ANNUAL REPORT 2010

Bank Audi

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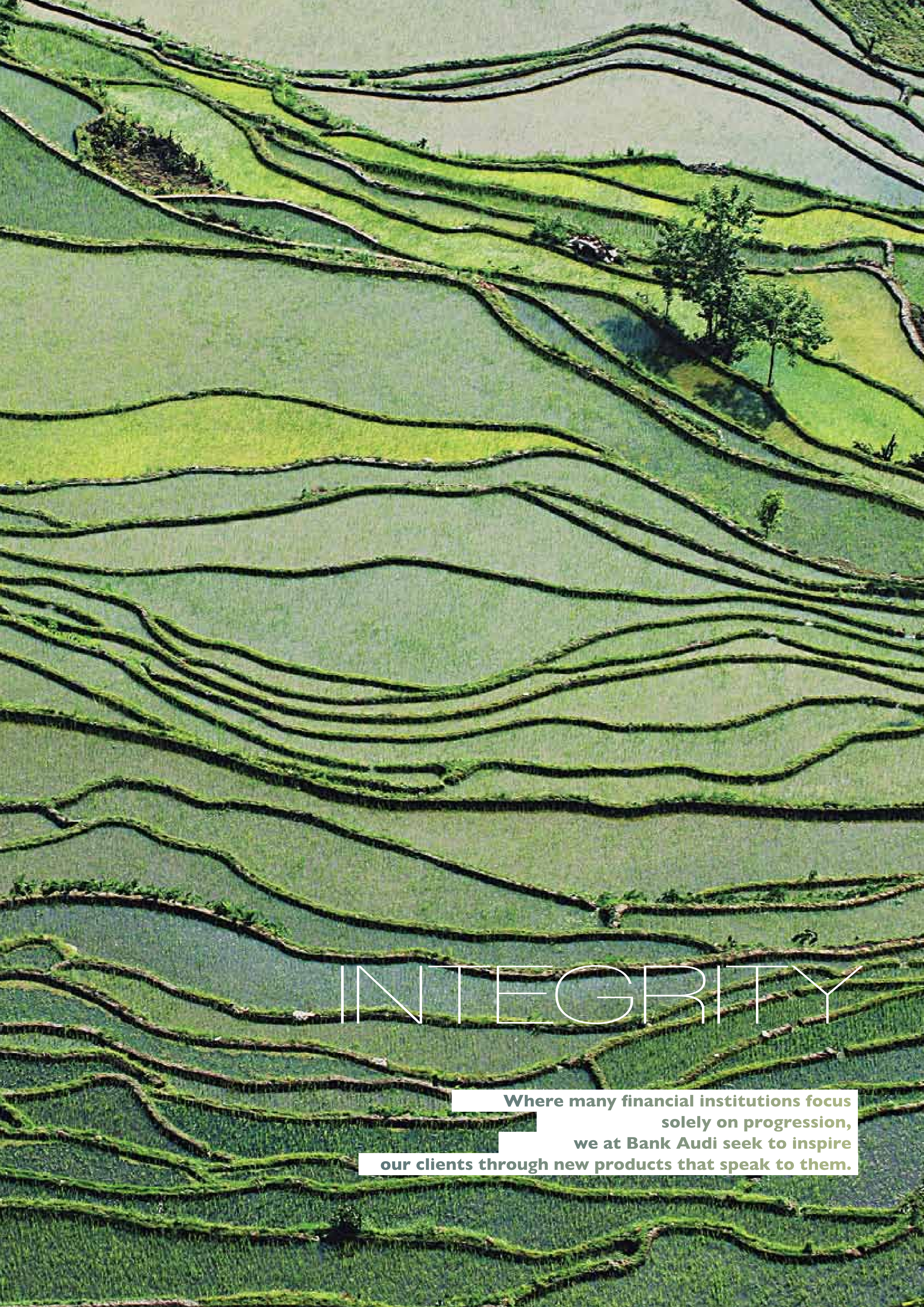

INTEGRITY

Where many financial institutions focus
solely on progression,
we at Bank Audi seek to inspire
our clients through new products that speak to them.

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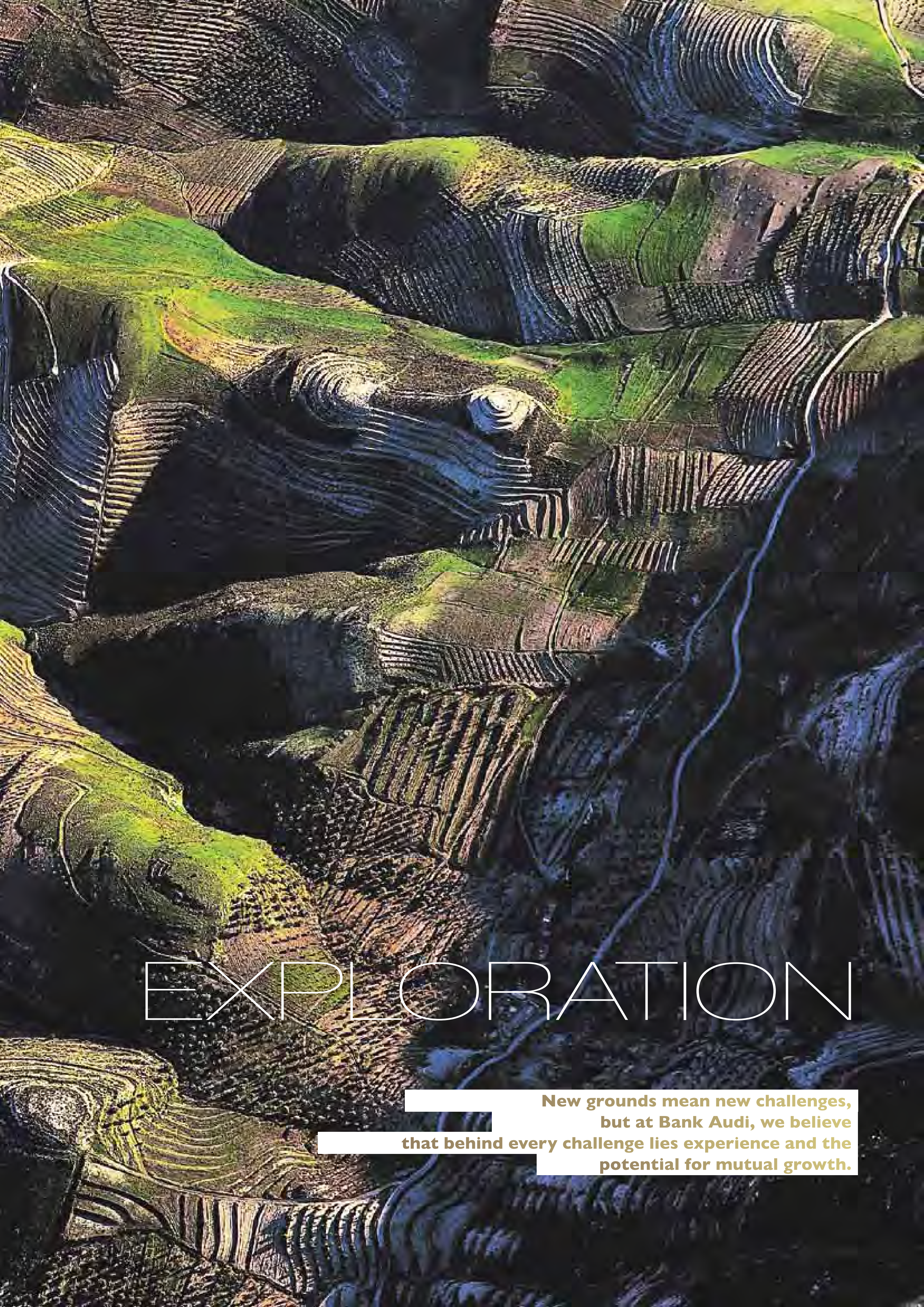
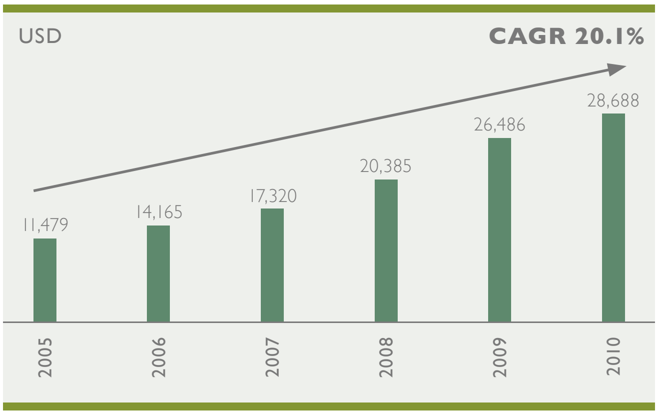


EXPLORATION

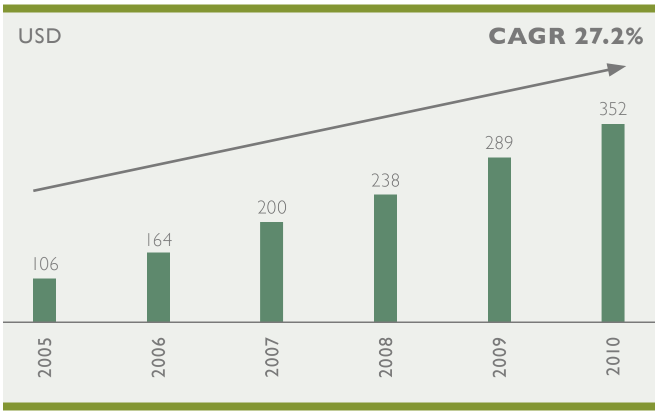
New grounds mean new challenges, but at Bank Audi, we believe that behind every challenge lies experience and the potential for mutual growth.

FINANCIAL HIGHLIGHTS

ASSETS



NET EARNINGS



EARNINGS PER SHARE*

* *Earnings per common share calculations are adjusted for the 10:1 stock split effected in May 2010.*

BANK AUDI sal: SELECTED FINANCIAL DATA

USD Million	2005	2006	2007	2008	2009	2010	CAGR 05-10
Assets	11,479	14,171	17,320	20,385	26,486	**28,688**	20.1%
Loans to customers	2,468	3,235	4,708	6,129	6,747	**8,548**	28.2%
Customers' deposits	9,889	11,847	14,299	17,337	22,985	**24,848**	20.2%
Shareholders' equity	953	1,699	1,824	1,966	2,193	**2,420**	20.5%
Net earnings	106	164	200	238	289	**352**	27.2%
Number of branches	90	114	136	143	154	**157**	11.8%
Number of staff	2,302	2,886	3,872	4,291	4,388	**4,838**	16.0%
Liquidity and asset quality							
Liquid assets/deposits	84.66%	85.50%	82.86%	77.39%	82.10%	**77.25%**	
Loans to deposits	24.96%	27.31%	32.92%	35.35%	29.35%	**34.40%**	
Net doubtful loans/gross loans (including collective provisions)	1.06%	1.24%	0.75%	0.33%	0.35%	**-0.09%**	
Loan loss provisions/gross doubtful loans (including collective provisions)	80.62%	78.62%	82.36%	89.17%	89.65%	**104.17%**	
Net doubtful loans/gross loans (excluding collective provisions)	1.06%	1.24%	0.8%	0.60%	0.93%	**0.61%**	
Loan loss provisions/gross doubtful loans (excluding collective provisions)	80.62%	78.62%	80.93%	80.35%	72.36%	**72.61%**	
Net doubtful loans/equity	2.88%	2.49%	2.17%	1.06%	1.11%	**-0.34**	
Capital adequacy							
Equity/assets	8.31%	11.99%	10.53%	9.64%	8.28%	**8.44%**	
Capital adequacy ratio as per BASEL II requirement			12.68%	12.84%	11.93%	**11.42%**	
Profitability							
Cost to income	56.20%	51.68%	55.89%	54.91%	48.41%	**47.28**	
ROAA	0.96%	1.28%	1.27%	1.26%	1.23%	**1.28%**	
ROACE	14.92%	13.59%	12.25%	13.30%	14.77%	**16.02%**	
Share data							
Common shares outstanding*	227,662,400	327,662,400	329,023,090	341,893,890	344,189,410	**348,477,114**	8.9%
Preferred shares outstanding*	76,500,000	76,500,000	52,500,000	12,500,000	12,500,000	**13,750,000**	-29.1%
Net dividends on common shares (in USD million)	34	57	66	77	120	**139**	32.5%
Net dividends on preferred shares (in USD million)	18	26	18	18	10	**14**	-1.4%
Payout ratio	50%	51%	42%	40%	45%	**43%**	-3.2%
Basic common earnings per share (in USD)	0.38	0.47	0.53	0.65	0.80	**0.96**	20.2%
Diluted common earnings per share (in USD)		0.45	0.51	0.62	0.78	**0.94**	20.0%
Share price (in USD)	6	6	7	5	8	**9**	8.4%
Market capitalisation (in USD '000s)	1,365,9784	1,933,208	2,303,162	1,777,848	2,856,772	**3,136,294**	18.1%

* *Adjusted for the 10:1 stock split approved by the Extraordinary General Assembly held on 02/03/2010 and the Central Bank of Lebanon on 21/04/2010, and in effect since 24/05/2010.*

STATEMENT OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

2010 was a year of significant achievements, domestically and regionally, for Bank Audi sal - Audi Saradar Group. The Bank was able to post solid profits, domestically, through the combined effect of the sound growth of its lending portfolio, on the assets side, and of the adopted margin-focused approach, on the funding side. Concurrently, the regional subsidiaries also reported strong results that upheld the judiciousness of the cross-border expansion strategy implemented a few years ago.

As a result of the above achievements, Bank Audi reinforced its position as the largest bank in Lebanon and as one of the top Arab banking groups in the MENA region where it recorded the first, fourth and seventh largest growth rates among its peers, in loans, profits and deposits, respectively.

In fact, all major activity indicators of Bank Audi reported significant increases in 2010: the Bank secured close to 2.3% of the aggregate growth of deposits of all banks in the MENA region with its consolidated deposits growing by USD 1.9 billion to reach USD 24.8 billion at year-end; steadily driven by private deposits, consolidated assets grew by 8.3%, reaching USD 28.7 billion at year-end. Consolidated net loans grew in tandem by a significant USD 1.8 billion to reach USD 8.5 billion, evenly spread over countries and economic sectors; and shareholders' equity reached USD 2.4 billion at year-end, representing 24.4% of the consolidated shareholders' equity of the Lebanese banking sector. Earning power also gained strength, as profits (after tax and provisions) grew by 22%, from USD 289 million in 2009 to USD 352 million in 2010, driving earnings per common share up from USD 0.8 in 2009 to USD 0.96 in 2010.

Bank Audi's 2010 performance is all the more remarkable when contrasted against the context of spreads tightening across the Lebanese banking sector that was caused by the dual effect of the drastic drop in international interest rates (which left Lebanese banks under the burden of a negative carry on primary liquidity in foreign currency) and of the parallel drop in domestic policy rates (which put a similar pressure on returns generated by Lebanese Pound Treasury uses). Within these difficult operating conditions, Management resolved, early last year, to follow a margin-focused strategy versus the growth-focused strategy of the previous year, and hence endeavoured to decrease gradually its cost of funds throughout the year 2010.

The margin-based approach proved successful, leading to a rise in spread from 1.65% in the first quarter to 1.80% in the fourth quarter. This was coupled with an improved net operating margin as the economies of scale, which were gradually identified and pursued over the previous years, continued to materialise, and translated into an enhanced efficiency in 2010. Consequently, the Bank's return on average assets and its return on average common equity reached 1.28% and 16% respectively. Looking ahead, the considerable foregone income caused by the aforementioned negative carry burden is an interesting measure of the latent significantly positive effect of a potential increase in global rates on the Bank's spread and interest margin. This is especially true when considering the Bank's high foreign currency liquidity which is placed in primary liquid uses yielding Libor-linked returns, currently at minimal levels.

The Bank's outstanding 2010 results were achieved, as has consistently been the case over the previous years, while guarding the Bank's financial standing and risk profile. Indeed, the loan portfolio bears witness to a good assets quality level: as at year-end, net doubtful loans represented 0.61% of gross loans and had a provisioning coverage ratio of 72.6%, with such coverage ratio exceeding 110% when accounting for collaterals. Further, and in addition to specific provisions, collective provisions aggregated USD 61.5 million, the equivalent of 0.72% of consolidated net loans. In parallel, primary liquidity reached USD 12 billion, representing 49% of customers' deposits, and continued to be one of the highest liquidity levels in the region. As for capitalisation, the capital adequacy ratio (as per Basel II) reported 11.4%, a level well exceeding the minimum requirement of 8%.

Overall efficiency was also further enhanced as total income grew at a higher pace than general operating expenses (20% and 17% respectively), leading to the reduction of the cost to income ratio to 47.3% in 2010, versus 48.4 % in 2009.

Steadily carrying on its expansion strategy initiated a few years ago, Bank Audi made two noteworthy acquisitions in 2010. The first such acquisition is that of a large majority stake in Arabeya Online Brokerage "AOLb" (the first on-line trading platform in Egypt offering a comprehensive array of services). This acquisition aims more particularly at refining the Bank's universal banking model and at complementing its solid Commercial Banking franchise with a distinguished retail brokerage presence. Bank Audi also acquired Dresdner Bank Monaco SAM from Commerzbank, in an effort to develop further its Private Banking activities in Europe. In tandem, and serving the same objective, Banque Audi (Suisse) sa has now opened its branch in Gibraltar (licensed in 2009). The new Gibraltar branch aims at diversifying further Banque Audi (Suisse)'s product offering and at moving closer to its customer base in North Africa and the Iberian Peninsula. Bank Audi continues to pursue other expansion opportunities in the MENA region and in other areas of presence of its client base (notably in Europe where it contemplates the opening of a Private Banking branch in London through Bank Audi France).

With a mature presence in more than 10 countries and with the enhanced diversification of its products offering, Bank Audi's status of a regional universal bank has now reached an important milestone. In 2010, Management thus revisited its group operating model with a view to identify enhancement opportunities, and carried out a number of beneficial changes. Among such changes, it consolidated different functions and operations and separated Group Management from Domestic Management. The Group Centre, with a lean structure, was allocated the roles of (i) Group Governance and Control, (ii) Intermediary for Value Creation, and (iii) Provider of Shared Services. Country entities act as stand alone businesses with punctual intervention from the Group Centre when necessary. The Bank also embarked on a number of projects, with the assistance of leading consultants, that contributed to the enhancement of its support functions and, broadly, to the robustness of its Governance and Internal Control Framework. More particularly, the Bank defined, adopted and initiated a new IT Strategy in coordination with the IT divisions of all the entities and in partnership with the business owners. Management is confident that the new IT strategy is better aligned with the Group Core Strategy and Objectives and that it will prepare the Bank's IT backbone for further growth. Radical IT changes were initiated to centralise IT governance and to select and migrate towards a new IT architecture including a new Core Banking System and other efficient supporting applications. In order to optimise the IT servicing model, a particular attention was given to IT strategy partnerships with business owners within the organisation.

In parallel and in order to substantiate its strategic regional vision, Bank Audi has mandated leading external consultants to assist in the performance of an in-depth market analysis and in the assessment of business prospects for the Bank's subsidiaries in Syria, Jordan and Egypt, based on which 3-year business plans were developed for each of them.
Bank Audi's overseas expansion program continues to be the focal point of its strategy with the dual medium term objective of (i) positioning the Group in the inner circle of major regional players and (ii) achieving a balanced breakdown of assets and of earnings between Lebanon and the other countries of presence. In working towards this objective, the Bank will pursue opportunities to build captive market shares within a rising cross-border Arab trade. It will also favour a multidirectional expansion with the objective to rank each of its MENA entities in the top tier of its country of presence. It will finally make the necessary investments to give its MENA coverage the necessary depth and backing of an effective and strong European presence.

On the short run, looking ahead, 2011 is anticipated to be a year of consolidation for Bank Audi in light of the currently prevailing expectant sentiment caused by the overall political environment in the Middle East and North Africa region. But beyond the current regional unrest, the Bank continues to uphold ambitious medium-term growth plans in a region with a durable and strong demand potential for financial services at large.

In closing, we would like to express our sincere gratitude to all our colleagues for their motivation and professional behaviour and for their permanent endorsement of our corporate values. Their exemplary conduct represents an undeniable and instrumental answer to the short-term environment challenges and comforts us in our capacity to move steadily ahead towards our long-term strategic objectives.

Raymond W. Audi
Chairman and General Manager

Samir N. Hanna
Group Chief Executive Officer

CORPORATE GOVERNANCE

01. CORPORATE GOVERNANCE FRAMEWORK

Introduction

Bank Audi pioneered the introduction of governance reform in the MENA region in 2006 when, with the assistance of the International Finance Corporation and Nestor Advisors (a leading London-based governance consultancy firm), it embarked on an 18-month long enhancement programme. Today, the Board is satisfied that the Bank's governance structure is adapted to its needs and meets the high expectations of depositors, regulators, investors and the markets in general.

The adoption, in 2006, of the Corporate Governance guidelines led to the gradual adoption of a number of policies, charters, and terms of reference that now shape the Bank's governance framework. The aforementioned documents cover most areas of the Board's functions and are continuously revised and enhanced. They cover a wide range of matters including risk supervision, compliance, audit, remuneration, evaluation, succession planning, ethics and conduct, budgeting, and capital management.

In addition, clear lines of responsibility and accountability have been established throughout the organisation with a continuous chain of supervision for the Group as a whole, including effective channels of communication of the Executive Committee's guidance and core Group strategy. Strategic objectives setting corporate values and promoting high standards of conduct have been established and widely communicated throughout the Group, providing appropriate incentives to ensure professional behaviour.

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

Governance Framework

Bank Audi is governed by a Board of Directors consisting of 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, the Board Group Risk 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 function[1].

- 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 Board Group Risk Committee is to assist the Board in providing oversight of Senior Management's activities in managing credit, market, liquidity, operational, compliance, reputational and other risks of the Bank, in line with the recommendations of the Basel Committee for Enhancing Corporate Governance.

- 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.

02. COMPOSITION OF THE BOARD OF DIRECTORS

The current Board of Directors of Bank Audi sal - Audi Saradar Group 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 Directors[2]:

[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).

Honorary Chairman Mr. Georges W. Audi					
Members	Independent (as per the Bank's Corporate Governance Guidelines[3])	Member of the Group Executive Committee	Member of the Corporate Governance and Remuneration Committee	Member of the Audit Committee	Member of the Board Group Risk Committee
H.E. Mr. Raymond W. Audi Chairman			• Chair		
Dr. Marwan M. Ghandour Vice-chairman	•		•	• Chair	• 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		•			
Mr. Mario J. Saradar		• *(Until December 31, 2010)*			
Dr. Georges A. Gedeon Achi	•			•	
Mr. Abdullah I. Al-Hobayb	•		•	•	
Dr. Khalil M. Bitar	•				•
Secretary of the Board					
Mr. Farid F. Lahoud Corporate Secretary					

Group Sharia' Supervisory Board
Dr. Abdulsattar A. Abu Ghudda (Chair)
Dr. Mohamed A. Elgari
Sheikh Nizam M. Yaqoobi
Dr. Khaled R. Al Fakih (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.

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 advisor to the Board for Audit Committee matters.

Changes to the Board of Directors during the Year 2010

January 2010

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

- The Ordinary General Assembly of shareholders of Bank Audi sal - Audi Saradar Group convened on April 12, 2010 and resolved, in consideration of the fact that the mandate of the Board of Directors had reached its term, to elect a new Board of Directors for a 3-year mandate (ending on the date of the Annual General Assembly that will examine the accounts of the year 2012) composed as follows:

Re-elected: H.E. Mr. Raymond W. Audi, Dr. Marwan M. Ghandour, Mr. Samir N. Hanna, Sheikha Suad H. Al Homaizi, Mr. Marc J. Audi, Dr. Freddie C. Baz, Sheikha Mariam N. Al Sabbah, Dr. Imad I. Itani, Mr. Mario J. Saradar, Dr. Georges A. Gedeon Achi.

New members: Mr. Abdullah I. Al-Hobayb, Dr. Khalil M. Bitar.

- The newly elected Board convened following the General Assembly and resolved, amongst other things, to:

Re-elect:

- H.E. Mr. Raymond W. Audi as Chairman of the Board – General Manager;
- Dr. Marwan M. Ghandour as Vice-chairman

for the duration of 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/herself 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.

03. BIOGRAPHIES OF BOARD MEMBERS

Raymond W. AUDI

Chairman of the Board
and General Manager
Age: 78 - Lebanon

Director since February 1962
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 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: 67 - Lebanon

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

• Non-executive Director
• Chairman of the Audit Committee
• Chairman of the Board Group Risk 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).

Samir N. HANNA

General Manager –
Group Chief Executive Officer
Age: 66 - Lebanon

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

• Executive Director
• Chairman of the Group Executive Committee
• Member of the Board Group Risk 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.

Marc J. AUDI

General Manager –
Country Manager Lebanon
Age: 53 - Lebanon

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

• Executive Director
• 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: 58 - Lebanon

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

- Executive Director
- Deputy Chairman of the Group Executive Committee

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).

Imad I. ITANI

General Manager –
Head of Retail Banking
Age: 49 - Lebanon

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

- Executive Director
- 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

Board Member –
General Manager
Head of Private Banking until December 31, 2010
Age: 43 - Lebanon

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

- Non-executive Director (Executive Director until December 31, 2010)
- (Member of the Group Executive Committee until December 31, 2010)

Mario Saradar was appointed in September 1992 Chairman – CEO of Banque Saradar, leading it through several successful strategic transformations, notably opening its capital to prime shareholders including the International Finance Corporation in 1998 and Natcan Holdings International Ltd (subsidiary of the National Bank of Canada) in 2000.

In 2004, he led Banque Saradar to a Merger/Acquisition with Bank Audi, following which he was elected member of the Board of Directors of Bank Audi sal - Audi Saradar Group and appointed General Manager, heading all the Private Banking activities of the Group and chairing the Boards of the Private Banking subsidiaries.

In August 2010, having determined that he had fulfilled his mission to perfect the merger between Banque Audi sal and Banque Saradar sal that now form one fully integrated entity, and having led the Private Banking arm of the Group for more than 6 years to reach its current remarkable size and profitability, he resolved, in coordination with the Chairman and the CEO, to gradually relinquish his executive duties within the Group in order to embark on new separate private business ventures, while remaining a non-executive member of the Board of Directors.

Mario Saradar 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). He 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.

Suad H. AL HOMAIZI

Board Member
Age: 68 - 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.

Mariam N. AL SABBAH

Board Member
Age: 62 - Kuwait

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

- Non-executive Director

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 Audi.

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.

Georges A. GEDEON ACHI

Board Member
Age: 86 - Lebanon

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

- Non-executive Director
- Member 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 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.

Abdullah I. AL-HOBAYB

Board Member
Age: 68 - Saudi Arabia

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

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

Abdullah Al-Hobayb is the Chairman of Audi Capital (KSA) (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 previous 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: 68 - Lebanon

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

- Non-executive Director
- Member of the Board Group Risk Committee

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 centre 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		
Executive Directors (voting members)		
Chair	Mr. Samir N. Hanna	General Manager – Group Chief Executive Officer
Vice-chair	Dr. Freddie C. Baz	General Manager – Group Chief Financial Officer & Strategy Director
	Mr. Marc J. Audi	General Manager – Country Manager Lebanon
	Dr. Imad I. Itani	General Manager – Head of Retail Banking
	Mr. Mario J. Saradar *(Until December 2010)*	General Manager – Head of Private Banking
Non-directors (non-voting members)		
	Mr. Chahdan E. Jebeyli	General Manager – Group Chief Legal & Compliance Officer
	Mr. Adel N. Satel	General Manager – Group Chief Risk Officer

STANDING MANAGEMENT COMMITTEES

	Asset-liability Committee	**Business Development Committee**	**Credit Committee**	**Information Technology Committee**
Voting				
Chair	Mr. Samir N. Hanna(1)	Mr. Samir N. Hanna(1)	Mr. Samir N. Hanna(1)	Mr. Samir N. Hanna(1)
Executive Vice-chair	Dr. Freddie C. Baz(1)	Mr. Danny N. Dagher	Mr. Elia S. Samaha	Mr. Przemek K. Henschke
Member	Mr. Marc J. Audi(1)	Mr. Przemek K. Henschke	Dr. Imad I. Itani(1)	Dr. Imad I. Itani(1)
Member	Mr. Michel E. Aramouni	Mr. Khalil I. Debs	Mr. Marc J. Audi(1)	Mr. Naoum J. Moukarzel
Member	Mr. Elia S. Samaha	Mr. Abdulrahman M. Abrash	Mr. Khalil I. Debs	Mr. Hassan A. Saleh
Member	Mr. Emile N. Shalala	Mr. Farid F. Lahoud	Mr. Elie J. Kamar	Mr. Tamer M. Ghazaleh
Member	Mr. Elie J. Kamar	Mr. Rami S. Jisr	Mr. Ibrahim M. Salibi	Mr. Marwan O. Arakji
Non-voting				
	Mr. Adel N. Satel		Mr. Adel N. Satel	
Permanent Invitees				
	Dr. Marwan S. Barakat	Mrs. Randa T. Bdeir	Mrs. Bassima G. Harb	Mr. Yehia K. Youssef
	Mr. Khalil G. Geagea	Mrs. Ghina M. Dandan	Mr. Jamil R. Shocair	Mr. Danny N. Dagher
	Mr. Tamer M. Ghazaleh			Mr. Antoine G. Boufarah
	Mr. Naim H. Hakim			Mr. Adel N. Satel

(1) Member of the Group Executive Committee.

EXPANSION

Where there is expansion, there is also knowledge to be acquired. With Bank Audi's services now spanning 12 countries, our experience continues to grow through the grounds we cover.

MANAGEMENT DISCUSSION AND ANALYSIS

The analysis that follows highlights the consolidated performance of Bank Audi sal - Audi Saradar Group in 2010. The report is based on the audited consolidated financial statements of the Bank as at and for the years ended December 31, 2010 and December 31, 2009.

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 at the relevant date, which was LBP 1,507.50 as of each of December 31, 2010 and December 31, 2009. 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 (BDL), 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 SAM (Monaco), Bank Audi sal - Jordan Branches, Bank Audi Syria sa, Bank Audi sae (Egypt), National Bank of Sudan, Audi Capital (KSA), Bank Audi LLC (Qatar), Arabeya Online Brokerage (AOLb) and Capital Outsourcing. Following the acquisition by the Group of a total or majority stake in their shares, Bank Audi SAM (Monaco) and Arabeya Online Brokerage were consolidated the first time in September 2010 and December 2010 respectively.

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 2010. We then proceed to an analysis of the 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 and investment considerations, as well as a review of Investor Relations activities and Human Resources and IT developments in 2010.

01. STRATEGY

Over the recent years, the Bank executed a successful diversification strategy by activity and by markets, allowing it to establish business franchises in 11 countries and positioning it as a regional universal bank. In 2010, the main strategic drivers continued to be intimately related to consolidating and reinforcing the diversification and expansion plan, with a clear objective to support the business franchise in the Middle East and North Africa region.

In September 2010, Bank Audi acquired Dresdner Bank SAM in Monaco from Commerzbank, with an aim to extend the Group's Private Banking business in Europe to the South of France and North of Italy where a number of ultra and high networth individuals from the MENA region reside. In February 2010, Banque Audi (Suisse) sa inaugurated a branch in Gibraltar to cover the needs of primarily Middle Eastern customers in the Iberian peninsula and North Africa. Within that scope, Bank Audi Saradar France sa is in the process of obtaining regulatory approvals to open a Private Banking branch in London.

In November 2010, the Bank also acquired a majority stake in Arabeya Online Brokerage "AOLb", an on-line trading market leader in Egypt complementing its wide array of Retail products and services with a Retail Brokerage business line. Moreover, the Bank is currently finalising the establishment of an insurance company in Algeria, with an objective to allow the Insurance arm of the Group (LIA Insurance sal) to build on its strength as an experienced player in the Insurance business and access the still largely untapped Algerian Insurance market.

Those acquisitions were commensurate with a strategic review of the business model of all entities across geographies. Within this context and based on its in-depth analysis in those countries, Bank Audi revisited with external advice the three business plans for its subsidiaries in Egypt, Syria and Jordan, capitalising on their achievements to extend their business franchise and reinforce their growth prospect drivers.

At the internal level and in support of its ambitious development plan, the Group undertook in 2010 to set forth a new and optimised organisation structure based on an efficient operating model focusing on the Country entity, differentiating the latter from the Group Centre. Country entities act accordingly as a stand-alone business with intervention from the Group Centre when necessary. The Group Centre intended to have a lean structure with three main roles: Group Governance and Control, Intermediary for Value Creation, and Provider of Shared Services. Based on that, the implementation of the Lebanon Country Entity (representing 71% of consolidated assets) was launched, effective January 1, 2011.

In parallel, the Group decided on a new IT strategy involving the setting up of a centrally governed infrastructure, implementing a unique solution across entities over the medium term with a total investment of USD 100-150 million. At the Human Resources level, the Group is in the process of establishing a state of the art Training centre that will be used by all entities across the Group and would outsource services to external banking institutions in the MENA region. The principal objective of this Training centre is to reinforce the Group's existing pool of talent while sustaining a continuous access to qualified candidates across geographies when required.

Going forward given the recent developments in several countries of the Middle East and North Africa region, the top priority for 2011 is to consolidate the Bank's franchise in all markets of presence. Nonetheless, as soon as the situation settles down and the outlook becomes clearer, the Bank intends to continue its program of overseas expansion in the aim of further expanding its customer and account franchise to new regional markets and enhancing the Bank's positioning in order to integrate the inner circle of the top regional banking groups. This is based on Management's belief that a political transition in the Middle East towards more democracy and freedom can only improve the overall efficiency of concerned economies. Among the immediate targets of regional expansion the Bank is looking to explore are Turkey, Iraq and Saudi Arabia that enjoy an important flow of people, capital and merchandise with the regional countries of presence of Bank Audi. The Bank has a long-standing application for a Commercial Banking license deposited at the Central Bank of Algeria and is closely monitoring the Tunisian market for a possible presence. All those new implementations aim at consolidating and reinforcing the Bank's activities in three pillar markets, namely the Near East, the Middle East and North Africa, capitalising on the important cross-border flows and the under-banked status, scale and abundant resources characterising those markets, while steadily growing towards its ultimate objective to become the most diversified regional bank by both business lines and countries of presence in the Arab MENA region.

02. OPERATING CONDITIONS

02.1. Domestic Operating Environment

The Lebanese economy was able to maintain, in 2010, its 4-year streak of buoyant growth. Although real sector indicators showed relative slowdown in the last quarter of the year within the context of rising domestic political tensions, the year as a whole is believed to have ended with a 7% to 8% real GDP growth, a favourable performance in a period where global recovery is still questionable. The average real GDP growth of 8% reported over the past four years put Lebanon in the 2nd position regionally and 12th position globally.

Most real sector indicators confirm the high annual economic growth, in addition to the relative slowdown of the last quarter. Among these rises, merchandise at the Port with an annual growth of 2.3%, cement deliveries with 6.7%, property sales transactions with of 12.7%, the number of tourists with 17.1%, de-taxed purchases with 21.0%, cleared checks with 19.6%, and velocity of money with 2.2%. Altogether, those most significant real sector indicators have been able to statistically explain 90% of real output growth performance over the past decade. The coincident indicator of the Central Bank of Lebanon likewise grew by an average of 10.5% in 2010, bearing witness to a strong growth performance on the overall.

At the foreign sector level, both exports and imports reported considerable rises in 2010. Imports grew by 10.6% amid growing domestic demand for consumption and investment goods. Exports rose by 22.1% amid a gradual recovery in regional recipient markets. The country's trade deficit still rose by 7.5% year-on-year, but remained offset by financial inflows towards the domestic economy. The latter actually contracted by 17.5% year-on-year, leaving a cumulative balance of payment surplus of USD 3.3 billion in 2010 (against USD 7.9 billion in 2009).

At the fiscal level, public finances showed a relative amelioration though remaining precarious. A net improvement in debt and deficit ratios was actually reported in 2010, in line with the trend reported since 2006. Debt to GDP ended the year at 134%, against 148% in 2009 (and a peak of 180% in 2006). The improvement comes from the mild debt growth in 2010 (2.9%) relative to the nominal growth of the economy (13.4%). The low growth in Lebanon's public debt was due to a contained fiscal budget in the absence of a government budget.

At the monetary level, there was in general a positive volume of net conversions in favour of the Lebanese Pound, although some LBP-to-FC conversions took place during the fourth quarter of the year. This was translated into a moderate yearly growth in the Central Bank of Lebanon's foreign assets of USD 2.3 billion to reach USD 30.6 billion, thus covering

77.7% of LBP money supply and representing a major buffer for safeguarding the local currency. Money supply in its broad sense saw a moderate expansion of USD 10.1 billion in 2010, with growth lower than that registered in the previous year (USD 13.4 billion) within the context of contracting inflows and money creation on behalf of the state. The latter two items, which accounted respectively for 68% and 26% of money creation in 2009, represented 44% and 8% of it in 2010.

As for capital markets, market activity was uneven. The Beirut Stock Exchange saw a 4.4% decline in the price index in 2010, given the shy demand for equities in a relatively illiquid and inefficient market. It is worth highlighting that the BSE performed lower than other Arabian markets that reported an 18% average yearly increase in 2010, as per MSCI Arabian Markets Index. The Eurobond market, in parallel, was marked by a favourable activity during the year 2010, with both local and foreign investors exhibiting demand for long-term maturities. Within this context, the average bond yield dropped by 119 basis points to close the year at 4.12%, while the average bond spread shrank by 108 basis points to reach 182 basis points at end-2010.

Lebanon's Major Economic Indicators

USD Million	2009	2010	Var 10/09
Macroeconomy			
GDP	34,528	**39,149**	13.4%
Real GDP growth (%)	9.0%	**8.0%**	-1.0%
GDP per capita (USD)	8,951	**10,019**	11.9%
Monetary sector			
Var M3	13,417	**10,068**	-25.0%
Velocity	0.65	**0.66**	2.2%
Cleared checks	56,387	**67,432**	19.6%
Average CPI inflation (%)	2.8%	**5.0%**	2.2%
Public sector			
Gross domestic debt	29,835	**32,019**	7.3%
Foreign debt	21,259	**20,570**	-3.2%
Total gross debt	51,094	**52,589**	2.9%
Gross debt/GDP (%)	148%	**134%**	-13.6%
Deficit	2,960	**2,922**	-1.3%
Deficit/GDP (%)	8.6%	**7.5%**	-1.1%
External sector			
Imports	16,242	**17,964**	10.6%
Exports	3,484	**4,253**	22.1%
Trade deficit	12,758	**13,711**	7.5%
Gross financial inflows	20,657	**17,036**	-17.5%
Balance of payments	7,899	**3,325**	-57.9%

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

At the banking sector level, banking activity displayed favourable performance underlined by moderate deposit growth and strong bank lending. Total sector activity, measured by the aggregate domestic assets of banks, increased by USD 13.7 billion in 2010, compared to an increase of USD 21.0 billion in 2009 and an average increase of USD 10.2 billion in the previous five years. Assets grew by 11.9% in 2010, against 22.3% in 2009, within the context of contracting capital inflows during the year.

Total deposits, accounting for as much as 83% of the total balance sheet as at end-December 2010, continued to be a major driver of banking sector activity, growing by 11.9% in 2010 to reach USD 107.2 billion at end-December 2010. While the USD 11.4 billion growth registered in 2010 is by itself quite significant compared to historical trends and the financial needs of the economy to sustain healthy levels of GDP growth, it turned out to be 37% lower than that of 2009, which had witnessed unusually high inflows of deposits into the Lebanese banking sector, which had somehow benefited from the global crisis spillovers as depositors increasingly seek safe banking havens. The breakdown of banks' deposits by type reveals that resident deposits accounted for the bulk of deposit growth this year with a 83% share, while non-resident deposits captured a much smaller 17% share in total growth, after having contributed to a considerable 28% of total deposit growth during 2009. The rise in banks' deposits is attributed to both those denominated in Lebanese Pounds and foreign currencies, yet with a slight advantage to the latter. Within the context of stable monetary conditions at large, Lebanese Pounds deposits rose by USD 5.4 billion between end-December 2009 and end-December 2010, accounting for 47% of total deposit increase. Consequently, the deposit dollarisation ratio reported 63.2% at end-December 2010, a decade low level attained throughout the past few months.

On the other hand, banks' lending activity regained a lot of vigour this year, posting a 23.1% growth in 2010, moving from USD 28.4 billion at end-December 2009 to USD 34.9 billion at end-December 2010. This actually mirrors the buoyant

economic activity in Lebanon most of last year and Lebanese banks' ability to match growing domestic demand for credit, with bank loans extended to the resident private sector increasing by USD 6.1 billion in 2010, a level almost twice that of 2009. In parallel, non-resident lending increased by USD 0.5 billion, supported by the financial flexibility of Lebanese banks at a time when regional banking sectors are still witnessing subdued lending activity.
A closer look at banks' lending activity from a currency angle shows that while foreign currency denominated loans continued to account for the bulk of loan growth this year, loans denominated in Lebanese Pounds witnessed an unprecedented strong activity, supported by the Central Bank of Lebanon's reserve exemption measures, to bring their contribution to total lending growth to a record high 35.9% in 2010, a rate close to that of 2009, but much higher than that of the corresponding period of the previous few years which did not exceed 10%-15%. Thus, lending dollarisation ratios pursued their slight downward trajectory, reaching 80.3% at end-December 2010.

The Lebanese banking sector continued to boast healthy financial soundness ratios at large this year. Banks operating in Lebanon remain adequately capitalised, with an aggregate Basle II capital adequacy ratio of 13.3% exceeding requirements (against 12.2% at end-2009 and 11.4% at end-2008). They also remained highly liquid, as witnessed by comfortably high liquidity levels. Banks' FC primary liquidity stood at 48.8% of FC deposits at end-December 2010, relatively unchanged since year-end 2009 and broken down more or less equally into FC deposits at BDL, which accounted for 25.4% of FC deposits and FC liquidity in foreign banks which represented 23.4% of FC deposits.

Similarly, Lebanese banks' asset quality metrics are quite satisfactory and continue to post steady improvement. The ratio of doubtful loans to total loans reached a low of 3.9% at end-2010 as per BDL figures, against 5.6% at end-2009, 6.8% at end-2008, 9.2% at end-2007 and double-digit levels in the 12%-15% range in the previous few years. Provisioning levels remain adequate as well, with the ratio of provisions to doubtful loans at 77.5% at end-December 2010 as per BDL figures, compared to relatively lower levels in the previous few years. At the profitability level, a healthy 23% rise in domestic net profits was reported last year, in spite of rather difficult operating conditions related to squeezed interest margins at large.

Lebanon's Banking Sector Activity Indicators

USD Million	2009	2010	Var 10/09	Growth 10/09
Assets	115,250	128,925	13,675	11.9%
Equity	7,945	9,221	1,276	16.1%
Deposits	95,766	107,204	11,438	11.9%
o.w. in LBP	34,037	39,410	5,373	15.8%
o.w. in FC	61,729	67,794	6,065	9.8%
Loans	28,374	34,930	6,556	23.1%
o.w. in LBP	4,540	6,892	2,352	51.8%
o.w. in FC	23,834	28,038	4,204	17.6%
Deposit dollarisation ratio (%)	64.5%	63.2%	-1.2%	-1.2%
Loan dollarisation ratio (%)	84.0%	80.3%	-3.7%	-3.7%
Loans/Deposits (%)	29.6%	32.6%	3.0%	3.0%
Deposits/Assets (%)	83.1%	83.2%	0.1%	0.1%
Equity/Assets (%)	6.9%	7.2%	0.3%	0.3%

Sources: Central Bank of Lebanon, Bank Audi's Research Department.

02.2. Regional Operating Environment

Prior to the drastic political developments of early 2011, the Middle East and North Africa (MENA) banking scene mirrored the gradual but slow economic recovery the region was witnessing. While the spillovers of the global crisis on the MENA region were relatively milder than in economies where the financial sector was more exposed to toxic assets, the somewhat sluggish nature of the global recovery was reflected on banking activity growth and performance in MENA countries. With key interest rates kept at ultra-low levels throughout the year, bank spreads continued to be somehow squeezed.

The region's economic environment witnessed a modest improvement during 2010. Real GDP growth, which had slowed down to 1.8% in 2009, recovered slightly last year to reach 3.8% as per the latest IMF estimates, yet without renewing with the buoyant growth track record of the previous pre-crisis years (where real growth averaged circa 6% per annum). The relative amelioration in 2010 is attributed to the 29% yearly surge in average oil prices during the year, and the continued expansionary policies adopted by some governments in the region. The latter launched countercyclical fiscal policies shortly after the outburst of the global crisis a couple of years ago. These were actually extended into 2010 and mostly targeted at infrastructure development, alongside various stimulus measures at large, and had positive spillovers on other economies in the region.

Within slightly improved conditions at large, external and fiscal accounts of MENA economies managed to post rather favourable performances, but remain nowhere near the substantial surpluses record in the pre-crisis years. The fiscal balance somewhat improved, with rising oil receipts offsetting surging government expenditures and allowing the MENA fiscal accounts to close an almost balanced GDP at -1.0%, against a revised -2.6% of GDP in 2009. Likewise, the current account balance benefited from recovering oil receipts, as well as remittance and touristic flows, with its surplus widening from 2.6% to 4.4% of GDP year-on-year.

In particular, the Levant economies, where Bank Audi's regional presence is concentrated and which were much less exposed to the global financial turmoil in the first place, recorded satisfactory performances in 2010 and continued to outperform the broader region. It is important to mention that, while Levant economies benefited from the improving external regional and global environment, their real growth performance remained rather favoured by their domestic growth drivers.

Within this economic environment, banking activity in the MENA region registered a relatively moderate growth in the year 2010. Bank assets actually rose by 6.4% relative to the previous year, moving from USD 1,782 billion at end-December 2009 to USD 1,897 billion at end-December 2010, which represents an increase of USD 114 billion throughout 2010.

Bank deposits, a traditional activity growth driver accounting for two-thirds of their balance sheets, likewise grew by 6.6% in 2010 to reach USD 1,369 billion, representing an increase by USD 85 billion, which was 22% lower than that recorded over the year before. This could be attributed to both the slow recovery in inward flows to the region within the context of global sluggishness, and to the fact that during 2009, a large number of governments had injected deposits into the banking sector in order to support their funding base and reinforce confidence in the system. Lending activity started slowly to pick up throughout 2010, though financial intermediation somewhat remains curtailed by relatively slow deposit growth, and banks' cautiousness about the health of the corporate sector. Bank loans grew by USD 44 billion during 2010 to reach USD 1,007 billion by year-end, i.e. 5.1% higher than the growth of the previous year marked by acute deleveraging across the globe.

The slow global growth environment prompted a practical standstill of key policy rates at historically low levels, which within lending growth trends far from those prevailing in the pre-crisis period, continued to squeeze bank margins at large. This, coupled with growing provisioning requirements, has continued to pressure banks' bottom lines. But even though some banks are still reporting contracting profitability and, others, on the contrary, have already renewed with net profit growth, all major banks in the region remained profitable.

Although banks' operating conditions are being somewhat strained by current economic uncertainties tied to emerging political tensions across some of the region's states, it remains important to stress that there are actually appealing media to long term prospects for financial intermediation in the region. Middle East and North Africa economies indeed display growing population dynamics and a relatively low banking penetration by emerging and global standards. MENA banks are undoubtedly poised to capitalise on their track record of prudential practices and healthy financial standing, and play an increasingly key role in catering further to the funding needs of the economy and fueling real growth across the region in years ahead.

Banking Sectors' Assets in the Arab MENA Region

USD Billion	Assets Dec-09	Dec-10	Variation 10	% Growth	Var 10/Var 09
Regional countries of presence of the Group					
Egypt	210.0	221.0	11.0	5.2%	-43.5%
Jordan	45.2	49.5	4.3	9.4%	39.6%
Lebanon	115.3	128.9	13.7	11.9%	-34.9%
Qatar	128.5	155.9	27.4	21.3%	50.9%
Saudi Arabia	365.4	377.4	12.0	3.3%	-34.3%
Sudan	16.4	17.2	0.8	4.9%	-65.2%
Syria	42.8	46.3	3.4	8.0%	-39.7%
United Arab Emirates	413.6	437.2	23.6	5.7%	18.2%
Other countries in Arab MENA					
Bahrain	59.6	64.4	4.8	8.0%	-219.9%
Kuwait	140.7	147.2	6.5	4.6%	-522.9%
Libya	47.6	52.3	4.6	9.8%	-34.8%
Morocco	112.8	112.2	-0.6	-0.6%	-106.8%
Oman	36.9	40.6	3.8	10.2%	242.6%
Tunisia	39.2	37.4	-1.8	-4.5%	-150.0%
Yemen	8.3	9.1	0.8	9.9%	58.8%
Arab MENA	1,782.3	1,896.5	114.2	6.4%	-3.2%

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

02.3. Operating Environment in West Europe

Banking activity in West Europe, where Bank Audi has a long established presence, has somehow benefited from the gradual yet slow pick-up in economic activity from troughs attained in the previous "crisis" year. Yet, with 2010 turning out to be a year of fiscal challenges for the region in general and peripheral Europe in particular, banks' operating conditions faced quite a few challenges, somewhat delaying a sustained recovery of financial flows into the region and bank lending volumes already subdued by ongoing private sector deleveraging. Nonetheless, the Bank's activities, which are concentrated in France and Switzerland and consist of Commercial and Private Banking and Wealth Management activities, mostly catering to the needs of a Middle Eastern clientele, were largely shielded from considerable pressures witnessed by European peers throughout the worst of the sovereign debt crisis episode.

Economic conditions across most of the West Europe region indeed showed signs of amelioration during the year 2010, partly driven by recovering external and domestic demand and supported by authorities' stimulus measure effects and accommodative monetary policies launched in the aftermath of the global crisis outburst. But such government measures, while generally providing support to aggregate demand and helping stabilise confidence in the financial system, proved unsustainable in some countries, heightening their fiscal and indebtedness imbalances and threatening a new investor confidence. European authorities thus provided a far-reaching response reflected, among others, in unprecedented liquidity and credit support, and austere fiscal policies alleviating adverse spillovers on economic activity and, in particular, on banks' operating environment.

03. CONSOLIDATED PERFORMANCE IN 2010

Within this environment, all activity indicators of Bank Audi sal - Audi Saradar Group reported solid growth in 2010, reinforcing the Bank's position in the domestic market as the largest bank in Lebanon and among the top 20 Arab banking groups. Consolidated assets grew year-on-year by 8.3%, from USD 26.5 billion at end-December 2009 to USD 28.7 billion at end-December 2010, while total footings (assets, letters of credit, letters of guarantees, other engagements and assets under management) reached USD 39.6 billion. Activity growth was mainly driven by customers' deposits, rising over the year by 8.1%, from USD 23 billion at end-December 2009 to USD 24.8 billion at end-December 2010, an increase of USD 1.9 billion, representing 2.3% of the increase in total deposits of banks in the MENA region at large. Consolidated loans to customers grew by USD 1.8 billion in 2010, reaching USD 8.5 billion, broken down evenly across countries and economic sectors and corresponding to a loan to deposit ratio of 34.4%, clearly reflecting the Group's significant financial flexibility. The Bank continues to enjoy good loan quality with net doubtful loans representing a mere 0.61% of gross loans at end-December 2010, one of the lowest ratios in the MENA region. Shareholders' equity reached USD 2.4 billion, representing 24.4% of the consolidated shareholders' equity in the Lebanese sector and 8.4% of the Bank's consolidated assets at the same date.

The evolution of activity indicators reflects the Bank's sustained capacity to attract new customers and expand the array of products and services provided to all customers translating in a dynamic development of its business franchise. In fact, both the total number of customers and the total number of accounts continued to increase in 2010 with 51,421 new customers and 88,821 new accounts. All the above translated in consolidated net earnings, increasing from USD 289 million in 2009 to USD 352.2 million in 2010, representing a growth by 21.9%. Earnings per common share rose from USD 0.8 in 2009 to USD 0.96 in 2010, representing a growth by 20%.

Bank Audi's performance in 2010 resulted in a further reinforcement of its positioning as by far the largest bank in Lebanon. As a matter of fact, the asset differential with the second ranked bank in Lebanon widened further from USD 5.8 billion at end-December 2009 to USD 6.4 billion at end-December 2010, corresponding to the size of the 8th bank in the Lebanese banking system. With respect to regional peers, Bank Audi has further reinforced its position among the top 20 Arab banks, reporting the 7th highest deposit growth rate, the 1st largest loan growth rate, and the 4th largest earnings growth rate among all regional peers, as displayed in the table below.

Growth Rates of Top Arab Banks (with Deposits above USD 20 Billion) (USD Million)

Bank	Country	Deposits 2010	Deposit Growth	Rank	Loans	Loans Growth	Rank	Net Profits	Net Profits Growth	Rank
Qatar National Bank	Qatar	38,485	28.8%	1	36,180	21.1%	2	1,151	36.1%	1
Abu Dhabi Commercial Bank	UAE	28,900	23.0%	2	35,144	6.8%	7	-140	-176.3%	18
Al Rajhi Bank	KSA	38,150	16.4%	3	32,017	7.1%	6	1,805	0.1%	10
First Gulf Bank	UAE	26,875	14.2%	4	26,031	5.8%	8	901	3.3%	9
Arab Banking Corporation	Bahrain	11,175	12.8%	5	12,186	11.3%	4	154	29.2%	2
Emirates NBD	UAE	54,451	10.4%	6	53,668	-8.2%	18	910	-30.0%	16
Bank Audi sal - Audi Saradar Group	Lebanon	24,847	8.1%	7	8,548	26.7%	1	289	21.9%	4
National Commercial Bank	KSA	57,354	6.2%	8	32,680	9.3%	5	1,183	5.7%	7
SABB	KSA	25,253	6.2%	9	19,787	-2.9%	15	542	-7.3%	13
Kuwait Finance House	Kuwait	25,971	2.6%	10	19,816	11.7%	3	413	-7.6%	14
Banque Saudi Fransi	KSA	24,933	2.5%	11	21,600	3.4%	10	659	13.4%	6
Arab Bank Group	Jordan	32,110	2.0%	12	22,490	2.1%	12	576	-46.5%	17
Arab National Bank	KSA	22,453	1.8%	13	17,653	-0.9%	14	632	-19.4%	15
National Bank of Abu Dhabi	UAE	33,528	1.6%	14	37,259	3.5%	9	822	22.0%	3
National Bank of Kuwait	Kuwait	22,707	-1.3%	15	27,928	2.5%	11	929	15.9%	5
Riyad Bank	KSA	32,897	-1.5%	16	28,276	-0.5%	13	808	-6.8%	12
Samba Financial Group	KSA	35,590	-9.3%	17	21,400	-4.6%	16	1,216	-2.7%	11
Attijariwafa Bank	Morocco	21,360	-13.6%	18	21,417	-5.8%	17	486	4.1%	8

Sources: Banks' websites, Thomson Reuters, Fitch Ratings, Bank Audi's Research Department.

Bank Audi's steady performance in 2010 contributed to sustain two-digit activity growth rates over the past five years, with assets registering a compounded rate of 20.1%, footings of 19.6%, deposits of 20.2%, loans to customers of 28.2%, shareholders' equity of 20.5% and net earnings of 27.2%, generated from Lebanese entities, entities in Europe and the recently established entities in the MENA region alike. At end-December 2010, Lebanese entities accounted for 71.1% of consolidated assets (as compared to 88.4% at end-December 2005) and 74.9% of consolidated net earnings (as compared to 94.9% in 2005). Likewise, entities in the MENA region accounted for 21.9% of consolidated assets at end-December 2010 (as compared to 3.5% at end-December 2005) and 22% of consolidated net earnings (as compared to 1% in 2005). Management's objective remains to reach a fifty-fifty breakdown in assets and earnings between Lebanon and abroad over the medium term.

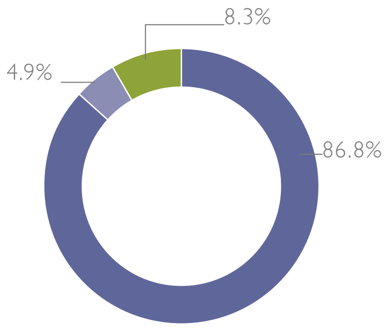
03.1. Consolidated Financial Standing

The evolution of activity indicators in 2010 revealed good financial management, reinforcing the Bank's financial standing and risk profile.

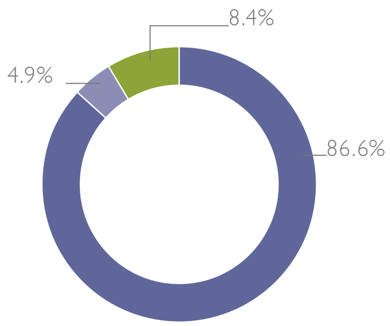
03.1.1. Consolidated Liabilities

The share of interest-bearing liabilities in total liabilities continues to represent 89% at end-December 2010, similarly to end-December 2009. In absolute terms, interest-bearing liabilities stood at USD 25.5 billion at end-December 2010, as compared to USD 23.7 billion at end-December 2009, registering a growth by 7.8% over the year. The charts below display a breakdown of consolidated liabilities at end-December 2009 and at end-December 2010, standing at USD 26.5 billion and USD 28.7 billion respectively.

Consolidated Liabilities at End-December 2009



Consolidated Liabilities at End-December 2010



Private customers' deposits
Shareholders' equity
Other liabilities

The USD 2.2 billion increase in funding was mainly driven by customers' deposits, rising by USD 1.9 billion in 2010 and sustaining the share of customers' deposits in total funding at 86.6% at end-December 2010. Bank Audi's consolidated deposits grew in 2010 by 8.1%, as compared to a growth of deposits of 6.4% in the MENA region and 7.4% in the Bank's regional countries of presence. A detailed breakdown of deposits' increase by geography reveals that, despite a USD 11.4 billion increase in total deposits in the Lebanese banking sector, the increase in deposits in Lebanese entities was limited to USD 534 million, a below average performance justified by Management's voluntary decision, comforted by the Bank's dominant position in the domestic market, to favour a margin focus over volume growth strategy in an aim to offset the significant impact of the negative carry borne on the primary liquidity in foreign currency resulting from the persisting low international reference rates in USD. As a result, the Bank succeeded in lowering its cost of deposits denominated in Lebanese Pounds by 1.43% in 2010 and that of deposits denominated in foreign currency by 44 basis points. Notwithstanding, domestic deposits denominated in Lebanese Pounds expanded by USD 112 million, while deposits denominated in foreign currency increased by USD 423 million.

In parallel, 59% of the consolidated increase in deposits was generated by the newly established entities in the MENA region, representing a deposit increase of USD 1,104 million broken down as follows: USD 651 million at Bank Audi sae (Egypt), USD 339 million at Bank Audi Syria sa, USD 81 million at Bank Audi sal - Jordan Branches, while the remaining USD 33 million were accounted for by other entities in the MENA region. The strong performance resulted in an increase in the deposits' market share of Bank Audi by 0.6% in Syria from 5.6% in 2009 to 6.2% in 2010, and 0.4% in Egypt from 1.1% in 2009 and 1.4% in 2010.

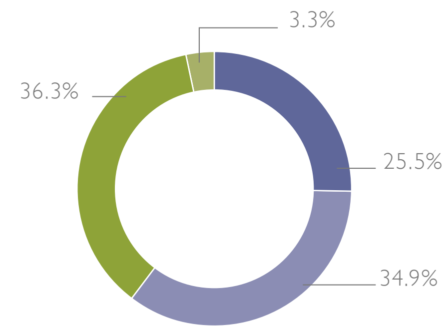
The contribution of entities in Europe to the increase in consolidated deposits reached USD 224 million which includes the USD 51 million of deposits coming from Bank Audi SAM (Monaco) which was consolidated for the first time in September 2010. The increase in consolidated deposits in 2010 was negatively impacted by the observed fluctuations in foreign currency translation namely on the USD/Euro. When adjusting to those fluctuations, Bank Audi' consolidated deposits would have increased by an additional USD 127 million.

The remaining USD 339 million increase in total funding was accounted for by increases in bank deposits (USD 89 million), other liabilities (USD 23 million), and shareholders' equity (USD 228 million). Bank deposits grew from USD 603 million at end-December 2009 to USD 692 million at end-December 2010 still, accounting for 2.4% of total funding, while other liabilities continued to represent 2.5% of the total. The increase in shareholders' equity is attributed to the Bank's internal capital generation reaching USD 188 million and the issuance of Series "E" preferred shares amounting to USD 125 million in May 2010, offsetting other changes in equity. Equity to assets thus rose from 8.28% at end-December 2009 to 8.44% at end-December 2010, reflecting a conservative leverage of 11.8 times, composed up to 30% by liquid assets, a clear witness of the Bank's significant resources, laying the grounds for a sustained growth strategy over the medium term.

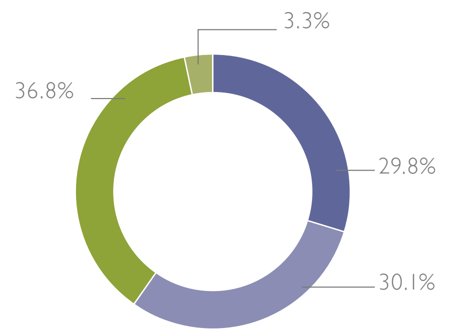
03.1.2. Consolidated Assets

Interest-earning assets increased from USD 25.6 billion at end-December 2009 to USD 27.7 billion at end-December 2010, still representing 96.7% of total assets at the same date, though with varying structure. In fact, Management adopted in 2010 an asset utilisation policy aiming at further offsetting the negative carry on the primary liquidity in foreign currency by altering the asset mix towards higher yielding assets, though in compliance with its risk appetite and limits set by the Board of Directors. Primary liquidity, mainly placements with banks, decreased subsequently by USD 611 million which, added to the USD 2,202 million increase in funding, was used to increase loans to customers by USD 1,801 million and portfolio securities by USD 935 million.

Consolidated Assets at End-December 2009



Consolidated Assets at End-December 2010



Bank placements | Net loans
Portfolio securities | Other assets

03.1.2.1. Primary Liquidity

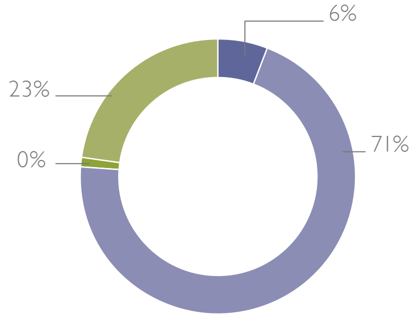
The Bank's overall primary liquidity (composed of cash and deposits by the Central Bank including Certificates of Deposit, in addition to placements with foreign banks) reached at end-December 2010 USD 12.2 billion, representing 49% of total customers' deposits, one of the highest liquidity levels in the MENA region as a whole. The table below highlights the breakdown of primary liquidity by currency and type.

Liquidity

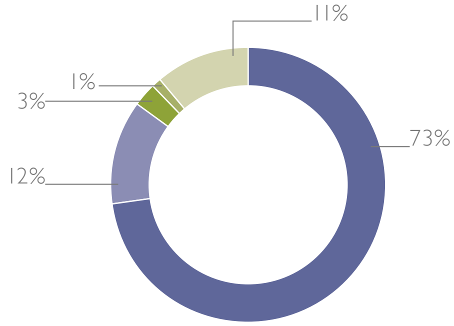
USD Million	LBP	USD	EUR	SYP	EGP	JOD	OTHERS	TOTAL
Central banks	**3,495**	**2,335**	**741**	**506**	**707**	**48**	**140**	**7,971**
o.w. reserves requirements	650	1,315	711	120	208	41	4	3,049
o.w. cash deposits	136	192	30	385	499	7	136	1,385
o.w. BDL's Certificates of Deposit	2,709	828						3,537
Placement with banks	**85**	**2,746**	**808**	**176**	**22**	**4**	**363**	**4,204**
Total liquidity	**3,580**	**5,081**	**1,549**	**682**	**729**	**51**	**504**	**12,175**

Excluding the Central Bank of Lebanon's Certificates of Deposit, the Bank's overall primary liquidity reaches at end-December 2010 USD 8.6 billion, representing 30% of consolidated assets, principally composed of primary liquidity in foreign currencies amounting to USD 7.8 billion, representing 41% of customers' deposits in foreign currency. The share of cash and balances at central banks denominated in foreign currency in deposits denominated in foreign currency moved from 18.8% at end-December 2009 to 19.2% at end-December 2010, while placements with banks, primarily in OECD countries, accounted for 21.7% of customers' deposits denominated in foreign currency at end-December 2010 as compared to 29.6% at end-December 2009. Placements in OECD banks are mainly in large, deposit-rich banks, principally highly rated international banks, as clearly highlighted in the charts below:

Breakdown by Region at End-December 2010



Breakdown by Rating at End-December 2010



In Lebanese Pounds, the overall primary liquidity continued to represent USD 3.6 billion at end-December 2010, similar to end-December 2009, which, with the context of an increase in deposits denominated in Lebanese Pounds by USD 112 million in 2010, resulted in a drop in the share of overall primary liquidity in Lebanese Pounds in total deposits in Lebanese Pounds from 62.3% at end-December 2009 to 60.8% at end-December 2010. This is justified by increased lending opportunities in Lebanese Pounds (starting from a very low base), partly as a result of the Central Bank's subsidy on those loans and of placements in other higher yielding assets.

03.1.2.2. Portfolio Securities

In 2010, portfolio securities increased by USD 935 million, moving from USD 9,621 million at end-December 2009 to USD 10,556 million at end-December 2010, representing nonetheless 36.8% of total assets as compared to 36.3% the previous year. A breakdown of the increase in portfolio securities over the different components reveals that USD 174 million of the increase was accounted for by Lebanese Eurobonds, USD 101 million by Lebanese Treasury bills, USD 24 million by equity instruments, and USD 70 million by non-Lebanese sovereign bonds, while other securities increased by USD 410 million. This flow analysis highlights Management's desire to achieve an asset mix compatible with the Bank's regional profile, diversifying its exposure towards better rated regional and international sovereign and corporate bonds including regional ones from Abu Dhabi, Qatar and Saudi Arabia, with lower yields at the detriment of Lebanese Eurobonds. At end-December 2010, Bank Audi's exposure to net Lebanese sovereign bonds stood at USD 970 million, representing a low of 5.3% of deposits denominated in foreign currency. Net Lebanese sovereign bonds are Lebanese sovereign bonds net of the bonds whose risk has been ceded through a customers' deposit-linked instrument underlying a contractual agreement with qualified customers accepting deposits repayment in cash or in Lebanese sovereign bonds against a higher return on their deposits. In parallel, the Bank's exposure to other non-Lebanese securities amounted at end-December 2010 to USD 1,317 billion, representing 6.9% of customers' deposits in foreign currency.

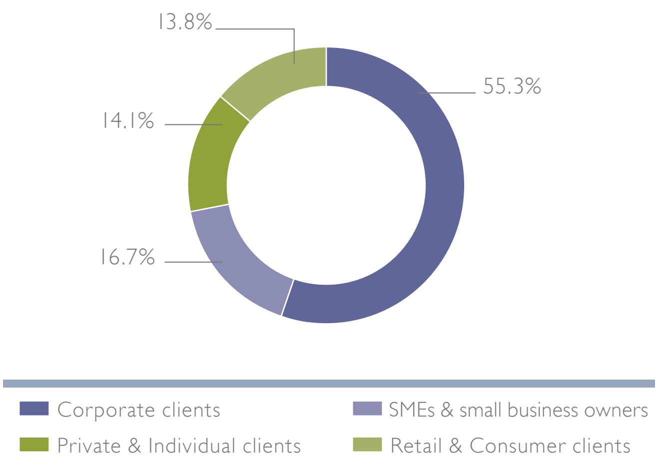
Portfolio Securities

	Dec-09			Dec-10			Change		
USD Million	**LBP**	**cv FC**	**Total**	**LBP**	**cv FC**	**Total**	**LBP**	**cv FC**	**Total**
BDL Certificates of Deposit	2,677	870	3,547	2,709	828	3,537	32	-42	-9
Net Lebanese Treasury Bills & Eurobonds	2,684	465	3,149	2,785	970	3,755	101	505	606
Risk ceded Lebanese Eurobonds		949	949		783	783		-166	-166
Other non-Lebanese governmental securities		895	895		965	965		70	70
Equity instruments	8	190	197	8	213	221		24	24
Other Lebanese securities		412	412		943	943		530	530
Other non-Lebanese securities		472	472		352	352		-120	-120
Total	5,368	4,253	9,621	**5,501**	**5,055**	**10,556**	**133**	**802**	**935**

03.1.2.3. Loans to Customers

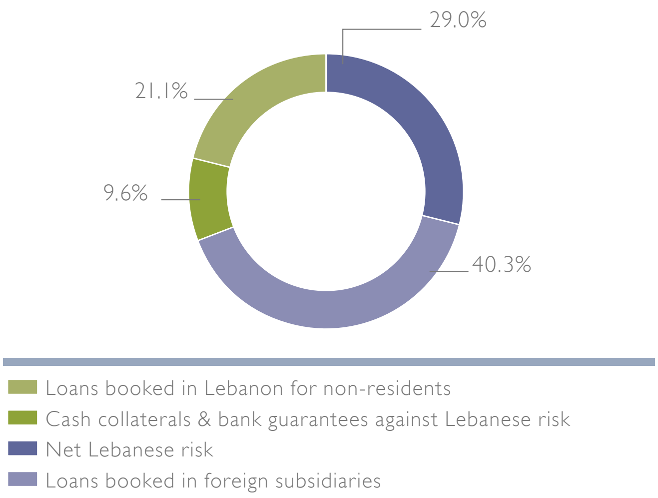
Following the wait and see stance adopted in 2009 as a result of tough market conditions, Bank Audi gradually resumed its lending activity in 2010, posting a loan growth of 26.7%, the strongest growth rate in the MENA region at large. In fact, consolidated loans moved from USD 6.7 billion at end-December 2009 to USD 8.5 billion at end-December 2010, reporting a balanced breakdown over countries and economic sectors. This strong evolution, representing an increase of USD 1,801 million, reflects, on the one hand, the Bank's increased Corporate and Retail Banking activity in MENA subsidiaries, and on the other hand, its Corporate Lending activity in Lebanon and for the MENA region out of Lebanon. In fact, out of the USD 1,801 million increase in consolidated loans, USD 769 million represent loans granted to the Lebanese private sector, USD 220 million were booked in Lebanon and granted to regional corporate, while MENA entities posted an increase in loans of USD 644 million. The remaining USD 168 million increase in loans is accounted for by European entities of which USD 42 million represent the loan portfolio of Bank Audi SAM (Monaco) which is consolidated for the first time. Consequently, at end-December 2010, the share of the Lebanese domestic loans in consolidated net loans reached 38.6%, while the share of loans booked in Lebanon for non-residents reached 21.1%, with the remaining 40.3% accounted for by loans booked in foreign subsidiaries.

Loans Breakdown by Customer Type

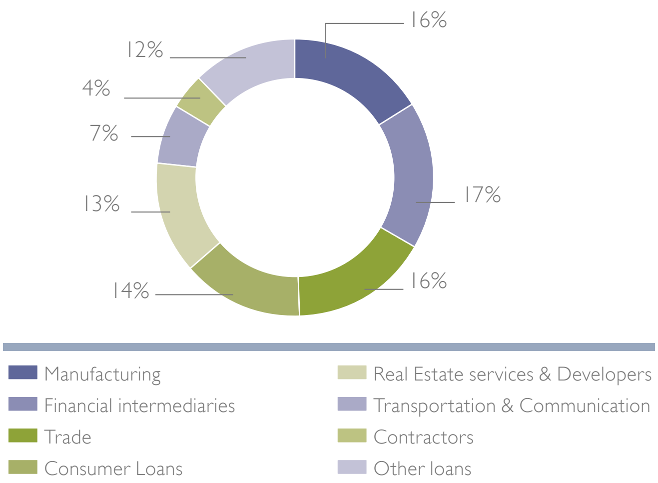


By economic sector, the greatest aggregate exposure is to Financial Intermediaries (17%), followed by Manufacturing (16%), Trade (16%), Consumer Loans (14%), Real Estate services and Developers (13%), Transportation and Communications (7%), Contractors (4%), while other loans account for 12% of the total.

Loans Breakdown by Booking Entity



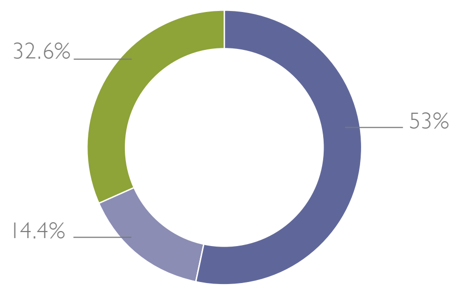
Loans Breakdown by Economic Sector



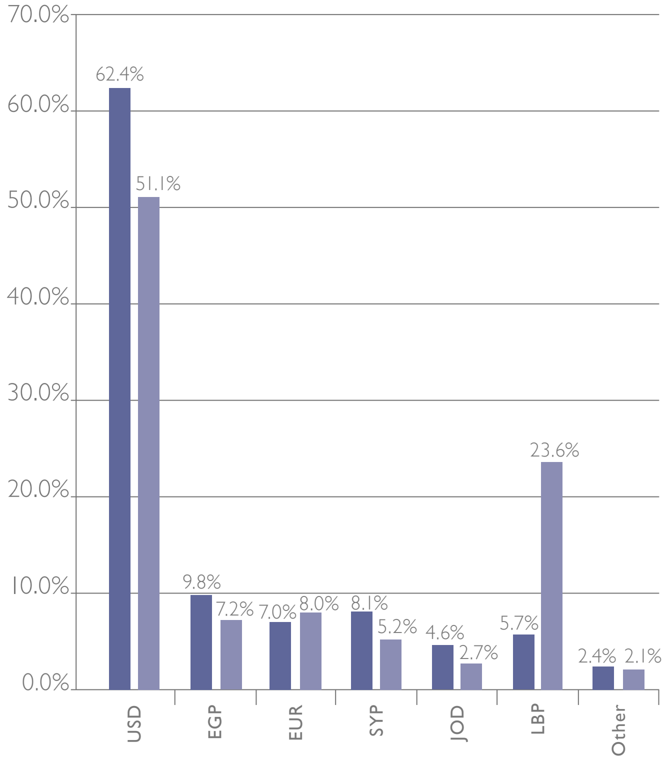
A breakdown of the Bank's consolidated loan portfolio at end-December 2010 by customer type reveals that 55.3% of net loans are to Corporate clients, 16.7% to small and medium-sized institutions as well as small businesses, 14.1% to Private and Individual customers, while Retail and Consumer Lending account for the remaining 13.8%.

The charts set forth reveal that more than half (53%) of all consolidated loans are short-term facilities maturing in less than one year. A breakdown by currency of loans and deposits reveals that while all loans are totally matched by resources in similar currencies, almost two-thirds of the totals (62.4%) are denominated in US Dollars.

Loans Breakdown by Maturity



Loans & Deposits Breakdown by Currency



The faster growth of consolidated loans relative to consolidated customers' deposits resulted in a rise in the loan to deposit ratio from 29.4% at end-December 2009 to 34.4% at end-December 2010 and 53.1% when adjusting to the financial instruments accounted for as loans and receivables as per IFRS, a level which remains below the 73.8% average for banks in the MENA region as at end-December 2010. In spite of the conservative approach to lending expected to be adopted in 2011 on a group level following the recent development affecting several countries of the MENA region, Management's objective remains to raise the loan to deposit ratio to a sustainable 42% over the medium term.

The increase in the loan portfolio was not achieved at the detriment of loan quality which continues to display good levels by regional and emerging markets standards. Gross doubtful loans represented at end-December 2010 2.2% of gross loans (as compared to 3.4% at end-December 2009), while net doubtful loans represented 0.61% (against 0.93% at end-December 2009), within the context of a coverage ratio on those loans of 72.6% (72.4% at end-December 2009) which reaches 119% when accounting for all real collaterals. In addition to specific provisions, a portfolio of collective provisions on the overall loan book continued to be built in 2010 reaching USD 61.5 million at end-December 2010, corresponding to 0.72% of net loans.

USD Million	**Dec-07**	**Dec-08**	**Dec-09**	**Dec-10**
Collective provisions	3.0	17.0	40.5	61.5
Net DLs/Gross loans (excl. collective provisions)	0.81%	0.60%	0.93%	0.61%
Net DLs/Gross loans (incl. collective provisions)	0.75%	0.33%	0.35%	-0.09%
LLRs on DLs/Gross loans (excl. collective provisions)	80.93%	80.35%	72.36%	72.61%
LLRs on DLs/Gross loans (incl. collective provisions)	82.36%	89.17%	89.65%	104.2%
	Bank Audi	**MENA**	**EMkts**	World
	Dec-10	**Dec-09**	**Dec-09**	Dec-09
Gross NPLs/Gross loans	**2.2%**	**4.4%**	**6.3%**	5.3%

By geography, the USD 61.5 million of collective provisions are distributed over USD 36.6 million in Lebanese entities, USD 1.3 million in entities in Europe, and USD 23.7 million in entities in the MENA region. When adjusting to collective provisions, coverage ratios on doubtful loans would rise to 104.2% of gross loans and 142% when accounting for all real guarantees. The important improvement in the ratio of gross doubtful loans to gross loans totally offset the increase in the ratio of gross substandard loans to gross loans, rising from 0.15% at end-December 2009 to 1.06% at end-December 2010.

From a risk stand point, the Group Corporate Banking, Credit and Risk Management have been undergoing periodically comprehensive reviews of the quality of the consolidated loan book, the frequency of those reviews increasing with the recent developments in several countries of presence. To date, the outcome of those reviews did not point out the need to downgrade other specific files. Notwithstanding, Management has devised to delay earnings in 2011 and increase the provisioning effort as a precautionary measure, with a large reversal potentiality of those provisions before year-end as soon as market visibility clears out. It remains that Management, as part of its performance targets, has committed to the Board of Directors to sustain at all times a ratio of net doubtful loans to gross loans ratio below 1.5%.

03.1.2.4. Capital Management

Shareholders' equity increased from USD 2,193 million at end-December 2009 to USD 2,420 million at end-December 2010, rising year-on-year by USD 228 million (i.e. a growth of 10.4%) and reflecting primarily the internal capital generation and the issuance of the USD 125 million Series "E" preferred shares, in addition to changes in the Treasury stock position and the reserve on revaluation of financial instruments. Consequently, Tier One capital rose by USD 184 million to USD 1,866 million at end-December 2010, totally offsetting the contraction in Tier Two capital by USD 21 million to USD 58 million at end-December 2010. As a percentage of total assets, shareholders' equity represented at end-December 2010 8.44% as compared to 8.28% at end-December 2009. Accounting for 24.4% of the consolidated shareholders' equity in the Lebanese banking sector, the Bank's shareholders' equity translated in a capital adequacy ratio of 11.42% at end-December 2010, a level above the regulatory minimum of 8% and Management recommended level (10%).

Since January 1, 2010, the basis for capital adequacy computation, as directed by the Central Bank of Lebanon, was that of 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 for Pillar I and potential adjustments for Pillar II.

Moreover, supported by the Board of Directors and the Executive Committee, Risk Management launched several internal projects or organisational improvements in 2010 aiming at a proper measurement and management of risks within a governance structure ensuring timely information and escalation, well beyond increasingly demanding regulatory requirements now leading to Basel III. The ultimate objective remains to optimise the allocation of capital and reduce uncertainty, thus the cost of capital. The newly started projects encompass:

- Setting up of a Board Group Risk Committee (BGRC) whose role is to oversee the Risk Management framework and assess its effectiveness, review and recommend to the Board of Directors the Group risk policies and risk appetite, monitor the Group risk profile, review stress tests scenarios and results, and provide access for the Group Chief Risk Officer (CRO) to the Board of Directors.
- Improving Risk Management processes across all entities of the Group.
- Optimising the use of resources by outsourcing certain local Risk Management responsibilities to Group Risk Management.
- Enhancing models and improving the reliability and relevance of internal ratings with the goal of qualifying for Basel II IRB certification.
- Rolling out Board-approved risk principles and methodologies across the Group for all risk types.
- Enhancing the organisation of data for timely risk aggregation at the Group level.
- Implementing third-party, best-in-class risk and analytic solutions.
- Upgrading human capabilities through training and hiring, including specialists in quantitative finance and econometrics.

In addition, the Bank is currently in the process of preparing the submission of a comprehensive ICAAP (Internal Capital Adequacy Assessment Process) document to the Board and to regulators, as per the Lebanese Banking Control Commission memo 9/2010. Such a document reflects how the Bank manages its capital resources versus capital requirements. A best practice prerequisite of this process is the necessity to quantify risks and risk-adjusted performance metrics not only for reporting purposes, but also as an integral part of decision-making. Bank Audi is currently rolling out such metrics to medium to large transactions in most asset classes.

The table set forth highlights the evolution of the components of capital adequacy ratio in 2010.

Capital Adequacy Ratio as per Basel II

USD Million	Dec-09	Dec-10	10/09
Risk-weighted assets	14,760	**16,846**	**2,086**
Assets	26,486	**28,688**	**2,202**
RWAs/Assets	55.7%	**58.7%**	**3.0%**
Shareholders' equity	2,193	**2,420**	**228**
Tier One capital	1,783	**1,936**	**138**
- Treasury stock	49	25	-25
- Goodwill	145	184	89
- Intangible assets	17	17	6
- 50% participation in insurance companies	29	17	
- Reserves of insurance companies	11	15	4
Tier One capital accounted for capital ratios	1,531	**1,679**	**147**
o.w. common	1,406	1,429	22
o.w. preferred	125	250	125
Tier Two capital	79	**58**	**-21**
o.w. revaluation variance Group Audi	12	12	
o.w. 50% AFS reserves	81	72	-9
o.w. foreign currency transalation reserves	15		-15
- 50% participation in insurance companies	29	26	-4
Total capital	1,610	**1,736**	**127**
Tier One capital ratio	10.15%	**9.96%**	**-0.19%**
o.w. common	9.33%	8.48%	-0.85%
o.w. preferred	0.83%	1.48%	0.66%
Tier Two capital ratio	0.53%	**0.34%**	**-0.19%**
Total capital ratio	10.69%	**10.31%**	**-0.38%**
Net profits	288.95	**352.25**	**63.30**
- Less profits of insurance companies	8.03	10.29	2.26
- Less common dividends	120.47	139.39	18.92
- Less preferred dividends	9.69	14.69	5.00
= Internal capital generation	150.77	**187.88**	**37.11**
Tier One capital (profits net of dividends included)	1,682	**1,866**	**184**
o.w. common	1,557	1,616	59
o.w. preferred	125	250	125
Tier Two capital	79	**58**	**-21**
Total capital	1,761	**1,924**	**164**
Tier One capital ratio (profits net of dividends included)	11.40%	**11.08%**	**-0.32%**
o.w. common	10.55%	9.60%	-0.95%
o.w. preferred	0.85%	1.48%	0.64%
Tier Two capital ratio	0.53%	**0.34%**	**-0.19%**
Total capital ratio	11.93%	**11.42%**	**-0.51%**

In 2010, risk-weighted assets grew by 14.1%, from USD 14.8 billion at end-December 2009 to USD 16.8 billion, expanding by USD 2.1 billion, of which USD 1.6 billion accounted for by credit risk. Within the context of a lower growth in the capital accounted for capital ratio of 9.3%, from USD 1.8 billion at end-December 2009 to USD 1.9 billion in 2010, the total capital adequacy ratio of Bank Audi moved from 11.93% at end-December 2009 to 11.42% at end-December 2010. The 51 basis points contraction is justified by contraction in core Tier One and Tier Two capital by respectively 105 and 19 basis points, totally offsetting the increase resulting from the issuance of the Series "E" preferred shares by 64 basis points and from the internal capital generation by 9 basis points. Core Tier One excluding undistributed profits reached at end-December 2010 8.48% as compared to 9.33% at end-December 2010. Notwithstanding, the calculation of total capital adequacy ratio does not take into account the elimination of USD 783 million of Lebanese government Eurobonds, whose risk has been ceded to qualified customers by contractual agreements at end-December 2010. When adjusting the risk-weighted assets to the risk ceded, the capital adequacy ratio would rise to 11.98%.

03.1.3. Profitability

Bank Audi's earning power gained strength in 2010 as earnings before tax and provisions grew year-on-year by 21.9%, from USD 289 million in 2009 to USD 352.3 million in 2010, and earnings per common share grew by 20%, from USD 0.8 in 2009 to USD 0.96 in 2010. This performance is well above that of peers, since Bank Audi achieved in 2010 the largest volume increase in net earnings in the Lebanese banking sector and the 4th largest earnings growth in the MENA region at large. Earnings per common share grew at a compounded average rate of 20.4% per annum over the last 5 years.

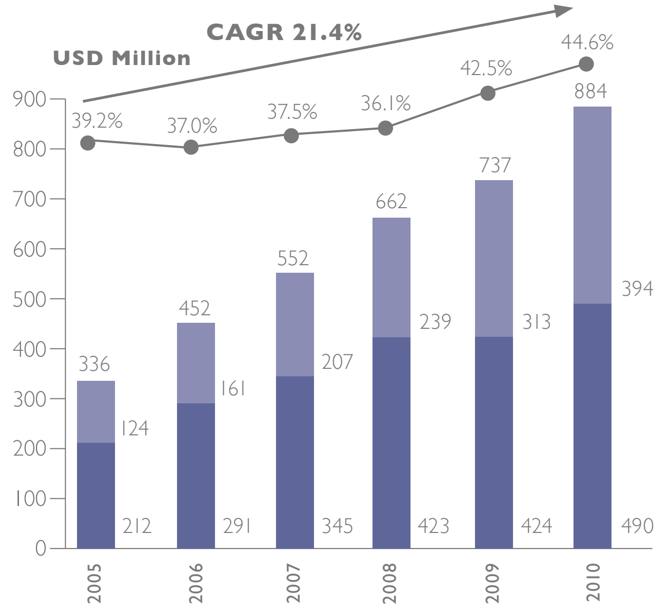
Summarised Income Statement

			Change	
USD Million	**Dec-09**	**Dec-10**	**Vol**	**%**
Interest income	424.0	489.8	65.8	15.5%
Non-interest income	313.1	394.8	81.7	26.1%
Total income	737.1	**884.6**	**147.5**	**20.0%**
Operating expenses	356.9	418.2	61.3	17.2%
Loans loss provisions	23.2	31.5	8.3	35.7%
Net other provisions	7.8	0.6	-7.2	-92.2%
Tax	60.3	82.0	21.7	36.0%
Total cost	448.2	**532.3**	**84.2**	**18.8%**
Net income	289.0	352.2	63.3	21.9%
Cost to income	48.4%	**47.3%**		**-1.1%**

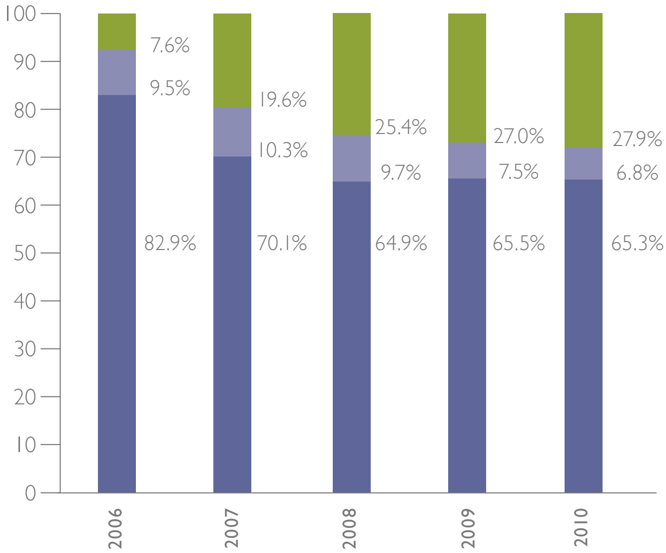
The USD 63.3 million year-on-year increase in net earnings stems from a USD 147.5 million increase in total income offsetting the increase in the cost base (comprised of general operating expenses, provisions and income tax) by USD 84.2 million. Net interest income increased by USD 65.8 million (15.5%) on higher volumes (17.7% growth in average assets), offsetting the lower year-on-year spread by 3 basis points. Within the context of the persisting low international USD reference rates translating in a significant negative carry impacting the primary liquidity in foreign currency, Management adopted a margin focus rather than volume growth strategy, consistently widening spreads period over period, from 1.65% in the first quarter of 2010 to 1.79% in the second quarter of 2010, to 1.89% in the third quarter of 2010, to 1.90% in the months of October and November 2010 and 1.68% in the month of December 2010, a drop justified by end-of-year adjustments. On the overall, Bank Audi achieved in 2010 a spread of 1.79%, while Management's target remains to achieve a spread of 2% over the year 2011.

In parallel, non-interest income rose year-on-year by USD 81.7 million, generated by the various business lines catered by the Bank, be it in Lebanon or in entities abroad. Commercial and Corporate Banking contributed to 9.5% of the total increase in non-interest income, while Retail and Personal Banking contributed to 13.2%, and Private Banking to 10.8%. The share of Treasury and Capital Market activities in the total increase of non-interest income reached 72.5%, accounted for by income from trading and sale of financial instruments, while the other non-interest income had a negative contribution to the total increase by 6.1%. Subsequently, non-interest income represented 44.6% of total income in 2010 as compared to 42.5% in 2009, while net commissions continued to represent 0.63% of average assets. The increase in non-interest income in 2010 by 26.1% translated in an improvement in the ratio of non-interest income to average assets by 9 basis points to 1.43%. The interaction of the spread with this ratio turned an asset utilisation ratio of 3.21%, reflecting an increase by 6 basis points relative to 2009.

Evolution of Revenues



Breakdown of Revenues by Markets



General operating expenses increased year-on-year by 17.2%, the equivalent of USD 61.3 million, broken down over USD 33.2 million of additional staff expenses, USD 26.8 million of other operating expenses, and USD 1.3 million of depreciation. By geography, the USD 61.3 million increase in general operating expenses is mainly attributed to Lebanese entities (USD 45.1 million) within the context of an increase in the general operating expenses of entities in Europe by USD 3.6 million and of entities in the MENA region by USD 12.6 million. Consistent with a stronger growth in total income than in general operating expenses, the cost to income ratio improved by a further 1.14% from 48.4% in 2009 to 47.3% in 2010, while cost to average assets continues to stand at 1.52%.

USD Million	2005	2006	2007	2008	2009	2010	CAGR
General operating expenses	189	234	309	363	357	418	17.2%
Net income	336	452	552	661	734	885	21.4%
Net earnings	106	164	200	238	289	352	27.2%

Relative Share (GOE base 100)	2005	2006	2007	2008	2009	2010	Change
General operating expenses	100	100	100	100	100	100	
Net income	178	193	179	182	206	212	34
Net earnings	56	70	65	66	81	84	28

Other costs increased year-on-year by USD 22.8 million, broken down over a USD 21.7 million increase in income tax and USD 8.3 million in net loan loss provisions within the context of USD 7.2 million of recuperation in provisions on financial instruments. Net loan loss provisions reached USD 31.5 million in 2010, reflecting a gross allocation to provisions on doubtful loans of USD 54.1 million broken down over USD 33.1 million of specific provisions and USD 21 million of collective provisions within the context of USD 22.6 million of provisions no more required. Consequently, the net operating margin moved from 39.20% in 2009 to 39.82% in 2010.

Key Performance Indicators

USD Million	Dec-09	Dec-10	Change
Average assets	23,435,521	**27,587,014**	**4,151,494**
Average interest-earning assets	22,582,145	**26,679,843**	**4,097,697**
Average interest-bearing liabilities	20,795,779	**24,614,553**	**3,818,774**
Average equity	2,079,459	**2,306,632**	**227,172**
Yield on earning assets	5.53%	5.05%	-0.47%
Cost of earning assets	3.65%	3.22%	-0.43%
Cost of funds	3.96%	3.49%	-0.47%
Interest differential	1.56%	**1.57%**	**0.00%**
Interest margin	1.88%	**1.84%**	**-0.04%**
Average IEA/AA	96.36%	96.71%	0.35%
Spread	1.81%	**1.78%**	**-0.03%**
+ Non-interest income/AA	1.34%	1.43%	0.09%
= **Asset utilisation**	3.15%	**3.21%**	**0.06%**
*** Net operating margin**	39.20%	**39.82%**	**0.62%**
o.w. cost to income	*48.4%*	*47.3%*	*-1.1%*
o.w. credit cost	*3.15%*	*3.56%*	*0.41%*
o.w. provisions on impairement of financial instruments	*1.06%*	*0.07%*	*-0.99%*
o.w. tax cost	*8.18%*	*9.27%*	*1.09%*
= ROAA	1.23%	**1.28%**	**0.04%**
*** Leverage**	11.27	**11.96**	**0.69**
= ROAE	13.90%	**15.27%**	**1.38%**
ROACE	14.77%	**16.02%**	**1.25%**

The interaction of the asset utilisation ratio with the net operating margin resulted in a return on average assets of 1.28% and, ultimately, a return on average common equity of 16.02% when factoring the impact of leverage.

03.2. Business Lines Review

With a universal banking profile, Bank Audi sal - Audi Saradar Group benefits from leaderships in Commercial and Corporate Banking, Retail and Individual Banking, Private Banking, Investment Banking, Treasury and Capital Market activities, and Insurance activities. Over the recent years, the Bank embarked on a wide restructuring and expansion plan, significantly widening the range of products and services offered to its customer base which is becoming increasingly diversified and demanding. Building on those existing strong franchises, Bank Audi continued in 2010 to consolidate its business lines across all markets of presence and expand them in an aim to gain additional market advantages.

Within this context, Bank Audi acquired, in November 2010, a major stake in Arabeya Online Brokerage, the first on-line trading platform in Egypt, allowing it to complement its business franchise in Egypt with a distinguished Retail Brokerage activity, encompassing a comprehensive array of products and services including conditional orders, mobile trading and margin lending. This new business in Egypt will be followed by other new businesses which were identified by the 4-year strategic business plan set forth jointly by external advice and the entity's Management including factoring, mortgages, bancassurance, etc. In parallel, at the Private Banking level, Bank Audi Saradar France sa announced in 2010 its interest to participate in the development of this business line and decided to apply for a licence for a branch focusing primarily on Private Banking, following the acquisition of Bank Audi SAM (Monaco) and the launching of a branch in Gibraltar.

Bank Audi's Countries of Presence

Country	Company	Activity
Lebanon	Bank Audi sal	Universal Bank
Lebanon	Audi Saradar Private Bank sal	Private Banking
Lebanon	LIA insurance sal	Insurance
Jordan	Bank Audi sal - Jordan Branches	Commercial & Retail Banking
Syria	Bank Audi Syria sa	Commercial & Retail Banking
Egypt	Bank Audi sae	Commercial & Retail Banking
Egypt	Arabeya Online Brokerage	On-line Brokerage
Sudan	National Bank of Sudan	Islamic Bank
Saudi Arabia	Audi Capital (KSA) cjsc	Investment Company
Qatar	Bank Audi LLC	Corporate & Private Banking
UAE	Bank Audi sal	Representative Office
Switzerland	Banque Audi (Suisse) sa	Private Banking
France	Bank Audi Saradar France sa	Commercial Banking
Gibraltar	Banque Audi (Suisse) sa	Private Banking
Monaco	Bank Audi SAM	Private Banking

03.2.1. Corporate and Commercial Banking

Bank Audi has a strong franchise in both Commercial and Corporate Banking activities, supported by a diversified loan portfolio covering the top corporate from Lebanon and the MENA region. Over the recent years, the Corporate and Commercial Banking loan portfolio witnessed significant growth justified by the launch of new greenfield operations in the MENA region and by the Group's adopted strategy to benefit from the credit squeeze environment still prevailing in the MENA region to deploy its abundant liquidity in financings to the top regional corporate booked either in Lebanon or in regional entities, depending on the size of the loan with respect to the applicable limits in each market. In 2010, the Bank's corporate loan portfolio grew by 27% from USD 3.7 billion at end-December 2009 to USD 4.7 billion at end-December 2010, of which 49% in Lebanon, representing USD 3.7 billion, by far the largest among Lebanese banks.

The Corporate Banking offering was further reinforced in the past couple of years to include growing high value added businesses with a regional coverage and the Syndication business through the establishment of a dedicated Syndication desk active in primary and secondary markets and overseeing transactions in Lebanon, Egypt, Syria, Jordan and Saudi Arabia. At the level of primary syndications, Bank Audi has so far structured and arranged more than USD 2 billion worth of deals ranging across various sectors (telecoms, manufacturing, cement plants, insurance, retail and contracting). Syndication activities at Bank Audi were marked by the successful closing of milestone transactions positioning the Group as a major player in that business in the Middle East and North Africa region. The latest transaction closed by the Bank to date was that of a USD 400 million syndicated acquisition finance facility for a leading regional insurance company, by far the largest syndication in Lebanon. Bank Audi acted as the book runner and mandated lead arranger of this syndication, featuring the active involvement of a renowned international bank as co-mandated lead arranger and co-book runner, in addition to the affirmative participation of 14 local banks. This transaction follows two flagship operations successfully closed by the Group, featuring the largest project finance syndication in Syria (USD 340 million) for a greenfield cement plant, and in Egypt for a steel plant. Recognising Bank Audi's leadership and mastery in handling complex and challenging transactions in the MENA region compelled Euromoney to grant Bank Audi the Deal of the Year 2010 award and The Banker Magazine to grant it The Banker Middle East Infrastructure and Project Finance Deal of the Year 2011. Bank Audi continues to consider the Syndication business as a good source of commissions to the Bank. In 2010, the Commercial and Corporate Banking activity generated USD 82.2 million of non-interest income (of which USD 12.8 million relating to the Syndication business), up from USD 74.4 million in 2009, posting a growth by 9.5%.

03.2.2. Retail and Individual Banking

Bank Audi has a strong Retail and Individual Banking activity supported by an 80-branch network in Lebanon and a 73-branch network in the MENA region, built in less than 4 years of average activity. At end-December 2010, the Retail and Individual banking franchise covered a wide spectrum of 130 products and services ranging from Interest-bearing Accounts to Consumer Lending Products, Bancassurance, Credit Cards and Internet Banking, offered to satisfy the needs of an increasingly diversified and demanding customer base, with the objective to meet all their financial requirements in a one-stop shop. As previously mentioned, the spectrum was complemented in 2010 with the addition of Retail Brokerage services following the acquisition of AOLb.

In 2010, the Retail Banking strategy focused on a complete revamping of the array of products and services offered in order to deepen the Bank's relationship with its customers while remaining fast in responding to the needs of the individuals, families, and different socio-professional classes it serves in its various countries of presence. Driven by a true sense of innovation and state of the art technologies, this strategy aimed at enhancing the customer penetration rate through improving sales on existing products and launching new competitively priced products translating into a further consolidation of its leading market positioning.

Accordingly, a wide review of the products and services offered was performed, allowing to decrease the pricing of several personal and schooling loans, boosting sales at this level, and the launch of special offerings on the Bank's home loan. Moreover, the Bank has engaged further in the Bancassurance field and has revamped many of its Bancassurance products, such as Aman Al Dar and Aman Al Darb. In the Services field, the Bank has also enhanced its Audi On-line product by introducing new features, thus making Internet Banking more practical for its customers.

The Electronic Banking and Cards Services launched various types of products in Lebanon, Egypt, Syria and Jordan, all designed to intimately fit customers' lifestyles. Other new products were also launched in the regional network, namely in Jordan, with a MEA co-branded card targeting frequent flyers to Lebanon, and in Egypt, with the launch of two innovative products: the Mastercard Titanium card which conveys a classy distinctive lifestyle, and Shine, the first mirror credit card targeting ladies.

Needless to point out that this Retail strategy was supported internally by a significant improvement in efficiency through the implementation of new Human Resources functionalities improving operations' efficiency rate while constantly monitoring the quality of the Bank's products and services. In order to improve service and deliver special offers, dashboards and simulators were deployed for branches, while Business Intelligence capabilities were expanded by creating systems to measure and monitor KPIs for Retail Banking, and CRM marketing campaign tools to achieve better targeting and response rates. Innovative and unique technologies such as the Radio Frequency Identification (RFID) and the Augmented Reality technologies were introduced for the first time in the Lebanese banking sector to promote the credit cards spectrum while conveying the Bank's message, supported by the latest digital marketing and social media tools.

All those efforts translated in 2010 in the increase in the number of Retail and Individual Banking customer base by 48,192 customers (10.2%), exceeding at end-December 2010 the half a million threshold. This evolution was commensurate with a 24.77% growth in Consumer Lending activity, moving from USD 1,161 million at end-December 2009 to USD 1,448 million at end-December 2010, driven essentially by housing loans and credit card spending which grew respectively by 37% and 32% over the same period. By geography, the growth in the Consumer Lending portfolio highlights a 19% growth in Lebanon, a 34% growth in Egypt and a 26% growth in Syria. The increase in the number of Retail and Individual customers was coupled with an improved cross-selling activity moving from 3.4 products per customer in 2009 to 4.1 products per customer in 2010. Subsequently, the Retail and Individual Banking activity generated in 2010 non-interest income amounting to USD 72.7 million, up from USD 61.9 million in 2009, reflecting a growth by 13.2%. Going forward, the challenge remains to consolidate and build on the momentum achieved so far, increasing market shares across geographies.

03.2.3. Private Banking

Bank Audi benefits from a leading position in Private Banking, servicing the needs of high networth individuals through its subsidiaries. Bank Audi's Private Banking arm is represented by Banque Audi (Suisse) sa (the second largest arab Bank in Switzerland) and Audi Saradar Private Bank sal (the only 100% Private Banking subsidiary in Lebanon), along with Bank Audi LLC (Qatar) and Audi Capital (KSA), accounting together for over USD 8.2 billion of assets under management at end-2010, by far the largest portfolio managed by a Lebanese banking group, and which also compares competitively with portfolios managed by leading banks in the GCC.

In 2010, Banque Audi (Suisse) has significantly expanded the Bank's product offering to give Private clients a complete palette of investment products and services. The product offering now includes Discretionary Account Management, Investment Advisory Services on asset allocation, Stock Selection, Mutual Funds, Exchange Traded Funds, Bonds, Foreign Exchange, Vanilla and Exotic Options, as well as Structured Products and Tailor-made Investment Proposals. Daily market updates and weekly reports are also produced to keep the Bank's relationship managers and Private clients up-to-date on market dynamics and investment opportunities.

Non-interest income generated by the Private Banking activity moved from USD 32 million in 2009 to USD 40.9 million in 2010, representing 10.4% of the consolidated non-interest income, of which 6.3% relates to core Private Banking services. Management's target remains to increase the contribution of stricto-sensu Private Banking to 10% on the medium term.

Breakdown of Non-interest Income by Geography

USD Thousands	2009 Lebanon	2009 Europe	2009 MENA	2009 Total	2010 Lebanon	2010 Europe	2010 MENA	2010 Total
Commercial and Corporate Banking	45,636	5,319	23,496	74,451	47,369	4,022	30,858	82,250
Private Banking	5,139	25,452	1,440	32,031	6,424	28,250	6,201	40,875
Retail and Individual Banking	37,843	1,503	22,573	61,919	41,397	1,348	29,984	72,729
Treasury and Capital Markets	92,646	16	6,448	99,109	145,553	-89	12,911	158,375
Other non-interest income	13,760	4,604	27,237	45,602	12,510	713	27,330	40,553
TOTAL NON-INTEREST INCOME	195,024	36,893	81,194	313,112	**253,254**	**34,243**	**107,285**	**394,782**

Breakdown of Non-interest Income by Geography (continued)

	Change Lebanon	Change Europe	Change MENA	Change Total	Percent Lebanon	Percent Europe	Percent MENA	Percent Total
Commercial and Corporate Banking	1,734	-1,297	7,362	7,799	2.1%	-1.6%	9.0%	9.5%
Private Banking	1,285	2,798	4,762	8,845	1.6%	3.4%	5.8%	10.8%
Retail and Individual Banking	3,554	-155	7,411	10,810	4.4%	-0.2%	9.1%	13.2%
Treasury and Capital Markets	52,908	-105	6,463	59,266	64.8%	-0.1%	7.9%	72.6%
Other non-interest income	-1,251	-3,892	93	-5,049	-1.5%	-4.8%	0.1%	-6.2%
TOTAL NON-INTEREST INCOME	58,230	-2,650	26,091	81,671	**71.3%**	**-3.2%**	**31.9%**	**100.0%**

03.2.4. Treasury and Capital Market 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. Since 1996, Bank Audi has developed a leading position in domestic and regional Capital Market activities, with strong market-making activities in Lebanon, Saudi Arabia and Egypt. Over the past year, market-making activities on Lebanese and GCC fixed income instruments across the Group reported a turnover of above USD 10 billion. On the equity front, Bank Audi is an active intermediary on the Beirut Stock Exchange, with a 29% market share. Subsequently, Treasury and Capital Market activities contributed to the consolidated non-interest income in 2010 to the extent of USD 158.4 million as compared to USD 99.1 million in 2009, reflecting the evolution of the recurrent market-making activity during the year, along with revaluation of financial instruments.

03.3. Markets Review

Since 2005, the Bank has engaged in a dynamic cross-border expansion strategy through which it has grown rapidly in a number of markets principally in the MENA region, mainly through the establishment of greenfield operations. The Group is currently present in 12 countries through 10 banks, 1 on-line brokerage company, 1 investment company, 2 insurance companies, and a representative office. Over and above its historic and dominant presence in Lebanon and Europe (France and Switzerland, and recently Monaco and Gibraltar), the Group's exposure to the MENA region extends widely to 61% of the Arab population and 67% of the Arab GDP, as it has established footprints in Syria, Jordan, Egypt, Sudan, Saudi Arabia, Qatar and the United Arab Emirates through a representative office.

Middle East & Africa

Country	Company	Year	Branches	Status	Activity
Lebanon	Bank Audi sal	1962	77	Headquarters	Universal Bank
Lebanon	Audi Saradar Private Bank sal	1948	2	Subsidiary	Private Banking
Lebanon	LIA Insurance sal	1974	1	Subsidiary	Insurance
Jordan	Bank Audi sal - Jordan Branches	2004	11	Branch Network	Commercial& Retail Banking
Syria	Bank Audi Syria sa	2005	21	Subsidiary	Commercial& Retail Banking
Egypt	Bank Audi sae	2006	32	Subsidiary	Commercial& Retail Banking
Sudan	National Bank of Sudan	2006	6	Subsidiary	Islamic Bank
Saudi Arabia	Audi Capital	2006	1	Subsidiary	Investment Company
Qatar	Bank Audi LLC	2007	1	Subsidiary	Corporate & Private Banking
UAE	Bank Audi sal	2007		Representative Office	
Egypt	Arabeya Online Brokerage	2010	1	Subsidiary	Brokerage

Europe

Country	Company	Year	Branches	Status	Activity
Switzerland	Banque Audi (Suisse) sa	1976	1	Subsidiary	Private Banking
France	Bank Audi Saradar France sa	1979	1	Subsidiary	Commercial Banking
Giraltar	Banque Audi (Suisse) sa	2010	1	Branch Network	Private Banking
Monaco	Bank Audi SAM	2010	1	Subsidiary	Private Banking

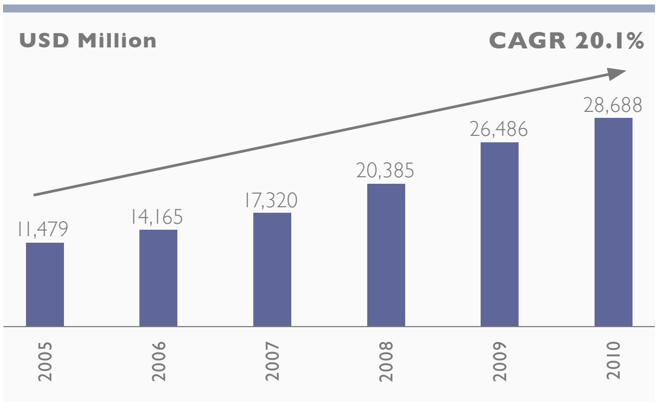
The expansion to new markets dictated an extension of the networks and operations, allowing for the acquisition of customers across markets of presence. The following table reflects the breakdowns of number of branches, number of ATMs, number of staff and number of customers across Lebanon, Europe and the MENA region at end-December 2010.

Network - Workforce - Reach

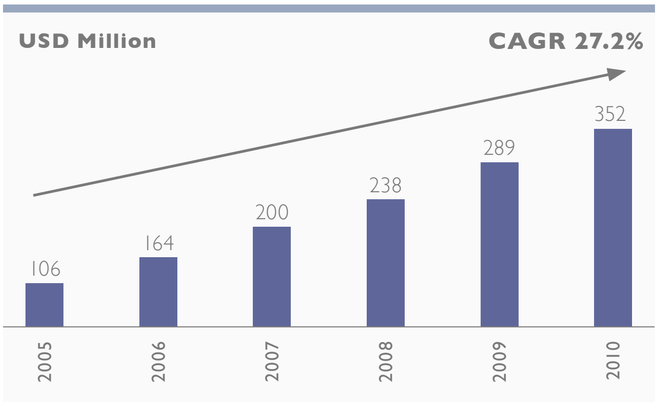
Network	
Branches	157
o.w. Lebanon	80
o.w. foreign	77
ATMs	285
o.w. Lebanon	158
o.w. foreign	127
Total workforce	
Total staff	4,668
o.w. Lebanon	2,749
o.w. foreign	1,919
Staff in banking subsidiaries	3,907
o.w. less than 30 years old	40.6%
o.w. university graduates	74.8%
Client reach	
Number of customers	522,297
Number of accounts	874,248

The first results of the diversification strategy by market are very encouraging, since the newly established franchise allowed to grab further growth opportunities relative to the one offered in the domestic market, boosting the consolidated compounded average growth rate in the 2005-2010 period to the double digit zone, posting 20.1% for assets, 20.2% for deposits, 28.2% for loans to customers and 27.2% for net earnings.

Assets



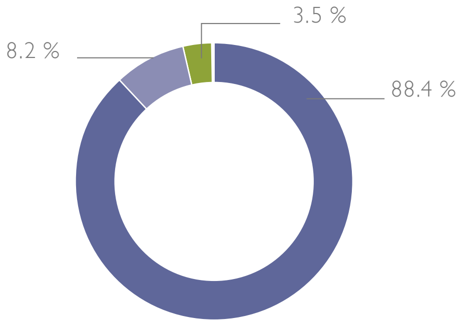
Net Earnings



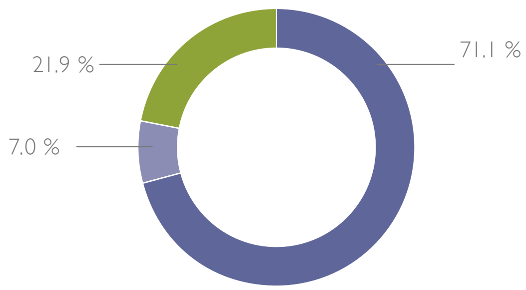
A comparative geographic breakdown of the Group's main performance indicators in 2010 versus 2005, highlighted in the table below, reveals that 71.1% of consolidated assets at end-December 2010 are accounted for by Lebanese entities, 21.9% by regional entities and 7% by entities in Europe. This is to be compared to a contribution of 88.4% for Lebanese entities to consolidated assets in 2005, 3.5% for regional entities and 8.2% for entities in Europe. A similar breakdown at the level of net earnings in 2010 reveals a contribution of 74.9% for Lebanese entities, 3.1% for entities in Europe and 22% for regional entities, as compared to respectively 94.9%, 4.1% and 1% in 2005.

Assets

2005



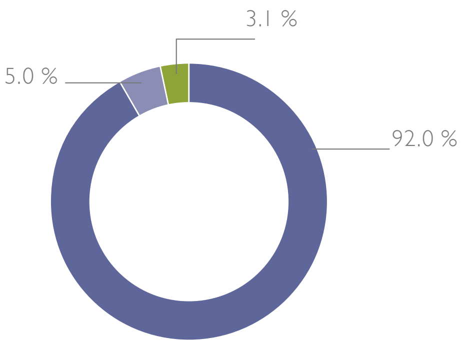
2010



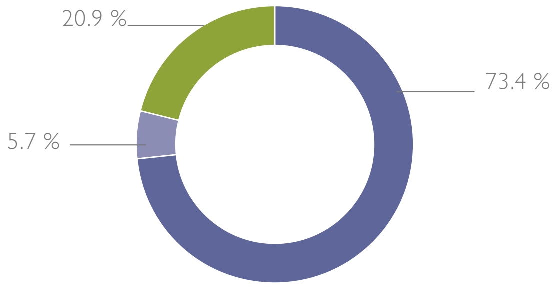
Lebanon MENA Europe

Customers' Deposits

2005

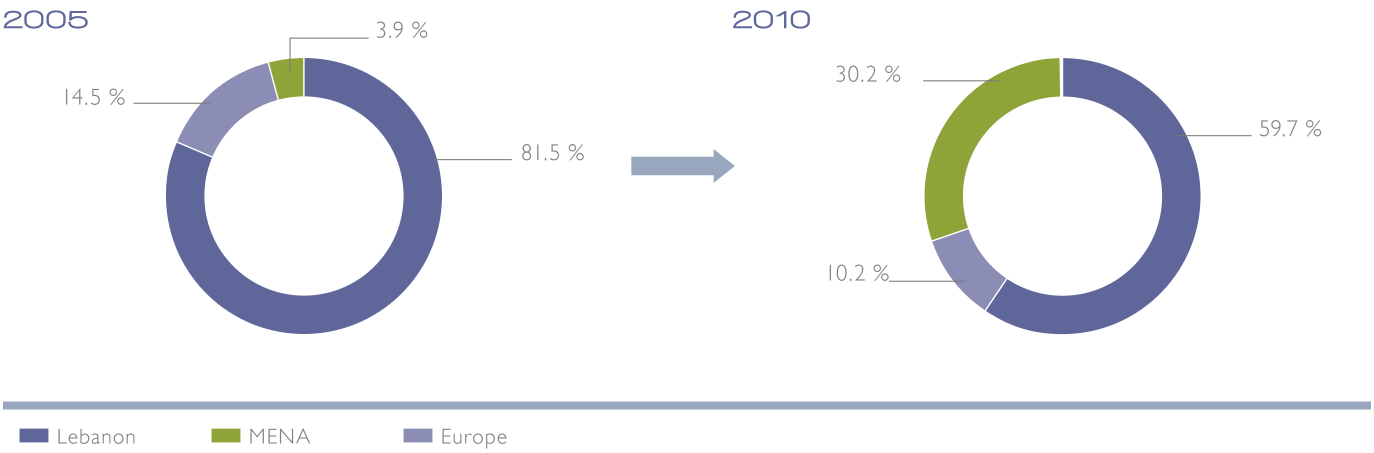


2010

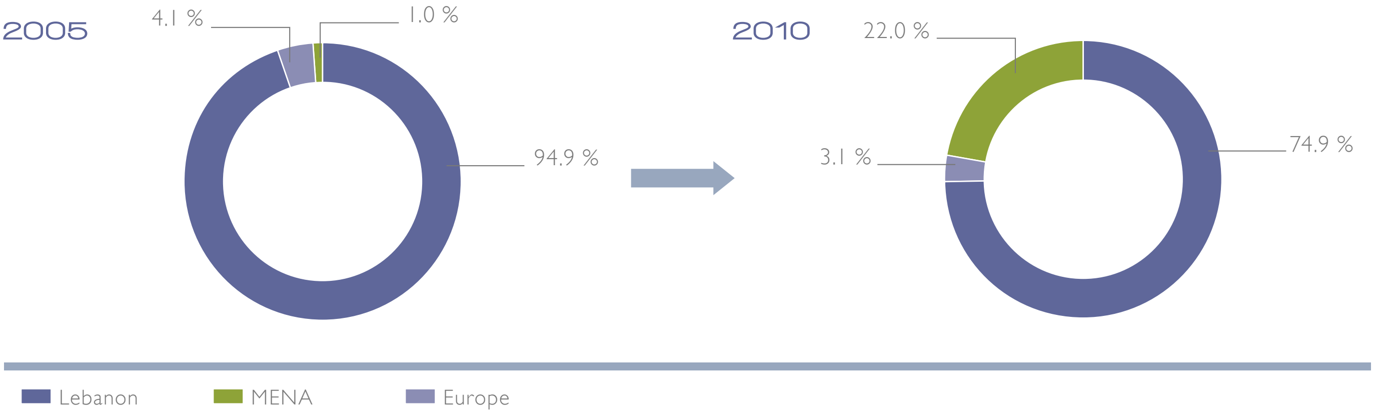


Lebanon MENA Europe

Loans to Customers



Net Earnings



The Bank's medium-term target is to reach a balanced breakdown of assets and earnings between its Lebanese operations and its operations abroad, with a view to reinforcing the quality of its consolidated earnings, strengthening its ability to mitigate risks and improving its international and regional ratings.

The following analysis covers the Group's performance broken down successively over Lebanon, Europe and the MENA region.

03.3.1. Lebanese Entities' Performance in 2010

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 its domestic market reflected the performance of Lebanese banks in 2010. With Lebanon posting a 7% growth in real GDP in 2010, Lebanese banks, having benefited from the global financial crisis and registered peak activity growth rates in 2009, focused their strategy in 2010 around deploying their significant financial flexibility to reinforce lending activity in Lebanon and the region at large, while exerting tight control over their operating conditions, with favourable effects on earnings growth. Accordingly, Lebanese entities registered in 2010 a 3% annual deposits growth, met by a 24.1% loan growth and a corollary 19.5% net earnings growth.

Bank Audi Lebanon: Growth & Market Shares

	Bank Audi sal		Sector	
Balance sheet and earnings data (USD Million)	**Dec-09**	**Dec-10**	**Dec-09**	**Dec-10**
Assets	19,469	20,399	119,410	134,161
Loans to customers	4,110	5,099	29,356	35,980
Customers' deposits	17,709	18,243	99,025	110,442
o.w. in LBP	5,774	5,886	36,164	41,369
o.w. in FC	11,934	12,357	62,853	69,072
Shareholders' equity	2,193	2,420	7,945	9,937
Growth (%)	**Dec-09**	**Dec-10**	**Dec-09**	**Dec-10**
Assets	31.4%	4.8%	21.3%	12.4%
Loans and discounts	6.1%	24.1%	13.5%	22.6%
Customers' deposits	32.6%	3.0%	23.6%	11.5%
Shareholders' equity	11.5%	10.4%	11.9%	25.1%
Market share (%)	**Dec-09**	**Dec-10**	**10/09**	
Assets	16.3%	15.2%	-1.1%	
Loans and discounts	14.0%	14.2%	0.2%	
Customers' deposits	17.9%	16.5%	-1.4%	
o.w. in LBP	16.0%	14.2%	-1.7%	
o.w. in FC	19.0%	17.9%	-1.1%	
Shareholders' equity	27.6%	24.4%	-3.2%	

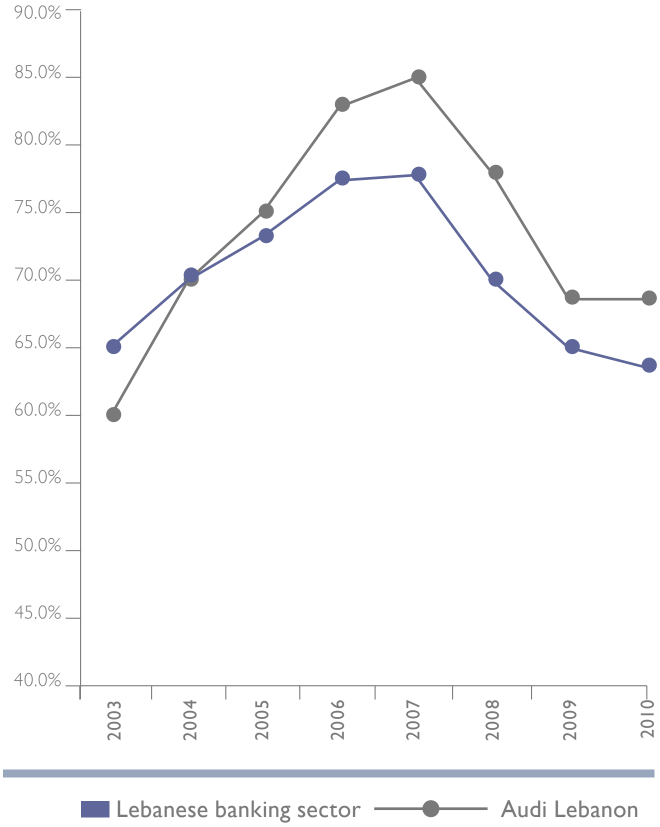
Loans and deposits figures for the sector relate to those of commercial and investment banks, as released by the Central Bank of Lebanon.

The performance of the Lebanese entities sustained the Group's positioning as the largest bank in Lebanon by far. Domestic assets increased by USD 934 million, from USD 19.5 billion at end-December 2009 to USD 20.4 billion at end-December 2010. The increase in assets was mainly driven by customers' deposits moving from USD 17.7 billion at end-December 2009 to USD 18.2 billion at end-December 2009, reflecting an increase by USD 534 million. Subsequently, the Bank's deposits market share moved from 17.9% at end-December 2009 to 16.5% at end- December 2010.

The Bank's lower than average performance results from Management's voluntary decision early on in 2010, comforted by its undisputable leadership in the domestic market, to adopt a margin focus strategy centered on drastically decreasing its cost of funds rather than the growth strategy followed by its direct competitors, in an aim to offset the impact of the negative carry borne on the primary liquidity denominated in foreign currency (USD 4.3 billion) in view of the persisting low global interest rate. As a result of this strategy, Bank Audi succeeded in dropping its cost of deposits denominated in Lebanese Pounds by 1.43%, from 6.65% at end-December 2009 to 5.25% at end-December 2010, allowing for interest savings of USD 87 million. In parallel, in foreign currency, the Bank was able to drop its cost of deposits by 45 basis points from 3.29% at end-December 2009 to 2.8% at end-December 2010, allowing for further interest savings of USD 54 million. Notwithstanding, the Lebanese entities were able to achieve a significant volume increase in deposits at the lowest cost and to totally offset the downward pressures on interest income, a clear win-win situation.

A breakdown of the evolution of deposits by currency in 2010 reveals that deposits denominated in foreign currency increased by USD 112 million from USD 5.7 billion at end-December 2009 to USD 5.9 billion at end-December 2010, while deposits denominated in foreign currency rose by USD 423 million, moving from USD 11.9 billion to USD 12.4 billion. Consequently, the Bank's dollarisation rate in Lebanon shifted from 67.4% at end-December 2009 to 67.7% at end-December 2010, a varying trend relative to that observed in the sector, moving from 64.5% to 63.2% over the same period.

Dollarisation Rate Evolution: Audi vs. Sector



At the profitability level, Bank Audi's performance in 2010 translated in a growth in net earnings by 19.5% relative to 2009, rising from USD 221 million to USD 264 million and accounting for 22% of the consolidated profits of the Lebanese banking sector. Total revenues of Lebanese entities reached USD 577 million in 2010, while the cost base reached USD 314 million. Within the context of an average assets increase of USD 2.8 million, those results translated in a return on average assets of 1.31% in 2010 (as compared to 1.27% in 2009) and a return on average equity of 19.2% in 2010 (as compared to 17.5% in 2009).

Going forward, the Bank's looks at further reinforcing its strong leadership in Lebanon. With a 19% average market share, 28.6% of household penetration, 22% of customer penetration and more than half a million accounts in Lebanon, the Bank envisages further consolidating its Commercial Banking franchise, strengthening Retail Banking, and developing Private Banking toward Asset Management business.

03.3.2. Performance of the Entities in Europe in 2010

The Group's entities in Europe are Bank Audi Saradar France and Banque Audi (Suisse), which were established in the early 1970s to follow Lebanese settling in Europe, as a result of the dramatic events Lebanon witnessed at the time, as well as Bank Audi SAM (Monaco) which was acquired in 2010.

Dec-10, USD Million	Assets	Equity	Earnings
Bank Audi Saradar France sa	920	98	4.3
Banque Audi (Suisse) sa	4,086[1]	126	8.5
Bank Audi SAM (Monaco)	230[1]	21	-1.7
Total Europe	**5,226[1]**	**244**	**11.0**

[1] *Assets and assets under management.*

Established in 1979, Bank Audi Saradar France's main business is Commercial Banking, performing general banking operations with an accent on Trade Finance catered principally to a clientele of Middle Eastern entrepreneurs and traders doing business in Europe and Sub-saharian Africa. In late 2009, Bank Audi Saradar France embarked on a restructuring plan aiming at centering its activity on Commercial Banking, further consolidating and strengthening its existing franchise, and increasingly expanding it towards non-Lebanese, non-Arab customers and corporate sub-contracting businesses in the MENA and Sub-saharian Africa regions, while capturing a share of the yearly foreign trade turnover between Europe and the MENA region. With USD 920 million of assets, USD 1,066 million of footings and USD 98 million of shareholders' equity at end-December 2010, Bank Audi Saradar France is one of the two largest Near Eastern banks operating in France. Going forward, Management at Bank Audi Saradar France aims at participating actively in the development of Private Banking activities within the Group. To that end, it is currently envisaging to apply for a license for a branch in London.

With 31 years of experience, Banque Audi (Suisse) is dedicated to international Private Banking, serving the Asset Management needs of ultra and high networth individuals through a broad spectrum of investment products ranging from Discretionary Investment Management, Transaction Executions, Foreign Exchange, Current Accounts, Lombard Lending Facilities, in addition to personalised Investment Advisory Services on international bonds and equity. At end-December 2010, Banque Audi (Suisse) ranked second Arab private bank in Switzerland, with USD 4.1 billion of assets and assets under management. Its shareholders' equity reached USD 126 million. As the main Private Banking arm of the Group, Banque Audi (Suisse) is at the centre of the development and consolidation of the Private Banking business underway within the Group. Within that scope, the Bank has opened, in February 2010, a branch in Gibraltar, allowing it to expand the Asset Management customer base to the Iberian Peninsula and North Africa.

In October 2010, Bank Audi sal acquired from Commerzbank Dresdner Bank Monaco SAM which was renamed Bank Audi SAM. The acquisition is in line with the Bank's strategy to develop its Private Banking activities in Europe, allowing the expansion of the business to the South of France and North of Italy where a clientele of ultra and high networth individuals from the MENA region and Sub-saharian Africa resides. The decision to ensure a footprint in Monaco was based on its strategic positioning as a prime financial platform, located at the crossroad of international trade and benefiting from political stability and sustained economic development, and on the size of the assets under management in Monaco, neighbouring USD 80 billion. Henceforth, Bank Audi SAM (Monaco) would become a key contributor to the business plan of Private Banking, aiming at growing significantly the Group's assets under management portfolio over the medium term.

Despite its relative immunity to the persisting slipovers of the global financial crisis, the performance of the Group entities in Europe in 2010 was impacted to a large extent by the persisting tough operating conditions prevailing in Europe within the context of limited capital inflows to the region, on-going deleveraging of the private sector and low international reference rate environment, all exerting downward pressures on activity growth and profitability. Within this environment, the overall assets and assets under management of entities in Europe grew in 2010 by 12.2% from USD 4.6 billion at end-December 2009 to USD 5.3 billion at end-December 2010, while customers' deposits posted a 19% growth from USD 1.2 billion at end-December 2009 to USD 1.4 billion at end-December 2010, and loans to customers registered an increase of 24% from USD 700 million at end-December 2009 to USD 868 million, highlighting a good performance.

03.3.3. Performance of Entities in the MENA Region in 2010

Constrained by the narrowness of the domestic market, the Bank embarked in 2005 in a dynamic expansion strategy in the MENA region, focusing on diversifying its markets of presence and allowing it to benefit first hand from the significant cross-border Arab trade, while enhancing its ability to mitigate risks.

Accordingly, the Bank launched 8 new entities, built almost all as greenfield operations, in 6 countries of the MENA region starting with Jordan, then Syria, Egypt, Sudan, Saudi Arabia, Qatar and the United Arab Emirates (UAE). Main activities covered by those entities range from Commercial and Corporate Banking, Retail and Individual Banking, On-line Brokerage Services, Private Banking, Investment Banking and Advisory Services, Islamic Banking and Capital Market activities. The first results of this strategy were very enticing. After only four years of average activity, the Bank's newly built regional franchise accounted at end-December 2010 for no less than 160,000 new customers, opening close to 250,000 accounts in a 73-branch network and adding USD 6.3 billion dollars in assets to the Group. At end-December 2010, the regional franchise accounted for 22% of consolidated assets and consolidated net earnings. Those results were principally realised in 3 main geographies: Jordan, Syria and Egypt where the Bank has a comprehensive universal banking offering.

Dec-10, USD Million	Assets	Equity	Earnings
Bank Audi sal - Jordan Branches	962	78	10.0
Bank Audi Syria sa	2,015	146	14.8
Bank Audi sae (Egypt)	2,717	238	26.6
National Bank of Sudan	205	76	15.2
Audi Capital (KSA)	84	81	2.3
Bank Audi LLC (Qatar)	196	55	3.2
Arabian Opportunity Fund	46	46	5.3
Total MENA	**6,281**	**732**	**77.5***

* *Rising from USD 1.1 million for 2005.*

Within a Middle Eastern environment characterised by a gradual recovery after the severe impact of the global financial crisis on regional economies and the banking sector, the Arab MENA region registered in 2010 a 4.1% GDP growth as per IMF estimates, which translated within the context of weak inflows to the region, in a mild banking activity. Deposits' growth in 2010 amounted to 8.3%, short of that of 2009 by 21%, while lending activity displayed a weak 5.1% growth over the same period. Within such context, the Group's entities in the MENA region posted in 2010 a strong balance sheet growth, correlated with a significant earnings growth. Consolidated assets of regional entities grew in 2010 by 21% from USD 5.2 billion at end-December 2009 to USD 6.3 billion at end-December 2009, driven by customers' deposits rising by 27% from USD 4.1 billion to USD 5.2 billion. Loans to customers also posted a significant growth rate reaching 33%, moving from USD 1.9 billion at end-December 2009 to USD 2.6 billion. Assets under management built in entities in the region rose by 38% to USD 2 billion. Those performances resulted in a net earnings growth of 40.9%, raising the contribution of regional entities to consolidated net earnings from USD 55 million in 2009 to USD 77.5 million. As in previous years, those results were principally realised in 3 main geographies, Jordan, Syria and Egypt where the Bank has a comprehensive universal banking offering, translating in a market share increase specifically in Syria and Egypt. In fact, the deposits market share of Bank Audi Syria rose in 2010 by 60 basis points from 5.6% in 2009 to 6.2% in 2010, while that of Bank Audi Egypt increased by 40 basis points from 1.1% in 2009 and 1.4% in 2010.

Encouraged by the first results of the expansion strategy in the MENA region, Management has mandated external advice to undertake, along with the Bank's internal expertise, a 3-year business plan for the Bank's subsidiaries in Egypt, Syria and Jordan, based on in-depth market analysis, the achievement of each subsidiary in its market of presence, in addition to business prospects. Focusing on consolidating, strengthening and developing the existing franchise by increasing network reach and adding four new business lines, the business plan of Bank Audi Egypt revealed enticing activity and earnings growth prospects. Given the unexpected development starting January 2011 and impacting several countries of the MENA region, Management's strategy for 2011 remains focused around consolidating the asset quality, reinforcing the risk profile and safeguarding profits. Budgeted development expenditures have been delayed till the visibility of the outcome of the events and their impact on related economies clears out.

04. SHARE INFORMATION

At end-December 2010, Bank Audi's share capital was made up of 254,789,260 common shares listed on the Beirut Stock Exchange, 93,687,854 listed on both the Beirut Stock Exchange and the London Stock Exchange where they are quoted on Seaq International, and 2,500,000 preferred shares listed on the Beirut Stock Exchange. As of this date, the total number of common shares reached 348,477,114. The GDRs represent the Bank's common shares and are held by a depositary bank, "Deutsche Bank Americas".

In the recent years, the market price per common share of Bank Audi reached levels that are considerably higher than the average share prices of other MENA issuers for similar listed securities. To remedy, the Board of Directors resolved to propose to the General Assembly to approve the 10-for-1 split of the common shares and the Series "D" preferred shares currently comprising the Bank's outstanding share capital. Following the approvals of the Extraordinary General Assembly held on March 2, 2010, and that of the Central Bank of Lebanon granted on April 24, 2011, the Bank's stock has been split in a 10:1 ratio since May 24, 2010.

Audi GDR's Program		Audi Ordinary's Program	
GDR Ticker	AUSR	Ordinary ticker	AUDI.BY
CUSIP	66705302	CUSTODIAN	Midclear
ISIN	US0667053021	ISIN	LB0000010415
Ratio	1 To 1		
Depositary	Deutsche Bank Americas	Nom. value	12,450 LBP
Effective date	10/24/1997	Effective date	10/20/2006
Underlying ISIN	LB0000010415	Underlying ISIN	LB0000010415
SEDOL	5338397	SEDOL	6113407 LB
Country			**Lebanon**
Industry			**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 2010, the Bank's common share price sustained its level as at end-December 2009 of USD 0.83 (after adjusting to the stock split), while the price of the GDR quoted in London rose from USD 0.87 at end-December 2009 to USD 0.9 at end-December 2010, reflecting an appreciation of 4.6%. By comparison, the Lebanon Index regressed over the same period by 4.4%, while the Arabian Markets Index improved by 11.4% and the MSCI EM Index by 18.4%.

Evolution of Comparative Price Indices

Subsequently, Bank Audi posted at end-December 2010 a market capitalisation of USD 2,955 million, ranking 2nd in Lebanon.

04.1. Dividend Policy

The payment of dividends on common shares and preferred shares is subject to the recommendation of the Board of Directors and the approval of the General Assembly. The determination to pay any dividends to common shares will depend upon the Bank's earnings, its cash requirements, preferred shares distribution and regulatory allocation to reserves, all factors decided upon by the Board of Directors and the shareholders. On the other hand, 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.

The table below highlights the dividends distribution practice at Bank Audi for the 2005 exercise till that of 2010. During its meeting held on April 4, 2010, the Ordinary General Assembly resolved the payment of a common dividend per share of USD 0.4 (before the tax of 5%) and dividends on preferred shares of respectively USD 7.75 and USD 4 respectively per Series "D" and "E" preferred shares. Total dividends paid for the exercise represented 43.5% of net earnings in 2010. On the basis of a share price of listed shares and GDRs of respectively USD 7.25 and USD 7.50 at April 4, 2011, the dividend yield reached 5.5% for listed shares and 5.3% for GDRs.

Bank Audi sal (Consolidated): Dividends' Payout

USD Thousands	2005	2006	2007	2008	2009	2010
Common earnings	87,375	138,485	181,834	219,634	279,263	337,560
Dividends on common shares	34,149	57,341	65,805	77,110	120,466	138,513
Common dividends per share in USD(1)	0.15	0.18	0.20	0.23	0.35	0.40
Payout on common shares	39.1%	41.4%	36.2%	35.1%	43.1%	41.0%
Dividends on preferred shares	18,450	25,638	18,438	18,438	9,688	14,688
Total dividends	52,599	82,978	84,242	95,548	130,154	**153,201**
Net profits	105,825	164,122	200,272	238,071	288,950	**352,247**
Total payout	49.7%	50.6%	42.1%	40.1%	45.0%	**43.5%**

(1)Adjusted to the 10:1 stock split approved by the Extraordinary General assembly held on 02/03/2010, and the Central Bank of Lebanon on 21/04/2010, and in effect since 24/05/2010.

04.2. Investment Considerations

Bank Audi's performances in 2010 translated in basic earnings per common share of USD 0.96 as compared to the 2009 USD 0.8 post adjustment to the stock split, reflecting a growth of 20%. Similarly, dilutive earnings per common share amounted to USD 0.94 as compared to USD 0.78 in 2009, implying a growth of 20%. 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 1,386,820 common shares which would be issued under the Employee Stock Option to cover grants not yet exercised at end-December 2010. In parallel, book value per common share grew by 17.1% from USD 5.71 at end-December 2009 to USD 5.91 at end-December 2010. Accordingly, on the basis of a price of USD 9 at end-December 2010, the common share is traded at 1.52 times the common book value per share as compared to an average of 2 times for regional and emerging markets. In parallel, relative to the common earnings, the share was traded at 9.37 times as compared to 15.6 times for regional markets and 13.4 times for emerging markets.

Multiple

USD Thousands	2005	2006	2007	2008	2009	2010
Common book (Group share)	623,430	1,319,254	1,499,885	1,635,615	1,923,903	**2,037,989**
Change		695,824	180,631	135,730	288,288	114,086
Net earnings	105,825	164,122	200,272	238,071	288,950	**352,247**
Net earnings (Group share)	104,849	163,562	192,162	233,199	278,240	337,350
Dividends on preferred shares	18,450	25,638	18,438	18,438	9,688	14,688
Common earnings	86,399	137,925	173,724	214,762	268,553	**322,663**
Common book per share( )	$2.74	$4.04	$4.56	$4.85	$5.71	$5.90
Common earnings per share (basic)( )	$0.38	$0.47	$0.53	$0.65	$0.80	$0.96
P/E( )						1.29
P/B( )						7.90

(1) *Adjusted for the 10:1 stock split approved by the Extraordinary General Assembly held on 02/03/2010, and the Central Bank of Lebanon on 21/04/2010, and in effect since 24/05/2010.*

(2) *On the basis of a GDR price of USD 7.61 as at 13/03/2011.*

05. INVESTOR RELATIONS

05.1. Investor Relations Activity in 2010

The year 2010 was an active year for Investor Relations at Bank Audi, driven by a will to strengthen existing relationships with leading institutional investors, while extending investors reach and network to new regions. The Bank' Investor Relations activity was supported by a favourable sentiment at the level of investment community, realising that growth in 2010 was to be generated from emerging markets and MENA markets in particular, posting strong macroeconomic performances which translated into an outperformance of equities over developed markets' equities over the same period. The strong interest in the MENA region triggered a wave of institutional investors visiting the MENA region in search of investment opportunities and participating in equity conferences organised by London-based banks and major financial institutions operating in the region. Accordingly, in 2010, Bank Audi was invited and participated in 11 equity conferences and 2 non-deal roadshows, fulfilling 196 meetings with 151 institutional investment companies, represented by 248 fund managers based principally in the United States, the United Kingdom and the MENA region, but also South East Asia, Australia and Eastern Europe.

Bank Audi: Investor Relations Activity in 2010

	IR Activity in 2010	IR Activity in 2005-2010	2010 Share in Total
Number of conferences/roadshows	**13**	**35**	**37.1%**
o.w. number of non-deal roadshows	2	4	50.0%
Total number of meetings	**194**	**704**	**27.6%**
Meetings/conferences	15	20	
Number of companies met	**151**	**338**	**44.7%**
Meetings/company	1.3	2.1	
Number of fund managers met	248	600	41.3%
Fund managers/company	1.6	1.8	

Site visits were also scheduled for institutional investors that were not able to secure meetings during the equity conferences and for those investors interested in visiting the corporate head offices to complement their knowledge on Bank Audi. Some of the site visits were arranged by organisers of the equity conferences, while others were direct requests from institutional investors. Within this context, Bank Audi's Management fulfilled 15 site visit meeting requests in 2010 with 16 different companies represented by 23 portfolio managers.

Discussions with institutional investors revolved around key success and risk factors of Bank Audi's business model, its competitive edges, the sustainability of assets, funding and earnings growth by regions, as well as the long-term strategy, be it organic or inorganic, with an overview of the political and macroeconomic outlook in Lebanon principally and in the MENA region.

05.2. Bank Audi Stock Research Coverage

In 2010, the interest shown by institutional investors compelled research teams of several London-based banks and regional financial institutions to initiate coverage of the stock in 2010. The table below lists the institutions which initiated coverage on Bank Audi's stock:

Bank Audi's Stock Coverage

Institutions	Country	Analyst	Initiation Date	Latest Update
FFA	Lebanon	Nadim Kabbani	Oct-09	Nov-10
Beltone	Egypt	Radwa El Swaifi	Dec-09	Sep-10
MAF & HC Securities	Egypt	Janany Vamadeva	Feb-10	Feb-10
HSBC	United Kingdom	Shirin Packiner	Feb-10	Dec-10
Deustche Bank	United Kingdom	Rahul Shah	Nov-10	Jan-10

The importance of the resumption of coverage lies principally in its direct impact on enhancing the liquidity of the stock as it constitutes the preferred information source of the buy side community with the widest reach. To that end, Management was keen on ensuring in 2010 all necessary resources for in-house meetings or conference calls with the sell side community, and to answer all information requests in a transparent, effective and timely manner, in full compliance with the Bank's disclosure policy.

05.3. Investor Relations Website and Mass Mail

In support of all the efforts undertaken, Investor Relations in 2010, in tight coordination with the Communication Department, devised to produce and launch an Investor Relations webpage on the Bank's new website, compiling all Investor Relations-related information to be readily accessible to investors and to the sell side community alike. Launched in October 2010, the Investor Relations webpage displays updated Investor Relations calendar, financial information, corporate releases, Investor Relations presentations, coverage, as well as Investor Relations contact details. Furthermore, the Investor Relations mailing list was constantly updated and used to dispatch to the sell-side and buy-side communities on regular basis mass mails regarding the Bank's earnings releases, as well as significant related corporate actions.

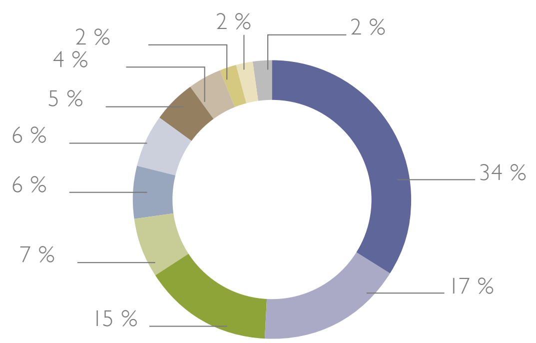
06. HUMAN RESOURCES

Always aiming at accomplishing the Bank's motto – "Grow Beyond Your Potential" –, the Human Resources (HR) Department at Bank Audi continued in 2010 to provide efficient, effective and comprehensive services to all stakeholders and employees. Being an employer of choice, motivating the Bank's human capital and recognising high performers are a key focus in its approach to Human Resource management. It is in that scope that, in 2010, HR development activities continued to be centered around selection, motivation and empowerment of employees, while ensuring the highest standards of quality in HR systems and practices, the implementation of the Employee Handbook, the Code of Ethics and the execution of several planned HR projects across the Group entities.

At the level of Recruitment and Selection, new assessment tools (psychometric and language) were developed for the proper selection and placement of talented candidates. 237 new employees were recruited, among which 193 fresh graduates (117 in branches and 76 in support and business line departments), 36 specialised professionals in the banking sector, and 8 candidates for the Bank's fast track programs. These tools were supported by strategic partnerships with several search firms and headhunters for specific technical expertise, translating in an alignment of the Bank's HR systems with regional and multinational best practices.

In parallel, 2010 was also marked by several Training and Development interventions aiming at enhancing the workforce performance and ensuring the Group's capital growth. A total of 360,815 training hours were given to employees and new recruits, covering 169,528 hours of on-the-job training, 78,323 hours of student internship training hours, and 112,964 hours of Group training activities broken down as follows:

Training in 2010



- Banking
- Managerial & Organ. Behaviour
- Retail & CRM
- Specialisation Field
- Legal Regulations, AML & Fraud
- Human Resources
- Finance and Economy
- Information Technology
- Languages
- Interns
- Risk Management

In addition, Special Training and Development Programs designed to develop talents, according to employees' profile and to the Bank's need, were also put in place. These include the Specialised Credit Training Program (SCTP) which benefited to 15 promising employees, among whom 10 new entries and 5 employees enrolled during previous years, the Young Talent Management Program (YTMP) benefiting to 8 employees, the Private Banking Special Training Program (PBSTP) launched in 2010 and encompassing 5 employees, and the Individual Development Program counting 10 employees.

At the level of employee empowerment, HR initiated a leadership and managerial development project for identified potential managers within the "Managerial Coaching Program" delivered in coordination with the "Ecole Supérieure des Affaires". In parallel, HR undertook to offer employees alternative opportunities by promoting 83 of them to higher positions, transferring around 400 of them to different departments, branches and overseas entities, re-allocating 18 returning Group expatriates within Bank Audi sal, and internally recruiting 130 employees to fill local vacancies within the Bank.

Employee wellbeing was also at the centre of HR concerns in 2010, with measures taken to facilitate the "Employees' Social Security Medication" process by creating a proactive scheme ensuring regular check-up visits to the Bank's infirmary and proper medication to employees with chronic medical cases. Also, total and partial university scholarships were granted to reward 6 children of employees for exceptional Baccalaureate II performance.

2010 was also marked by the creation of a specialised Corporate Social Responsibility (CSR) unit dedicated to promote the Group's commitment as a corporate citizen. A wide effort was put into practice for the development and support of awareness projects, individual development initiatives, educational activities and cultural events within the society. It is in this context that the "Conscientious Driver" campaign was launched with a view to develop awareness to road safety, with over 100 inspirational speeches and presentations delivered to various audiences. Additionally, health awareness was highlighted by adopting a "smoke-free environment", while encouraging employees to cease their smoking habit by providing them with all the needed facilities and putting the Bank's infirmary and gym at their disposal during health fair days. 6 employee activity clubs (Cultural, Green, Music, Social, Sports and Travel) were launched to help employees develop their full potential and lead productive and creative lives. These clubs, under which sprung a variety of sub-clubs such as "Band Audi" and "Awdiyat", have become the source of numerous happenings including heritage hikes, recycling projects, concerts, corporate sports teams, etc. All these projects contributed, once again, to spread Bank Audi's vision and set itself as a solid role model for influencing others towards positive change and achievement.

07. INFORMATION TECHNOLOGY

Gaining an edge in the markets where the Bank operates requires a new level of IT agility and flexibility. In that perspective, Bank Audi undertook in 2010 an effort to define a comprehensive IT Strategy supporting its ambitious development plans. This new strategy provides a solid foundation for a true partnership between IT and the business, while implementing a new architecture allowing an optimum IT Delivery. The implementation of the IT strategy started in 2010 and will continue over the medium term. It has an estimated budget of USD 100-150 million across the different countries of presence of the Bank, of which USD 28 million have already been spent in 2010 and USD 65 million are budgeted to be spent in 2011.

After realising that the existing platforms in several countries have reached their limits in terms of flexibility, sizing, functionality and vendor support, the newly launched IT transformation project consisted of the following cornerstones:

- Setting up a centrally-governed IT function with central architecture management, project management, demand and supply management, and vendor management, with a possibility to locate delivery functions (ADM, IT Ops) in various geographical locations.
- Implementing a unique IT solution blueprint in all entities for Retail, Commercial/Corporate, Islamic Banking (where applicable), and Private Banking.
- Consolidating data centres in regional hubs.
- Introducing a new IT platform in the mother company and main entities, to be extended to other subsidiaries.
- Using existing commercial packages to build an Application Landscape with adaptations/customisations limited to bare minimum applying the moto "Adapt the Bank, not the package".
- Building a strategic alliance with vendor(s) to execute the IT strategy.

Practically, the New IT strategy will call for several large internal initiatives, like the establishment of a strong governance function and building a strong integrated team defining and delivering the new architecture and delivering it. The new target architecture will have to allow for future growth in size, functionality and geographic footprint. It will be built around a selected Central Banking Solution, with peripheral applications providing for specialised functionalities, such as and not restricted to Capital Markets, Accounting, Risk, MIS, Credit Cards, etc.

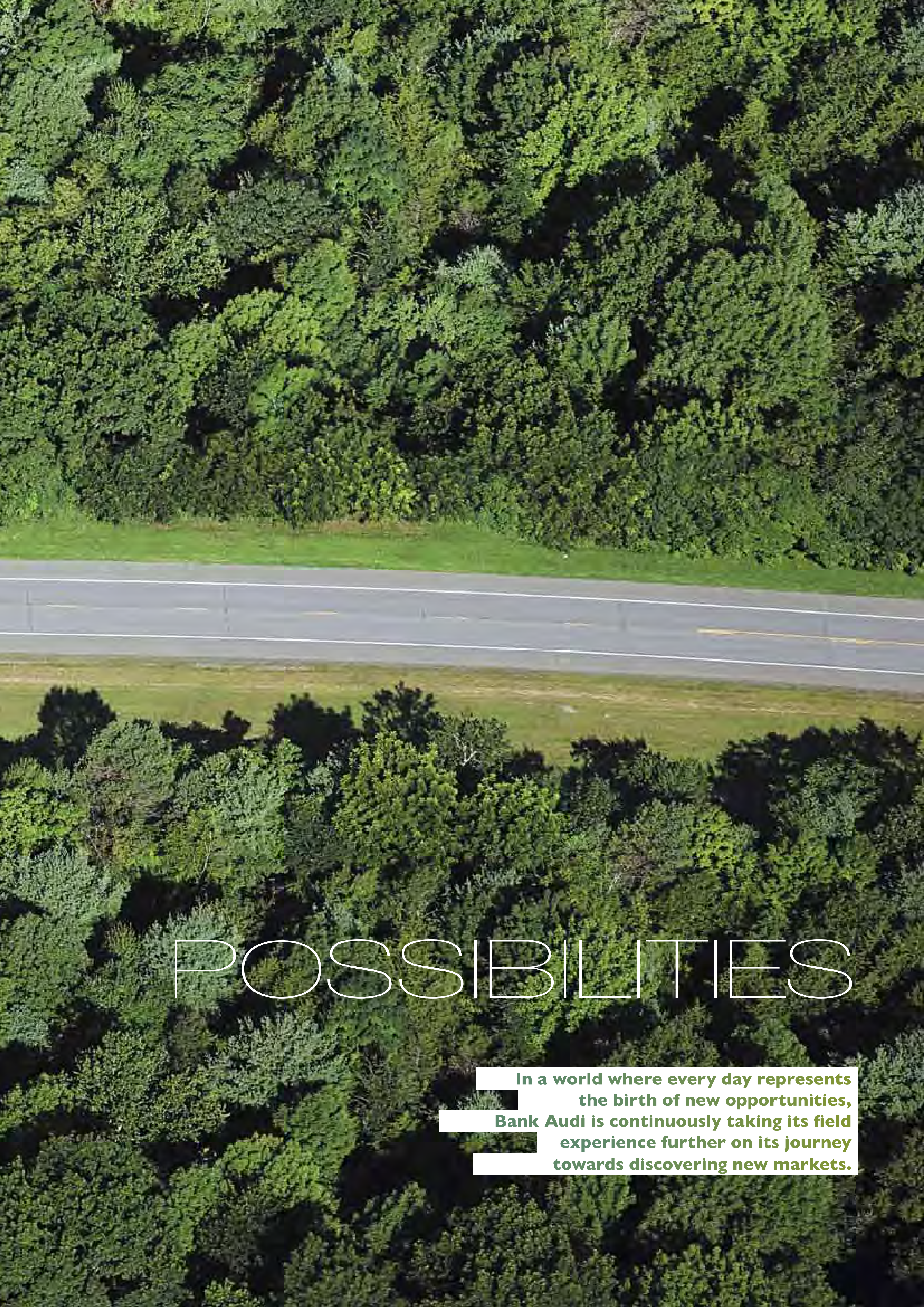
To ensure that the IT strategy and delivery are well executed across the Group, the Bank has appointed a Group Chief Information Officer (CIO) who will be working in close coordination and with the assistance of the entire IT departments staff within the different entities, to build and maintain partnerships with business partners within the organisation in order to optimise the IT servicing model for the Group.

08. AWARDS

Bank Audi's strong performances and leading positioning as by far the largest bank in Lebanon and among the top regional Arab banking groups continued to be reflected by the number of awards granted by international and regional references in 2010 and up till April 2011, as follows:

List of International Awards Granted to Bank Audi in 2010 & up till April 2011

Granted by	Award	2010	2011
Global Finance	Best Bank in Lebanon		•
Euromoney	Best Bank in Lebanon	•	
Euromoney	Best Local Private Bank in Lebanon	•	
The Banker Magazine	Bank of the Year	•	
Banker Middle East	Best Research House in the ME	•	•
World Finance	Best Corporate Governance Lebanon 2011		•
Middle East Investor Relations Society	Leading Quoted Company for Investor Relations	•	
Emerging Markets	Local Banking Achievement Award for the ME	•	



POSSIBILITIES

In a world where every day represents the birth of new opportunities, Bank Audi is continuously taking its field experience further on its journey towards discovering new markets.

GENERAL ASSEMBLY EXCERPTS

April 4, 2011

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, 2010, 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 2010.

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 2010 as follows:

		Amounts in 000s of LBP
Net profits for the year 2010*		**396,870,934**
Less:		
- Appropriation of 10% to the legal reserve	39,687,093	**357,183,841**
- Appropriation for general banking risks	51,004,260	
o.w. Lebanon branches:	*50,000,000*	
o.w. Jordan branches:	*1,004,260*	**306,179,581**
Less:		
- Transfer to reserves appropriated to capital increase resulting from the liquidation of fixed assets acquired in settlement of debt	3,325,326	
- Transfer to the reserves for fixed assets earmarked for liquidation and acquired in settlement of debt	0	
Net profits available for distribution		**302,854,255**
Add:		
- Transfer from previous retained earnings	27,448,751	**330,303,006**
Less:		
- Distribution to holders of 12,500,000 Series "D" preferred shares on the basis of USD 0.775 per share at the exchange rate of LBP 1,507.50 per USD	14,603,906	
- Distribution to holders of 1,250,000 Series "E" preferred shares on the basis of USD 4.00 per share at the exchange rate of LBP 1,507.50 per USD	7,537,500	
Net profits available for distribution to holders of common shares		**308,161,600**
Less:		
- Dividend to holders of 346,055,290 common shares on the basis of LBP 603 per common share, after deducting the dividends related to the Treasury GDRs owned by the Bank and totalling 2,421,824 shares as at April 1, 2011	208,671,340	
Net profits after distribution		**99,490,260**
Less:		
- Transfer to general reserves	0	
Profits carried forward to 2011		**99,490,260**
o.w. Lebanon branches:	*60,531,124*	
o.w. Jordan branches:	*38,959,135*	

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 0.775 per share, a Series "E" preferred shares distribution of USD 4.00 per share, and a dividend to common shares of LBP 603 per share, all subject to the withholding of distribution tax, and resolved that all distributions and dividends will be paid starting April 6, 2011, to the holders of shares on record as at April 1, 2011 ("Record Date") as per records of Midclear sal.

* *On a stand alone basis.*

CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG

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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 ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young

Semaan, Gholam & Co.

Semaan, Gholam & Co.

17 March 2011
Beirut, Lebanon

Consolidated Income Statement

For the year ended 31 December, 2010

	Notes	2010 LBP (000)	2009 LBP (000)
Interest and similar income	5	2,032,265,253	1,880,992,436
Interest and similar expense	6	(1,293,926,916)	(1,241,820,422)
NET INTEREST INCOME		738,338,337	639,172,014
Fee and commission income	7	313,786,108	265,499,438
Fee and commission expense	7	(50,704,256)	(43,638,184)
NET FEE AND COMMISSION INCOME		263,081,852	221,861,254
Net trading income	8	92,661,847	98,603,512
Net gain on financial assets designated at fair value through profit or loss	9	-	13,844,215
Net gain on financial investments	10	187,177,274	77,183,045
Other operating income		48,114,560	56,329,294
TOTAL OPERATING INCOME		1,329,373,870	1,106,993,334
Net credit losses	11	(47,503,525)	(35,013,746)
Impairment loss on financial instruments	12	(921,909)	(11,746,470)
NET OPERATING INCOME		1,280,948,436	1,060,233,118
Personnel expenses	13	(353,079,404)	(303,028,267)
Depreciation of property and equipment	27	(37,719,731)	(35,354,571)
Amortisation of intangible assets	28	(7,052,136)	(7,388,688)
Other operating expenses	14	(232,578,514)	(192,192,187)
TOTAL OPERATING EXPENSES		(630,429,785)	(537,963,713)
OPERATING PROFIT		650,518,651	522,269,405
Share of profit of associates under equity method	26	4,191,742	1,657,893
Net (loss) gain on disposal of assets		(92,806)	2,536,513
PROFIT BEFORE TAX		654,617,587	526,463,811
Income tax	15	(123,605,285)	(90,871,253)
Profit after tax from operating activities		531,012,302	435,592,558
PROFIT FOR THE YEAR		531,012,302	435,592,558
Attributable to:			
Equity holders of the parent		508,555,670	419,453,155
Non-controlling interest		22,456,632	16,139,403
			(Restated)
		LBP	LBP
Basic earnings per share	16	1,452	1,206
Diluted earnings per share	16	1,413	1,175

Consolidated Statement of Comprehensive Income

For the year ended 31 December, 2010

	Notes	2010 LBP (000)	2009 LBP (000)
PROFIT FOR THE YEAR		531,012,302	435,592,558
Other comprehensive income			
Exchange differences on translation of foreign operations	47	(51,735,210)	15,510,096
Hedge of net investments	19, 47	(11,215,641)	-
Cash flow hedges	47	-	(1,257,709)
		(62,950,851)	14,252,387
Net (loss) gain on available for sale financial assets*		(30,597,126)	165,396,105
Deferred income tax		4,348,830	(20,378,691)
	47	(26,248,296)	145,017,414
Other comprehensive (loss) income for the year, net of tax		(89,199,147)	159,269,801
Total comprehensive income for the year, net of tax		441,813,155	594,862,359
Attributable to:			
Equity holders of the parent		419,356,523	578,722,956
Non-controlling interest		22,456,632	16,139,403
		441,813,155	594,862,359
* Available for sale financial assets:			
Gains arising during the period		74,333,239	178,659,821
Gains transferred to income statement on disposal	10	(105,852,274)	(26,616,046)
Amounts transferred to the income statement in respect of impairment losses	12	921,909	13,352,330
		(30,597,126)	165,396,105

Consolidated Statement of Financial Position

As at 31 December, 2010

	Notes	2010 LBP (000)	2009 LBP (000)
ASSETS			
Cash and balances with central banks	17	6,684,541,145	6,206,156,293
Due from banks and financial institutions	18	6,337,984,314	7,737,364,110
Derivative financial instruments	19	40,658,695	38,436,439
Financial assets held for trading	20	1,009,099,259	835,042,479
Loans and advances to customers	21	12,643,760,113	9,930,856,223
Loans and advances to related parties	22	241,660,739	239,824,175
Debtors by acceptances	51	274,810,921	284,422,998
Available for sale financial instruments	23	7,677,661,859	6,003,316,357
Financial assets classified as loans and receivables	24	7,011,522,455	7,298,526,697
Financial instruments held to maturity	25	215,030,647	367,378,773
Investments in associates	26	30,732,776	31,697,269
Property and equipment	27	509,930,083	503,489,670
Intangible fixed assets	28	25,467,321	25,905,687
Non-current assets held for sale	29	29,255,233	29,261,024
Deferred taxes assets	15	573,708	2,416,603
Other assets	30	237,281,320	174,832,706
Goodwill	31	277,204,245	218,746,364
TOTAL ASSETS		43,247,174,833	39,927,673,867
LIABILITIES			
Due to central banks	32	133,376,376	133,359,003
Due to banks and financial institutions	33	909,667,974	775,059,042
Derivative financial instruments	19	59,273,388	28,630,659
Customers' deposits	34	37,198,987,427	34,382,301,284
Deposits from related parties	35	259,104,293	267,874,328
Debt issued and other borrowed funds	36	-	153,147,545
Engagements by acceptances	51	274,810,921	284,422,998
Current tax liabilities	15	65,185,192	45,721,390
Deferred tax liabilities	15	21,200,843	21,262,611
Other liabilities	37	607,416,243	467,547,680
Provisions for risks and charges	38	27,043,833	24,127,222
End of service benefits	39	42,373,194	38,460,659
TOTAL LIABILITIES		39,598,439,684	36,621,914,421
SHAREHOLDERS' EQUITY – GROUP SHARE			
Share capital – common shares	40	436,990,300	421,632,029
Share capital – preferred shares	40	17,242,500	15,312,500
Issue premium – common shares	41	652,938,738	843,902,284
Issue premium – preferred shares	41	359,632,500	173,125,000
Merger premiums	41	-	36,006,451
Cash contribution to capital	42	72,586,125	72,586,125
Capital reserves	43	1,052,119,495	782,672,286
Treasury shares	46	(37,162,510)	(74,390,330)
Retained earnings		209,541,068	124,367,704
Other components of equity	47	198,840,925	288,658,018
Result of the year		508,555,670	419,453,155
		3,471,284,811	3,103,325,222
NON-CONTROLLING INTEREST	48	177,450,338	202,434,224
TOTAL SHAREHOLDERS' EQUITY		3,648,735,149	3,305,759,446
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		43,247,174,833	39,927,673,867

Consolidated Statement of Financial Position
As at 31 December, 2010

	Notes	2010 LBP (000)	2009 LBP (000)
OFF-BALANCE SHEET ITEMS			
Financing commitments			
Financing commitments given	51	690,308,103	778,181,327
Engagements to customers	51	248,973,399	487,833,725
Bank guarantees			
Guarantees given to banks and financial institutions	51	506,316,916	294,932,444
Guarantees received from banks and financial institutions	54	840,067,951	810,038,352
Guarantees given to customers	51	2,439,775,953	2,453,685,630
Guarantees received from customers	54	11,471,797,067	8,033,875,678
Foreign currency forwards			
Foreign currencies to receive		2,323,756,878	1,275,714,082
Foreign currencies to deliver		2,346,536,185	1,269,291,802
Commitments on term financial instruments		457,550,855	631,713,913
Fiduciary assets		1,268,874,494	1,493,914,683
Assets under management		10,863,500,057	9,006,902,657
Mutual funds		180,794,756	137,622,941
Bad debts fully provided for		321,294,683	359,735,133

Consolidated Cash Flow Statement

For the year ended 31 December, 2010

	Note	2010 LBP (000)	2009 LBP (000)
OPERATING ACTIVITIES			
Profit before tax		654,617,587	526,463,811
Adjustments to reconcile profit before tax to net cash flows:			
Non-cash:			
Depreciation and amortisation	27&28	44,771,867	42,743,259
Impairment of assets acquired in settlement of debt reversed	29	(744,565)	-
Net gain on financial instruments	10	(165,602,840)	(55,932,254)
Provisions for loans and advances	11	81,463,836	59,973,811
Recoveries of provision for loans and advances	11	(34,087,822)	(24,991,202)
Share of net profit of associates	26	(4,191,742)	(1,657,893)
Net (gain) loss on disposal of assets acquired in settlement of debt	14	-	632,840
Net loss (gain) on sale or disposal of assets		92,806	(2,563,513)
Provision for risks and charges	38	7,716,933	3,607,670
Write back of provisions for risks and charges	38	(1,200,959)	(3,437,350)
Provision for impairment of financial instruments	12	921,909	11,746,470
Provision for end of service benefits	39	7,857,314	10,321,224
Employees' share-based payments expenses	13	919,096	4,584,259
		592,533,420	571,491,132
Working capital adjustments:			
Deposits with the central banks, banks and financial institutions maturing in more than 3 months		235,857,191	(3,245,709,631)
Change in derivatives and financial assets held for trading		(156,851,948)	(821,852,352)
Change in financial assets designated at fair value through profit or loss		-	324,104,505
Change in loans and advances to customers and related parties		(2,692,391,123)	(968,370,645)
Change in other assets		(54,724,727)	50,309,615
Change in current and deferred tax accounts		1,761,112	3,155,995
Change in deposits from customers and related parties		2,721,959,064	8,514,939,481
Change in other liabilities		60,518,471	59,709,862
Proceeds from sale of assets acquired in settlement of debts		9,764,708	8,952,222
Change in minority interest		(24,983,886)	71,295,507
Cash from operations		693,442,282	4,568,025,691
Provisions for contingencies and charges paid	38	(2,633,950)	(475,465)
End of service benefits paid	39	(4,120,870)	(2,969,572)
Taxation paid	15	(102,968,528)	(72,857,903)
Net cash flows from operating activities		583,718,934	4,491,722,751
INVESTING ACTIVITIES			
Increase in financial instruments – other than trading		(1,171,107,158)	(3,477,070,158)
Purchase of property and equipment and intangibles		(52,515,778)	(106,725,016)
Investments and related loans equity method		5,156,235	868,192
Cash collected from sale of property and equipment and intangibles		271,662	7,934,894
Cost of business combination	3	(41,587,675)	(16,017,188)
Net cash flows used in investing activities		(1,259,782,714)	(3,591,009,276)
FINANCING ACTIVITIES			
Redemption of preferred shares Series "C"		-	(150,750,000)
Issuance of preferred shares Series "E"		186,682,819	-
Redemption of issued debt	36	(153,147,545)	-
Increase in share capital and issue premium from stock options exercise		51,675,861	9,581,503
Distribution of dividends	40	(196,206,879)	(144,038,454)
Treasury GDR transactions		(42,029,477)	(13,838,852)
Net cash flows used in financing activities		(153,025,221)	(299,045,803)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(829,089,001)	601,667,672
Net foreign exchange difference		9,324,943	(14,590,696)
Cash and cash equivalents at 1 January		7,745,367,389	7,158,290,413
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	49	6,925,603,331	7,745,367,389

Consolidated Statement of Changes in Equity
For the year ended 31 December, 2010

	Share Capital - Common Shares LBP (000)	Share Capital - Preferred Shares LBP (000)	Issue Premium - Common Shares LBP (000)	Issue Premium - Preferred Shares LBP (000)	Merger Premiums LBP (000)	Cash Contribution to Capital LBP (000)
Balance at 1 January, 2010	421,632,029	15,312,500	843,902,284	173,125,000	36,006,451	72,586,125
Net profits for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Appropriation of 2009 profits	-	-	-	-	-	-
Distribution of dividends on ordinary shares	-	-	-	-	-	-
Distribution of dividends on preferred shares	-	-	-	-	-	-
Employees' share-based payments	15,446,092	-	55,754,262	-	-	-
Entities acquired during the year	-	-	-	-	-	-
Redemption of ordinary shares	(87,821)	398,750	(96,717,808)	(398,750)	-	-
Issue of preferred shares "E"	-	1,531,250	-	186,906,250	-	-
Treasury shares transactions	-	-	-	-	-	-
Non-controlling interest share of capital	-	-	-	-	-	-
Non-controlling interest share of reserves	-	-	-	-	-	-
Reserve for share option agreements	-	-	-	-	-	-
Cost of equity transactions	-	-	-	-	-	-
Transfer to general reserve	-	-	(150,000,000)	-	(36,006,451)	-
Difference of exchange	-	-	-	-	-	-
Balance at 31 December, 2010	**436,990,300**	**17,242,500**	**652,938,738**	**359,632,500**	**-**	**72,586,125**
Balance at 1 January, 2009	376,083,279	57,750,000	1,017,928,321	281,437,500	36,006,451	72,586,125
Net profits for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Appropriation of 2008 profits	-	-	-	-	-	-
Distribution of dividends on ordinary shares	-	-	-	-	-	-
Distribution of dividends on preferred shares	-	-	-	-	-	-
Employees' share-based payments	2,812,013	-	10,390,846	-	-	-
Entities under equity method	-	-	-	-	-	-
Redemption of preferred shares	-	(44,000,000)	-	(106,750,000)	-	-
Capital increase (Note 40)	42,736,737	1,562,500	(34,437,500)	(1,562,500)	-	-
Non-controlling interest share of capital	-	-	-	-	-	-
Non-controlling interest share of reserves	-	-	-	-	-	-
Treasury shares transactions	-	-	-	-	-	-
Transfer related to foreclosed assets disposal	-	-	-	-	-	-
Transfer from issue premium to general reserve	-	-	(150,000,000)	-	-	-
Other movements	-	-	20,617	-	-	-
Difference of exchange	-	-	-	-	-	-
Balance at 31 December, 2009	421,632,029	15,312,500	843,902,284	173,125,000	36,006,451	72,586,125

Capital Reserves LBP (000)	Treasury Shares LBP (000)	Retained Earnings LBP (000)	Other Components of Equity LBP (000)	Result of the Year LBP (000)	Total LBP (000)	Non-controlling Interest LBP (000)	Total Shareholders' Equity LBP (000)
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
-	-	-	-	508,555,670	508,555,670	22,456,632	531,012,302
-	-	-	(89,199,147)	-	(89,199,147)	-	(89,199,147)
-	-	-	(89,199,147)	508,555,670	419,356,523	22,456,632	441,813,155
142,251,636	-	79,857,941	1,136,735	(223,246,312)	-	-	-
-	-	1,513,295	-	(181,602,937)	(180,089,642)	-	(180,089,642)
-	-	-	-	(14,603,906)	(14,603,906)	-	(14,603,906)
(18,852,651)	-	247,253	-	-	52,594,956	-	52,594,956
-	-	-	-	-	-	1,156,628	1,156,628
(4,390,977)	101,196,606	-	-	-	-	-	-
-	-	-	-	-	188,437,500	-	188,437,500
21,939,309	(63,968,786)	-	-	-	(42,029,477)	-	(42,029,477)
-	-	-	-	-	-	(35,057,732)	(35,057,732)
(1,194,588)	-	(361,072)	-	-	(1,555,660)	(13,539,414)	(15,095,074)
(58,866,366)	-	-	-	-	(58,866,366)	-	(58,866,366)
-	-	-	(1,754,681)	-	(1,754,681)	-	(1,754,681)
186,006,451	-	-	-	-	-	-	-
2,554,395	-	3,915,947	-	-	6,470,342	-	6,470,342
1,052,119,495	**(37,162,510)**	**209,541,068**	**198,840,925**	**508,555,670**	**3,471,284,811**	**177,450,338**	**3,648,735,149**
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
-	-	-	-	419,453,155	419,453,155	16,139,403	435,592,558
-	-	-	159,269,801	-	159,269,801	-	159,269,801
-	-	-	159,269,801	419,453,155	578,722,956	16,139,403	594,862,359
117,398,657	-	87,589,967	2,520,640	(207,509,264)	-	-	-
-	-	-	-	(116,243,923)	(116,243,923)	-	(116,243,923)
-	-	-	-	(27,794,531)	(27,794,531)	-	(27,794,531)
514,164	-	448,739	-	-	14,165,762	-	14,165,762
(670,566)	-	-	-	-	(670,566)	-	(670,566)
-	-	-	-	-	(150,750,000)	-	(150,750,000)
(8,299,237)	-	-	-	-	-	-	-
-	-	-	-	-	-	60,389,597	60,389,597
(1,457,430)	-	(653,527)	-	-	(2,110,957)	(5,233,493)	(7,344,450)
2,460,429	(16,299,281)	-	-	-	(13,838,852)	-	(13,838,852)
1,152,749	-	-	(1,152,749)	-	-	-	-
150,000,000	-	-	-	-	-	-	-
738,029	-	(1,066,506)	-	-	(307,860)	-	(307,860)
1,948,237	-	(12,466,954)	-	-	(10,518,717)	-	(10,518,717)
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES' INDEX

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 12 March, 2011.

02. 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, and b) derivatives and financial assets held for trading, financial investments available for sale, and financial assets designated at fair value through profit and loss which have been measured at fair value.

The consolidated financial statements and the relevant disclosures are presented in thousands of Lebanese Pounds (LBP 000), except when otherwise indicated.

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.

Presentation of Financial Statements

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 is 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.

Basis of Consolidation from 1 January, 2010

The consolidated financial statements comprise the financial statements of Bank Audi sal - Audi Saradar Group and its subsidiaries as at 31 December, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of Consolidation prior to 1 January, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January, 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January, 2010 were not reallocated between NCI and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January, 2010 has not been restated.

02.2. Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year.

Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position, or performance of the Bank:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January, 2010.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July, 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July, 2009.
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July, 2009.

Improvements to IFRSs

Issued in May 2008

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations effective 1 January, 2010.

Issued in April 2009

- IFRS 2 Share-based Payments.
- IAS 1 Presentation of Financial Statements.
- IAS 17 Leases.
- IAS 38 Intangible Assets.
- IAS 39 Financial Instruments: Recognition and Measurement.
- IFRIC 9 Reassessment of Embedded Derivatives.

02.3. Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid-2011. The standard is effective for annual periods beginning on or after 1 January, 2013. However, based on the Banking Control Commission's circular No 265, dated 23 September, 2010, IFRS 9 will be adopted by the Group as of 1 January, 2011.

Management's preliminary assessment of the impact of the application of IFRS 9 is summarised as follows:

- In accordance with IFRS 9, adoption by the Group in 2011 will be applied starting 1 January, 2011 and comparative amounts will not be restated as permitted by IFRS 9.
- Effective 1 January, 2011, the Group's available for sale financial assets under IAS 39 will be classified as: 1) financial assets measured at fair value through profit and loss, 2) financial assets measured at fair value through other comprehensive income, 3) financial assets measured at amortised costs. As a result, the cumulative change in fair value of available for sale securities is expected to decrease by an amount of LBP 101 billion against a decrease in financial assets at amortised cost by an amount of LBP 119.7 billion (along with the cumulative deferred tax charge of LBP 18.7 billions).
- Effective 1 January, 2011, part of the Group's financial assets measured at amortised cost under IAS 39 will be measured at fair value through profit or loss. The change in measurement is expected to decrease retained earnings by LBP 2.8 billions.
- Effective 1 January, 2011, part of the Group's financial assets measured at fair value through profit and loss under IAS 39 will be measured at amortised cost. The change in measurement is expected to decrease retained earnings by LBP 7.06 billions as at 1 January, 2011.
- Effective 1 January, 2011, unrealised losses arising from the reclassification of financial assets from available for sale financial assets to financial assets designated at fair value through profit and loss will be cancelled. This is due to the adjustments arising from IAS 39 and IFRS 7 in the year 2008 whereby the Group expects an increase of LBP 8 billions in its Tier capital in the financial assets measured at amortised costs.

Improvements to IFRSs (Issued in May 2010)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July, 2010 or 1 January, 2011. The amendments are listed below:

- IFRS 3 Business Combinations.
- IFRS 7 Financial Instruments: Disclosures.
- IAS 1 Presentation of Financial Statements.
- IAS 27 Consolidated and Separate Financial Statements.
- IFRIC 13 Customer Loyalty Programmes.

The Bank, however, expects no impact from the adoption of the amendments on its financial position or performance.

02.4. Summary of Significant Accounting Policies

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 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 subsidiaries and foreign branches (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 equity. When a foreign operation is disposed of, the cumulative exchange differences deferred in equity 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:

	2010		2009	
	Year-end Rate LBP (000)	Average Rate LBP (000)	Year-end Rate LBP (000)	Average Rate LBP (000)
US Dollar	1,507.50	1,507.50	1,507.50	1,507.50
Euro	1,997.44	2,002.15	2,159.95	2,104.14
Swiss Franc	1,604.41	1,454.73	1,451.33	1,394.83
Syrian Lira	32.18	32.43	32.99	32.26
Jordanian Dinar	2,128.49	2,127.67	2,126.98	2,127.26
Egyptian Pound	259.69	267.36	274.75	271.50
Sudanese Dinar	569.73	619.24	649.84	645.69
Saudi Riyal	401.97	401.97	401.92	401.95
Qatari Riyal	414.06	414.07	413.94	414.02

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 Group 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 or convention in the market place.

(ii) Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose and Management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs except, in the case of financial assets and financial liabilities not classified at fair value through profit or loss.

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

The Group uses derivatives such as 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 recognised in the consolidated income statement.

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 and equities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial Assets and Financial Liabilities Designated at Fair Value through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by Management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- 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.
- 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 in "Net Gain or Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss". Interest earned or incurred is accrued in "Interest and Similar Income" or "Interest and Similar Expenses", respectively, using the effective interest rate, while dividend income is recorded in "Other Operating Income" when the right to the payment has been established.

(vi) Day 1 Profit or Loss

When the transaction price differs from the fair value of 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 or loss) in the consolidated income statement. In cases where fair value is determined using 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) Available for Sale Financial Instruments

Available for sale instruments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial instruments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in shareholders' equity (other comprehensive income) in the "Available for Sale Reserve". When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial instruments is reported as interest income using the Effective Interest Rate (EIR). Dividends earned whilst holding available for sale financial instruments are recognised in the consolidated income statement as when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the consolidated income statement in "Impairment Loss on Financial Instruments" and removed from the "Available for Sale Reserve".

(viii) Held to Maturity Financial Instruments

Held to maturity financial instruments are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement, held to maturity financial instruments are subsequently measured at amortised cost using the effective interest rate, less 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" in the consolidated income statement. The losses arising from impairment of such investments are recognised in the consolidated income statement as "Impairment Loss on Financial Instruments".

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

"Due from Banks and Financial Institutions" and "Loans and Advances to Customers" include non-derivative financial assets with 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 Group upon initial recognition designates as at fair value through profit or loss.
- Those that the Group, upon initial recognition, designates as available for sale.
- 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 Financial Institutions" and "Loans and Advances to Customers" are subsequently measured at amortised cost using the 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 EIR. 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".

(x) Debt Issued and Other Borrowed Funds

Financial instruments 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 was permitted to 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 was also permitted to 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.

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 equity 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.

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 it 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 EIR from the date of the change in estimate.

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.

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.
- 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:
  - The Group has transferred substantially all the risks and rewards of the asset, or
  - 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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 expires. 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated income statement.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date 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 is recognised in 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 Agreements", 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 EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to "Financial Assets Held for Trading "pledged as collateral" or to "Financial Investments Available for Sale" pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position within "Cash Collateral on Securities Borrowed 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 recorded in "Net Interest Income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial Liabilities Held for Trading" and measured at fair value with any gains or losses included in "Net Trading Income".

Determination of Fair Value

The fair value for financial instruments traded in active markets at the statement of 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 traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, 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.

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, the probability that they will enter bankruptcy or other financial reorganisation default or delinquency in interest or principal payments, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(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 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 Credit Losses" in the consolidated income statement.

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 EIR 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 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.

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. 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. 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 the consolidated income statement.

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.

Leasing

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Contingent rental payable are recognised as an expense in the period in which they are incurred.

Group as a Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 EIR, 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 continues 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 fees 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 EIR 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

Fees 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.

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.

Business Combinations and Goodwill

Business Combinations from 1 January, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business Combinations prior to 1 January, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not, and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount in the "Share of Profit of an Associate" in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated income statement.

Property and Equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

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

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 40 to 50 years
- Installations and fixtures 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

Property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 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 property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Non-current Assets Held for Sale

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Gains and losses on disposal are recognised in the consolidated income statement.

Intangible Assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

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 accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite of indefinite. 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.

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 software 5 years
- Key money 70 years
- Existing technology 10 years
- Customer relationships 10 years
- Others 7 to 10 years

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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Fiduciary Assets and Assets under Management

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. 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.

Financial Guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. 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. The premium received is recognised in the consolidated income statement on a straight line basis over the life of the guarantee.

Customers' Acceptances

Customers' 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.

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.

Provision for Risks and Charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Taxes

Taxes are 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.
- 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.
- 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.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the consolidated income statement.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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.

Share-based Payments Plan

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, 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 and 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 expense 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.

Where the terms of an equity-settled award are modified, the minimum expense is recognised in "Personnel Expenses" in the consolidated income statement 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. This includes any award where non-investing conditions within the control of either the entity or the counterparty are not met. 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.

Treasury Shares and Contracts on Own Share

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 recognised 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.

When the Bank holds own equity instruments on behalf of its clients, those holdings are not included in the Bank's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement in "Net Trading Income".

Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

02.5. Significant Accounting Judgments and Assumptions

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 uses of judgment and estimates are as follows:

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, 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.

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 Management accounts, they are classified as fair value through profit or loss.
All other investments are classified as available for sale.

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 inputs to these models are derived from observable markets data where possible, but where observable market data are not available, judgement 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.

Valuation of Unquoted Equity Investments

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

a) Recent arm's length market transactions;

b) Current fair value of another instrument that is substantially the same;

c) The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or

d) 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.

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, Management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

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.

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 judgement 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.

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.

Consolidation of Special Purpose Entities (SPEs)

The Bank sponsors the formation of SPEs which may or may not be directly or indirectly owned subsidiaries. The Bank consolidates those SPEs it controls. In assessing and determining if the Bank controls SPEs, judgment is exercised to determine whether the activities of the SPE are being conducted on behalf of the Bank to obtain benefits from the SPE's operation; whether the Bank has the decision-making powers to control or to obtain control of the SPE or its assets; whether the Bank has rights to obtain the majority of the benefits of the SPE's activities; and whether the Bank retains the majority of the risks related to the SPE or its assets in order to obtain benefits from its activities.

Pensions Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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 turn, results in a different cost for the stock option plan.

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

Bank Audi sal - Audi Saradar Group, through its fully owned subsidiary Banaudi Cyprus, acquired 19,995 shares of the total 20,000 shares of Dresdner Bank - Monaco SAM, a private bank incorporated in Monaco, on 2 September, 2010. Following the acquisition, the name of Dresdner Bank Monaco SAM changed to Bank Audi SAM - Audi Saradar Group with a total percentage ownership of 99.975%.

Bank Audi sal - Audi Saradar Group acquired 1,800,000 shares of the total 2,000,000 shares of Arabeya Online Brokerage on 25 October, 2010, constituting 90.00% of the total share capital. Arabeya Online Brokerage, incorporated in Egypt, is a leading on-line trading platform.

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

	2010			
	Dresdner Bank Monaco SAM		Arabeya Online Brokerage	
	Fair Value Recognised on Acquisition LBP (000)	**Carrying Value LBP (000)**	**Fair Value Recognised on Acquisition LBP (000)**	**Carrying Value LBP (000)**
Cash and cash equivalents	2,075,846	2,075,846	3,661	3,661
Due from banks	99,837,060	99,837,060	23,071,071	23,071,071
Loans and advances to customers	78,968,196	78,968,196	-	-
Available for sale financial instruments	15,224	15,224	316,393	316,393
Property and equipment	867,800	867,800	450,892	450,892
Intangible fixed assets	86,014	1,195,391	-	-
Other assets	1,466,201	1,466,201	6,983,844	6,983,844
	183,316,341	184,425,718	30,825,861	30,825,861
Due to banks	83,865,794	83,865,794	64	64
Customers' deposits	85,957,044	85,957,044	-	-
Current tax liabilities	-	-	644,104	644,104
Deferred tax liabilities	-	-	20,015	20,015
Other liabilities	3,065,264	3,065,264	17,310,259	17,310,259
	172,888,102	172,888,102	17,974,442	17,974,442
Acquisition percentage	99.975%		90.00%	
Fair value of net assets	10,425,632		11,566,278	
Goodwill arising on acquisition	9,657,928		51,059,617	
Cost of acquisition	20,083,560		62,625,895	

Cash outflow on acquisition of the subsidiaries:

	2010	
	Dredsner Bank Monaco SAM LBP (000)	Arabeya Online Brokerage LBP (000)
Cash paid	20,083,560	62,625,895
Net cash acquired with the subsidiaries	18,047,112	23,074,668
Net cash flow	**(2,036,448)**	**(39,551,227)**

From the date of acquisition, Dredsner Bank Monaco SAM and Arabeya Online Brokerage contributed to a loss of LBP (000) 2,558,540 and a profit of LBP (000) 659,891 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 less by LBP 3,135 millions.

04. SEGMENT REPORTING

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.

Corporate and Commercial Banking

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

Retail and Personal Banking

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

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.

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.

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

	2010				
	Corporate and Commercial Banking LBP (000)	Retail and Personal Banking LBP (000)	Treasury and Capital Markets LBP (000)	Group Functions and Head Office LBP (000)	Total LBP (000)
Net interest income	236,682,157	89,374,612	320,437,182	91,844,386	738,338,337
Non-interest income					
Net fee and commission income	111,695,686	97,978,346	19,535,558	33,872,262	263,081,852
Foreign exchange operations	3,178,687	16,166,525	29,817,005	(3,881,841)	45,280,376
Financial operations	-	380,170	214,866,982	19,311,593	234,558,745
Other operating income	46,143	3,331,202	466,952	44,270,263	48,114,560
Total non-interest income	114,920,516	117,856,243	264,686,497	93,572,277	591,035,533
Total operating income	351,602,673	207,230,855	585,123,679	185,416,663	1,329,373,870
Net credit losses	(45,069,096)	(2,434,429)	-	-	(47,503,525)
Impairment loss on financial instruments	-	-	(921,909)	-	(921,909)
Net operating income	306,533,577	204,796,426	584,201,770	185,416,663	1,280,948,436
Total assets	9,788,947,115	4,222,079,155	25,030,626,413	4,205,522,150	43,247,174,833
Total liabilities and shareholders' equity	7,753,910,514	30,435,535,584	879,669,872	4,178,058,863	43,247,174,833

	2009				
	Corporate and Commercial Banking LBP (000)	Retail and Personal Banking LBP (000)	Treasury and Capital Markets LBP (000)	Group Functions and 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					
Net fee and commission income	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)
Impairment loss on 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

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.

	2010			
	Lebanon LBP (000)	MENA LBP (000)	Europe LBP (000)	Total LBP (000)
Net interest income	488,408,167	210,984,973	38,945,197	738,338,337
Non-interest income				
Net fee and commission income	144,918,352	81,029,723	37,133,777	263,081,852
Foreign exchange operations	14,291,072	20,647,135	10,342,169	45,280,376
Financial operations	217,349,041	17,343,914	(134,210)	234,558,745
Other operating income	27,797,671	2,072,194	18,244,695	48,114,560
Total non-interest income	404,356,136	121,092,966	65,586,431	591,035,533
Total operating income	892,764,303	332,077,939	104,531,628	1,329,373,870
Net credit losses	(26,608,059)	(21,516,467)	621,001	(47,503,525)
Impairment loss on financial instruments	(64,027)	(857,882)	-	(921,909)
Net operating income	866,092,217	309,703,590	105,152,629	1,280,948,436
Capital expenditures	21,325,617	25,813,151	5,377,010	52,515,778
Total assets	30,885,674,152	9,299,127,681	3,062,373,000	43,247,174,833
Total liabilities and shareholders' equity	31,998,192,596	8,542,080,625	2,706,901,612	43,247,174,833

	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				
Net fee and commission income	132,002,021	54,756,840	35,102,393	221,861,254
Foreign exchange operations	12,249,836	15,528,803	14,475,860	42,254,499
Financial operations	138,810,772	8,542,107	23,394	147,376,273
Other operating income	26,868,303	2,922,668	26,538,323	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	(26,235,809)	(10,403,347)	1,625,410	(35,013,746)
Impairment loss on financial instruments	(7,156,238)	(4,621,303)	31,071	(11,746,470)
Net operating income	709,418,885	244,637,808	106,176,425	1,060,233,118
Capital expenditures	22,077,222	29,909,797	51,949,728	103,936,747
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

05. INTEREST AND SIMILAR INCOME

	2010 LBP (000)	2009 LBP (000)
Balances with central banks	80,106,845	77,127,028
Due from banks and financial institutions	53,135,106	62,790,595
Loans and advances to customers	746,644,680	652,331,277
Loans and advances to related parties (Note 52)	18,051,049	17,952,224
Available for sale financial instruments	456,628,831	363,921,480
Financial assets classified as loans and receivables	607,742,953	626,773,150
Financial instruments held to maturity	22,543,229	21,034,621
Other interest income	2,351,760	7,372,154
	1,987,204,453	1,829,302,529
Financial assets held for trading	45,060,800	37,462,863
Financial assets designated at fair value through profit or loss	-	14,227,044
	2,032,265,253	1,880,992,436

06. INTEREST AND SIMILAR EXPENSE

	2010 LBP (000)	2009 LBP (000)
Due to central banks	6,533,079	3,913,345
Due to banks and financial institutions	13,614,342	18,881,755
Customers' deposits	1,258,238,594	1,193,360,381
Deposits from related parties (Note 52)	9,321,185	9,459,315
Debt issued and other borrowed funds	5,638,670	16,205,626
Other interest expense	581,046	-
	1,293,926,916	1,241,820,422

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

07. NET FEE AND COMMISSION INCOME

	2010 LBP (000)	2009 LBP (000)
Fee and commission income		
General banking income	54,255,589	52,213,701
Credit-related fees and commissions	59,573,925	49,620,406
Brokerage and custody income	53,008,904	43,390,830
Trade finance income	61,364,564	51,159,563
Electronic banking	57,277,533	44,035,493
Insurance income	18,524,148	16,155,376
Other fees and commissions	9,781,445	8,924,069
	313,786,108	265,499,438
Fee and commission expense		
Insurance fees	8,142,406	6,653,119
Brokerage and custody fees	7,609,556	7,014,187
Electronic banking	27,718,645	20,800,060
Other fees and commissions	7,233,649	9,170,818
	50,704,256	43,638,184
Net fee and commission income	263,081,852	221,861,254

08. NET TRADING INCOME

	2010 LBP (000)	2009 LBP (000)
Lebanese sovereign		
Treasury bills	11,965,418	11,224,037
Eurobonds	17,533,398	44,910,374
	29,498,816	56,134,411
Other sovereign		
Treasury bills	227,123	25,355
Other governmental securities	713,920	1,697,705
	941,043	1,723,060
Private sector and other securities		
Banks and financial institutions CDs	5,934	-
Banks and financial institutions debt instruments	1,913,719	(1,325)
Corporate debt instruments	1,608,423	8,884,588
Equity instruments	8,955,694	1,624,266
	12,483,770	10,507,529
Other items		
Embedded derivatives	1,468,359	(12,885,576)
Net gain on foreign exchange operations	45,280,376	42,254,499
Dividends	2,989,483	869,589
	49,738,218	30,238,512
	92,661,847	98,603,512

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

For the year ended 31 December, 2010, embedded derivatives include a gain of LBP (000) 2,746,589 (2009: loss of LBP (000) 12,342,355) 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.

09. NET GAIN ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 LBP (000)	2009 LBP (000)
Credit-linked notes	-	13,823,684
Others	-	20,531
	-	13,844,215

Credit-linked notes represent financial instruments with risk features related to the Lebanese sovereign. The net gain on these notes for the year ended 31 December, 2009 represents the result of sale of these instruments during the year.

10. NET GAIN ON FINANCIAL INVESTMENTS

	2010		
	Available for Sale LBP (000)	Loans and Receivables LBP (000)	Total LBP (000)
Lebanese sovereign and Central Bank of Lebanon			
Central Bank Certificates of Deposit	-	44,801,019	44,801,019
Treasury bills	15,593,806	-	15,593,806
Eurobonds	60,051,175	15,202,003	75,253,178
Other sovereign			
Treasury bills	2,253,917	-	2,253,917
Other governmental securities	10,068,289	-	10,068,289
Private sector and other securities			
Banks and financial institutions CDs	(1,163,995)	1,292,410	128,415
Banks and financial institutions debt instruments	12,294,724	(1,516,879)	10,777,845
Corporate debt instruments	6,482,408	(27,987)	6,454,421
Equity instruments	271,950	-	271,950
	105,852,274	59,750,566	165,602,840
Dividends	21,574,434	-	21,574,434
	127,426,708	59,750,566	187,177,274

	2009		
	Available for Sale LBP (000)	Loans and 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
Other sovereign			
Treasury bills	1,735,235	-	1,735,235
Other governmental securities	300,085	817,317	1,117,402
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)
	26,616,046	29,316,208	55,932,254
Dividends	21,250,791	-	21,250,791
	47,866,837	29,316,208	77,183,045

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

	2010 LBP (000)	2009 LBP (000)
Charges for the year		
Loans and advances to customers (Note 21)	81,463,836	59,973,811
Loans directly written off	127,511	31,137
	81,591,347	60,004,948
Recoveries for the year		
Impairment allowance recovered (Note 21)	(18,778,223)	(10,476,386)
Unrealised interest recovered (Note 21)	(9,045,108)	(3,604,458)
Recoveries of debts previously written off	(6,264,491)	(10,910,358)
	(34,087,822)	(24,991,202)
	47,503,525	35,013,746

12. IMPAIRMENT LOSS ON FINANCIAL INSTRUMENTS

	2010 LBP (000)	2009 LBP (000)
Charges for the year		
Available for sale financial instruments (Note 23)	921,909	13,352,330
Financial assets classified as loans and receivables (Note 24)	-	226,125
	921,909	13,578,455
Recoveries for the year		
Financial assets classified as loans and receivables (Note 24)	-	(1,831,985)
	921,909	11,746,470

13. PERSONNEL EXPENSES

	2010 LBP (000)	2009 LBP (000)
Salaries and related benefits	274,905,824	225,721,230
End of service benefits (Note 39)	7,857,314	10,321,224
Social security contributions	29,313,014	26,208,058
Transportation	10,161,889	6,554,617
Food and beverage	3,781,984	3,570,065
Schooling	6,016,062	5,692,822
Training and seminars	5,300,120	3,988,600
Medical expenses	3,217,579	3,957,289
Share-based payments (Note 45)	919,096	4,584,258
Others	11,606,522	12,430,104
	353,079,404	303,028,267

14. OTHER OPERATING EXPENSES

	2010 LBP (000)	2009 LBP (000)
Buildings rental under operating leases	21,784,342	20,759,209
Facilities services and maintenance	7,513,576	5,786,380
Electricity, water and fuel	6,659,614	6,076,520
Telephone and mail	12,309,616	11,752,137
Subscription to communication services	5,439,625	5,657,811
Information technology	9,759,360	7,002,578
Maintenance	6,828,056	6,132,398
Office supplies	6,571,525	5,076,782
Outsourcing services	7,416,499	4,427,774
Advertising fees	19,745,418	14,327,444
Receptions and gifts	4,794,910	3,449,932
Travel and related expenses	10,465,484	10,674,386
Documentation and miscellaneous subscriptions	3,420,347	4,802,117
Insurance premiums	7,502,008	6,960,430
Professional fees	23,054,462	18,958,074
Donations and social aids	2,099,493	2,076,085
Regulatory charges	1,865,197	2,388,261
Taxes and similar disbursements	15,213,317	10,105,288
Board of Directors fees	3,055,052	1,703,137
Premium for guarantee of deposits	15,299,847	11,491,655
Special rewards	22,914,000	14,434,350
Provisions for risks and charges	7,716,933	3,607,670
Loss from disposal of assets acquired against debts	-	632,840
Others	11,149,833	13,908,929
	232,578,514	192,192,187

15. INCOME TAX

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

	2010 LBP (000)	2009 LBP (000)
Current tax		
Current income tax	108,683,085	82,098,121
Adjustment in respect of current income tax of prior years	2,994,863	(682,920)
Other taxes treated as income tax	10,944,417	6,300,027
	122,622,365	87,715,228
Deferred tax		
Relating to origination and reversal of temporary differences	982,920	3,156,025
	123,605,285	90,871,253

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:

	2010 LBP (000)	2009 LBP (000)
Accounting profit before tax	654,617,587	526,463,811
Add:		
Non-deductible expenses	52,668,734	64,994,596
Allowance for impairment losses	13,950,210	14,639,765
Grants and donations	842,465	694,286
Loss on revaluation of financial instruments	642,955	3,032,488
Difference in depreciation rates	1,184,109	1,346,367
	69,288,473	84,707,502
Less:		
Revenues previously subjected to tax	57,871,988	71,539,168
Provisions previously subjected to tax	23,487,402	8,264,896
Exempted revenues	58,229,976	30,513,123
Difference in depreciation rates	2,058,528	4,315,061
Losses carried forward	800,860	48,169,004
Other tax deductible income	10,890,271	7,829,675
	153,339,025	170,630,927
Profit subject to tax	570,567,035	440,540,386
Tax due	108,683,085	82,098,121
Effective income tax rate	16.60%	15.59%

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

	2010	
	Deferred Tax Assets LBP (000)	Deferred Tax Liabilities LBP (000)
Provisions	-	417,500
Impairment allowance for loans and advances to customers	301,162	-
Fair value of financial instruments	-	17,941,763
Difference in depreciation rates	-	2,841,580
Other temporary differences	272,546	-
	573,708	21,200,843

	2009	
	Deferred Tax Assets LBP (000)	Deferred Tax 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

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

	2010 LBP (000)	2009 LBP (000)
Balance at 1 January	45,721,390	33,610,126
Charges for the year	122,622,365	87,715,228
Transfers to provisions for risk and charges (Note 38)	-	(2,844,905)
Transfers to other liabilities	(413,928)	-
	122,208,437	84,870,323
Less taxes paid:		
Current year tax liability*	53,522,703	42,383,902
Prior years tax liabilities	48,462,905	30,474,001
Foreign exchange difference	759,027	(98,844)
	102,744,635	72,759,059
Balance at 31 December	65,185,192	45,721,390

* *Represents taxes paid on interest received from Treasury Bills and central banks' 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:

	2010 LBP (000)	(Restated) 2009 LBP (000)
Profit attributable to equity holders of the parent	508,555,671	419,453,155
Less: dividends payable to preferred shares	(22,141,406)	(14,603,906)
Profit available to common shareholders	486,414,265	404,849,249
Weighted average number of shares outstanding	335,071,295	335,623,770
Weighted average number of common shares after dilutive effect of share-based payments	344,123,366	344,481,680
	LBP	LBP
Basic earnings per share	1,452	1,206
Diluted earnings per share	1,413	1,175

The weighted average number of shares outstanding and the earnings per share figures for 2009 were restated to reflect the effect of the 10 to 1 stock split that took place during 2010.

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

	2010 LBP (000)	2009 LBP (000)
Cash on hand	264,777,205	243,590,728
Central Bank of Lebanon		
Current accounts	1,106,102,701	1,224,695,105
Time deposits	3,065,436,060	2,925,906,650
Accrued interest	11,788,190	5,949,117
Other central banks		
Current accounts	1,133,849,122	886,015,753
Time deposits	1,102,154,153	919,260,481
Accrued interest	433,714	738,459
	6,684,541,145	6,206,156,293

The Group maintains statutory deposits with central banks. As per Lebanese banking regulations, the Bank must retain reserves 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.

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:

	2010 LBP (000)	2009 LBP (000)
Placements in Lebanese Pounds	979,627,385	1,111,189,213
Placements in foreign currencies	3,617,112,586	3,328,123,355
	4,596,739,971	4,439,312,568

18. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2010 LBP (000)	2009 LBP (000)
Current deposits	994,868,633	986,364,205
Checks for collection	179,615,176	171,392,433
Time deposits	4,900,747,547	6,429,379,483
Loans and advances	190,005,547	109,122,011
Other amounts due	64,106,736	30,829,774
Accrued interest	9,671,427	11,450,106
Less: impairment allowance	(1,030,752)	(1,173,902)
	6,337,984,314	7,737,364,110

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

	2010 LBP (000)	2009 LBP (000)
Balance at 1 January	1,173,902	1,039,518
Foreign exchange difference	(143,150)	134,384
Balance at 31 December	1,030,752	1,173,902
Individual impairment	1,030,752	1,173,902

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:

31 December, 2010	Positive Fair Value LBP (000)	Negative Fair Value LBP (000)	Notional Amount LBP (000)	Notional Amount by Term to Maturity: Within 3 Months LBP (000)	3 to12 Months LBP (000)	1 to 5 Years LBP (000)	Over 5 Years LBP (000)
Derivatives held for trading							
Forward foreign exchange contracts	5,471,226	3,224,939	230,293,168	155,387,020	74,906,148	-	-
Forward precious metals contracts	-	192,552	5,263,893	5,263,893	-	-	-
Precious metals swaps	-	581,618	18,946,086	17,459,242	1,486,844	-	-
Currency swaps	11,281,932	24,317,715	1,923,349,230	1,821,575,598	101,773,632	-	-
Currency options	19,740,923	19,740,923	457,100,593	237,443,343	218,895,155	762,095	-
Credit default swaps	4,027,964	-	1,178,901,274	928,114,456	194,089,880	56,696,938	-
Equity options	136,650	-	8,783,174	1,121,343	197,668	1,939,152	5,525,011
	40,658,695	48,057,747	3,822,637,418	3,166,364,895	591,349,327	59,398,185	5,525,011
Derivatives held to hedge net investments in foreign operations							
Forward foreign exchange contracts	-	11,215,641	168,683,808	-	168,683,808	-	-
	40,658,695	59,273,388	3,991,321,226	3,166,364,895	760,033,135	59,398,185	5,525,011

31 December, 2009	Positive Fair Value LBP (000)	Negative Fair Value LBP (000)	Notional Amount LBP (000)	Notional Amount by Term to Maturity: Within 3 Months LBP (000)	3 to12 Months LBP (000)	1 to 5 Years LBP (000)	Over 5 Years 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	-	-
Forward 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	3,410,255,873	2,835,726,192	563,236,124	5,917,405	5,376,152

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 risk management purposes which do not meet the IAS 39 hedge accounting criteria.

Derivative Financial Instruments Held or Issued for Hedging Purposes

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to credit and market risks. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transaction, as well as strategic hedging against overall financial position exposures.

During 2010, the Bank bought forward foreign exchange contracts with a notional amount of LBP (000) 168,683,808 which have been designated as a hedge of the Bank's net investment in its subsidiaries in Cyprus and France. These contracts are used to hedge the Bank's exposure to foreign exchange risk on those investments. The negative fair value of these contracts amounted to LBP (000) 11,984,640 and was transferred to "Foreign Currency Translation Reserve" in equity to offset gains on translation of the net investment in the subsidiaries. No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss during the year.

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.

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.

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.
In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

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, 2010 and 2009 (Note 34).

20. FINANCIAL ASSETS HELD FOR TRADING

	2010 LBP (000)	2009 LBP (000)
Lebanese sovereign		
Treasury bills	570,743,096	520,547,846
Eurobonds	336,530,058	248,151,375
	907,273,154	768,699,221
Private sector and other securities		
Banks and financial institutions debt instruments	20,794,758	1,561,246
Corporate debt instruments	59,123	4,975,624
Structured products	90,883	82,485
Equity instruments	80,881,341	59,723,903
	101,826,105	66,343,258
	1,009,099,259	835,042,479

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

	2010 LBP (000)	2009 LBP (000)
Fixed interest		
Lebanese sovereign	907,273,154	768,699,221
Private sector securities	20,853,881	6,536,870
	928,127,035	775,236,091
Variable interest		
Private sector securities	90,883	82,485
	90,883	82,485
	928,217,918	775,318,576

21. LOANS AND ADVANCES TO CUSTOMERS

	2010				
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Public Sector LBP (000)	Total LBP (000)
Overdraft accounts	1,828,252,636	826,595,800	431,005,497	2,153,804	3,088,007,737
Loans	5,592,509,028	1,260,491,882	2,353,023,876	369,131,882	9,575,156,668
Discounted bills and commercial paper	192,528,592	55,401,167	36,092,645	10,931,914	294,954,318
	7,613,290,256	2,142,488,849	2,820,122,018	382,217,600	12,958,118,723
Impairment allowance	(89,858,033)	(67,535,561)	(79,363,526)	(1,063,284)	(237,820,404)
Unrealised interest	(21,592,284)	(28,469,651)	(26,476,271)	-	(76,538,206)
	7,501,839,939	2,046,483,637	2,714,282,221	381,154,316	12,643,760,113

	2009				
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Public 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	4,255,603,810	984,012,870	1,863,400,005	159,975,453	7,262,992,138
Discounted bills and commercial paper	175,369,636	61,090,358	27,443,504	8,206,130	272,109,628
	5,999,642,628	1,688,711,858	2,392,944,884	169,637,664	10,250,937,034
Impairment allowance	(101,964,442)	(56,185,361)	(77,605,668)	(471,903)	(236,227,374)
Unrealised interest	(21,422,049)	(31,477,979)	(30,953,409)	-	(83,853,437)
	5,876,256,137	1,601,048,518	2,284,385,807	169,165,761	9,930,856,223

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

	2010				
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Public Sector LBP (000)	Total LBP (000)
Balance at 1 January	101,964,442	56,185,361	77,605,668	471,903	236,227,374
Add:					
Charges for the year (Note 11)	51,347,864	12,679,827	16,664,358	771,787	81,463,836
Transfers	(6,184,145)	6,738,918	(554,773)	-	-
Less:					
Recoveries (Note 11)	(10,394,525)	(2,816,918)	(5,496,918)	(69,862)	(18,778,223)
Write-offs	(45,816,689)	(3,908,450)	(8,161,020)	-	(57,886,159)
Foreign exchange difference	(1,058,914)	(1,343,177)	(693,789)	(110,544)	(3,206,424)
Balance at 31 December	89,858,033	67,535,561	79,363,526	1,063,284	237,820,404
Individual impairment	43,862,634	56,908,331	44,337,314	-	145,108,279
Collective impairment	45,995,399	10,627,230	35,026,212	1,063,284	92,712,125
	89,858,033	67,535,561	79,363,526	1,063,284	237,820,404

	2009				
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Public 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

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

	2010			
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Total LBP (000)
Balance at 1 January	21,422,049	31,477,979	30,953,409	83,853,437
Add:				
Unrealised interest applied on non-performing loans	14,072,325	6,289,288	5,570,395	25,932,008
Less:				
Unrealised interest written off	(9,357,374)	(5,916,567)	(8,702,463)	(23,976,404)
Unrealised interest recovered (Note 11)	(4,035,005)	(3,249,539)	(1,760,564)	(9,045,108)
Foreign exchange difference	(509,711)	(131,510)	415,494	(225,727)
Balance at 31 December	21,592,284	28,469,651	26,476,271	76,538,206

	2009			
	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	6,128,981	6,634,947	5,405,877	18,169,805
Less:				
Unrealised interest written off	(412,562)	(1,274,822)	(759,487)	(2,446,871)
Unrealised interest recovered (Note 11)	(317,930)	(2,330,611)	(955,917)	(3,604,458)
Foreign exchange difference	3,700	(77,430)	(69,822)	(143,552)
Balance at 31 December	21,422,049	31,477,979	30,953,409	83,853,437

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

	2010 LBP (000)	2009 LBP (000)
Agriculture	42,642,275	45,085,740
Extractive industry	6,327,555	1,374,026
Manufacturing industries	2,157,159,108	1,761,182,817
Electricity, gas, water and telecommunication	316,804,312	150,729,210
Construction	1,111,615,547	637,542,924
Wholesale and retail trade	1,906,919,940	1,880,361,186
Hotels and restaurants	212,175,207	116,120,844
Transportation and warehousing	929,450,897	1,005,685,969
Financial services and brokerage	1,611,210,877	1,018,366,587
Real estate services	841,741,951	592,938,039
Public administration	189,076,230	2,267,366
Professional services	204,591,419	280,909,015
Regional and international organisations	18,653,749	114,733,295
Individuals – excluding housing	2,190,794,423	1,603,559,564
Individuals – housing	760,363,987	618,399,919
Others	144,232,636	101,599,722
	12,643,760,113	9,930,856,223

22. LOANS AND ADVANCES TO RELATED PARTIES

	2010			
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Total LBP (000)
Overdraft accounts	1,143	3,063,525	32,175,220	35,239,888
Loans	8,304,854	157,045,807	41,070,190	206,420,851
	8,305,997	160,109,332	73,245,410	241,660,739

	2009			
	Corporate LBP (000)	SME LBP (000)	Retail and Personal Banking LBP (000)	Total LBP (000)
Overdraft accounts	-	4,354,375	27,618,473	31,972,848
Loans	8,295,374	138,417,719	61,055,321	207,768,414
Discounted bills and commercial paper	-	-	82,913	82,913
	8,295,374	142,772,094	88,756,707	239,824,175

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

	2010 LBP (000)	2009 LBP (000)
Construction	94,045,418	93,736,574
Real estate services	80,327,903	68,786,073
Individuals – excluding housing	55,791,582	63,628,882
Individuals – housing	9,158,979	11,644,696
Others	2,336,857	2,027,950
	241,660,739	239,824,175

23. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS

	2010 LBP (000)	2009 LBP (000)
Lebanese sovereign and Central Bank of Lebanon		
Central Bank Certificates of Deposit	3,671,436	3,577,130
Treasury bills	3,493,235,458	3,391,517,329
Eurobonds	1,558,063,260	758,034,796
	5,054,970,154	4,153,129,255
Other sovereign		
Treasury bills	488,417,302	211,137,170
Other governmental securities	358,051,235	543,124,756
Eurobonds	249,615	-
	846,718,152	754,261,926

	2010 LBP (000)	2009 LBP (000)
Private sector and other securities		
Banks and financial institutions CDs	61,242,155	58,740,983
Banks and financial institutions debt instruments	1,200,211,320	163,156,102
Corporate debt instruments	231,511,348	622,392,819
Structured products	2,309,618	3,162,248
Investments and mutual funds	36,423,040	12,153,491
Equity instruments	270,383,139	263,892,083
	1,802,080,620	1,123,497,726
Less: impairment allowance	(26,107,067)	(27,572,550)
	1,775,973,553	1,095,925,176
	7,677,661,859	6,003,316,357

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

	2010 LBP (000)	2009 LBP (000)
Fixed interest		
Lebanese sovereign and Central Bank of Lebanon	5,054,970,154	4,153,129,256
Other sovereign	846,718,152	754,261,924
Private sector and other securities	1,292,972,460	831,294,759
	7,194,660,766	5,738,685,939
Variable interest		
Private sector and other securities	202,301,981	16,157,393
	7,396,962,747	5,754,843,332

The movement of the impairment allowance relating to "Private Sector and Other Securities" during the year was as follows:

	2010		
	Banks and Financial Institutions Debt Instruments LBP (000)	Equity Instruments LBP (000)	Total LBP (000)
Balance at 1 January	6,839,561	20,732,989	27,572,550
Charges for the year (Note 12)	561,429	360,480	921,909
Write-offs	-	(2,399,321)	(2,399,321)
Foreign exchange difference	12,400	(471)	11,929
Balance at 31 December	7,413,390	18,693,677	26,107,067

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

24. FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

	2010 LBP (000)	2009 LBP (000)
Lebanese sovereign and Central Bank of Lebanon		
Central Bank Certificates of Deposit	5,328,599,130	5,342,796,134
Eurobonds	715,082,644	939,553,389
	6,043,681,774	6,282,349,523
Other sovereign		
Treasury bills	443,530,661	332,991,649
Other governmental securities	127,837,852	226,054,986
	571,368,513	559,046,635
Private sector and other securities		
Banks and financial institutions CDs	169,073,377	222,648,836
Banks and financial institutions debt instruments	146,256,881	114,538,401
Corporate debt instruments	80,998,697	119,800,090
Others	482,426	482,425
	396,811,381	457,469,752
Less: impairment allowance	(339,213)	(339,213)
	7,011,522,455	7,298,526,697

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

	2010 LBP (000)	2009 LBP (000)
Fixed interest		
Lebanese sovereign and Central Bank of Lebanon	6,043,681,774	6,282,349,523
Other sovereign	571,368,513	559,046,635
Private sector and other securities	340,878,038	375,734,855
	6,955,928,325	7,217,131,013
Variable interest		
Private sector and other securities	55,933,343	81,734,897
	7,011,861,668	7,298,865,910

The movement of impairment allowance relating to "Private Sector and Other Securities" during the year was as follows:

	2010 LBP (000)	2009 LBP (000)
Balance at 1 January	339,213	1,945,073
Charges for the year (Note 12)	-	226,125
Recoveries during the year (Note 12)	-	(1,831,985)
Balance at 31 December	339,213	339,213

25. FINANCIAL INSTRUMENTS HELD TO MATURITY

	2010 LBP (000)	2009 LBP (000)
Lebanese sovereign		
Treasury bills	134,006,612	133,974,916
Eurobonds	33,108,238	185,449,542
	167,114,850	319,424,458
Other sovereign		
Other governmental securities	13,432,676	12,375,262
Eurobonds	23,217,782	23,543,346
	36,650,458	35,918,608
Private sector and other securities		
Banks and financial institutions debt instruments	9,966,889	10,661,957
Corporate debt instruments	1,298,450	1,373,750
	11,265,339	12,035,707
	215,030,647	367,378,773

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

	2010 LBP (000)	2009 LBP (000)
Fixed interest		
Lebanese sovereign	167,114,850	319,424,458
Other sovereign	36,650,458	35,918,608
	203,765,308	355,343,066
Variable interest		
Private sector and other securities	11,265,339	12,035,707
	215,030,647	367,378,773

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

26. INVESTMENTS IN ASSOCIATES

	2010				2009	
	Ownership %	Country of Incorporation	Number of Shares	Cost LBP (000)	Number of Shares	Cost LBP (000)
Assurex sal	23.92	Lebanon	47,830	3,039,076	47,830	3,553,771
Syrian Arab Insurance sa	49.50	Syria	990,000	17,786,000	990,000	18,368,034
Globalcom Holding sal	49.00	Lebanon	4,900	9,283,600	4,900	9,445,640
Pinpay sal	39.00	Lebanon	3,900	624,100	3,900	329,824
				30,732,776		31,697,269

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:

	2010 LBP (000)	2009 LBP (000)
Share of associates' statement of financial position		
Current assets	50,470,470	50,234,371
Non-current assets	19,182,001	17,662,914
Current liabilities	(13,217,355)	(10,525,761)
Non-current liabilities	(24,435,061)	(25,770,179)
Net assets	32,000,055	31,601,345
Share of associates' revenues and profits		
Revenues	26,480,742	25,226,118
Share of profits for the year	4,191,742	1,657,893

27. PROPERTY AND EQUIPMENT

	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:							
At 1 January, 2010	411,928,155	143,566,397	4,071,476	86,093,843	83,685,706	15,089,565	744,435,142
Entities acquired during the year	-	859,354	164,269	576,391	1,103,674	-	2,703,688
Additions	22,583,230	7,576,732	782,421	10,719,525	3,983,741	194,188	45,839,837
Transfers	4,738,629	(4,738,629)	-	-	-	-	-
Disposals	-	(144,581)	(309,505)	(4,799,688)	(367,011)	-	(5,620,785)
Foreign exchange difference	398,113	(1,134,013)	(357,766)	(495,745)	(639,787)	(282,993)	(2,512,191)
At 31 December, 2010	439,648,127	145,985,260	4,350,895	92,094,326	87,766,323	15,000,760	784,845,691
Depreciation:							
At 1 January, 2010	53,031,055	75,173,893	2,104,344	62,308,337	40,525,777	7,802,066	240,945,472
Entities acquired during the year	-	339,860	110,330	413,453	520,236	1,117	1,384,996
Depreciation charge for the year	8,402,287	12,801,423	589,608	8,178,286	6,869,101	879,026	37,719,731
Transfers	140,480	(140,480)	-	-	-	-	-
Disposals	-	(58,628)	(241,839)	(4,739,564)	(217,346)	-	(5,257,377)
Foreign exchange difference	278,986	(2,073)	(276,212)	(256,705)	(150,675)	529,465	122,786
At 31 December, 2010	61,852,808	88,113,995	2,286,231	65,903,807	47,547,093	9,211,674	274,915,608
Net book value:							
At 31 December, 2010	377,795,319	57,871,265	2,064,664	26,190,519	40,219,230	5,789,086	509,930,083

	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:							
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

28. INTANGIBLE FIXED ASSETS

	Key Money LBP (000)	Computer Software LBP (000)	Existing Technology LBP (000)	Customer Relationships LBP (000)	Other LBP (000)	Total LBP (000)
Cost:						
At 1 January, 2010	3,035,472	48,036,512	2,541,645	5,737,545	1,434,393	60,785,567
Entities acquired during the year	-	278,640	-	-	-	278,640
Additions during the year	337,318	6,338,623	-	-	-	6,675,941
Transfers	561,577	(561,577)	-	-	(251,005)	(251,005)
Disposals	(14,377)	(6,900)	-	-	-	(21,277)
Foreign exchange difference	(41,164)	91,560	-	-	-	50,396
At 31 December, 2010	3,878,826	54,176,858	2,541,645	5,737,545	1,183,388	67,518,262
Amortisation:						
At 1 January, 2010	262,826	33,726,151	234,667	529,740	126,496	34,879,880
Entities acquired during the year	-	192,627	-	-	-	192,627
Amortisation charge for the year	75,004	6,212,725	234,667	529,740	-	7,052,136
Transfers	1,206	(1,206)	-	-	(113,397)	(113,397)
Disposal	(14,377)	(5,840)	-	-	-	(20,217)
Foreign exchange difference	26,983	32,929	-	-	-	59,912
At 31 December, 2010	351,642	40,157,386	469,334	1,059,480	13,099	42,050,941
Net book value:						
At 31 December, 2010	3,527,184	14,019,472	2,072,311	4,678,065	1,170,289	25,467,321

	Key Money LBP (000)	Computer Software LBP (000)	Existing Technology LBP (000)	Customer 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

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:			
At 1 January, 2010	31,228,751	15,075	31,243,826
Additions	9,242,851	-	9,242,851
Disposals	(9,764,708)	-	(9,764,708)
Foreign exchange difference	(228,499)	-	(228,499)
At 31 December, 2010	30,478,395	15,075	30,493,470
Impairment:			
At 1 January, 2010	1,982,802	-	1,982,802
Impairment for the year	71,842	-	71,842
Reversal due to disposals	(816,407)	-	(816,407)
At 31 December, 2010	1,238,237	-	1,238,237
Net book value:			
At 31 December, 2010	29,240,158	15,075	29,255,233

	Properties Acquired in Settlement of Debts LBP (000)	Investments Acquired in Settlement of Debts LBP (000)	Total LBP (000)
Cost:			
At 1 January, 2009	39,436,241	15,075	39,451,316
Additions	4,280,155	-	4,280,155
Disposals	(12,513,486)	-	(12,513,486)
Foreign exchange difference	25,841	-	25,841
At 31 December, 2009	31,228,751	15,075	31,243,826
Impairment:			
At 1 January, 2009	917,660	-	917,660
Impairment for the year	1,065,142	-	1,065,142
At 31 December, 2009	1,982,802	-	1,982,802
Net book value:			
At 31 December, 2009	29,245,949	15,075	29,261,024

30. OTHER ASSETS

	2010 LBP (000)	2009 LBP (000)
Prepaid charges	43,746,677	40,381,149
Fiscal stamps, bullions and commemorative coins	2,365,149	1,564,093
Hospitalisation and medical care under collection	8,172,708	6,547,659
Electronic cards and regularisation accounts	15,572,337	11,669,074
Advances on investments	8,537,765	3,243,397
Advances on acquisition of fixed assets	45,382,357	23,839,711
Advances to staff	17,602,001	12,346,769
Debtors accounts related to insurance operations	2,827,167	12,478,709
Reinsurers' shares in technical provisions	15,409,048	13,149,975
Management and advisory fees receivable	510,000	646,725
Consolidation differences	1,735,971	3,234,272
Interest and commissions to be received	3,156,540	6,091,787
Trade receivables related to non-banking operations	27,500,040	7,166,296
Miscellaneous debtors and other debtor accounts	44,763,560	32,473,090
	237,281,320	174,832,706

31. GOODWILL

	Lebanon LBP (000)	Switzerland LBP (000)	Egypt LBP (000)	Sudan LBP (000)	United States LBP (000)	Monaco LBP (000)	Others LBP (000)	Total LBP (000)
Cost:								
At 1 January, 2010	54,715,410	40,722,428	105,033,998	6,446,382	8,128,490	-	3,699,656	218,746,364
Additions	-	-	51,059,617	-	-	9,657,928	-	60,717,545
Difference of exchange	-	4,385,407	(6,269,433)	(794,687)	-	435,392	(16,343)	(2,259,664)
At 31 December, 2010	54,715,410	45,107,835	149,824,182	5,651,695	8,128,490	10,093,320	3,683,313	277,204,245

	Lebanon LBP (000)	Switzerland LBP (000)	Egypt LBP (000)	Sudan LBP (000)	United States LBP (000)	Monaco LBP (000)	Others LBP (000)	Total LBP (000)
Cost:								
At 1 January, 2009	54,715,410	37,998,143	106,252,394	6,827,208	-	-	3,881,539	209,674,694
Additions	-	-	-	-	8,128,490	-	-	8,128,490
Difference of exchange	-	2,724,285	(1,218,396)	(380,826)	-	-	(181,883)	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

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.

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 acceptable range within which underlying assumption's 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.

	2010		2009	
	Discount Rate %	Terminal Growth Rate %	Discount Rate %	Terminal Growth Rate %
Cash-generating units				
Commercial and Private Banking – Lebanon	15.50	2.00	15.10	2.00
Private Banking – Switzerland	10.00	2.00	9.00	2.00
Commercial Banking – Egypt	16.00	3.00	15.50	5.00
Commercial Banking – Sudan	18.00	2.00	17.50	4.00
Information Technology – United States	12.50	4.00	-	-

At 31 December, 2010, aggregate goodwill of LBP (000) 3,683,313 was allocated to CGUs that were not considered individually significant (2009: LBP (000) 3,699,656).

32. DUE TO CENTRAL BANKS

	2010 LBP (000)	2009 LBP (000)
Term loans	132,612,000	132,612,000
Accrued interest	764,376	747,003
	133,376,376	133,359,003

During 2009, the Bank signed a credit agreement with the Central Bank of Lebanon amounting to 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 utilisation date. The purpose of this loan is to finance subsidised loans.

33. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2010 LBP (000)	2009 LBP (000)
Current accounts	256,613,897	201,728,137
Term loans	336,498,393	353,588,177
Time deposits	314,477,396	217,521,368
Accrued interest	2,078,288	2,221,360
	909,667,974	775,059,042

The commitments arising from bank facilities received are disclosed in Note 51 to these consolidated financial statements.

34. CUSTOMERS' DEPOSITS

	2010				
	Corporate and SME LBP (000)	Individuals LBP (000)	Public Sector LBP (000)	Other LBP (000)	Total LBP (000)
Sight deposits	1,671,743,047	4,112,503,876	58,095,515	160,259	5,842,502,697
Time deposits	5,801,540,692	23,521,221,823	360,453,457	37,164,206	29,720,380,178
Saving accounts	16,609,063	603,551,965	-	-	620,161,028
Certificates of Deposit	-	384,821,443	-	-	384,821,443
Margins on LC's and LG's	272,873,538	81,678,511	-	48,599	354,600,648
Other margins	34,726,444	65,605,611	-	2,111	100,334,166
Other deposits	31,522,502	143,513,090	891,495	260,180	176,187,267
	7,829,015,286	28,912,896,319	419,440,467	37,635,355	37,198,987,427
Deposits pledged as collateral	1,754,945,718	1,403,414,942	-	50,710	3,158,411,370

	2009				
	Corporate and SME LBP (000)	Individuals LBP (000)	Public 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

Time deposits include special deposits amounting to LBP (000) 1,178,901,274 as at 31 December, 2010 (2009: LBP (000) 1,430,043,726) 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 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

	2010		
	Corporate and SME LBP (000)	Individuals LBP (000)	Total LBP (000)
Sight deposits	11,735,426	19,957,054	31,692,480
Time deposits	116,872,864	105,418,939	222,291,803
Saving accounts	-	1,658,117	1,658,117
Margins on LC's and LG's	370,627	-	370,627
Other margins	3,357	-	3,357
Other deposits	3,006,196	81,713	3,087,909
	131,988,470	127,115,823	259,104,293
Deposits pledged as collateral	25,499,640	33,785,851	59,285,491

	2009		
	Corporate and SME LBP (000)	Individuals LBP (000)	Total LBP (000)
Sight deposits	3,654,063	38,973,422	42,627,485
Time deposits	122,083,704	72,416,747	194,500,451
Saving accounts	-	6,463,171	6,463,171
Margins on LC's and LG's	-	361,726	361,726
Other deposits	3,593,092	20,328,403	23,921,495
	129,330,859	138,543,469	267,874,328
Deposits pledged as collateral	34,459,533	18,081,254	52,540,787

36. DEBT ISSUED AND OTHER BORROWED FUNDS

	2010 LBP (000)	2009 LBP (000)
Certificates of Deposit	-	150,750,000
Accrued interest	-	2,397,545
	-	153,147,545

During the year 2000, Audi Saradar Investment Bank sal, a subsidiary, issued Certificates of Deposit for an amount of USD 100,000,000 bearing an interest rate of 10.75% payable semi-annually. These Certificates of Deposit matured on 9 May, 2010.

37. OTHER LIABILITIES

	2010 LBP (000)	2009 LBP (000)
Accrued expenses	61,439,963	33,842,688
Social security dues	4,799,257	3,785,604
Operational taxes	36,128,335	23,098,845
Employee accrued benefits	25,267,705	27,255,633
Provisions for technical reserves related to insurance operations	247,601,388	212,817,593
Due to National Institute for Guarantee of Deposits	545,931	213,053
Electronic cards and regularisation accounts	3,834,544	2,908,485
Unearned commissions and premiums	11,199,068	11,543,610
Credit balances of factoring clients	97,858,793	90,440,209
Reinsurers' and brokers' accounts	8,941,801	5,074,173
Liabilities on revaluation of share option agreements	58,866,366	-
Consolidation differences	3,324,723	5,269,218
Miscellaneous suppliers and other payables	45,127,418	34,272,574
Other credit balances	2,480,951	17,025,995
	607,416,243	467,547,680

38. PROVISIONS FOR RISKS AND CHARGES

	2010 LBP (000)	2009 LBP (000)
Provision for contingencies	20,576,530	19,656,190
Provision for insurance risks	2,256,502	1,101,641
Provision for legal claims	854,554	872,039
Other provisions	3,356,247	2,497,352
	27,043,833	24,127,222

	2010 LBP (000)	2009 LBP (000)
Balance at 1 January	24,127,222	22,426,040
Add:		
Charge during the year (Note 14)	7,716,933	3,607,670
Transfer from current tax liabilities (Note 15)	-	2,844,905
Transfer from other liabilities	320,884	1,095,219
Foreign exchange difference	-	98,748
	8,037,817	7,646,542
Less:		
Payment	2,633,950	475,465
Write-back	1,200,959	-
Write-off	863,766	3,437,350
Transfer to loans and advances to customers (Note 21)	-	2,032,545
Foreign exchange difference	422,531	-
	5,121,206	5,945,360
Balance at 31 December	27,043,833	24,127,222

39. END OF SERVICE BENEFITS

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

	2010 LBP (000)	2009 LBP (000)
Balance at 1 January	38,460,659	30,644,100
Add:		
Charge for the year (Note 13)	7,857,314	10,321,224
Indemnities transferred from other entities	-	594,196
Reimbursement of advances on EOSB	124,115	122,004
Foreign exchange difference	191,250	-
	8,172,679	11,037,424
Less:		
Paid during the year	4,244,985	2,969,572
Indemnities transferred to other entities	15,159	212,814
Foreign exchange difference	-	38,479
	4,260,144	3,220,865
	42,373,194	38,460,659

40. SHARE CAPITAL

The share capital of Bank Audi sal - Audi Saradar Group as at 31 December, 2010 is as follows:

	2010			2009	
	Stock Exchange Listing	Number of Shares	LBP (000)	Number of Shares	LBP (000)
Ordinary shares	Beirut	254,789,260	319,505,732	24,262,180	297,211,706
Global depository receipts	London SEAQ and Beirut	93,687,854	117,484,568	10,156,761	124,420,323
		348,477,114	436,990,300	34,418,941	421,632,029
Preferred shares Series "E"	Beirut	1,250,000	1,567,500	-	-
Preferred shares Series "D"	Beirut	12,500,000	15,675,000	1,250,000	15,312,500
		13,750,000	17,242,500	1,250,000	15,312,000
		362,227,114	454,232,800	35,668,941	436,944,529

In accordance with the resolution of the Extraordinary General Assembly of shareholders held on 2 March, 2010, the Bank agreed to:

- Effect a stock split whereby one share will be split into 10 shares. The nominal value per share will be equal to LBP 1,225.
- Issue 1,250,000 preferred shares Series "E" according to the following terms:

- Number of shares:	1,250,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,225 (later became LBP 1,254 upon increasing the nominal value).
- Issue premium :	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual dividends of USD 6 per share, non-cumulative (exceptional for the 2010 fiscal year was set to USD 4 per share).
- Repurchase right:	The Bank has the right to purchase the share 5 years after its issue, as well as calling it off by then.

In accordance with the resolution of the Extraordinary General Assembly of shareholders held on 1 October, 2010, the Bank agreed to:

- Reduce the number of its outstanding shares by eliminating 8,029,756 shares from those linked to global Depository Receipts and adding its nominal value to the nominal value of the remaining outstanding shares which constitute the share capital of the Bank, and recorded the share's issue price on the Issue Premium – Common Shares account. Thus, the nominal value per share increased to reach LBP 1,253.11 per share. To round the nominal value per share to LBP 1,254, the Bank increased its capital by LBP (000) 310,929 (LBP (000) 398,750 from Issue Premium – Preferred Shares and transferring LBP (000) 87,821 to General Reserve).
- Increase the share capital by LBP (000) 15,446,093 by issuing 12,317,460 common shares specifically to the holders of options who exercised their rights.

During 2010, 150,000 ordinary shares were transferred to Global Depository Receipts.

40.1. Paid Dividends

In accordance with the resolution of the General Assembly of shareholders held on 12 April, 2010, dividends were distributed as follows:

	Number of Shares	Distribution per Share LBP	Total LBP (000)
Preferred shares Series "D"	1,250,000	11,683.13	14,603,906
Common shares and Global Depository Receipts	34,418,941	5,276.25	181,602,937
			196,206,843

41. ISSUE AND MERGER PREMIUMS

	2010 LBP (000)	2009 LBP (000)
Issue premium – common shares	652,938,738	843,902,284
Issue premium – preferred shares	359,632,500	173,125,000
Merger premium – Lebanon Invest Holding sal	-	36,006,451
	1,012,571,238	1,053,033,735

The movements on the issue and merger premiums are detailed as follows as at 31 December, 2010:

- Based on the decision of the General Assembly held on 12 April, 2010, an amount of LBP (000) 186,006,451 was transferred to General Reserve (Note 43).

- Decrease the Issue Premium – Common Shares by an amount of LBP (000) 96,717,808 and decrease the Issue Premium – Preferred Shares by an amount of LBP (000) 398,750 as a result of the elimination of 8,029,756 ordinary shares (Note 40).

- Increase by an amount of LBP (000) 186,906,250 which represents issue premium of 1,250,000 preferred shares calculated in USD as the difference between USD 100 and the counter value of the par value per share LBP 1,254 based on the exchange rate at the underwriting dates.

- Increase in common shares' issue premium due to the issuance of 12,317,460 common shares pursuant to the exercise of stock option whereby the issue premium amounted to LBP (000) 55,754,262. These shares were issued at par value of LBP 1,254 per share. The subscribers paid the difference between USD 2.719 and the nominal amount per share based on the exchange rates at the exercise dates for 11,717,760 shares and the difference between USD 4.033 and the nominal amount per share based on the exchange rates at the exercise dates for 599,700 shares. An amount of LBP (000) 19,524,494 was transferred from the employees' share-based payments reserve (Note 43) to the issue premium of subscribed shares.

- The increase in common shares issue premium for the year ended 31 December, 2009 is 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 subscribers paid the difference between USD 27.19 and the nominal amount per share based on the exchange rates at the exercise 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 exercise 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.

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 LBP (000) 72,586,125 (USD 48,150,000) 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 capital;
- 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

	Legal Reserve LBP (000)	General Reserve LBP (000)	Reserves Appropriated for Capital Increase LBP (000)	Gain on Sale of Treasury Shares LBP (000)	Reserve for General Banking Risks LBP (000)	Reserve for Share Option Agreements LBP (000)	Employees' Share-based Payments LBP (000)	Total LBP (000)
Balance at 1 January, 2010	181,034,131	357,992,094	11,462,838	30,808,092	180,214,646	-	21,160,485	782,672,286
Appropriation of 2009 profits	49,060,111	42,136,061	1,138,584	-	49,916,880	-	-	142,251,636
Redemption of ordinary shares	-	87,821	-	(4,478,798)	-	-	-	(4,390,977)
Reserve for share option agreements	-	-	-	-	-	(58,866,366)	-	(58,866,366)
Employees' share-based payments (Note 45)	-	-	-	-	-	-	(18,852,651)	(18,852,651)
Treasury shares transactions	-	-	-	21,939,309	-	-	-	21,939,309
Transfer from issue and merger premium	-	186,006,451	-	-	-	-	-	186,006,451
Non-controlling interest share of reserves	(2,332,064)	1,137,453	-	-	23	-	-	(1,194,588)
Transfers	-	(23,348,548)	-	-	23,348,548	-	-	-
Difference of exchange	1,404,753	2,206,892	-	-	(1,057,250)	-	-	2,554,395
Balance at 31 December, 2010	229,166,931	566,218,224	12,601,422	48,268,603	252,422,847	(58,866,366)	2,307,834	1,052,119,495

	Legal Reserve LBP (000)	General Reserve LBP (000)	Reserves Appropriated for Capital Increase LBP (000)	Gain on Sale of Treasury Shares LBP (000)	Reserve for General Banking Risks LBP (000)	Employees' Share-based 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 45)	-	-	-	-	-	514,164	514,164
Entities under equity method	-	(670,566)	-	-	-	-	(670,566)
Capital increase (Note 40)	-	(8,299,237)	-	-	-	-	(8,299,237)
Non-controlling interest 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

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.

Based on the decision of the Extraordinary General Assembly dated 12 April, 2010, the parent entity and different subsidiaries transferred to legal reserve an amount of LBP (000) 49,060,111 (2009: 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 12 April, 2010, the parent entity transferred LBP (000) 35,000,000 from 2009 profits and LBP (000) 186,006,451 from merger and issue premium to general reserve (2009: LBP (000) 150,000,000). During 2010, different subsidiaries transferred LBP (000) 7,136,061 (2009: LBP (000) 3,016,637). Moreover, the parent entity transferred LBP (000) 87,821 to general reserve as a result of the elimination of 8,029,756 ordinary shares (Note 40).

43.3. Reserves Appropriated for Capital Increase

The parent company and the subsidiaries transferred LBP (000) 1,138,584 from 2009 profits (2009: LBP (000) 7,887,951) 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 Sale of 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) 21,939,309 for the year ended 31 December, 2010 (2009: loss LBP (000) 1,745,327).

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.

43.6. Reserve for Share Option Agreements

During January 2010, the Bank entered into share 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 nominal value of the issued notes amounted to USD 355 million. The share 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 the SIVs. The share option agreements also cause the purchase, subject to all necessary approvals and authorisations, or procure the purchase, of all or part of the Bank's shares to fund the cash reserves of the SIVs in case they were insufficient to pay their obligations when they fall due. The fair value differences of the Bank's option agreements described above amounted to LBP (000) 58,866,366 as of 31 December, 2010.

44. PROPOSED DIVIDEND

In its meeting held on 12 March, 2011, the Board of Directors of Bank Audi sal - Audi Saradar Group resolved to propose to the annual Ordinary General Assembly the distribution of a dividend of LBP 603 (currently equivalent to around USD 0.4) per common share. Subject to the General Assembly's approval, such dividends will be paid on or about 6 April, 2011 to holders of common shares as at 1 April, 2011 (record date), according to the records of Midclear SAL (the Central Depository).

Furthermore, dividends proposed to the holders of preferred shares amounted to LBP (000) 22,141,406.

45. 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 6 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. These stock options are vested over a period of four years and upon completion of each year from the grant date. The Board of Directors can set certain growth targets to the achieved in its consolidated earnings per share for the options to be vested. The exercise price for each option was set at USD 27.19 (USD 2.719 after the stock split). The options are exercisable over a period of 2 years from the vesting date.

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. 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 in dividends in respect of preferred shares and adding back the expenses relating to the share-based payment plan.

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.

Based on the above, the vested and exercised stock options are as follows:

Vested		Exercised	
Date	Number of Stock Options	Date	Number of Stock Options
26 April, 2007	745,394	3 September, 2007	(136,069)
26 April, 2008	724,765	8 July, 2008	(1,230,442)
26 April, 2009	708,667	27 July, 2009	(220,848)
26 April, 2010 (after the stock split)	6,292,340	1 October, 2010 (after the stock split)	(11,717,760)

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%	Weighted risk-free rate	5.7%
Expected volatility	12.1%	Expected life of the option	4 years
Historical volatility	12.1%	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 (USD 4.033 after stock split). 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.

Based on the above, the vested and exercised stock options are as follows:

Vested		Exercised	
Date	Number of Stock Options	Date	Number of Stock Options
26 April, 2008	57,960	8 July, 2008	(56,638)
26 April, 2009	36,258	27 July, 2009	(8,704)
26 April, 2010 after the stock split	346,860	1 October, 2010 after the stock split	(599,700)

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%
Historical volatility	20%
Expected life of the option	3 or 4 years
Weighted risk-free rate	5.7%
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 option grants were incorporated into the measurement of fair values.

The cost of share-based payments amounted to LBP (000) 919,096 for the year ended 31 December, 2010 (2009: LBP (000) 4,584,258). 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:

	2010 LBP (000)	2009 LBP (000)
Balance at 1 January	**21,160,485**	20,646,321
Cost of share-based payments (Note 13)	**919,096**	4,584,258
Less:		
Stock options nullified (unrealised)	**247,253**	448,739
Stock options exercised (Note 41)	**19,524,494**	3,621,355
Balance at 31 December	**2,307,834**	21,160,485

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

	2010		2009	
	Number of Stock Options	Weighted Average Price USD	Number of Stock Options	Weighted Average Price USD
Number of shares at 1 January	1,387,768	28.02	1,652,603	28.02
Stock split in the ratio 10:1	12,489,912		-	
Balance after stock split	13,877,680	2.80	1,652,603	28.02
Stock options nullified (unrealised)	(173,050)	2.84	(35,283)	30.15
Stock options exercised (Note 41)	(12,317,460)	2.78	(229,552)	27.70
Number of shares at 31 December	1,387,170	2.97	1,387,768	28.02

46. TREASURY SHARES

	2010	
	Number of GDRs	Cost LBP (000)
Balance at 1 January	719,968	74,390,330
Movement before stock split		
Purchase of Treasury shares	758,028	100,934,555
Sale of Treasury shares	(506,466)	(53,518,919)
Balance before stock split	971,530	121,805,966
Balance after stock split	9,715,300	121,805,966
Purchase of Treasury shares	2,569,792	33,443,858
Sale of Treasury shares	(1,363,707)	(16,890,708)
Cancellation of shares (Note 40)	(8,029,756)	(101,196,606)
Balance at 31 December	2,891,629	37,162,510

	2009	
	Number of GDRs	Cost LBP (000)
Balance at 1 January	489,194	58,091,049
Purchase of Treasury shares	798,627	72,907,096
Sale of Treasury shares	(567,853)	(56,607,815)
Balance at 31 December	719,968	74,390,330

47. OTHER COMPONENTS OF EQUITY

	2010						
	Reserve for Real Estate LBP (000)	Available for Sale Reserve LBP (000)	Cash Flow Hedges LBP (000)	Foreign Currency Translation Reserve LBP (000)	Reserve for Foreclosed Assets LBP (000)	Other Reserves LBP (000)	Total LBP (000)
Balance at 1 January, 2010	18,599,623	243,772,354	-	22,641,150	3,644,891	-	288,658,018
Other comprehensive income	-	(26,248,296)	-	(62,950,851)	-	-	(89,199,147)
Appropriation of 2009 profits	-	-	-	-	1,136,735	-	1,136,735
Costs of issuing equity	-	-	-	-	-	(1,754,681)	(1,754,681)
Balance at 31 December, 2010	18,599,623	217,524,058	-	(40,309,701)	4,781,626	(1,754,681)	198,840,925

	2009						
	Reserve for Real Estate LBP (000)	Available for Sale Reserve LBP (000)	Cash Flow Hedges LBP (000)	Foreign Currency Translation Reserve LBP (000)	Reserve for Foreclosed Assets LBP (000)	Other Reserves 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

47.1. Reserve for Real Estate Revaluation

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.

47.2. 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:

	2010 LBP (000)	2009 LBP (000)
Lebanese sovereign and Central Bank		
Central Bank's Certificates of Deposit	668,205	574,247
Treasury bills	66,411,898	93,367,396
Eurobonds	45,171,704	75,263,795
	112,251,807	169,205,438
Other sovereign		
Other governmental securities	1,890,900	(6,834,342)
	1,890,900	(6,834,342)
Other securities		
Banks and financial institutions CDs	150,998	149,762
Banks, financial institutions, bonds and other debt	1,440,347	(5,126,121)
Corporate and other debt instruments	4,024,371	(3,456,951)
Investment and mutual funds	(496,021)	(4,436,644)
Equity instruments	116,203,420	116,561,808
	121,323,115	103,691,854
Less: deferred tax on unrealised gains	(17,941,764)	(22,290,596)
	217,524,058	243,772,354

47.3. 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.

48. NON-CONTROLLING INTEREST

	2010 LBP (000)	2009 LBP (000)
Capital	139,055,442	174,113,174
Cash contribution to capital	121	121
Capital reserves	6,605,861	5,418,213
Retained earnings	10,283,653	6,763,313
Profit for the year	22,456,632	16,139,403
Components of equity	(951,371)	-
	177,450,338	202,434,224

49. CASH AND CASH EQUIVALENT

	2010 LBP (000)	2009 LBP (000)
Cash and central banks	1,871,196,542	1,749,662,547
Placements with banks and other financial institutions	5,579,987,427	6,419,390,596
Placements of banks and other financial institutions	(525,580,638)	(423,685,754)
	6,925,603,331	7,745,367,389

50. 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.

50.1. 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.

50.2. 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.

50.3. 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:

	2010		
	Fair Value LBP (000)	Book Value LBP (000)	Unrealised Gain (Loss) LBP (000)
Financial assets			
Cash and balances with central banks	6,684,566,056	6,684,541,145	24,911
Due from banks and financial institutions	6,338,222,515	6,337,984,314	238,201
Loans and advances to customers	12,689,490,079	12,643,760,113	45,729,966
Loans and advances to related parties	241,943,930	241,660,739	283,191
Financial assets classified as loans and receivables	7,560,423,963	7,011,522,455	548,901,508
Financial instruments held to maturity	240,706,232	215,030,647	25,675,585
	33,755,352,775	33,134,499,413	620,853,362

	2010		
	Fair Value LBP (000)	Book Value LBP (000)	Unrealised Gain (Loss) LBP (000)
Financial liabilities			
Due to central banks	133,376,376	133,376,376	-
Due to banks and financial institutions	909,769,906	909,667,974	(101,932)
Customers' deposits	37,262,792,860	37,198,987,427	(63,805,433)
Deposits from related parties	262,144,468	259,104,293	(3,040,175)
	38,568,083,610	38,501,136,070	(66,947,540)

	2009		
	Fair Value LBP (000)	Book Value LBP (000)	Unrealised Gain (Loss) LBP (000)
Financial assets			
Cash and balances with 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)

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:

	2010		
	Level 1 LBP (000)	Level 2 LBP (000)	Total LBP (000)
FINANCIAL ASSETS			
Derivative financial assets	36,630,731	4,027,964	40,658,695
Financial assets held for trading			
Lebanese sovereign			
Treasury bills	-	570,743,096	570,743,096
Eurobonds	336,530,058	-	336,530,058
Private sector and other securities			
Banks and financial institutions debt instruments	12,364,322	8,430,436	20,794,758
Corporate debt instruments	59,123	-	59,123
Structured products	90,883	-	90,883
Equity instruments	78,084,569	2,796,772	80,881,341
	427,128,955	581,970,304	1,009,099,259
Available for sale financial instruments			
Lebanese sovereign and Central Bank of Lebanon			
Central Bank of Lebanon Certificates of Deposit	-	3,671,436	3,671,436
Treasury bills	-	3,493,235,458	3,493,235,458
Eurobonds	1,558,063,260	-	1,558,063,260
Other sovereign			
Treasury bills	-	488,417,302	488,417,302
Other governmental securities	294,554,322	63,496,913	358,051,235
Eurobonds	249,615	-	249,615
Private sector and other securities			
Banks and financial institutions CDs	2,433,222	58,808,933	61,242,155
Banks and financial institutions debt instruments	956,002,816	236,795,114	1,192,797,930
Corporate debt instruments	231,511,348	-	231,511,348
Structured products	1,453,808	855,810	2,309,618
Investments and mutual funds	23,466,958	10,149,221	33,616,179
Equity instruments	8,859,741	181,607,424	190,467,165
	3,076,595,090	4,537,037,611	7,613,632,701
	3,540,354,776	5,123,035,879	8,663,390,655
FINANCIAL LIABILITIES			
Derivative financial liabilities	59,273,388	-	59,273,388
	59,273,388	-	59,273,388

	2009		
	Level 1 LBP (000)	Level 2 LBP (000)	Total LBP (000)
FINANCIAL ASSETS			
Derivative financial assets	37,155,064	1,281,375	38,436,439
Financial assets held for trading			
Lebanese sovereign			
Treasury bills	-	520,547,846	520,547,846
Eurobonds	248,151,375	-	248,151,375
Private sector and other securities			
Bank and financial institution debt interests	1,561,246	-	1,561,246
Corporate debt instruments	4,975,624	-	4,975,624
Structured products	82,485	-	82,485
Equity instruments	56,886,428	2,837,475	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	-	3,577,130	3,577,130
Treasury bills	-	3,391,517,329	3,391,517,329
Eurobonds	758,034,796	-	758,034,796
Other sovereign			
Treasury bills	-	211,137,170	211,137,170
Other governmental securities	477,198,940	65,925,816	543,124,756
Private sector and other securities			
Bank and financial institution CDs	2,421,915	56,319,068	58,740,983
Bank and financial institution debt interests	156,316,541	-	156,316,541
Corporate debt instruments	622,392,819	-	622,392,819
Structured products	2,426,136	736,112	3,162,248
Investments and mutual funds	1,975,262	7,371,367	9,346,629
Equity instruments	9,149,392	179,756,282	188,905,674
	2,029,915,801	3,916,340,274	5,946,256,075
	2,378,728,023	4,441,006,970	6,819,734,993
FINANCIAL LIABILITIES			
Derivative financial liabilities	28,630,659	-	28,630,659
	28,630,659	-	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.

	2010 LBP (000)	2009 LBP (000)
Equities	**61,767,908**	54,799,032
Investment fund	**2,261,250**	2,261,250
	64,029,158	57,060,282

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 carrying amount and fair value of financial assets reclassified from "Held for Trading" or "Available for Sale" to the "Loans and Receivables" category as at the date of reclassification in 2008 and as at 31 December, 2010:

Class before Reclassification	Class after Reclassification	Carrying Amount at Reclassification Date LBP (000)	2010	
			Carrying Amount LBP (000)	Fair Value LBP (000)
HFT	AFS	15,841,694	6,739,891	6,739,891
HFT	L&R	193,822,574	137,069,491	93,428,137
AFS	L&R	883,703,852	734,745,488	810,070,579

Class before Reclassification	Class after Reclassification	Carrying Amount at Reclassification Date LBP (000)	2009	
			Carrying Amount LBP (000)	Fair Value LBP (000)
HFT	AFS	20,379,269	9,802,478	9,802,478
HFT	L&R	193,992,827	197,181,584	205,763,568
AFS	L&R	1,287,743,747	1,281,975,873	1,350,745,581

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 amounts to LBP (000) 17,911,462.

51. COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ITEMS

51.1. 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.

51.2. Commitments and Guarantees Given

	2010 LBP (000)	2009 LBP (000)
Letters of credit	690,308,103	778,181,327
Letters of guarantee given to banks & financial institutions	506,316,916	294,932,444
Letters of guarantee given to customers	2,439,775,953	2,453,685,630
Acceptances	274,810,921	284,422,998
	3,911,211,893	3,811,222,399
Unutilised portion of irrevocable credit line commitments	248,973,399	487,833,725
	4,160,185,292	4,299,056,124

51.3. 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.

51.4. Operating Lease and Capital Expenditure Commitments

	2010 LBP (000)	2009 LBP (000)
Capital expenditure commitments	-	3,820,928
Operating lease commitments – Group as lessee	72,268,960	83,337,734
Within one year	12,077,895	9,560,134
One to five years	48,878,709	50,665,588
More than five years	11,312,356	23,112,012
	72,268,960	87,158,662

51.5. 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.

51.6. 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 I 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.

52. RELATED PARTY TRANSACTIONS

52.1. 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, and financial institutions which are affiliates and subsidiaries) in the ordinary course of business at commercial interest and commission rates. The terms and conditions of these transactions were approved by Management.

The year-end debit and credit balances in respect of related parties as of 31 December, 2010 and 31 December, 2009, as well as interest income and expense for the year ended 31 December, 2010 and the year ended 31 December, 2009, are as follows:

	2010 LBP Million	2009 LBP Million
Loans and advances (Note 22)	241,661	239,824
Indirect facilities	4,608	5,167
Deposits (Note 35)	259,104	267,874
Interest income on loans (Note 5)	18,051	17,952
Interest expense on deposits (Note 6)	9,321	9,459
Blocked accounts against facilities	173,677	169,494

52.2. Key Management Personnel

3,757,700 options vested during 2010 for the members of the Board and Group Executive Committee. The cost of these options amounted to LBP (000) 484,728 for the year ended 31 December, 2010 (2009: LBP (000) 2,136,464).

During 2010, the members of the Board and Group Executive Committee exercised 6,250,700 options.

Salaries, bonuses and other benefits paid to the members of the Board and Group Executive Committee amounted to LBP (000) 42,037,658 (2009: LBP (000) 27,997,962).

52.3. 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 Ownership		Country of Incorporation	Principal Activity	Functional Currency
	2010	2009			
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)	99.99%	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%	91.00%	Lebanon	Factoring	LBP
LIA Insurance sal	91.42%	91.42%	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

** Bank Audi sal - Audi Saradar Group established Bank Audi Syria sa and retained de facto control on it.*

53. 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.

53.1. Risk Identification and Monitoring

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

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.

Board Group Risk Committee

The role of the Board's Group Risk Committee (BGRC) is to oversee the risk management framework and assess its effectiveness, review and recommend to the Board the Group risk policies and risk appetite, monitor the Group risk profile, review stress tests scenarios and results, and provide access for the Group Chief Risk Officer (CRO) to the Board. The members of the BGRC are the Group Chief Executive Officer (CEO) and two non-executive Directors. The BGRC meets at least every quarter in the presence of the CRO who presents the risk profile in relation to the risk appetite.

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.

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.

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.

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 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.

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.

53.2. 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.

53.3. 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.

54. 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.

54.1. 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:

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 credible financial institutions rated at least "A-" by Standard and Poor's.

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.

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.

54.2. Credit Granting and Monitoring Processes

The Group has set clearly established processes related to loan origination, documentation and maintenance of extensions of credits.

Initiation
Initiation of the credit facilities is done by the business originating function which is shared between branches and the Corporate and Commercial departments.

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.

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.

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.

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.

54.3. 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.

54.4. 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.

54.5. 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.

54.6. 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.

	Credit Exposure	
	2010 LBP (000)	2009 LBP (000)
Assets		
Cash and balances with central banks	6,419,763,940	5,962,565,565
Due from banks and financial institutions	6,337,984,314	7,737,364,110
Derivative financial instruments	36,630,731	37,155,064
Financial assets held for trading	928,217,918	775,318,576
Loans and advances to customers	12,703,664,550	10,024,794,821
Loans and advances to related parties	241,660,739	239,824,175
Available for sale financial instruments	7,396,962,747	5,754,843,333
Financial assets classified as loans and receivables	7,011,861,668	7,298,865,910
Financial instruments held to maturity	215,030,647	367,378,773
	41,291,777,254	38,198,110,327
Commitments and guarantees given (Note 51)	4,160,185,292	4,299,056,124
Maximum credit exposure	45,451,962,546	42,497,166,451

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.

54.7. 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.

	2010 LBP (000)	2009 LBP (000)
Corporate	54,023,277	98,451,738
SME	14,311,598	18,541,074
Retail and Personal Banking	2,911,220	9,084,251
	71,246,095	126,077,063

54.8. Credit Quality

The Group assesses the quality of its credit portfolio using credit rating systems.

(i) External ratings from approved credit rating agencies for financial institutions, financial instruments and large corporate borrowers.

(ii) 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.

(iii) Scorecards for retail borrowers which help in assessing the creditworthiness of borrowers, evaluating potential risk, and arriving at a final credit decision.

(iv) 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.

	2010				
			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)
Cash and balances with central banks	6,419,763,940	-	-	-	6,419,763,940
Due from banks and financial institutions	6,337,645,101	-	-	1,369,965	6,339,015,066
Derivative financial instruments	36,630,731	-	-	-	36,630,731
Financial assets held for trading	926,559,703	-	-	1,658,215	928,217,918
Loans and advances to customers	12,140,072,138	385,878,653	138,348,013	293,819,919	12,958,118,723
Loans and advances to related parties	241,660,739	-	-	-	241,660,739
Available for sale financial instruments	7,388,443,743	-	-	8,519,004	7,396,962,747
Financial assets classified as loans and receivables	7,011,861,668	-	-	-	7,011,861,668
Financial instruments held to maturity	215,030,647	-	-	-	215,030,647
	40,717,668,410	385,878,653	138,348,013	305,367,103	41,547,262,179
Loans and advances					
Corporate	7,101,238,802	288,022,465	129,028,390	103,306,596	7,621,596,253
SME	2,180,098,959	27,425,422	3,950,037	91,123,763	2,302,598,181
Retail and Personal Banking	2,719,266,287	69,341,995	5,369,586	99,389,560	2,893,367,428
Public sector	381,128,829	1,088,771	-	-	382,217,600
	12,381,732,877	385,878,653	138,348,013	293,819,919	13,199,779,462

	2009				
			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)
Cash and 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	9,559,644,794	323,108,960	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	5,747,437,608	-	-	7,405,725	5,754,843,333
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
	37,723,669,386	323,108,960	15,397,780	363,250,316	38,425,426,442
Loans and advances					
Corporate	5,631,730,164	211,299,889	-	164,907,949	6,007,938,002
SME	1,682,623,752	45,740,228	8,819,812	94,300,159	1,831,483,951
Retail and Personal Banking	2,315,477,389	66,068,843	6,577,968	93,577,392	2,481,701,592
Public sector	169,637,664	-	-	-	169,637,664
	9,799,468,969	323,108,960	15,397,780	352,785,500	10,490,761,209

The aging analysis of past due but not impaired loans and advances to customers at 31 December was as follows:

	2010				
	Less than 30 Days LBP (000)	31 to 61 Days LBP (000)	61 to 90 Days LBP (000)	More than 91 Days LBP (000)	Total LBP (000)
Corporate	116,561,305	99,360,946	16,604,501	55,495,713	288,022,465
SME	4,672,313	9,320,436	1,547,838	11,884,835	27,425,422
Retail and Personal Banking	25,452,950	17,608,515	18,454,643	7,825,887	69,341,995
Public sector	-	1,088,771	-	-	1,088,771
	146,686,568	127,378,668	36,606,982	75,206,435	385,878,653

	2009				
	Less than 30 Days LBP (000)	31 to 61 Days LBP (000)	61 to 90 Days LBP (000)	More than 91 Days LBP (000)	Total LBP (000)
Corporate	98,183,153	63,997,719	29,710,000	19,409,017	211,299,889
SME	29,694,218	2,933,789	3,149,254	9,962,967	45,740,228
Retail and Personal Banking	21,518,922	9,688,932	4,084,529	30,776,460	66,068,843
	149,396,293	76,620,440	36,943,783	60,148,444	323,108,960

The classification of loans and advances to customers and related parties as per internal ratings was as follows:

	2010			
	Gross Balance LBP (000)	Unrealised Interest LBP (000)	Impairment Allowances LBP (000)	Net Balance LBP (000)
Good	12,229,631,203	-	-	12,229,631,203
Watch	537,980,327	-	-	537,980,327
Substandard	138,348,013	(8,295,391)	-	130,052,622
Doubtful	175,837,646	(49,999,114)	(77,563,289)	48,275,243
Bad	117,982,273	(18,243,701)	(67,544,990)	32,193,582
	13,199,779,462	(76,538,206)	(145,108,279)	12,978,132,977
Collective impairment	-	-	(92,712,125)	(92,712,125)
	13,199,779,462	(76,538,206)	(237,820,404)	12,885,420,852

	2009			
	Gross Balance LBP (000)	Unrealised Interest LBP (000)	Impairment Allowances LBP (000)	Net Balance LBP (000)
Good	9,452,074,858	-	-	9,452,074,858
Watch	670,503,070	-	-	670,503,070
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
	10,490,761,209	(83,853,437)	(175,219,610)	10,231,688,162
Collective impairment	-	-	(61,007,764)	(61,007,764)
	10,490,761,209	(83,853,437)	(236,227,374)	10,170,680,398

54.9. 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:

	2010 LBP (000)	2009 LBP (000)
Collateral and other credit enhancements		
Guarantees received from banks and financial institutions	840,067,951	810,038,352
Guarantees received from customers		
Cash collateral and margins	3,217,696,861	2,410,399,833
Real estate mortgages	2,680,780,280	1,650,720,940
Shares and securities	2,407,781,503	2,121,296,577
Key money	75,493,843	61,672,677
Vehicles	1,094,356,411	766,390,114
Pledged bank accounts	31,615,030	23,901,325
Other guarantees	1,964,073,139	999,494,212
	11,471,797,067	8,033,875,678
Personal guarantees	3,917,701,158	3,083,447,543
	16,229,566,176	11,927,361,573

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 classification of the Group financial instruments and balances due from banks and financial institutions as per international ratings was as follows:

	Sovereign and Central Banks				
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	Total LBP Million
Cash and balances with central banks	**976,365**	**-**	**5,443,399**	**-**	**6,419,764**
Due from banks and financial institutions	**-**	**220,417**	**-**	**-**	**220,417**
Financial assets held for trading	**-**	**-**	**907,273**	**-**	**907,273**
Available for sale financial instruments	**193,324**	**89,955**	**5,165,637**	**-**	**5,448,916**
Financial assets classified as loans and receivables	**-**	**-**	**6,649,894**	**-**	**6,649,894**
Financial instruments held to maturity	**13,433**	**-**	**190,333**	**-**	**203,766**
	1,183,122	**310,372**	**18,356,536**	**-**	**19,850,030**

	Sovereign and Central Banks				
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	Total LBP Million
Cash and balances with central banks	1,301,262	289,928	4,322,958	48,418	5,962,566
Due from banks and financial institutions	-	238,295	1,451	-	239,746
Financial assets held for trading	-	-	768,700	-	768,700
Available for sale financial instruments	400,524	96,423	4,393,477	-	4,890,424
Financial assets classified as loans and receivables	153,416	-	6,688,462	-	6,841,878
Financial instruments held to maturity	12,375	-	342,968	-	355,343
	1,867,577	624,646	16,518,016	48,418	19,058,657

Financial assets classified as loans and receivables rated below B^- were sold in the subsequent period.

2010

	Non-sovereign						
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Unrated LBP Million	Total LBP Million	Total LBP Million
	-	-	-	-	-	-	6,419,764
	3,071,401	1,240,876	371,423	-	1,433,867	6,117,567	6,337,984
	8,734	2,123	8,430	-	1,658	20,945	928,218
	486,178	1,441,986	338	-	19,545	1,948,047	7,396,963
	-	26,221	265,599	35,865	34,283	361,968	7,011,862
	-	9,967	1,298	-	-	11,265	215,031
	3,566,313	2,721,173	647,088	35,865	1,489,353	8,459,792	28,309,822

2009

	Non-sovereign						
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Unrated LBP Million	Total LBP Million	Total LBP million
	-	-	-	-	-	-	5,962,566
	3,119,989	3,782,136	218,064	-	377,429	7,497,618	7,737,364
	144	16	4,648	-	1,811	6,619	775,319
	713,994	72,731	2,423	-	75,271	864,419	5,754,843
	38,285	40,136	307,935	-	70,632	456,988	7,298,866
	-	12,036	-	-	-	12,036	367,379
	3,872,412	3,907,055	533,070	-	525,143	8,837,680	27,896,337

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 was as follows:

	2010							
	Lebanon LBP Million	MENA LBP Million	Europe LBP Million	North America LBP Million	Asia LBP Million	Rest of Africa LBP Million	Rest of the World LBP Million	Total LBP Million
Cash and balances with central banks	4,319,906	2,187,223	177,410	2	-	-	-	6,684,541
Due from banks and financial institutions	450,964	1,321,121	4,342,071	193,196	27,647	18	2,967	6,337,984
Derivative financial instruments	9,644	3,076	26,032	-	147	1,745	15	40,659
Financial assets held for trading	925,235	79,574	91	4,199	-	-	-	1,009,099
Loans and advances to customers	4,864,232	6,115,987	1,193,459	2,358	1,904	379,260	86,560	12,643,760
Loans and advances to related parties	204,614	967	36,080	-	-	-	-	241,661
Debtors by acceptances	68,823	170,741	567	-	-	27,071	7,609	274,811
Available for sale financial instruments	5,269,257	1,256,828	590,565	460,288	67,110	-	33,614	7,677,662
Financial assets classified as loans and receivables	6,337,492	647,438	20,128	-	-	6,464	-	7,011,522
Financial instruments held to maturity	167,115	24,516	23,400	-	-	-	-	215,031
	22,617,282	11,807,471	6,409,803	660,043	96,808	414,558	130,765	42,136,730

	2009							
	Lebanon LBP Million	MENA LBP Million	Europe LBP Million	North America LBP Million	Asia LBP Million	Rest of Africa LBP Million	Rest of the World LBP Million	Total LBP Million
Cash and balances with central banks	4,284,782	1,608,293	313,064	2	15	-	-	6,206,156
Due from banks and 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
Loans and advances to customers	3,884,350	4,529,774	713,846	18,040	2,465	634,010	148,371	9,930,856
Loans and advances to related parties	188,340	45,825	5,640	-	-	-	19	239,824
Debtors by acceptances	94,799	185,835	291	-	-	2,987	511	284,423
Available for sale financial instruments	4,481,457	1,188,144	46,987	194,044	73,084	-	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
Financial instruments held to maturity	319,424	24,917	23,038	-	-	-	-	367,379
	20,868,402	9,305,510	6,355,258	950,489	185,662	696,820	579,182	38,941,323

55. 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, such as foreign exchange rates, interest rates and equity prices.

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.

55.1. 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:

	2010					
	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	1,184,353	2,271,202	4,041	1,117,406	2,107,539	6,684,541
Due from banks and financial institutions	127,961	4,134,143	147,930	1,222,138	705,812	6,337,984
Derivative financial instruments	-	20,836	3,226	4,630	11,967	40,659
Financial assets held for trading	570,743	369,543	-	-	68,813	1,009,099
Loans and advances to customers	643,205	8,021,996	102,606	841,240	3,034,713	12,643,760
Loans and advances to related parties	22,956	198,864	6	3,297	16,538	241,661
Debtors by acceptances	150	163,599	3,282	97,685	10,095	274,811
Available for sale financial instruments	3,504,574	3,099,011	-	313,525	760,552	7,677,662
Financial assets classified as loans and receivables	4,083,935	2,314,738	-	23,529	589,320	7,011,522
Financial instruments held to maturity	134,007	33,108	-	9,967	37,949	215,031
Investments in associates	3,094	10,081	-	-	17,558	30,733
Property and equipment	265,985	13,531	-	3,137	227,277	509,930
Intangible fixed assets	4,389	13,074	-	1,203	6,801	25,467
Non-current assets held for sale	1,359	23,559	-	619	3,718	29,255
Deferred taxes assets	-	-	-	-	574	574
Other assets	72,174	63,553	500	14,387	86,668	237,282
Goodwill	1,996	62,844	-	11,321	201,043	277,204
Total assets	10,620,881	20,813,682	261,591	3,664,084	7,886,937	43,247,175
Liabilities and shareholders' equity						
Due to central banks	133,376	-	-	-	-	133,376
Due to banks and financial institutions	20,063	695,860	2,645	90,571	100,529	909,668
Derivative financial instruments	-	10,677	1,046	17,771	29,779	59,273
Customers' deposits	8,830,394	19,053,729	260,422	3,029,446	6,024,996	37,198,987
Deposits from related parties	30,768	127,376	1,527	5,450	93,983	259,104
Engagements by acceptances	150	163,599	3,282	97,685	10,095	274,811
Current tax liabilities	45,302	(6,262)	-	3,529	22,616	65,185
Deferred tax liabilities	6,382	7,975	-	(50)	6,894	21,201
Other liabilities	339,140	179,451	320	20,290	68,217	607,418
Provisions for risks and charges	12,290	8,301	-	87	6,366	27,044
End of service benefits	36,570	552	-	248	5,003	42,373
Shareholders' equity	1,460,838	1,642,064	-	43,179	502,654	3,648,735
Total liabilities and shareholders' equity	10,915,273	21,883,322	269,242	3,308,206	6,871,132	43,247,175

	2009					
	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	1,332,463	2,737,937	3,902	457,646	1,674,208	6,206,156
Due from banks and financial institutions	90,970	5,025,248	118,571	1,949,340	553,235	7,737,364
Derivative financial instruments	-	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	-	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	-	-	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	-	3,294	8,517	25,906
Non-current assets held for sale	856	23,247	-	670	4,488	29,261
Deferred taxes assets	-	-	-	199	2,218	2,417
Other assets	41,015	53,365	163	10,477	69,813	174,833
Goodwill	1,996	63,860	-	188	152,702	218,746
Total assets	10,241,934	19,945,457	233,308	3,468,698	6,038,277	39,927,674
Liabilities and shareholders' equity						
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

55.2. 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.

	2010			2009	
Currency	Increase in Currency Rate % LBP (000)	Effect on Profit before Tax LBP (000)	Effect on Equity LBP (000)	Effect on Profit before Tax LBP (000)	Effect on Equity LBP (000)
USD	1%	(2,000,306)	7,584,603	3,832,598	3,510,132
EUR	1%	3,050,451	1,042,284	(150,889)	1,705,959
GBP	1%	15,650	(94,286)	(16,711)	227,351
EGP	1%	-	2,858,249	-	2,776,970
SYP	1%	-	806,487	-	626,538

55.3. 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, 2010. The change in interest income is calculated over a 1-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 method.

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.

31 December, 2010		Sensitivity of Net Interest Income		Sensitivity of Equity for Increase in Basis Points				
Currency	**Change in Basis Points**	Increase LBP (000)	Decrease LBP (000)	Up to 6 Months LBP (000)	6 Months to 1 Year LBP (000)	1 Year to 5 Years LBP (000)	More than 5 Years LBP (000)	Total LBP (000)
LBP	**± 100**	1,810	16,799	(2,373)	(6,834)	(31,028)	(2,370)	(42,605)
USD	**± 50**	18,653	(9,137)	(7)	(306)	(27,136)	(19,178)	(46,627)
EUR	**± 25**	1,906	(1,936)	-	-	(1,245)	(152)	(1,397)

31 December, 2009		Sensitivity of Net Interest Income		Sensitivity of Equity for Increase in Basis Points				
Currency	Change in Basis Points	Increase LBP (000)	Decrease LBP (000)	Up to 6 Months LBP (000)	6 Months to 1 Year LBP (000)	1 Year to 5 Years LBP (000)	More than 5 Years LBP (000)	Total 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)	-	-	-	-	-

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates particularly with regard to the maturity of customer demand deposits.

	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million
Assets			
Cash and balances with central banks	3,156,423	1,312,820	703,296
Due from banks and financial institutions	4,942,640	582,209	250,857
Derivative financial instruments	23,011	10,040	3,171
Financial assets held for trading	3,410	5,190	91,974
Loans and advances to customers	4,081,349	3,527,891	1,786,917
Loans and advances to related parties	190,801	35,266	9,896
Debtors by acceptances	165,822	5,961	56,498
Available for sale financial instruments	59,071	573,430	2,194,016
Financial assets classified as loans and receivables	41,374	50,965	64,445
Financial instruments held to maturity	-	9,967	13,686
Investments in associates	-	-	-
Property and equipment	-	-	-
Intangible fixed assets	-	-	-
Non-current assets held for sale	-	-	-
Deferred taxes assets	-	-	-
Other assets	35	51	234
Goodwill	-	-	-
Total assets	12,663,936	6,113,790	5,174,990
Liabilities and shareholders' equity			
Due to central banks	-	-	132,612
Due to banks and financial institutions	503,833	86,959	278,468
Derivative financial instruments	27,060	11,382	1,490
Customers' deposits	25,094,115	7,180,385	2,641,171
Deposits from related parties	124,084	86,592	37,876
Engagements by acceptances	165,822	5,961	56,498
Current tax liabilities	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	102,229	6	11
Provisions for risks and charges	-	-	-
End of service benefits	-	-	-
Shareholders' equity	-	-	-
Total liabilities and shareholders' equity	26,017,143	7,371,285	3,148,126
Interest rate sensitivity gap	(13,353,207)	(1,257,495)	2,026,864
Cumulative gap	(13,353,207)	(14,610,702)	(12,583,838)

2010					
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	Non-interest Bearing LBP Million	Total LBP Million
5,172,539	21,336	16,288	37,624	1,474,378	6,684,541
5,775,706	33,777	80	33,857	528,421	6,337,984
36,222	50	87	137	4,300	40,659
100,574	528,846	283,678	812,524	96,001	1,009,099
9,396,157	2,405,527	754,796	3,160,323	87,280	12,643,760
235,963	3,907	1,739	5,646	52	241,661
228,281	-	-	-	46,530	274,811
2,826,517	3,852,207	702,626	4,554,833	296,312	7,677,662
156,784	4,834,288	2,018,530	6,852,818	1,920	7,011,522
23,653	183,467	5,659	189,126	2,252	215,031
-	-	-	-	30,733	30,733
-	-	-	-	509,930	509,930
-	-	-	-	25,467	25,467
-	-	-	-	29,255	29,255
-	-	-	-	574	574
320	1,453	-	1,453	235,509	237,282
-	-	-	-	277,204	277,204
23,952,716	11,864,858	3,783,483	15,648,341	3,646,118	43,247,175
132,612	-	-	-	764	133,376
869,260	-	-	-	40,408	909,668
39,932	-	-	-	19,341	59,273
34,915,671	518,791	117,744	636,535	1,646,781	37,198,987
248,552	-	231	231	10,321	259,104
228,281	-	-	-	46,530	274,811
-	-	-	-	65,185	65,185
-	-	-	-	21,201	21,201
102,246	32,974	120,351	153,325	351,847	607,418
-	-	-	-	27,044	27,044
-	-	-	-	42,373	42,373
-	-	-	-	3,648,735	3,648,735
36,536,554	551,765	238,326	790,091	5,920,530	43,247,175
	11,313,093	3,545,157		(2,274,412)	
	(1,270,745)	2,274,412		-	

	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million
Assets			
Cash and balances with central banks	3,193,385	1,622,944	497,189
Due from banks and financial institutions	5,921,382	1,274,881	347,622
Derivative financial instruments	20,984	8,951	1,569
Financial assets held for trading	9,968	59,725	192,556
Loans and advances to customers	4,070,919	2,427,474	1,523,626
Loans and advances to related parties	222,179	4,270	8,499
Debtors by acceptances	156,298	2,048	42,760
Available for sale financial instruments	59,164	104,963	1,080,461
Financial assets classified as loans and receivables	156,721	491,528	479,656
Financial instruments held to maturity	-	10,662	152,160
Investments in associates	-	-	-
Property and equipment	-	-	-
Intangible fixed assets	-	-	-
Non-current assets held for sale	3,173	-	-
Deferred taxes assets	-	-	-
Other assets	120	-	-
Goodwill	-	-	-
Total assets	13,814,293	6,007,446	4,326,098
Liabilities and shareholders' equity			
Due to central banks	-	-	-
Due to banks and financial institutions	256,073	61,364	347,370
Derivative financial instruments	17,078	6,743	1,056
Customers' deposits	24,635,292	4,718,984	3,228,807
Deposits from related parties	50,581	62,402	11,440
Debt issued and other borrowed funds	-	-	150,750
Engagement by acceptances	142,583	2,048	70,215
Current tax liabilities	-	-	7,852
Deferred tax liabilities	-	-	407
Other liabilities	97,204	-	-
Provisions for risks and charges	-	-	-
End of service benefits	-	-	-
Shareholders' equity	-	-	-
Total liabilities and shareholders' equity	25,198,811	4,851,541	3,817,897
Interest rate sensitivity gap	(11,384,518)	1,155,905	508,201
Cumulative gap	(11,384,518)	(10,228,613)	(9,720,412)

2009					
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	Non-interest Bearing LBP Million	Total LBP Million
5,313,518	19,039	-	19,039	873,599	6,206,156
7,543,885	753	-	753	192,726	7,737,364
31,504	6	197	203	6,729	38,436
262,249	316,807	187,822	504,629	68,164	835,042
8,022,019	1,746,232	119,958	1,866,190	42,647	9,930,856
234,948	383	4,489	4,872	4	239,824
201,106	-	-	-	83,317	284,423
1,244,588	3,714,974	705,762	4,420,736	337,992	6,003,316
1,127,905	4,993,891	1,171,128	6,165,019	5,603	7,298,527
162,822	183,566	20,991	204,557	-	367,379
-	-	-	-	31,697	31,697
-	-	-	-	503,491	503,491
-	-	-	-	25,906	25,906
3,173	-	-	-	26,088	29,261
-	-	-	-	2,417	2,417
120	-	-	-	174,713	174,833
-	-	-	-	218,746	218,746
24,147,837	10,975,651	2,210,347	13,185,998	2,593,839	39,927,674
-	132,612	-	132,612	747	133,359
664,807	-	-	-	110,252	775,059
24,877	-	-	-	3,754	28,631
32,583,083	269,748	548	270,296	1,528,922	34,382,301
124,423	16,380	92,549	108,929	34,522	267,874
150,750	-	-	-	2,398	153,148
214,846	-	-	-	69,577	284,423
7,852	-	-	-	37,869	45,721
407	-	-	-	20,856	21,263
97,204	-	-	-	370,344	467,548
-	-	-	-	24,127	24,127
-	-	-	-	38,461	38,461
-	-	-	-	3,305,759	3,305,759
33,868,249	418,740	93,097	511,837	5,547,588	39,927,674
	10,556,911	2,117,250		(2,953,749)	
	836,499	2,953,749		-	

55.4. 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.

55.5. 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.

56. 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 this 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 reserves 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.

56.1. Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as of 31 December based on contractual undiscounted cash flows. The 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.

	2010					
	Less than 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
Cash and balances with central banks	4,077,532	206,522	941,497	1,486,540	66,288	6,778,379
Due from banks and financial institutions	5,042,389	571,166	656,037	67,655	24,439	6,361,686
Derivative financial instruments	2,644	17,488	19,694	70	763	40,659
Financial assets held for trading	12,220	27,042	209,205	551,147	287,195	1,086,809
Loans and advances to customers	3,224,120	1,723,498	1,890,575	5,317,051	1,202,671	13,357,915
Loans and advances to related parties	193,479	34,657	9,551	4,688	2,610	244,985
Debtors by acceptances	55,893	122,719	95,243	956	-	274,811
Available for sale financial instruments	61,929	378,422	2,386,457	4,921,680	834,849	8,583,337
Financial assets classified as loans and receivables	73,307	70,126	713,177	6,287,292	1,690,697	8,834,599
Financial instruments held to maturity	-	10,067	14,233	221,304	8,489	254,093
	12,743,513	3,161,707	6,935,669	18,858,383	4,118,001	45,817,273
Due to central banks	-	-	6,254	163,882	-	170,136
Due to banks and financial institutions	542,194	83,531	184,056	183,007	144,908	1,137,696
Derivative financial instruments	4,717	21,339	32,634	-	583	59,273
Customers' deposits	27,156,996	6,607,556	2,848,585	570,735	279,314	37,463,186
Deposits from related parties	133,293	87,991	39,127	-	288	260,699
Engagements by acceptances	55,893	122,719	95,243	956	-	274,811
	27,893,093	6,923,136	3,205,899	918,580	425,093	39,365,801

	2009					
	Less than 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
Cash and balances with central banks	3,427,519	483,469	1,655,851	656,671	55,271	6,278,781
Due from banks and financial institutions	5,741,866	1,280,336	334,027	432,842	25,451	7,814,522
Derivative financial instruments	20,822	12,304	3,064	1,905	341	38,436
Financial assets held for trading	69,751	66,186	215,403	429,350	193,156	973,846
Loans and advances to customers	4,388,308	617,619	1,535,944	3,750,661	487,279	10,779,811
Loans and advances to related parties	229,324	330	8,671	5,266	7,070	250,661
Debtors by acceptances	64,609	115,244	95,122	9,448	-	284,423
Available for sale financial instruments	110,328	32,012	1,118,398	4,507,554	1,051,817	6,820,109
Financial assets classified as loans and receivables	155,897	586,201	590,841	5,996,296	1,372,395	8,701,630
Financial instruments held to maturity	-	-	158,246	224,978	41,606	424,830
	14,208,424	3,193,701	5,715,567	16,014,971	3,234,386	42,367,049
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
Derivative financial instruments	17,666	7,057	3,221	-	687	28,631
Customers' deposits	26,536,932	4,754,532	3,048,902	332,777	1,050	34,674,193
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
	27,116,804	5,031,409	3,352,067	411,146	670,605	36,582,031

56.2. 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, 2010 was as follows:

	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million
Assets			
Cash and balances with central banks	4,033,716	206,371	936,639
Due from banks and financial institutions	5,035,960	570,628	646,579
Derivative financial instruments	2,644	17,488	19,694
Financial assets held for trading	11,246	9,624	93,298
Loans and advances to customers	3,213,130	1,627,075	1,809,384
Loans and advances to related parties	192,516	34,314	9,184
Debtors by acceptances	55,893	122,719	95,243
Available for sale financial instruments	61,621	374,675	2,294,670
Financial assets classified as loans and receivables	28,880	50,965	161,554
Financial instruments held to maturity	-	9,967	13,686
Investments in associates	-	-	-
Property and equipment	-	-	-
Intangible fixed assets	-	-	-
Non-current assets held for sale	-	-	-
Deferred taxes assets	-	-	574
Other assets	49,859	1,411	19,088
Goodwill	-	-	-
Total assets	12,685,465	3,025,237	6,099,593
Liabilities and shareholders' equity			
Due to central banks	-	-	-
Due to banks and financial institutions	533,978	70,159	158,052
Derivative financial instruments	4,717	21,339	32,634
Customers' deposits	27,089,273	6,574,683	2,792,730
Deposits from related parties	132,961	87,553	38,360
Engagements by acceptances	55,893	122,719	95,243
Current tax liabilities	6,325	-	49,835
Deferred tax liabilities	945	-	539
Other liabilities	165,128	20,880	134,173
Provisions for risks and charges	-	-	-
End of service benefits	-	-	-
Shareholders' equity	-	-	-
Total liabilities and shareholders' equity	27,989,220	6,897,333	3,301,566
Liquidity gap	(15,303,755)	(3,872,096)	2,798,027
Cumulative gap	(15,303,755)	(19,175,851)	(16,377,824)

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
5,176,726	1,458,119	-	1,458,119	49,696	6,684,541
6,253,167	66,692	17,228	83,920	897	6,337,984
39,826	70	87	157	676	40,659
114,168	533,946	280,104	814,050	80,881	1,009,099
6,649,589	4,937,893	1,026,534	5,964,427	29,744	12,643,760
236,014	3,907	1,739	5,646	1	241,661
273,855	956	-	956	-	274,811
2,730,966	4,101,400	556,566	4,657,966	288,730	7,677,662
241,399	5,222,239	1,547,441	6,769,680	443	7,011,522
23,653	184,420	5,659	190,079	1,299	215,031
-	-	-	-	30,733	30,733
-	-	-	-	509,930	509,930
-	-	-	-	25,467	25,467
-	-	-	-	29,255	29,255
574	-	-	-	-	574
70,358	17,050	2,939	19,989	146,935	237,282
-	-	-	-	277,204	277,204
		-			
21,810,295	16,526,692	3,438,297	19,964,989	1,471,891	43,247,175
-	133,376	-	133,376	-	133,376
762,189	129,007	18,117	147,124	355	909,668
58,690	-	-	-	583	59,273
36,456,686	518,850	117,556	636,406	105,895	37,198,987
258,874	-	230	230	-	259,104
273,855	956	-	956	-	274,811
56,160	-	-	-	9,025	65,185
1,484	12,504	-	12,504	7,213	21,201
320,181	96,658	120,351	217,009	70,228	607,418
-	-	-	-	27,044	27,044
-	-	-	-	42,373	42,373
-	-	-	-	3,648,735	3,648,735
38,188,119	891,351	256,254	1,147,605	3,911,451	43,247,175
	15,635,341	3,182,043		(2,439,560)	
	(742,483)	2,439,560		-	

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
Assets			
Cash and balances with central banks	3,384,888	483,282	1,646,950
Due from banks and financial institutions	5,725,648	1,276,544	326,966
Derivative financial instruments	20,822	12,304	3,064
Financial assets held for trading	67,929	62,383	192,063
Loans and advances to customers	4,344,631	617,098	1,464,212
Loans and advances to related parties	221,993	273	8,554
Debtors by acceptances	77,041	117,836	80,098
Available for sale financial instruments	109,779	31,695	1,075,383
Financial assets classified as loans and receivables	140,429	426,062	521,518
Financial instruments held to maturity	-	-	152,160
Investments in associates	-	-	-
Property and equipment	-	-	-
Intangible fixed assets	-	-	-
Non-current assets held for sale	-	-	-
Deferred taxes assets	-	-	2,067
Other assets	42,135	10,083	23,867
Goodwill	-	-	-
Total assets	14,135,295	3,037,560	5,496,902
Liabilities and shareholders' equity			
Due to central banks	-	-	747
Due to banks and financial institutions	365,929	104,146	25,659
Derivative financial instruments	17,666	7,057	3,221
Customers' deposits	26,463,518	4,700,871	2,946,673
Deposits from related parties	81,640	62,650	14,655
Debt issued and other borrowed funds	-	-	153,148
Engagement by acceptances	64,609	115,244	95,122
Current tax liabilities	5,447	807	18,874
Deferred tax liabilities	585	-	19,519
Other liabilities	130,490	21,406	109,886
Provisions for risks and charges	-	-	-
End of service benefits	-	-	-
Shareholders' equity	-	-	-
Total liabilities and shareholders' equity	27,129,884	5,012,181	3,387,504
Liquidity gap	(12,994,589)	(1,974,621)	2,109,398
Cumulative gap	(12,994,589)	(14,969,210)	(12,859,812)

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
5,515,120	644,492	-	644,492	46,544	6,206,156
7,329,158	389,556	18,000	407,556	650	7,737,364
36,190	1,905	197	2,102	144	38,436
322,375	316,968	188,619	505,587	7,080	835,042
6,425,941	3,137,564	366,396	3,503,960	955	9,930,856
230,820	4,544	4,460	9,004	-	239,824
274,975	9,448	-	9,448	-	284,423
1,216,857	3,756,295	701,211	4,457,506	328,953	6,003,316
1,088,009	4,939,332	1,257,372	6,196,704	13,814	7,298,527
152,160	187,482	26,360	213,842	1,377	367,379
-	-	(16,017)	(16,017)	47,714	31,697
-	-	-	-	503,491	503,491
-	-	-	-	25,906	25,906
-	-	-	-	29,261	29,261
2,067	-	-	-	350	2,417
76,085	358	-	358	98,390	174,833
-	-	-	-	218,746	218,746
22,669,757	13,387,944	2,546,598	15,934,542	1,323,375	39,927,674
747	-	132,612	132,612	-	133,359
495,734	12,446	266,521	278,967	358	775,059
27,944	-	-	-	687	28,631
34,111,062	269,813	572	270,385	854	34,382,301
158,945	16,380	92,549	108,929	-	267,874
153,148	-	-	-	-	153,148
274,975	9,448	-	9,448	-	284,423
25,128	-	-	-	20,593	45,721
20,104	-	-	-	1,159	21,263
261,782	3,674	137,052	140,726	65,040	467,548
-	-	-	-	24,127	24,127
-	-	-	-	38,461	38,461
-	-	-	-	3,305,759	3,305,759
35,529,569	311,761	629,306	941,067	3,457,038	39,927,674
	13,076,183	1,917,292		(2,133,663)	
	216,371	2,133,663		-	

57. 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.

58. 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 I 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 I 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.

	2010 LBP Million	2009 LBP Million
Risk-weighted assets:		
Credit risk	22,699,586	20,211,464
Market risk	865,954	477,063
Operational risk	1,829,473	1,562,000
Total risk-weighted assets	25,395,013	22,250,527

The capital base as per Basel II requirements as of 31 December (including profit for the year less proposed dividends) was as follows:

	2010 LBP Million	2009 LBP Million
Tier I capital	2,813,314	2,535,496
Tier 2 capital	87,300	118,738
Total capital	2,900,614	2,654,234

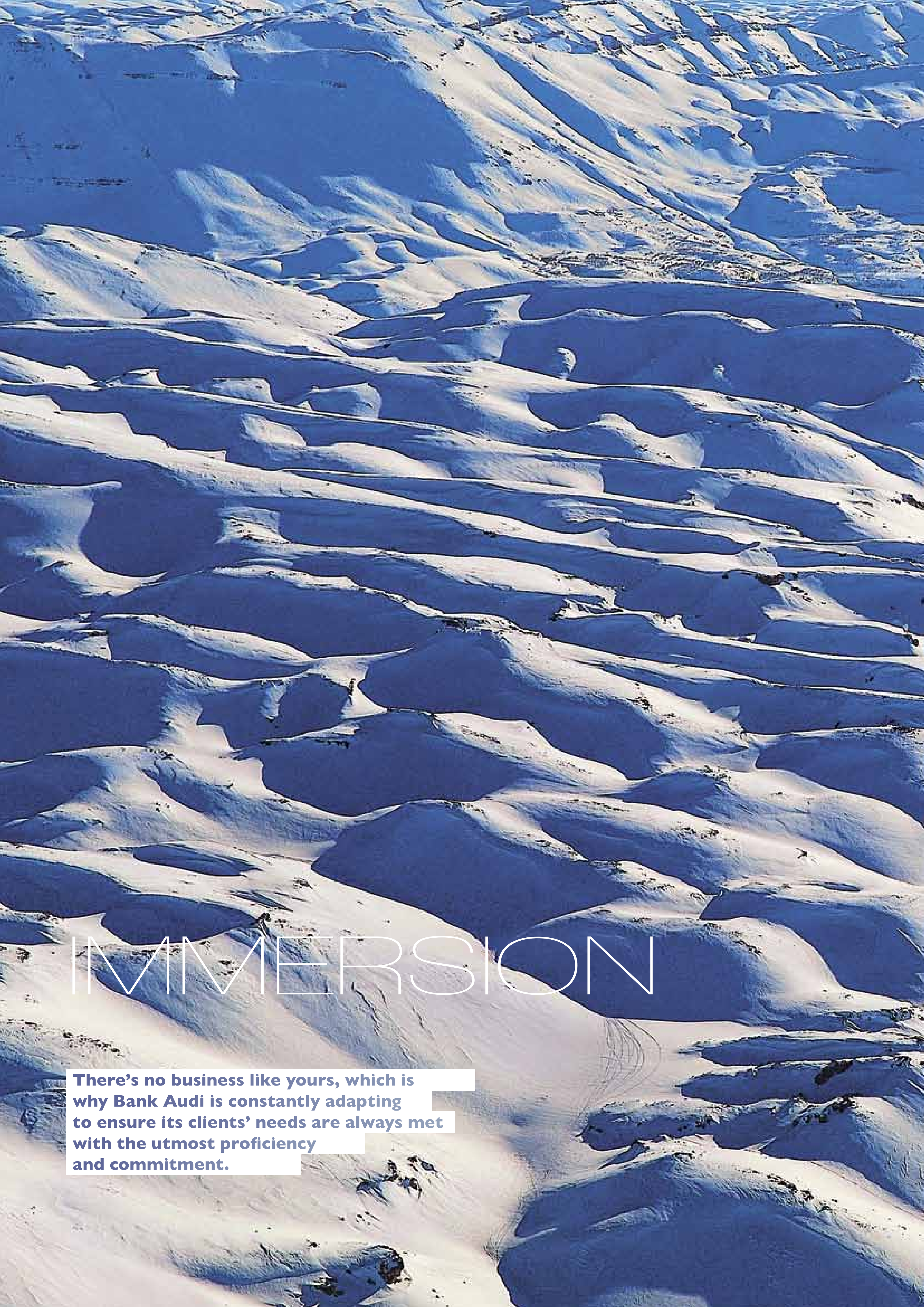
The capital adequacy ratio as of 31 December (including profit for the year less proposed dividends) is as follows:

Capital adequacy - Tier I	11.08%	11.40%
Capital adequacy - Total capital	11.42%	11.93%

The calculation above does not take into account the elimination of LBP 1,178,901 million (2009: 1,430,044 million) of Lebanese Government Eurobonds, whose risk has been ceded to qualified customers by contractual agreements relating to credit-linked deposits (Note 34). When adjusting the risk-weighted assets to the risk ceded, the capital adequacy ratio will stand at 11.98% (2009: 12.75%).

59. COMPARATIVE INFORMATION

In accordance with the current year's classifications, the Group reclassified a loss of LBP (000) 12,885,576 from "Net Gain on Financial Assets Designated at Fair Value through Profit or Loss" to "Net Trading Income" for the year ended 31 December, 2009.



IMMERSION

There's no business like yours, which is why Bank Audi is constantly adapting to ensure its clients' needs are always met with the utmost proficiency and commitment.

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SHAREHOLDERS' INFORMATION

The following table sets out the composition of the holders of common shares as at March 31, 2011:

Shareholders/Groups of Shareholders	Country (Ultimate Economic Ownership)	Percentage Ownership[1] of the Total Number of Common Shares Issued and Outstanding
Audi Family[2]	Lebanon	7.02%
Saradar Family[2]	Lebanon	6.74%
Al Homaizi Family[2]	Kuwait	6.12%
Sheikh Dhiab Bin Zayed Al-Nehayan	United Arab Emirates	5.11%
Investment Finance Opportunities Ltd.	Lebanon	4.89%
Middle East Opportunities For Structured Finance Ltd.	Lebanon	4.88%
Al Sabbah Family[2]	Kuwait	4.84%
Investment and Business Holding sal[3]	Lebanon	3.95%
MAL Investment One Holding sal[3]	Lebanon	3.95%
Abdallah Ibrahim Al-Hobayb	Kingdom of Saudi Arabia	2.89%
El-Khoury Family	Lebanon	2.57%
Others		20.15%
Deutsche Bank Trust Company Americas[4]		26.88%
Total shareholding		100.00%

(1) Percentage ownership figures represent common shares owned by the named shareholders and are expressed as a percentage of the total number of common shares issued and outstanding. Shareholders named in the above table hold GDRs representing, in aggregate, 8.22% of the Bank's common shares. Ownership of GDRs is based on self-declarations, as the Bank does not have direct access to a registry of GDR holders. Shares represented by GDRs are held by Deutsche Bank Trust Company Americas in its capacity as depositary under the Bank's GDR Program; As at the date hereof, the Bank (and its affiliates) is the custodian of shares and/or GDRs representing 75.25% of the Bank's share capital.

(2) The Audi Family, Al Homaizi Family, Saradar Family and Al Sabbah Family include the following members of the Board: (i) Raymond Wadih Audi and Marc Jean Audi, (ii) Suad Hamad Al Saleh Al Homaizi, (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 and of MAL Investment One Holding sal are members of the Mikati Family.

(4) As at the date hereof, Deutsche Bank Trust Company Americas, in its capacity as depositary under the Bank's GDR Program, owned 93,687,854 common shares represented by GDRs, including the GDRs owned by the shareholders named in the table above.

GROUP HIGH LEVEL CHART

- External Auditors
- External Solicitors
- Shareholders
- Corporate Secretariat
- Board of Directors
- Board Committees
  - Executive Committee
  - Audit Committee
  - Corporate Governance & Remuneration Committee
  - Risk Committee
- Chairman
- Chief Executive Officer

Group Business Lines

- Private Banking
- Retail & E-Banking
- Islamic Banking
- Corporate Banking
- Investment Banking
- Insurance

Standing Management Committees

- Asset Liability Committee
- Business Development Committee
- Credit Committee
- Information Technology Committee
- Financial Institutions Committee
- Anti-Money Laundering Committee
- Disclosure Committee
- Real Estate Committee

Group Support Functions

- Regional Expansion
- Risk Management
- Internal Audit
- Legal & Compliance
- Finance
- Operations

Group Geographical Presence

Lebanon
- Bank Audi sal - Audi Saradar Group
- Audi Saradar Investment Bank sal
- Audi Saradar Private Bank sal
- LIA Insurance sal

Jordan
- Bank Audi sal - Jordan Branches

Syria
- Bank Audi Syria sa
- Syrian Arab Insurance sa
- Audi Capital (Syria) LLC

France
- Bank Audi Saradar France sa

Monaco
- Bank Audi SAM - Audi Saradar Group

Switzerland
- Banque Audi (Suisse) sa

Egypt
- Bank Audi sae
- Arabeya Online Brokerage

Sudan
- National Bank of Sudan

Kingdom of Saudi Arabia
- Audi Capital (KSA) cjsc

UAE
- Bank Audi sal - Abu Dhabi Representative Office

Qatar
- Bank Audi LLC

Banking

Other financial services (Insurance, Brokerage, Investments etc.)

ORGANISATION CHART

Board of Directors

Chairman of the Board
Raymond W. Audi

Group Chief Executive Officer
Samir N. Hanna

Group Executive Committee

Vice-chairman of the Board
Marwan M. Ghandour

Audit Committee

Corporate Governance & Remuneration Committee

Group Risk Committee

Strategy Director & Group Chief Financial Officer
Freddie C. Baz

Group Private Banking
Mario J. Saradar
Head of Group Private Banking
(until December 2010)

Group Corporate Banking
Khalil I. Debs
Head of Group Corporate Banking

Group Retail Banking
Imad I. Itani
Head of Group Retail Banking

Group Islamic Banking
Imad I. Itani
Head of Group Islamic Banking

Group Risk
Adel N. Satel
Group Chief Risk Officer

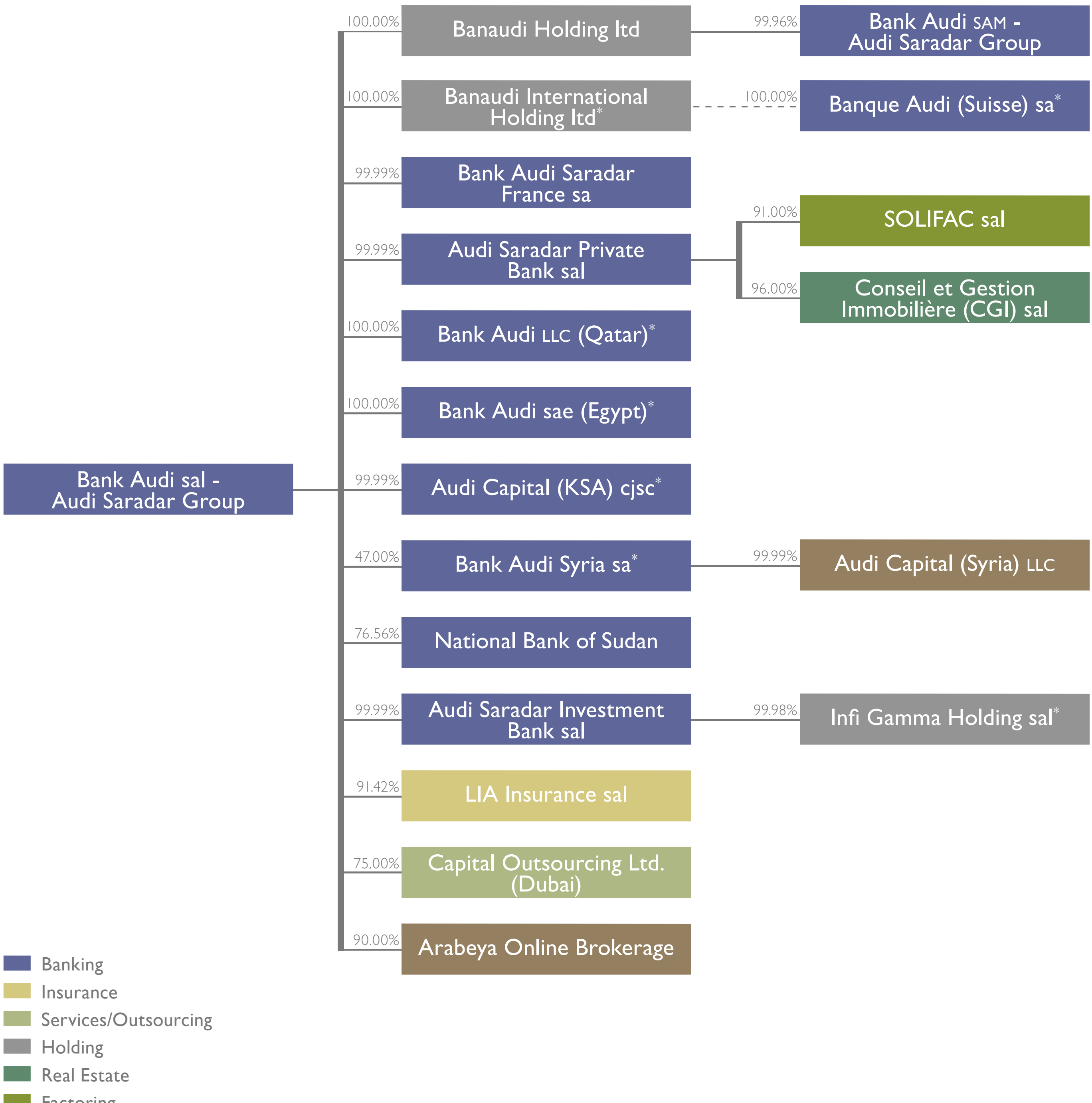
Group Legal & Compliance
Chahdan E. Jebeyli
Group Chief Legal & Compliance Officer

Group Information Management
Przemek K. Henschke
Group Chief Information Officer

Group Finance
Tamer M. Ghazaleh
Assistant Group CFO

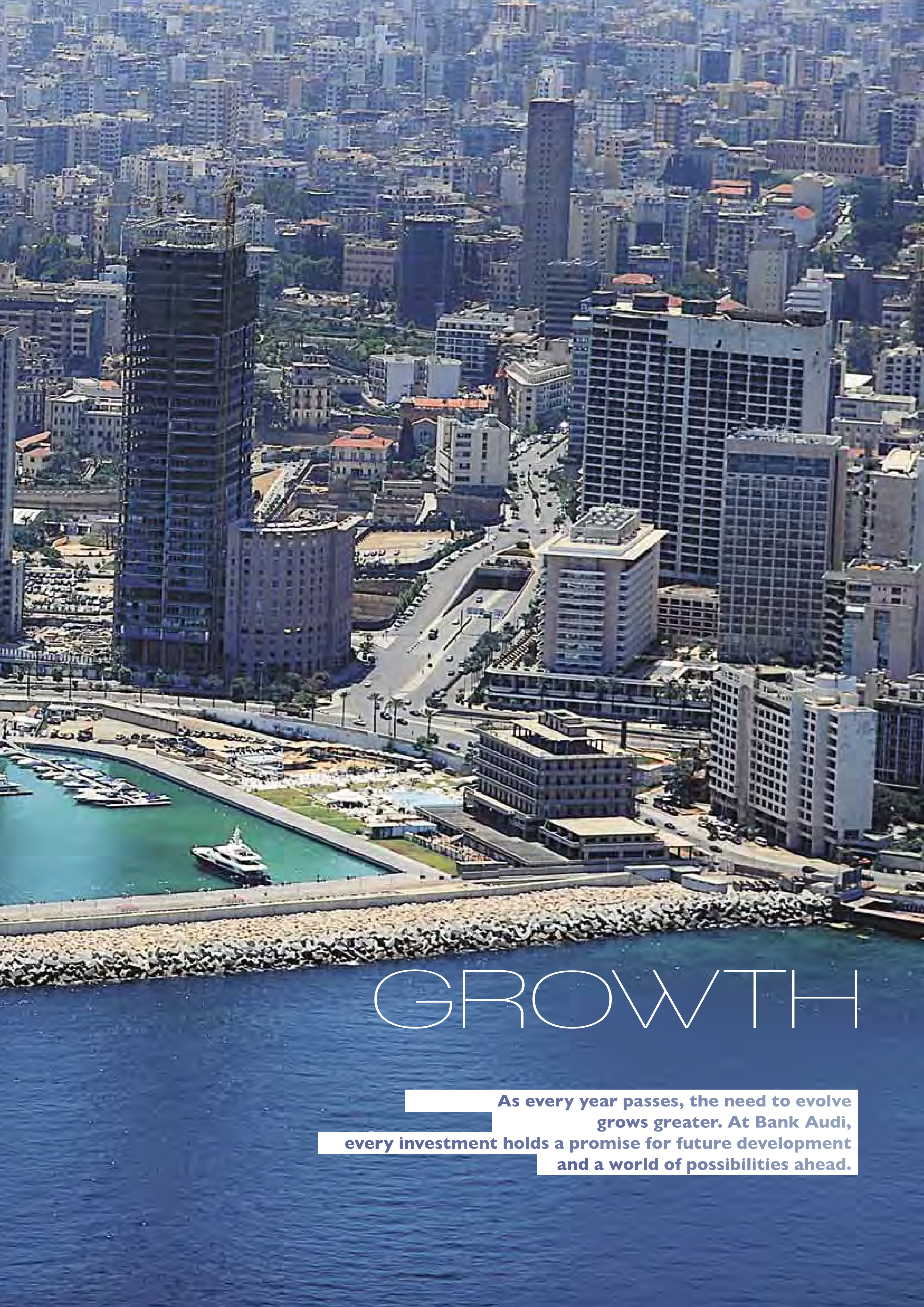
CORPORATE STRUCTURE

The major subsidiaries of Bank Audi sal - Audi Saradar Group as at 31/03/2011 are:



*Represents the economic ownership of the Bank with direct and/or indirect ownership through subsidiaries.

CLEMENT TANNOURI



GROWTH

As every year passes, the need to evolve grows greater. At Bank Audi, every investment holds a promise for future development and a world of possibilities ahead.

MANAGEMENT

BANK AUDI sal - AUDI SARADAR GROUP

MANAGEMENT OF BANK AUDI sal - AUDI SARADAR GROUP (CONTINUED)*

Mr. Gaby G. KASSIS	General Manager
Mr. Elia S. SAMAHA	General Manager – Executive Vice-chair of the Credit Committee
Mr. Joseph I. KESROUANI	Assistant General Manager – Business Development Syria/South America & Africa

OFFICE OF THE CEO

Mr. Ramzi N. SALIBA	Advisor to the CEO – Training & Knowledge Transfer Strategy
Mr. Michel E. ARAMOUNI	Assistant General Manager – Group Capital Markets
Mr. Danny N. DAGHER	Assistant General Manager – Executive Vice-chair of the Business Development Committee
Mrs. Jocelyne A. JALKH	Assistant General Manager – Head of the CEO's Office

ADVISORS

Dr. Ghassan C. AYACHE	Advisor
Mr. Georges Y. AZAR	Advisor
Mr. Joseph T. GHOLAM *(Until December 31, 2010)*	Advisor
Mr. Yacoub G. NADDA	Advisor
Mr. Riad H. GHOSN	Chief Representative – UAE

CENTRAL DEPARTMENTS

Mr. Chahdan E. JEBEYLI	General Manager – Group Legal & Compliance
Mr. Adel N. SATEL	General Manager – Group Risk Management
Mr. Przemek K. HENSCHKE	Group Chief Information Officer
Mr. Tamer M. GHAZALEH	Assistant General Manager – Group Finance
Dr. Khaled R. AL-FAKIH	Senior Manager – Group Islamic Banking
Dr. Marwan S. BARAKAT	Senior Manager – Group Research
Mrs. Randa T. BDEIR	Senior Manager – Electronic Banking & Cards Services
Mr. Elie J. KAMAR	Senior Manager – Group Corporate Review & MIS
Mr. Naoum J. MOUKARZEL	Senior Manager – Group Information Technology
Mr. Rachid E. ROMANOS	Senior Manager – Overseas Credit Risk Management

Mr. Mounir R. TABET	Senior Manager – Corporate Accounting & Financial Controls
Mr. Marwan O. ARAKJI	Central Manager – Special Projects
Mr. Antoine G. BOUFARAH	Central Manager – Group Internal Audit
Mr. Khalil I. DEBS	Central Manager – Group Corporate Banking
Mr. Elie A. NAHAS	Central Manager – Group Real Estate & Engineering

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 & 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) 999399.
E-mail: sana.sabra@banqueaudi.com

* *Continued from Page 23.*

BANK AUDI sal - AUDI SARADAR GROUP

COUNTRY MANAGEMENT LEBANON

Mr. Marc J. AUDI	General Manager – Country Manager

CORPORATE BANKING NETWORK

Mrs. Wafaa' S. DAOUK	Assistant General Manager – Network Manager
Mr. Salam G. NADDA	Assistant General Manager – Network Manager
Mrs. Ghina M. DANDAN	Central Manager – Network Manager

COMMERCIAL BANKING NETWORK

Mr. Georges J. BOUSTANY	Central Manager – Network Manager
Mrs. Najla E. HADDAD	Central Manager – Network Manager
Mr. Rabih E. BERBERY	Manager – Network Manager
Mr. Kamal S. TABBARA	Manager – Network Manager

RETAIL & PERSONAL BANKING NETWORK

Mr. Hani A. BIDAWI	Senior Manager – Network Manager
Mr. Pierre Y. HARFOUCHE	Senior Manager – Network Manager

OPERATIONS

Mr. Hassan A. SALEH	Central Manager – Chief Operating Officer

CENTRAL DEPARTMENTS

Mr. Bechara J. KHACHAN	Assistant General Manager – Human Resources
Mr. Ibrahim M. SALIBI	Assistant General Manager – Corporate & Commercial Banking
Mr. Ramzy S. ABOUEZZEDDINE	Central Manager – Marketing & Communications
Mr. Abdul-Salam E. CHEBARO	Central Manager – Trade Finance
Mr. Salah K. LABAKI	Central Manager – Central Operations
Mrs. Grace E. EID	Acting Manager – Retail Banking

AUDI SARADAR INVESTMENT BANK sal

Board of Directors

Dr. Marwan M. GHANDOUR	Chairman & General Manager
Dr. Freddie C. BAZ	Member
Mr. Samir N. HANNA	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. Rami S. JISR *(Since November 24, 2010)*	General Manager
Mr. Ramzi N. SALIBA	General Manager

AUDI SARADAR PRIVATE BANK sal

Board of Directors

Mr. Fady G. AMATOURY	Chairman *(Since December 20, 2010)*
Mr. Mario J. SARADAR *(Until December 20, 2010)*	Chairman
Mr. Toufic R. AOUAD *(Since February 21, 2011)*	Member
Mr. Marc J. AUDI *(Until February 11, 2011)*	Member
Mrs. Wafa S. DAOUK *(Since February 21, 2011)*	Member
Dr. Joe A. DEBBANE	Member
Mr. Salam G. NADDA *(Since February 21, 2011)*	Member
Mr. Istvan I. NAGY	Member
Bank Audi sal - Audi Saradar Group	Member

Management

Mr. Fady G. AMATOURY	Chairman & General Manager *(Since December 20, 2010)*
Mr. Mario J. SARADAR *(Until December 20, 2010)*	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
Mr. Charles R. NAJJAR *(Until February 28, 2011)*	Manager – Head of Product Development
Mrs. Eugenie G. RIZKALLAH	Manager – Head of Internal Control & Compliance
Mrs. Claudine E. SELOUAN	Manager – Head of HR Private Banking Business Line
Mrs. Chantal L. TOUMA	Manager – Head of Credit

BANQUE AUDI (SUISSE) sa

Board of Directors

		Member of the Audit Committee	Member of the Remuneration Committee
Dr. Marwan GHANDOUR *(Since March 17, 2011)*	Chairman		
Mr. Mario SARADAR *(Until March 17, 2011)*	Chairman		
Mr. Dominique ROCHAT	Vice-Chairman	• Chair	
Mr. Marc AUDI	Member		•
H.E. Mr. Raymond AUDI	Member		
Mr. Pierre de BLONAY	Member	•	
Mr. Michel CARTILLIER	Member	•	
Mr. Jean-Pierre JACQUEMOUD	Member		•
Mr. Pierre RESPINGER	Member		• Chair

Management

Mr. Istvan NAGY	General Manager – Chief Executive Officer
Mrs. Christiane AUDI	Deputy General Manager – Head of Private Banking
Mr. René MAZZURI	Deputy General Manager – Chief Operating Officer
Mr. Michel NASSIF	Deputy General Manager – Chief Investment Officer
Mr. Ibrahim ABDELNOUR	Manager – Senior Private Banker
Mr. Ali AZIZ *(Since March 17, 2011)*	Manager – Senior Private Banker
Mr. Elie BAZ	Manager – Head of Forex & Treasury
Mr. Fouad HAKIM	Manager – Senior Private Banker
Mr. Christopher JOHNSON	Manager – Chief Financial Officer
Mr. Raymond JOUBAUD	Manager – Gibraltar Branch
Mr. Wolfram PIETSCH	Manager – Head of Operations & IT

BANK AUDI SARADAR FRANCE sa

Board of Directors

		Member of the Executive Credit Committee	Member of the Audit Committee
Dr. Freddie C. BAZ	Chairman		•
Mr. Luc H. DEBIEUVRE *(Until June 1, 2010)*	Member & General Manager	•	
Mrs. Sherine R. AUDI *(General Manager since June 1, 2010)*	Member & General Manager	•	
H.E. Mr. Raymond W. AUDI	Member		
Mr. Samir N. HANNA	Member		
Mr. Ramzi N. SALIBA	Member	•	
Mr. Elia S. SAMAHA	Member	•	
Mr. Mario J. SARADAR *(Until February 7, 2011)*	Member		
Mr. Pierre A. SOULEIL	Member		•
Bank Audi sal - Audi Saradar Group *(Represented by Mr. Maurice H. SAYDE)*	Member		•

Management[1]

Mrs. Sherine R. AUDI	General Manager	•	
Mr. Michel K. MEHANNA	Deputy General Manager – Head of Trade & Operations		
Mr. Emile G. GHAZI	Assistant General Manager – Head of Corporate Banking	•	

[1] *As of June 1, 2010 (encompassing changes brought following the resignation of Mr. Luc H. DEBIEUVRE as General Manager).*

BANK AUDI sal - JORDAN BRANCHES

Management

Mr. Yousef A. ENSOUR	General Manager
Mr. Samer I. AL ALOUL	Deputy General Manager – Corporate & Commercial Banking
Mr. Fadi V. SAADE	Assistant General Manager – Retail Banking & Branch Network

BANK AUDI SYRIA sa

Board of Directors

		Member of the Risk Committee	Member of the Nomination & Remuneration Committee	Member of the Corporate Governance Committee	Member of the Audit Committee
Dr. Georges A. ACHI	Chairman			• Chair	
Dr. Ahmad M. ABBOUD	Deputy Chairman	•			
H.E. Mr. Raymond W. AUDI	Member				
Dr. Freddie C. BAZ	Member			•	•
Mr. Bassel S. HAMWI	Member	•			
Mr. Samir N. HANNA	Member		•		
Mr. Elia S. SAMAHA	Member				
Mr. Adnan N. TAKLA	Member	• Chair	•		•
Mrs. Rana T. ZEIN	Member		• Chair	•	• Chair

Advisors to the Board

Mr. Abdulateef A. AL-RAJIHI
Mrs. Yasmina R. AZHARI
Mrs. Nada A. MURTADA
Mr. Mohamed Said Z. ZAIM

Management

Mr. Bassel S. HAMWI	Chief Executive Officer
Mr. Antoine G. EL-ZYR	Deputy General Manager
Mr. Mahmoud A. AL-KURDY	Assistant General Manager – Chief Financial Officer
Mr. Fady A. OBEID	Assistant General Manager – Head of Retail Banking Division
Mr. Jamil R. SHOCAIR	Assistant General Manager – Head of Corporate Banking Division

BANK AUDI sae (EGYPT)

Board of Directors

		Member of the Audit Committee	Member of the High Credit Committee
Mr. Hatem A. SADEK	Chairman & Managing Director		•
Mr. Abdullah I. AL-HOBAYB	Member		
H.E. Mr. Raymond W. AUDI	Member	•	
Dr. Freddie C. BAZ	Member		
Dr. Marwan M. GHANDOUR	Member	• Chair	
Mr. Samir N. HANNA	Member		•
Mr. Gaby G. KASSIS	Member		
Dr. Mokhtar A. KHATTAB	Member	•	
Mr. Ramzi N. SALIBA	Member		•
Mr. Elia S. SAMAHA	Member		•

Mr. Ahmed F. IBRAHIM — Secretary of the Board

Management

Mr. Hatem A. SADEK	Chairman & Managing Director
Mr. Mohamed A. MASRI	Senior General Manager – Chief Business Officer
Mr. Yehia K. YOUSSEF	Senior General Manager – Chief Operating Officer
Mr. Hossam E. ABDEL WAHAB	General Manager – Head of Retail Banking
Mr. Assem K. AWAD	General Manager – Head of Corporate Banking
Mr. Mohamed M. BEDIER	General Manager – Chief Financial Officer
Mr. Mostafa A. GAMAL	General Manager – Head of Treasury & Capital Markets
Mrs. Amany A. SHAMS EL-DIN	General Manager – Deputy Chief Operating Officer
Mr. Bassel E. KELADA	Deputy General Manager – Head of Retail Credit
Mr. Afdal E. NAGUIB	Deputy General Manager – Head of Risk Management

ARABEYA ONLINE BROKERAGE (EGYPT)

Board of Directors

Mr. Hisham A. TAWFIK	Chairman
Mr. Mohammad A. EL MASRI	Vice-chairman
Mr. Danny N. DAGHER	Member
Mr. Ayman M. SADEK	Member
Mr. Hatem A. SADEK	Member

Management

Mr. Hisham A. TAWFIK	Chairman
Mr. Ayman M. SADEK	Managing Director

NATIONAL BANK OF SUDAN

Board of Directors

		Member of the Audit Committee	Member of the Executive Committee
Dr. Imad I. ITANI	Chairman	•	• Chair
Mr. Ahmad B. EL NEFEIDI	Member		•
Mr. Osman A. MALIK	Member	•	
Mr. Hatem A. SADEK	Member	• Chair	
Mr. Ramzi N. SALIBA	Member		•
Bank Audi sal - Audi Saradar Group	Member		

Mr. Moawia A. MOHAMAD ALI — Secretary of the Board

Management

Mr. Abdul-Salam E. CHEBARO	General Manager		•
Mr. Moawia A. MOHAMAD ALI	Deputy General Manager		•

AUDI CAPITAL (KSA) cjsc

Board of Directors

		Member of the Audit & Fiduciary Committee	Member of the Executive Committee
Mr. Abdullah I. AL-HOBAYB	Chairman		• Chair
H.R.H. Prince Mohamad BIN KHALED AL-FAISAL *(Until December 20, 2010)**	Member		
Dr. Freddie C. BAZ	Member	• *(Until December 18, 2010)*	
Dr. Marwan M. GHANDOUR	Member	• Chair	
Mr. Samir N. HANNA	Member		•
Mr. Mario J. SARADAR *(Until January 31, 2011)**	Member	•	

**The BOD has nominated two members in replacement of the resigning ones pending final approval by the CMA.*

Management

Mr. Abdallah I. SAADE	Chief Executive Officer *(Since August 11, 2010)*	•
Mr. Emile P. ALBINA	Executive Director – Private 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. Jamal A. ALAMEDDINE	Head of Support Services	
Mr. Raafat F. EL-ZOUHEIRY	Compliance Manager & Money Laundering Reporting Officer	

BANK AUDI LLC (QATAR)

Authorised by the QFC Regulatory Authority
License No 00027

Board of Directors

		Member of the Executive Credit Committee
H.E. Mr. Raymond W. AUDI	Chairman	
Mr. Fady G. AMATOURY	Member & General Manager	• Chair
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 *(Until March 1, 2011)*	Member	

Management

Mr. Fady G. AMATOURY	General Manager
Mr. Joseph M. HALLIT	Head of Private Banking
Mr. Chadi A. JABER	Head of Corporate & Commercial Banking
Ms. Stephanie S. MALAAB	Head of Risk Management & Compliance
Mrs. Maya N. MOUJAES	Head of Operations
Mr. Elie B. NEMR	Head of Treasury & Capital Markets
Mr. Georges Y. TALGE	Head of Finance

BANK AUDI SAM - AUDI SARADAR GROUP (MONACO)

Board of Directors

Mr. Mario J. SARADAR *(Until January 3, 2011)*	Chairman
Mr. Fady G. AMATOURY	Chairman *(Since January 3, 2011)*
Mr. Danny N. DAGHER	Member
Mr. Moustapha S. EL-SOLH	Member
Mr. Samir N. HANNA	Member
Mr. Serge A. NAHAS	Member
Mr. Salvatore C. SIRNA	Member
Banaudi Holding Ltd	Member

Management

Mr. Fady G. AMATOURY	General Manager
Mr. Salvatore C. SIRNA	Managing Director

KNOWLEDGE

The only thing more powerful than knowledge is the source from which it is derived. Because of Bank Audi's extensive research encompassing all aspects of the corporate field, we've provided our clients with the confidence and the tools to ensure their decisions are always well founded.

ADDRESSES

LEBANON
BANK AUDI sal - AUDI SARADAR GROUP

Member of the Association of Banks in Lebanon
Capital: LBP 454,232,800,000 *(as at December 2010)*
Consolidated shareholders' equity: LBP 3,648,735,149,000 *(as at December 2010)*
C.R. 11347 Beirut
List of Banks No. 56

HEADQUARTERS

Bank Audi Plaza, Bab Idriss
P.O. Box 11-2560 Beirut - 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
Cité Dora 1, Dora Highway.
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 Centre, Clemenceau Street.
Tel: (961-1) 743400-1-2-3-4-5-6-7-8. Fax: (961-1) 743412.
Commercial Area Manager: Mrs. Joumana A. Najjar Moughrabi

Hazmieh
Dar Assayad Bldg., Saïd Freiha Street, Hazmieh Round-about.
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: Mrs. 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
Mustapha Saad Street.
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 Centre, 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 Centre, 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 Centre, Rashid Karameh 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 & SUBURBS

Ain El-Remmaneh
Etoile Centre, El-Areed Street.
Tel: (961-1) 292870-1-2-3-4. Fax: (961-1) 292869.
Branch Manager: Mr. Daoud T. Nehme

Ashrafieh – Sassine
Bahri Centre, 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

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, Ouzaï 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 Centre, Dora Highway.
Tel: (961-1) 250202, 250303, 250404, 250606.
Fax: (961-1) 241647.
SOS Branch Manager: Mr. Charles A. Berberi

El-Horge
Khattab Bldg., Hamad Street.
Tel: (961-1) 660636, 660646, 660656. Fax: (961-1) 660686.
Acting Branch Manager: Mrs. Karima A. Baltagi

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., Mousharrafieh Square.
Tel: (961-1) 541125-6, 541534. Fax: (961-1) 272342.
Branch Manager: Mrs. Ghada S. Al-Ameen

Hadath
Notre-Dame Centre, El-Ain Square, Main Road.
Tel/Fax: (961-5) 461916, 464050-1, 465726, (961-3) 911474.
Branch Manager: Mrs. Roula E. Fayad

Hamra
Mroueh Bldg., Hamra Street.
Tel: (961-1) 341490-1-2-3-4-5-6-7, 346749, 348352, 353206-7.
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.
Acting Branch Manager: Mr. Nader M. Hajj Ali

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
Makassed Commercial Centre, Mar Elias Street.
Tel: (961-1) 818277-8-9, 818280. Fax: (961-1) 303084.
Branch Manager: Ms. Nisrine A. Ismail

Mreijeh
Mreijeh Plaza Centre, 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, Saïfi.
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.
Branch Manager: Mrs. Hind A. Ghalayini

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 Centre, Algeria Street.
Tel: (961-1) 747550-1-2. Fax: (961-1) 747553.
Retail Area Manager: Mr. Mouayad A. Tabbara

MOUNT LEBANON

Ajaltoun
Bou Shaaya & Khoury Centre, El-Midane.
Tel/Fax: (961-9) 234439, 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. Marthe A. Kanaan

Bhamdoun
Main Road.
Tel: (961-5) 261285-6-7, 260132. Fax: (961-5) 261289.
Branch Manager: Mr. Elias J. Daniel

Broummana
Lodge Centre, Main Road.
Tel: (961-4) 860163-4-6, 860451. Fax: (961-4) 860167.
Retail Area Manager: Mr. Tanios F. Nabhan

Elyssar
Main Road, Mazraat Yashouh.
Tel: (961-4) 913927-8-9, 916152-4. Fax: (961-4) 913932.
Branch Manager: Mr. Habib Y. Gharios

Fanar
La Rose Centre, Main Road.
Tel: (961-1) 879637-8, 879640, 870820. Fax: (961-1) 879641.
Branch Manager: Mrs. Georgina Y. Nakad

Ghazir
Haddad Bldg., Main Road, Kfarhebab.
Tel/Fax: (961-9) 851720-1-2-3.
Branch Manager: Ms. Michele P. Nader

Jbeil
St. Louis Centre, Rehbane Street.
Tel: (961-9) 541410-1, 946452. Fax: (961-9) 943121.

Jbeil – East
Byblos Sun Bldg., Jbeil Round-about.
Tel: (961-9) 543890-1-2-3-4. Fax: (961-9) 543895.
Branch Manager: Mr. Chady F. Kassis

Jeita
Antoura Square.
Tel: (961-9) 235257-8-9. Fax: (961-9) 235260.
Branch Manager: Mr. Emile J. Moukarzel

Jounieh
La Joconde Centre, 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 Centre, 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 Road.
Tel: (961-6) 545379, 545048, 545283. Fax: (961-6) 541526.
Branch Manager: Mr. Antoine T. Douaihy

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. Nasser N. Chahal

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

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AUDI SARADAR PRIVATE BANK sal

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LIA INSURANCE sal

Cité Dora I - Dora Highway.
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BANK AUDI SARADAR FRANCE sa

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E-mail: contactus.france@banqueaudi.com

JORDAN
BANK AUDI sal - JORDAN BRANCHES

HEADQUARTERS

Le Royal Hotel Complex, Zahran Street, 3rd Circle,
Jabal Amman, Amman.
P.O. Box 840006 Amman. 11184, Jordan.
Tel: (962-6) 4604000. Fax: (962-6) 4680015.
E-mail: contactus.jordan@banqueaudi.com

Shmeissani (Main Branch)
Salah Centre, 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 Centre (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 Centre, Khaled Ben Walid Street, Firas Circle,
Jabal Hussein, Amman.
Tel: (962-6) 5605252. Fax: (962-6) 5604242.
Branch Manager: Mr. Mohamad M. Abu Anzeh

Sweifieh
Al Yanbouh Centre, 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

Wadi Saqra
Saqra Complex, Wadi Saqra Street, Amman.
Tel: (962-6) 5672227. Fax: (962-6) 5652321.
Branch Manager: Mrs. Grace B. Atallah

Irbid
The Investment Centre 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

SYRIA
BANK AUDI SYRIA sa

HEADQUARTERS

1- Plaza 86 Bldg., Cham City Centre, Street No. 2,
Tanzeem Kafarsouseh, Damascus.
P.O. Box 6228 Damascus, Syria.
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2- Mohafaza Bldg., Youssef Al-Azmeh Square, Damascus.
P.O. Box 6228 Damascus, Syria.
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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. Toufic F. Attar

Abu Rummaneh
Kanawati Bldg. (facing Japanese embassy), 7 Al-Jalaa Street,
Abu Rummaneh.
Tel: (963-11) 3346406. Fax: (963-11) 3346410.
Branch Manager: Mr. Nagib A. Cheaib

West Mazzeh
Al Massoudi Street (facing "City Mall" main entrance).
Tel: (963-11) 6630397. Fax: (963-11) 6630385.
Retail Branch Manager: Mr. Roger N. Obeid

Malki
Abdul Mona'em Riad Street (next to "German Cultural Centre - Goethe").
Tel: (963-11) 3739695. Fax: (963-11) 3739503.
Retail Branch Manager: Mrs. Nivin A. Kara Mohamad

Kafarsouseh
Cham City Centre, Street No. 2, Tanzeem Kafarsouseh.
Tel: (963-11) 2111593. Fax: (963-11) 2111897.
Branch Manager: Mr. Georges H. Yazbeck

Kassaa
Droubi Bldg., Al Akhtal Street, Kassaa Street extension,
Al Abbassyeen Square.
Tel: (963-11) 4459160. Fax: (963-11) 4459322.
Retail Branch Manager: Mr. Hani J. Dahdouh

Harika
Al Kuwatli Bldg., 1st Floor, Abd El Kader Al Husseini Street.
Tel: (963-11) 2217870. Fax: (963-11) 2218420.
Branch Manager: Mr. Shadi E. Khouli

Dummar
Island No. 1, Cham Mall, Dummar Project.
Tel: (963-11) 3142320. Fax: (963-11) 3142324.
Retail Branch Manager: Mr. Hassan R. Baghdadi

Midan
Al Kawkabi Street (near Tishreen newspaper), Midan.
Tel: (963-11) 8839110. Fax: (963-11) 8839116.
Branch Manager: Mr. Abdulmajid M. Laham

DAMASCUS REEF

Harasta
Basal Area (next to Dacia Cars Agency), Harasta.
Tel: (963-11) 4475890. Fax: (963-11) 4475891.
Acting Branch Manager: Mr. Alaa A. Abbas

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.
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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 & 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. Omar M. Salahi

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

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EGYPT
BANK AUDI sae

HEADQUARTERS

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Deputy Heads of Branch Network	Mr. Ahmad M. Abdel-Kader Saad Mr. Ashraf M. Ryad
Regional Manager	Mr. Hatem A. Gheith
Area Managers	Mr. Mohammad H. Saad Mr. Khaled M. Sokar

GIZA

Dokki (Main Branch)
104 El Nile Street, Dokki.
Tel: (20-2) 33362648, 37493190, 37497066.
Fax: (20-2) 37483818.
Branch Manager: Mr. Mohamed A. Hafeez

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.
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.
Branch Manager: Mr. Raymond Y. Sleiman

CAIRO

Makram Ebeid
1 Makram Ebeid Street, Nasr City.
Tel: (20-2) 22731771-3. 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.
Area Manager: Mr. Mohammad H. Saad

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: Mr. Mohamed A. Zeki

Nady El Shams
17 Abdel Hamid Badawy Street, Heliopolis.
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Branch Manager: Mrs. Maha A. Hegazy

Mokattam
Plot # 6034, Street 9, Mokattam.
Tel: (20-2) 25057040, 25056978. Fax: (20-2) 25057566.
Branch Manager: Mr. Hany A. Fahim

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109 Abbassia Street.
Tel: (20-2) 24871906-8. Fax: (20-2) 24871927.
Branch Manager: Mr. Ahmed G. El-Zamzamy

El-Obour
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Tel: (20-2) 46104325-6. Fax: (20-2) 46104324.
Branch Manager: Mr. Sami S. Osman

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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 M. Ebeid

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
1 Aisha El-Taymorya Street, Garden City.
Tel: (20-2) 27928974-5-6. Fax: (20-2) 27928977.
Branch Manager: Mr. Hisham M. Oweida

Salah Salem
Bldg. 15, Salah Salem Street, Heliopolis.
Tel: (20-2) 22607438, 22607125. Fax: (20-2) 22607168.
Branch Manager: Mrs. Rasha M. Ramadan

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.
Area 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: Mrs. Hanan M. Ouf

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.
Branch Manager: Mr. Hossam S. Zaki

Sheraton Road
23 Taksim El Hadaba El Shamaleya, 167 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. Tarek M. El-Gazzar

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12, Ismail Mohie El Din Street, Ard El Golf, Heliopolis, Cairo, Egypt.
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SUDAN

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E-mail: contactus@nbs.com.sd

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National Bank of Sudan Bldg., Main Floor, Kasr Avenue, Khartoum.
Tel: (249-183) 774090. Fax: (249-183) 779497.

Omdurman
Kabashi Bldg., Block 4-1, Al Mowrada Street, Omdurman.
Tel: (249-187) 573231. Fax: (249-187) 555771.

Bahry
Bldg. No. 98, Block 1, Industrial Area, Bahry, North Khartoum.
Tel: (249-185) 330669. Fax: (249-185) 336493.

Wed Madani
Abu Senoun Bldg. No. 22-23, Madani Market, East Al-Gamhuria Street.
Tel: (249-511) 843225. Fax: (249-511) 850911.

Kosti
Bldg. No. 257-258, Block 2, Kosti Market.
Tel: (249-571) 822124. Fax: (249-571) 824963.

Portsudan
National Bank of Sudan Bldg. No. 4, Block 8, Portsudan Market (next to Al-Baladia gardens).
Tel: (249-311) 822814. Fax: (249-311) 839970.

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