| | Number of Shares | Distribution per Share LBP | Total LBP (000) |
|---|--------------------------------------|----------------------------------|--|
| Common shares Preferred shares series "C" Preferred shares series "D" | 34,189,389 4,000,000 1,250,000 | 3,400 3,298 11,683 | 116,243,923 13,190,625 14,603,906 144,038,454 |

In its meeting dated 23 March 2010, the Board of Directors proposed to the General Assembly of shareholders to

distribute dividends related to the fiscal year 2009 as follows:

| | Number of Shares | Distribution per Share LBP | Total LBP (000) |
|---|-------------------------|----------------------------------|---------------------------|
| Common shares Preferred shares series "D" | 34,418,941 1,250,000 | 5,276.25 11,683 | 181,602,937 14,603,906 |
| | | | 196,206,843 |

▲ 41. Issue and Merger Premiums

Issue premium – common shares Issue premium – preferred shares Merger premium – Lebanon Invest Holding sal

| 2008 LBP (000) |
|--|
| 1,017,928,321 281,437,500 36,006,451 |
| 1,335,372,272 |
| |

The movements on issue and merger premiums are detailed as follows:

- ▲ Based on the decision of the General Assembly dated 21 April 2009, an amount of LBP (000) 150,000,000 was transferred to general reserve (Note 43).
- ▲ An amount of LBP (000) 36,000,000 was deducted to increase the shares nominal value.
- ▲ Decrease by LBP (000) 106,750,000 due to the redemption of preferred shares series "C" (Note 40).
- ▲ Increase in common shares issue premium due to the issuance of 229,552 common shares pursuant to the exercise of stock option whereby the issue premium amounted to LBP (000) 10,390,846. These shares were issued at par value of LBP 12,250 per share (Note 44). The underwriters paid the difference between USD 27.19 and the nominal amount per share based on the exchange rates at the underwriting dates for 220,848 shares and the difference between USD 40.33 and the nominal amount per share based on the exchange rates at the underwriting dates for 8,704 shares. An amount of LBP (000) 3,621,355 was transferred from the employees' share-based payments reserve (Note 44) to the issue premium of subscribed shares.

The increase in common shares issue premium for the year ending 31 December 2008 is due to the issuance of 1,287,080 common shares pursuant to the exercise of stock option whereby the issue premium amounted to LBP (000) 60,011,401. These shares were issued at their par value of LBP 11,000 per shares. The underwriters paid the difference between USD 27.19 and the nominal amount per share based on the exchange rates at the underwriting dates for 1,230,440 shares and the difference

between USD 40.33 and the nominal amount per share based on the exchange rates at the underwriting dates for 56,638 shares. An amount of LBP (000) 20,352,650 was transferred from the employees' share-based payments reserve (Note 44) to the issue premium of the subscribed shares.

▲ 42. Cash Contribution to Capital

In previous years, agreements were entered between the Bank and its shareholders whereby the shareholders granted cash contributions to the Bank amounting to USD 48,150,000 (LBP (000) 72,586,125) subject to the following conditions:

- ▲ These contributions will remain placed as a fixed deposit as long as the Bank performs banking activities:
- ▲ If the Bank incurs losses and has to reconstitute its capital, these contributions may be used to cover the losses if needed:
- ▲ The shareholders have the right to use these contributions to settle their share in any increase of
- No interest is due on the above contributions:
- ▲ The above cash contributions are considered as part of Tier I capital for the purpose of determining the Bank's capital adequacy ratio: and
- ▲ The right to these cash contributions is for the present and future shareholders of the Bank.

▲ 43. Capital Reserves

| 1 | | | Reserves | | Reserve for | Employees' | |
|----------------------------------|----------------------------|----------------------|-------------------------------|------------------------------|--------------------|-----------------------|--------------------|
| | | General | Appropriated to | Gains on | General Banking | Share-based | |
| | Legal Reserve LBP (000) | Reserve LBP (000) | Capital Increase LBP (000) | Treasury Shares LBP (000) | Risks LBP (000) | Payments LBP (000) | Total LBP (000) |
| | | | | | | | |
| Balance at 1 January 2009 | 145,411,293 | 173,567,117 | 3,574,887 | 29,062,765 | 146,624,871 | 20,646,321 | 518,887,254 |
| Appropriation of 2008 profits | 36,150,519 | 40,645,492 | 7,887,951 | - | 32,714,695 | - | 117,398,657 |
| Employees' share-based | | | | | | | |
| payments (Note 44) | - | - | - | - | - | 514,164 | 514,164 |
| Entities under equity method | - | (670,566) | - | - | - | - | (670,566) |
| Capital increase (Note 40) | - | (8,299,237) | - | - | - | - | (8,299,237) |
| Minority share of reserves | (1,580,378) | 122,948 | - | - | - | - | (1,457,430) |
| Treasury shares transactions | 715,102 | - | - | 1,745,327 | - | - | 2,460,429 |
| Reserve related to foreclosed | | | | | | | |
| assets disposal | - | 1,152,749 | - | - | - | - | 1,152,749 |
| Transfer from issue premium | - | 150,000,000 | - | - | - | - | 150,000,000 |
| Transfer from general reserve to | | | | | | | |
| reserve for general banking risk | - | (714,050) | - | - | 714,050 | - | |
| Other movements | - | 738,029 | - | - | - | - | 738,029 |
| Difference of exchange | 337,595 | 1,449,612 | - | - | 161,030 | - | 1,948,237 |
| Balance at 31 December 2009 | 181,034,131 | 357,992,094 | 11,462,838 | 30,808,092 | 180,214,646 | 21,160,485 | 782,672,286 |
| | | | | | | | |

| | | | Reserves | | Reserve for | Employees' | |
|---------------------------------|----------------------------|----------------------|-------------------------------|------------------------------|--------------------|-----------------------|--------------------|
| | | General | Appropriated to | Gains on | General Banking | Share-based | |
| | Legal Reserve LBP (000) | Reserve LBP (000) | Capital Increase LBP (000) | Treasury Shares LBP (000) | Risks LBP (000) | Payments LBP (000) | Total LBP (000) |
| | LDI (000) | LDI (000) | LDI (000) | EBI (000) | LDI (000) | LDI (000) | EBI (000) |
| Balance at 1 January 2008 | 111,839,991 | 84,341,241 | 1,105,308 | 30,094,611 | 101,659,571 | 32,071,613 | 361,112,335 |
| Appropriation of 2007 profits | 34,104,057 | 42,334,528 | 2,469,579 | - | 44,798,613 | - | 123,706,777 |
| Employees' share-based | | | | | | | |
| payments (Note 44) | - | - | - | - | - | (11,425,292) | (11,425,292) |
| Entities under equity method | - | (470,155) | - | - | - | - | (470,155) |
| Minority share of reserves | (1,760,266) | (2,062,078) | - | - | (40) | - | (3,822,384) |
| Treasury shares transactions | - | - | - | (1,031,846) | - | - | (1,031,846) |
| Reserve related to foreclosed | | | | | | | |
| assets disposed of | - | 716,111 | - | - | - | - | 716,111 |
| Prior year adjustment | - | 2,303,871 | - | - | - | - | 2,303,871 |
| Entities consolidated in 2008 | (1,546) | (31,051) | - | - | - | - | (32,597) |
| Transfer to translation reserve | - | (7,670,440) | - | - | - | - | (7,670,440) |
| Transfer from retained earnings | - | 58,137,221 | - | - | - | - | 58,137,221 |
| Difference of exchange | 1,229,057 | (4,032,131) | - | - | 166,727 | - | (2,636,347) |
| Balance at 31 December 2008 | 145,411,293 | 173,567,117 | 3,574,887 | 29,062,765 | 146,624,871 | 20,646,321 | 518,887,254 |

▲ 43.1. LEGAL RESERVE

The Lebanese Commercial Law and the Bank's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. This reserve is not available for dividend distribution.

During 2009, the parent entity and different subsidiaries transferred to legal reserve an amount of LBP (000) 36,150,519, as required by the laws applicable in the countries in which they operate.

▲ 43.2. GENERAL RESERVE

Based on the decision of the Ordinary General Assembly dated 21 April 2009, the parent entity transferred LBP (000) 56,600,000 from 2008 profits and LBP (000) 150,000,000 from merger and issue premium to general reserve (2008: LBP (000) 11,000,000). During 2009, different subsidiaries transferred LBP (000) 3,016,637. (2008: LBP (000) 31,334,528). Moreover, the parent entity transferred LBP (000) 8,299,237 from general reserves to increase the nominal value per share to LBP 12,250 (Note 40).

▲ 43.3. RESERVES APPROPRIATED TO CAPITAL INCREASE

The parent company and the subsidiaries transferred LBP (000) 7,887,951 from 2008 profits (2008: LBP (000) 2,469,579) to reserve appropriated to capital increase. This amount represents the net gain on the disposal of fixed assets acquired in settlement of debt.

■ 43.4. GAINS ON TREASURY SHARES

These gains arise from the Global Depository Receipts (GDRs) owned by the Group. Based on the applicable regulations, the Bank does not have the right to distribute these gains. The net gain arising from the treasury GDRs amounted to LBP (000) 1,745,327 for the year ended 31 December 2009 (2008: loss LBP (000) 1,031,846).

▲ 43.5. RESERVES FOR GENERAL BANKING RISKS

According to the Bank of Lebanon's regulations, banks are required to appropriate from their annual net profit a minimum of 0.2 percent and a maximum of 0.3 percent of total risk-weighted assets and off-balance sheet accounts based on rates specified by the Central Bank of Lebanon to cover general banking risks. The consolidated ratio should not be less than 1.25 percent of these risks by the year 2017 and 2 percent by the year 2027. This reserve is part of the Group's equity and cannot be distributed as dividends.

▲ 44. Share-based Payments

According to the Extraordinary General Assembly dated 2 February 2006, the Board of Directors was authorised to initiate a stock option plan and to issue, in accordance with law 308/2001, up to 5,000,000 common shares of the Bank's capital.

As part of the initial phase of the stock option plan, the Board of Directors resolved on 24 April 2006 to grant 3,200,000 stock options. Furthermore, on 26 April 2006, the Board of Directors specified the names of the beneficiaries and the number of rights that will be granted to each, along with the related terms and conditions. On 17 May 2006, the Central Bank of Lebanon approved the share-based payment plan whereby the Bank can grant stock options to all or certain individuals specified in article 3 of the law number 308 dated 3 April 2001.

As a result, the individuals referred to above were granted the right to subscribe in 3,200,000 common shares of the Bank's capital at USD 27.19 and according to the terms and conditions specified by the Board of Directors.

The Board of Directors also resolved that the vesting of one half of the granted options is not contingent on any conditions or target achievement. As such, these options become exercisable after specified periods of time, regardless of achieving any earnings thresholds. The other half will vest and become exercisable only if the Bank achieves certain growth targets in its adjusted consolidated earnings per share. These stock options vest on April 26 of each year over a period of four years, and are exercisable over a period of 2 years from the vesting date.

The growth in earnings per share is measured at each year in which these options vest against the earnings achieved at the end of the fiscal year preceding the grant date and was set at 10%, 20%, 30% and 40% to be achieved at year end 2006, 2007, 2008, and 2009, respectively. At any vesting date, in case 50% of the targeted growth was achieved, 50% of the performance options will vest. In case 50% to 100% of the targeted growth was achieved, a proportionate percentage of performance options will vest. However, in case less than 50% of the targeted growth was achieved, then no stock options vest. The non-achievement of the target leads to rolling forward the vesting date to the next year. In case the targeted growth rates were not achieved by the end of the fourth year from the grant date, the remaining unvested options will be cancelled.

For this purpose the determination of the consolidated earnings per share will be based on the consolidated net income of the Group, less the amount paid for dividends in respect of preferred shares divided by

the average number of common shares outstanding during the year, adjusted to exclude the effect of implementation of the plan on the consolidated income statement of the Bank pursuant to IFRS2 – "Share-based Payments".

The fair value of the options was determined at the grant date by using the Black-Scholes Model after taking into consideration the terms and conditions according to which these options were granted. The following table illustrates the model inputs used:

| ■ Dividend yield | 5% |
|-------------------------------|---------|
| ■ Expected volatility | 12.1% |
| | 12.1% |
| ■ Weighted risk-free rate | 5.7% |
| ■ Expected life of the option | 4 years |
| Fair value per share | USD 39 |

The expected life of the option is based on historical data and is not necessarily indicative of the exercise patterns that may actually occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grants were incorporated into the measurement of fair values.

In its meeting dated 10 May 2007, the Board of Directors was notified that 218,424 options related to 100 beneficiaries were nullified. Furthermore, the Board of Directors resolved to grant 170,112 new stock options to 31 beneficiaries, in connection with the 5,000,000 stock-option plan. These stock options vest as follows:

- 90,000 stock options over a period of four years.
- ▲ 80,112 stock options over a period of three years (50% during 2008; 25% during 2009 and 25% during 2010).

The exercise price for each option was set at USD 40.33. The options are exercisable over a period of 1 or 2 years from the vesting date. The Board of Directors also resolved that the vesting of one half of the 90,000 granted options is not contingent on any condition or target achievement. As such, these options become exercisable after specified periods of time regardless of achieving any earnings thresholds. The other half will vest and become exercisable only if the Group achieves certain growth targets in its adjusted consolidated earnings per share against the adjusted earnings per share for the Group's fiscal year immediately preceding the date of grant (2006). Regarding the 80,112 granted options, the Board of Directors resolved that the vesting of 62.5% of these options is not contingent on any conditions or target achievement; whereas the remaining 37.5% is related to the Group's achievement of certain growth targets in its adjusted consolidated earnings per share on each year during the vesting period, against the adjusted earnings per share for the Group's fiscal year ending on 31 December 2005.

For this purpose, the determination of the consolidated earnings per share will be based on the consolidated net

income of the Group, less the amount paid for dividends in respect of preferred shares divided by the average number of common shares outstanding during the year, adjusted to exclude the effect of implementation of the plan on the consolidated income statement of the Bank pursuant to IFRS2 – "Share-based Payments".

Targets were set as follows:

90,000 stock options:

The growth in earnings per share is measured at each year in which these options vest against the earnings achieved at the end of the fiscal year preceding the grant date (2006) and was set at 10%, 20%, 30% and 40% to be achieved at year end 2007, 2008, 2009, and 2010, respectively.

80,112 stock options:

The growth in earnings per share is measured at each year in which these options vest against the earnings achieved at the end of the fiscal year 2005 and was set at 20%, 30% and 40% to be achieved at year end 2007, 2008, and 2009, respectively.

At any vesting date, in case 50% to 100% of the target was achieved, then a proportionate percentage of performance options will vest. However, in case less than 50% of the targeted growth was achieved, then no performance options vest. The non-achievement of the target leads to rolling forward the vesting date to the next year. In case the targeted growth rates were not achieved by the end of the last year, the remaining unvested performance options will be cancelled.

The fair value of the options was determined by using the Black-Scholes Model after taking into consideration the terms and conditions according to which these options were granted. The following table illustrates the model inputs used:

| ■ Dividend yield | 3.96% |
|-------------------------------|--------------|
| ■ Expected volatility | 20% |
| | 20% |
| ■ Weighted risk-free rate | 5.7% |
| ■ Expected life of the option | 3 or 4 years |
| ▲ Fair value per share | USD 53 |
| | |

The expected life of the option is based on historical data and is not necessarily indicative of exercise patterns that may actually occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grants were incorporated into the measurement of fair values.

The cost of share-based payments amounted to LBP (000) 4,584,258 for the year ended 31 December 2009 (2008: LBP (000) 9,637,374). This cost was accounted for under personnel expenses in the consolidated income statement and under reserve for share-based payments in shareholders' equity.

The following table illustrates the movement in share-based payments reserve for the year ended 31 December:

| | 2009 LBP (000) | 2008 LBP (000) |
|--|---------------------------------------|--|
| Balance at 1 January | 20,646,321 | 32,071,613 |
| Cost of share-based payments (Note 13) Stock options nullified Stock options exercised | 4,584,258 (448,739) (3,621,355) | 9,637,374 (710,016) (20,352,650) |
| Balance at 31 December | 21,160,485 | 20,646,321 |

The following table illustrates the movement in stock options granted for the year ended 31 December:

| | Number of St | ock Options |
|--|-----------------------|-------------------------|
| | 2009 LBP (000) | 2008 LBP (000) |
| Balance at 1 January | 1,652,603 | 3,015,619 |
| Stock options nullified Stock options exercised | (35,283) (229,552) | (75,936) (1,287,080) |
| Balance at 31 December | 1,387,768 | 1,652,603 |

▲ 45. Treasury Shares

| 200 | 9 | 2008 | | |
|----------------|--|--|--|--|
| Number of GDRs | Cost LBP (000) | Number of GDRs | Cost LBP (000) | |
| | | | | |
| 489,194 | 58,091,049 | 13,361 | 1,530,549 | |
| 798,627 | 72,907,096 | 1,368,643 | 173,652,319 | |
| (567,853) | (56,780,519) | (892,810) | (116,059,973) | |
| | 172,704 | - | (1,031,846) | |
| 719,968 | 74,390,330 | 489,194 | 58,091,049 | |
| | Number of GDRs 489,194 798,627 (567,853) | GDRs LBP (000) 489,194 58,091,049 798,627 72,907,096 (567,853) (56,780,519) - 172,704 | Number of GDRs Cost LBP (000) Number of GDRs 489,194 58,091,049 13,361 798,627 72,907,096 1,368,643 (567,853) (56,780,519) (892,810) - 172,704 - | |

▲ 46. Other Components of Equity

| _ | | 2009 | | | | | |
|-------------------------------|--------------------------|---------------------------|---------------------|----------------------|--------------------------------|--------------------|--|
| | | | | Foreign Currency | | | |
| | Reserve for | Available for | Cash Flow | Translation | Reserve for | | |
| | Real Estate LBP (000) | Sale Reserve LBP (000) | Hedges LBP (000) | Reserve LBP (000) | Foreclosed Assets LBP (000) | Total LBP (000) | |
| Balance at 1 January 2009 | 18,599,623 | 98,754,940 | 1,257,709 | 7,131,054 | 2,277,000 | 128,020,326 | |
| Other comprehensive income | - | 145,017,414 | (1,257,709) | 15,510,096 | - | 159,269,801 | |
| Appropriation of 2008 profits | - | - | - | - | 2,520,640 | 2,520,640 | |
| Transfer to general reserve | - | - | - | - | (1,152,749) | (1,152,749) | |
| Balance at 31 December 2009 | 18,599,623 | 243,772,354 | - | 22,641,150 | 3,644,891 | 288,658,018 | |
| <u> </u> | | | | | | | |

| _ | 2008 | | | | | |
|-------------------------------|------------------|--------------------|-----------|---------------------|-------------------|--------------|
| | Reserve for Real | Available for Sale | Cash Flow | Foreign Currency | Reserve for | |
| | Estate | Reserve | Hedges | Translation Reserve | Foreclosed Assets | Total |
| | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) |
| Balance at 1 January 2008 | 18,599,623 | 109,241,295 | - | 27,045,623 | - | 154,886,541 |
| Other comprehensive income | | (10,486,355) | 1,257,709 | (27,585,009) | - | (36,813,655) |
| Appropriation of 2007 profits | - | - | | - | 2,993,111 | 2,993,111 |
| Transfer to general reserve | - | - | - | - | (716,111) | (716,111) |
| Transfer from general reserve | - | - | - | 7,670,440 | - | 7,670,440 |
| Balance at 31 December 2008 | 18,599,623 | 98,754,940 | 1,257,709 | 7,131,054 | 2,277,000 | 128,020,326 |
| <u> </u> | | | | | | |

▲ 46.1. REVALUATION RESERVE OF REAL ESTATE

During the year 1995, the Bank revalued certain real estate properties based on the provisions of law number 282 dated 30 December 1993 and decree number 5451 dated 26 July 1994. The revaluation differences amounted to LBP (000) 16,599,623. Another LBP (000) 2,000,000 relate to the revaluation of the assets of a subsidiary in 1994.

■ 46.2. AVAILABLE FOR SALE RESERVE

The revaluation of financial instruments reserve represents the unrealised gains and losses from the revaluation of the available for sale financial instruments and their related deferred taxes.

The breakdown for revaluation of financial instruments is as follows:

| | 2009 LBP (000) | 2008 LBP (000) |
|--|---|---|
| Lebanese sovereign and Central Bank Central banks' certificates of deposit Treasury Bills Eurobonds | 574,247 93,367,396 75,263,795 | 34,434,278 (10,265,108) |
| | 169,205,438 | 24,169,170 |
| Other sovereign Other governmental securities Eurobonds | (6,834,342) - | (2,458,962) (1,183,903) |
| | (6,834,342) | (3,642,865) |
| Other securities Banks and financial institutions CDs Banks, financial institutions, bonds and other debt Corporate and other debt instruments Investment and mutual funds Equity instruments | 149,762 (5,126,121) (3,456,951) (4,436,644) 116,561,808 | (75,156) (4,321,198) (4,491,537) (5,261,550) 94,289,981 |
| Less: deferred tax on unrealised gains | 103,691,854 (22,290,596) | 80,140,540 (1,911,905) |
| | 243,772,354 | 98,754,940 |

▲ 46.3. RESERVE FOR FORECLOSED ASSETS

The reserve for foreclosed assets represents appropriation against assets acquired in settlement of debt in accordance

with Lebanese Banking Control Commission's directors. Appropriations against assets acquired in settlement of debt shall be transferred to free reserves upon the liquidation of the related assets.

▲ 47. Minority Interest

| | 2009 LBP (000) | 2008 LBP (000) |
|---|--|---|
| Capital Cash contribution to capital Capital reserves Retained earnings Profit for the year | 174,113,174 121 5,418,213 6,763,313 16,139,403 | 113,426,613 241 2,747,607 7,619,806 7,344,450 |
| | 202,434,224 | 131,138,717 |

▲ 48. Cash and Cash Equivalent

| | 2009 LBP (000) | 2008 LBP (000) |
|--|---|---|
| Cash and Central banks Placements with banks and other financial institutions Placements of banks and other financial institutions | 1,749,662,547 6,419,390,596 (423,685,754) | 2,372,234,346 5,259,744,225 (473,688,158) |
| | 7,745,367,389 | 7,158,290,413 |

▲ 49. Fair Value of Financial Instruments

The following describes the methodologies and assumptions used to determine the fair values of the financial instruments which are not recorded at fair value in the financial statements.

■ 49.1. ASSETS FOR WHICH FAIR VALUE APPROXIMATES CARRYING VALUE

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), the Group assumed that the carrying values approximate the fair values. This assumption is also applied to demand deposits which have no specific maturity and financial instruments with variable rates.

▲ 49.2. FIXED RATE FINANCIAL INSTRUMENTS

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows

using prevailing market interest rates for debts with similar credit risk and maturity. The fair value of quoted debt instruments is determined based on quoted market prices. For those debt instruments where quoted market prices are not available, a discounted cash flow model is used with the discount rate being the current market yield to maturity.

▲ 49.3. FAIR VALUE OF LOANS AND ADVANCES

In order to compute the fair value of loans and advances to customers, the Group considers that these loans will mature in principal and interest at the first day in which interest is repriced. These future cash flows have been discounted using the appropriate benchmark rate at the statement of financial position date for the remaining term to maturity plus the appropriate risk premium of the customer.

Fair value of financial instruments that are not carried at fair value in the financial statements was as follows:

| | 2009 | | |
|--|-------------------------|-------------------------|---------------------|
| | | | Unrealised Gain |
| | Fair Value LBP (000) | Book Value LBP (000) | (Loss) LBP (000) |
| Financial assets | | | |
| Cash and central banks | 6,206,313,168 | 6,206,156,293 | 156,875 |
| Due from banks and financial institutions | 7,737,067,994 | 7,737,364,110 | (296,116) |
| Loans and advances to customers | 9,920,405,505 | 9,930,856,223 | (10,450,718) |
| Loans and advances to related parties | 239,586,513 | 239,824,175 | (237,662) |
| Financial assets classified as loans and receivables | 7,763,305,888 | 7,298,526,697 | 464,779,191 |
| Financial instruments held to maturity | 384,572,780 | 367,378,773 | 17,194,007 |
| | 32,251,251,848 | 31,780,106,271 | 471,145,577 |
| Financial liabilities | | | |
| Due to central banks | 132,500,104 | 133,359,003 | 858,899 |
| Due to banks and financial institutions | 775,627,454 | 775,059,042 | (568,412) |
| Customers' deposits | 34,386,199,255 | 34,382,301,284 | (3,897,971) |
| Deposits from related parties | 275,462,367 | 267,874,328 | (7,588,039) |
| Debt issued and other borrowed funds | 155,272,500 | 153,147,545 | (2,124,955) |
| | 35,725,061,680 | 35,711,741,202 | (13,320,478) |
| | | | |

| | | 2008 | | |
|--|-------------------------|-------------------------|---------------------|--|
| | | | Unrealised Gain | |
| | Fair Value LBP (000) | Book Value LBP (000) | (Loss) LBP (000) | |
| Financial assets | | | | |
| Cash and central banks | 4,440,930,520 | 4,440,912,539 | 17,981 | |
| Due from banks and financial institutions | 5,460,284,983 | 5,460,552,948 | (267,965) | |
| Loans and advances to customers | 8,988,730,605 | 8,982,760,985 | 5,969,620 | |
| Loans and advances to related parties | 256,923,048 | 256,876,352 | 46,696 | |
| Financial assets classified as loans and receivables | 5,839,639,823 | 5,910,767,280 | (71,127,457) | |
| Financial instruments held to maturity | 248,765,701 | 259,918,374 | (11,152,673) | |
| | 25,235,274,680 | 25,311,788,478 | (76,513,798) | |
| Financial liabilities | | | | |
| Due to banks and financial institutions | 699,222,354 | 699,149,736 | (72,618) | |
| Customers' deposits | 25,736,777,903 | 25,898,206,481 | 161,428,578 | |
| Deposits from related parties | 237,029,980 | 237,029,650 | (330) | |
| Debt issued and other borrowed funds | 157,156,875 | 153,147,545 | (4,009,330) | |
| | 26,830,187,112 | 26,987,533,412 | 157,346,300 | |
| | | | | |

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:

Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2:

Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3:

Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by fair value hierarchy at 31 December 2009.

| | Level 1 LBP (000) | Level 2 LBP (000) | Total LBP (000) |
|---|--|---|---|
| FINANCIAL ASSETS | | | |
| Derivative financial assets | 30,332,241 | 8,104,198 | 38,436,439 |
| Financial assets held for trading Lebanese sovereign Treasury bills Eurobonds | 248,151,375 | 520,547,846 | 520,547,846 248,151,375 |
| Private sector and other securities Bank and financial institution debt interests Corporate debt instruments Structured products Equity instruments | 1,561,246 4,975,624 82,485 56,886,428 | - - - 2,837,475 | 1,561,246 4,975,624 82,485 59,723,903 |
| | 311,657,158 | 523,385,321 | 835,042,479 |
| Available for sale financial instruments Lebanese sovereign and Central Bank of Lebanon Central Bank of Lebanon certificates of deposit Treasury bills Eurobonds | - - 758,034,796 | 3,577,130 3,391,517,329 | 3,577,130 3,391,517,329 758,034,796 |
| Other sovereign Treasury bills Other governmental securities Private sector and other securities | 477,198,940 | 211,137,170 65,925,816 | 211,137,170 543,124,756 |
| Bank and financial institution CDs Bank and financial institution debt interests Corporate debt instruments Structured products Investments and mutual funds Equity instruments | 2,421,915 156,316,541 622,392,819 2,426,136 1,975,262 9,149,392 | 56,319,068 - - - 7,371,367 180,492,394 | 58,740,983 156,316,541 622,392,819 2,426,136 9,346,629 189,641,786 |
| | 2,029,915,801 | 3,916,340,274 | 5,946,256,075 |
| | 2,371,905,200 | 4,447,829,793 | 6,819,734,993 |
| FINANCIAL LIABILITIES | | | |
| Derivative financial liabilities | 25,425,702 | 3,204,957 | 28,630,659 |
| | 25,425,702 | 3,204,957 | 28,630,659 |

The available for sale financial instruments listed below are recorded at cost since their fair value cannot be reliably

estimated. There is no active market for these instruments and the Group intends to hold them for the long term.

| | 2009 LBP (000) | 2008 LBP (000) |
|--------------------------|-----------------------------|-------------------------|
| Equities Investment f | 54,799,032 und 2,261,250 | 30,623,457 2,261,250 |
| | 57,060,282 | 32,884,707 |

During 2008, the global financial markets witnessed substantial deterioration accompanied by a shortage of liquidity and difficult access to capital. These conditions have led to a reduction in the level of market activity for several classes of

assets resulting in an inability to sell other than at distressed prices. Governments started to take corrective measures to mitigate the deflationary drawbacks of the global crisis by injecting liquidity, making guarantees and offering facilities.

Following the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets", the Group reviewed its "Held for Trading" (HFT) and "Available for Sale" (AFS) portfolios in order to determine whether this classification remains appropriate. For financial instruments where the market is no longer active and where the Group had changed its trading intent, the financial instrument was reclassified to "Loans and Receivables" (L&R). This reclassification has only been performed where the

Group, at the reclassification date, has the clear intention and ability to hold the financial asset for the foreseeable future or until maturity.

The following table shows the details pertaining to instruments reclassified from "Held for Trading" or "Available for Sale" to the "Loans and Receivables" category:

| | 009 | 20 | | | 1 |
|------|------------------|---------------------------------|---|---------------------------------|----------------------------------|
| | Fair V LBP (i | Carrying Amount LBP (000) | Carrying Amount at Reclassification Date LBP (000) | Class after Reclassification | Class before Reclassification |
| .478 | 9,802 | 9,802,478 | 20,379,269 | AFS | HFT |
| ,568 | 205,763, | 197,181,584 | 193,992,827 | L&R | HFT |
| ,581 | 1,350,745, | 1,281,975,873 | 1,287,743,747 | L&R | AFS |

| 1 | | | 2008 | |
|----------------------------------|---------------------------------|---|---------------------------------|-------------------------|
| Class before Reclassification | Class after Reclassification | Carrying Amount at Reclassification Date LBP (000) | Carrying Amount LBP (000) | Fair Value LBP (000) |
| HFT | AFS | 23,108,536 | 16,904,982 | 16,904,982 |
| HFT | L&R | 502,463,547 | 500,409,001 | 450,247,671 |
| AFS | L&R | 1,957,396,715 | 1,901,290,970 | 1,863,897,052 |

As of the reclassification date, effective interest rates on reclassified "Held for Trading" assets ranged from 7.79% to 8.52% with expected recoverable cash flow of LBP (000) 275,596,439. Effective interest rates on reclassified financial assets "Available for Sale" ranged from 6.75% to 9.69% with expected recoverable cash flow of LBP (000) 1,587,494,944.

If the reclassification had not been made, the Group's consolidated income statement would have included an additional unrealised fair value gain on reclassified "Held for Trading" assets of LBP (000) 29,504,086 and shareholders' equity would have included additional unrealised fair value gain on reclassified financial assets "Available for Sale" of LBP (000) 114,272,787.

During 2009, interest income from reclassified instruments realised in the Group's consolidated income statement amounted to LBP (000) 143,089,256, whereas the gain on sale of reclassified instruments amount to LBP (000) 17,911,462.

▲ 50. Commitments, Contingencies and Off-balance Sheet Items

▲ 50.1. CREDIT-RELATED COMMITMENTS

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet customer requirements. Letters of credit, guarantees (including standby letters of credit) and acceptances commit the Bank and its subsidiaries to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses, and usually require payment of fees. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

▲ 50.2. COMMITMENTS AND GUARANTEES GIVEN

| | 2009 LBP (000) | 2008 LBP (000) |
|---|--|--|
| Letters of credit Letters of guarantee given to banks & financial institutions Letters of guarantee given to customers Acceptances (on statement of financial position) | 778,181,327 294,932,444 2,453,685,630 284,422,998 | 565,196,156 253,330,700 1,453,659,083 234,396,245 |
| | 3,811,222,399 | 2,506,582,184 |
| Unutilised portion of irrevocable credit line commitments | 487,833,725 487,833,725 | 589,426,852 589,426,852 |

▲ 50.3. **LEGAL CLAIMS**

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group

makes adjustments to account for any adverse effects which the claims may have on its financial standing. Management, after review with its legal counsel of all pending actions and proceedings, considers that the aggregate liability or loss, if any, resulting from an adverse determination would not have a material effect on the financial position of the Group.

▲ 50.4. OPERATING LEASE AND CAPITAL EXPENDITURE COMMITMENTS

| | 2009 LBP (000) | 2008 LBP (000) |
|--|-------------------------|-------------------------|
| Capital expenditure commitments | 3,820,928 | 603,752 |
| Operating lease commitments – Group as lessee Within one year | 83,337,734 9,560,134 | 62,965,598 9,130,679 |
| One to five years | 50,665,588 | 32,599,380 |
| More than five years | 23,112,012 | 21,235,539 |
| | 87,158,662 | 63,569,350 |

▲ 50.5. OTHER COMMITMENTS

The books of the Bank and its subsidiaries are subject to the review of income tax and social security authorities. The ultimate outcome of such reviews cannot be presently determined.

▲ 50.6. COMMITMENTS RESULTING FROM CREDIT FACILITIES

The Bank has the following commitments resulting from the credit facilities received from non-resident financial institutions:

▲ The net past due loans (after the deduction of provisions) should not exceed 5 percent of the net credit facilities granted;

- ▲ The provision for past due loans which includes specific and collective provisions and unrealised interest should not fall below 70 percent of the past due loans;
 ▲ The net doubtful loans should not exceed 20 percent
- of the tier 1 capital;
- ▲ Sustaining a liquidity ratio exceeding 115 percent;
- Sustaining a capital adequacy exceeding the minimum ratio as per the regulations applied by the Central Bank of Lebanon and the requirements of the Basel agreements to the extent it is applied by the Central Bank of Lebanon.

▲ 51. Related Party Transactions

▲ 51.1. TERMS OF TRANSACTIONS WITH RELATED PARTIES

The Group enters into transactions with major related parties (shareholders, Directors, Senior Management and

companies having common directors with the Bank) in the ordinary course of business at commercial interest and commission rates. The terms and conditions of these transactions were approved by management. All the loans and advances to related parties are performing advances and are free of any impairment allowances.

The year end debit and credit balances in respects of related parties as of 31 December 2009 and 31 December 2008, as well as interest income and expense for the year ended 31 December 2009 and the year ended 31 December 2008, are as follows:

| | LBP (000) | LBP (000) |
|---------------------------------------|-------------|-------------|
| | | |
| Loans and advances (Note 22) | 239,824,175 | 256,876,353 |
| Indirect facilities | 2,088,590 | 159,329 |
| Deposits (Note 35) | 267,874,328 | 237,029,650 |
| Interest income on loans (Note 5) | 17,952,224 | 22,027,233 |
| Interest expense on deposits (Note 6) | 9,459,315 | 14,358,748 |
| Blocked accounts against facilities | 52,540,787 | 35,952,430 |

▲ 51.2. KEY MANAGEMENT PERSONNEL

347,423 options were vested during 2009 for the Chairman of the Board and members of the Group Executive Committee. The cost of these options amounted to LBP (000) 2,136,464 for the year ended 31 December 2009 (2008: LBP (000) 4,199,113).

During 2009, the Chairman of the Board and the members of the Group Executive Committee exercised 67,500 options.

Salaries, bonuses and other benefits paid to the Chairman of the Board and the members of the Group Executive Committee amounted to LBP (000) 27,997,962 (2008: LBP (000) 33,924,462).

▲ 51.3. SIGNIFICANT SUBSIDIARIES

The consolidated financial statements include the financial statements of Bank Audi sal - Audi Saradar Group and its subsidiaries. The following table shows information related to the significant subsidiaries of the Bank.

| | Percentage of | f Ownership | Country of | Principal | Functional |
|---|---------------|-------------|---------------|----------------------|------------|
| | 2009 | 2008 | Incorporation | Activity | Currency |
| Bank Audi Saradar France sa | 100.00% | 100.00% | France | Banking (Commercial) | EUR |
| Audi Saradar Investment Bank sal (ASIB) | 100.00% | 100.00% | Lebanon | Banking (Investment) | LBP |
| Audi Saradar Private Bank sal (ASPB) | 100.00% | 100.00% | Lebanon | Banking (Private) | LBP |
| Banque Audi (Suisse) sa | 100.00% | 100.00% | Switzerland | Banking | CHF |
| Bank Audi Syria sa | 47.00% | 47.00% | Syria | Banking (Commercial) | SYP |
| National Bank of Sudan | 76.56% | 76.56% | Sudan | Banking (Commercial) | SDD |
| Bank Audi sae (Egypt) | 100.00% | 100.00% | Egypt | Banking (Commercial) | EGP |
| Audi Capital (KSA) | 70.00% | 70.00% | Saudi Arabia | Financial Services | SAR |
| Bank Audi LLC Qatar | 100.00% | 100.00% | Qatar | Banking Services | USD |
| Société Libanaise de Factoring sal | 91.00% | 98.50% | Lebanon | Factoring | LBP |
| LIA Insurance sal | 91.42% | 90.75% | Lebanon | Insurance | LBP |
| Capital Outsourcing Limited Dubai | 75.00% | 75.00% | UAE | IT Services | AED |
| Infi Gamma Holding sal | 100.00% | 100.00% | Lebanon | Investment | USD |

▲ 52. Risk Management

As a growing financial institution with operations on three continents, the Group is faced with a constantly changing array of business risks the most important of which is credit risk, or the risk of default or deterioration in the ability of a borrower to repay a loan.

The Group is also exposed to market risks, or the risk that a change in market rates or prices will have a deleterious impact on its income and economic net worth. Liquidity risk is the risk of having insufficient funds to meet obligations as they come due either because it is unable to borrow or sell assets in a timely manner.

Another risk is operational risk, or the risk of incurring losses due to fraud, sabotage, "rogue" trading, and human or system errors.

Last, the Group is exposed to legal and reputation risks and, to a limited extent, insurance risk.

Risks are managed through a process of ongoing identification, measurement and monitoring subject to risk limits and procedural controls. Risk management is important for the continuous profitability and solvency of the Group and every employee is tasked with the prudent management of risks within the parameters of his or her responsibilities.

■ 52.1. RISK IDENTIFICATION AND MONITORING

The Board of Directors is responsible for identifying and controlling risk. However, there are separate independent bodies responsible for managing and monitoring risks.

▲ 52.1.1. BOARD OF DIRECTORS

The Board of Directors (the Board) is ultimately responsible for identifying and setting the level of tolerable risks to which the Group is exposed, and as such, defines the risk appetite for the Group. In addition, the Board approves policies and procedures related to all types of risks. Periodic reporting is made to the Board on existing and emerging risks in the Group. A number of Management committees and departments are also responsible for various levels of risk management, as set out below.

▲ 52.1.2. EXECUTIVE COMMITTEE

The Group Executive Committee's mandate is to support the Board in the implementation of its strategy, to support the Group CEO in the day-to-day management of the Group, and to develop and implement business policies for the Group and issue guidance for the Group within the strategy approved by the Board. The Executive Committee is involved

in drafting and submitting to the Board the risk policy and risk tolerances and appetite. The Executive Committee reviews all risk reports and is responsible for approving credit and provisions over a certain threshold. Executive Committee members include the Group CEO, Group Chief Risk Officer (CRO), Group CFO & Strategy Director, and a number of Board members and Senior Managers.

▲ 52.1.3. RISK COMMITTEE

The Risk Committee meets at least quarterly and is responsible for making recommendations to the Executive Committee and to the Board as to the Group's exposures in all classes of risk, the pertinence of methodologies and the accuracy of calculations adopted and performed by risk management. The Risk Committee is also responsible for the determination of the appropriate governance, organisational structure and infrastructure for the risk management functions. A clear terms or reference for the Risk Committee is set that determines its function, scope and responsibility.

▲ 52.1.4. ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) is a Management committee responsible in part for managing market risk exposures, liquidity, funding needs and contingencies. It is the responsibility of this committee to set up strategies for managing market risk exposures and ensuring that treasury implements those strategies so that exposures are managed within approved limits and in a manner consistent with the risk policy and limits approved by the Board.

▲ 52.1.5. INTERNAL AUDIT

All risk management processes are independently audited by the Internal Audit department at least annually. This includes the examination of both the adequacy and effectiveness of risk control procedures. Internal audit discusses the results of its assessments with Management and reports its findings and recommendations to the audit committee of the Board.

▲ 52.1.6. GROUP RISK MANAGEMENT DEPARTMENT

The Group Risk Management (GRM) department is a function independent of business lines and headed by the Bank's CRO. The department has the responsibility to ensure that risks are properly identified, measured, monitored, and reported to heads of business lines, Senior Management, ALCO, the Risk Committee and the Board. In addition, GRM works closely with Senior Management to assist in ensuring that proper controls are set up in order to mitigate various operational risks. GRM has the responsibility to set policies and procedures at the Group level for its final adoption at each entity within the Group. In addition, GRM is in charge of monitoring risks across the Group and aggregating such risks. From time to time, GRM provides technical support for the various entities

within the Group in their effort to develop the local risk function within the parameters set at the Group level.

▲ 52.1.7. LOCAL RISK MANAGEMENT FUNCTIONS

Local Risk Management functions vary in size depending on local needs and any additional need in human resources is met by GRM. The roles of local risk managers are to comply with GRM policies, to assess risks using a blend of methodologies developed at the Group level and others sometimes more attuned to their local circumstances, to provide an independent opinion on risks and to report on them to their Senior Management and to their Board of Directors, and to adapt to local needs and regulations. One of the most regular and significant inputs of GRM into the work of entities is the running of extensive portfolio reviews.

▲ 52.2. RISK MEASUREMENT AND REPORTING

The primary drivers behind monitoring and controlling risks are limits established by the Board. These limits reflect the business strategy and market environment of the Group, as well as the level of risks that the Group is willing to tolerate.

Limits are formalised in documents approved by the Board (or the Executive Committee before they are submitted to the Board) and comprise credit limits per country, industry or instrument type, minimum liquidity limits, interest rate risk limits and operational risk tolerances.

Information independently compiled from all business lines and risk-taking units is examined and processed in order to identify and measure risk exposures. The results are reported and presented monthly or more frequently to Management and at least bi-yearly to the Board.

There are a number of risk reports depending on risk types (i.e. credit, market, operational). Reports include capital consumption computations, aggregate credit exposures, credit metric forecasts, hold limit exceptions, liquidity profile, interest rate sensitivities, assessments of the operational risk situation and of operational events, as well as the result of stress tests. On a monthly basis, detailed reporting is performed on industry, customer and geographic risks. In addition, Senior Management assesses the appropriateness of the allowance for credit losses on a quarterly basis and receives a comprehensive risk report once a quarter.

▲ 52.3. MANAGEMENT OF RISK CONCENTRATION

Credit concentrations arise when a number of counterparties are engaged in similar business

activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Similarly for liquidity, concentration is measured with respect to the source and type of funding.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines and limits to maintain a diversified funding and portfolio, including Board-approved measures, to comply with BDL Circular 119 on Pillar 2 adjustments.

▲ 52.4. THE GLOBAL CREDIT CRISIS

In the aftermath of the global credit crisis, the Group undertook a full review of its credit and market risk exposures. The review focused on strengthening existing policies and procedures and on applying more severe stress scenarios. In many scenarios, correlations of return between sectors and asset classes hitherto deemed disparate were raised to unity. Other scenarios included delinquency rates and liquidity stresses well in excess of historical records experienced in the region.

For existing exposures, a portfolio review was carried out for large obligors both local and regional, and account by account. The study focused on the region and the sector in which the obligor operates, the financial strength of the company itself, and all potential risk factors.

■ 53. Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit risk appetites and strategies are set at the Group level by the Board and are communicated to Senior Management, which in turn formulates credit policies and procedures in line with these strategies. These policies are approved by the Executive Committee and the Board and are reviewed on an annual basis.

▲ 53.1. CREDIT LIMITS

The Group controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentration, and by monitoring exposures in relation to such limits. These limits are set for the following classes of assets:

▲ 53.1.1. FINANCIAL INSTITUTIONS

Percentage floors and absolute limits are set on the Group's foreign currency deposits that should be placed with high investment grade banks in OECD countries, especially deposit-rich banks, and on deposits that should be held with financial institutions rated at least A- by Standard and Poor's.

▲ 53.1.2. SOVEREIGN EXPOSURE AND OTHER FINANCIAL INSTRUMENTS

Limits are placed on sovereign exposures and other financial instruments according to ratings of the instruments and risk appetite of the Group, as determined by the Board mainly for foreign currency-denominated issues.

▲ 53.1.3. LOANS AND ADVANCES TO CUSTOMERS

The Group sets limits per country, economic sector, tenor of the loan, rating, and group of obligors in order to avoid significant risk concentrations.

▲ 53.2. CREDIT GRANTING AND MONITORING PROCESSES

The Group has set clearly established processes related to loan origination, documentation and maintenance of extensions of credits.

▲ 53.2.1. INITIATION

Initiation of the credit facilities is done by the business originating function, which is shared between branches, and the corporate and commercial departments.

▲ 53.2.2. ANALYSIS

Credit analysis is performed within the business originating function and is reviewed independently by the Credit Risk Management department, which in turn prepares a written opinion about the credit facilities to be submitted to the respective credit committees.

▲ 53.2.3. APPROVAL

Credit committees are exclusively responsible for the approval of facilities per obligor and geographical entity up to the limit assigned to them. The Group has various levels of credit approving authorities, depending on the nature and limit of the requested facilities, namely:

- ▲ The Board
- The Executive Committee
- Other credit committees, depending on the limit and region.

Once approved by the Credit Committee, facilities are

disbursed when all requirements set by the respective committee are met and documents intended as security are reviewed and verified by the Credit Administration function.

▲ 53.2.4. MONITORING

The Group maintains continuous monitoring in the quality of its portfolio. Timely reports are sent to the Executive Committee and to the Board, detailing credit risk profile including Group follow-up accounts, large exposures, risk ratings and concentration by industry, geography and group of obligors.

▲ 53.2.5. RECOVERY AND RESTRUCTURING

Individually assessed impaired loans are determined by evaluating the exposure to loss, case by case, on all individually significant accounts. They are directly managed by the Recovery and Restructuring department which is responsible for formulating a workout strategy, in coordination with the Legal & Compliance department. Credit committees are responsible for approving these workout strategies.

▲ 53.3. PROVISIONING POLICY

As part of the conservative approach to sustain the quality of the Group's loan portfolio, an evaluation of loan loss provisions is made on a quarterly basis. As such, all adversely classified accounts are reviewed on a quarterly basis (earlier if need be), and the Recovery and Restructuring department makes recommendation for specific provisions against the accounts. These recommendations are submitted to the remedial committee for approval before they are implemented. In this regard, mainly for tax reasons, specific approval from regulatory authority might be necessary depending on the regulatory environment of the concerned entity. Specific provisions in excess of USD 1 million for a classified obligor require the approval of the Executive Committee.

Besides, impairment is assessed on a collective basis for loans that are not individually impaired.

In the normal course of business, some loans may become unrecoverable. Such loans would then be required to be partially or fully written off after taking into consideration the following guidelines:

- a) The loan is written off with proper approval when:
- ▲ All efforts to recover the bad debt have failed.
- ▲The borrower's bankruptcy or inability to repay is established beyond any doubt.
- ▲ Legal remedies have proved to be futile and/or cost prohibitive.
- b) Requests for write-offs are to be submitted to the Remedial Committee for approval. Approved write-offs are notified to the Executive Committee and then to the Board.

▲ 53.4. DERIVATIVE FINANCIAL INSTRUMENTS

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referred by the derivative.

▲ 53.5. CREDIT-RELATED COMMITMENTS RISKS

The Group makes available to its customers guarantees which may require payments on their behalf. Such payments

are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

▲ 53.6. MAXIMUM EXPOSURE TO CREDIT RISK

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Assets | | |
| Balances with central banks | 5,962,565,565 | 4,221,205,706 |
| Due from banks & financial institutions | 7,737,364,110 | 5,460,552,948 |
| Derivative financial instruments | 37,155,064 | |
| Financial assets held for trading | 835,042,479 | 21,142,253 |
| Financial assets designated at fair value through profit & loss | - | 324,104,505 |
| Net loans and advances to customers | 10,024,794,821 | |
| Net loans and advances to related parties | 239,824,175 | |
| Debtors by acceptances | 284,422,998 | |
| Available for sale financial instruments | 6,003,316,357 | |
| Financial assets classified as loans and receivables | 7,298,526,697 | |
| Held to maturity financial instruments | 367,378,773 | 259,918,374 |
| | 38,790,391,039 | 29,553,540,525 |
| Contingent liabilities | 3,811,222,399 | 2,506,582,184 |
| Engagement to customers | 487,833,725 | 589,426,852 |
| | 4,299,056,124 | 3,096,009,036 |
| Maximum credit exposure | 43,089,447,163 | 32,649,549,561 |
| | | |

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

▲ 53.7. CREDIT QUALITY

The Group assesses the quality of its credit portfolio using credit rating systems.

- ▲ External ratings from approved credit rating agencies for financial institutions, financial instruments and large corporate borrowers.
- ▲ A judgmental obligors rating system from a leading vendor for commercial borrowers, which takes into consideration several risk factors including those quantitative, qualitative in nature and peer group

comparison. The Group has been using such a system for more than two years and is in the process of mapping its output to its internal master scale.

- ▲ Scorecards for retail borrowers which help in assessing the creditworthiness of borrowers, evaluating potential risk and arriving at a final credit decision.
- ▲ Regulatory ratings, comprising five main categories: Category 1 includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. Category 2 represents satisfactory risk and includes borrowers that require close monitoring, without being impaired. Category 3 includes borrowers with capacity and/or willingness to repay highly questionable and/or having past-due obligations, generally over 90 days. Categories 4 and 5 are related to doubtful and impaired loans and advances.

The table below shows the credit quality by class of assets for statement of financial position items of a debt nature, based on the Group's credit rating system.

| 4 | | | 2009 | | | | | |
|--|---------------------------|-----------------------|--------------------------|-----------------------|--------------------|--|--|--|
| | | Past Due and Impaired | | | | | | |
| | Neither Past Due | Past Due but not | | | | | | |
| | nor Impaired LBP (000) | Impaired LBP (000) | Substandard LBP (000) | Doubtful LBP (000) | Total LBP (000) | | | |
| Balances with central banks | 5,962,565,565 | _ | | _ | 5,962,565,565 | | | |
| Due from banks and financial institutions | 7,737,023,883 | - | - | 1,514,129 | 7,738,538,012 | | | |
| Derivative financial instruments | 37,155,064 | - | - | _ | 37,155,064 | | | |
| Financial assets held for trading | 773,773,614 | - | - | 1,544,962 | 775,318,576 | | | |
| Loans and advances to customers | 9,721,776,863 | 160,976,891 | 15,397,780 | 352,785,500 | 10,250,937,034 | | | |
| Loans and advances to related parties | 239,824,175 | - | - | - | 239,824,175 | | | |
| Available for sale financial instruments | 5,746,701,496 | - | - | 7,405,725 | 5,754,107,221 | | | |
| Financial assets classified as loans and receivables | 7,298,865,910 | - | - | - | 7,298,865,910 | | | |
| Financial instruments held to maturity | 367,378,773 | - | - | - | 367,378,773 | | | |
| | 37,885,065,343 | 160,976,891 | 15,397,780 | 363,250,316 | 38,424,690,330 | | | |
| Loans and advances | | | | | | | | |
| Corporate | 5,728,217,871 | 114,812,182 | - | 164,907,949 | 6,007,938,002 | | | |
| SME | 1,696,428,194 | 31,935,786 | 8,819,812 | 94,300,159 | 1,831,483,951 | | | |
| Retail and Personal Banking | 2,367,317,309 | 14,228,923 | 6,577,968 | 93,577,392 | 2,481,701,592 | | | |
| Public sector | 169,637,664 | - | - | - | 169,637,664 | | | |
| | 9,961,601,038 | 160,976,891 | 15,397,780 | 352,785,500 | 10,490,761,209 | | | |
| | | | | | | | | |

| | 2008 | | | | | | |
|---|--|---|--|--|--|--|--|
| | Past Due and Impaired | | | | | | |
| | Neither Past Due nor Impaired LBP (000) | Past Due but not Impaired LBP (000) | Substandard LBP (000) | Doubtful LBP (000) | Total LBP (000) | | |
| Balances with central banks Due from banks and financial institutions Derivative financial instruments Financial assets held for trading Financial assets designated at fair value through profit and loss Loans and advances to customers Loans and advances to related parties Available for sale financial instruments Financial assets classified as loans and receivables Financial instruments held to maturity | 4,221,205,706 5,460,552,948 34,818,321 14,444,883 324,104,505 8,843,261,440 256,876,352 3,574,610,566 5,907,336,993 259,918,374 | 95,309,442 - - - | - - - - 15,985,067 - - - | - 1,039,518 - - 290,076,997 - 13,714,420 5,345,360 | 4,221,205,706 5,461,592,466 34,818,321 14,444,883 324,104,505 9,244,632,946 256,876,352 3,588,324,986 5,912,682,353 259,918,374 | | |
| Loans and advances Corporate SME Retail and Personal Banking Public sector | 28,897,130,088 5,863,479,520 1,502,900,452 1,657,276,811 76,481,009 9,100,137,792 | 95,309,442 63,925,206 15,805,159 14,706,816 872,261 95,309,442 | 15,985,067 8,042,781 7,147,596 794,690 - 15,985,067 | 310,176,295 138,133,377 99,872,649 52,070,971 - 290,076,997 | 29,318,600,892 6,073,580,884 1,625,725,856 1,724,849,288 77,353,270 9,501,509,298 | | |

The aging analysis of past due but not impaired loans and advances to customers at 31 December were as follows:

| | | 2009 | | | | | | | |
|-----------------------------|----------------------|-------------------|-------------------|-------------------|--------------------|--|--|--|--|
| | Less than | 31 to 61 | 61 to 90 | More than 91 | | | | | |
| | 30 Days LBP (000) | Days LBP (000) | Days LBP (000) | Days LBP (000) | Total LBP (000) | | | | |
| Corporate | 47,671,882 | 35,149,613 | 27,327,268 | 4,663,419 | 114,812,182 | | | | |
| SME | 3,729,613 | 5,210,364 | 1,393,483 | 21,602,326 | 31,953,786 | | | | |
| Retail and Personal Banking | 2,497,703 | 1,022,419 | 4,173,357 | 6,535,444 | 14,228,923 | | | | |
| | 53,899,198 | 41,382,396 | 32,894,108 | 32,801,189 | 160,976,891 | | | | |
| | | | | | | | | | |

| 1 | | | 2008 | | |
|-----------------------------|----------------------|-------------------|-------------------|-------------------|--------------------|
| | Less than | 31 to 61 | 61 to 90 | More than 91 | |
| | 30 Days LBP (000) | Days LBP (000) | Days LBP (000) | Days LBP (000) | Total LBP (000) |
| Corporate | 44,177,479 | 5,711,824 | 6,610,132 | 7,425,771 | 63,925,206 |
| SME | 9,290,674 | 1,814,312 | 2,199,191 | 1,402,639 | 14,706,816 |
| Retail and Personal Banking | 2,988,552 | 1,078,249 | 2,114,535 | 9,623,823 | 15,805,159 |
| Public sector | 872,261 | - | - | - | 872,261 |
| | 57,328,966 | 8,604,385 | 10,923,858 | 18,452,233 | 95,309,442 |
| | | | | | |

The classification of the Group financial instruments and balances due from banks and financial institutions as per international ratings was as follows:

| | 2009 | | | | | | | | | | |
|--|---------------------------|---------------------------|--------------------------|------------------------|----------------------|---------------------------|---------------------------|--------------------------|------------------------|----------------------|----------------------|
| | | Soverei | gn and Centr | al Banks | | | Non-sovereign | | | | |
| | AAA to AA- LBP Million | A+ to BBB- LBP Million | BB+ to B- LBP Million | Unrated LBP Million | Total LBP Million | AAA to AA- LBP Million | A+ to BBB- LBP Million | BB+ to B- LBP Million | Unrated LBP Million | Total LBP Million | Total LBP Million |
| Balances with central banks | 1,301,262 | 289,928 | 4,322,958 | 48,418 | 5,962,566 | - | - | - | - | - | 5,962,566 |
| Due from banks & financial institutions | - | 238,295 | 1,451 | - | 239,746 | 3,119,989 | 3,782,136 | 218,064 | 378,603 | 7,498,792 | 7,738,538 |
| Derivative financial instruments | - | | - | - | - | - | - | - | 37,155 | 37,155 | 37,155 |
| Financial assets held for trading | - | | 768,700 | - | 768,700 | 144 | 16 | 4,648 | 1,811 | 6,619 | 775,319 |
| Available for sale financial instruments | 400,524 | 96,423 | 4,393,477 | - | 4,890,424 | 713,994 | 72,731 | 2,423 | 74,535 | 863,683 | 5,754,107 |
| Financial assets classified as loans and receivables | 153,416 | | 6,688,462 | - | 6,841,878 | 38,285 | 40,136 | 307,935 | 70,632 | 456,988 | 7,298,866 |
| Held to maturity financial instruments | 12,375 | | 342,968 | - | 355,343 | - | 12,036 | - | - | 12,036 | 367,379 |
| | 1,867,577 | 624,646 | 16,518,016 | 48,418 | 19,058,657 | 3,872,412 | 3,907,055 | 533,070 | 562,736 | 8,875,273 | 27,933,930 |
| | | | | | | | | | | | |

| 2008 | | | | | | | | | | |
|---------------------------|---|--|---------------------------|--|-----------------------------|--|-----------------------------|---|--|--|
| | Soverei | gn and Centra | al Banks | | | | Von-sovereig | n | | |
| AAA to AA- LBP Million | | BB+ to B- LBP Million | Unrated LBP Million | Total LBP Million | AAA to AA- LBP Million | A+ to BBB- LBP Million | BB+ to B- LBP Million | Unrated LBP Million | Total LBP Million | Total LBP Million |
| 877,023 | 164,782 | 3,132,486 | 46,915 | 4,221,206 | - | - | - | - | - | 4,221,206 |
| - | 108,552 | 484 | - | 109,036 | 2,529,767 | 2,267,476 | 226,172 | 329,141 | 5,352,556 | 5,461,592 |
| - | - | - | - | - | - | - | - | 34,818 | 34,818 | 34,818 |
| - | - | 6,049 | - | 6,049 | 243 | 290 | 7,625 | 237 | 8,395 | 14,444 |
| - | - | - | - | - | 324,105 | - | - | - | 324,105 | 324,105 |
| 16,607 | 8,314 | 3,428,649 | - | 3,453,570 | 15,886 | 35,427 | 9,626 | 73,816 | 134,755 | 3,588,325 |
| _ | - | 5,214,239 | - | 5,214,239 | 273,208 | 66,547 | 259,898 | 98,821 | 698,474 | 5,912,713 |
| 25,003 | - | 216,818 | - | 241,821 | 7,657 | 10,441 | - | - | 18,098 | 259,919 |
| 918,633 | 281,648 | 11,998,725 | 46,915 | 13,245,921 | 3,150,866 | 2,380,181 | 503,321 | 536,833 | 6,571,201 | 19,817,122 |
| | EBP Million 877,023 - - - - 16,607 - 25,003 | AAA to AA- LBP Million 877,023 164,782 - 108,552 16,607 8,314 - 25,003 | AAA to AA- LBP Million | LBP Million LBP Million LBP Million LBP Million 877,023 164,782 3,132,486 46,915 - 108,552 484 - - - 6,049 - 16,607 8,314 3,428,649 - 25,003 - 216,818 - | Sovereign and Central Banks | Sovereign and Central Banks AAA to AA-LBP Million BB+ to B-LBP Million LBP Mil | Sovereign and Central Banks | Sovereign and Central Banks Non-sovereign | Non-sovereight Non-sovereight Non-sovereight | Sovereign and Central Banks Sovereign AAA to AA- |

The classification of loans and advances to customers and related parties as per internal ratings were as follows:

| 1 | | 2009 | | | | | |
|-----------------------|----------------------|-----------------------|-------------------------|----------------------|--|--|--|
| | Gross | Unrealised | Impairment | Net Palance | | | |
| | Balance LBP (000) | Interest LBP (000) | Allowances LBP (000) | Balance LBP (000) | | | |
| Good | 9,452,074,858 | | - | 9,452,074,858 | | | |
| Watch | 670,503,070 | - | - | 670,503,070 | | | |
| | 10,122,577,928 | - | - | 10,122,577,928 | | | |
| Substandard | 15,397,781 | (3,795,347) | - | 11,602,434 | | | |
| Doubtful | 210,628,615 | (37,007,556) | (84,786,503) | 88,834,556 | | | |
| Bad | 142,156,885 | (43,050,534) | (90,433,107) | 8,673,244 | | | |
| | 368,183,281 | (83,853,437) | (175,219,610) | 109,110,234 | | | |
| Collective impairment | - | - | (61,007,764) | (61,007,764) | | | |
| | 10,490,761,209 | (83,853,437) | (236,227,374) | 10,170,680,398 | | | |
| | | | | | | | |

| | | 2008 | | | | | |
|--------------------------------|--|---|---------------------------------------|--|--|--|--|
| | Gross Balance LBP (000) | Unrealised Interest LBP (000) | Impairment Allowances LBP (000) | Net Balance LBP (000) | | | |
| Good Watch | 8,924,920,272 270,526,962 | - - | - - | 8,924,920,272 270,526,962 | | | |
| Substandard Doubtful Bad | 9,195,447,234 15,985,067 204,200,696 85,876,301 | (3,211,468) (35,200,663) (33,466,382) | (113,134,908) (51,282,667) | 9,195,447,234 12,773,599 55,865,125 1,127,252 | | | |
| Collective impairment | 306,062,064 | (71,878,513) | (164,417,575) (25,575,873) | 69,765,976 (25,575,873) | | | |
| | 9,501,509,298 | (71,878,513) | (189,993,448) | 9,239,637,337 | | | |

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▲ 53.8. RENEGOTIATED LOANS

Restructuring activity aims to manage customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of local Management, indicate that repayment will probably continue. The application of these policies varies according to the nature of the market and the type of the facility.

| | 2009 LBP (000) | 2008 LBP (000) |
|---|---------------------------------------|---------------------------------------|
| Corporate lending Retail and individual lending SME lending | 98,451,738 9,084,251 18,541,074 | 37,325,022 1,337,187 13,290,086 |
| | 126,077,063 | 51,952,295 |

▲ 53.9. COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained from customers were:

| | 2009 LBP (000) | 2008 LBP (000) |
|---|-------------------|-------------------|
| Collateral and other credit enhancements | | |
| Guarantees received from banks and financial institutions | 697,489,840 | 299,274,499 |
| Guarantees received from customers | 8,033,875,678 | 5,665,618,381 |
| Cash collateral and margins | 2,410,399,833 | 1,691,669,364 |
| Real estate mortgages | 1,650,720,940 | 1,355,681,287 |
| Shares and securities | 2,121,296,577 | 1,462,653,764 |
| Key money | 61,672,677 | 64,658,653 |
| Vehicles | 766,390,114 | 550,256,384 |
| Pledged bank accounts | 23,901,325 | 110,352,779 |
| Other guarantees | 999,494,212 | 430,346,150 |

The Group also obtains corporate and personal guarantees from borrowers amounting usually to the limit of granted facilities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Group controls credit risk by setting credit limits on the amount of risk it is willing to accept by geographic location. The distribution of financial assets by geographic region as of 31 December were as follows:

| 1 | | 2009 | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| | | | | North | | | Rest of the | | | |
| | Lebanon | Middle East | Europe | America | Asia | Africa | World | Total | | |
| | LBP Million | | |
| | | | | | | | | | | |
| Cash and balances with central banks | 4,284,782 | 1,555,625 | 313,064 | 2 | 15 | 52,668 | - | 6,206,156 | | |
| Due from banks & financial institutions | 250,257 | 1,456,835 | 5,203,930 | 736,858 | 69,135 | 15,359 | 4,990 | 7,737,364 | | |
| Derivative financial instruments | 8,311 | 2,212 | 26,615 | - | - | 1,237 | 61 | 38,436 | | |
| Financial assets held for trading | 773,851 | 48,914 | 82 | 1,545 | 920 | 9,730 | - | 835,042 | | |
| Net loans and advances to customers | 3,884,350 | 4,436,973 | 713,846 | 18,040 | 2,465 | 726,811 | 148,371 | 9,930,856 | | |
| Net loans and advances to related parties | 188,340 | 45,825 | 5,640 | | | | 19 | 239,824 | | |
| Debtors by acceptances | 94,799 | 143,076 | 291 | - | - | 45,746 | 511 | 284,423 | | |
| Available for sale financial instruments | 4,481,457 | 1,122,218 | 46,987 | 194,044 | 73,084 | 65,926 | 19,600 | 6,003,316 | | |
| Financial assets classified as loans and receivables | 6,582,831 | 214,761 | 21,765 | - | 40,043 | 33,497 | 405,630 | 7,298,527 | | |
| Held to maturity financial instruments | 319,424 | 24,917 | 23,038 | - | - | - | - | 367,379 | | |
| | 20,868,402 | 9,051,356 | 6,355,258 | 950,489 | 185,662 | 950,974 | 579,182 | 38,941,323 | | |
| | | | | | | | | | | |

| 1 | | 2008 | | | | | | | | |
|---|------------------------|----------------------------|-----------------------|------------------------|---------------------|-----------------------|----------------------|----------------------|--|--|
| | | | | North | | | Rest of the | | | |
| | Lebanon LBP Million | Middle East LBP Million | Europe LBP Million | America LBP Million | Asia LBP Million | Africa LBP Million | World LBP Million | Total LBP Million | | |
| | | | | | | | | | | |
| Cash and balances with central banks | 3,197,154 | 1,002,811 | 192,226 | - | 23 | 48,698 | - | 4,440,912 | | |
| Due from banks & financial institutions | 338,678 | 902,426 | 3,368,753 | 670,544 | 143,394 | 26,812 | 9,946 | 5,460,553 | | |
| Derivative financial instruments | 19,970 | - | 28,472 | - | - | - | - | 48,442 | | |
| Financial assets held for trading | 12,375 | - | 497 | - | 4,660 | 3,610 | - | 21,142 | | |
| Financial assets designated at fair value through profit & loss | 217 | - | 323,887 | - | - | - | - | 324,104 | | |
| Net loans and advances to customers | 3,406,021 | 3,761,828 | 1,040,916 | 17,676 | 83,224 | 605,430 | 67,666 | 8,982,761 | | |
| Net loans and advances to related parties | 194,481 | 37,934 | 9,602 | - | - | 14,844 | 15 | 256,876 | | |
| Debtors by acceptances | 62,009 | 89,375 | 41,100 | 127 | - | 41,696 | 89 | 234,396 | | |
| Available for sale financial instruments | 3,356,345 | 341,521 | 19,715 | 11,771 | 18,440 | 61,876 | - | 3,809,668 | | |
| Financial assets classified as loans and receivables | 4,941,126 | 506,497 | 295,239 | 75,279 | 59,516 | 33,110 | - | 5,910,767 | | |
| Held to maturity financial instruments | 208,663 | 8,274 | 42,981 | - | - | - | - | 259,918 | | |
| | 15,737,039 | 6,650,666 | 5,363,388 | 775,397 | 309,257 | 836,076 | 77,716 | 29,749,539 | | |

■ 54. Market Risk

Market risk is defined as the potential loss in both on and off-balance sheet positions resulting from movements in market risk factors.

The Market Risk unit's responsibilities are to identify, measure, report, and monitor all potential and actual market risks to which the Group is exposed. The purpose is to introduce transparency around the Treasury, investment

portfolio, and asset and liability risk profile through consistent and comprehensive risk measurements, aggregation, management and analysis. Policies are set and limits monitored in order to ensure the avoidance of large, unexpected losses, and the consequent impact on the Group's safety and soundness.

Tools developed in-house by a centralised unit of specialists offer a holistic view of risk exposures and are

customised to meet the requirements of all end users (Group Risk, Senior Management, business lines, Legal Compliance). Stress scenarios now include the various manifestations of the credit crisis, such as increased volatilities and correlations and widening of credit spreads.

▲ 54.1. CURRENCY RISK

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices and fluctuations in interest rates. Therefore, exchange rates and relevant interest rates are acknowledged as distinct risk factors.

The Central Bank of Lebanon allows the Bank to maintain a currency exchange position, receivable or payable, that

does not exceed at any time 1% of total net equity on condition that the global currency exchange position does not exceed 40% of total net equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required solvency rate.

In addition to regulatory limits, the Board has set limits on positions by currency. These positions are monitored constantly to ensure they are maintained within established limits.

The Group is subject to currency risk on financial assets and liabilities that are listed in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are listed in US Dollars or Euros.

The following tables present the breakdown of assets and liabilities by currency:

| | 2009 | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|--|--|
| | LBP LBP Million | USD LBP Million | GBP LBP Million | EUR LBP Million | Other LBP Million | Total LBP Million | | |
| Assets | EDI WIIIION | LDI WIIIIOII | EDI WIIIION | LDI WIIIION | EDI WIIIIOII | EDI WIIIIOTI | | |
| Cash and balances with central banks | 1,332,463 | 2,737,937 | 3,902 | 457,646 | 1,674,208 | 6,206,156 | | |
| Due from banks and financial institutions | 57,139 | 5,025,248 | 118,571 | 1,839,385 | 697,021 | 7,737,364 | | |
| Derivative financial instruments | 57,157 | 11,568 | 4.991 | 8,208 | 13,669 | 38,436 | | |
| Financial assets held for trading | 520.548 | 261,816 | | 204 | 52,474 | 835,042 | | |
| Loans and advances to customers | 394,498 | 6,277,955 | 101,310 | 872,252 | 2,284,841 | 9,930,856 | | |
| Loans and advances to related parties | 27.104 | 174,522 | 7 | 12,596 | 25,595 | 239,824 | | |
| Debtors by acceptances | 299 | 195,684 | 4.197 | 77,288 | 6,955 | 284,423 | | |
| Available for sale financial instruments | 3,401,024 | 2,150,652 | 7,177 | 16,211 | 435,429 | 6,003,316 | | |
| Financial assets classified as loans and receivables | 4,035,155 | 2,738,279 | | 46,109 | 478,984 | 7,298,527 | | |
| Financial instruments held to maturity | 133,975 | 185,449 | | 10,662 | 37,293 | 367.379 | | |
| Investments in associates | 3,801 | 9.529 | | 10,002 | 18,367 | 31,697 | | |
| Property and equipment | 252,429 | 28.052 | 167 | 3,354 | 219,489 | 503,491 | | |
| Intangible fixed assets | 5,801 | 8,294 | 107 | 3,294 | 8,517 | 25,906 | | |
| Non-current assets held for sale | 856 | 23,247 | - | 670 | 4,488 | 29,261 | | |
| Deferred taxes assets | 630 | 23,247 | - | 199 | 2,218 | 2,417 | | |
| Other assets | 41,015 | 53,365 | 163 | 10,477 | 69,813 | 174,833 | | |
| Goodwill | 35,827 | 63,860 | 103 | 110,143 | 8,916 | 218,746 | | |
| Goodwiii | 33,027 | 03,000 | - | 110,143 | 0,910 | 210,740 | | |
| Total assets | 10,241,934 | 19,945,457 | 233,308 | 3,468,698 | 6,038,277 | 39,927,674 | | |
| | | | | | | | | |
| Liabilities and shareholders' equity | 422.250 | | | | | 422.250 | | |
| Due to central banks | 133,359 | - | - | - | | 133,359 | | |
| Due to banks and financial institutions | 19,758 | 594,908 | 2,238 | 60,853 | 97,302 | 775,059 | | |
| Derivative financial instruments | - | 7,979 | 3,830 | 9,620 | 7,202 | 28,631 | | |
| Customers' deposits | 8,683,150 | 18,006,822 | 207,619 | 3,057,637 | 4,427,073 | 34,382,301 | | |
| Deposits from related parties | 19,497 | 135,988 | 2,069 | 6,305 | 104,015 | 267,874 | | |
| Debt issued and other borrowed funds | - | 153,148 | - | - | | 153,148 | | |
| Engagement by acceptances | 299 | 195,684 | 4,197 | 77,288 | 6,955 | 284,423 | | |
| Current tax liabilities | 37,882 | (6,473) | - | 1,030 | 13,282 | 45,721 | | |
| Deferred tax liabilities | 10,860 | 8,869 | - | 164 | 1,370 | 21,263 | | |
| Other liabilities | 251,192 | 122,014 | 886 | 18,956 | 74,500 | 467,548 | | |
| Provisions for risks and charges | 16,018 | 765 | - | 1,515 | 5,829 | 24,127 | | |
| End of service benefits | 33,715 | 305 | - | 71 | 4,370 | 38,461 | | |
| Shareholders' equity | 1,018,269 | 1,861,993 | - | 12,415 | 413,082 | 3,305,759 | | |
| Total liabilities and shareholders' equity | 10,223,999 | 21,082,002 | 220,839 | 3,245,854 | 5,154,980 | 39,927,674 | | |

| _ | 2008 | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|--|--|
| | LBP LBP Million | USD LBP Million | GBP LBP Million | EUR LBP Million | Other LBP Million | Total LBP Million | | |
| | | | | | | | | |
| Assets | | | | | | | | |
| Cash and balances with central banks | 784,393 | 2,250,896 | 2,272 | 349,327 | 1,054,025 | 4,440,913 | | |
| Due from banks and financial institutions | 68,774 | 3,331,837 | 101,546 | 1,407,948 | 550,448 | 5,460,553 | | |
| Derivative financial instruments | - | 48,442 | - | - | - | 48,442 | | |
| Financial assets held for trading | - | 16,219 | - | 1,575 | 3,348 | 21,142 | | |
| Financial assets designated at fair value through | | | | | | | | |
| profit & loss | - | 324,105 | - | - | - | 324,105 | | |
| Loans and advances to customers | 309,235 | 5,837,634 | 68,548 | 729,924 | 2,037,420 | 8,982,761 | | |
| Loans and advances to related parties | 20,352 | 191,003 | - | 7,664 | 37,857 | 256,876 | | |
| Debtors by acceptances | - | 148,704 | 328 | 70,937 | 14,427 | 234,396 | | |
| Available for sale financial instruments | 3,116,161 | 298,089 | - | 4,746 | 390,672 | 3,809,668 | | |
| Financial assets classified as loans and receivables | 2,174,763 | 3,399,572 | - | 41,553 | 294,879 | 5,910,767 | | |
| Financial instruments held to maturity | - | 216,201 | - | 10,440 | 33,277 | 259,918 | | |
| Investments in associates | 5,379 | 10,157 | - | - | 17,588 | 33,124 | | |
| Property and equipment | 212,432 | 27,231 | 205 | 3,495 | 190,044 | 433,407 | | |
| Intangible fixed assets | 6,292 | 428 | - | 3,027 | 8,800 | 18,547 | | |
| Non-current assets held for sale | 7 | 36,058 | - | 663 | 1,806 | 38,534 | | |
| Deferred taxes assets | 28 | 5 | - | 386 | 10,433 | 10,852 | | |
| Other assets | 80,794 | 62,336 | 187 | 9,622 | 83,802 | 236,741 | | |
| Goodwill | 35,551 | 162,446 | - | 684 | 10,994 | 209,675 | | |
| Total assets | 6,814,161 | 16,361,363 | 173,086 | 2,641,991 | 4,739,820 | 30,730,421 | | |
| Liabilities and shareholders' equity | | | | | | | | |
| Due to central banks | 15,523 | 579,820 | 4,113 | 48,288 | 51,406 | 699,150 | | |
| Derivative financial instruments | - | 46,588 | - | - | - | 46,588 | | |
| Customers' deposits | 5,641,469 | 14,586,099 | 172,641 | 2,298,236 | 3,199,761 | 25,898,206 | | |
| Deposits from related parties | 14,203 | 141,242 | 411 | 29,000 | 52,174 | 237,030 | | |
| Debt issued and other borrowed funds | | 153,148 | - | - | - | 153,148 | | |
| Engagement by acceptances | - | 145.512 | 328 | 74.129 | 14,427 | 234,396 | | |
| Current tax liabilities | 16.402 | 20 | _ | - | 17.188 | 33,610 | | |
| Deferred tax liabilities | 1,789 | 9 | _ | 262 | 419 | 2,479 | | |
| Other liabilities | 219,896 | 29,448 | 496 | 23,681 | 135,412 | 408,933 | | |
| Provisions for risks and charges | 12,737 | 770 | _ | 414 | 8,505 | 22,426 | | |
| End of service benefits | 28.147 | 107 | _ | - | 2,390 | 30,644 | | |
| Shareholders' equity | 1,150,568 | 1,508,563 | - | (22,067) | 326,747 | 2,963,811 | | |
| Total liabilities and shareholders' equity | 7,100,734 | 17,191,326 | 177,989 | 2,451,943 | 3,808,429 | 30,730,421 | | |

▲ THE GROUP'S EXPOSURE TO CURRENCY RISK

The Group is subject to currency risk on financial assets and liabilities that are listed in currencies other than the Lebanese Pounds. Most of these financial assets and liabilities are listed in US Dollars or Euros.

The table below shows the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The numbers represent the effect of a reasonably possible movement of the currency rate against the Lebanese Pound, with all other variables held constant, first on the income statement (due to the potential change in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair

value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A negative amount reflects a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

| 1 | | 2009 | 200 | 08 | |
|----------|---------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Increase in | Effect on | Effect | Effect on | Effect |
| | Currency | Profit | on | Profit | on |
| Currency | Rate % LBP (000) | before Tax LBP (000) | Equity LBP (000) | before Tax LBP (000) | Equity LBP (000) |
| | | | | | |
| USD | 1% | 3,832,598 | 3,510,132 | 6,493,997 | 227,793 |
| EUR | 1% | (150,889) | 1,705,959 | 1,031,863 | 3,627 |
| GBP | 1% | (16,711) | 227,351 | (25,028) | - |
| EGP | 1% | - | 2,776,970 | - | 2,213,548 |
| SYP | | - | 626,538 | - | 921,867 |

▲ 54.2. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Positions are monitored on a daily basis by Management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

▲ INTEREST RATE SENSITIVITY

The table below shows the sensitivity of interest income and shareholders' equity to reasonably possible parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and

to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. The result includes the effect of hedging instruments and assets and liabilities held at 31 December 2009. The change in interest income is calculated over a one-year period. The impact also incorporates the fact that some monetary items do not immediately respond to changes in interest rates. This lag in response time is estimated based on historical relationships and is reflected in the outcome that sensitivities to rate rises are different than those to rate drops.

The sensitivity of equity is calculated by revaluing available for sale financial assets at the assumed interest rates. Available for sale debt instruments were revalued using modified duration.

The effect of any future associated hedges made by the Group is not accounted for. The sensitivity of equity was calculated for an increase in basis points whereby a similar decrease has an equal and offsetting effect.

| 2009 | Sensitivity of Net Interest Income | | | | Sensitivity of Equity for Increase in Basis Points | | | | | | |
|----------|------------------------------------|-----------|-----------|-----------|--|-----------|-----------|-----------|--|--|--|
| | Change in | | | Up to | 6 Months to | 1 Year to | More than | | | | |
| Currency | Basis Points | Increase | Decrease | 6 Months | 1 Year | 5 Years | 5 Years | Total | | | |
| | | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | | | |
| | | | | | | | | | | | |
| LBP | ± 100 | (2,381) | 6,558 | (1,412) | (3,015) | (43,151) | - | (47,578) | | | |
| USD | ± 50 | 14,342 | (9,837) | - | (3) | (16,984) | (27,615) | (44,602) | | | |
| EUR | ± 25 | 869 | (628) | - | - | - | - | | | | |

| 4 | 2008 | Sensitivity of Net Interest Income | | | | Sensitivity of Equity for Increase in Basis Points | | | | | | | |
|---|----------|------------------------------------|-----------|-----------|-----------|--|-----------|-----------|-----------|--|--|--|--|
| | | Change in | | | Up to | 6 Months to | 1 Year to | More than | | | | | |
| | Currency | Basis Points | Increase | Decrease | 6 Months | 1 Year | 5 Years | 5 Years | Total | | | | |
| | | | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | LBP (000) | | | | |
| | | | | | | | | | | | | | |
| | LBP | ± 100 | (1,488) | (18,146) | (1,515) | (881) | (46,261) | - | (48,657) | | | | |
| | USD | ± 50 | 20,832 | 11,871 | (257) | (342) | (214) | (43) | (856) | | | | |
| | EUR | ± 25 | 4,384 | 3,620 | (1) | (1) | (1) | - | (3) | | | | |

The Group's interest sensitivity position based on differ significantly from the contractual dates particularly contractual repricing arrangements is shown in the table with regard to the maturity of customer demand below. The expected repricing and maturity dates may

deposits.

| | | 2009 | | | | | | | | |
|--|----------------------|-----------------------|---------------------|-----------------------|----------------------|----------------------|---------------------|------------------------|----------------------|--|
| | Up to 1 | 1 to 3 | 3 Months to 1 | Total Less than | 1 to 5 | Over 5 | Total More than 1 | Non-interest | | |
| | Month LBP Million | Months LBP Million | Year LBP Million | 1 Year LBP Million | Years LBP Million | Years LBP Million | Year LBP Million | Bearing LBP Million | Total LBP Million | |
| Assets | | | | | | | | | | |
| Cash and balances with central banks | 3,193,385 | 1,622,944 | 497,189 | 5,313,518 | 19,039 | - | 19,039 | 873,599 | 6,206,156 | |
| Due from banks and financial institutions | 5,921,382 | 1,274,881 | 347,622 | 7,543,885 | 753 | - | 753 | 192,726 | 7,737,364 | |
| Derivative financial instruments | 20,984 | 8,951 | 1,569 | 31,504 | 6 | 197 | 203 | 6,729 | 38,436 | |
| Financial assets held for trading | 9,968 | 59,725 | 192,556 | 262,249 | 316,807 | 187,822 | 504,629 | 68,164 | 835,042 | |
| Loans and advances to customers | 4,070,919 | 2,427,474 | 1,523,626 | 8,022,019 | 1,746,232 | 119,958 | 1,866,190 | 42,647 | 9,930,856 | |
| Loans and advances to related parties | 222,179 | 4,270 | 8,499 | 234,948 | 383 | 4,489 | 4,872 | 4 | 239,824 | |
| Debtors by acceptances | 156,298 | 2,048 | 42,760 | 201,106 | - | - | - | 83,317 | 284,423 | |
| Available for sale financial instruments | 59,164 | 104,963 | 1,080,461 | 1,244,588 | 3,714,974 | 705,762 | 4,420,736 | 337,992 | 6,003,316 | |
| Financial assets classified as loans and receivables | 156,721 | 491,528 | 479,656 | 1,127,905 | 4,993,891 | 1,171,128 | 6,165,019 | 5,603 | 7,298,527 | |
| Financial instruments held to maturity | - | 10,662 | 152,160 | 162,822 | 183,566 | 20,991 | 204,557 | - | 367,379 | |
| Investments in associates | - | - | - | - | - | - | - | 31,697 | 31,697 | |
| Property and equipment | - | - | - | - | - | - | - | 503,491 | 503,491 | |
| Intangible fixed assets | - | - | - | - | - | - | - | 25,906 | 25,906 | |
| Non-current assets held for sale | 3,173 | - | - | 3,173 | - | - | - | 26,088 | 29,261 | |
| Deferred taxes assets | - | - | - | - | - | - | - | 2,417 | 2,417 | |
| Other assets | 120 | - | - | 120 | - | - | - | 174,713 | 174,833 | |
| Goodwill | - | - | - | - | - | - | - | 218,746 | 218,746 | |
| Total assets | 13,814,293 | 6,007,446 | 4,326,098 | 24,147,837 | 10,975,651 | 2,210,347 | 13,185,998 | 2,593,839 | 39,927,674 | |
| Liabilities and shareholders' equity | | | | | | | | | | |
| Due to central banks | - | - | - | _ | 132,612 | - | 132,612 | 747 | 133,359 | |
| Due to banks & financial institutions | 256,073 | 61,364 | 347,370 | 664,807 | - | - | - | 110,252 | 775,059 | |
| Financial assets given as collateral and reverse repurchase agreements | - | - | - | - | - | - | - | - | | |
| Derivative financial instruments | 17,078 | 6,743 | 1,056 | 24,877 | - | - | - | 3,754 | 28,631 | |
| Customers' deposits | 24,635,292 | 4,718,984 | 3,228,807 | 32,583,083 | 269,748 | 548 | 270,296 | 1,528,922 | 34,382,301 | |
| Deposits from related parties | 50,581 | 62,402 | 11,440 | 124,423 | 16,380 | 92,549 | 108,929 | 34,522 | 267,874 | |
| Debt issued and other borrowed funds | - | - | 150,750 | 150,750 | - | - | - | 2,398 | 153,148 | |
| Engagement by acceptances | 142,583 | 2,048 | 70,215 | 214,846 | - | - | - | 69,577 | 284,423 | |
| Current tax liabilities | - | - | 7,852 | 7,852 | - | - | - | 37,869 | 45,721 | |
| Deferred tax liabilities | - | - | 407 | 407 | - | - | - | 20,856 | 21,263 | |
| Other liabilities | 97,204 | - | - | 97,204 | - | - | - | 370,344 | 467,548 | |
| Provisions for risks and charges | - | - | - | - | - | - | - | 24,127 | 24,127 | |
| End of service benefits | - | - | - | - | - | - | - | 38,461 | 38,461 | |
| Shareholders' equity | - | - | - | - | - | - | - | 3,305,759 | 3,305,759 | |
| Total liabilities and shareholders' equity | 25,198,811 | 4,851,541 | 3,817,897 | 33,868,249 | 418,740 | 93,097 | 511,837 | 5,547,588 | 39,927,674 | |
| Interest rate sensitivity gap | (11,384,518) | 1,155,905 | 508,201 | | 10,556,911 | 2,117,250 | | (2,953,749) | | |
| Cumulative gap | (11,384,518) | (10,228,613) | (9,720,412) | | 836,499 | 2,953,749 | | - | | |

| | | | | 200 | 8 | | | | - 1 |
|--|---------------------------------|---------------------------------|--------------------------------------|--|--------------------------------|--------------------------------|---|--|----------------------|
| | Up to 1 Month LBP Million | 1 to 3 Months LBP Million | 3 Months to 1 Year LBP Million | Total Less than 1 Year LBP Million | 1 to 5 Years LBP Million | Over 5 Years LBP Million | Total More than One Year LBP miLBPion | Non-interest Bearing LBP Million | Total LBP Million |
| Assets | EDI WIIIION | EDI WIIIION | LDI WIIIION | EDI WIIIION | EDI WIIIION | EDI WIIIION | EDI MILEDI ION | EDI WIIIION | LDI WIIIION |
| Cash and balances with central banks | 660,628 | 782,355 | 56,343 | 1,499,326 | 1,530,113 | 161,569 | 1,691,682 | 1,249,905 | 4,440,913 |
| Due from banks and financial institutions | 4,267,619 | 478,186 | 121,924 | 4,867,729 | 72,885 | 18,000 | 90,885 | 501,939 | 5,460,553 |
| Financial assets given as collateral and reverse repurchase agreements | - | - | - | - | - | - | 70,000 | - | - |
| Derivative financial instruments | _ | 4,043 | 8,787 | 12,830 | 794 | _ | 794 | 34,818 | 48,442 |
| Financial assets held for trading | - | - | 1,370 | 1,370 | 6,771 | 5,439 | 12,210 | 7,562 | 21,142 |
| Financial assets designated at fair value through profit & loss | - | - | 119,476 | 119,476 | 193,798 | - | 193,798 | 10,831 | 324,105 |
| Loans and advances to customers | 5,430,332 | 303,742 | 782,755 | 6,516,829 | 1,901,161 | 540,983 | 2,442,144 | 23,788 | 8,982,761 |
| Loans and advances to related parties | 222,566 | 1,690 | 20,595 | 244,851 | 5,316 | 6,661 | 11,977 | 48 | 256,876 |
| Debtors by acceptances | 9,225 | 15,952 | 54,663 | 79,840 | 78 | - | 78 | 154,478 | 234,396 |
| Available for sale financial instruments | 360,959 | 178,541 | 585,959 | 1,125,459 | 2,384,390 | 14,112 | 2,398,502 | 285,707 | 3,809,668 |
| Financial assets classified as loans and receivables | 34,037 | 105,221 | 102,564 | 241,822 | 3,891,466 | 1,658,759 | 5,550,225 | 118,720 | 5,910,767 |
| Financial instruments held to maturity | - | 9,742 | 27,224 | 36,966 | 191,668 | 28,624 | 220,292 | 2,660 | 259,918 |
| Investments in subsidiaries and associates | - | - | 12,065 | 12,065 | - | 6,006 | 6,006 | 15,053 | 33,124 |
| Property and equipment | - | - | - | - | - | - | - | 433,407 | 433,407 |
| Intangible fixed assets | - | - | - | - | - | - | - | 18,547 | 18,547 |
| Non-current assets held for sale | - | - | - | - | - | - | - | 38,534 | 38,534 |
| Deferred taxes assets | - | - | - | - | - | - | - | 10,852 | 10,852 |
| Other assets | - | - | - | - | - | - | - | 236,741 | 236,741 |
| Goodwill | - | - | - | - | - | - | - | 209,675 | 209,675 |
| Total assets | 10,985,366 | 1,879,472 | 1,893,725 | 14,758,563 | 10,178,440 | 2,440,153 | 12,618,593 | 3,353,265 | 30,730,421 |
| | | | | | | | | | |
| Liabilities and shareholders' equity | | | | | | | | | |
| Due to banks and financial institutions | 416,788 | 46,873 | 8,089 | 471,750 | 7,480 | 209,892 | 217,372 | 10,028 | 699,150 |
| Derivative financial instruments | - | - | - | - | - | - | - | 46,588 | 46,588 |
| Customers' deposits | 19,748,666 | 2,256,479 | 2,066,737 | 24,071,882 | 538,975 | 264,958 | 803,933 | 1,022,391 | 25,898,206 |
| Deposits from related parties | 177,973 | 18,257 | 16,588 | 212,818 | 11,042 | 5,390 | 16,432 | 7,780 | 237,030 |
| Debt issued and other borrowed funds | - 0.225 | 15.050 | - | 70.040 | 150,750 | - | 150,750 | 2,398 | 153,148 |
| Engagement by acceptances | 9,225 | 15,952 | 54,663 | 79,840 | 78 | - | 78 | 154,478 | 234,396 |
| Current tax liabilities | - | - | - | - | - | - | - | 33,610 | 33,610 |
| Deferred tax liabilities | - | - | - | - | - | - | - | 2,479 | 2,479 |
| Other liabilities Provisions for risks and charges | - | - | - | - | - | - | - | 408,933 | 408,933 |
| End of service benefits | - | - | - | - | - | - | - | 22,426 | 22,426 |
| Shareholders' equity | | - | - | - | | - | - | 30,644 2,963,811 | 30,644 2,963,811 |
| Shareholders equity | - | - | - | - | - | - | - | 2,903,011 | 2,903,011 |
| Total liabilities and shareholders' equity | 20,352,652 | 2,337,561 | 2,146,077 | 24,836,290 | 708,325 | 480,240 | 1,188,565 | 4,705,566 | 30,730,421 |
| Interest rate sensitivity gap | (9,367,286) | (458,089) | (252,352) | | 9,470,115 | 1,959,913 | | (1,352,301) | |
| Cumulative gap | (9,367,286) | (9,825,375) | (10,077,727) | | (607,612) | 1,352,301 | | - | |

▲ 54.3. PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than excepted, such as fixed rate mortgages when interest rates fall.

The Group's assets with fixed interest rates are not considered material with respect to the total assets.

Moreover, other market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers prepayment risk on net profits as not material after considering any penalties arising from prepayments.

▲ 54.4. EQUITY PRICE RISK

Equity price risk is the risk that the value of a portfolio will

fall as a result of a change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies / maturities) in which the Group holds equity-related positions.

The Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first

cash terms, such as the market value of a stock / index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or to a portfolio of equities.

▲ 55. Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit risk, Management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains statutory deposits with central banks. As per Lebanese banking regulations, the Bank must retain non-interest bearing balances with the Central Bank of Lebanon equivalent to 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds. As for foreign currencies, the Bank must retain with the Central Bank of Lebanon interest-bearing statutory investments equivalent to 15% of all deposits regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration. In accordance with the Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits and commitments in foreign currencies and Lebanese Pounds should not be less than 10% and 40% respectively. The highly liquid net assets consist of cash and balances with central banks, deposits with banks and financial institutions less deposits from banks and financial institutions and deposits that mature within one year. Deposits and commitments are composed

of total customers' deposits, in addition to acceptances and loans that mature within one year.

Since 2008, when liquidity risk and counterparty risk became virtually synonymous as the big money center banks experienced the almost unprecedented consequences of the credit crunch and a severe scarcity of both visibility and confidence, a Management committee oversees the management of the financial institutions portfolio on a daily basis. A number of measures are taken to minimise the potential risk from such exposures, such as:

- ▲ Limit exposure to any one bank or group;
- ▲The banks selected should be large, retail-funded, particularly those that are government-owned;
- Continue to favour banks that carry high ratings;
- ▲ Limit exposures to not more than 1 week depending on market conditions.

In 2009, the Bank continued to follow the same approach above, albeit with a mildly relaxed approach regarding tenor depending on the institution and market developments.

A 55.1. ANALYSIS OF FINANCIAL LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarises the maturity profile of the Group's liabilities as of 31 December based on contractual undiscounted repayment obligations. The liabilities' contractual maturities have been determined based on the period remaining to reach maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The table does not reflect the expected cash flows indicated by the Group's deposit retention history.

| | | | 2 | 2009 | | |
|--|---------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------|
| | Up 1 Month LBP Million | 1 to 3 Months LBP Million | 3 to 12 Months LBP Million | 1 to 5 Years LBP Million | Over 5 Years LBP Million | Total LBP Million |
| | | | | | | |
| Financial liabilities | | | | | | |
| Due to central banks | - | - | 6,306 | 31,722 | 145,311 | 183,339 |
| Due to banks and financial institutions | 394,556 | 102,672 | 27,973 | 14,468 | 379,841 | 919,510 |
| Customers' deposits | 26,536,932 | 4,754,532 | 3,048,902 | 332,777 | 1,051 | 34,674,194 |
| Deposits from related parties | 103,041 | 51,904 | 11,757 | 22,731 | 143,716 | 333,149 |
| Debt issued and other borrowed funds | - | - | 158,786 | - | - | 158,786 |
| Engagements by acceptances | 64,610 | 115,244 | 95,122 | 9,447 | - | 284,423 |
| | | | | | | |
| Total undiscounted financial liabilities | 27,099,139 | 5,024,352 | 3,348,846 | 411,145 | 669,919 | 36,553,401 |
| | | | | | | |

| 1 | 2008 | | | | | |
|--|------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------|
| | Up to 1 Month LBP Million | 1 to 3 Months LBP Million | 3 to 12 Months LBP Million | 1 to 5 Years LBP Million | Over 5 Years LBP Million | Total LBP Million |
| Financial liabilities | | | | | | |
| Due to banks and financial institutions | 436,121 | 47,380 | 7,266 | 9,121 | 295,321 | 795,209 |
| Deposits from customers | 20,405,236 | 2,568,099 | 2,146,586 | 755,521 | 158,322 | 26,033,764 |
| Deposits from related parties | 66,161 | 28,609 | 23,217 | 15,708 | 106,313 | 240,008 |
| Debt issued and other borrowed funds | - | - | 15,452 | 158,476 | - | 173,928 |
| Engagements by acceptances | 62,653 | 87,453 | 81,958 | 1,000 | 1,332 | 234,396 |
| Total undiscounted financial liabilities | 20,970,171 | 2,731,541 | 2,274,479 | 939,826 | 561,288 | 27,477,305 |

▲ 55.2. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The maturity profile is monitored by Management to ensure adequate liquidity is maintained.

The maturity profile of the assets at 31 December 2009 was as follows:

| | Less than 1 Month LBP Million | 1 to 3 Months LBP Million | 3 Months to 1 Year LBP Million | Total Less than 1 Year LBP Million | 1 to 5 Years LBP Million | Over 5 Years LBP Million | Total More than 1 Year LBP Million | Amount without Maturity LBP Million | Total LBP Million |
|--|-------------------------------------|---------------------------------|--------------------------------------|--|--------------------------------|--------------------------------|--|---|----------------------|
| Assets | | | | | | | | | |
| Cash and balances with central banks | 3,384,888 | 483,282 | 1,646,950 | 5,515,120 | 644,492 | - | 644,492 | 46,544 | 6,206,156 |
| Due from banks and financial institutions | 5,725,648 | 1,276,544 | 326,966 | 7,329,158 | 389,556 | 18,000 | 407,556 | 650 | 7,737,364 |
| Derivative financial instruments | 20,822 | 12,304 | 3,064 | 36,190 | 1,905 | 197 | 2,102 | 144 | 38,436 |
| Financial assets held for trading | 67,929 | 62,383 | 192,063 | 322,375 | 316,968 | 188,619 | 505,587 | 7,080 | 835,042 |
| Loans and advances to customers | 4,344,631 | 617,098 | 1,464,212 | 6,425,941 | 3,137,564 | 366,396 | 3,503,960 | 955 | 9,930,856 |
| Loans and advances to related parties | 221,993 | 273 | 8,554 | 230,820 | 4,544 | 4,460 | 9,004 | - | 239,824 |
| Debtors by acceptances | 77,041 | 117,836 | 80,098 | 274,975 | 9,448 | - | 9,448 | | 284,423 |
| Available for sale financial instruments | 109,779 | 31,695 | 1,075,383 | 1,216,857 | 3,756,295 | 701,211 | 4,457,506 | 328,953 | 6,003,316 |
| Financial assets classified as loans and receivables | 140,429 | 426,062 | 521,518 | 1,088,009 | 4,939,332 | 1,257,372 | 6,196,704 | 13,814 | 7,298,527 |
| Financial instruments held to maturity | - | - | 152,160 | 152,160 | 187,482 | 26,360 | 213,842 | 1,377 | 367,379 |
| Investments in subsidiaries and associates | - | - | - | - | - | (16,017) | (16,017) | 47,714 | 31,697 |
| Property and equipment | - | - | - | - | - | - | - | 503,491 | 503,491 |
| Intangible fixed assets | - | - | - | - | - | - | - | 25,906 | 25,906 |
| Non-current assets held for sale | - | - | - | - | - | - | - | 29,261 | 29,261 |
| Deferred taxes assets | - | - | 2,067 | 2,067 | - | - | - | 350 | 2,417 |
| Other assets | 42,135 | 10,083 | 23,867 | 76,085 | 358 | - | 358 | 98,390 | 174,833 |
| Goodwill | - | - | - | - | - | - | - | 218,746 | 218,746 |
| Total assets | 14,135,295 | 3,037,560 | 5,496,902 | 22,669,757 | 13,387,944 | 2,546,598 | 15,934,542 | 1,323,375 | 39,927,674 |
| | | | | | | | | | |
| Liabilities and shareholders' equity | | | | | | | | | |
| Due to central banks | - | - | 747 | 747 | - | 132,612 | 132,612 | - | 133,359 |
| Due to banks and financial institutions | 365,929 | 104,146 | 25,659 | 495,734 | 12,446 | 266,521 | 278,967 | 358 | 775,059 |
| Derivative financial instruments | 17,666 | 7,057 | 3,221 | 27,944 | - | - | - | 687 | 28,631 |
| Customers' deposits | 26,463,518 | 4,700,871 | 2,946,673 | 34,111,062 | 269,813 | 572 | 270,385 | 854 | 34,382,301 |
| Deposits from related parties | 81,640 | 62,650 | 14,655 | 158,945 | 16,380 | 92,549 | 108,929 | - | 267,874 |
| Debt issued and other borrowed funds | - | - | 153,148 | 153,148 | - | - | - | - | 153,148 |
| Engagement by acceptances | 64,609 | 115,244 | 95,122 | 274,975 | 9,448 | - | 9,448 | | 284,423 |
| Current tax liabilities | 5,447 | 807 | 18,874 | 25,128 | - | - | - | 20,593 | 45,721 |
| Deferred tax liabilities | 585 | - | 19,519 | 20,104 | - 0 (74 | - | - | 1,159 | 21,263 |
| Other liabilities | 130,490 | 21,406 | 109,886 | 261,782 | 3,674 | 137,052 | 140,726 | 65,040 | 467,548 |
| Provisions for risks and charges | - | - | - | - | - | - | - | 24,127 | 24,127 |
| End of service benefits | - | - | - | - | - | - | - | 38,461 | 38,461 |
| Shareholders' equity | - | - | - | - | - | - | - | 3,305,759 | 3,305,759 |
| Total liabilities and shareholders' equity | 27,129,884 | 5,012,181 | 3,387,504 | 35,529,569 | 311,761 | 629,306 | 941,067 | 3,457,038 | 39,927,674 |
| Liquidity gap | (12,994,589) | (1,974,621) | 2,109,398 | | 13,076,183 | 1,917,292 | | (2,133,663) | |
| Cumulative gap | (12,994,589) | (14,969,210) | (12,859,812) | | 216,371 | 2,133,663 | | - | |

The maturity profile of the assets at 31 December 2008 was as follows:

| | Up to 1 Month LBP Million | 1 to 3 Months LBP Million | 3 Months to 1 Year LBP Million | Total Less than 1 Year LBP Million | 1 to 5 Years LBP Million | Over 5 Years LBP Million | Total More than 1 Year LBP Million | Amount without Maturity LBP Million | Total LBP Million |
|---|---------------------------------|---------------------------------|--------------------------------------|--|--------------------------------|--------------------------------|--|---|----------------------|
| Assets | | | | - | | | | | - |
| Cash and balances with central banks | 1,978,869 | 173,658 | 173,484 | 2,326,011 | 1,733,626 | 161,569 | 1,895,195 | 219,707 | 4,440,913 |
| Due from banks and financial institutions | 4,954,475 | 305,269 | 102,111 | 5,361,855 | 80,698 | 18,000 | 98,698 | - | 5,460,553 |
| Derivative financial instruments | 6,465 | 4,043 | 8,787 | 19,295 | 794 | 28,353 | 29,147 | _ | 48,442 |
| Financial assets held for trading | 516 | 44 | 1,510 | 2,070 | 6,840 | 5,535 | 12,375 | 6,697 | 21,142 |
| Financial assets designated at fair value through profit and loss | - | - | 122,561 | 122,561 | 201,326 | 218 | 201,544 | - | 324,105 |
| Loans and advances to customers | 5,037,243 | 357,411 | 1,052,913 | 6,447,567 | 1,786,855 | 748,339 | 2,535,194 | _ | 8,982,761 |
| Loans and advances to related parties | 222,613 | 1,690 | 20,596 | 244,899 | 5,316 | 6,661 | 11,977 | _ | 256,876 |
| Debtors by acceptances | 62,654 | 87,453 | 81,916 | 232,023 | 1,041 | 1,332 | 2,373 | _ | 234,396 |
| Available for sale financial instruments | 264,631 | 190,306 | 643,661 | 1,098,598 | 2,365,793 | 46,796 | 2,412,589 | 298,481 | 3,809,668 |
| Financial assets classified as loans and receivables | 38,955 | 165,357 | 126,726 | 331,038 | 3,887,493 | 1,692,236 | 5,579,729 | | 5,910,767 |
| Financial instruments held to maturity | 93 | 9,860 | 27,888 | 37,841 | 184,970 | 37,107 | 222,077 | | 259,918 |
| Investments in subsidiaries and associates | - | - | - 1,000 | - | - | - | | 33,124 | 33,124 |
| Property and equipment | _ | _ | _ | _ | _ | _ | _ | 433,407 | 433,407 |
| Intangible fixed assets | _ | - | _ | - | _ | - | _ | 18,547 | 18,547 |
| Non-current assets held for sale | _ | - | _ | _ | _ | _ | _ | 38,534 | 38,534 |
| Deferred taxes assets | 3,392 | 1,755 | 2,156 | 7,303 | 3,265 | 284 | 3,549 | - | 10,852 |
| Other assets | 72,289 | 37,795 | 88,328 | 198,412 | 5,217 | 10,888 | 16,105 | 22,224 | 236,741 |
| Goodwill | - | - | - | - | - | - | - | 209,675 | 209,675 |
| Total assets | 12,642,195 | 1,334,641 | 2,452,637 | 16,429,473 | 10,263,234 | 2,757,318 | 13,020,552 | 1,280,396 | 30,730,421 |
| Liabilities and shareholders' equity | | | | | | | | | |
| Due to central banks | 426,562 | 47,126 | 8,089 | 481,777 | 7,480 | 209,893 | 217,373 | | 699,150 |
| Derivative financial instruments | 11,665 | - | - | 11,665 | - | 34,923 | 34,923 | | 46,588 |
| Customers' deposits | 20,362,150 | 2,560,994 | 2,108,802 | 25,031,946 | 730,570 | 135,690 | 866,260 | | 25,898,206 |
| Deposits from related parties | 66,023 | 28,431 | 22,790 | 117,244 | 15,643 | 104,143 | 119,786 | | 237,030 |
| Debt issued and other borrowed funds | · - | - | 2,398 | 2,398 | 150,750 | - | 150,750 | | 153,148 |
| Engagement by acceptances | 62,654 | 87,453 | 81,916 | 232,023 | 1,041 | 1,332 | 2,373 | - | 234,396 |
| Current tax liabilities | 27,347 | 5 | 6,258 | 33,610 | - | - | - | - | 33,610 |
| Deferred tax liabilities | 2,068 | 368 | 43 | 2,479 | - | - | - | - | 2,479 |
| Other liabilities | 177,789 | 56,452 | 81,742 | 315,983 | 12,235 | 80,715 | 92,950 | - | 408,933 |
| Provisions for risks and charges | - | - | - | - | - | - | - | 22,426 | 22,426 |
| End of service benefits | - | - | - | - | - | - | - | 30,644 | 30,644 |
| Shareholders' equity | - | - | - | - | - | - | - | 2,963,811 | 2,963,811 |
| Total liabilities and shareholders' equity | 21,136,258 | 2,780,829 | 2,312,038 | 26,229,125 | 917,719 | 566,696 | 1,484,415 | 3,016,881 | 30,730,421 |
| Liquidity gap | (8,494,063) | (1,446,188) | 140,599 | | 9,345,515 | 2,190,622 | | (1,736,485) | |
| Cumulative gap | (8,494,063) | (9,940,251) | (9,799,652) | | (454,137) | 1,736,485 | | - | |

▲ 56. Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The operational risk management framework is implemented by an independent Operational Risk Management team, in coordination with other essential elements of the Group's control framework, such as Internal Audit or Corporate Information Security and Business Continuity.

Central to this framework are tried-and-tested principles such as redundancy of mission-critical systems, segregation of duties, strict authorisation procedures, daily reconciliation, risk management responsibility at the operational level and the requirement to be able to price and value independently any proposed transaction.

Incidents are reported, analysed and fed into a risk map also originating from other sources such as control self assessments, key risk indicators or audit reports. This risk map is then used as a tool to follow up on outstanding issues and as the basis for reporting operational risk to Management and to the Board.

Insurance coverage is used as an external mitigant and is commensurate with activity, both in terms of volume and characteristics.

▲ 57. Capital Management

By maintaining an actively managed capital base, the Group's objectives are to cover risks inherent in the business, to retain sufficient financial strength and flexibility, to support new business growth, and to meet national and international regulatory capital requirements at all times.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets and off-balance sheet commitments at a weighted amount to reflect their relative risk. To satisfy Basel II Pillar 1 capital requirements, the Central Bank of Lebanon requires maintaining a ratio of total regulatory capital to risk-weighted assets at or above 8%. As mentioned above, under Pillar 2, it also requires banks to provide for more capital if Pillar 1 does not adequately capture the risk profile.

Each banking subsidiary is directly regulated by its local banking supervisor, which sets and monitors its capital adequacy requirements. In addition, Bank Audi sal - Audi Saradar Group monitors capital adequacy at the Group level

| | 2009 LBP Million | |
|----------------------------|---------------------|------------|
| Risk-weighted assets: | | |
| Credit risk | 20,211,464 | 17,116,491 |
| Market risk | 477,063 | 689,962 |
| Operational risk | 1,562,000 | 1,337,454 |
| Total risk-weighted assets | 22,250,527 | 19,143,907 |
| | | |

The capital base as per Basel II requirements as of 31 December (including profit for the year less proposed dividends) was as follows:

| | 2009 LBP Million | 2008 LBP Million |
|-------------------------------|----------------------|---------------------|
| Tier 1 capital Tier 2 capital | 2,535,496 118,738 | 2,425,160 33,599 |
| Total capital | 2,654,234 | 2,458,759 |

The capital adequacy ratio as of 31 December (including profit for the year less proposed dividends) is as follows:

| Capital adequacy – Tier 1 | 11.40% | 12.67% |
|----------------------------------|--------|--------|
| Capital adequacy – Total capital | 11.93% | 12.84% |

The calculation above does not take into account the elimination of LBP 1,430,044 million (2008: 1,168,693 million) of Lebanese government Eurobonds, whose risk have been ceded to qualified customers by contractual agreements relating to credit-link deposits (Note 34). When adjusting the risk-weighted assets to the risk ceded, the capital adequacy ratio will stand at 12.75% (2008: 13.69%)

▲ 58. Comparative Information

In accordance with the current year's classifications, the Group reclassified certain balances as at 31 December 2008 as follows:

- ▲ A reclass from "Other Assets" to "Current Tax Liabilities" for an amount of LBP (000) 38,170,199.
- ▲ A reclass from "Intangible Fixed Assets" to "Other Assets" for an amount of LBP (000) 369,460.
- ▲ A reclass from "Property and Equipment' to "Other Assets" for an amount of LBP (000) 46,461,024.
- ▲ A reclass from "Other Liabilities" to "Customers' Deposits" for an amount of LBP (000) 161,550,209.

■ 59. Subsequent Events

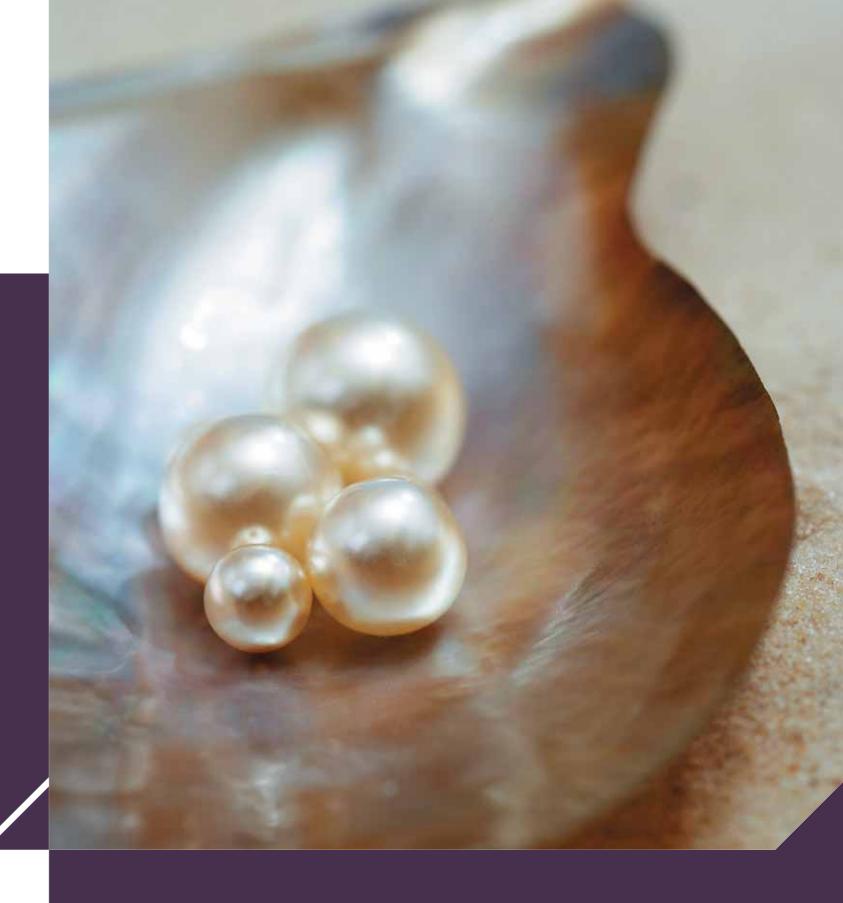
The Extraordinary General Assembly of shareholders dated 2 March 2010 approved a stock split whereby one share will be split into 10 shares to total an amount of 356,689,410 shares (344,189,410 ordinary shares and 12,500,000 preferred series "D" shares). The nominal value per share will be equal to LBP 1,225 with all its related procedures and financial and legal implications which include listing the splitted shares in the financial markets. The stock split procedures have not been finalised yet. Moreover, the Group will increase its capital by LBP (000)

1,531,250 from LBP (000) 436,944,528 to LBP (000) 438,475,778 by issuing 1,250,000 preferred series "E" shares listed in the active markets with a nominal amount of LBP 1,225 per share after the agreed upon split.

During January 2010, the Bank entered into call option agreements with two structured investment vehicles (SIVs) who undertook the issuance of 5% callable notes exchangeable into shares of the Bank and maturing on 19 July, 2013. The size of the issued notes was USD 355 million. The call option agreement provides the Bank with the right but not the obligation, in its sole discretion, to purchase or cause to be purchased, all or any part of the shares held by SIVs. The Bank's commitment in respect of this call option is to fund the SIVs cash reserves in case they were insufficient to pay their obligations when they fall due. As such, the Bank will pay an amount sufficient to permit such payments.



In the quest to cover new grounds, we measure success by our constant ability to adapt and continuously raise our standards. At Bank Audi, we believe that every country represents an opportunity to gain mutual insight and benefit from the richness of its own diversity.



Shareholders' Information

The following table sets out the composition of the holders of common shares and GDRs as of April 9, 2010:

| Shareholders / Groups of Shareholders | Country (Ultimate Economic Ownership) | Percentage Ownership ⁽¹⁾ |
|---|--|-------------------------------------|
| Al Homaizi Family ⁽²⁾ | Kuwait | 8.08% |
| Audi Family ⁽²⁾ | Lebanon | 8.07% |
| Saradar Family ⁽²⁾ | Lebanon | 6.84% |
| Sheikh Dhiab Bin Zayed Al Nehayan | United Arab Emirates | 6.72% |
| Abdullah Ibrahim Al Hobayb | Kingdom of Saudi Arabia | 5.25% |
| Middle East Opportunities For Structured Finance Ltd. | Lebanon | 4.94% |
| Investment Finance Opportunities Ltd. | Lebanon | 4.94% |
| Investment and Business Holding sal ⁽³⁾ | Lebanon | 4.91% |
| Al Sabbah Family ⁽²⁾ | Kuwait | 4.90% |
| MAL Investment One Holding sal ⁽³⁾ | Lebanon | 4.83% |
| M1 Investments Ltd. and M1 Capital Ltd. (3) | Lebanon | 4.68% |
| Phoenicia Enterprises sa | Lebanon | 2.91% |
| El Khoury Family | Lebanon | 2.60% |
| Others ⁽⁴⁾ | | 30.33% |
| Total shareholding | | 100.00% |

⁽¹⁾ Percentage ownership figures represent both common shares and GDRs owned by the named shareholders, and are expressed as a percentage of the total number of common shares issued and outstanding, including the common shares represented by GDRs. Ownership of GDRs is based on self-declarations, as the Bank does not have direct access to the registry of GDR holders. As of April 9, 2010, Deutsche Bank Trust Company Americas, in its capacity as depositary under the Bank's GDR Programme, owned 10,171,761 common shares represented by GDRs, including the GDRs owned by the shareholders named in the table above

⁽²⁾ The Al Homaizi Family, Audi Family, Saradar Family and Al Sabbah Family include the following members of the Board: (i) Suad Hamad Al Saleh Al Homaizi, (ii) Raymond Wadih Audi and Marc Jean Audi, (iii) Mario Joseph Saradar, and (iv) Mariam Nasser Sabbah Al Nasser Al Sabbah, respectively.

⁽³⁾ The ultimate beneficial owners of Investment and Business Holding sal, MAL Investment One Holding sal, M1 Investments Ltd. and M1 Capital Ltd. are members of the Mikati Family.

⁽⁴⁾ More than 1500 other holders of shares or GDRs, including certain executives and employees of the Bank, each with less than one per cent.

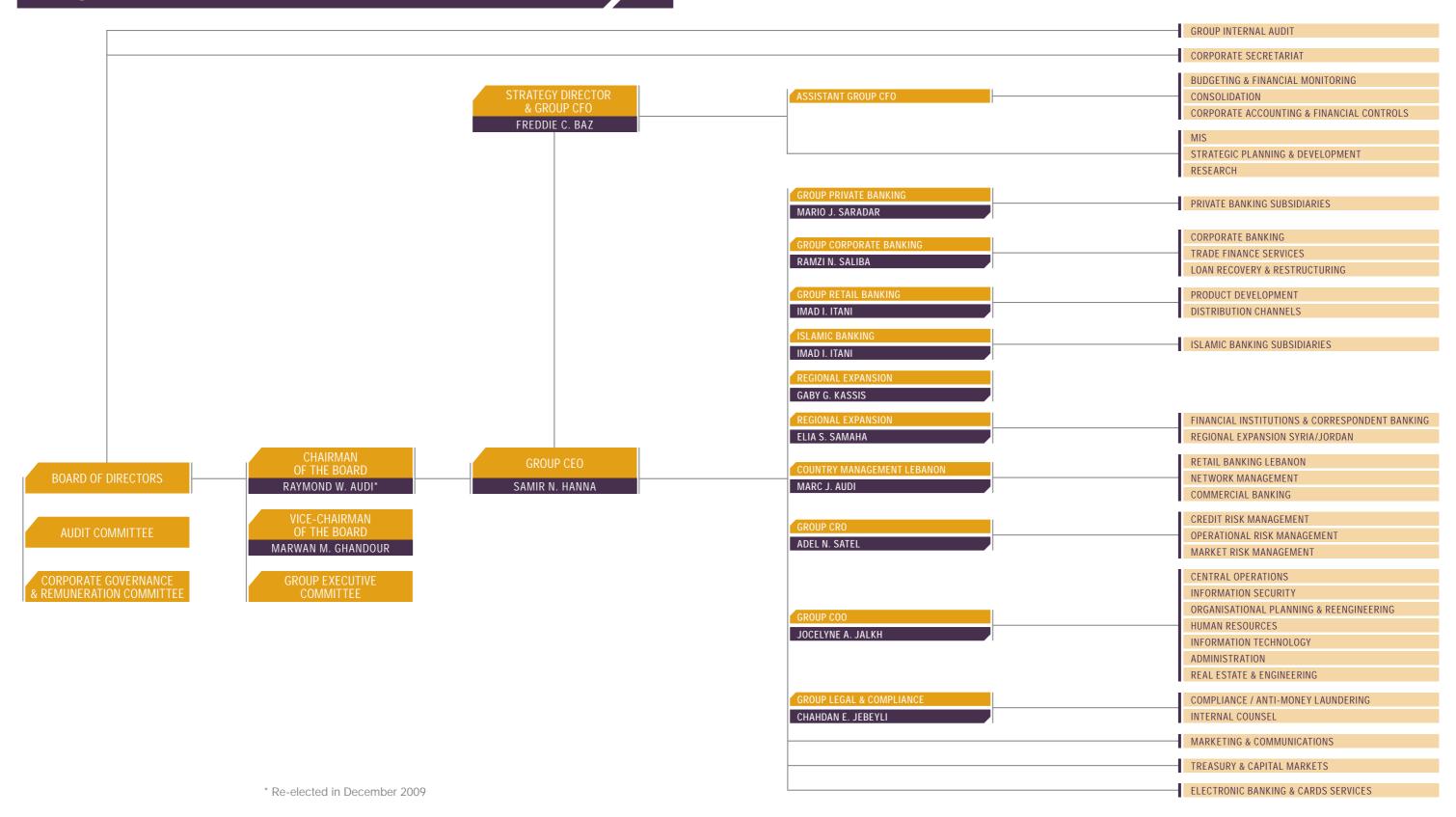
Group High Level Chart



| PRIVATE BANKING | STANDING MANAGEMENT COMMITTEES | REGIONAL EXPANSION |
|--------------------|--|--------------------|
| RETAIL & E-BANKING | • RISK COMMITTEE | RISK MANAGEMENT |
| ISLAMIC BANKING | • CREDIT COMMITTEE | INTERNAL AUDIT |
| CORPORATE BANKING | • FI COMMITTEE | LEGAL & COMPLIANCE |
| INVESTMENT BANKING | • ANTI-MONEY LAUNDERING COMMITTEE • DISCLOSURE COMMITTEE | FINANCE |
| INSURANCE | • REAL ESTATE COMMITTEE | OPERATIONS |

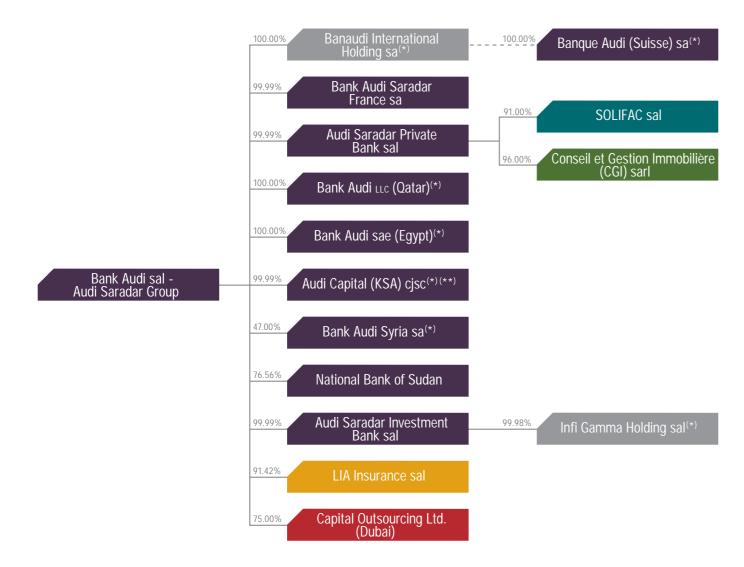
| | GROUP GEOGRAPHICAL PRESENCE | | | | | | |
|---------------------------------------|-----------------------------|------------------------|--|--|--|--|--|
| LEBANON | FRANCE | EGYPT | KINGDOM OF SAUDI ARABIA | | | | |
| BANK AUDI sal - AUDI SARADAR GROUP | BANK AUDI SARADAR FRANCE sa | BANK AUDI sae | AUDI CAPITAL (KSA) cjsc | | | | |
| AUDI SARADAR INVESTMENT BANK SAI | SWITZERLAND | SUDAN | UAE | | | | |
| AUDI SARADAR PRIVATE BANK SAI | BANQUE AUDI (SUISSE) sa | NATIONAL BANK OF SUDAN | BANK AUDI sal - ABU DHABI REPRESENTATIVE OFFICE | | | | |
| | | | QATAR | | | | |
| LIA INSURANCE sal | | | BANK AUDI LLC | | | | |
| JORDAN | | | | | | | |
| BANK AUDI sal - JORDAN BRANCHES | | | | | | | |
| SYRIA | | | | | | | |
| BANK AUDI SYRIA sa | | | _ | | | | |
| | | | Banking | | | | |
| SYRIAN ARAB INSURANCE sa | | | Insurance & Brokerage | | | | |

Bank Audi sal - Audi Saradar Group Organisation Chart



Corporate Structure

The major subsidiaries of Bank Audi sal - Audi Saradar Group as at 31/03/2010 are:



- Banking
- Insurance & Brokerage
- Services / Outsourcing
- Holding
- Real Estate
- Finance Investment Consultancy

- (*) Represents the economic ownership of the Bank with direct and/or indirect ownership through subsidiaries.
- (**) Ownership of Audi Capital (KSA) cjsc increased from 70% as at 31/12/2009 to 99.99% as at 31/03/2010, on a consolidated basis.



People's ambitions today create new horizons for us tomorrow. In our corporation, we value attention to detail and strive to match our goals with people's dreams to work together towards a prosperous future.



Management

■ Bank Audi sal - Audi Saradar Group

■ MANAGEMENT

▲ OFFICE OF THE CEO

Mr. Michel E. Aramouni Assistant General Manager - Group Capital Markets / Fixed Income

Assistant General Manager – Office of the CEO Mr. Danny N. Dagher

▲ REGIONAL NETWORK

Mr. Joseph I. Kesrouani Assistant General Manager -

Business Development Syria / South America & Africa

▲ CORPORATE NETWORK

Mrs. Wafaa' S. Daouk Assistant General Manager

Network Manager - Corporate Banking Mr. Salam G. Nadda

Assistant General Manager -

Network Manager - Corporate Banking

Mrs. Ghina M. Dandan Central Manager

Network Manager - Corporate Banking

▲ COMMERCIAL NETWORK

Mr. Georges J. Boustany Central Manager

Network Manager – Commercial Banking

Mrs. Najla E. Haddad Central Manager

Network Manager - Commercial Banking

Mr. Rabih E. Berbery

Network Manager – Commercial Banking Mr. Kamal S. Tabbara

Manager

Network Manager - Commercial Banking

■ RETAIL NETWORK

Mr. Hani A. Bidawi Senior Manager

Network Manager - Retail and Personal Banking Mr. Pierre Y. Harfouche

Senior Manager

Network Manager - Retail and Personal Banking

ADVISORS

Mr. Mounir R. Tabet

Dr. Ghassan C. Ayache Advisor Mr. Georges Y. Azar Advisor

Mr. Joseph T. Gholam Advisor Mr. Yacoub G. Nadda Advisor

Mr. Riad H. Ghosn Chief Representative - UAE

▲ CENTRAL DEPARTMENTS

Mr. Tamer M. Ghazaleh Assistant General Manager – Group Finance Mr. Ibrahim M. Salibi Assistant General Manager – Commercial Banking

Dr. Khaled R. Al-Fakih Senior Manager – Group Islamic Banking Dr. Marwan S. Barakat Senior Manager – Group Research Mrs. Dany L. Baz Senior Manager – Retail Banking Lebanon

Mrs. Randa T. Bdeir Senior Manager – Electronic Banking and Cards

Services

Mr. Elie J. Kamar Senior Manager – Credit Risk Management Mr. Naoum J. Moukarzel Senior Manager – Group Information Technology Mr. Rachid E. Romanos Senior Manager – Overseas Credit Risk Management

Senior Manager – Corporate Accounting and Financial

Central Manager - Group Marketing and Mr. Ramzy S. Abouezzeddine

Communications

Mr. Marwan O. Arakji Central Manager – Special Projects Mr. Antoine G. Boufarah Central Manager - Group Internal Audit

Mr. Abdul-Salam E. Chebaro Central Manager – Trade Finance

Central Manager – Group Corporate Banking Mr. Khalil I. Debs Mr. Salah K. Labaki Central Manager – Central Operations

Mr. Elie A. Nahas Central Manager – Group Real Estate & Engineering Central Manager – Group Organisational Planning and Mr. Hassan A. Saleh

Re-engineering

▲ Audi Saradar Investment Bank sal

▲ GROUP FINANCIAL INSTITUTIONS & CORRESPONDENT BANKING

Mr. Khalil G. Geagea Senior Manager

Tel: (961-1) 964817. Fax: (961-1) 989494. E-mail: khalil.geagea@banqueaudi.com

Mr. Joseph A. Nader Central Manager

Tel: (961-1) 977644. Fax: (961-1) 989494. E-mail: joseph.nader@banqueaudi.com

■ BRANCH NETWORK AND PRIVATE SALES

Mrs. Rosaline D. Chamieh Supervisor

Tel: (961-1) 977462. Fax: (961-1) 990222. E- mail: rosaline.chamieh@banqueaudi.com

▲ INVESTOR RELATIONS

Ms. Sana M. Sabra Manager

Tel: (961-1) 977496. Fax: (961-1) 990444. E- mail: sana.sabra@banqueaudi.com

▲ BOARD OF DIRECTORS

Dr. Marwan M. Ghandour Chairman & General Manager

Mr. Samir N. Hanna Member
Dr. Freddie C. Baz Member

Mr. Ramzi N. Saliba Member & Secretary of the Board

Bank Audi sal - Audi Saradar Group Member

▲ MANAGEMENT

Dr. Marwan M. Ghandour Chairman & General Manager

Mr. Ramzi N. Saliba General Manager

Mr. Khalil I. Debs Central Manager – Group Head of Corporate Banking

▲ Audi Saradar Private Bank sal

▲ BOARD OF DIRECTORS

Mr. Mario J. Saradar Chairman

Mr. Fady G. Amatoury
Mr. Marc J. Audi
Member
Dr. Joe A. Debbané
Mr. Istvan I. Nagy
Member
Bank Audi sal - Audi Saradar Group
Member

▲ MANAGEMENT

Mr. Mario J. Saradar Chairman & General Manager

Mr. Toufic R. Aouad General Manager

Ms. Leila S. Alameddine Executive Manager Mrs. Martine S. Hochar Executive Manager

Mr. Maher A. Raham Regional Manager Mrs. Nada M. Rizk Regional Manager Ms. Nada M. Safa Regional Manager

Ms. Aline S. Karam Manager – Head of Operations & Organisation

▲ Banque Audi (Suisse) sa

▲ BOARD OF DIRECTORS

Mr. Mario Saradar Chairman

Mr. Dominique Rochat Vice-Chairman

Mr. Marc Audi
Mr. Raymond Audi
Mr. Pierre de Blonay
Mr. Michel Cartillier
Mr. Jean-Pierre Jacquemoud
Mr. Pierre Respinger
Mrespinger

▲ MANAGEMENT

Mr. Istvan Nagy General Manager

Mrs. Christiane Audi Deputy General Manager

Mr. Ibrahim Abdelnour
Mr. Elie Baz
Mr. Fouad Hakim
Manager
Mr. Christopher Johnson
Mr. René Mazzuri
Mr. Michel Nassif
Mr. Wolfram Pietsch
Manager

■ Bank Audi Saradar France sa

▲ BOARD OF DIRECTORS

Dr. Freddie C. Baz Chairman & Member

Mr. Luc H. Debieuvre General Manager & Member

Mrs. Sherine R. Audi Deputy General Manager & Member

Mr. Raymond W. Audi Member
Mr. Samir N. Hanna Member
Mr. Ramzi N. Saliba Member
Mr. Elia S. Samaha Member
Mr. Mario J. Saradar Member
Mr. Pierre A. Souleil Member

Bank Audi sal - Audi Saradar Group Member (represented by Mr. Maurice H. Sayde)

▲ EXECUTIVE MANAGEMENT

Dr. Freddie C. Baz Chairman

Mr. Luc H. Debieuvre General Manager

Mrs. Sherine R. Audi Deputy General Manager

Mr. Emile G. Ghazi
Manager – Head of Corporate Banking
Mr. Michel K. Mehanna
Manager – Head of Trade and Operations

■ Bank Audi sal - Jordan Branches

MANAGEMENT

Mr. Yousef A. Ensour General Manager

Mr. Samer I. Al Aloul

Deputy General Manager – Corporate & Commercial Banking

■ Bank Audi Syria sa

▲ BOARD OF DIRECTORS

Dr. Georges A. Achi Chairman

Mr. Bassel S. Hamwi Deputy Chairman & General Manager

Dr. Ahmad M. Abboud Member
Mr. Raymond W. Audi Member
Dr. Freddie C. Baz Member
Mr. Samir N. Hanna Member
Mr. Elia S. Samaha Member
Mr. Adnan N. Takla Member
Mrs. Rana T. Zein Member

▲ ADVISORS TO THE BOARD

Mr. Abdulateef A. Al-Rajihi Mrs. Nada N. Assaad Mrs. Yasmina R. Azhari Mr. Mohamed Said Z. Zaim

▲ EXECUTIVE COMMITTEE

Mr. Bassel S. Hamwi General Manager

Mr. Antoine G. El-Zyr Deputy General Manager

Mr. Mahmoud A. Al-Kurdy
Mr. Fady A. Obeid
Mr. Jamil R. Shocair
Assistant General Manager – Chief Financial Officer
Assistant General Manager – Head of Retail Banking
Assistant General Manager – Head of Corporate Banking

■ Bank Audi sae (Egypt)

▲ BOARD OF DIRECTORS

Mr. Hatem A. Sadek Chairman & Managing Director

Mr. Abdullah I. Al Hobayb Member Mr. Raymond W. Audi Member⁽²⁾ Dr. Freddie C. Baz Member Dr. Marwan M. Ghandour Member⁽¹⁾ Mr. Samir N. Hanna Member Mr. Gaby G. Kassis Member Dr. Mokhtar A. Khattab Member⁽²⁾ Mr. Ramzi N. Saliba Member Mr. Elia S. Samaha Member

> 1) Chairman of the Audit Committee 2) Members of the Audit Committee

Mr. Ahmed F. Ibrahim Secretary of the Board

MANAGEMENT

Mr. Hatem A. Sadek Chairman & Managing Director

Mr. Mohamed A. Masri

Mr. Yehia K. Youssef

Senior General Manager – Head of Corporate Banking
Senior General Manager – Chief Operating Officer

Mr. Hossam E. AbdelWahab

Mr. Mohamed M. Bedier

Mr. Bechara E. Serhal

General Manager – Head of Retail Banking

General Manager – Chief Financial Officer

General Manager – Head of Capital Markets

Mr. Afdal E. Naguib Deputy General Manager – Head of Risk Management

■ National Bank of Sudan

▲ BOARD OF DIRECTORS

Dr. Imad I. Itani Chairman

Mr. Ahmad B. El Nefeidi Member
Mr. Osman A. Malik Member
Mr. Hatem A. Sadek Member
Mr. Ramzi S. Saliba Member
Bank Audi sal - Audi Saradar Group Member

Mr. Moawia A. Mohamad Ali Secretary of the Board

▲ EXECUTIVE COMMITTEE

Dr. Imad I. Itani Chairman

Mr. Moawia A. Mohamad Ali Deputy General Manager

Mr. Ahmad B. El Nefeidi Member
Mr. Charbel T. Moubarak Member
Mr. Ramzi N. Saliba Member

▲ Audi Capital (KSA) cjsc

▲ BOARD OF DIRECTORS

Mr. Abdullah I. Al Hobayb Chairman

H.R.H. Prince Mohamad Bin Khaled Al-Faisal Member
Dr. Freddie C. Baz Member
Dr. Marwan M. Ghandour Member
Mr. Samir N. Hanna Member

Mr. Mario J. Saradar Member (appointed by the Shareholders' Extraordinary General

Assembly on February 21, 2010)

▲ EXECUTIVE MANAGEMENT

Mr. Samir N. Hanna Chief Executive Officer

Mr. Abdallah I. Saade Deputy CEO – Executive Director – Investment Banking

Mr. Ammar H. Bakheet Executive Director – Asset Management Mr. Rami S. Jisr Executive Director – Corporate Finance Mr. Elie A. Nahas Executive Director – Real Estate

Mr. Emile P. Albina Head of Private Banking

■ BANK AUDI LLC (QATAR)

Authorised by the QFC Regulatory Authority License No 00027

▲ BOARD OF DIRECTORS

Mr. Raymond W. Audi Chairman

Mr. Fady G. Amatoury Member & General Manager

Mr. Rashed Nasser S. Al-Kaabi Member
Dr. Ghassan C. Ayache Member
Mr. Ramzi N. Saliba Member
Mr. Elia S. Samaha Member
Mr. Mario J. Saradar Member

▲ EXECUTIVE MANAGEMENT

Mr. Fady G. Amatoury General Manager

Mr. Saad A. El Zein Deputy General Manager



Every stride towards greatness is driven by the motivation to go further. Bank Audi prides itself on building a better tomorrow by working harder today. Because today's effort is tomorrow's achievement.



Addresses

▲ LEBANON Bank Audi sal – Audi Saradar Group

Member of the Association of Banks in Lebanon Capital: LBP 436,944,528,000 (as at March 2010) Shareholders' Equity: LBP 3,385,432,707,000 (as at March 2010) C.R. 11347 Beirut List of Banks No. 56

HEADQUARTERS

Bank Audi Plaza, Bab Idriss,
Beirut 2021 8102 - Lebanon.
P.O. Box 11-2560 Riad El-Solh. Beirut 1107 2808 - Lebanon.
Tel: (961-1) 994000. Fax: (961-1) 990555.
E-mail: contactus@banqueaudi.com
http://www.banqueaudi.com

▲ COMMERCIAL BANKING NETWORK

Ashrafieh - Clover

Clover Bldg., Charles Malek Avenue.
Tel: (961-1) 332129-30, 215492-3, 204825-6-7.
Fax: (961-1) 201992.
Branch Manager: Mr. Gabriel A. Drouby

Dora

Dora Highway, Cité Dora 1. Tel: (961-1) 255686-7-8-9, 255691-2-3-4, 258877, 259064-5-6-7-8, 259072-3-4-5-6, 254646. Fax: (961-1) 255695, 259071. Commercial Area Manager: Mr. Michel R. Geammal

Gefinor

Gefinor Center, Clemenceau Street.
Tel: (961-1) 743400-1-2-3-4-5-6-7-8. Fax: (961-1) 743412.
Commercial Area Manager: Mrs. Journana A. Najjar Moughrabi

Hazmieh

Dar Assayad Bldg., Said Freiha Street, Hazmieh Roundabout. Tel: (961-5) 450179, 451850, 452456, 452494, 459213, 952904-5. Fax: (961-5) 457963. Branch Manager: Mr. Michel W. Nehme

Jnah

Tahseen Khayat Bldg., Khalil Moutran Street. Tel: (961-1) 844870-1-2-3. Fax: (961-1) 844875. Branch Manager: Mrs. Elissar A. Halawi

Mazraa

Wakf El-Roum Bldg., Saeb Salam Blvd. Tel: (961-1) 305612, 311886-7, 311892. Fax: (961-1) 316873. Branch Manager: Ms. Rania J. Tamraz

Nabatieh

Office 2000 Bldg., Hassan Kamel El-Sabbah Street. Tel: (961-7) 767812-3-4, 761241. Fax: (961-7) 767816. Commercial Area Manager: Mrs. Lina T. Cherif Bidawi

Saida – South

Bsat & Ibdih Bldg., Maarouf Saad Blvd.
Tel: (961-7) 728601-2-3-4, 723673. Fax: (961-7) 752704.
Branch Manager: Mr. Jean Y. Azar

Shtaura

Daher Bldg., Main Road. Tel: (961-8) 540745, 542960-1-2, 545034. Fax: (961-8) 544853. Branch Manager: Mrs. Mona K. Cherro

Tripoli – El-Mina

Mandarine Bldg., Riad El-Solh Street, El-Mina Blvd. Tel: (961-6) 205100-1-2. Fax: (961-6) 205103. Branch Manager: Mr. Georges A. Khodr

Tyre

Abou-Saleh & Moughnieh Bldg., Main Road. Tel: (961-7) 345196-7-8. Fax: (961-7) 345201. Commercial Area Manager: Mr. Georges K. Karam

Zouk

Val de Zouk Center, Zouk Mikhael. Tel: (961-9) 211140-1, 211138-9, 226771-2-3-4, 211054. Fax: (961-9) 225505. Commercial Area Manager: Mr. Abdo M. Abi-Nader

▲ CORPORATE BANKING NETWORK

Ashrafieh - Main Branch

Sofil Center, Charles Malek Avenue.
Tel: (961-1) 200250-1-2-3-4-5, 200572-3, 216810, 331813, 333094. Fax: (961-1) 200724.
Network Manager – Corporate Banking:
Mr. Salam G. Nadda

Bab Idriss

Bank Audi Plaza, Omar Daouk Street. Tel: (961-1) 977588. Fax: (961-1) 999410, 971502. Network Manager – Corporate Banking: Mrs. Ghina M. Dandan

Verdun

Verdun 2000 Center, Rachid Karame Avenue. Tel: (961-1) 805805, 861892, 814202, 790761-2, (961-3) 395500. Fax: (961-1) 861885. Network Manager – Corporate Banking: Mrs. Wafaa' S. Daouk

▲ RETAIL & PERSONAL BANKING NETWORK

▲ BEIRUT AND SUBURBS

Ashrafieh - Sassine

Bahri Center, Sassine Square. Tel/Fax: (961-1) 200640-1-2-3-4. Branch Manager: Ms. Rita C. Haddad

Ashrafieh – Saydeh

Shibli Bldg., Istiklal Street.
Tel: (961-1) 200753-4, 320825, 204971-3, 202943.
Fax: (961-1) 204972.
Retail Area Manager: Mr. Fadi E. Chedid

Ashrafieh - St. Georges

St. Georges Towers, Sassine Street.
Tel: (961-1) 217064, 217073, 217082. Fax: (961-1) 216954.
Branch Manager: Mrs. Nayla S. Hanna Ghammachi

Ain El-Remmaneh

Etoile Center, El-Areed Street.
Tel: (961-1) 292870-1-2-3-4. Fax: (961-1) 292869.
Branch Manager: Mr. Daoud T. Nehme

Badaro

Ibrahim Ghattas Bldg., Badaro Street. Tel: (961-1) 387395-6-7. Fax: (961-1) 387398. Branch Manager: Mrs. Patricia G. Debs

Basta

Noueiri Quarter, Ouzai Street. Tel: (961-1) 661323-4-5-6. Fax: (961-1) 651798. Branch Manager: Ms. Rawan K. Baydoun

Beshara El-Khoury

Banna & Sayrawan Bldg., Beshara El-Khoury Street. Tel/Fax: (961-1) 664093-4-5-6. Retail Area Manager: Mrs. Inaya A. Hamdan

Bliss

Kanater Bldg., Bliss Street. Tel: (961-1) 361714-5, 361793-4-5. Fax: (961-1) 361796.

Branch Manager: Ms. Afaf M. Khoury

Bourj Hammoud

Mekheterian Bldg., Municipality Square. Tel/Fax: (961-1) 258146, 263325, 265679, 242631-2. Branch Manager: Mr. Hrair S. Anlian

Dekwaneh

Main Road, El-Nefaa. Tel: (961-1) 693790-1-2-4. Fax: (961-1) 693795. Branch Manager: Mr. Pierre A. Mezher

Dora - City Mall

City Mall, Dora Highway. Tel: (961-1) 884114, 884081, 884098. Fax: (961-1) 884115. Branch Manager: Mr. Dany E. Sarkis

Dora - Vartanian

Vartanian Center, Dora Highway. Tel: (961-1) 250202, 250303, 250404, 250606. Fax: (961-1) 241647. Branch Manager: Mrs. Marthe A. Kanaan

El-Horge

Khattab Bldg., Hamad Street. Tel: (961-1) 660636, 660646, 660656. Fax: (961-1) 660686. Branch Manager: Mr. Khaled A. Itani

Furn El-Shebbak

Michel & Antoine Badaro Bldg., Damascus International Road. Tel: (961-1) 290713-4-5-6, 282105. Fax: (961-1) 282104. Branch Manager: Mr. Georges J. Tabet

Ghobeyri

Hoteit Bldg., Shiyah Blvd., Moucharrafieh Square. Tel: (961-1) 541125-6, 541534. Fax: (961-1) 272342. Branch Manager: Mrs. Ghada S. Al-Ameen

Hadath

Notre-Dame Center, Main Road, El-Ain Square. Tel/Fax: (961-5) 461916, 464050-1, 465726, (961-3) 911474. Branch Manager: Ms. Roula E. Fayad

Hamra

Mroueh Bldg., Hamra Street. Tel: (961-1) 341491-2-3-4-5-6-7, 346749, 348352, 353206-7, 341490. Fax: (961-1) 344680. Branch Manager: Mr. Sami R. Samara

Haret Hreik

Ahmad Abbas Bldg., Baajour Street, Main Road. Tel/Fax: (961-1) 277270, 278654, 278656-7. Branch Manager: Mr. Hilal N. Zeineddine

Jal El-Dib

Milad Sarkis Bldg., Main Road. Tel: (961-4) 710391-2-3-4. Fax: (961-4) 710395. Branch Manager: Mrs. Carol S. Abou-Jaoude

Khaldeh

Lebanese Commercial Mall, Saida Highway. Tel: (961-5) 801985-6-7-8. Fax: (961-5) 806405. Branch Manager: Mr. Ghassan M. Kaed Bey

Mousseitbeh

Shehadeh Bldg., Mar Elias Street. Tel: (961-1) 818277-8-9, 818280. Fax: (961-1) 303084. Branch Manager: Mr. Raffoul G. Mansour

Mreijeh

Mreijeh Plaza Center, Abdallah Yaffi Avenue. Tel: (961-1) 477980-1-2-4. Fax: (961-1) 477200. Branch Manager: Mr. Bassam M. Harake

Port

El-Hadissa Bldg., El-Arz Street, Saifi. Tel: (961-1) 580530-1-6, 445117. Fax: (961-1) 580885. Branch Manager: Mr. Makram N. Khalife

Raousheh

Majdalani Bldg., Raousheh Corniche. Tel: (961-1) 786212-3, 805068, 864752. Fax: (961-1) 805071. Branch Manager: Mr. Zahi K. Chatila

Roueiss

Hoteit Bldg., Hady Nasrallah Blvd. Tel: (961-1) 541146-7-8. Fax: (961-1) 541149. Branch Manager: Mr. Ali A. Jaber

Selim Salam

Sharkawi Bldg., Selim Salam Avenue. Tel: (961-1) 318824, 319295-6. Fax: (961-1) 318657.

Shiyah

Youssef Khalil Bldg., Assaad El-Assaad Street. Tel: (961-1) 541120-1-2. Fax: (961-1) 541123. Branch Manager: Mrs. Zeina H. Kehil

Sin El-Fil

Hayek Street.

Tel/Fax: (961-1) 482335, 490301, 490365, 510384. Branch Manager: Mr. Antoine Y. Asmar

Sodeco

Alieh Bldg., Istiklal Street. Tel: (961-1) 612790-1-2. Fax: (961-1) 612793. Retail Area Manager: Mrs. Raghida N. Bacha

Zalka

Romeo & Juliette Bldg., Zalka Highway. Tel: (961-1) 875123-4-5, 901962. Fax: (961-1) 900274. Branch Manager: Mr. Joseph E. Awaida

Zarif

Salhab Center, Alger Street. Tel: (961-1) 747550-1-2. Fax: (961-1) 747553. Retail Area Manager: Mr. Mouayad A. Tabbara

■ MOUNT LEBANON

Ajaltoun

Bou Shaaya & Khoury Center, El-Midane. Tel/Fax: (961-9) 234339, 234619, 234620-1. Branch Manager: Mr. Antoine F. Boueiri

Baabda

Boulos Brothers Bldg., Damascus International Road. Tel: (961-5) 953237-8-9, 953240-1-3, 451452. Fax: (961-5) 953236. Branch Manager: Mrs. Mireille E. Braidy

Bhamdoun

Main Road.

Tel: (961-5) 261285-6-7, 260132. Fax: (961-5) 261289. Branch Manager: Mr. Elias J. Daniel

Broummana

Lodge Center, Main Road. Tel: (961-4) 860163-4-6, 860451. Fax: (961-4) 860167. Retail Area Manager: Mr. Tanios F. Nabhan

Elyssar

Mazraat Yashouh, Main Road. Tel: (961-4) 913927-8-9, 916152-4. Fax: (961-4) 913932. Branch Manager: Mr. Habib Y. Gharios

Fanar

La Rose Center, Main Road. Tel: (961-1) 879637-8, 879640, 870820. Fax: (961-1) 879641. Branch Manager: Mrs. Georgina Y. Nakad

Ghazir

Haddad Bldg., Kfarhebab Main Road. Tel/Fax: (961-9) 851720-1-2-3. Branch Manager: Ms. Michele P. Nader

Jbeil

St. Louis Center, Rehbane Street.
Tel: (961-9) 541410-1, 946452. Fax: (961-9) 943121.
Branch Manager: Mr. Fares H. Mouawad

Jeita

Antoura Square.
Tel: (961-9) 235257-8-9. Fax: (961-9) 235260.
Branch Manager: Mr. Emile J. Moukarzel

Jounieh

La Joconde Center, Fouad Shehab Blvd. Tel: (961-9) 641660-1-2-3-4. Fax: (961-9) 644224. Retail Area Manager: Mr. Georges Z. Sayess

Jounieh - El-Shir

Beaino Bldg., Notre-Dame du Liban Hospital Street. Tel: (961-9) 638060-1-2, 915503. Fax: (961-9) 915511. Branch Manager: Mrs. Lizia E. Chidiac

Mansourieh

Kikano Bldg., Main Road. Tel: (961-4) 533610-1-2-3. Fax: (961-4) 533614. Branch Manager: Mrs. Hilda G. Sadek

Rabieh

Rizk & Mokbel Villa, Street No. 4.

Tel: (961-4) 405950, 410336, 521265, 525296, 419881.

Fax: (961-4) 416105.

Retail Area Manager: Mrs. Yolla Y. Hajjar

Zouk - Espace 2000

Espace 2000 Center, Zouk Mikhael. Tel: (961-9) 210898-9, 210900-1, 212943, 210780. Fax: (961-9) 210897. Branch Manager: Mr. Edgard A. Aoun

■ NORTH

Amyoun

Main Road.
Tel: (961-6) 955600-1-2-3. Fax: (961-6) 955604.
Branch Manager: Mrs. Rana A. Khoury Katrib

Halba

Main Road.

Tel/Fax: (961-6) 692020-1-2-3-4.

Branch Manager: Mr. Abdel-Hamid M.B. Osman

Shekka

Main Roa

Tel: (961-6) 545379, 545048, 545283. Fax: (961-6) 541526.

Tripoli – Azmi

Fayad Bldg., Azmi Street. Tel: (961-6) 430132-3, 445590-1-2-3. Fax: (961-6) 435348.

Retail Area Manager: Mr. Hachem R. Zouk

Tripoli – Square 200

Akkad Bldg., Square 200. Tel: (961-6) 437343, 448840-2. Fax: (961-6) 437383. Branch Manager: Mr. Antoine T. Douaihy

Tripoli – El Bohsas

Fattal Tower 1, El-Bohsas Blvd. Tel: (961-6) 410200-1-2. Fax: (961-6) 410799. Branch Manager: Mrs. Zeina A. Adra

■ BEKAA

Jeb Jannine

Majzoub Bldg., Main Road. Tel: (961-8) 661486-7-8. Fax: (961-8) 661481. Branch Manager: Mr. Ibrahim M. Harati

Zahleh

Beshwati Bldg., El-Boulevard. Tel/Fax: (961-8) 813592-3-4-5. Retail Area Manager: Mr. Robert J. Moubarak

▲ SOUTH

Abra

Nhouli & Solh Bldg., Main Road. Tel: (961-7) 752267-8-9. Fax: (961-7) 752271. Branch Manager: Mr. Roni C. Tannous

Saida - East

Dandashli Bldg., Eastern Blvd. Tel: (961-7) 751885-6-7. Fax: (961-7) 751889. Branch Manager: Mr. Mohamad M. Bizri

Saida - Riad El-Solh

Wakf El-Roum Catholic Bldg., Riad El-Solh Blvd. Tel: (961-7) 720411-2, 733750-1-2-3-4. Fax: (961-7) 724561. Retail Area Manager: Mr. Mohamad M. Kalo

■ NABATIEH

Bent Jbeil

Ahmad Beydoun Bldg., Serail Square. Tel: (961-7) 450900-1-2-5. Fax: (961-7) 450904. Branch Manager: Mr. Fares M. Ghostine

▲ Audi Saradar Investment Bank sal

Bank Audi Plaza, Block D, France Street, Bab Idriss, Beirut 2021 8102 - Lebanon.
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▲ Audi Saradar Private Bank sal

Clover Bldg., Charles Malek Avenue, Ashrafieh, Beirut. P.O. Box: 11-1121 & 11-3312 Riad El-Solh, 1107 2805 Beirut - Lebanon. Tel: (961-1) 205400, 208400. Fax: (961-1) 205480, 205454. E-mail: contactus@audisaradarpb.com http://www.audisaradarpb.com

▲ LIA Insurance sal

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Beirut 1107 2080 - Lebanon.
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Gibraltar branch

Suite 204 Neptune House, Marina Bay. P.O. Box: 1155, Gibraltar. Tel: (350) 200 03500. Fax: (350) 200 03590. E-mail: contactus@bankaudi.gi

Beirut Representative Office

Bank Audi Plaza, Bab Idriss.
P.O. Box: 11-2666 Riad El Solh.
Beirut 1107 2110 - Lebanon.
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▲ FRANCE Bank Audi Saradar France sa

73, Avenue des Champs-Elysées. 75008 Paris, France. Tel: (33-1) 53 83 50 00. Fax: (33-1) 42 56 09 74. E-mail: contactus.france@banqueaudi.com

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Tel: (962-6) 4604000. Fax: (962-6) 4680015.
E-mail: contactus.jordan@banqueaudi.com

Shmeissani (Main Branch)

Salah Center, Al-Shareef Abdul Hameed Sharaf Street, Shmeissani, Amman. Tel: (962-6) 5606020. Fax: (962-6) 5604545. Branch Manager: Mrs. Ghada A. Tawil

Al-Khalidy

Ajnihat Ibn Khaldoun, Ibn Khaldoun Street, 3rd Circle, Jabal Amman, Amman.
Tel: (962-6) 4648834. Fax: (962-6) 4648835.
Branch Manager: Mr. Anzor S. Hina

Le Royal Hotel

Le Royal Hotel Complex, Zahran Street, 3rd Circle, Jabal Amman, Amman.
Tel: (962-6) 4604004. Fax: (962-6) 4680010.
Branch Manager: Mrs. Ghada A. Tawil (temporary)

Mecca Mall

Mecca Mall Center (Ground Floor - Main Entrance), Mecca Street, Amman. Tel: (962-6) 5518736. Fax: (962-6) 5518724. Branch Manager: Mrs. Suha H. Abu-Ghosh

Jabal Hussein

Al-Husseini Center, Khaled Ben Walid Street, Firas Circle, Jabal Hussein, Amman. Tel: (962-6) 5605252. Fax: (962-6) 5604242. Branch Manager: Mr. Mohamad M. Abu Anzeh

Sweifiel

Al Yanbouh Center, Abd El-Rahim Al-Hajj Mohamad Street, Sweifieh, Amman.

Tel: (962-6) 5865432. Fax: (962-6) 5853185. Branch Manager: Mrs. Miran M. Sirriyeh

Abdoun

Moussa Nakho Complex, Queen Zain Al-Sharaf Street, Abdoun, Amman. Tel: (962-6) 5935597. Fax: (962-6) 5935598.

Branch Manager: Mrs. Samar B. Homsi

Al-Madina Al-Mounawara Street

Al-Ameer Complex,

Al-Madina Al-Mounawara Street, Amman. Tel: (962-6) 5563850. Fax: (962-6) 5563851. Branch Manager: Mr. Marwan M. Abu-Yousef

Nadi Saqra

Saqra Complex, Wadi Saqra Street, Amman. Tel: (962-6) 5672227. Fax: (962-6) 5652321. Branch Manager: Mrs. Grace B. Atallah

Irbid

The Investment Center of Al-Yarmouk University, Shafik Rousheidat Street, Irbid.
Tel: (962-2) 7261550. Fax: (962-2) 7261660.
Branch Manager: Mr. Jihad A. Al-Zubi (temporary)

Aqaba

Dream Mall, Sharif Hussein Bin Ali Street, Aqaba. Tel: (962-3) 2063200. Fax: (962-3) 2063201. Branch Manager: Mr. Odeh T. Odeh

▲ SYRIABank Audi Syria sa

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- Plaza 86 Bldg., Cham City Center, Street No. 2, Tanzeem Kafarsouseh, Damascus.
 P.O. Box 6228 Damascus, Syria.
 Tel: (963-11) 23888000. Fax: (963-11) 2248510.
 E-mail: contactus.syria@banqueaudi.com
- Mohafaza Bldg., Youssef Al-Azmeh Square, Damascus.
 P.O. Box 6228 Damascus, Syria.
 Tel: (963-11) 23888000. Fax: (963-11) 2454197.
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▲ DAMASCUS

Mohafaza (Main Branch)

Mohafaza Bldg., Youssef Al-Azmeh Square. Tel: (963-11) 23888000. Fax: (963-11) 2247782. Branch Manager: Mr. Bechara G. Charbel

Mazzeh

Mazzeh Highway (near Al-Muhandes Al-Arabi Bldg.). Tel: (963-11) 6626612. Fax: (963-11) 6626619. Branch Manager: Mr. Ayman T. Soueid

Abu Rummaneh

Kanawati Bldg. (facing Japanese embassy), 7 Al-Jalaa Street, Abu Rummaneh. Tel: (963-11) 3346408. Fax: (963-11) 3346410. Branch Manager: Mr. Roger S. Aoun

West Mazzeh

Al Massoudi Street (facing "City Mall" main entrance). Tel: (963-11) 6630397. Fax: (963-11) 6630385. Retail Branch Manager: Mr. Hani J. Dahdouh

Malki

Abdul Mona'em Riad Street (next to "German Cultural Center - Goethe"). Tel: (963-11) 3739695. Fax: (963-11) 3739503. Retail Branch Manager: Ms. Nivin A. Kara Mohamad

Kafarsouseh

Cham City Center, Street No. 2, Tanzeem Kafarsouseh. Tel: (963-11) 2111593. Fax: (963-11) 2111897. Branch Manager: Mr. Georges H. Yazbeck

Cassaa

Droubi Bldg., Al Akhtal Street, Kassaa Street extension, Al Abbassyeen Square. Tel: (963-11) 4459160. Fax: (963-11) 4459322. Retail Branch Manager: Ms. Sophia A. Darwish

Harika

Al Kuwatli Bldg., 1st Floor, Abd El Kader Al Husseini Street. Tel: (963-11) 2217870. Fax: (963-11) 2218420. Branch Manager: Mr. Nagib A. Cheaib

Dummar

Island No. 1, Cham Mall, Dummar Project. Tel: (963-11) 3142320. Fax: (963-11) 3142324. Retail Branch Manager: Mr. Hassan R. Baghdadi

■ DAMASCUS REEF

Harasta

Basal Area (next to Dacia Cars Agency), Harasta. Tel: (963-11) 4475890. Fax: (963-11) 4475891. Branch Manager: Mr. Pierre E. Harb

Jaramana

Al Baladia Square, Jaramana. Tel: (963 11) 5637272. Fax: (963-11) 5637279. Retail Branch Manager: Mr. Georges N. Moussa

▲ ALEPPO

Regional Office — North

Baghdad Station, Majd Al-Deen Al-Jabri Street, Al Aziziyah.

Tel: (963-21) 2279801-6. Fax: (963-21) 2279809. Regional Manager – North (Aleppo, Al Qameshli, Deir Al Zour): Mr. Melhem J. Abou-Antoun

Aziziyah (Main Branch)

Baghdad Station, Majd Al-Deen Al-Jabri Street, Al Aziziyah. Tel: (963-21) 2279801-6. Fax: (963-21) 2279809. Branch Manager: Mr. Ahmad M. Jessry

Souk Al Intaj

Mohafaza, Souk Al Intaj. Tel: (963-21) 2241033. Fax: (963-21) 2241023. Retail Branch Manager: Mrs. Josepha Z. Hadaya

▲ LATTAKIA

Lattakia

Al-Jazair Street, facing Customs Administration Bldg., Old Port Area.

Tel: (963-41) 486023. Fax: (963-41) 486024. Branch Manager: Mr. Mohamad M. Sahyouni

▲ HOMS

Homs

Al Atassi Bldg., Shukri Kuwatli Street.
Tel: (963-31) 2454415. Fax: (963-31) 2454420.
Area Manager for Homs, Hama and Tartous:
Mr. Jean E. Nseir

▲ TARTOUS

Tartous

Salah Daniel Bldg., Amn Al-Dawlah Square, 8 March Street. Tel: (963-43) 324868. Fax: (963-43) 324866. Branch Manager: Mr. Abdo E. Andraos

■ AL HASAKA

Al Qameshli

Bldg. 116, Port Said Street, Al Qameshli. Tel: (963-52) 427222. Fax: (963-52) 447616. Branch Manager: Mr. Abdulghani A. Al-Ali

■ HAMA

Hama

Al Assi Square, facing Al Nawaeer (next to MTN). Tel: (963-33) 219560. Fax: (963-33) 219567. Branch Manager: Mr. Nabeel M. Tayfour

■ DARAA

Daraa

Daraa Tourism Hotel (next to Police Headquarters). Tel: (963-15) 211400. Fax: (963-15) 211407. Retail Branch Manager: Mr. Nader M. Hajj Ali

▲ DEIR AL ZOUR

Deir Al Zour

Corniche Al Nahr (next to Al Nour Specialist Hospital). Tel: (963-51) 375900. Fax: (963-51) 375907. Branch Manager: Mr. Wahib N. Ibrahim

■ SWEIDA

Sweida

Al Muhwari Street. Tel: (963-16) 228146. Fax (963-16) 228137. Branch Manager: Mr. Malek H. Hamzeh

▲ Syrian Arab Insurance sa

Roman Catholic Patriarchate Bldg., Shakib Arslan Street, Abu Rummaneh, Damascus. P.O. Box: 11054 Damascus, Syria. Tel: (963-11) 9206. Fax: (963-11) 3348039. E-mail: contactus@syrian-arab.com http://www.syrian-arab.com

▲ EGYPTBank Audi sae

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Regional Managers Mr. Mohamed L. Ahmed Labib

Mr. Ahmad M. Abdel-Kader Saad

Mr. Ashraf M. Ryad

District Managers Mr. Tarek M. El-Gazzar

▲ GIZA

Dokki (Main Branch)

104 El Nile Street, Dokki. Tel: (20-2) 33362648, 37493190, 37497066. Fax: (20-2) 37483818.

Mosaddak

56 Mosaddak Street, Dokki. Tel: (20-2) 37603520, 37603276, 37482003. Fax: (20-2) 37480242. Branch Manager: Mrs. Rana M. Mostafa

Lebanon

60 Lebanon Street (Lebanon Tower), Lebanon Square, Mohandessin. Tel: (20-2) 33026423-36. Fax: (20-2) 33026454. Acting Branch Manager: Mr. Adel H. Gomaah

El-Batal Ahmed Abdel-Aziz

44 El-Batal Ahmed Abdel-Aziz Street, Mohandessin. Tel: (20-2) 37480266, 37480855-68. Fax: (20-2) 37480599. Branch Manager: Mr. Amgad I. El-Zawawy

Tahrir

94 Tahrir Street, Dokki. Tel: (20-2) 37485487, 37485573, 37486274-8, 37486342. Fax: (20-2) 37486310.

CAIRO

Makram Ebeid

1 Makram Ebeid Street, Nasr City. Tel: (20-2) 22731771-2-3. Fax: (20-2) 22726755. Branch Manager: Mr. Magdy A. El-Ashwah

Beirut

54 Demeshk Street, Heliopolis.
Tel: (20-2) 24508636-44, 24508610.
Fax: (20-2) 24508653.
District Manager: Mr. Mohamed A. Hafeez

Shoubra

128 Shoubra Street, Shoubra.
Tel: (20-2) 22075767, 22075682.
Fax: (20-2) 22075779.
Branch Manager: Mr. Atef E. ElMenkabady

Masaken Sheraton

11 Khaled Ibn El-Waleed Street, Masaken Sheraton, Heliopolis. Tel: (20-2) 22683381-3. Fax: (20-2) 22683433. Branch Manager: Mrs. Pakinam M. Rizk

Nady El Shams

17 Abdel Hamid Badawy Street, Heliopolis. Tel: (20-2) 26210942-3-4. Fax: (20-2) 26210945. Branch Manager: Mr. Mohammad H. Saad

Mokattam

Plot # 6034, Street 9, Mokattam. Tel: (20-2) 25057040, 25056978. Fax: (20-2) 25057566. Branch Manager: Mr. Hany A. Fahim

Abbassia

109 Abbassia Street.
Tel: (20-2) 24871906-8. Fax: (20-2) 24871927.
Branch Manager: Mr. Charles A. Berberi

El-Obour

Shops # 43, 44, 45, Golf City, Obour City.
Tel: (20-2) 46104325-6. Fax: (20-2) 46104324.
Acting Branch Manager: Mr. Mahmoud M. Abou-Taleb

El-Manial

90 El-Manial Street, El-Manial. Tel: (20-2) 23629935-55. Fax: (20-2) 23630099. Acting Branch Manager: Mr. Omar M. Wally

Triumph

8, Plot 740, Intersection of Othman Ibn Affan & Mohamed Adli Kafafi Streets, Heliopolis. Tel: (20-2) 26342243, 26352220. Fax: (20-2) 26424900. Branch Manager: Mr. Ahmed G. El-Zamzamy

Abd El-Khalek Tharwat

42 Abd El-Khalek Tharwat Street, Downtown Cairo. Tel: (20-2) 23904853-66, 23907546, 23910638. Fax: (20-2) 23904162. Branch Manager: Mr. Khaled A. Abbass

Garden City (opening soon)

1 Aisha El-Taymorya Street, Garden City. Tel: (20-2) 27928974-5-6, 27928977-8-9.

Salah Salem (opening soon)

Bldg. 15, Salah Salem Street, Heliopolis. Tel: (20-2) 24053073-86, 24053124-34, 24053152-74.

■ SIXTH OF OCTOBER

Sixth of October

Plot # 2/23, Central District, Sixth of October City. Tel: (20-2) 38353781-3-5-6. Fax: (20-2) 38353780. Branch Manager: Mr. Khaled M. Sokar

Pyramids Heights

Pyramids Heights Office Park, Cairo-Alexandria Desert Road, Km 22, Sixth of October City. Tel: (20-2) 35362052. Fax: (20-2) 35362053. Unit Head: Mr. Tarek A. Negm

▲ HELWAN

Degla — Maadi

1-B, 256 Street, Degla, Maadi. Tel: (20-2) 25195238, 25162094. Fax: (20-2) 25162017. Acting Branch Manager: Mr. Hany S. Matta

■ ALEXANDRIA

Smouha

35 (repeated), Victor Ammanuel Square. Tel: (20-3) 4245360, 4245261. Fax: (20-3) 4244510. Branch Manager: Mr. Mohamed M. Anis

Sultan Hussein

33 Sultan Hussein Street, Azarita. Tel: (20-3) 4855791-2. Fax: (20-3) 4877198. Branch Manager: Mr. Mahmoud A. Khalaf

Miami

Street # 4, 489 Montazah Division, Miami. Tel: (20-3) 5505212-3. Fax: (20-3) 5505136. Branch Manager: Mr. Mohamed H. Antar

Gleem

1 Moustafa Fahmi Street, Gleem. Tel: (20-3) 5825741-6, 5825587. Fax: (20-3) 5825867. Branch Manager: Mr. Sherif S. El-Nozahy

■ DAQAHLIA

El-Mansoura

26 Saad Zaghloul Street, Toreil, El-Mansoura. Tel: (20-50) 2309783-4-5. Fax: (20-50) 2309782. Branch Manager: Mr. Amr Y. Rizk

■ GHARBIA

Tanta

Intersection of El-Gueish & El-Nahda Streets, Tanta. Tel: (20-40) 3403308-9. Fax: (20-40) 3403100. Branch Manager: Mr. Amr A. Dorgham

■ RED SEA

Gouna

Service Area # Fba-12e, El Balad District, Gouna, Hurghada. Tel: (20-65) 3580096. Fax: (20-65) 3580095.

El-Mamsha

Units 1, 2, 3, Commercial Center Ground Floor, Al-Makrameya Touristic Project, Hurghada. Tel: (20-65) 3441507-8. Fax: (20-65) 3441506. Unit Head: Mr. Hossam S. Zaki

Sheraton Road (opening soon)

23 Taksim El Hadaba El Shamaleya, 1 67 Sheraton Road, Hurghada. Tel: (20-65) 3452015-6-8-9, 3452020-3. Fax: (20-65) 3452023.

▲ SOUTH SINAI

Hadabet Om El Sid

Plot 28, Hadabet Om El Sid, Pyramids Mall, Sharm El Sheikh. Tel: (20-69) 3666029-45-46. Fax: (20-69) 3666028.

Naema Bay

207 Rabwet Khaleeg Naema, Sharm El Sheikh. Tel: (20-69) 3604514-6. Fax: (20-69) 3604520. Branch Manager: Mr. Sami S. Osman

▲ SUDANNational Bank of Sudan

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Khartoum (Main Branch)

National Bank of Sudan Bldg., Main Floor, Kasr Avenue, Khartoum. Tel: (249-183) 778153-4. Fax: (249-183) 779497. Manager: Mr. Telal K. Abashar

Omdurman

Kabashi Bldg., Block 4-1, Al Mowrada Street, Omdurman. Tel: (249-187) 573231. Fax: (249-187) 555771. Manager: Mr. Abdulbagi E. Adam

Bahry

Bldg. No 98, Industrial Area, Bahry, North Khartoum. Tel: (249-185) 330669. Fax: (249-185) 336493. Manager: Mr. Murtada A. Ibrahim

Wed Madani

Bldg. No 22 - 23, East Al Gamhuria Street, Madani Market. Tel: (249-511) 843225. Fax: (249-511) 850911. Manager: Mr. Elyas A. Elyas

Kosti

Bldg. No. 429, Kosti Market. Tel: (249-571) 822124. Fax: (249-571) 824963. Manager: Mr. Atif E. El-Shekh

Portsudan

Bldg. No. 4, Block 8, Portsudan Market (next to Osman Digna intersection).
Tel: (249-311) 822814. Fax: (249-311) 839970.
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