



بنك بيروت
Bank of Beirut
Banking Beyond Borders

Annual Report 2011





ANNUAL REPORT 2011

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Reflections on 2011

The year 2011 was a trying one, owing to unusual operating conditions which stemmed from economic and market conditions. Domestically, the Lebanese economy was not as expected due to the situation in neighboring Syria which contributed to restricted trade. Regionally, the general political upheavals triggered socioeconomic unrest, which directly impacted all countries in the Middle East and North Africa and saw Lebanon's real output diminish from the previous year's 7.0% growth to about 1.5%. Globally, the world economy stagnated in part from the European sovereign debt crisis, which in turn catalyzed volatility in trade flows and government indebtedness. Real GDP growth shrunk from 5.2% in 2010 to an estimated 3.8% amidst further tightening in credit conditions, ultra-low interest rates worldwide, and imposed high liquidity in the banking system.

Despite these difficulties, and thanks to the Bank's traditional conservative strategy in avoiding risk as well as its stable management, the Group continued to grow, posting promising figures for the 2011 fiscal year. Total assets rose by USD 1.738 billion (21.75%) to reach USD 9.730 billion. The main driving force behind this growth was our deposit base, which grew by USD 1.613 billion (26.94%), standing at USD 7.603 billion. Our lending also expanded by USD 964 million (41.43%) to USD 3.291 billion. On the net income level, we were above the USD 100 million threshold, with a USD 103-million-strong profit. We continue to be the trade finance leaders in Lebanon, with USD 6,401 Billion in Letters of Credit opening in 2011.

In spite of our extended penetration in the retail and commercial segments, the Bank sustained solid liquidity levels, with total liquid assets to total liabilities at 69.20%. Furthermore, we enhanced our Asset Quality Ratios, which already soar above international standards. Our net Non-Performing Loans over Total Assets dropped from 0.26% at year-end 2010 to 0.20% at the end of the year 2011.

In capitalization, our competitive edge remains the cautious management of our equity. The latter augmented from USD 909 million to USD 1,048 million, a 15.29% climb; thanks to a new Preferred Share Issue of USD 135 million as well as to the capitalization of reserves and retained earnings. This growth in equity earned us the highest capitalization level among the top 10 banks in Lebanon, with Equity to Assets Ratio of 10.78% and a Capital Adequacy Ratio of 13.80% as per Basel II.

Our primary financial objective, that of delivering double-digit Total Shareholders' Return, was reached yet again. We have attained a Return on Average Common Equity of 16.12%, with a Return on Average Assets of 1.17%. Our Cost to Income Ratio closed just under the 50% mark, at 49.92%, in spite of the hire of 251 new employees and the growth in our international branch network from 55 branches to an impressive 75. Our Common Share Market Price climbed 4.30% to USD 19.40, elevating our Price to Common Earnings by 3.54% to 13.44%.

We extend our gratitude to all our business units—Global Markets, Commercial Banking, Retail Banking, as well as to our international network each of whom contributed to this exemplary performance.



Achievements

2011 was also a year of notable achievements on several fronts for the Bank.

Firstly, we expanded into the continent Down Under through the acquisition of 92.5% of the shares of Laiki Bank (Australia) Ltd., subsequently renamed Beirut Hellenic Bank Ltd., with a present network of 16 branches and over USD 1.2 billion in assets. Beirut Hellenic Bank is incorporated in Australia and regulated by the Australian Prudential Regulatory Authority. Entering the stable and sound Australian banking market has allowed us to become the embassy of the Lebanese banking industry and to expand our presence into areas densely populated by the Lebanese diaspora.

On a domestic level, the Bank inaugurated five new branches in remote areas in a proximity banking strategy and in an effort to offer customers in these areas quality products and services tailored to their needs. Several initiatives were also undertaken, namely an organization transformation of the Retail and Branches Division, as well as a restructuring in Operations and Human Resources activities. The physical consolidation of these units, as well as the redefinition of higher goals streamlined the internal flow of processes and eliminated superfluous activities. Along with this, the Bank created the Cash Management and Transaction Banking Services Department, developing the latest innovative programs with the widest reach in Lebanon. We also expanded into life insurance services through an external acquisition and hence Beirut Life was our latest born subsidiary, offering a full array of bancassurance services.

Bank of Beirut also launched a new corporate identity throughout all its branches, in Lebanon and abroad. Designed by one of the most renowned firms in the field, the intention was to keep pace with modernity and to unify the external look with the internal infrastructure.

Finally, our most daring achievement was on the educational front. In an endeavor to create a Corporate University, the Bank established a Learning Center with tailored and highly advanced courses to provide all personnel with improved banking knowledge and to enhance their commitment to customer satisfaction.

Looking forward to 2012

Bank of Beirut's pledge to maintain a strong and steady financial position as well as its conservative long-term planning, have allowed it to remain on the cusp of award-winning Lebanese banking. Going forward, our strategy is to reinforce our core activities, articulate our Capital Markets offerings, and prospect for opportunities here and abroad that successfully exploit our strengths.



On behalf of our Shareholders and Board of Directors, I want to thank our employees, our number one asset, for their continued support of our endeavors to grow and blossom, both here and abroad. It is their loyalty and dedication that have allowed us to weather the hazardous financial climate we found ourselves facing and ultimately overcome it.

Sincerely,

Salim G. Sfeir
Chairman General Manager







*Proud of our past, we embrace
the future with its opportunities,
challenges and successes,
moving ahead with strong faith in
our capabilities.*

The 2011 Annual Report reflects a year of remarkable achievements and commemorates the remodeling of our corporate identity. It signifies a new phase in the life-cycle of Bank of Beirut by embracing the new while sustaining the Bank's deep-rooted history.

In 2011 we aimed at providing exceptional banking services to our customers by utilizing all our resources in an effort to better serve them worldwide.

Today, we continue to build on a half century of dedication, commitment and excellence and to enhance further our expansion to new horizons. With pride we salute our past and look forward to decades of success.



Bank of Beirut at a Glance





Brief History

With a solid vision and perseverance being the starting points of its rich history, Bank of Beirut has grown to become one of today's leading commercial banks in Lebanon, recognized in 2011 as the "Highest Mover Bank" in the Middle East by "The Banker" magazine.

The first milestone in Bank of Beirut's journey was its establishment as a commercial bank on August 19, 1963 under the name of "Realty Business Bank s.a.l."; however, it was not until 1970 that Bank of Beirut took on its present name.

In 1993, the Bank was acquired by a group of businessmen and bankers, headed by the current Chairman General Manager, Mr. Salim G. Sfeir. Since then, the Bank embarked on an extensive expansion plan, to enhance its market position and leverage its expertise into local and regional markets. This expansion was illustrated through organic growth as well as a number of transactions ranging from private placements and issuance of Preferred Shares, to entering into strategic alliances with regional Arab banking establishments, and acquiring other institutions.

In 1997, a major turning point marked the Bank's journey, when it became one of Lebanon's five banks listed on the Beirut Stock Exchange. Bank of Beirut was also the first bank in Lebanon to launch asset management services, targeting high net-worth customers in both domestic and regional markets.

In 2005, Bank of Beirut established "BOB Finance s.a.l.", a wholly owned financial institution regulated by the Central Bank of Lebanon.

In 2009, the Bank was appointed an Agent of Western Union in Lebanon.

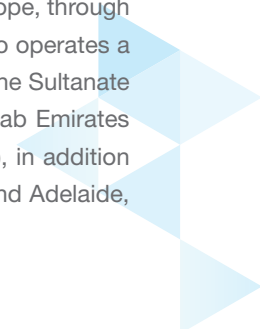
In 2007, Bank of Beirut established an independent wholly owned specialized banking subsidiary, Bank of Beirut Invest s.a.l.

In 2011, Bank of Beirut established "Beirut Life Co." an insurance company offering a full array of insurance services with the best conditions.

Today, Bank of Beirut operates in Lebanon through its network of 57 branches, 55 on-site ATMs and 13 off-site ATMs installed either at customers' premises or in strategic non-bank locations, such as, commercial centers.

The Bank's primary activities consist of retail banking services, including consumer lending, deposits and savings plans, bancassurance products and cards; a wide range of commercial and corporate banking services, including a variety of credit facilities and lending to large corporations and SMEs; correspondent banking services; trade finance services, including Letters of Credit and Letters of Guarantee as well as treasury, capital markets and asset management activities.

On the international level, Bank of Beirut provides commercial banking services in the United Kingdom and throughout Europe, through its wholly owned subsidiary, Bank of Beirut (U.K.) Ltd, regulated by the Financial Services Authority ("FSA"). The Bank also operates a branch in Germany (Frankfurt), a branch in Cyprus (Limassol) regulated by the Central Bank of Cyprus; three branches in the Sultanate of Oman (Muscat, Ghubrah and Sohar) regulated by the Central Bank of Oman; a representative office in the United Arab Emirates (Dubai) to service the Gulf region; a representative office in Nigeria (Lagos); and a representative office in Iraq (Baghdad), in addition to a subsidiary in Australia Beirut Hellenic Bank Ltd. with a network of sixteen branches located in Sydney, Melbourne, and Adelaide, regulated by the Australian Prudential Regulatory Authority ("APRA").





Mission

All efforts are exerted to widening the scope of our business; this includes taking initiatives that create value for our customers by concluding agreements with major international financing institutions, namely the AFTP, the EIB and the IFC. Bank of Beirut's strategy focuses on seeking new opportunities in the region and on reaching targeted international markets, especially in the MENA and gulf regions where our network of branches and representative offices operate.

Vision

Our vision at Bank of Beirut is to create a better future for every individual and corporation in Beirut and Beyond...

Values

- ▶ **Shareholders' fulfillment**, through providing our shareholders with an adequate return on their investment while minimizing risks.
- ▶ **Customer satisfaction**, through continuously striving to anticipate and fulfill our customers' needs and to build lasting relationships with them.
- ▶ **Employee satisfaction**, through ensuring to our staff an agreeable working environment and the development of professional opportunities.
- ▶ **Integrity and trust**, through conducting the transactions of all our stakeholders in the strictest confidence and with the highest ethical standards.





Introduction

Given the vital role of banks in the Lebanese economy as well as the impact of good governance on the successful standing of these institutions, the following guidelines were developed in adherence to policies set forth by Banque du Liban, the Banking Control Commission and the Association of Banks in Lebanon. Bank of Beirut's Corporate Governance is driven by the Board of Directors' principal responsibility to act in good faith, with prudence and in accordance with a set of values and standards that promote the stakeholders' interests.

Bank of Beirut has been operating in Lebanon since 1963; its current management took the reins in 1993. It is currently one of Lebanon's leading banks. The Bank targets commercial, retail and capital markets, and its rigorous corporate governance aims to ensure efficient credit, market and operational risk management. Today the Bank exists in nine countries and conforms to strict local, regional, and international regulations.

Governance Framework

Bank of Beirut operates under corporate governance policies and practices designed to ensure that the Bank's performance maximizes long-term shareholder value.

The Governance framework of the Bank is documented in the "Corporate Governance Guidelines" and the charters of the Board Audit, Board Risk Management Committees and Board Credit Committee, all of which are subject to continuous review and fine-tuning as deemed necessary. These guidelines hinge on the evolving needs and expectations of depositors, regulators, investors and the market at large.

The Board of Directors has overall responsibility for Bank of Beirut, not limited to approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values; and enforcing adequate, effective, and independent controls. Board authority is presently vested in nine individuals, two of whom are Managing Directors and the remaining seven, non-executive members.

The Board Audit Committee (BAC), promotes compliance with regulatory requisites as well as integrity of financial statements and reports. The main functions of the BAC are to assist the Board in fulfilling oversight responsibilities for

- Proficiency, independence and objectivity of both external and internal auditors,
- Financial reporting and disclosure processes,
- Effectiveness of the internal control systems,
- Review of audit reports issued by internal audit, and
- Ratification of recommended action plans.

The Board Risk Management Committee (BRMC), evaluates and manages all key business risks by administering policies and procedures. Its tasks include:

- Formulating a strategy for the assumption of risk and the management of capital that align with the business objectives of the Bank,
- Annually reviewing and recommending to the Board the Internal Capital Adequacy Assessment Process (ICAAP) document,
- Developing an internal risk management framework, and
- Ensuring that the Bank conforms to Basel requirements.





The Board Credit Committee (BCC) is the highest credit approval authority at the Bank and its main function is the Approval/Ratification of all the commercial credit requests presented to it and which are above USD1,000,000.

Fourteen other management committees focus on specific day-to-day operations of the Bank; each committee functions according to its own charter, and are listed here below:

1. Management Committee
2. Asset/Liability Management Committee
3. Credit Committee
4. Credit Committee for Financial Institutions
5. Anti-Money Laundering and Counter-Financing of Terrorism Committee
6. Asset Recovery Committee
7. Real Estate Committee
8. Foreign Affiliates Committee
9. Retail & Branches Committee
10. Marketing Committee
11. Human Resources Committee
12. Information Technology Committee
13. Operational Risk Management Sub Committee
14. Information Security Sub Committee

The Bank has established a Code of Conduct Policy divided into six major themes: General Principles, Business Ethics, Confidentiality, Conflicts of Interest, Business Relationships, and Protection of the Bank's Assets. It is the Board's prerogative to ensure these tenets are observed by directors, managers, and employees alike.



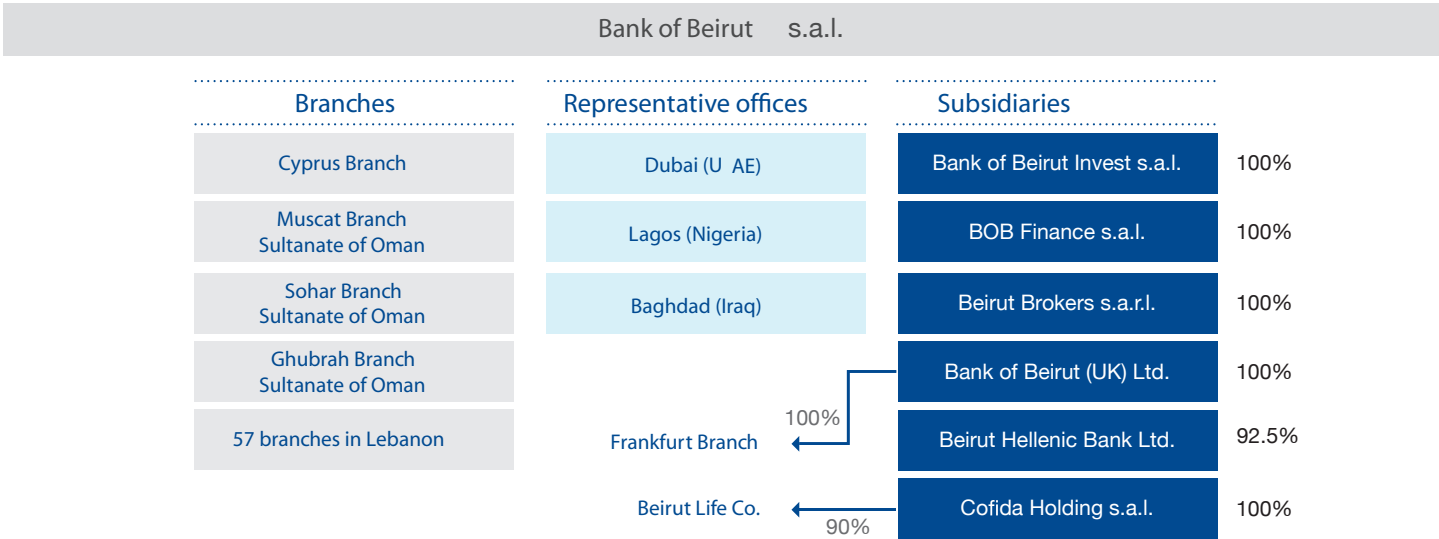


The Group





Organisational Structure





Board of Directors

- ◆ [Mr. Salim G. Sfeir](#)
Chairman General Manager
- ◆ [Mr. Adib S. Millet](#)
Vice Chairman
- ◆ [Mr. Fawaz H. Naboulsi](#)
Deputy General Manager
- ◆ [Mr. Antoine A. Abdel Massih](#)
Member
- ◆ [Emirates Bank P.J.S.C.](#)
Represented by Mr. Khalid Bin Kalban - Member
- ◆ [H.E. Mr. Anwar M. El-Khalil](#)
Member
- ◆ [Architect Rashid Al-Rashid](#)
Member
- ◆ [Mr. Antoine Wakim](#)
Member
- ◆ [Mr. Krikor Sadikian](#)
Member



The Management

- ◆ **Hikmat Bikai**
Assistant General Manager - Credit
- ◆ **Fouad Chaker**
Assistant General Manager - Commercial Banking
- ◆ **Henri Tabet**
Assistant General Manager - Operations and Administration
- ◆ **Elias Alouf**
Group Risk Management
- ◆ **Gaby Andari**
Information Technology
- ◆ **Georges Aouad**
Retail Banking and Branches
- ◆ **Paul Boulos**
Marketing and Corporate Communications
- ◆ **Roger Dagher**
Finance and Accounting
- ◆ **Rached Ghanem**
Central Management and Real Estate
- ◆ **Antoine Habib**
Public Relations
- ◆ **Said Haddad**
Credit Recovery and Legal
- ◆ **Amal Houry**
Customer Relations
- ◆ **Ghassan Kandalaft**
Branches Network
- ◆ **Eddy Khoury**
Corporate Banking
- ◆ **Alex Moujaes**
Global Markets
- ◆ **Bassem Nohra**
Internal Audit
- ◆ **Rabih Yaghi**
Human Resources



Management Abroad

Subsidiaries

- ▶ United Kingdom
Bank of Beirut (UK) Ltd.
Managing Director and CEO: Bob C. Dzeingeleski
- ▶ Germany (UK subsidiary branch)
Bank of Beirut UK Ltd. – Frankfurt Branch
General Manager: Karl-Friedrich Rieger
- ▶ Australia (16 branches in Sydney, Melbourne and Adelaide)
Beirut Hellenic Bank Ltd.
Managing Director and CEO: James Wakim

Branches

- ▶ Cyprus
Bank of Beirut – Cyprus Branch
Manager: Walid K. Gholmieh
- ▶ Sultanate of Oman
Bank of Beirut – Sultanate of Oman Branches
(Muscat, Ghubrah and Sohar)
Country Manager: Remy F. Zambarakji

Representative Offices

- ▶ UAE
Bank of Beirut Dubai Representative Office
Representative in UAE for the Gulf Region: Balsam H. Al Khalil
- ▶ Nigeria
Bank of Beirut Representative Office (Nigeria) Ltd.
Manager: Camille R. Chidiac
- ▶ Iraq
Bank of Beirut Baghdad Representative Office
Representative: Ameer Q. Al Ubaidy
- ▶ Qatar
Doha Bank
Business Development Officer Fareed El-Baba







The Network

Bank of Beirut Group Entities and Subsidiaries:

- ▶ Bank of Beirut s.a.l.
- ▶ Bank of Beirut Invest s.a.l.
- ▶ BOB Finance s.a.l.
- ▶ Beirut Brokers s.a.r.l.
- ▶ Bank of Beirut (UK) Ltd.
- ▶ Beirut Hellenic Bank Ltd.
- ▶ Cofida Holding s.a.l.
- ▶ Beirut Life Co.



Bank of Beirut Invest s.a.l.

Established in 2007, Bank of Beirut Invest is the investment arm of the Group. It is fully owned by the Bank and is enrolled in brokerage and capital market operations, asset and funds management, lending the private sector on a long term basis thus increasing the role of the Bank as a major driver in the Lebanese economy. In addition to its long term investment strategy, the Bank is specialized in the housing loans business, making it a first of its kind private investment bank in Lebanon with a highly qualified team to serve the real estate growing needs for Lebanese residents and expatriates.

Bank of Beirut Invest s.a.l. is reachable at the following address:

Beirut - Riyad El Solh Street - Bank of Beirut Bldg. - P.O.Box: 11-5522 Beirut – Lebanon

Tel: 961 1 980222 | 333

Beirut Brokers s.a.r.l.

Beirut Brokers s.a.r.l, a private insurance brokerage firm, represents the Bank's insurance arm providing insurance services to corporate, institutional and individual customers by offering a wide range of Bancassurance products in partnership with Bank of Beirut.

Beirut Brokers s.a.r.l. is reachable at the following address:

Jdeideh - Nahr el Mot Highway - Le Boulevard bldg - 9th & 10th floor – Tel: 961 1 900403 | 503 | 406 | 506

BOB Finance s.a.l.

BOB Finance s.a.l. is a financial institution governed by articles 178 to 182 of the Code of Money and Credit as well as by the regulations of the Central Bank of Lebanon. Among others, BOB Finance s.a.l. can engage in lending, brokerage activities, as well as portfolio and asset management.

In 2009, BOB Finance was appointed as a Western Union Agent in Lebanon. Western Union Money Transfer service is available at all Bank of Beirut Branches. In addition to the branch network, BOB Finance developed a network of over 650 sub-agents spread all over Lebanon.

BOB Finance s.a.l. is reachable at the following address:

Bauchrieh, Electricité du Liban Street - P.O. Box 11-7354 - Tel/fax: 961 1 879360 | 1 | 2

Beirut Life Co.

Launched in April 2012, “Beirut Life” is Bank of Beirut insurance company offering a full array of insurance services with the best conditions. Beirut Life's services offer the Bank key opportunities to access the Lebanese market which is still very under-exploited in terms of insurance products. Beirut Life will offer securities covering products, such as, retirement plans and life insurance plans, all aimed at protecting Bank of Beirut Customers and their families against the financial impacts of life, death or disability.

Bank of Beirut is committed to innovation in products, services and technology. Beirut Life's software platform allows for direct solutions at the Bank's counters as well as the possibility for Customers to purchase most of their insurance online. At Beirut Life, our objective is to build and sustain supreme financial capabilities allowing us to pay our claims promptly, to accumulate healthy reserves and to generate benchmark profits for our shareholders. We will bear calculated risks, deal with renowned reliable reinsurers and price our products fairly and competitively. But above all, we will bond with our customers through transparent products, providing value for their money and outstanding service to better their own lives and that of their families.

Beirut Life Co. is reachable at the following address:

Jdeideh - Nahr el Mot Highway - Le Boulevard bldg. - 9th & 10th floor – Tel: 961 1 900403 | 503 | 406 | 506





Management Discussion and Analysis



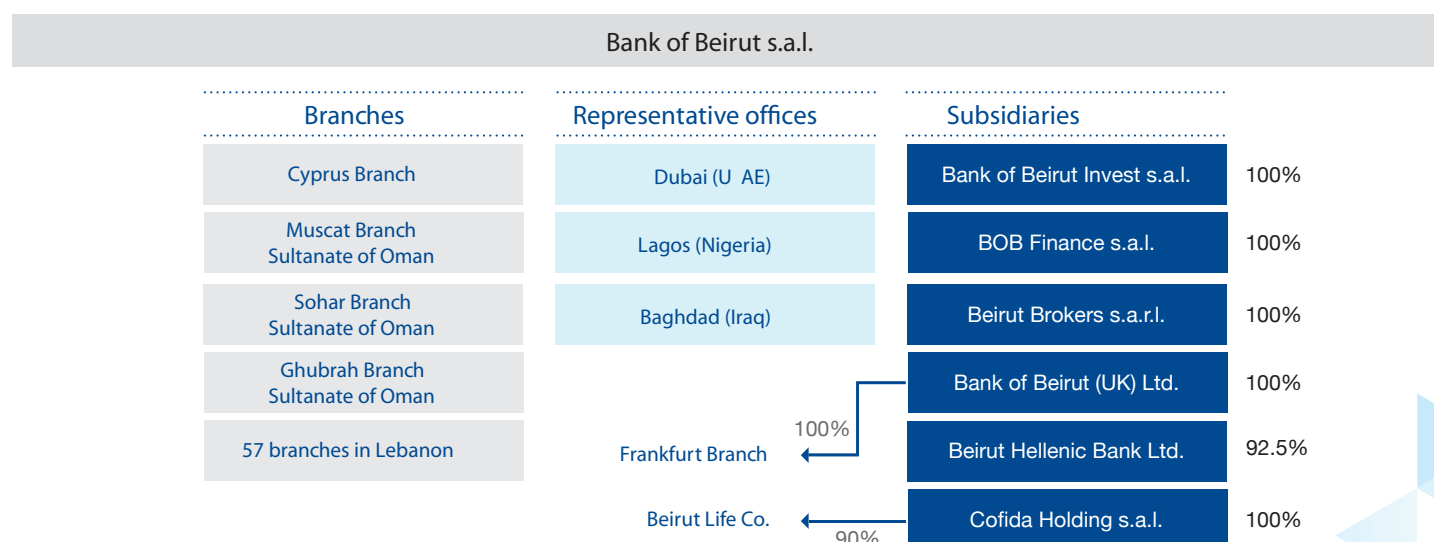
Basis of presentation

The analysis that follows highlights the Bank of Beirut consolidated performance in 2011, as compared to 2010. The report is based on the Bank's audited consolidated financial statements as at and for the years ended December 31st, 2010 and December 31st, 2011 which have been prepared in accordance with International Financial Reporting Standards (IFRS). Prior year comparable financial statements were restated and/or reclassified to conform to current year presentation.

The consolidated financial statements of Bank of Beirut s.a.l. include the Bank's financial statements, its foreign branches and enterprises controlled by the Bank (its subsidiaries). The Bank and its subsidiaries (the "Group") have the same financial reporting year and apply consistent accounting policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity in order to acquire benefits from its activities.

Unless otherwise indicated, all figures are expressed in Lebanese Pounds (LBP). 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).

Bank of Beirut Group structure



Overview

Bank of Beirut demonstrated an outstanding performance in 2011; the Bank, having registered a phenomenal track record as one of the fastest growing banks throughout the years since 1993, continued its sustainable growth in 2011. This progress has been growing at a significant pace, in both the domestic marketplace and in the countries where the Bank is represented.

The achieved growth has been in line with the long-term strategy adopted by the Bank to diversify its business activities towards a universal banking model and to expand regionally and internationally in profitable and relatively low-risk countries. It is to be noted that the Bank's long-term strategy is to attain a balanced breakdown of profits between activities in Lebanon and abroad.

Domestically, the performance was characterized by remarkable growth in all main financial indicators. Following the acquisition of 92.50% of Beirut Hellenic Bank in February 2011, and capitalizing on the large branch network and the diversified product range, the Bank has achieved gains in market shares in both commercial and retail businesses, while maintaining its position as a leader in Funds Management and Trade Finance lines of business.

On consolidated basis, the Bank's total assets reached at the end of year 2011 LBP 14,668 billion, growing by 21.75% over year 2010. The growth in size was mainly funded by the growth in deposits and in equity.

Description (LBP billions)	Balances		Growth	
	31-Dec -10	31-Dec -11	Amount	%
Assets	12,048	14,668	2,620	21.75%
Shareholders' Equity	1,370	1,579	209	15.26%
Deposits	9,029	11,461	2,432	26.93%
Loans and advances	3,508	4,962	1,454	41.45%
Net Profit	152	156	4	2.73%

- Customers' deposits growth achieved in 2011 registered a 26.93% over last year, outpacing the growth in the peer group (12.17%); total deposits reached LBP 11,461 billion as at December 31st, 2011, as compared to LBP 9,029 billion as at December 31st, 2010. The growth has been mainly derived by Beirut Hellenic Bank deposit base which amounted to the counter-value of LBP 1,419 billion.
- Total Equity increased in 2011 by LBP 209 billion, to reach LBP 1,579 billion (+15.26%).
- Loans to customers grew by 41.45%, clearly outpacing the peer group growth (+18.59%), to reach LBP 4,962 billion at the end of year 2011. Beirut Hellenic Bank loan portfolio contributed by the counter-value of LBP 1,176 billion of the bank's consolidated growth.
- The growth strategy has at no point in time been to the detriment of profitability and conservative risk-driven approach. In fact, the Bank's net income increased by 2.73% in 2011, to reach LBP 156 billion as compared to LBP 152 billion in 2010.



Main Key performance indicators

KPI (in %)	2010	2011	Variation
Return on average assets (ROAA)	1.35%	1.17%	-0.18%
Return on average equity (ROAE)	11.92%	10.55%	-1.36%
Return on average common equity (ROACE)	16.95%	16.12%	-0.83%
Cost to income ratio	46.32%	49.92%	3.61%
Equity to assets ratio	11.37%	10.78%	-0.60%
Capital Adequacy Ratio - Basel II	14.40%	13.68%	-0.72%
Loans to deposits ratio	38.85%	43.17%	4.32%
Net NPLs to Net Loans	0.89%	0.59%	-0.30%

Peer Group analysis

Bank of Beirut has been able to improve its peer group shares and ranking within the Alpha Group of Banks in the major indicators.

(in %)	Peer Group share			Ranking	
	31-Dec- 10	31-Dec- 11	Variation	31-Dec- 10	31-Dec- 11
Assets	6.25	6.79	0.54	7	8
Shareholders' Equity	7.84	8.86	1.02	6	5
Deposits	5.60	6.34	0.74	7	8
Loans and advances	6.76	8.06	1.30	7	7
Net Profit	6.74	6.68	(0.05)	6	6

It is to be noted that the decline in the "Assets" and "Deposits" ranking from 7 to 8 was due to the advancement of Société Générale de Banque au Liban (SGBL) following the acquisition of Lebanese Canadian Bank during 2011.

On the other hand, Bank of Beirut has been able to achieve the following outstanding rankings within the peer group:

- Ranking 1st in "Equity to Asset ratio", maintaining its position as the bank with the highest capitalization level among peer group banks.
- Ranking 1st in both "Net Doubtful loans to Gross loans", and "Loan Loss Reserves on Doubtful Loans to Doubtful Loans", denoting the conservative management of the credit risk.
- Ranking 1st in "Loans in foreign currencies to deposits in foreign currencies" and 2nd in "Loans to deposits" ratio.
- Ranking 1st in Letters of Credit exposure, with a peer group share of 26.32%, evidencing the leader position in Trade Finance business in the market.

5-year peer group share evolution

Description (in %)	Share				
	31-Dec- 07	31-Dec- 08	31-Dec- 09	31-Dec- 10	31-Dec- 11
Assets	6.23	5.91	5.77	6.25	6.79
Shareholders' Equity	6.45	6.13	7.42	7.84	8.86
Deposits	5.40	4.97	4.92	5.60	6.34
Loans and advances	5.59	5.84	6.24	6.76	8.06
Net Profit	5.48	6.12	5.81	6.74	6.68

Source: Alpha Group report for 2010, Bilan banques for 2007 - 2009 (published by Bankdata Services WLL)

5-year peer group ranking

Description (in %)	Rank				
	31-Dec- 07	31-Dec- 08	31-Dec- 09	31-Dec- 10	31-Dec- 11
Assets	7	7	7	7	8
Shareholders' Equity	7	6	6	6	5
Deposits	7	7	7	7	8
Loans and advances	7	7	7	7	7
Net Profit	6	7	6	6	6
LC Openings	2	2	1	1	1
Staff employed	9	8	9	9	8
Number of branches	8	9	8	8	7
ROAA	7	6	6	3	3
Cost to Income	7	4	6	4	6
Net Spread	8	8	9	5	7
Equity to Assets	3	5	1	1	1
Loans to deposits	6	4	3	2	2



Sources and uses of funds

Sources of funds

The main source of funds was generated from Customers' deposits and Equity.

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Due from banks and financial institutions	805	732	(73)	-9.06%	6.68%	4.99%
Customers' deposits	9,029	11,461	2,432	26.93%	74.95%	78.14%
Liabilities under acceptance	302	457	155	51.34%	2.51%	3.12%
Other borrowings	235	61	(174)	-74.15%	1.95%	0.41%
Certificates of Deposit	151	227	75	49.85%	1.26%	1.55%
Other liabilities & provisions	155	151	(4)	-2.5%	1.28%	1.03%
Shareholders' equity	1,370	1,579	209	15.26%	11.37%	10.77%
Total	12,048	14,668	2,620	21.75%	100.00%	100.00%

The deposit base grew by LBP 2.432 billion in 2011, consequently it accounted for 78.14% of funding sources in 2011 compared to 74.95% in 2010. The Equity increased by LBP 209 billion in 2011 (+15.26%) and its share declined slightly to 10.77% at year-end 2011, as compared to 11.37% at year-end 2010.

Funding from other borrowings and Certificates of Deposit stood at 1.96% in 2011 compared to 3.21% in 2010.



Uses of funds

The Bank's strategy puts emphasis on the maintenance of high asset quality and a strong investment portfolio.

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Cash and deposits at Central Banks	2,066	2,352	286	13.87%	17.15%	16.04%
Deposits with banks and financial institutions	1,245	1,491	246	19.77%	10.33%	10.17%
Loans and Advances	3,508	4,962	1,454	41.45%	29.11%	33.83%
Customers' acceptance liability	302	457	155	51.34%	2.51%	3.12%
Investment securities (incl. trading assets)	4,728	5,087	360	7.61%	39.25%	34.68%
Investments in associate	34	36	2	5.88%	0.29%	0.25%
Property and equipment	99	118	19	19.34%	0.82%	0.80%
Other assets	64	75	11	17.88%	0.53%	0.51%
Goodwill	2	89	87	4016.30%	0.02%	0.60%
Total	12,048	14,668	2,620	21.75%	100.00%	100.00%

The main utilization of funds in 2011 was:

Loans to customers

Growing in 2011 by LBP 1,454 billion, an annual growth of 41.45%, outpacing the growth achieved by the peer group (18.59%). The share of the loan portfolio reflected 33.83% in 2011, as compared to 29.11% in 2010; noticeably above the peer group's ratio standing at 28.51% as at year-end 2011 (26.93% in 2010).

Cash & Central Banks

Increasing in 2011 by LBP 286 billion (+13.87%) and representing 16.04% of total assets at year-end 2011 as compared to 17.15% at year-end 2010, as compared to peer group 20.50% and 17.42% for 2011 and 2010 respectively.

Deposits with banks and financial institutions

Increasing in 2011 by LBP 246 billion (+19.77%) and representing 10.17% of total assets at year-end 2011 as compared to 10.33% at year-end 2010, as compared to peer group 12.60% and 16.13% for 2011 and 2010 respectively.

Investment Securities

Increasing in 2011 by LBP 360 billion (+7.61%) and representing 34.68% of total assets at year-end 2011 as compared to 39.24% at year-end 2010, as compared to peer group 34.52% and 36.03% for 2011 and 2010 respectively.

Goodwill

Increasing in 2011 by LBP 87 billion and representing the Goodwill arising from the acquisition of 92.5% of Beirut Hellenic Bank during the 1st quarter of 2011.



Customers' Deposits

Constituting the main funding source, "Customers' deposits" recorded a robust growth year-over-year to reach LBP 11,461 billion at 2011 year-end, an increase of LBP 2,432 billion as compared to 2010 year-end.

The Bank was able to outperform the peer group in soliciting deposits, achieving a growth rate of 26.93% as compared to 12.17% by the peer group, thus, acquiring additional market share. The continuous accretion in deposit base over the years firmly reflects the strong franchise and the improving market positioning of the Bank in Lebanon as the country's eighth largest Bank in terms of total assets and deposits. The year 2011 growth was mainly driven by Beirut Hellenic Bank deposit base which amounted as at December 31st, 2011 to the counter-value of LBP 1,419 billion.

Distribution by type

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Deposits designated at Fair Value through P&L	7	3	(4)	-55.17%	0.07%	0.03%
Current/demand deposits	1,188	1,554	366	30.78%	13.16%	13.56%
Term deposits	7,114	9,183	2,070	29.10%	78.78%	80.13%
Collateral against loans & advances	482	460	(22)	-4.54%	5.34%	4.01%
Margins & other deposits	195	191	(4)	-1.92%	2.16%	1.67%
Accrued interest	44	69	25	57.58%	0.48%	0.60%
Total	9,029	11,461	2,432	26.93%	100.00%	100.00%

The breakdown of deposits has been relatively stable in 2011 with term deposits continuing to reflect the lion's share of 80.13% of total deposits as at December 31st, 2011 as compared to 78.78% at year-end 2010.

This confirms the sound strategy in providing a growth in horizontal platform for core depositors on a strong long-term relationship. Current and demand deposits, amounting to LBP 1,554 billion as at December 31st, 2011, represented 13.56% of total deposits (13.16% as at 2010 year-end). The Cash collateral accounts decreased by LBP 22 billion in 2011, a negative annual growth of 4.54%.



Distribution by Currency

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
LBP	3,577	3,804	227	6.40%	39.61%	33.21%
USD	4,275	4,794	520	12.16%	47.34%	41.83%
Euro	426	475	49	11.50%	4.72%	4.15%
GBP	132	256	125	94.85%	1.46%	2.24%
AUD	-	1,388			0.00%	12.11%
Other	620	743	123	19.52%	6.87%	6.47%
Total	9,029	11,461	1,044	11.56%	100.00%	100.00%

The LBP denominated deposits augmented by LBP 227 billion in 2011 recording an annual growth of 6.40%, as compared to 5.58% by the peer group for the same period.

As a direct result of the deposit base of Beirut Hellenic Bank, the “Deposits’ dollarization rate” (measured as foreign currency denominated deposits to total deposits) increased from 60.39% as at 31st, December 2010 to 66.79% at the end of year 2011 (compared to 69.11% for the peer group).

On the Foreign Currency side, the USD continued to hold the largest share of 62.63% by the end of 2011, as compared to 78.39% as at December 31st, 2010.

Distribution by Geographical location

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Lebanon	7,245	7,760	515	7.11%	80.23%	67.71%
Middle East and Africa	1,243	1,500	258	20.73%	13.76%	13.09%
Europe	319	563	244	76.67%	3.53%	4.91%
North America	35	35	(1)	-1.50%	0.39%	0.30%
Other	189	1,603	1,415	750.49%	2.09%	13.99%
Total	9,029	11,461	2,432	26.93%	100.00%	100.00%

The deposits from Lebanon grew by LBP 515 billion in 2011, an annual growth of 7.11% over 2010, matching the local banking sector growth rate. Its share declined significantly from 80.23% at the end of 2010 to 67.11% at year-end 2011, which was mainly due to Beirut Hellenic Bank deposits booked in Australia.

Loans to Customers

In line with the Bank's expansionary plan, and driven by the acquisition of Beirut Hellenic Bank during 1st quarter of 2011, and while maintaining the traditionally adopted conservative lending strategy, the Loan portfolio to customers increased by LBP 1,454 billion in 2011, reaching LBP 4,962 billion, compared to LBP 3,508 billion at the end of year 2010. This growth (+41.45%) outperformed the peer group growth rate in 2011 (+18.59%). The loan to deposit ratio and the loans to asset ratio stood at 43.17%, and 33.73% respectively as at December 31st, 2011, as compared to 38.85% and 29.11% as at year-end 2010.

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Regular loans to customers	3,386	4,793	1,408	41.58%	96.52%	96.61%
Regular loans to related parties	107	155	48	44.73%	3.05%	3.12%
Substandard loans (net)	16	15	(1)	-6.25%	0.45%	0.30%
Doubtful and bad loans (net)	16	15	(1)	-6.59%	0.44%	0.29%
Allowance for collectively assessed loans	(16)	(16)	0	-2.32%	-0.47%	-0.32%
Total	3,508	4,962	1,454	41.45%	100.00%	100.00%

The "Regular loans" recorded a growth rate of 41.68% during 2011, while the non-performing loans decreased by 6.42%.

Distribution by Currency

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
LBP	801	858	58	7.19%	22.83%	17.30%
USD	2,234	2,076	(157)	-7.04%	63.68%	41.85%
Euro	154	96	(58)	-37.48%	4.39%	1.94%
GBP	45	400	355	793.99%	1.28%	8.07%
AUD		1,187	1,187		0.00%	23.92%
Other	274	343	69	25.25%	7.82%	6.92%
Total	3,508	4,962	1,454	41.45%	100.00%	100.00%

The LBP denominated Loans registered moderate growth in 2011 by LBP 58 billion (+7.19%), as compared to 29.95% for the peer group.

The foreign currency denominated loans grew by LBP 1,396 billion, recording a considerable annual growth of 51.57%, remarkably outpacing the growth rate achieved by peer group (16.55%).

Consequently, the "Loans dollarization rate" (measured as Loans denominated in foreign currencies to total Loans) dropped from 77.17% as at 31st, December 2010 (compared to 83.31% for the peer group), to 82.70% at the end of year 2010 (compared to 84.77% for the peer group).

Distribution by Geographical location

The geographical distribution of loans reflects an increase in Australia (other caption) by LBP 1.163 billion in 2011, to reach 23.91% in total loans as at year-end 2011.

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Lebanon	2,729	2,893	164	6.01%	77.80%	58.31%
Middle East and Africa	433	442	9	2.15%	12.34%	8.91%
Europe	322	440	118	36.63%	9.18%	8.87%
North America	0	0	0	203.61%	0.00%	0.00%
Other	24	1,186	1,163	4934.09%	0.67%	23.91%
Total	3,508	4,962	1,454	41.45%	100.00%	100.00%

Distribution by type of loans (gross balances)

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Gross regular loans - Retail	1,391	1,398	7	0.53%	38.64%	27.64%
Gross regular loans - Corporate	2,102	3,550	1,448	68.90%	58.41%	70.19%
Gross Non-performing loans - Retail	6	9	3	39.03%	0.17%	0.17%
Gross Non-performing loans - Corporate	100	101	1	1.26%	2.77%	2.00%
Total	3,599	5,058	1,459	40.55%	100.00%	100.00%

Distribution by type of loans (net of specific loan loss reserves)

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Regular loans - Retail	1,391	1,398	7	0.50%	39.46%	28.09%
Regular loans - Corporate	2,102	3,550	1,448	68.90%	59.65%	71.32%
Net Non-performing loans - Retail	3	6	3	101.31%	0.09%	0.12%
Net Non-performing loans - Corporate	28	23	(5)	-17.86%	0.80%	0.47%
Total	3,524	4,978	1,454	41.25%	100.00%	100.00%

As reflected in the table above, the regular retail loans represented 28.09% of total loans at the end of 2011 as compared to 39.46% in 2010.

Investment Securities Portfolio

The Bank's securities portfolio, which consists of both fixed and variable income securities, increased slightly by LBP 360 billion in 2011, an annual positive growth rate of 7.61%, to reach LBP 5,087 billion and representing 34.68% of total assets as at December 31st, 2011, as compared to 39.24% as at December 31st, 2010.

The share of Lebanese Treasury Bills and Government Eurobonds out of total securities decreased from 63.50% as at December 31st, 2010 to 53.85% as at December 31st, 2011, while the share of fixed income instruments placed with Central Banks increased by 6.24% in 2011, to reach 31.19%.

The main increase was in the financial private sector debt securities which increased by the counter-value of LBP 452 billion, mainly due to the acquisition of Beirut Hellenic Bank.

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Quoted equity securities and funds	25	16	(9)	-36.27%	0.54%	0.32%
Unquoted equity securities	17	24	7	40.42%	0.37%	0.48%
Lebanese Treasury Bills	1,703	1,489	(214)	-12.59%	36.70%	29.75%
Lebanese Government Bonds	1,243	1,206	(38)	-3.03%	26.80%	24.10%
Foreign Government Treasury Bonds	-	28	28		0.00%	0.56%
CD's issued by the Central Bank of Lebanon	1,469	1,561	92	6.24%	31.65%	31.19%
Certificates of Deposit issued by private sector	-	82	82		0.00%	1.64%
Financial private sector debt securities	24	476	452	1910.15%	0.51%	9.51%
Corporate bonds	159	123	(36)	-22.60%	3.42%	2.45%
Sub-total	4,640	5,004	364	7.84%	100.00%	100.00%
Accrued interest receivable	87	83	(4)	-4.69%		
Total	4,728	5,087	360	7.61%	100.00%	100.00%

Distribution by Classification as at 31 December 2011

Description (LBP billions)	Classification			Breakdown		
	FVTPL	FVTOCI	AC	FVTPL	OCI	AC
Quoted equity securities and funds	16	-	-	2.66%	0.00%	0.00%
Unquoted equity securities	21	3	-	3.43%	100.00%	0.00%
Lebanese Treasury Bills	369	-	1,120	60.88%	0.00%	25.49%
Lebanese Government Bonds	47	-	1,159	7.76%	0.00%	26.37%
Foreign Government Treasury Bonds	-	-	28	0.00%	0.00%	0.63%
CD's issued by the Central Bank of Lebanon	141	-	1,419	23.33%	0.00%	32.29%
Certificates of Deposit issued by private sector	2	-	80	0.25%	0.00%	1.83%
Financial private sector debt securities	-	-	476	0.00%	0.00%	10.83%
Corporate bonds	10	-	113	1.70%	0.00%	2.56%
Sub-total	605	3	4,395	100.00%	100.00%	100.00%
Accrued interest receivable	11	-	72			
Total	616	3	4,468	100.00%	100.00%	100.00%

FVTPL: Fair Value Through Profit and Loss, FVTOCI: Fair Value Through Other Comprehensive Income, AC: Amortized Cost

The Fair Value through Profit and Loss securities represent 12.12% of the total portfolio as at December 31st, 2011 which is in line with the market standard in Lebanon.

It is to be noted that the Bank has applied IFRS 9 Financial Instruments (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates. The date of initial application is January 1st, 2011. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis without restatement of prior periods as permitted by the Standard.

Capitalization

The Bank's consolidated equity grew by LBP 209 billion, amounting to LBP 1,579 billion, an increase of 15.26% compared to 2010 year-end.

Description (LBP billions)	Balances		Growth		Breakdown	
	31-Dec-10	31-Dec-11	Amount	%	31-Dec-10	31-Dec-11
Ordinary Share Capital	64	64	-	0.00%	4.64%	4.03%
Shareholders' cash contribution to capital	21	21	-	0.00%	1.53%	1.33%
Non-cumulative Preferred shares	540	745	205	38.01%	39.41%	47.18%
Reserves and retained earnings	482	572	93	19.24%	35.15%	36.36%
Owned buildings revaluation surplus	2	2	-	0.00%	0.14%	0.12%
Cumulative change in fair-value of Investment securities	109	-	(109)	-100.00%	7.97%	0.00%
Reserve for assets acquired in satisfaction of debts	5	5	0	0.25%	0.38%	0.33%
Treasury shares	(4)	(9)	(5)	116.65%	-0.31%	-0.59%
Net income for the year	152	156	2	1.55%	11.09%	9.77%
Currency translation adjustment	(0)	(1)	(0)	124.94%	-0.02%	-0.04%
Non-controlling interest	0	24	23	6367.51%	0.03%	1.50%
Total	1,370	1,579	209	15.26%	100.00%	100.00%

The growth in Equity was prompted by the following:

- Issuance of 5,400,000 new non-cumulative, perpetual and redeemable Preferred Shares (Series H) for a total value of USD 135,000,000
- The annulment of the "cumulative change in-fair-value of investment securities" amounting to LBP 109 billion, as a consequence of the early adoption of IFRS 9.
- The capitalization of LBP 93 billion of reserves and retained earnings.
- The increase in "non-controlling interest" by LBP 23 billion, resulting from the non-controlling interest of Beirut Hellenic Bank (7.50%) and Beirut Life s.a.l. (10%).

With the achieved level of equity, Bank of Beirut was the bank which reflected the highest capitalization level in its peer group, realizing the 1st rank among the Alpha Group banks, with "equity to asset ratio" of 10.78% at year-end 2011, as compared to average peer group of 8.25%.

Bank of Beirut strategy stipulates not only securing a high level of equity, but by concurrently ensuring quality and consistency of the regulatory capital base in order to support the Bank's various risk exposures. This is achieved by enhancing both common equity and Tier I capital base.

Capital Structure

The Bank's capital constitutes Common and Preferred Shares as follows:

Share type	Number of shares		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Common shares	50,467,400	50,467,400	-	0.00%
Preferred Shares Series «D»	4,000,000	4,000,000	-	0.00%
Preferred Shares Series «E»	2,400,000	2,400,000	-	0.00%
Preferred Shares Series «F»	3,000,000	3,000,000	-	0.00%
Preferred Shares Series «G»	3,570,000	3,570,000	-	0.00%
Preferred Shares Series «H»	-	5,400,000	5,400,000	
Total	63,437,400	68,837,400	5,400,000	8.51%

Preferred Shares overview

Description	Series «D»	Series «E»	Series «F»	Series «G»	Series «H»
Number of shares	4,000,000	2,400,000	3,000,000	3,570,000	5,400,000
Issue price per share	\$25.00	\$25.00	\$25.00	\$35.00	\$25.00
Issue size (USD million)	\$100.00	\$60.00	\$75.00	\$124.95	\$135.00
Dividend rate p.a.	9.00%	8.00%	8.00%	6.75%	7.00%
Non-Cumulative	Yes	Yes	Yes	Yes	Yes
Perpetual	Yes	Yes	Yes	Yes	Yes
Redeemable	Yes	Yes	Yes	Yes	Yes
Convertible to Common shares	No	No	No	Yes	No
Redemption price per share	\$25.00	\$25.00	\$25.00	\$35.00	\$25.00
Conversion exercise price	NA	NA	NA	\$35.00	NA
Redemption right holder	BOB	BOB	BOB	BOB	BOB
Conversion right holder				Holder	
Issue date	30-Jul-07	13-Nov-08	8-Jul-09	29-Sep-10	30-Jun-11
Closing date	19-Nov-07	30-Dec-08	18-Sep-09	29-Dec-10	28-Sep-11
First redemption exercise date	30-Dec-12	30-Dec-13	30-Dec-14	30-Dec-16	30-Dec-16
Conversion right exercise date				30-Dec-15	



The Preferred Shares dividends calculation:

Description (USD 000's)	Issue Value	Dividend Rate	Year 2010		Year 2011	
			# of days	Dividends	# of days	Dividends
Series "C"	\$73,000	12.00%	365	\$8,760	-	
Series "D"	\$100,000	9.00%	365	\$9,000	365	\$9,000
Series "E"	\$60,000	8.00%	365	\$4,800	365	\$4,800
Series "F"	\$75,000	8.00%	365	\$6,000	365	\$6,000
Series "G"	\$124,950	6.75%	-	\$0	365	\$8,434
Series "H"	\$135,000	7.00%	-	\$0	95	\$2,460
Total				\$28,560		\$30,694

Capital Adequacy

Maintaining its position as the Bank with the highest capitalization level among the peer group banks, Bank of Beirut reflected a very healthy set of Capital ratios:

(in %)	2010	2011	Variation
Equity to Asset Ratio	11.37%	10.78%	-0.60%
Leverage (average assets/average Equity) (times)	8.85	9.05	0.21
Average Equity to Average Assets	11.30%	11.04%	-0.26%
Preferred Equity / Total Equity	39.41%	47.14%	7.74%
Capital Adequacy Ratio - Basel II	14.40%	13.68%	-0.98%
Core Regulatory Capital Ratio - Basel II	14.06%	12.15%	-1.91%
Risk weighted Assets / Total assets (Basel II)	66.22%	67.24%	1.02%
Risk weighted Assets / Total footings (Basel II)	53.35%	54.61%	1.26%

Under Basel II, the Capital Adequacy ratio stood at 13.68% (down from 14.40% in 2010), as compared to the minimum required ratio of 8.00% by the regulators and 10.01% as a result of the ICAAP approved by the Risk Committee and the Board of Directors. The high level of capital adequacy confirmed the Bank's strategy in strengthening the Capital base in order to fund its expansion strategy, in addition to complying comfortably with the Basel II requirements; taking into consideration the increasing risk weights applied on the exposure to Lebanese sovereign risk.



Capital Adequacy Ratio calculation

Description (LBP millions)	Balances		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Net Tier 1 Capital	1,104,822	1,196,220	91,398	8.27%
Net Tier 2 Capital	57,351	163,168	105,817	184.51%
Total Regulatory Capital	1,162,173	1,359,388	197,215	16.97%
RWA - Credit Risk	7,435,408	9,000,910	1,565,502	21.05%
RWA - Market Risk	150,776	366,399	215,623	143.01%
RWA - Operational Risk	486,855	565,771	78,916	16.21%
Total RWA	8,073,039	9,933,080	1,860,041	23.04%
Capital Adequacy Ratio	14.40%	13.68%	-0.72%	
Core Capital Adequacy Ratio	13.69%	12.04%	-1.65%	

Share information

Earnings per Common Share

Description (LBP millions)	Amounts		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Net profit for the year (Equity holders of the Group)	151,899	155,715	3,816	2.51%
Less: Dividends paid to non-cumulative preferred shares	(43,054)	(46,271)	(3,217)	7.47%
Common earnings	108,845	109,444	600	0.55%
Weighted average number of common shares	50,399,088	50,286,589	(112,499)	-0.22%
Effect of dilutive potential common shares	3,570,000	3,570,000	-	0.00%
Total weighted average number of common shares	53,969,088	53,856,589	(112,499)	-0.21%
Basic Earnings per share	2,160	2,176	16	0.74%
Diluted Earnings per share	2,017	2,032	15	0.74%

Basic Earnings per Common Share were LBP 2,176 in 2011, as compared to LBP 2,160 in 2010, an increase of LBP 16 or 0.74%. The growth was mainly driven by the increase in earnings related to common shareholders by 0.55%, reaching LBP 109.4 billion in 2011, coupled with the decrease in the weighted average number of Common Shares by 0.22%. The dilutive earnings per Common Share takes into consideration the effect of dilutive potential Common Shares related to the series "G" Convertible Preferred Shares issued during 2010.

Common Shares performance

Indicator	Unit	31-Dec-10	31-Dec-11	Variance
Common share market price (end-of-period)	LBP	28,040	29,246	1,206
Common earnings	LBP million	108,845	109,444	600
Common equity book value (1)	LBP million	787,163	789,231	2,068
Common share book value	LBP	15,597	15,638	41
Market Capitalization (end of period)	LBP million	1,415,081	1,475,944	60,864
Market Value added	LBP million	627,918	686,713	58,796
Market Value added / Market capitalization	%	44.37%	46.53%	2.15%
Basic EPS / Common share market price	%	7.70%	7.44%	-0.26%
Price to common earnings - P/E Ratio (2)	Times	12.98	13.44	0.45
Price to common book value - M/B Ratio	Times	1.80	1.87	0.07
Price to assets	%	17.71%	15.17%	-2.54%

(1) including the common earnings for the year

(2) Calculated as basic earnings per share / common share market price

The common share market price increased by LBP 1,206, to reach LBP 29,246 (the counter-value of USD 19.40), reflecting an annual positive growth of 4.30%. Consequently, the market capitalization increased slightly to approximately LBP 1,476 billion and the “price to book value” increased to 1.87 times at the end of year 2011 as compared to 1.80 times at year-end 2010. The “price to earnings” ratio also increased slightly to 13.44 times by December 31st, 2011, from 12.98 times at the end of 2010.



Liquidity

The conservation of adequate liquidity has invariably been the Bank's policy to retain a high level of liquid assets and a diversified and stable funding base.

Monitored and controlled by the Asset Liability Committee (ALCO), the Bank's liquidity position is managed on a daily basis by the Treasury Department, and liquidity risks are consistently measured, monitored, and scrutinized by the Risk Management Department. Ensuring low liquidity risk is evidenced by the following factors:

- Sufficient high-quality liquid assets, including high level placements with well reputed and highly rated global banks
- Diversification in the securities portfolio
- Stability in customers' deposits
- Manageable cash flow mismatching gaps
- Non-reliance on whole-sale funding

The liquidity ratios, in both local and foreign currencies, maintained the healthy levels of 2010 while the loan to deposits ratio increased notably to the level of 43.17%. The growth in assets during 2011 has been funded primarily by the increase in customers' deposits, indicating the good franchise value and the stability of funding sources.

Ratio	31-Dec-10	31-Dec-11	Variance
Loans in LBP to deposits in LBP ratio	22.39%	22.57%	0.18%
Loans in FCY to deposits in FCY ratio	49.64%	53.40%	3.76%
Loans to deposits ratio	38.85%	43.17%	4.32%
Deposits (LBP) / Assets (LBP)	83.54%	88.61%	5.07%
Deposits (FCY) / Assets (FCY)	70.21%	73.85%	3.64%
Deposits / Assets	74.95%	78.14%	3.19%
Investment securities portfolio / Total Assets	39.24%	34.68%	-4.56%
Investment securities TRD-AFS-FVTPL / Total Investment securities	79.73%	12.12%	-67.61%
Total Liquid Assets (LBP) / Total Liabilities (LBP)	88.51%	88.42%	-0.09%
Total Liquid Assets (FCY) / Total Liabilities (FCY)	68.42%	60.55%	-7.87%
Total Liquid Assets / Total Liabilities	76.36%	69.20%	-7.16%



Profitability

Overview

The consolidated net income (group share) increased by 2.51% in 2011 to LBP 155.7 billion, as compared to LBP 151.9 billion in 2010.

This increase in profitability was driven by the growth in the business activities, coupled with efficient management of interest rate margins, high commission base and effective cost containment policy, with a focus on consistently increasing the non-interest base revenues.

The positive growth in the net earnings was due to the increase in the net operating income by LBP 38.2 billion (+11.17%), coupled with the increase in the total operating expenses by LBP 33.3 billion (+21.09%) and the increase of the income tax provisions by LBP 0.7 billion (+2.29%).

Description (LBP millions)	Amounts		Growth	
	2010	2011	Amount	%
Interest income *	592,300	697,962	105,662	17.84%
Interest expense *	(367,881)	(455,833)	(87,952)	23.91%
Net interest income	224,419	242,129	17,709	7.89%
Net fee and commission income	77,918	93,280	15,362	19.72%
Other non-interest income	38,663	47,692	9,028	23.35%
Operating income	341,000	383,100	42,100	12.35%
Net allowance for impairment of loans and advances	862	(2,506)	(3,368)	-390.82%
Net allowance for impairment of other assets	(11)	(551)	(541)	4961.45%
Total Impairment Charge	851	(3,058)	(3,909)	-459.35%
Net operating income after impairment charge	341,851	380,042	38,191	11.17%
Staff costs	(91,429)	(116,362)	(24,933)	27.27%
General operating expenses	(50,366)	(64,516)	(14,150)	28.09%
Depreciation	(6,690)	(10,375)	(3,684)	55.07%
Amortization of deferred charges	(9,454)	-	9,454	
Total operating expenses	(157,940)	(191,253)	(33,313)	21.09%
Profit before income tax	183,911	188,789	4,878	2.65%
Income tax expense	(31,996)	(32,728)	(731)	2.29%
Net profit for the year	151,915	156,061	4,146	2.73%
Non-controlling interest	(16)	(346)	(330)	2077.27%
Equity Holders of the Group	151,899	155,715	3,816	2.51%

* Including interest FVTPL assets and liabilities

Profitability Ratio

Return on Average Assets (ROAA) decreased significantly during 2011 to 1.17% from 1.35% in 2010; due mainly to the increase in assets from the acquisition of Beirut Hellenic Bank, which was not compensated with the same rate in Net profit. However, Bank of Beirut has been able to rank 5th among the peer group banks in this ratio.

The Return on Average Equity (ROAE) also decreased to 10.55%, while the return on Average Common Equity (ROACE) stood at a comfortable level of 16.12%.

The asset utilization ratio decreased to 2.87% in 2011, as compared to 3.02% in 2010, influenced by the decrease in “interest spread” to 1.81% (from 1.99% in 2010) while the non-interest income realized slight growth to 1.06% as percentage on average assets.

The Cost to Income ratio has been increased to the level of 49.92%, from 46.32% in 2010.

Ratio	2010	2011	Variance
Return on Average Assets (ROAA)	1.35%	1.17%	-0.18%
Return on Average Equity (ROAE)	11.92%	10.55%	-1.36%
Return on Average Common Equity (ROACE)	16.95%	16.12%	-0.83%
+ Yield on earning assets	5.66%	5.63%	-0.03%
- Cost of earning assets	-3.52%	-3.68%	-0.16%
= Interest margin	2.14%	1.95%	-0.19%
x Average interest earning assets / average assets	92.83%	92.82%	0.00%
= Interest Spread	1.99%	1.81%	-0.18%
+ Net non-interest income / average assets	1.03%	1.06%	0.02%
= Asset Utilization Ratio	3.02%	2.87%	-0.16%
x Net operating margin	44.55%	40.65%	-3.90%
o.w. Cost to income	46.32%	49.92%	3.61%
o.w. Credit Cost	-0.25%	0.83%	1.08%
o.w. Other provisions	0.00%	-0.03%	-0.04%
o.w. Tax Cost	9.38%	8.54%	-0.84%
o.w. Minority Interest	0.00%	0.09%	0.09%
= Return on Average Assets (ROAA)	1.35%	1.17%	-0.18%
x Leverage (average assets/average equity)	884.57%	905.39%	20.82%
= Return on Average Equity (ROAE)	11.92%	10.55%	-1.36%

Net income distribution by entity

The share of net income booked in the local entities declined from 86.25% in 2010 to 81.34% in 2011. However, the main driver behind net income growth was sustained by the foreign banking operations booked either in Lebanon's entities or in foreign branches and subsidiaries.

Looking forward, the Bank is heading towards improved diversification over income sources from the Group's various entities.

Description (LBP millions)	Amounts		Growth	
	2010	2011	Amount	%
Bank of Beirut s.a.l. - Lebanon's branches	136,937	129,641	(7,296)	-5.33%
(Less) dividends received from Beirut Broker Co.	(19,800)	(9,900)	9,900	-50.00%
(Less) dividends received from Bank of Beirut Invest	-	(5,400)	(5,400)	
(Less) dividends received from BOB Finance	-	(810)	(810)	
Total Local branches	117,137	113,531	(3,606)	-3.08%
Bank of Beirut s.a.l. - Cyprus branch	2,911	2,501	(410)	-14.08%
Bank of Beirut s.a.l. - Oman branches	6,135	6,555	420	6.85%
Total Foreign branches	9,046	9,057	10	0.11%
Bank of Beirut (UK) Ltd	10,169	14,197	4,029	39.62%
Beirut Hellenic Bank	-	3,450	3,450	
Bank of Beirut Invest	5,186	5,382	196	3.78%
BOB Finance	201	111	(90)	-44.87%
Beirut Broker Company	9,390	7,790	(1,599)	-17.03%
Cofida Holding	1,654	1,499	(155)	-9.34%
Beirut Life	159	873	714	449.19%
Income from an associate	1,683	2,698	1,015	60.31%
(Less) dividends received from an associate	(1,232)	(1,044)	188	-15.26%
Total Subsidiaries and associates Net income after Tax	27,209	34,956	7,747	28.47%
Less: tax on undistributed profits	(1,478)	(1,483)	(5)	0.36%
Net profit for the year	151,915	156,061	4,146	2.73%
(Less) Non-controlling interest	(16)	(346)	(330)	2077.27%
Consolidated Net Income after tax	151,899	155,715	3,816	2.51%

Net interest income

Net interest income registered a respectable increase in 2011, by 7.89% to LBP 242.1 billion.

The increase was the outcome of an increase of LBP 105.7 billion in the interest income (+17.84%), coupled with an increase in interest expense by LBP 87.9 billion, reflecting a growth rate of 23.91%.

Consequently, the interest spread (measured as net interest income over average assets) declined from 1.99% in 2010 to 1.81% in 2011 and the net interest income, as percentage of operating income, decreased in 2011 to 63.20%, from 65.81% for the year 2010.

Description (LBP millions)	Amounts		Growth	
	2010	2011	Amount	%
Placements with Central Banks	12,036	14,626	2,589	21.51%
Placements with banks	34,358	25,431	(8,928)	-25.98%
Investment securities designated at FVTPL	6,186	52,914	46,729	755.43%
Investment securities	309,426	284,851	(24,575)	-7.94%
Treasury Bills financed by Central Bank soft loans	36,216	2,572	(33,644)	-92.90%
Loans and advances to customers	194,078	317,568	123,490	63.63%
Interest income	592,300	697,962	105,662	17.84%
Deposits with banks	5,534	15,116	9,582	173.13%
Financial liability designated at FVTPL	188	256	68	36.46%
Customers' & related parties deposits	326,061	428,184	102,123	31.32%
Certificates of Deposit	8,508	10,022	1,515	17.80%
Central Bank of Lebanon soft loans	26,501	1,166	(25,335)	-95.60%
Subordinated loans	1,089	1,089	-	0.00%
Interest expense	367,881	455,833	87,952	23.91%
Net Interest Income*	224,419	242,129	17,709	7.89%

** including interest on financial assets & liabilities designated at fair value through P&L for better comparison*

Interest income

The interest income increased during 2011 by LBP 105.7 billion (+17.84%), due mainly to increased income from "loans and advances" by LBP 123.5 billion (+63.63%), coupled with a decrease in interest income from investment securities by LBP 11.5 billion (-3.27%) and from "placements with banks", by LBP 9 billion (-25.98%)

Considering the low interest rate environment in 2011, both in international and domestic markets, and coupled with a notable increase in interest-earning assets by LBP 2,340 billion (+20.84%) in 2011, the yield on earning assets witnessed a slight decrease from 5.66% to 5.63%.

Interest expense

The increase in the interest expense in 2011 was 23.91% (LBP 87.9 billion), while the increase in funding from interest bearing liabilities was LBP 2,243 billion (+22.05%).

As the main funding source, the interest expense on customers' and related parties' deposits augmented in 2011 by LBP 102.1 billion (+31.32%) and remained as the lion's share of interest cost with 93.93% in 2011 as compared to 88.63% in 2010. The most important variance in 2011 was the drop in interest expense on Central Bank of Lebanon soft loans by LBP 25.3 billion, as all the soft loans matured in 2011.

Interest Ratios

Ratio	2010	2011	Variance
Interest income / average assets	5.25%	5.23%	-0.03%
Interest expense / average assets	-3.26%	-3.41%	-0.15%
Interest Spread (net interest income / average assets)	1.99%	1.81%	-0.18%
Interest income / average interest earning assets	5.66%	5.63%	-0.03%
Interest expense / average interest bearing liabilities	-3.85%	-4.04%	-0.19%
Interest differential	1.81%	1.59%	-0.22%
Yield on earning assets	5.66%	5.63%	-0.03%
Cost of earning assets	-3.52%	-3.68%	-0.16%
Interest margin	2.14%	1.95%	-0.19%
Average interest earning assets / average assets	92.83%	92.82%	0.00%
Interest Spread	1.99%	1.81%	-0.18%
Interest expense / Interest income	62.11%	65.31%	3.20%
Net interest income / Operating income	65.81%	63.20%	-2.61%

Interest Earning Assets and Interest-Bearing Liabilities overview

Description (LBP billions)	Balances		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Placements with the Central Banks	1,956	2,225	268	13.72%
Banks and financial institutions	1,183	1,433	250	21.16%
Trading assets	106	569	463	438.60%
Investment securities	4,492	4,395	(97)	-2.16%
Loans and advances to customers	3,493	4,948	1,456	41.68%
Interest-earning assets	11,229	13,569	2,340	20.84%
Deposits with banks	803	731	(72)	-9.00%
Customers' & related parties deposits	8,986	11,392	2,406	26.78%
Certificates of Deposit	154	227	73	47.23%
Central Bank of Lebanon soft loans	163	-	(163)	-100.00%
Other borrowings	49	41	8	16.33%
Subordinated loans	18	18	-	0.00%
Interest-bearing liabilities	10,174	12,410	2,243	22.05%

Other operating income

Description (LBP millions)	Balances		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Fee and commission income	90,172	106,332	16,160	17.92%
Fee and commission expense	(12,254)	(13,052)	(798)	6.51%
Dividends received	3,024	1,927	(1,097)	-36.28%
Change in fair-value of FVTPL (trading) portfolio	(578)	161	739	-127.80%
Net Gain on sale of investment securities	22,228	23,132	904	4.07%
Net Gain on sale of foreclosed assets	1,102	16,861	15,760	1430.53%
Insurance Income	136	2,075	1,939	1426.69%
Share in profit of an associate	1,683	2,698	1,015	60.31%
Foreign exchange gain	10,841	760	(10,082)	-92.99%
Other non-interest income	227	78	(149)	-65.70%
Total	116,581	140,971	24,391	20.92%

Other operating income, consisting mainly of non-interest income, grew in 2011 by LBP 24.4 billion to reach LBP 141 billion, a 20.92% year-on-year growth.

This caption represented in 2011 around 36.80% and 1.06% of total operating income and average assets respectively, as compared to 34.19% and 1.03% respectively in 2010.

It is to be noted that the largest increase in 2011 was in profits generated from the fee and commission income by LBP 16.2 billion (+17.92%), followed by the notable increase in “Net gain on sale of foreclosed assets” by LBP 15.8 billion.

The significant decline in “foreign exchange gain” caption was mainly due to the cost of funding of the Australian subsidiary “Beirut Hellenic Bank” investment through swaps.

Other operating expenses

Description (LBP millions)	Balances		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Staff costs	91,429	116,362	24,933	27.27%
General operating expenses	50,366	64,516	14,150	28.09%
Depreciation and amortization	6,690	10,375	3,684	55.07%
Amortization of deferred charges	9,454	-	(9,454)	-100.00%
Total	157,940	191,253	33,313	21.09%

The other operating expenses increased in 2011 to LBP 191.3 billion, growing by 21.09% comparative to year 2010. This notable increase in expenses was primarily due to the consolidation of Beirut Hellenic Bank starting March 2011.

The increase in “Staff expenses” by LBP 24.9 billion (+27.27%) has been prompted mainly by the increase in the number of the Bank’s employees by 21.60% in 2011, to reach 1,413 employees as at December 31st, 2011, of which 134 employees in the Australian subsidiary.



The increase in “General operating expenses” by LBP 14.2 billion (+28.09%) was mainly due to the consolidation of Beirut Hellenic Bank and the normal increase in business activities as well as the opening of new branches in Lebanon and abroad.

The increase in the depreciation caption by LBP 3.7 billion (+55.07%) was derived from the consolidation of Beirut Hellenic Bank and the capital expenses needed to support the Bank's growth and the expansion of the network.

The decrease in “Amortization of deferred charges” by LBP 9.5 billion, noting that the deferred charges, which amounted to LBP 9.5 billion in 2010, resulted from the acquisition of Beirut Riyadh Bank s.a.l. The amortization of deferred charges was covered by the net income derived from soft loans granted by the Central Bank of Lebanon in connection with the mergers by acquisition.

Operating efficiency

On the efficiency level, Cost to Income Ratio increased slightly to reach 49.92% in 2011, from 46.32% in 2010, marginally higher than the peer group average of 47.42%.

The important operating efficiency ratios registered some improvement in 2010, namely assets, deposits, operating income and net income per branch.

Ratio	Unit	31-Dec-10	31-Dec-11	Variance
Cost ratios				
Staff expenses / operating Income	%	26.81%	30.37%	3.56%
General Expenses / operating income	%	14.77%	16.84%	2.07%
Depreciation / operating income	%	1.96%	2.71%	0.75%
Amortization of deferred charges / operating income	%	2.77%	0.00%	-2.77%
Cost to income ratio	%	46.32%	49.92%	3.61%
Cost to average assets	%	1.40%	1.43%	0.03%
Effective tax rate	%	17.40%	17.34%	-0.06%
Operating efficiency				
Number of Staff	Count	1,162	1,413	251
Number of branches and banking units	Count	55	75	20
Staff per branch	Count	21.1	18.8	(2.3)
Total Assets per average staff	LBP million	10,958	11,393	435
Total deposits per average staff	LBP million	8,212	8,902	689
Staff expenses per average staff	LBP million	83	90	7
Operating Income per average staff	LBP million	310	298	(13)
Net income per average staff	LBP million	138	121	(17)
Staff expenses / total operating expenses	%	57.89%	60.84%	2.95%
Assets per branch	LBP million	219,052	195,574	(23,479)
Total Deposits per branch	LBP million	164,172	152,813	(11,359)
Operating Income per branch	LBP million	6,200	5,108	(1,092)
Net income per branch	LBP million	2,762	2,076	(686)

Net income allocation and dividend policy

The Management will recommend to the Board of Directors that will be held on 27th March 2012 to resolve the following allocation of the net profit:

- Distributing cash dividends to common shareholders of LBP 650 per common share. The total dividends to common shareholders amounted to LBP 32,804 million, based on outstanding number of Common Shares of 50,467,400.
- Distributing cash dividends to preferred shareholders totaling LBP 46,271 million.
- Transferring the remaining net profits, which amounted to LBP 76,641 million, to statutory, legal and regulatory reserves and retained earnings.

Description (LBP millions)	Amounts		Growth	
	2010	2011	Amount	%
Consolidated net profit (Majority Share)	151,899	155,715	3,816	2.45%
Dividends on non-cumulative Preferred shares	43,054	46,271	3,217	6.95%
Preferred Shares series «C»	13,206	-	(13,206)	
Preferred Shares series «D»	13,568	13,568	-	0.00%
Preferred Shares series «E»	7,236	7,236	-	0.00%
Preferred Shares series «F»	9,045	9,045	-	0.00%
Preferred Shares series «G»	-	12,714	12,714	100.00%
Preferred Shares series «H»	-	3,708	3,708	100.00%
Dividends on Common Shares	32,804	32,804	-	0.00%
Transfer to Reserves and retained earnings	76,041	76,641	600	0.78%

Following a stable and consistent dividend policy, the dividend per Common Share would stabilize in 2011, reflecting a dividend yield of 2.22% as compared to 2.32% in 2010. The total dividends payout ratio (Common and Preferred Shares dividends) represented 50.78% in 2011 as compared to 49.94% in 2010.

Indicator	Unit	2010	2011	Variance
Dividend per Common share (DPS)	LBP	650	650	-
Total Dividends on Common shares	LBP million	32,804	32,804	-
Total Dividends on non-cumulative Preferred shares	LBP million	43,054	46,271	3,217
Total Dividends (Common and non-cumulative Preferred)	LBP million	75,858	79,075	3,217
Dividend yield per Common share (DPS/Price)	%	2.32%	2.22%	-0.10%
Common Shares dividend payout ratio (% on common earnings)	%	30.14%	29.97%	-0.17%
Common Shares dividend payout ratio (% of net profit after tax)	%	21.60%	21.07%	-0.53%
Total dividends payout ratio (% of net profit after tax)	%	49.94%	50.78%	0.84%
Earnings retention Ratio (Common Shares)	%	69.86%	70.03%	0.17%
Internal Capital Generation	%	11.84%	11.29%	-0.56%

Asset Quality

The Bank's assets comprise mainly liquid assets (primary liquidity and investment securities) which represented 60.89% of total assets at year-end 2011, as compared to 66.72% at year-end 2010.

Loans to customers represented 33.83% as at December 31st, 2011 as compared to 29.11% at the end of the previous year.

Description (LBP billions)	Balances		Breakdown	
	31-Dec-10	31-Dec-11	31-Dec-10	31-Dec-11
Cash and deposits at Central Banks	2,066	2,352	17.15%	16.04%
Due to banks and financial institutions	1,245	1,491	10.33%	10.17%
Loans and Advances	3,508	4,962	29.11%	33.83%
Customers' acceptance liability	302	457	2.51%	3.12%
Investment securities (incl. trading assets)	4,728	5,087	39.24%	34.68%
Property and equipment	99	118	0.82%	0.80%
Other assets	98	111	0.81%	0.76%
Goodwill	2	89	0.02%	0.60%
Total	12,048	14,668	100.00%	100.00%

Loan portfolio quality

Description (LBP billions)	Balances		Growth	
	31-Dec-10	31-Dec-11	Amount	%
Regular loans	3,493	4,948	1,456	41.68%
Substandard Loans	16	15	(1)	-6.25%
Gross balances	23	21	(2)	-8.92%
Unrealized interest	(7)	(6)	1	-14.65%
Doubtful Loans	16	15	(1)	-6.59%
Gross balances	83	89	6	6.89%
Unrealized interest	(47)	(54)	(7)	15.42%
Impairment allowances	(21)	(20)	0	-2.24%
General & Collective Provisions	(16)	(16)	0	-2.32%
Total Net Loans	3,508	4,962	1,454	41.45%

The achieved growth in loans in 2011 by 41.45% was not accomplished at the detriment of quality, the "Non-Performing Loans" (excluding the specific loan loss reserves) registered a notable decline, by 6.42% during 2011, to reach healthy levels of loan portfolio quality ratios, such as, the net NPLs to total net loans of 0.59% and Net NPLs to Total Equity of 1.85%.

The coverage ratio from specific loan loss reserves of gross doubtful loans improved in 2011, from 81.19% to 83.56%, indicating appropriate provisioning. The loan loss reserves coverage ratio exceeds 100% after accounting for the general and collective provisions, guarantees, mortgages and other real guarantees.



Assets Quality / Loans classification	31-Dec-10	31-Dec-11	Variance
Regular Loans / Gross Loans	97.06%	97.83%	0.78%
Gross Substandard Loans / Gross Loans	0.64%	0.41%	-0.23%
Gross Doubtful Loans / Gross Loans	2.30%	1.75%	-0.55%
Gross NPLs / Gross Loans	2.94%	2.17%	-0.78%
Gross Regular Loans Net of Unr. Int. / Gross loans net of Unrealized interest	98.53%	99.01%	0.48%
Gross Substandard Net of Unr. Int. / Gross loans net of Unrealized interest	0.44%	0.29%	-0.15%
Gross Doubtful Net of Unr. Int. / Gross loans net of unrealized interest	1.02%	0.70%	-0.33%
Gross NPLs Net of Unr. Int. / Gross loans net of Unrealized interest	1.47%	0.99%	-0.48%
Net Regular Loans after general & collective provisions / Net Loans	99.11%	99.41%	0.30%
Net Substandard Loans / Net Loans	0.45%	0.30%	-0.15%
Net Doubtful Loans (after specific LLRs) / Net Loans	0.44%	0.29%	-0.15%
Net NPLs (after specific LLRs) / Net Loans	0.89%	0.59%	-0.30%
Unrealized Int. on substandard / Gross Substandard	31.77%	29.77%	-2.00%
Specific Loan Loss Reserves on doubtful / Gross Doubtful	81.19%	83.56%	2.37%
Specific Loan Loss Reserves on NPLs / Gross NPLs	70.45%	73.27%	2.82%
Net NPLs / Total Assets	0.26%	0.20%	-0.06%
Net NPLs / Total Shareholders' Equity	2.29%	1.85%	-0.43%

Sovereign Risk Exposure

Ratio	31-Dec-10	31-Dec-11	Variation
Total Exposure to Lebanese Treasury* / Deposits	30.82%	23.87%	-6.95%
Due from BDL (including placements and CD's) / Deposits	38.87%	34.09%	-4.79%
Total Sovereign Exposure* / Deposits	69.70%	57.96%	-11.74%
Total Sovereign Exposure / Assets	53.59%	45.29%	-8.30%
Total Sovereign Exposure* / Total Equity	459.31%	420.27%	-39.03%
Total Equity / Total Sovereign Exposure*	21.77%	23.79%	2.02%

(*) Excluding LBP Treasury Bills financed by Central Bank of Lebanon soft loans



Comparative Consolidated Balance Sheets

Description (LBP 000's)	Balances				
	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
Cash and deposits at Central Banks	967,522,223	1,585,398,012	1,526,681,849	2,065,973,677	2,352,430,632
Deposits with banks and financial institutions	1,582,982,967	678,850,269	1,082,849,697	1,108,873,245	1,391,098,805
Trading Assets	27,571,931	59,858,212	43,422,590	107,856,973	616,480,527
Loans to banks	125,751,767	82,495,270	85,524,269	136,154,971	100,090,358
Loans and advances (less provision for credit losses)	1,537,208,275	2,088,764,311	2,546,978,299	3,400,554,061	4,806,638,990
Loans and advances to related parties	69,489,562	70,028,782	160,185,558	107,080,420	154,980,954
Investment securities	3,182,063,569	3,628,833,803	4,694,547,938	4,620,041,892	4,471,009,210
Customers' acceptance liability	215,984,250	251,973,777	178,237,296	302,246,243	457,406,326
Investment in associates	28,935,442	33,909,808	34,918,453	34,114,825	35,768,858
Assets acquired in satisfaction of loans	52,259,089	40,854,448	34,914,970	33,178,002	27,618,905
Properties and equipment (less accumulated depreciation)	63,228,435	66,338,063	76,339,774	98,783,153	117,889,505
Other assets	59,922,821	59,074,291	32,056,092	30,862,109	47,873,745
Goodwill	2,263,511	1,643,115	1,795,609	2,155,731	88,736,427
Total Assets	7,915,183,842	8,648,022,161	10,498,452,394	12,047,875,302	14,668,023,242
Deposits and borrowing from banks and financial institutions	407,521,774	491,810,448	523,032,866	805,247,217	732,261,020
Customers' and related parties' deposits designated at FVTPL	44,587,137	24,901,984	8,903,330	6,593,351	2,955,538
Customers' and related parties' deposits at amortized cost	5,495,703,276	5,930,770,631	7,425,795,813	9,022,858,026	11,458,002,064
Liabilities under acceptance	215,984,250	251,973,777	178,237,296	302,246,243	457,406,326
Other borrowings	859,009,921	837,245,279	851,107,260	234,849,314	60,711,595
Certificates of Deposits	99,862,091	161,630,701	189,933,674	151,302,010	226,726,442
Other Liabilities	80,392,672	159,588,119	117,962,857	122,454,110	116,901,437
Provisions	17,221,005	22,056,683	24,786,057	32,180,707	33,894,597
Liability under preferred shares	80,727,488	-	-	-	-
Shareholders' equity	614,174,228	768,044,539	1,178,693,241	1,370,144,324	1,579,164,223
Total Liabilities & Shareholders' Equity	7,915,183,842	8,648,022,161	10,498,452,394	12,047,875,302	14,668,023,242

Comparative Consolidated Income Statements

Description (LBP 000's)	2007	2008	2009	2010	2011
Interest income	485,457,173	530,789,926	551,498,054	586,114,503	645,047,526
Interest expense	(354,717,986)	(360,848,604)	(390,298,008)	(367,693,172)	(455,577,051)
Net interest income	130,739,187	169,941,322	161,200,046	218,421,331	189,470,475
Fee and commission income	45,060,221	63,166,082	67,445,257	90,172,033	106,331,618
Fee and commission expense	(4,366,762)	(8,474,803)	(8,534,372)	(12,254,466)	(13,051,997)
Net fee and commission income	40,693,459	54,691,279	58,910,885	77,917,567	93,279,621
Net interest and other gain on trading securities	1,596,154	4,721,276	4,661,502	7,137,722	77,838,212
Net interest and gain on financial liability designated at fair value	(1,374,863)	(2,541,268)	(1,260,266)	(187,781)	(256,248)
Other operating income	12,744,098	26,200,457	49,831,388	37,711,185	22,767,908
Net financial revenues	184,398,035	253,013,066	273,343,555	341,000,024	383,099,968
Net allowance for impairment of loans and advances	1,899,849	(4,167,815)	333,610	861,836	(3,184,800)
Net allowance for impairment of other assets	(150,000)	(866,783)	12,575	(10,894)	126,981
Total Impairment Charge	1,749,849	(5,034,598)	346,185	850,942	(3,057,819)
Net operating income after impairment charge	186,147,884	247,978,468	273,689,740	341,850,966	380,042,149
Staff costs	(45,158,329)	(60,936,450)	(68,677,943)	(91,429,496)	(116,362,187)
General operating expenses	(33,920,742)	(42,789,339)	(47,704,842)	(50,366,278)	(64,516,475)
Depreciation and amortization	(4,298,688)	(4,309,374)	(4,996,754)	(6,690,355)	(10,374,729)
Amortization of deferred charges	(20,200,000)	(15,438,000)	(15,600,000)	(9,453,898)	-
Total operating expenses	(103,577,759)	(123,473,163)	(136,979,539)	(157,940,027)	(191,253,391)
Profit before income tax	82,570,125	124,505,305	136,710,201	183,910,939	188,788,758
Income tax expense	(16,209,838)	(24,468,626)	(23,420,486)	(30,518,602)	(31,244,586)
Profit for the year before withholding tax on profits from subsidiaries	66,360,287	100,036,679	113,289,715	153,392,337	157,544,172
Tax on undistributed profit from subsidiaries	(307,647)	(614,687)	(1,104,711)	(1,477,698)	(1,483,041)
Net profit for the year	66,052,640	99,421,992	112,185,004	151,914,639	156,061,131
Non controlling interest	-	-	-	(15,891)	(345,990)
Equity Holders of the Group	66,052,640	99,421,992	112,185,004	151,898,748	155,715,141

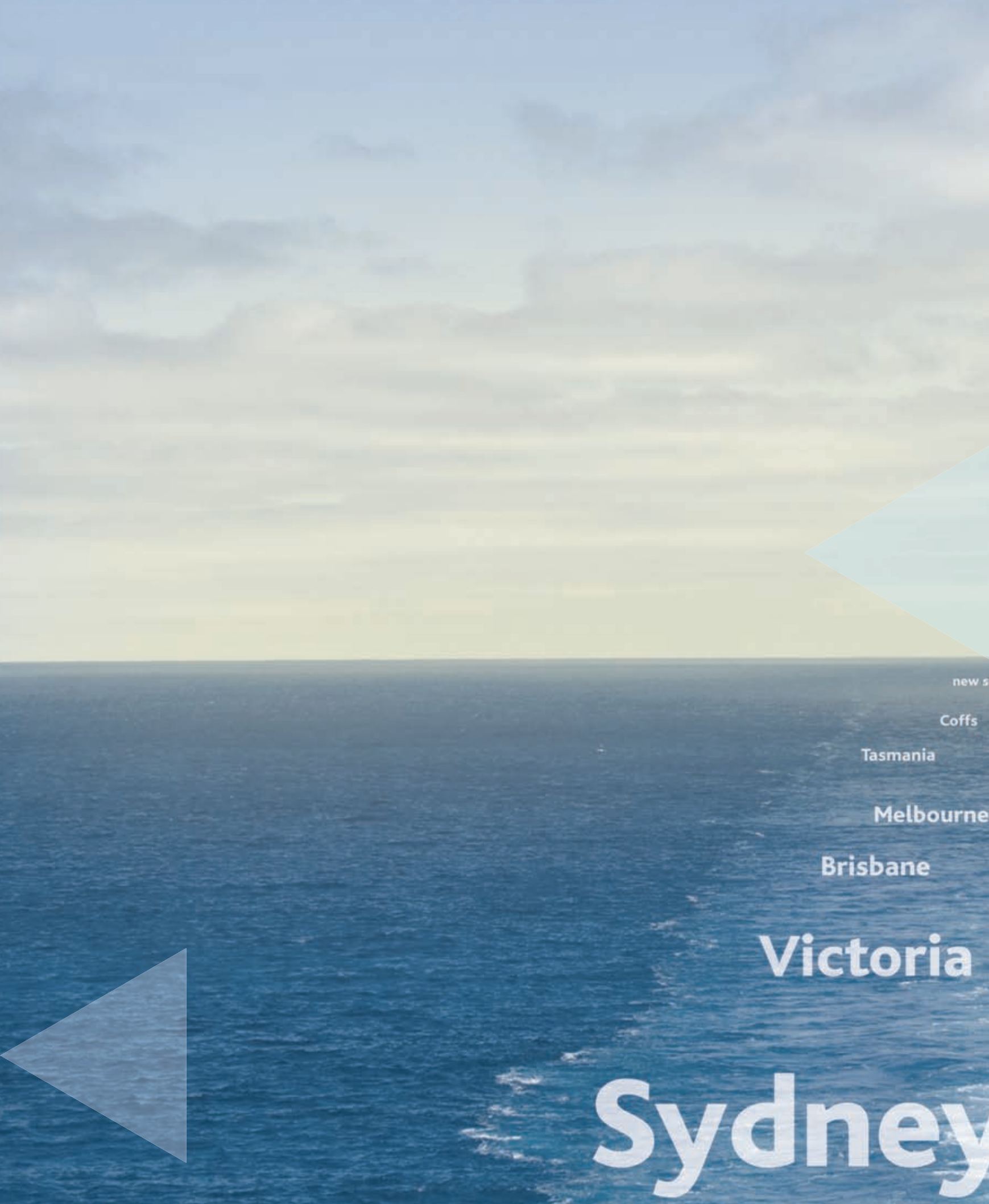
Comparative Main Financial Ratios

Key performance indicators	Unit	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
Profitability						
Return on Average Assets (ROAA)	%	0.89%	1.20%	1.17%	1.35%	1.17%
Return on Average Equity (ROAE)	%	10.49%	13.59%	11.53%	11.92%	10.55%
Return on Average Common Equity (ROACE)	%	20.36%	24.23%	16.99%	16.95%	16.12%
Cost to income ratio	%	56.17%	48.80%	50.11%	46.32%	49.92%
Capital Adequacy						
Equity to Asset Ratio	%	8.78%	8.88%	11.23%	11.37%	10.78%
Capital Adequacy Ratio - Basel II	%	15.37%	12.51%	15.70%	14.78%	13.80%
Core Regulatory Capital Ratio - Basel II	%	15.32%	9.01%	11.96%	14.06%	12.15%
Liquidity						
Loans to deposits ratio	%	29.00%	36.25%	36.41%	38.85%	43.17%
Loans / Assets	%	20.30%	24.96%	25.79%	29.11%	33.73%
Investment securities portfolio / Total Assets	%	40.55%	42.65%	45.13%	39.24%	34.68%
Total Liquid Assets / Total Liabilities	%	85.66%	78.90%	82.53%	76.36%	69.20%
Assets Quality	%					
Net NPLs (after specific LLRs) / Net Loans	%	4.38%	2.90%	1.83%	0.89%	0.59%
Net NPLs / Total Assets	%	0.89%	0.72%	0.47%	0.26%	0.20%
Net NPLs / Total Shareholders' Equity	%	10.12%	8.14%	4.21%	2.29%	1.85%
Total Exposure to Lebanese Treasury / Assets	%	30.69%	31.32%	32.71%	24.46%	18.65%
Common Shares performance						
Common Share market price (end-of-period)	LBP	19,220.63	27,511.88	28,265.63	28,039.50	29,245.50
Market Capitalization (end of period)	LBP million	780,357	1,233,890	1,426,493	1,415,081	1,475,944
Basic Earnings per Share for the period (Basic EPS)	LBP	1,259	1,647	1,756	2,160	2,176
Basic EPS / End-of-period common share market price		6.55%	5.99%	6.21%	7.70%	7.44%
Price to common earnings - P/E Ratio	Times	15.27	16.70	16.09	12.98	13.44
Price to common book value - M/B Ratio	Times	2.28	3.12	2.08	1.80	1.87
Dividends						
Dividend per Common share (DPS)	USD	550.00	625.00	625.00	650.00	650.00
Total Dividends on Common shares	LBP million	22,330.00	28,030.86	31,542.13	32,803.81	32,803.81
Total Dividends on non-cumulative Preferred shares	LBP million	10,402.126	25,701.90	33,384.23	43,054.20	46,270.77
Dividend yield (Common share)	%	2.86	2.27	2.21	2.32	2.22

Loans classification

Description (LPB millions)	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
Regular loans	1,544,824	2,109,334	2,668,556	3,492,709	4,948,323
Substandard loans	15,678	15,843	15,035	15,710	14,728
Gross balances	21,105	21,928	21,434	23,023	20,970
Unrealized interest	(5,427)	(6,085)	(6,399)	(7,313)	(6,242)
Doubtful loans	54,636	46,708	34,539	15,600	14,572
Gross balances	170,299	154,130	133,995	82,947	88,661
Unrealized interest	(71,671)	(67,585)	(65,319)	(46,703)	(53,907)
Impairment allowances	(43,992)	(39,836)	(34,137)	(20,644)	(20,181)
General & Collective Provisions	(8,440)	(13,092)	(10,966)	(16,385)	(16,004)
Total loans	1,606,698	2,158,793	2,707,164	3,507,634	4,961,620

Ratio	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
Regular Loans / Gross Loans	88.98%	92.30%	94.50%	97.06%	97.83%
Gross Substandard Loans / Gross Loans	1.22%	0.96%	0.76%	0.64%	0.41%
Gross Doubtful Loans / Gross Loans	9.81%	6.74%	4.74%	2.30%	1.75%
Gross NPLs / Gross Loans	11.02%	7.70%	5.50%	2.94%	2.17%
Gross Regular Loans Net of Unr. Int. / Gross loans net of Unrealized interest	93.11%	95.37%	96.96%	98.53%	99.01%
Gross Substandard Net of Unr. Int. / Gross loans net of Unrealized interest	0.94%	0.72%	0.55%	0.44%	0.29%
Gross Doubtful Net of Unr. Int. / Gross loans net of unrealized interest	5.94%	3.91%	2.50%	1.02%	0.70%
Gross NPLs Net of Unr. Int. / Gross loans net of Unrealized interest	6.89%	4.63%	3.04%	1.47%	0.99%
Net Regular Loans after general & collective provisions / Net Loans	95.62%	97.10%	98.17%	99.11%	99.41%
Net Substandard Loans / Net Loans	0.98%	0.73%	0.56%	0.45%	0.30%
Net Doubtful Loans (after specific LLRs) / Net Loans	3.40%	2.16%	1.28%	0.44%	0.29%
Net NPLs (after specific LLRs) / Net Loans	4.38%	2.90%	1.83%	0.89%	0.59%
Unrealized Int. on substandard / Gross Substandard	25.71%	27.75%	29.86%	31.77%	29.77%
Specific Loan Loss Reserves on doubtful / Gross Doubtful	67.92%	69.70%	74.22%	81.19%	83.56%
Specific Loan Loss Reserves on NPLs / Gross NPLs	63.26%	64.47%	68.11%	70.45%	73.27%
Net NPLs / Total Assets	0.89%	0.72%	0.47%	0.26%	0.20%
Net NPLs / Total Shareholders' Equity	10.12%	8.14%	4.21%	2.29%	1.85%



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Coffs

Tasmania

Melbourne

Brisbane

Victoria

Sydney

2011 Achievements

South Wales

Canberra


Newcastle

Perth

Queensland

Adelaide





At Bank of Beirut, proximity is not just about geographical location, it is a matter of developing close relationships with our customers by offering them easy and fast accessibility to the Bank's products and services.

Breaking New Grounds in Expansion

A Bank with Extensive National Presence...and Global Reach

At Bank of Beirut, our scope of services is broad and global in reach. We bring unmatched convenience, innovation and resources to customers both locally and around the globe, offering them full-service banking operations in nine countries.

2011 was a year for expansion in Lebanon and beyond for Bank of Beirut. We tapped new local and international markets to serve our customers wherever they are and to provide them with highly personalized services.

Locally, Bank of Beirut witnessed the opening of five new branches in the regions of Ghazir, Chehabieh, Baskinta, Rabieh and Amchit. The opening of new branches embodies Bank of Beirut's commitment to contribute to the development of remote areas across the country in an endeavor to help Lebanese citizens remain in their hometowns, by providing them with flexible and customized financing solutions tailored to their needs and capabilities.

Globally, Management's vision led it beyond borders. Having experienced rapid growth over the past, the Bank adopted a cross - border expansion strategy that was clearly reflected in its implemented plans. Bank of Beirut strengthened its domestic coverage by growing its network throughout Lebanon, and expanded into Australia through the acquisition of 92.5% of the shares of Laiki Bank (Australia) Ltd., subsequently renamed Beirut Hellenic Bank Ltd., with a present network of 16 branches. Exploiting the Australian banking market has allowed us to become the embassy of the Lebanese banking industry across the globe by expanding our presence into areas densely populated by the Lebanese Diaspora with the intention of becoming the universal Lebanese Bank in the region.



*Our inspiration derives from our rich past
and aspirations for a brighter future.*

Breaking New Grounds in Brand Communication

New Brand, New Look, Consistent Commitment

In 2011, Bank of Beirut embraced a new era of banking excellence by breaking new grounds in brand communication. The Bank combined almost half a century of expertise, achievements and success into one new corporate identity that embodies its core values, mission and vision, thus reinforcing Bank of Beirut's image as a stable Bank with a strong heritage.

Eager to convey our genuine identity, we developed a new consistent brand that builds and sustains trust; projects the professional, the Bank's reliable powerful image of the Bank; which is manifested in all its actions.

Our Brand signature

Choosing to keep "Banking Beyond Borders" as our brand signature is indicative of our philosophy behind everything we do at Bank of Beirut: Our signature not only conveys our prospects to expand and venture into new markets, but also reflects our profound intentions to go the extra mile in serving our customers wherever they are.





Our Logo



Bank of Beirut's new logo is conceived and masterminded in a wrapping style effect to convey the Bank's mindful approach and its concern to wrap its customers with care.

The triangle shapes are a reminder of the cedar of Lebanon. The new brand texture also conveys the modern dynamic, aggressive ongoing spirit of Bank of Beirut.

The reason behind choosing blue as the color of our logo, signifies continuity with our past. Finally, our new logo is a reflection of our Bank as it is characterized by the initial B, our insignia.







At Bank of Beirut, we are leading the industry towards banking excellence.



Breaking New Grounds in Cash Management Solutions

2011 was a watershed year for Bank of Beirut.

Over the course of those 12 months, our Bank has broken new grounds on all levels, one of which was Transaction Banking.

The Bank created the Cash Management and Transaction Banking Services Department, developing the latest innovative financial transaction programs with the widest reach in Lebanon. Through its new-born department, Bank of Beirut was the first Bank on the Lebanese market to offer business banking solutions to companies, allowing them to perform all sorts of financial transactions online from anywhere around the world.

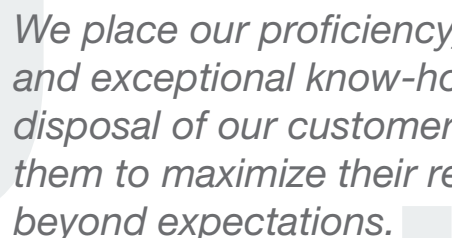
Bank of Beirut's business online banking bouquet encompasses:

- The Business Online Banking, platform, offering companies immediate online access to their accounts, and allowing them to perform financial transactions, wire money, open Letters of Credit and more, all from the comfort of their home or office.
- The Electronic Payroll Service, allowing companies to electronically disburse their employees' salaries and wages instantaneously in a secure manner, without having to go to a branch.
- The Business Pay Card Solution, allowing them to electronically pay their unbanked seasonal staff, clients, suppliers..., without having to open for them a bank account.

Bank of Beirut's groundbreaking online business services have been developed in line with our Bank's continuous endeavours to keep up with modernity and meet our customers' technological needs, which will also keep our economy moving forward and constantly competing in a world without borders.

Through this pioneering initiative, we further consolidate our position as a leading Bank committed to offering best-in-class solutions to our corporate customers.





We place our proficiency, expertise and exceptional know-how at the disposal of our customers allowing them to maximize their returns beyond expectations.



Breaking New Grounds in Capital Markets

For almost 50 years, we have focused on going beyond our customers' expectations striving to become a "Universal Bank". Today, our efforts towards providing high-end global, regional and local market services have been appreciated on both the local and international levels.

Our Bank developed further its investment services, and our Global Markets Division continues to be ahead of competition with an enhanced platform dedicated to serving its customers' comprehensive financial requirements across the globe. Today, we have access to major centers around the world: USA, Canada, the Far East, including Hong Kong and China, Australia and South Africa, and our European coverage includes London and the Scandinavian countries, in addition to the Middle East and the GCC countries.


The year 2011 witnessed another series of achievements on the Capital Markets scene. Our commitment, high performance and Global Markets expertise have brought us awards and recognitions from the most respected financial world journals and institutions, positioning us as leader in the sector.

At Bank of Beirut, we lead the industry toward a more sophisticated approach in banking and wealth management, and the many awards we have earned are indicative of our commitment to optimize our customers' returns on investment.

In 2011, Bank of Beirut was awarded the 'Best GTFP Issuing Bank in Middle East & North Africa Regional Trade' during the fourth annual International Finance Corporation (IFC) meeting, in Istanbul. Our Bank is a leader in trade finance, through the issuance of Letters of Credit and Letters of Guarantee, as well as in Asset Management and financial engineering through the launch of structured products and investment funds.

In 2011, another top-score was awarded: Two Funds managed by Bank of Beirut which were listed on Zawya Funds Monitor as the Best Performing Funds over a three-year period; positioning Bank of Beirut as leader in funds management.





We set the basis of a talented and professional workforce capable of escorting the Bank's growth, taking our banking industry to new dimensions and driving our Bank's business further ahead.

Breaking New Grounds in Staff Education and Training



At Bank of Beirut, we recognize the crucial role our people play in the Bank's success and we strive to create a working environment that fosters the optimal performance of our human capital, thereby delivering excellent service to our growing customer base whilst benefiting all stakeholders.

Throughout 2011, we stayed true to our focus on our people and a great deal of the Bank's energy has been directed in creating the Bank of Beirut Academy, a training and learning center aimed at providing the Bank's employees with the highest standards of banking knowledge and of quality customer services best practices.

Through its recently launched learning platform, Bank of Beirut aims at promoting the skills and competencies of its employees through certified trainings delivered by high-calibre training experts with global experience. The Academy's highly interactive training programs cover full-range of banking topics and core courses in banking and business fundamentals, including group workshops, group discussions, role playing, and sharing of best practices.

Moreover, the Academy offers growth opportunities for the Bank's employees, granting them international certification, and increasing Bank of Beirut's competitive edge in the banking industry.





At Beirut Life, we strive to build and sustain supreme financial capabilities allowing us to generate benchmark profits for our shareholders.

Breaking New Grounds in Bancassurance

Breaking new grounds is part of Bank of Beirut culture. That's what places us always at the forefront of innovation and product diversification.

The year 2011 witnessed an impressive breakthrough for Bank of Beirut which has expanded into life insurance services through an external acquisition, Beirut Life, the Bank's latest new-born subsidiary.

At Beirut Life, caring for our customers' utmost safety and well-being is our top priority. We aim to protect our policyholders from the financial impacts of life, death or disability and to provide them with the best possible products and services, offering them securities, such as, retirement and life insurance plans. Our software platform allows for direct solutions at all Bank of Beirut counters as well as the possibility for our customers to buy most of their insurance online.

But above all, Beirut Life is committed to bonding with its customers, improving their own lives and that of their families.

We are determined to pursue our development path and are absolutely committed to firmly grasping the industry's development opportunities, advancing towards our goal by developing into a leading life insurance company, for offering excellent premium services to our customers and long-term stable returns through our shareholders.



A low-angle, upward-looking photograph of a modern skyscraper with a glass and steel facade. The building's grid-like structure of windows and frames creates a strong geometric pattern. Several semi-transparent blue triangles of varying sizes are overlaid on the image, some pointing upwards and others downwards, adding a dynamic, architectural feel. The sky is a pale, clear blue.

Consolidated Financial Statements and Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **Bank of Beirut S.A.L. and Subsidiaries** ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Bank of Beirut S.A.L. and Subsidiaries** as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 27, 2012


DFK Fiduciaire du Moyen Orient


Deloitte & Touche

Consolidated statement of financial position

ASSETS

As at December 31 st - LBP'000	Notes	2011	2010
Cash and deposits at central banks	6	2,352,430,632	2,065,973,677
Deposits with banks and financial institutions	7	1,391,098,805	1,108,873,245
Trading assets	8	616,480,527	107,856,973
Loans to banks	9	100,090,358	136,154,971
Loans and advances to customers	10	4,806,638,990	3,400,554,061
Loans and advances to related parties	11	154,980,954	107,080,420
Investment securities	12	4,471,009,210	4,620,041,892
Customers' liability under acceptances	13	457,406,326	302,246,243
Investments in associate	14	35,768,858	34,114,825
Assets acquired in satisfaction of loans	15	27,618,905	33,178,002
Property and equipment	16	117,889,505	98,783,153
Goodwill	17	88,736,427	2,155,731
Other assets	18	47,873,745	30,862,109
Total Assets		14,668,023,242	12,047,875,302

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

As at December 31 st - LBP'000	Notes	2011	2010
Letters of guarantee and stand by letters of credit	47	964,619,686	905,720,024
Documentary and commercial letters of credit		725,661,289	668,566,247
Interest rate swap		83,477,432	-
Forward exchange contracts		1,020,000,639	688,384,642
Fiduciary accounts	48	597,575,707	643,974,421

LIABILITIES

As at December 31 st - LBP'000	Notes	2011	2010
Deposits and borrowings from banks and financial institutions	19	732,261,020	805,247,217
Customers' and related parties' deposits designated at fair value through profit and loss	20	2,955,538	6,593,351
Customers' and related parties' deposits at amortized cost	21	11,458,002,064	9,022,858,026
Liabilities under acceptance	13	457,406,326	302,246,243
Other borrowings	22	60,711,595	234,849,314
Certificates of deposit	23	226,726,442	151,302,010
Other liabilities	24	116,901,437	122,454,110
Provisions	25	33,894,597	32,180,707
Total liabilities		13,088,859,019	10,677,730,978

SHAREHOLDERS' EQUITY

As at December 31 st - LBP'000	Notes	2011	2010
Common stock	26	63,588,924	63,588,924
Shareholders' cash contribution to capital	28	20,978,370	20,978,370
Non-cumulative preferred shares	27	745,106,325	539,911,125
Reserves and retained earnings	29	572,471,319	481,566,407
Owned buildings' revaluation surplus		1,967,807	1,967,807
Cumulative change in fair value of available for sale investment securities	30	-	109,234,850
Regulatory reserve for assets acquired in satisfaction of losses		5,196,381	5,183,654
Treasury shares	31	(9,303,821)	(4,294,396)
Net income for the year	32	156,061,131	151,914,639
Currency translation adjustment		(724,152)	(274,133)
Equity attributable to the equity holders of the Group		1,555,342,284	1,369,777,247
Non-controlling interest	33	23,821,939	367,077
Total equity		1,579,164,223	1,370,144,324
Total Liabilities and Equity		14,668,023,242	12,047,875,302

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Consolidated income statement

As at December 31 st - LBP'000	Notes	2011	2010
Interest income	35	645,047,526	586,114,503
Interest expense	36	(455,577,051)	(367,693,172)
Net interest income		189,470,475	218,421,331
Fee and commission income	38	106,331,618	90,172,033
Fee and commission expense	39	(13,051,997)	(12,254,466)
Net fee and commission income		93,279,621	77,917,567
Net interest and other gains on trading securities	40	77,838,212	7,137,722
Net interest and gain on financial liability designated at fair value through profit or loss	37	(256,248)	(187,781)
Other operating income	41	22,767,908	37,711,185
Net financial revenues		383,099,968	341,000,024
Provision for credit losses (Net)	42	(2,506,425)	861,836
Write back of/provision for loss on fixed exchange position	25	607,976	(607,976)
(Allowance for impairment) / write back of allowance on impairment of property and equipment		(603,000)	495,000
Write back of provision for impairment of assets acquired in satisfaction of loans	15	122,005	102,082
Allowance for impairment on brokerage account	7	(678,375)	-
Net financial revenues after impairment charge for credit losses		380,042,149	341,850,966
Staff costs	43	(116,362,187)	(91,429,496)
General and administrative expenses	44	(64,516,475)	(50,366,278)
Depreciation and amortization	16,45	(10,374,729)	(16,144,253)
Profit before income tax		188,788,758	183,910,939
Income tax expense		(31,244,586)	(30,518,602)
Profit for the year before withholding tax on profits from subsidiaries		157,544,172	153,392,337
Tax on undistributed profit	24	(1,483,041)	(1,477,698)
Net profit for the period		156,061,131	151,914,639
Attributable to:			
Non-controlling interest		(345,990)	(15,891)
Equity holders of the Group		155,715,141	151,898,748
Basic earnings per share in LBP	46	LBP 2,176	LBP 2,160
Diluted earnings per share in LBP	46	LBP 2,176	LBP 2,017

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

As at December 31 st - LBP'000	Notes	2011	2010
Profit for the year		156,061,131	151,914,639
Other comprehensive income:			
Foreign currency translation adjustment related to foreign operations		(450,019)	(415,679)
Change in fair value of available-for-sale financial assets		-	28,118,029
Deferred tax		-	(4,222,444)
Amortization of unrealized loss on held to maturity securities		-	565,599
Write-off of unrealized loss on sold held to maturity securities		-	3,369,413
Revaluation of fixed and special exchange position to hedge foreign investments		(1,439,706)	-
Change in fair value of subsidiaries cash flow hedge		(1,082,685)	-
Total other comprehensive income		(2,972,410)	27,414,918
Total comprehensive income for the year		153,088,721	179,329,557
Attributable to:			
Equity holders of the Group		152,831,995	179,313,666
Non-controlling interest		256,726	15,891
		153,088,721	179,329,557

Consolidated statement of changes in equity

LBP'000	Common Stock	Cash Contribution to Capital	Non- Cumulative Preferred Shares	Reserves and Retained Earnings	
Balance, January 1, 2010	60,560,880	20,978,370	460,692,000	440,659,160	
Allocation of 2009 net profit	-	-	-	110,184,114	
Dividends paid to common shareholders – Note 34	-	-	-	(31,542,125)	
Dividends paid to preferred shareholders – Note 34	-	-	-	(33,384,229)	
Transfer from free reserves to Series “D” Preferred shares	-	-	904,500	(904,500)	
Dividends on treasury shares	-	-	-	38,180	
Change in treasury shares	-	-	-	-	
Issuance of Series “G” preferred shares	-	-	188,362,125	-	
Redemption of series “C” Preferred shares	-	-	(110,047,500)	-	
Transfer from reserves for capital increase	3,028,044	-	-	(3,028,044)	
Write-off from sale of assets acquired in satisfaction of loans	-	-	-	164,294	
Write-back of reserve for assets acquired in satisfaction of debts	-	-	-	403,126	
Effect of exchange difference	-	-	-	(1,023,569)	
Total comprehensive income	-	-	-	-	
Acquisition of a subsidiary	-	-	-	-	
Balance, December 31, 2010	63,588,924	20,978,370	539,911,125	481,566,407	
Impact of IFRS 9 early adoption	-	-	-	19,407,183	
Restated balance January 1, 2011	63,588,924	20,978,370	539,911,125	500,973,590	
Allocation of 2010 net profit	-	-	-	150,110,847	
Adjustment of par value due to capital increase	-	-	778,200	(778,200)	
Dividends paid to common shareholders – Note 34	-	-	-	(32,803,810)	
Dividends paid to preferred shareholders – Note 34	-	-	-	(43,054,200)	
Dividends on treasury shares	-	-	-	89,961	
Issuance of series “H” preferred shares	-	-	203,512,500	-	
Reclassification to free reserves from regulatory reserves	-	-	-	1,773,426	
Loss on sale of assets acquired in satisfaction of loans	-	-	-	-	
Gain on sale on assets acquired in satisfaction of loans recorded in retained earnings – Note 15	-	-	-	51,453	
Transfer from free reserves to Series “D” Preferred shares	-	-	904,500	(904,500)	
Change in treasury shares	-	-	-	-	
Treasury share revaluation adjustment	-	-	-	(386,867)	
Effect of exchange difference	-	-	-	(159,191)	
Acquisition of a subsidiary	-	-	-	-	
Total comprehensive income	-	-	-	(2,441,190)	
Balance, December 31, 2011	63,588,924	20,978,370	745,106,325	572,471,319	

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements



		Change in Fair value of Available-for-	Reserve for assets acquired in		Currency		Equity	Non	
Revaluation		Sales	in satisfaction	Treasury	Translation	Profit for	attributable	Controlling	Total
Surplus		securities	of debets	Shares	Adjustment	the year	to the Group	Interest	
1,967,807		81,404,253	3,585,890	(3,481,669)	141,546	112,185,004	1,178,693,241	-	1,178,693,241
	-	-	2,000,890	-	-	(112,185,004)	-	-	-
	-	-	-	-	-	-	(31,542,125)	-	(31,542,125)
	-	-	-	-	-	-	(33,384,229)	-	(33,384,229)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	38,180	-	38,180
	-	-	-	(812,727)	-	-	(812,727)	-	(812,727)
	-	-	-	-	-	-	188,362,125	-	188,362,125
	-	-	-	-	-	-	(110,047,500)	-	(110,047,500)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	164,294	-	164,294
	-	-	(403,126)	-	-	-	-	-	-
	-	-	-	-	-	-	(1,023,569)	-	(1,023,569)
	-	27,830,597	-	-	(415,679)	151,914,639	179,329,557	-	179,329,557
	-	-	-	-	-	-	-	367,077	367,077
	1,967,807	109,234,850	5,183,654	(4,294,396)	(274,133)	151,914,639	1,369,777,247	367,077	1,370,144,324
	-	(109,234,850)	-	-	-	-	(89,827,667)	-	(89,827,667)
	1,967,807	-	5,183,654	(4,294,396)	(274,133)	151,914,639	1,279,949,580	367,077	1,280,316,657
	-	-	1,787,901	-	-	(151,914,639)	(15,891)	15,891	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(32,803,810)	-	(32,803,810)
	-	-	-	-	-	-	(43,054,200)	-	(43,054,200)
	-	-	-	-	-	-	89,961	-	89,961
	-	-	-	-	-	-	203,512,500	-	203,512,500
	-	-	(1,773,426)	-	-	-	-	-	-
	-	-	(1,748)	-	-	-	(1,748)	-	(1,748)
		-	-	-	-	-	51,453	-	51,453
	-	-	-	-	-	-	-	-	-
	-	-	-	(5,464,564)	-	-	(5,464,564)	-	(5,464,564)
	-	-	-	455,139	-	-	68,272	-	68,272
	-	-	-	-	-	-	(159,191)	-	(159,191)
	-	-	-	-	-	-	-	23,520,168	23,520,168
	-	-	-	-	(441,956)	155,715,141	152,831,995	256,726	153,088,721
	1,967,807	-	5,196,381	(9,303,821)	(716,089)	155,715,141	1,555,004,357	24,159,862	1,579,164,219



Consolidated statement of cash flows

As at December 31 st - LBP'000	Notes	2011	2010
Cash flows from operating activities:			
Profit for the year	32	156,061,131	151,914,639
Adjustments for:			
Write back of provision impairment of assets acquired in satisfaction of loans (net)	15	(67,501)	(102,082)
Provision on impairment on deposits with banks	7	678,375	-
Depreciation and amortization	16	10,374,729	16,144,253
Write back of provision on impairment of property and equipment	16	603,000	(495,000)
Provision for credit losses (Net of write back)	42	2,506,425	(861,836)
Deferred tax on profit for distribution		1,483,041	1,477,698
Accretion of treasury bills discount		676,733	(321,140)
Unrealized gain on securities at fair value through profit or loss / trading	40	(160,679)	(577,996)
Change in fair value of fair value and cash flow hedge		(1,001,484)	-
Gain on sale of foreclosed assets	41	(16,861,223)	(1,101,660)
Loss /(Gain) on sale on property and equipment	41	2,865	(23,899)
Share in profits of an associates	41	(2,698,425)	(1,683,227)
Provision for End of service indemnity for employees (net of settlements)	25	92,909	6,798,704
Pension costs	43	605,326	-
(Write back) / Provision for fixed currency position	25	(607,976)	607,976
Other adjustments and effect of difference on exchange		(975,267)	(1,392,345)
		150,711,979	170,384,085
Net increase in trading assets	8	(508,462,875)	(63,856,387)
Net decrease / (increase) in loans to banks	9	21,889,128	(36,455,216)
Net increase in loans and advances to customers	10	(189,258,938)	(861,529,600)
Net (increase) / decrease in loans and advances to related parties	11	(47,900,534)	53,105,138
Net decrease / (increase) in Cash, Compulsory reserves and central banks	6	177,885,909	(1,077,642,545)
Net (increase) / increase in deposits with banks	7	(79,121,903)	28,883,346
Net increase in other assets	18	(15,209,159)	(4,235,778)
Net increase / (decrease) in deposits and borrowings from banks	19	25,467,145	(23,714,903)
Net (decrease) / increase in other liabilities	24	(28,917,858)	4,612,351
Net (decrease) / increase in provision for contingencies	25	(176,946)	251,557
Net decrease in customers' and related parties' accounts at fair value through profit or loss	20	(3,637,813)	(2,309,979)
Net increase in customers' and related parties' accounts at amortized cost	21	1,090,718,383	1,597,062,213
Net cash provided / (used in) by operating activities		593,986,518	(215,445,718)
Cash flows from investing activities:			
Property and equipment	16	(24,065,364)	(29,670,156)
Proceeds from liquidation of assets acquired in satisfaction of loans	15	24,305,298	5,890,227
Proceeds from sale of property and equipment		137,017	1,464,201
Acquisition of subsidiary	50	(138,754,843)	-
Intangible assets	16	-	949,511
Dividends from investment in an associate	14	1,044,392	1,232,447
Decrease / (increase) in Investment securities	12	107,322,780	(522,342,217)
Net cash used in investing activities		(30,010,720)	(542,475,987)
Cash flows from financing activities:			
Dividends paid	34	(75,768,049)	(64,888,174)
Issuance of Series «H» preferred shares	27	203,512,500	-
Issuance of Series «G» preferred shares	27	-	188,362,125
Redemption of Preferred Shares «C»	27	-	(110,047,500)
Increase in other borrowings	22	(10,679,444)	8,742,054
Certificates of deposit	23	75,424,432	(38,631,664)
Change in treasury shares	31	(5,396,292)	(812,727)
Net cash provided by financing activities		187,093,147	(17,275,886)
Net Increase / (Decrease) in cash and cash equivalents		751,068,945	(775,197,591)
Cash and cash equivalents - Beginning of year	50	1,106,527,145	1,881,724,736
Cash and cash equivalents - Ending of year		1,857,596,090	1,106,527,145

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Notes to the consolidated financial statements

1. General information

Bank of Beirut S.A.L. (the “Bank”) is a Lebanese joint stock company listed on the Beirut stock exchange, registered under number 13187 in the Lebanese commercial register and under number 75 in the list of banks published by the Central Bank of Lebanon. The Bank was established in Lebanon in 1963 and provides a full range of banking services and operates through a network of 57 branches throughout Lebanon with a focus in the city of Beirut and its suburbs. The Bank has also branches in Cyprus and Oman and representative offices in Dubai in the United Arab Emirates, in Iraq and in Nigeria. The Bank has a subsidiary bank in the UK, this subsidiary opened a branch in Frankfurt during 2010. The Bank established during 2007 a new investment subsidiary bank under the name of Bank of Beirut Invest S.A.L. During 2011, the Bank acquired 85% equity stake in a subsidiary bank in Sidney – Australia named “Laiki Bank” and changed its name to Beirut Hellenic Bank. The Bank then increased its equity stake to 92.5%.

2. Adoption of new and revised international financial reporting standards (IFRSs)

2.1 Early adopted Standard during the current period

In the current year, the Group has applied IFRS 9 Financial Instruments (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates. The date of initial application is January 1, 2011. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis without restatement of prior periods as permitted by the Standard.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement. As a general rule, IFRS 9 requires all financial assets related to debt securities to be classified and subsequently measured at either amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. However, equity securities and derivatives should all be measured at fair value.

As required by IFRS 9, debt instruments are measured at amortized cost only if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss (FVTPL).

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortized cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income that is generally recognized in profit or loss in accordance with IAS 18 Revenue, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

For debt instruments not designated at fair value through profit or loss under the fair value option, reclassification is required between fair value through profit or loss and amortized cost, or vice versa, if the Group's business model objective for its financial assets changes so that its previous measurement basis no longer applies.

IFRS 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated. Instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

As at January 1, 2011, the directors have reviewed and assessed the Group's existing financial assets. The impact resulting from the initial application of IFRS 9 on the Group's financial assets is detailed under Note 5. Differences between the carrying amounts of financial assets and financial liabilities from the adoption of IFRS 9 are recognized in opening retained earnings.

Financial liabilities

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Notes to the consolidated financial statements

2.2 Standards and Interpretations effective for the current period

The following new and revised standards and interpretations have been applied in the current year with no material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 24 Related Party Disclosures (as revised in 2009) modify the definition of a related party and simplify disclosures for government-related entities. The Bank and its subsidiary are not government-related entities and the application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.
- Amendments to IAS 32 Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.
- Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement. The amendments correct an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The application of the amendments has had no effect on the Group's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; IFRIC 13. The application of these improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

Notes to the consolidated financial statements

2.3 Standards and Interpretations in issue but not yet effective

The Group has not applied the following new standards, amendments and interpretations that have been issued but not yet effective:

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Currently, the Group has not entered into such transactions.
- IFRS 10 Consolidated Financial Statements* replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements, and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee and includes a new definition of control. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. IAS 27 Consolidated and Separate Financial Statements* and IAS 28 Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.
- IFRS 11 Joint Arrangements* replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate. IAS 28 Investments in Associates and Joint Ventures has been amended for the issuance of IFRS 11.
- IFRS 12 Disclosure of Interests in Other Entities* is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.
- IFRS 13 Fair Value Measurement defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. The scope of IFRS 13 is broad and applies to both financial and non-financial items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards.

Effective for annual periods beginning on or after

July 1, 2011

January 1, 2013

January 1, 2013

January 1, 2013

January 1, 2013

Notes to the consolidated financial statements

	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • Amendments to IAS 1 – Presentation of Other Comprehensive Income. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis. 	July 1, 2012
<ul style="list-style-type: none"> • Amendments to IAS 12 Income Taxes provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. 	January 1, 2012
<ul style="list-style-type: none"> • Amendments to IAS 19 Employee Benefits eliminate the “corridor approach” and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur. 	January 1, 2013
<ul style="list-style-type: none"> • Amendments to IFRS 7 Financial Instruments: Disclosures enhancing disclosures about offsetting of financial assets and liabilities. 	January 1, 2013
<ul style="list-style-type: none"> • Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities. 	January 1, 2013
<ul style="list-style-type: none"> • IAS 28 Investment in Associates and Joint Ventures (as revised in 2011): As a consequence of the new IFRS 11 and 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. 	
<p>* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, consisting of IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.</p>	

The directors anticipate that the adoption of the above Standards and Interpretation will have no material impact on the financial statements of the Group in the period of initial application, except for IFRS 13 which may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Notes to the consolidated financial statements

3. Significant accounting policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). Prior year comparable financial statements were reclassified to conform to current year presentation.

Basis of Preparation

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

- Assets and liabilities held for trading.
- Financial instruments designated at fair value through profit or loss.
- Investments in equities.
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (effective January 1, 2011).
- Available-for-sale financial assets (applicable prior to January 1, 2011).
- Derivative financial instruments measured at fair value.

The principal accounting policies applied are set out below:

A. Basis of Consolidation

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

The consolidated subsidiaries consist of the following:

	Country of Incorporation	Year of Acquisition or Incorporation	Percentage of Ownership		Business Activity
			2011	2010	
Bank of Beirut UK LTD	United Kingdom	2002	100	100	Banking
Bank of Beirut Invest S.A.L.	Lebanon	2007	100	100	Investment Banking
Beirut Broker Company S.A.R.L.	Lebanon	1999	100	100	Insurance brokerage
BOB Finance S.A.L.	Lebanon	2006	100	100	Financial Institution
Cofida Holding S.A.L.	Lebanon	2008	100	100	Holding
Beirut Life	Lebanon	2010	90	90	Insurance
Beirut Hellenic Bank	Australia	2011	92.5	-	Banking

Notes to the consolidated financial statements

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

B. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Notes to the consolidated financial statements

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

C. Goodwill

Goodwill arising on an acquisition of a business is carried at cost. Refer to Note 3B for the measurement of goodwill at initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

D. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Notes to the consolidated financial statements

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

E. Recognition and Derecognition of Financial Assets and Liabilities

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Effective January 1, 2011, upon derecognition of a financial asset that is classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Notes to the consolidated financial statements

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

F. Classification of Financial Assets

Policy Applicable effective January 1, 2011 (IFRS 9):

All recognized financial assets are measured in their entirety at either amortized cost or fair value, depending on their classification.

Debt Instruments

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL"). In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL are measured at FVTPL.

Even if a debt instrument meets the two amortized cost criteria above, it may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Equity Instruments

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in profit or loss.

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments

Notes to the consolidated financial statements

are recognized in other comprehensive income, accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Reclassification

Financial assets are reclassified between FVTPL and amortized cost or vice versa, if and only if, the Group's business model objective for its financial assets changes so its previous model assessment would no longer apply. When reclassification is appropriate, it is done prospectively from the reclassification date.

Reclassification is not allowed where:

- the 'other comprehensive income' option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

Policy Applicable prior to January 1, 2011 (IAS 39):

Subsequent to initial recognition, investment securities are accounted for depending on their classification as either: held-to-maturity, loans and receivables, available-for-sale, or fair value through profit or loss.

Held-to-Maturity Investment Securities

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

Held-to-maturity investments are carried at amortized cost.

Loans and Receivables Investment Securities

Loans and receivables investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the ability to hold to maturity.

Loans and receivables investment securities are carried at amortized cost.

Notes to the consolidated financial statements

Available-for-Sale Investment Securities

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

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

Designation at Fair Value through Profit and Loss

The Group designates financial assets and liabilities at fair value through profit or loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

G. Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Bank's own equity instruments.

Financial Liabilities

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

Notes to the consolidated financial statements

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

H. Offsetting

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

I. Fair Value Measurement of Financial Instruments

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction.

When published price quotations exist, the Group measures the fair value of a financial instrument that is traded in an active market using quoted prices for that instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument, adjusted for any other factors such as liquidity risk.

J. Impairment of Financial Assets

Effective January 1, 2011 financial assets carried at amortized cost; and prior to January 1, 2011 financial assets other than those carried at fair value through profit and loss, are assessed for indicators of impairment at the reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collaterals and guarantees.

Notes to the consolidated financial statements

The Group considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

Prior to January 1, 2011: For available-for-sale investment securities, the cumulative losses previously recorded in other comprehensive income and accumulated in equity were recognized in profit or loss in case the impairment losses are substantiated by a prolonged decline in fair value of the investment securities. Any increase in the fair value of available-for-sale equity securities, subsequent to an impairment loss, was not recognized in profit or loss. Any increase in the fair value of available-for-sale debt securities, subsequent to an impairment loss, was recognized in profit or loss.

K. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

- is not measured at fair value with changes in fair value recognized in profit or loss.
- is not an asset within the scope of IFRS 9 (Policy effective January 1, 2011)

Hedge Accounting

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

Notes to the consolidated financial statements

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

Fair Value Hedge

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

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

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

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

L. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not held for trading. Loans and advances are measured at amortized cost net of unearned interest and provision for credit losses where applicable. Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

Notes to the consolidated financial statements

M. Financial Guarantees

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

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

N. Investments in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 non-current assets held for sale and discounted operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the consolidated financial statements

O. Property and Equipment

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

Depreciation is recognized so as to write off the cost or valuation of property and equipment (other than advance payments on capital expenditures) less their residual values, if any, over their useful lives, using the straight-line method as follows:

	Rate	Years
Buildings	2%	50
Furniture and equipment	8%	12.5
Computer equipment	20%	5
Vehicles	10%	10

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

P. Intangible Assets

Intangible assets other than goodwill, are amortized on a straight-line basis at the rate of 20%. Intangible assets are subject to impairment testing.

Q. Assets acquired in satisfaction of loans

Policy applicable to Lebanese Group entities: Real estate properties acquired through the enforcement of collateral over loans and advances are stated at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities who require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

R. Impairment of Tangible and Intangible Assets (Other than Goodwill)

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

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

Notes to the consolidated financial statements

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

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

The fair value of the Group's owned properties and of properties acquired in satisfaction of loans debts, is the estimated market value as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment of an illiquidity factor and market constraints.

S. Provision for Employees' End-of-Service Indemnity / Staff Retirement Benefits ***Policy applicable to Lebanese Group Entities***

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

Policy applicable to other Jurisdictions

The Group contributes to a defined contribution scheme which is open to all members of staff over the age of 18. Contributions are charged to the income statement when they become in accordance with the scheme.

T. Provisions

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

U. Revenue and Expense Recognition

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

Notes to the consolidated financial statements

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability (e.g. commissions and fees earned on loans) are included under interest income and expense.

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities (prior to January 1, 2011).
- Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Interest income on financial assets measured at fair value through profit or loss and interest income on the trading portfolio are presented separately in the income statement.

Other net income from financial assets measured at fair value through profit or loss, other than those held for trading, includes:

- Dividend income.
- Realized and unrealized fair value changes.
- Foreign exchange differences.

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income in accordance with IFRS 9, are presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income. Prior to January 1, 2011 dividends on available-for-sale securities were presented in other revenue.

V. Income Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Part of debt securities invested in by the Group is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

Notes to the consolidated financial statements

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

W. Fiduciary Accounts

Fiduciary assets held or invested on behalf of individuals and others are non-discretionary basis and related risks and rewards belong to the account holders. Accordingly, these deposits are reflected as off-balance sheet accounts.

X. Cash and Cash Equivalents

Cash and cash equivalents comprise balances with maturities of a period of three months including: cash and balances with the Central Bank and deposits with banks and financial institutions.

Y. Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

A. Critical accounting judgments in applying the Group's accounting policies

Classification of Financial Assets (Applicable from January 1, 2011)

Business Model

The business model test requires the Group to assess whether its business objective for financial assets is to collect the contractual cash flows of the assets rather than realize

Notes to the consolidated financial statements

their fair value change from sale before their contractual maturity. The Group considers at which level of its business activities such assessment should be made. Generally, a business model can be evidenced by the way business is managed and the information provided to management. However the Group's business model can be to hold financial assets to collect contractual cash flows even when there are some sales of financial assets. While IFRS 9 provides some situations where such sales may or may not be consistent with the objective of holding assets to collect contractual cash flows, the assessment requires the use of judgment based on facts and circumstances.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- The frequency and volume of sales;
- The reasons for any sales;
- How management evaluates the performance of the portfolio;
- The objectives for the portfolio.

Characteristics of the Financial Asset

Once the Group determines that its business model is to hold the assets to collect the contractual cash flows, it exercises judgment to assess the contractual cash flows characteristics of a financial asset. In making this judgment, the Group considers the contractual terms of the acquired asset to determine that they give rise on specific dates, to cash flows that solely represent principal and principal settlement and accordingly may qualify for amortized cost accounting.

Features considered by the Group that would be consistent with amortized cost measurement include:

- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

Features considered by the Group that would be inconsistent with amortized cost measurement include:

- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

B. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the consolidated financial statements

Allowances for Credit Losses - Loans and Advances to Customers

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

Determining Fair Values

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

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

- Level 1 - quoted prices for identical items in active, liquid and visible markets such as stock exchanges,
- Level 2 - observable information for similar items in active or inactive markets,
- Level 3 - unobservable inputs used in situations where markets either do not exist or are illiquid.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data. Where practical, the discount rate used in the mark to model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the Lebanese Government debt securities and Central Bank certificates of deposit."

Notes to the consolidated financial statements

Impairment of Available-for-Sale Equity Investments (Prior to January 1, 2011)

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

5. Classification of financial assets on the date of initial application of IFRS 9:

As discussed in Note 2 (2.1), the Group has early adopted IFRS 9 Financial Instruments. Below is a summary of the transitional classification and measurement adjustments to Group's investments securities on the date of initial application of IFRS 9. All other financial assets were classified as loans and receivables under IAS39 and have been classified at amortized cost under IFRS 9:

LBP'000	Previous Classification Under IAS 39	Classification/ Designation Under IFRS 9	Carrying Amount under IAS 39 as at December 31, 2010	Carrying Amount under IFRS9 as at January 1, 2011
Equity securities	Available-for-sale	Fair value through other comprehensive income	3,445,218	3,439,474
Equity securities	Available-for-sale	Fair value through profit or loss	39,030,218	39,030,218
Lebanese government bonds	Available-for-sale	Amortized cost	546,143,410	528,483,478
Lebanese government bonds	Available-for-sale	Fair value through profit or loss	139,171,601	139,171,601
Lebanese government bonds	Held-to-maturity	Fair value through profit or loss	217,847,934	220,316,985
Lebanese treasury bills	Available-for-sale	Fair value through profit or loss	409,907,193	409,907,193
Lebanese treasury bills	Available-for-sale	Amortized cost	1,094,170,220	1,071,950,564
Certificates of deposit issued by Central Bank of Lebanon	Available-for-sale	Amortized cost	1,163,210,876	1,104,862,464
Certificates of deposit issued by Central Bank of Lebanon	Available-for-sale	Fair value through profit or loss	139,344,726	139,344,726
Certificates of deposit issued by Central Bank of Lebanon	Held-to-maturity	Amortized cost	47,789,726	47,789,726
Certificates of deposit issued by Central Bank of Lebanon	Held-to-maturity	Fair value through profit or loss	4,573,072	5,109,068
Corporate bonds	Available-for-sale	Amortized cost	30,211,128	29,870,609
Corporate bonds	Available-for-sale	Fair value through profit or loss	12,373,764	12,373,764
Corporate bonds	Held-to-maturity	Fair value through profit or loss	42,963,750	42,963,750
Certificates of deposit issued by private sector	Held-to-maturity	Amortized cost	1,507,498	1,507,498
			3,891,690,334	3,796,121,118

Notes to the consolidated financial statements

Impact of early adoption of IFRS 9

The impact of the early adoption on the opening retained earnings and cumulative change in fair value of financial assets as at January 1, 2011 was as follows:

LBP'000	Retained Earnings	Cumulative Change in fair value (Under Equity)
Reported balance, December 31, 2010	481,566,407	109,234,850
Allocation to retained earnings of portion of change in fair value related to portfolio classified as at fair value through profit or loss (net of deferred tax)	19,407,183	(19,407,183)
Offset of change in fair value related to portfolio classified as at amortized cost (net of deferred tax)	-	(89,827,667)
Reported balance, January 1, 2011		
	500,973,590	-

6. Cash and deposits at Central Banks

As at December 31 st - LBP'000	2011	2010
Cash on hand	30,401,840	24,914,687
Non-Interest earning accounts:		
- Compulsory reserves with the Central Bank of Lebanon	95,516,672	83,476,260
Interest earning accounts:		
- Current accounts with the Central Bank of Lebanon	43,793,872	233,854,630
- Current accounts with other Central Banks (of which compulsory reserves LBP5billion)	475,247,339	360,337,509
- Term placements with the Central Bank of Lebanon	1,694,274,790	1,345,751,950
- Term placements with other Central Banks	11,238,898	16,160,541
Accrued interest receivable	1,957,221	1,478,100
	2,352,430,632	2,065,973,677

Notes to the consolidated financial statements

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

Compulsory deposits with the Central Bank are not available for use in the Group's day-to-day operations.

The term placements with the Central Bank of Lebanon include as of December 31, 2011 and 2010, the equivalent in foreign currencies of LBP837billion and LBP737billion, respectively deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposit in foreign currencies, certificates of deposits and loans acquired from non-resident financial institutions.

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

As at December 31st 2011 - LBP'000

Maturity	Amount	Average Interest Rate %	Amount	Average Interest Rate %
Year 2012	197,500,000	3.00	1,002,426,390	0.79
Year 2013	-	-	45,225,000	1.39
Year 2014	-	-	143,212,500	1.41
Year 2015	-	-	45,225,000	1.35
Year 2016	-	-	260,685,900	1.50
	197,500,000		1,496,774,790	

As at December 31st 2010 - LBP'000

Maturity	Amount	Average Interest Rate %	Amount	Average Interest Rate %
Year 2011	124,300,000	3.03	452,626,950	0.64
Year 2012	-	-	535,162,500	1.13
Year 2013	-	-	45,225,000	1.17
Year 2014	-	-	143,212,500	1.16
Year 2015	-	-	45,225,000	1.19
	124,300,000		1,221,451,950	

Notes to the consolidated financial statements

Term placements with the Central Bank of Lebanon carrying maturities for more than one year are repriced on a quarterly basis.

Maturities of term placements with other central banks as at December 31, 2011 and 2010:

Maturity	2011 Amounts in F/Cv		2010 Amounts in F/Cv	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
Year 2012	11,238,898	0.94	-	-
Year 2011	-	-	16,160,541	1.12
	11,238,898		16,160,541	

7. Deposits with banks and financial institutions

As at December 31 st - LBP'000	2011	2010
Checks in course of collection	56,135,900	60,904,658
Current accounts	350,989,845	122,016,353
Term placements	902,792,023	873,336,706
Pledged deposits	81,325,312	52,039,400
Provision for impairment of bank accounts	(678,375)	-
Accrued interest receivable	534,100	576,128
	1,391,098,805	1,108,873,245

Pledged deposits include an amount of LBP17.7billion that is pledged against a letter of credit through silent risk participation with a foreign bank in the amount of LBP50billion (Note 52), and an amount of LBP892million pledged against a letter of guarantee with another foreign bank, in addition to an amount of LBP44.9billion pledged against foreign currency operations with a foreign bank.

Moreover, as at December 31, 2011 pledged deposits with banks include a USD11.6million short term deposit with one of the domestic banks in Australia that is pledged as security for one of the Group's subsidiaries' (Beirut Hellenic Bank) obligations under settlements agency agreements.

Furthermore, the Group had as of December 31, 2011 and 2010, term placements with banks amounting to LBP92billion and LBP107billion, respectively, subject to right of set-off against exposures related to financial institutions with off-balance sheet exposures.

Notes to the consolidated financial statements

Term placements and pledged deposits bear the following maturities:

As at December 31 st 2011 - LBP'000				
Maturity	Amount	Average Interest Rate %	Amount	Average Interest Rate %
Without maturity	-	-	64,728,958	0.44
Year 2012	15,853,889	-	903,534,488	3.61
	15,853,889	3.44	968,263,446	

As at December 31 st 2010 - LBP'000				
Maturity	Amount	Average Interest Rate %	Amount	Average Interest Rate %
Without maturity	-	-	28,221,250	0.05
Year 2011	23,990,268	-	873,164,588	0.62
	23,990,268	1.69	901,385,838	

8. Trading assets

As at December 31 st 2011 - LBP'000			
	LBP	C/V of F/Cy	Total
Quoted equity securities	-	16,092,703	16,092,703
Unquoted equity securities	-	20,781,132	20,781,132
Lebanese treasury bills	368,589,882	-	368,589,882
Lebanese Government bonds	-	46,969,623	46,969,623
Certificates of deposit issued by the Central Bank of Lebanon	136,403,065	4,818,391	141,221,456
Certificates of deposit issued by private sector	-	1,507,498	1,507,498
Corporate bonds	-	10,266,930	10,266,930
Accrued interest receivable	10,145,991	905,312	11,051,303
	515,138,938	101,341,589	616,480,527

As at December 31 st 2010 - LBP'000			
	LBP	C/V of F/Cy	Total
Lebanese Government Bonds	-	91,849,149	91,849,149
Certificates of deposit issued by the Central Bank of Lebanon	5,592,923	8,119,395	13,712,318
Quoted Equity Securities	-	185,513	185,513
Accrued Interest Receivables	268,623	1,841,370	2,109,993
	5,861,546	101,995,427	107,856,973

Notes to the consolidated financial statements

Accrued interest receivable consists of the following as at December 31, 2011 and 2010:

As at December 31 st - LBP'000	2011	2010
Lebanese treasury bills	6,773,878	-
Lebanese government bonds	626,310	1,631,325
Certificates of deposit issued by the Central Bank of Lebanon	3,448,128	478,668
Certificates of deposits issued by the private sector	8,794	-
Corporate bonds	194,193	-
	11,051,303	2,109,993

Net interest income, gains and losses on trading portfolio are detailed under Note 40.

9. Loans to banks

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

As at December 31 st - LBP'000	2011	2010
Resident housing bank	41,049,600	43,846,800
Discounted letters of credit	57,275,342	91,285,776
Accrued interest receivable	1,944,724	1,417,550
Less: Unearned interest	(179,308)	(395,155)
	100,090,358	136,154,971

Loans to banks mature as follows:

As at December 31 st 2011 - LBP'000	LBP	Average Interest Rate %	C/V in LBP of F/Cy	Average Interest Rate %
Up to 1 year	17,692	-	57,257,650	3.69
3 to 5 years	3,600,000	4.13	-	-
Beyond 5 years	37,449,600	4.17	-	-
	41,067,292		57,257,650	

As at December 31 st 2010 - LBP'000	LBP	Average Interest Rate %	C/V in LBP of F/Cy	Average Interest Rate %
Up to 1 year	-	-	83,748,276	4.76
1 to 3 years	-	-	7,537,500	0.48
Beyond 5 years	43,846,800	4.54	-	-
	43,846,800		91,285,776	

Notes to the consolidated financial statements

Loans to banks in foreign currencies represent facilities derived from trade finance activity (discounted letters of credit) mainly granted to Middle Eastern/African banks.

Since 2004, the Group has been granting 12 year financing loans to a resident housing bank. These loans are subject to interest at the rate of 40% of the 2 years coupon treasury bills plus 1.75%. Interest is paid semi-annually. The loans are payable after a grace period of 2 years from withdrawal date in 10 annual equal installments.

These loans are broken down as follows:

Loan	Year Granted	December 31, 2011			December 31, 2010	
		Loan Amount LBP'000	Interest Rate %	Balance LBP'000	Interest Rate %	Balance LBP'000
1	2004	9,000,000	4.13	3,600,000	5.49	4,500,000
2	2007	8,970,000	4.87	7,177,600	4.87	8,074,800
3	2008	10,000,000	4.13	9,000,000	5.35	10,000,000
4	2009	11,278,000	4.28	11,272,000	4.28	11,272,000
5	2009	10,000,000	2.72	10,000,000	2.72	10,000,000
		49,248,000		41,049,600		43,846,800

As a guarantee for these loans, the borrower has pledged in favour of the Group bills related to the housing loans granted to its customers. In this connection, housing loans in the amount of LBP48billion were pledged in favor of the Group as of December 31, 2011 and 2010.

Notes to the consolidated financial statements

10. Loans and advances to customers

As at December 31 st - LBP'000	2011				
	Gross Amount	Unrealized Interest	Impairment Allowance	Carrying Amount	
Regular retail customers:					
Retail	1,385,951,663	-	-	1,385,951,663	
Regular corporate customers:					
Rescheduled	4,247,033	-	-	4,247,033	
Corporate	3,448,286,432	-	-	3,448,286,432	
Unearned interest on regular loans	(50,347,570)	-	-	(50,347,570)	
Classified retail customers:					
Rescheduled substandard	4,195,147	(1,662,704)	-	2,532,443	
Substandard	3,114,263	(304,560)	-	2,809,703	
Rescheduled doubtful and bad	31,658	(23)	(33,919)	(2,284)	
Doubtful and bad	1,226,469	(31,600)	(410,969)	783,900	
Classified corporate customers:					
Rescheduled substandard	3,996,913	(1,695,036)	-	2,301,877	
Substandard	12,232,015	(2,579,803)	-	9,652,212	
Rescheduled doubtful and bad	21,461,509	(12,965,398)	(3,695,973)	4,800,138	
Doubtful and bad	82,339,167	(40,910,135)	(16,040,371)	25,388,661	
Settlement on substandard loans	(2,567,951)	-	-	(2,567,951)	
Settlement on doubtful loans	(16,398,080)	-	-	(16,398,080)	
Allowance for collective assessment loans	-	-	(16,003,856)	(16,003,856)	
Accrued interest receivable	5,204,669	-	-	5,204,669	
	4,902,973,337	(60,149,259)	(36,185,088)	4,806,638,990	

Notes to the consolidated financial statements

	2010			
	Gross Amount	Unrealized Interest	Impairment Allowance	Carrying Amount
	1,373,275,265	(1,982,959)	-	1,371,292,306
	6,426,794	-	-	6,426,794
	2,056,851,685	-	-	2,056,851,685
	(52,328,436)	-	-	(52,328,436)
	4,763,717	(2,188,124)	-	2,575,593
	711,326	(274,478)	-	436,848
	4,862	(4,779)	-	83
	682,392	(74,923)	(578,083)	29,386
	3,420,272	(1,237,546)	-	2,182,726
	16,748,111	(3,613,268)	-	13,134,843
	21,119,310	(11,405,354)	(3,926,466)	5,787,490
	76,415,983	(35,218,145)	(16,139,090)	25,058,748
	(2,620,276)	-	-	(2,620,276)
	(15,275,669)	-	-	(15,275,669)
	-	-	(16,384,768)	(16,384,768)
	3,386,708	-	-	3,386,708
	3,493,582,044	(55,999,576)	(37,028,407)	3,400,554,061

Loans and advances to customers include as at December 31, 2011 and 2010 creditors accidentally debtors with carrying value amounting to LBP4.5billion and LBP3.6billion respectively.

Loans and advances to customers also include as at December 31, 2011 and 2010 net multicurrency trading exposures amounting to LBP434million and LBP284million respectively.

Rescheduled loans represent loans with renegotiated terms.

The movement of substandard loans (including restructured substandard loans) and related unrealized interest during 2011 and 2010 is summarized as follows:

Notes to the consolidated financial statements

LBP'000	2011			
	Substandard Loans	Unrealized Interest	Net Book Value	
Balance - January 1	23,023,150	(7,313,416)	15,709,734	
Settlements of loans	(12,720,360)	-	(12,720,360)	
Additions to unrealized interest	2,973,073	(2,973,073)	-	
Write-back of unrealized interest to income statement	-	2,521,641	2,521,641	
Write-off to income statement	(16,038)	-	(16,038)	
Write-off	(164,684)	166,902	2,218	
Transfer from/to other classifications (net)	6,934,923	1,320,724	8,255,647	
Additions to substandard loans from legal expenses	872,564	-	872,564	
Effect of exchange rates changes	67,759	35,119	102,878	
Balance - December 31	20,970,387	(6,242,103)	14,728,284	

Notes to the consolidated financial statements

2010

	Substandard Loans	Unrealized Interest	Net Book Value
	21,433,874	(6,399,246)	15,034,628
	(5,619,774)	-	(5,619,774)
	1,537,359	(1,537,359)	-
	-	526,303	526,303
	(12,053)	-	(12,053)
	(133,633)	134,582	949
	5,073,057	13,594	5,086,651
	735,042	(50,702)	684,340
	9,278	(588)	8,690
	23,023,150	(7,313,416)	15,709,734

Notes to the consolidated financial statements

The movement of doubtful and bad loans (including restructured loans) and related unrealized interest and allowance for impairment during 2011 and 2010 is summarized as follows:

LBP'000	2011				
	Bad and Doubtful	Unrealized Interest	Allowance for Impairment	Net Book Value	
Balance January 1	97,810,099	(46,703,201)	(35,506,860)	15,600,038	
Addition from acquisition of a subsidiary	99,428	-	(68,835)	30,593	
Settlements of loans	(8,998,530)	305,909	3,230,481	(5,462,140)	
Additions from unrealized interest	7,835,222	(7,835,222)	-	-	
Additions to loans	3,453,548	-	-	3,453,548	
Additional provision – Note 42	-	-	(5,077,891)	(5,077,891)	
Write back of provision – Note 42	-	-	1,165,325	1,165,325	
Write back of unrealized interest to income statement	-	826,295	-	826,295	
Write-off	(3,886,037)	876,197	3,009,840	-	
Direct loss to income statement	(350)	-	-	(350)	
Transfer between to/from substandard loans	4,329,994	(1,320,723)	-	3,009,271	
Transfer between to off-balance sheet	4,490,316	-	(4,490,316)	-	
Transfer to collective provision	-	-	827,323	827,323	
Transfer to sundry creditors	-	-	186,930	186,930	
Effect of exchange rates changes	55,808	(56,411)	13,996	13,393	
Balance December 31	105,189,498	(53,907,156)	(36,710,007)	14,572,335	
Contractual write-off on restructured debts	(16,528,775)	-	16,528,775	-	
Balance December 31	88,660,723	(53,907,156)	(20,181,232)	14,572,335	

The movement of the allowance for collective impairment during 2011 and 2010 is as follows:

LBP'000	2011	2010
Opening balance	16,384,768	12,362,822
Additions from acquisition of a subsidiary	231,854	-
Additions (Note 42)	1,301,692	3,074,008
Write-back (Note 42)	(2,742,707)	-
Transfer from specific provision	827,323	947,938
Difference on exchange	926	-
Ending balance	16,003,856	16,384,768

Notes to the consolidated financial statements

	2010			
	Bad and Doubtful	Unrealized Interest	Allowance for Impairment	Net Book Value
	147,267,094	(65,319,365)	(46,011,548)	35,936,181
	-	-	-	-
	(29,390,197)	-	-	(29,390,197)
	7,856,647	(7,856,647)	-	-
	634,713	-	-	634,713
	-	-	(803,413)	(803,413)
	-	-	4,914,742	4,914,742
	-	2,250,346	-	2,250,346
	(29,683,444)	24,445,177	5,330,915	92,648
	-	-	-	-
	-	(11,640)	-	(11,640)
	1,086,381	(196,979)	(889,402)	-
	-	-	947,938	947,938
	-	-	796,197	796,197
	38,905	(14,093)	207,711	232,523
	97,810,099	(46,703,201)	(35,506,860)	15,600,038
	(14,863,221)	-	14,863,221	-
	82,946,878	(46,703,201)	(20,643,639)	15,600,038

11. Loans and advances to related parties

As at December 31 st - LBP'000	2011	2010
Regular Retail Accounts:		
Mortgage loans	11,158,018	834,580
Trading loans	-	18,083,330
Personal loans	472,935	232,096
Car loans	119,200	-
Credit cards	381,035	259,395
Other	7,627	2,894
Regular Corporate Accounts:		
Small and medium enterprises	142,786,654	87,626,969
Accrued interest receivable	55,485	41,156
	154,980,954	107,080,420

Notes to the consolidated financial statements

12. Investment securities

Classification under IFRS 9:

As at December 31 st 2011 - LBP'000	Fair Value through Other Comprehensive Income			
	LBP	C/V of F/Cy	Total	
Unquoted equity securities	3,391,575	47,899	3,439,474	
Lebanese treasury bills	-	-	-	
Lebanese government bonds	-	-	-	
Foreign government treasury bonds	-	-	-	
Certificates of deposit issued by the Central Bank of Lebanon	-	-	-	
Certificates of deposit issued by private sector	-	-	-	
Financial private sector debt securities	-	-	-	
Corporate bonds	-	-	-	
	3,391,575	47,899	3,439,474	
Accrued interest receivable	-	-	-	
	3,391,575	47,899	3,439,474	

Classification under IAS 39:

As at December 31 st 2010 - LBP'000	Fair Value through Other Comprehensive Income			
	LBP	C/V of F/Cy	Total	
Quoted equity securities	-	25,067,047	25,067,047	
Unquoted equity securities	3,391,575	13,857,291	17,248,866	
Lebanese treasury bills	1,519,647,512	-	1,519,647,512	
Lebanese government bonds	-	685,315,011	685,315,011	
Certificates of deposit issued by the Central Bank of Lebanon	1,193,248,631	109,306,971	1,302,555,602	
Certificates of deposit issued by private sector	-	12,043,341	12,043,341	
Corporate bonds	-	32,048,464	32,048,464	
	2,716,287,718	877,638,125	3,593,925,843	
Accrued interest receivable	51,592,435	16,171,326	67,763,761	
	2,767,880,153	893,809,451	3,661,689,604	

Notes to the consolidated financial statements

	Amortized Cost			
	LBP	C/V of F/Cy	Total	Total
	-	-	-	3,439,474
	1,120,216,502	-	1,120,216,502	1,120,216,502
	-	1,158,816,832	1,158,816,832	1,158,816,832
	-	27,898,440	27,898,440	27,898,440
	1,262,992,770	156,359,969	1,419,352,739	1,419,352,739
	-	80,438,664	80,438,664	80,438,664
	-	475,953,554	475,953,554	475,953,554
	-	112,552,516	112,552,516	112,552,516
	2,383,209,272	2,012,019,975	4,395,229,247	4,398,668,721
	44,045,123	28,295,366	72,340,489	72,340,489
	2,427,254,395	2,040,315,341	4,467,569,736	4,471,009,210

	Amortized Cost			
	LBP	C/V of F/Cy	Total	Total
	-	-	-	25,067,047
	-	-	-	17,248,866
	183,586,789	-	183,586,789	1,703,234,301
	-	466,264,602	466,264,602	1,151,579,613
	100,256,939	52,362,798	152,619,737	1,455,175,339
	-	11,634,150	11,634,150	23,677,491
	-	126,628,774	126,628,774	158,677,238
	283,843,728	656,890,324	940,734,052	4,534,659,895
	5,977,442	11,640,794	17,618,236	85,381,997
	289,821,170	668,531,118	958,352,288	4,620,041,892

Notes to the consolidated financial statements

The movement of investment securities during 2011 and 2010 is summarized as follows:

LBP'000	2011			
	Investments at fair value through other comprehensive income	Investments at amortized cost	Available-for-sale	Held-to-Maturity
Balance January 1, 2011	-	-	3,593,925,843	940,734,052
Reclassification upon adoption of IFRS 9	3,439,474	2,625,954,458	(3,593,925,843)	(940,734,052)
Additions	-	2,371,546,791	-	-
Addition from acquisition of a subsidiary	-	211,576,040	-	-
Redemptions	-	(921,897,012)	-	-
Amortization of premiums and discounts	-	108,046,291	-	-
Effect of exchange rates changes	-	2,681	-	-
Balance December 31, 2011	3,439,474	4,395,229,249	-	-

LBP'000	2010			
	Available-for-Sale		Held-to-Maturity	
	In LBP	C/V of F/Cy	In LBP	C/V of F/Cy
Balance January 1, 2010	2,198,413,680	765,253,469	840,287,242	814,585,486
Additions	1,432,995,846	1,001,500,244	118,644,960	428,180,541
Sales	(871,115,683)	(829,933,485)	-	(37,687,500)
Redemptions	(68,630,130)	(72,590,168)	(673,974,280)	(544,508,039)
Effect of discount and premium	8,699,653	6,709,950	(1,114,194)	(1,585,036)
Change in fair value	15,924,352	13,015,379	-	3,369,413
Effect of exchange rates changes	-	(6,317,264)	-	(6,030,140)
Amortization to income statement	-	-	-	565,599
Balance December 31, 2010	2,716,287,718	877,638,125	283,843,728	656,890,324

Notes to the consolidated financial statements

A. Financial assets at fair value through other comprehensive income

Effective January 1, 2011, the Group has designated some investments in unquoted equity securities at fair value through other comprehensive income. These investments were classified in 2010 as available-for-sale.

B. Available-for-sale investment securities

As at December 31 st , 2011	LBP			C/V of F/Cy		
	Fair Value	Accrued Interest Receivable	Cumulative Change in Fair Value	Fair Value	Accrued Interest Receivable	Cumulative Change in Fair Value
Quoted equity securities	-	-	-	25,067,047	-	884,444
Unquoted equity securities at cost	3,391,575	-	-	13,857,291	-	44,539
Lebanese treasury bills	1,519,647,512	30,686,938	40,686,444	-	-	-
Lebanese Government bonds	-	-	-	685,315,011	13,627,686	20,558,740
Certificates of deposit issued by the Central Bank of Lebanon	1,193,248,631	20,905,497	63,423,120	109,306,971	1,981,649	2,671,754
Financial private sector debt securities	-	-	-	12,043,341	41,919	260,847
Corporate bonds	-	-	-	32,048,464	520,072	(102,948)
	2,716,287,718	51,592,435	104,109,564	877,638,125	16,171,326	24,317,376
Less: Deferred tax – Note 24			(15,559,367)			3,632,723
			88,550,197			20,684,653

Notes to the consolidated financial statements

Available-for-sale debt securities had the following remaining periods to maturity:

As at December 31 st - LBP'000	Denominated in Lebanese Pounds		
	2010		
	Redemption Value	Fair Value	Yield %
Remaining period to maturity			
Lebanese treasury bills:			
Up to one year	540,003,600	552,390,234	8.49
1 year to 3 years	653,044,040	677,281,642	7.78
3 years to 5 years	274,297,000	289,975,636	7.33
	1,467,344,640	1,519,647,512	
Certificates of deposit issued by the Central Bank of Lebanon:			
1 year to 3 years	159,000,000	180,387,876	10.57
3 years to 5 years	470,000,000	521,696,309	9.07
5 years to 10 years	484,000,000	491,164,446	8.26
	1,113,000,000	1,193,248,631	
	2,580,344,640	2,712,896,143	

As at December 31 st - LBP'000	Denominated in Foreign Currency		
	2010		
	Redemption Value	Fair Value	Yield %
Remaining period to maturity			
Lebanese Government bonds:			
Up to one year	57,024,203	57,315,102	7.35
1 year to 3 years	108,170,403	109,274,055	6.81
3 years to 5 years	73,139,024	76,767,254	7.27
5 years to 10 years	230,013,596	241,147,833	6.75
Beyond 10 years	181,083,915	200,810,767	7.89
	649,431,141	685,315,011	
Financial Bank of Lebanon debt securities:			
1 year to 3 years	81,073,350	83,400,930	7.98
3 years to 5 years	22,931,789	25,906,041	8.14
	104,005,139	109,306,971	
Financial private sector debt securities:			
1 year to 3 years	11,803,725	12,043,341	7.9
	11,803,725	12,043,341	
Corporate bonds:			
Up to one year	1,507,500	1,457,602	3.38
1 year to 3 years	3,490,245	3,577,501	3.04
3 years to 5 years	25,627,500	27,013,361	3.42
	30,625,245	32,048,464	
	795,865,250	838,713,787	

Notes to the consolidated financial statements

C. Financial assets at amortized cost

As at December 31 st - LBP'000	2011					
	LBP			F/Cy		
	Amortized Cost	Accured Interest Receivable	Fair Value	Amortized Cost	Accured Interest Receivable	Fair Value
Lebanese treasury bills	1,120,216,502	22,278,141	1,146,471,016	-	-	-
Lebanese Government bonds	-	-	-	1,158,816,832	19,271,563	1,235,551,785
Certificates of deposit issued by the Central Bank of Lebanon	1,262,992,770	21,766,982	1,357,902,825	156,359,969	2,327,270	165,487,118
Foreign government treasury bonds	-	-	-	27,898,440	19,811	27,896,488
Certificate of deposit issued by private sector	-	-	-	80,438,664	467,054	80,774,603
Financial private sector debt securities	-	-	-	475,953,554	3,761,832	469,124,716
Corporate bonds	-	-	-	112,552,516	2,447,836	105,221,698
	2,383,209,272	44,045,123	2,504,373,841	2,012,019,975	28,295,366	2,084,056,408

Financial assets at amortized cost denominated in Lebanese Pounds are segregated over the remaining periods to maturity as follows:

As at December 31 st - LBP'000	2011			
	Redemption Value	Amortized Cost	Fair Value	Yield %
Remaining period to maturity				
Lebanese treasury bills:				
Up to one year	407,541,880	410,221,173	418,847,881	7.56
1 year to 3 years	321,125,000	324,995,637	336,282,471	6.96
3 years to 5 years	279,522,000	282,122,836	285,704,888	6.26
5 years to 10 years	100,320,000	102,876,856	105,635,776	7.24
	1,108,508,880	1,120,216,502	1,146,471,016	
Certificates of deposit issued by the Central Bank of Lebanon:				
1 year to 3 years	629,000,000	640,298,924	694,883,266	9.45
3 years to 5 years	49,000,000	50,856,543	52,734,670	7.49
5 years to 10 years	564,000,000	571,837,303	610,284,889	7.65
	1,242,000,000	1,262,992,770	1,357,902,825	
	2,350,508,880	2,383,209,272	2,504,373,841	

Notes to the consolidated financial statements

Financial assets at amortized cost denominated in foreign currency are segregated over the remaining period to maturity as follows:

As at December 31 st - LBP'000 Remaining period to maturity	2011			
	Redemption Value	Amortized Cost	Fair Value	Yield %
Lebanese Government bonds:				
Up to one year	22,885,756	22,915,669	23,356,676	6.36
1 year to 3 years	183,274,313	187,671,931	201,055,920	7.32
3 years to 5 years	92,357,449	99,745,809	102,371,858	8.46
5 years to 10 years	730,780,178	759,651,359	817,790,783	5.63
Beyond 10 years	89,794,238	88,832,064	90,976,548	5.33
	1,119,091,934	1,158,816,832	1,235,551,785	
Certificates of deposit issued by Central Bank of Lebanon:				
Up to one year	108,208,350	108,263,524	112,640,174	9.02
1 years to 3 years	18,090,000	18,866,979	19,200,726	4.78
5 years to 10 years	28,520,996	29,229,466	33,646,218	6.75
	154,819,346	156,359,969	165,487,118	
Certificate of deposit issued by private sector: Up to one year	80,701,137	80,438,664	80,774,603	4.31
	80,701,137	80,438,664	80,774,603	
Financial Private Sector debt securities: Up to one year	26,004,220	25,986,825	26,230,061	5.85
1 years to 3 years	260,409,318	260,410,196	255,644,081	6.22
3 years to 5 years	190,249,933	189,556,533	187,250,574	6.26
	476,663,471	475,953,554	469,124,716	
Foreign government treasury bonds	27,896,488	27,898,440	27,896,488	0.90
	27,896,488	27,898,440	27,896,488	
Corporate bonds:				
Up to one year	14,995,412	23,360,820	23,286,534	2.21
1 years to 3 years	33,760,582	33,838,486	32,639,716	5.11
3 years to 5 years	42,675,360	43,014,461	39,079,965	5.45
5 years to 10 years	12,210,750	12,338,749	10,215,483	6.20
	103,642,104	112,552,516	105,221,698	
	1,962,814,480	2,012,019,975	2,084,056,408	

Notes to the consolidated financial statements

Certificates of deposit issued by the Central Bank of Lebanon include as of December 31, 2011 certificates of deposit with carrying value of LBP29billion classified at amortized cost and LBP4billion classified as held for trading (LBP24billion classified as available-for-sale and LBP18.4billion classified as held-to-maturity as at December 31, 2010) maturing in 2015 with a put option exercisable at a redemption value of 91.63% of par in year 2012. The Group follows the policy of providing annually for the difference of 8.37% between the nominal value and the early redemption value in 2012. Provision booked up to December 31, 2011 and 2010 is reflected under "Other Liabilities" (Note 24) and amounted to LBP2.34billion and LBP1.66billion respectively.

During 2011, the Group exchanged Lebanese government bonds with nominal value of LBP25.8billion maturing in March 2012 and LBP29billion maturing in December 2012 against Lebanese government bonds maturing in November 28, 2019. The Group classified LBP20.2billion as trading and LBP34.6billion at amortized cost. The exchange operation resulted in a discount of LBP714million that is being amortized until maturity as a yield adjustment.

During 2010, the Group exchanged Lebanese treasury bills and certificates of deposit issued by the Central Bank of Lebanon with a nominal value of LBP180billion and LBP20billion, respectively, classified as available-for-sale maturing during 2010 against certificates of deposit issued by the Central bank of Lebanon maturing in December 2017. Certificate of deposits in the amount of LBP50billion were classified held for trading, another LBP50billion were classified held to maturity and the remaining balance of LBP100billion was classified as available-for-sale. The exchange operation resulted in a discount of LBP647million that is being amortized until maturity as a yield adjustment.

At December 31, 2011 and 2010, the Group had Lebanese government bonds having a net book value of LBP905million (LBP925million during 2010) pledged in favor of the Ministry of Economy and Trade as a guarantee of insurance business in compliance with local regulations (Note 52).

D. Held-to-maturity investment securities

As at December 31 st - LBP'000	2010					
	LBP			F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
Lebanese treasury bills	183,586,789	4,320,813	179,222,289	-	-	-
Lebanese Government bonds	-	-	-	466,264,602	7,231,931	482,262,029
Certificates of deposit issued by the Central Bank of Lebanon	100,256,939	1,656,629	109,983,581	52,362,798	278,797	53,236,098
Financial private sector debt securities	-	-	-	11,634,150	1,785	11,642,877
Corporate bonds	-	-	-	126,628,774	4,128,281	127,226,681
	283,843,728	5,977,442	289,205,870	656,890,324	11,640,794	674,367,685

Notes to the consolidated financial statements

Held-to-maturity investments denominated in Lebanese Pounds had the following remaining periods to maturity:

As at December 31 st - LBP'000 Remaining period to maturity	2010			
	Redemption Value	Amortized Cost	Fair Value	Yield %
Lebanese treasury bills:				
Up to one year	167,508,960	165,882,602	167,288,004	7.23
3 years to 5 years	6,000,000	6,384,187	4,926,632	6.31
5 years to 10 years	11,320,000	11,320,000	7,007,653	8.17
	184,828,960	183,586,789	179,222,289	
Certificates of deposit issued by the Central Bank of Lebanon:				
1 year to 3 years	50,000,000	50,163,189	56,127,744	11.87
5 years to 10 years	50,000,000	50,093,750	53,855,837	8.71
	100,000,000	100,256,939	109,983,581	
	284,828,960	283,843,728	289,205,870	

At December 31, 2010 the Group had held-to-maturity treasury bills with carrying value of LBP162billion that were pledged against soft loans granted by the Central Bank of Lebanon in connection with the acquisition by the Group of a problematic bank - Note 22.

Notes to the consolidated financial statements

Held-to-maturity investments denominated in foreign currency had the following remaining periods to maturity:

As at December 31 st - LBP'000 Remaining period to maturity	2010			
	Redemption Value	Amortized Cost	Fair Value	Yield %
Lebanese Government bonds:				
Up to one year	138,690,000	138,988,006	139,401,088	7.76
1 year to 3 years	86,455,012	87,084,563	87,460,493	7.32
3 years to 5 years	144,885,825	146,785,924	150,110,096	8.54
5 years to 10 years	36,994,050	38,283,988	40,355,333	6.83
Beyond 10 years	56,116,688	55,122,121	64,935,019	8.75
	463,141,575	466,264,602	482,262,029	
Certificates of deposit issued by the Central Bank of Lebanon:				
1 year to 3 years	37,687,500	37,650,516	37,687,500	6.83
3 years to 5 years	13,763,475	14,712,282	15,548,598	4.38
	51,450,975	52,362,798	53,236,098	
Financial private sector debt securities:				
Up to one year	11,638,950	11,634,150	11,642,877	0.52
	11,638,950	11,634,150	11,642,877	
Corporate bonds:				
Up to one year	70,265,539	70,473,091	70,818,623	1.33
1 year to 3 years	47,619,330	47,713,683	47,777,620	7.25
3 years to 5 years	7,537,500	7,537,500	7,725,938	4.38
5 years to 10 years	904,500	904,500	904,500	6.75
	126,326,869	126,628,774	127,226,681	
	652,558,369	656,890,324	674,367,685	

Notes to the consolidated financial statements

13. Customers' liability under acceptances

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

14. Investments in associate

This caption represents the Group's 20.42% equity stake in an African bank.

The movement of investments during 2011 and 2010 in associates was as follows:

	2011		2010	
	USD	C/V in LBP'000	USD	C/V in LBP'000
Balance January 1,	22,609,621	34,114,825	23,142,708	34,918,453
Share in net profit (Note 41)	1,790,000	2,698,425	1,400,069	2,110,604
Adjustment of previous year share in profit (Note 41)	-	-	(1,115,613)	(1,681,785)
Distribution of dividends	(692,797)	(1,044,392)	(817,543)	(1,232,447)
Balance December 31,	23,706,824	35,768,858	22,609,621	34,114,825

During 2010, the associate restated its retained earnings by a net amount equivalent to LBP15billion for error derived from impairment of financial and non-financial assets related to prior years and consequently the Group restated its retained earnings as at January 1, 2009 by its share of the restatement.

Moreover, during 2010, the Group recycled an amount of LBP1.25billion from «Other liabilities» to «Other operating income» in the income statement representing deferred tax liability that will no longer be paid (Note 24).

Notes to the consolidated financial statements

15. Assets acquired in satisfaction of loans

Assets acquired in satisfaction of loans have been acquired through extinguishment and/or restructuring of debt.

The movement of assets acquired in satisfaction of loans was as follows:

LBP'000	Real Estate
Gross Amount:	
Balance January 1, 2010	42,148,162
Additions	2,785,222
Disposals	(4,685,786)
Balance December 31, 2010	40,247,598
Additions	1,766,023
Disposals	(7,444,074)
Balance December 31, 2011	34,569,547
Allowance for impairment	
Balance January 1, 2010	(7,233,192)
Additions	(125,632)
Write-back on disposals	102,082
Write-off on disposals	187,146
Balance December 31, 2010	(7,069,596)
Additions	(54,504)
Write-back on disposals	122,005
Write-back to reserves	51,453
Balance December 31, 2011	(6,950,642)
Carrying amount:	
December 31, 2011	27,618,905
December 31, 2010	33,178,002

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years. However, the intermediary circular No.41 has allowed banks to extend yearly appropriation over a period of 20 years with respect to those assets acquired through loans' restructuring approved by the Central Bank of Lebanon or with respect to the entirety of those assets acquired in settlement of loans provided that banks restructure before 2007 year end, at least 50% of the balance of non-performing loans outstanding at June 30, 2003. This condition was satisfied by the Group during 2007. In this connection, an amount of LBP1.8billion representing gain on disposal of assets acquired in satisfaction of debt was appropriated in 2011 from 2010 profit (LBP2billion in 2010 from 2009 profit) in compliance with BDL circular #78. Moreover, an amount of LBP1.1billion was appropriated in 2011 from 2010 income (LBP3.2billion in 2010 from 2009 income) in compliance with BCC circular #173 Furthermore, an amount of LBP1.7billion was transferred to retained earnings upon the sale of related foreclosed assets (LBP403million in 2010).

Notes to the consolidated financial statements

16. Property and equipment

LBP'000	Buildings and Real Estate	Furniture	Equipments	
Gross Amount:				
Balance January 1, 2010	73,277,273	16,174,782	24,277,032	
Additions	18,422,534	2,283,725	1,254,784	
Disposals	(1,985,431)	(95,762)	(168,166)	
Transfers between categories	-	408,976	1,647,539	
Exchange Difference	(4,846)	(53,086)	(53,206)	
Balance December 31, 2010	89,709,530	18,718,635	26,957,983	
Additions from acquisition of a subsidiary	-	460,882	5,473,239	
Additions	2,375,252	1,743,261	2,202,253	
Disposal	(90,450)	(52,131)	(462,994)	
Transfers between categories	87,589	(76,852)	1,112,531	
Transfers to intangible assets	-	-	-	
Write off	(603,000)	-	-	
Exchange Difference	2,605	(563)	(3,008)	
Balance December 31, 2011	91,481,526	20,793,232	35,280,004	
Accumulated Depreciation:				
Balance January 1, 2010	(13,120,398)	(11,947,015)	(20,752,166)	
Additions	(1,577,134)	(878,363)	(1,366,731)	
Disposals	594,667	78,912	168,062	
Exchange Difference	-	(14,844)	42,234	
Balance December 31, 2010	(14,102,865)	(12,761,310)	(21,908,601)	
Additions from acquisition of a subsidiary	-	(304,036)	(3,520,068)	
Additions	(1,731,889)	(1,007,795)	(2,198,729)	
Disposals	-	35,815	413,955	
Transfers between categories	(41,658)	218,040	(32,992)	
Exchange Difference	250	20,717	131,837	
Balance December 31, 2011	(15,876,162)	(13,798,569)	(27,114,598)	
Impairment allowance				
Balance December 31, 2011 and 2010	(346,429)	-	-	
Carrying Amount:				
December 31, 2011	75,258,935	6,994,663	8,165,406	
December 31, 2010	75,260,236	5,957,325	5,049,382	

Additions to buildings during 2010 mainly include the group's acquisition of plot in Oman for USD9.8million which will be used as head office.

Notes to the consolidated financial statements

	Vehicles	Key Money	Installations and improvement	Advances on Capital Expenditure	Total
	350,375	3,711,722	22,541,037	3,521,270	143,853,491
	171,418	-	29,676	7,614,828	29,776,965
	(109,581)	-	-	-	(2,358,940)
	-	-	6,449,473	(8,505,988)	-
	9	-	(64,915)	-	(176,044)
	412,221	3,711,722	28,955,271	2,630,110	171,095,472
	-		7,300,400	-	13,234,521
	202,960	-	3,892,488	14,169,448	24,585,662
	(5,909)	-	(2,344,741)	-	(2,956,225)
	-	702	7,589,158	(8,713,128)	-
	-	-	-	(468,035)	(468,035)
	-	-	-	-	(603,000)
	-	1	(2,038)	-	(3,003)
	609,272	3,712,425	45,390,538	7,618,395	204,885,392
	(178,178)	(2,053,473)	(18,621,058)		(66,672,288)
	(51,504)	-	(2,407,743)	-	(6,281,475)
	76,997	-	-	-	918,638
	(335)	-	42,180	-	69,235
	(153,020)	(2,053,473)	(20,986,621)		(71,965,890)
	-		(4,636,360)	-	(8,460,464)
	(100,015)	(165)	(4,209,137)	-	(9,247,730)
	5,909	-	2,299,376	-	2,755,055
	-	56	(143,446)	-	-
	1,080	-	115,687	-	269,571
	(246,046)	(2,053,582)	(27,560,501)		(86,649,458)
	-		-	-	(346,429)
	363,226	1,658,843	17,830,037	7,618,395	117,889,505
	259,201	1,658,249	7,968,650	2,630,110	98,783,153

Notes to the consolidated financial statements

17. Goodwill

This section comprises the following:

As at December 31 st - LBP'000	2011			2010		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
Goodwill at cost	407,025	88,329,402	88,736,427	407,025	1,748,706	2,155,731
	407,025	88,329,402	88,736,427	407,025	1,748,706	2,155,731

The goodwill in Lebanese Pounds of LBP407million represents the Group's share in the sum of all licenses, discounted future income on existing insurance policies portfolio of the subsidiary Beirut Life S.A.L. acquired in 2010 whereby 90% of its shares were acquired by the Group.

The goodwill in foreign currency includes LBP85.3billion corresponding to the excess acquisition cost over the fair value of the Group's share in the net assets of a subsidiary bank in Australia acquired in 2011. Moreover, it includes an amount of LBP1.8billion that corresponds to the acquisition of a private banking unit of a foreign bank by the Group's subsidiary in United Kingdom.

The goodwill arising from the acquisition of the subsidiary bank in Australia was determined as follows:

	AUD	C/V in LBP'000
Net book value of the subsidiary at acquisition date	102,507,173	156,801,123
Percentage of ownership	85%	85%
	87,131,097	133,280,955
Less: Acquisition cost	(142,876,072)	(218,551,797)
Excess of acquisition cost over net asset value	(55,744,975)	(85,270,842)

Moreover, the Group entered into an option agreement with the seller whereby the Group has a call option and the seller has a put option exercisable for an indefinite period of time commencing after the expiration of two years from transaction date, to acquire / sell the remaining shares for a consideration calculated using a predetermined formula.

The goodwill arising on the acquisition is attributable to the anticipated additional profitability that will be contributed to the Group in the future.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The Group has determined that the Business constitutes a single cash generating unit and tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to net interest margin during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Business. The growth rates are based on industry growth forecasts. Changes in net interest margin are based on expectations of future changes in the market.

Notes to the consolidated financial statements

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the Business and extrapolates cash flows for the review period based on the assumption that the cash flows will remain relatively stable throughout the period under review.

18. Other assets

As at December 31 st - LBP'000	2011	2010
Advances on employees medical bills	3,977,519	3,055,898
Deferred software charges	6,638,768	2,070,617
Refundable deposits	95,347	70,828
Stamps	398,368	417,745
Precious metal	196,446	196,700
Derivative assets held for hedging purposes	1,371,928	260,007
Deferred tax asset	2,199,976	33,452
Accrued income	691,023	59,146
Swap Control Operation	-	7,627
Prepayments	12,404,885	9,372,885
Deferred favorable variance from revaluation of foreign currency positions (Note 25)	-	739,255
Regulatory blocked deposit	4,500,000	4,500,000
Deferred advertizing cost	655,012	264,932
Sundry accounts receivable	14,237,588	9,813,017
Net fixed position	(175,833)	-
Premium on swap operation	682,718	-
	47,873,745	30,862,109

Movement of deferred software charges during 2011 and 2010 was as follows:

LBP'000	2011	2010
Opening balance	2,070,617	1,111,838
Additions from acquisition of subsidiary	968,225	-
Additions	4,726,925	1,367,659
Amortization to income statement (Note 45)	(1,126,999)	(408,880)
Ending balance	6,638,768	2,070,617

The regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the inception of investment banks in accordance with Article 132 of the Lebanese Code of Money and Credit, and is refundable in case of cease of operations.

Notes to the consolidated financial statements

As at December 31 st - LBP'000	2011	2010
Derivative on financial liabilities at fair value through profit or loss	257,929	260,007
Interest rate SWAP	96,536	-
Foreign exchange contracts	1,017,463	-
	1,371,928	260,007

The derivative assets held for hedging consist of over-the-counter (OTC) structured derivative related to an embedded derivative in structured deposit products which guarantee a minimum redemption value of 95% and 100%. The embedded derivative is linked to a basket of underlying assets hedged through an effective call option (Note 18).

The deferred favorable variance from revaluation of foreign currency position as of December 31, 2010 includes an amount of LBP609million that was provided for under comprehensive income (Note 25) and written back to income in 2011.

Deferred tax asset consists of the following:

As at December 31 st - LBP'000	2011	2010
Eurobond swap transaction	1,718	4,214
Deferred tax asset on depreciation of property and equipment	364,771	29,238
Provisions	1,341,715	-
Others	491,772	-
	2,199,976	33,452

Notes to the consolidated financial statements

19. Deposits and borrowings from banks and financial institutions

Deposits and borrowings from banks and financial institutions are reflected at amortized cost and consist of the following:

As at December 31 st - LBP'000	2011		
	LBP	C/V of /F/Cy	Total
Current deposits of banks and financial institutions	154,663	232,391,406	232,546,069
Current deposits – associate bank	1,106	9,671,378	9,672,484
Other short term borrowings	54,033,287	434,500,761	488,534,048
Blocked deposits	-	150,750	150,750
Accrued interest payable	830,875	526,794	1,357,669
	55,019,931	677,241,089	732,261,020

As at December 31 st - LBP'000	2010		
	LBP	C/V of /F/Cy	Total
Current deposits of banks and financial institutions	1,718,158	233,399,314	235,117,472
Current deposits – associate bank	758,209	1,247,249	2,005,458
Other short term borrowings	40,793,849	501,240,044	542,033,893
Blocked deposits	-	24,026,998	24,026,998
Accrued interest payable	1,156,175	907,221	2,063,396
	44,426,391	760,820,826	805,247,217

Because of the short-term nature of the above accounts' balances, the carrying value approximates the fair value as of the date of the financial position.

Blocked deposits as of December 31, 2011 and 2010 consist of time deposits blocked in counter guarantee of standby letters of credit and letters of guarantee.

Other short term borrowings include withdrawals from the Arab Trade Finance Program credit limit. The balance of this credit facility amounted to USD5,051,608 as of December 31, 2011 (USD7,585,426 in 2010). This facility was granted to the Group to finance imports and exports among Arab countries.

Other short term borrowings also include as of December 31, 2011 an amount of LBP18billion representing Murabaha agreements with a resident Islamic bank maturing in 2012 (LBP27billion as of December 31, 2010).

Notes to the consolidated financial statements

The maturities of other short term borrowings are as follows:

As at December 31 st	2011			
	LBP		F/Cy	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
Year 2012	54,033,287	5.59	434,500,761	1.12
	54,033,287		434,500,761	

As at December 31 st	2010			
	LBP		F/Cy	
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
Without maturity	-	-	12,506,769	0.07
Year 2011	40,793,849	6.00	488,733,275	0.56
	40,793,849		501,240,044	

20. Customers' and related parties' deposits designated at fair value through profit or loss

This section consists of the following:

As at December 31 st - LBP'000	2011	2010
	C/V in LBP	C/V in LBP
Customers' deposits designated at fair value through profit or loss	2,894,287	6,531,208
Accrued interest payable	61,251	62,143
	2,955,538	6,593,351

Notes to the consolidated financial statements

Certain deposits from customers have been designated at fair value through profit or loss as they are subject to embedded derivatives, the underlying of which consist of a basket of commodities and currencies hedged through effective over the counter (OTC) options at 95% and 100% of the nominal amount. An accounting mismatch would arise if customers' deposits were accounted for at amortized cost, because the related derivative is measured at fair value with movements in the fair value taken through the income statement. By designating those deposits from customers at fair value, the movements in the fair value of these deposits are recorded in "Other assets". These instruments provide a notional amount protection for customers on maturity of 95% and 100% of the initially invested capital.

The changes in the fair value recognized on these deposits and the related derivative acquired for hedging are broken down as follows:

2011			
As at December 31 st - LBP'000	Initial Value	Fair Value	Cumulative Change in fair Value
Customers' deposits designated at fair value through profit or loss	2,638,125	2,894,287	256,162
	2,638,125	2,894,287	256,162

2010			
As at December 31 st - LBP'000	Initial Value	Fair Value	Cumulative Change in fair Value
Customers deposits designated at fair value through profit or loss	6,274,215	6,531,208	256,993
	6,274,215	6,531,208	256,993

Notes to the consolidated financial statements

21. Customers' and related parties' deposits at amortized cost

This section consists of the following:

As at December 31 st - LBP'000	2011		
	LBP	C/V of /F/Cy	Total
Deposits from customers:			
Current and demand deposits	217,883,806	1,315,902,186	1,533,785,992
Term deposits	3,345,638,148	5,694,105,796	9,039,743,944
Collateral against loans and advances	114,648,288	341,773,538	456,421,826
Margins for irrevocable import letters of credit	53,600,653	58,516,459	112,117,112
Margins on letters of guarantee	7,611,047	26,598,646	34,209,693
Other margins	1,146,117	34,570,489	35,716,606
Accrued interest payable	25,741,047	42,635,701	68,376,748
Total third party customers' deposits	3,766,269,106	7,514,102,815	11,280,371,921
Of which non-interest bearing	272,306,130	601,824,852	874,130,982
Deposits from related parties:			
Current and demand deposits	9,699,239	10,764,423	20,463,662
Term deposits	20,950,172	122,589,744	143,539,916
Collateral against loans and advances	302,927	3,398,641	3,701,568
Margins on letters of guarantee	1,620,018	2,878,375	4,498,393
Other margins	4,788,873	85,590	4,874,463
Accrued interest payable	196,849	355,292	552,141
Total related parties' deposits	37,558,078	140,072,065	177,630,143
Total Deposits	3,803,827,184	7,654,174,880	11,458,002,064

Notes to the consolidated financial statements

As at December 31 st - LBP'000	2010		
	LBP	C/V of /F/Cy	Total
Deposits from customers:			
Current and demand deposits	219,420,416	948,295,190	1,167,715,606
Term deposits	3,136,894,021	3,857,221,834	6,994,115,855
Collateral against loans and advances	100,676,413	375,928,772	476,605,185
Margins for irrevocable import letters of credit	42,450,356	56,155,144	98,605,500
Margins on letters of guarantee	15,425,537	30,616,127	46,041,664
Other margins	86,480	28,149,197	28,235,677
Accrued interest payable	24,284,779	19,003,760	43,288,539
Total third party customer deposits	3,539,238,002	5,315,370,024	8,854,608,026
Of which non-interest bearing	155,144,295	648,025,708	803,170,003
Deposits from related parties:			
Current and demand deposits	7,886,933	12,803,779	20,690,712
Term deposits	8,910,748	110,505,744	119,416,492
Collateral against loans and advances	350,271	5,063,190	5,413,461
Margins on letters of guarantee	3,181,644	563,784	3,745,428
Other margins	16,895,402	1,635,065	18,530,467
Accrued interest payable	199,548	253,892	453,440
Total related parties deposits	37,424,546	130,825,454	168,250,000
Total Deposits	3,576,662,548	5,446,195,478	9,022,858,026

Notes to the consolidated financial statements

Customers and related parties deposits at amortized cost are allocated by brackets of deposits as follows:

As at December 31 st - LBP'000	2011		
	LBP	F/Cy	Total % of Customers
	Total Deposits	Total Deposits	
Deposits from customers:			
Less than LBP500 million	1,929,991,986	2,571,770,121	96
From LBP500 million to LBP1.5billion	631,605,484	1,232,784,198	2
From LBP1.5 billion to LBP5billion	503,381,036	1,279,727,570	1
Over LBP5billion	675,549,553	2,387,185,225	1
	3,740,528,059	7,471,467,114	100
Deposits from related parties:			
Less than LBP500 million	2,954,363	5,640,915	90
From LBP500 million to LBP1.5 billion	9,893,155	5,033,042	4
From LBP1.5 billion to LBP5billion	5,005,631	11,232,703	3
Over LBP5billion	19,508,080	117,810,113	3
	37,361,229	139,716,773	100
	3,777,889,288	7,611,183,887	

As at December 31 st - LBP'000	2010		
	LBP	F/Cy	Total % of Customers
	Total Deposits	Total Deposits	
Deposits from customers:			
Less than LBP500million	1,670,098,181	1,413,041,716	96
From LBP500million to LBP1.5billion	646,766,483	797,110,597	2
From LBP1.5billion to LBP5billion	504,266,915	944,963,524	1
Over LBP5billion	693,821,644	2,141,250,427	1
	3,514,953,223	5,296,366,264	100
Deposits from related parties:			
Less than LBP500million	2,141,817	4,369,944	82
From LBP500million to LBP1.5billion	4,944,662	5,298,208	9
From LBP1.5billion to LBP5billion	3,941,120	8,978,666	3
Over LBP5billion	26,197,399	111,924,744	6
	37,224,998	130,571,562	100
	3,552,178,221	5,426,937,826	

Notes to the consolidated financial statements

Deposits from customers at amortized cost include at December 31, 2011 coded deposit accounts in the aggregate of LBP91billion (LBP75billion as at December 31, 2010). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers at amortized cost include at December 31, 2011 deposits of fiduciary nature received from resident and non-resident banks for a total amount of LBP21billion and LBP270billion respectively (LBP26billion and LBP194billion in 2010).

The average balance of customers' deposits at amortized cost and related cost of funds over the last 3 years were as follows:

	Average Balance of Deposits	Allocation of Deposits		Cost of Funds	Average Cost of Funds
	LBP	LBP %	F/Cy %	LBP	%
LBP'000					
Year 2011	9,846,089,776	35	65	424,433,807	4.30
Year 2010	7,478,855,932	42	58	317,578,530	4.22
Year 2009	6,273,521,746	36	64	292,822,726	4.67

The average balance of related parties' deposits at amortized cost and related cost of funds over the last 3 years were as follows:

	Average Balance of Deposits	Allocation of Deposits		Cost of Funds	Average Cost of Funds
	LBP	LBP %	F/Cy %	LBP	%
LBP'000					
Year 2011	166,006,486	14	86	3,750,298	2.26
Year 2010	169,813,034	21	79	8,482,678	5.00
Year 2009	155,255,185	23	77	8,298,261	5.34

Notes to the consolidated financial statements

22. Other borrowings

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

As at December 31 st - LBP'000	2011		
	LBP	C/V of /F/Cy	Total
Subordinated loans from shareholders	-	18,090,000	18,090,000
Borrowings from the European Investment Bank	-	40,648,742	40,648,742
Other borrowing	-	746,484	746,484
Accrued interest payable	-	1,226,369	1,226,369
	-	60,711,595	60,711,595

As at December 31 st - LBP'000	2010		
	LBP	C/V of /F/Cy	Total
Soft loans from the Central Bank of Lebanon	163,458,275	-	163,458,275
Subordinated loans from shareholders	-	18,090,000	18,090,000
Borrowings from the European Investment Bank	-	26,713,847	26,713,847
Other borrowing	-	22,612,500	22,612,500
Accrued interest payable	2,736,049	1,238,643	3,974,692
	166,194,324	68,654,990	234,849,314

In August 2002, the Group obtained a USD12million subordinated loan from three of the shareholders. This subordinated loan is subject to an interest rate of 6% per annum or Libor + 2%, whichever is higher, calculated semi annually and paid annually. This loan was to be settled in one installment at the end of year five, subject to the Central Bank of Lebanon approval. However, upon maturity this loan was renewed for 5 years ending in August 2012. Interest expenses on this loan for the year ended December 31, 2011 and 2010 amounted to LBP1.09billion and was booked under interest expense (Note 36).

For the purpose of computation of the risk based capital ratio, and according to Lebanese banking laws and regulations, this instrument is considered as Tier II capital and is reduced on a yearly basis by 20% of this loan over 5 years.

The borrowings from the European Investment Bank were obtained to finance manufacturing loans. The balance of loans granted to customers under this facility amounted to LBP34billion as of December 31, 2011 (LBP22billion as of December 31, 2010). Interest expense on this borrowing amounted to LBP518million during 2011 (LBP559million in 2010) recorded under interest expense (Note 36).

Soft loans from the Central Bank of Lebanon as of December 31, 2010 represent 2 soft loans in Lebanese Pounds obtained in connection with the acquisition during 2002 of a problematic bank. These loans were used to subscribe in Lebanese treasury bills that are pledged in favour of the Central Bank of Lebanon (Note 12).

The soft loan amounting to LBP49billion matured in September 2011 and the soft loan amounting to LBP119billion matured in January 2011; they were settled from the proceeds of the related pledged treasury bills. Interest expense for the year ended December 31, 2011 amounted to LBP1.2billion (LBP26.5billion for 2010) recorded under interest expense (Note 36).

Notes to the consolidated financial statements

The remaining contractual maturities of the above borrowings are as follows:

As at December 31 st - LBP'000	2011			
	LBP		F/Cy	
	Amount	Average Interest Rate %	Amount	Average Interest Rate %
Up to 1 year	-	-	32,651,076	4.43
1 to 3 years	-	-	2,349,874	5.87
3 to 5 years	-	-	8,035,200	4.83
5 to 10 years	-	-	16,449,076	4.14
	-		59,485,226	

As at December 31 st - LBP'000	2010			
	LBP		F/Cy	
	Amount	Average Interest Rate %	Amount LBP'000	Average Interest Rate %
Up to 1 year	163,458,275	5.14	22,612,500	1.35
1 to 3 years	-	-	18,639,386	5.97
3 to 5 years	-	-	1,026,030	4.93
5 to 10 years	-	-	25,138,431	4.23
	163,458,275		67,416,347	

The Group did not have any defaults of principal, interest or other breaches with respect to its borrowings during 2011 and 2010.

Accrued interest payable is segregated as follows:

As at December 31 st - LBP'000	2011	2010
Soft loans from the Central Bank of Lebanon	-	2,736,049
Subordinated loans from shareholders	1,089,169	1,089,169
Borrowings from the European Investment Bank	137,200	149,474
	1,226,369	3,974,692

Notes to the consolidated financial statements

23. Certificates of deposit

Certificates of deposit are reflected at amortized cost and consist of the following:

As at December 31 st - LBP'000	2011		
	Amortized Cost		
	LBP	C/V of /F/Cy	Total
Certificates of deposit	-	227,206,548	227,206,548
Accrued interest payable	-	1,214,558	1,214,558
Discounted interest	-	(1,694,664)	(1,694,664)
	-	226,726,442	226,726,442

As at December 31 st - LBP'000	2010		
	Amortized Cost		
	LBP	C/V of /F/Cy	Total
Certificates of deposit	6,800,000	147,523,293	154,323,293
Accrued interest payable	65,578	870,903	936,481
Discounted interest	-	(3,957,764)	(3,957,764)
	6,865,578	144,436,432	151,302,010

Certificates of deposit mature as follows with related average coupon rate:

As at December 31 st - LBP'000	2011			
	LBP		F/Cy	
	Amount	Average Interest Rate %	Amount	Average Interest Rate %
2012	-	-	210,774,798	3.39
2013	-	-	16,431,750	4.40
	-		227,206,548	

As at December 31 st - LBP'000	2010			
	LBP		F/Cy	
	Amount	Average Interest Rate %	Amount	Average Interest Rate %
2011	6,800,000	8.00	617,418	2.00
2012	-		146,905,875	4.67
	6,800,000		147,523,293	

The Group did not have any defaults of principal, interest or other breaches with respect to its certificates of deposit during 2011 and 2010.

Notes to the consolidated financial statements

24. Other liabilities

As at December 31 st - LBP'000	2011	2010
Checks and incoming payment orders in course of settlement	32,360,951	38,635,531
Derivative financial liabilities	5,475,189	-
Accrued expenses	16,824,041	10,467,630
Deferred income	6,514,842	10,436,385
Provision for early redemption of investment securities (Note 12)	2,339,425	1,662,692
Income tax payable	17,145,909	14,886,169
Deferred tax liability	1,859,879	21,358,928
Current tax liability - withheld tax	7,259,231	5,339,401
Fair value of financial guarantees	291,666	1,468,640
Swap control operations	2,432,440	-
Sundry accounts payable	24,397,864	18,198,734
	116,901,437	122,454,110

Derivative financial assets consists of the following:

As at December 31 st - LBP'000	2011
Interest rate SWAP	2,163,003
Foreign exchange contracts	3,312,186
	5,475,189

The Group uses foreign currency, interest rate swaps and forwards for hedging purposes only. These represent commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates.

Deferred tax liability consists of the following:

As at December 31 st - LBP'000	2011	2010
Deferred tax liability on change in fair value of available for sale securities (Note 30)	-	19,192,090
Deferred tax liability on undistributed profits of subsidiaries	1,859,879	2,166,838
	1,859,879	21,358,928

Notes to the consolidated financial statements

The movement of deferred tax liability on undistributed profits from subsidiaries during 2011 and 2010 was as follows:

LBP'000	2011	2010
Opening balance	2,166,838	2,889,140
Additions	1,483,041	1,477,698
Settlements	(1,790,000)	(2,200,000)
Ending balance	1,859,879	2,166,838

At December 31, 2011 and 2010, a deferred tax liability of LBP4.5billion and LBP3.58billion respectively for temporary differences of LBP44.93billion and LBP35.75billion respectively related to the undistributed profits of subsidiaries was not recognized on the grounds that management has committed to retain the profits in one of the subsidiaries for purpose of permanent capitalization of profits.

During 2011, three of the Group's subsidiaries paid cash dividends in the amount of LBP17.9billion. The related distribution tax amount of LBP1.8billion was settled from above deferred tax liabilities.

During 2010, one of the Group subsidiaries paid cash dividends in the amount of LBP22billion. The tax amount of LBP2.2billion was settled from the above deferred tax liabilities.

The regrouping of reconciliations between average effective tax rate and enacted tax rates is summarized as follows:

LBP'000	2011	2010
Bank's gross profit before elimination of inter-company transactions)	188,788,758	183,910,939
Less: Non-taxable revenues	(3,913,805)	(837,286)
Add: Non-deductible expenses/losses	13,782,905	17,192,478
Less: Income from an associate bank	(2,698,425)	(1,683,227)
Less: Income of foreign branches and subsidiaries not subject to 15%	(41,487,255)	(41,558,832)
Bank's net taxable profit	154,472,178	157,024,072
Tax at the domestic income tax rate of 15%	23,170,827	23,553,611
Add: Income tax provision - foreign branches and subsidiaries not subject to 15%	8,073,759	6,964,991
Tax expense for the year	31,244,586	30,518,602
Deferred tax assets	(2,496)	82,176
Less: Tax paid from previous year	-	(23,942)
Less: Tax paid during the year in the form of withholding tax	(12,800,542)	(15,393,027)
Currency translation adjustment	-	(1,615)
Deferred tax to be paid (effect of IFRS 9)	3,358,340	-
Less: Subsidiaries income tax paid	(4,653,979)	(296,025)
Income tax payables as at December 31,	17,145,909	14,886,169

Notes to the consolidated financial statements

25. Provisions

This caption consists of the following:

As at December 31 st - LBP'000	2011	2010
Provision for staff and executive management termination indemnity	28,893,355	26,536,182
Provision for loss on foreign currency position	194,000	801,976
Provision for contingencies	4,715,288	4,715,288
Other	91,954	127,261
	33,894,597	32,180,707

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

LBP'000	2011	2010
Balance January 1	26,536,182	19,737,478
Additions from acquisition of a subsidiary	2,264,264	-
Additions	4,301,370	8,436,487
Settlements	(4,208,461)	(1,637,783)
Balance December 31	28,893,355	26,536,182

The movement of the provision for foreign currency position was as follows:

LBP'000	2011	2010
Balance January 1	801,976	194,000
Additions	-	607,976
Write-back	(607,976)	-
Balance December 31	194,000	801,976

During 2010, the Group provided for the unrealized loss on the structural position held to hedge its investment in GBP. The loss in the amount of LBP608million was booked to comprehensive income in compliance with Lebanese banking regulations (Note 18). This loss was written back to income in 2011.

Notes to the consolidated financial statements

26. Share capital

At December 31, 2011 and 2010, the authorized ordinary share capital of Bank of Beirut S.A.L. was LBP63.59billion consisting of 50,467,400 fully paid shares of LBP1,260 par value each. The increase in the nominal value of the share in the amount of LBP60 per share during 2010 partly resulted from a transfer from reserves restricted for capital increase following a decision by the general assembly to reconstitute the capital which decreased by an amount of LBP3.5billion as a result of the redemption of all Series "C" preferred shares and partly for rounding the nominal value of the share.

As of December 31, 2011 and 2010, the Bank's capital was partly hedged by maintaining a blocked foreign currency position to the extent of USD47.17million and GBP13.6million, which resulted in an unfavorable variance as of December 31, 2011 of LBP603million recorded under reserves (Note 29) in equity (LBP608million included under "Other Assets" and against which a provision was set up (Note 25 in 2010).

Moreover, during 2011 the Group hedged its investment in Beirut Hellinic Bank through a fixed position of AUD 98million which created a non favorable variance of LBP836million booked under reserves in equity (Note 29).

27. Non-cumulative preferred shares

On July 29, 2005 the Extraordinary General Assembly of Shareholders approved the issuance of 2,920,000 non cumulative, redeemable preferred shares (Series "C"), at an issue price of USD25 per share with the minimum subscription set at USD100. These shares earn an annual dividend of 15% of declared profit not to exceed 12% or fall below 8% of the issue price annually. Based on current and previous year results, these dividends were calculated at the rate of 9.07% and amounted to USD6.62million. On December 29, 2010 the Extraordinary general assembly of shareholders allowed holders of series «C» preferred shares to redeem their preferred shares and to subscribe to series «G» preferred shares.

On July 30, 2007 the Extraordinary General Assembly of Shareholders approved the issuance of 4,000,000 non cumulative, redeemable preferred shares (Series "D"), at an issue price of USD25 per share with the minimum subscription set at USD2,500. These shares earn an annual dividend of 9% of the issue price annually provided there are enough declared net profits to allow the payment of such dividend. Holders of Series "D" preferred shares were entitled to an upfront payment equal to 3% of the issue price. This upfront Payment in the amount of USD3million was deducted from the proceeds of issuance the Series «D» preferred shares and is being reconstituted by appropriation of net income over the life of the Series «D» preferred shares.

On November 13, 2008, the Group offered non-cumulative perpetual redeemable Series "E" preferred shares, with an aggregate amount of USD60,000,000, distributed over 2,400,000 preferred shares, at an issue price of USD25 per preferred share each. These preferred shares earn an annual dividend equal to 8% per year of the issue price.

Notes to the consolidated financial statements

On April 2, 2009, the Group issued 3,000,000 non-cumulative perpetual redeemable Series “F” preferred shares with an aggregate amount of USD75,000,000 distributed over 3,000,000 preferred shares at an issue price of USD25. These preferred shares earn an annual dividend equal to 8% per year of the issue price.

On November 11, 2010, the Extraordinary General Assembly of shareholders approved the issuance of 3,570,000 non cumulative convertible redeemable Series “G” preferred shares at an issue price of USD35 with an aggregate amount of USD124,950,000. These preferred shares earn an annual dividend of 6.75% of the issue price.

In August 2011, the Group issued 5,400,000 of series “H” non cumulative perpetual redeemable preferred shares, at an issue price of USD25 with an aggregate amount of USD135,000,000. The preferred shares earn annual dividends of 7% of the issue price.

The Group has the right, at its sole discretion, to redeem on each redemption date all or part of the Series “D”, “E”, “F” and “G” preferred shares (but not less than 25%). Redemption date means for the first time the financial year during which falls the 5th anniversary of the Extraordinary General Meeting of the Group’s shareholders which ascertains the validity and payment of the capital increase by virtue of which the Preferred Shares are issued; and every consecutive 2 years thereafter.

During 2011, the Group reconstituted the par value of the preferred shares series D, E, F and G from 1,200 to 1,260 after its redemption of series “C” preferred shares in 2010 and adjustment of common shares par value accordingly. Consequently, an amount of LBP778million was transferred from reserves for capital increase to preferred shares.

28. Shareholders’ cash contribution to capital

The shareholders’ cash contribution to capital is for a total amount of LBP20.98billion (USD13,916,000) as at December 31, 2011 and 2010 and it is non-interest bearing.

This sort of financial instrument is accounted for in foreign currency and therefore allows hedging against national currency exchange fluctuation. According to local banking regulations, cash contribution to capital is considered as Tier I capital.

Notes to the consolidated financial statements

29. Reserves and retained earnings

The caption consists of the following:

As at December 31 st - LBP'000	2011	2010
Legal reserves	66,584,423	52,607,555
General banking risks reserve	86,681,216	59,986,751
Special reserves / classified loans	6,898,705	9,256,459
Retained earnings	175,563,424	122,843,077
Reserves restricted for capital increase	6,074,864	4,764,172
Issue premiums	232,108,393	232,108,393
Revaluation of fixed position (Note 26)	(1,439,706)	-
	572,471,319	481,566,407

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

The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

Notes to the consolidated financial statements

30. Cumulative change in fair value of available-for-sale investment securities

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

As at December 31 st - LBP'000	2010		
	Cumulative Change in Fair Value	Deferred Tax	Net
Unrealized gain/(loss) on Lebanese treasury bills	40,686,444	(6,049,946)	34,636,498
Unrealized gain/(loss) Lebanese Government bonds	20,558,740	(3,083,810)	17,474,930
Unrealized gain/(loss) on certificates of deposit issued by the Central Bank	66,094,874	(9,910,185)	56,184,689
Unrealized gain/(loss) on financial private sector debt securities	260,847	(39,127)	221,720
Unrealized gain/(loss) on corporate bonds	(102,948)	15,442	(87,506)
Unrealized gain/(loss) on equity securities	928,983	(124,464)	804,519
	128,426,940	(19,192,090)	109,234,850

During 2011, the Group early adopted IFRS 9 as described in Note 2. The effect of this early adoption is summarized in Note 5.

31. Treasury shares

The Group is authorized to buy back up to one third of its listed shares on the Beirut Stock Exchange from its free reserves.

The movement of treasury shares for the years ended December 31, 2011 and 2010 was as follows:

As at December 31 st	2011		2010	
	No. of Shares	Value in USD	No. of Shares	Value in USD
Common shares:				
Opening balance	138,193	2,848,488	29,543	2,158,488
Purchases of treasury shares	131,627	3,983,092	143,850	2,548,879
Sales of treasury shares	(19,350)	(357,975)	(35,200)	(1,858,680)
Valuation adjustment	-	(301,916)	-	-
Ending balance	250,470	6,171,689	138,193	2,848,687
Preferred shares:				
Opening balance	-	-	5,946	151,077
Purchases of treasury shares	-	-	-	-
Sale of treasury shares	-	-	(5,946)	(151,077)
Ending balance	-	-	-	-
Total	250,470	6,171,689	138,193	2,848,687
Counter value in LBP'000		9,303,821		4,294,396

Notes to the consolidated financial statements

32. Net income for the year

The consolidated net income is allocated as follows between the Bank and its subsidiaries:

LBP'000	2011			2010		
	Profit before Income Tax	Income Tax expense	Net Profit for the Year	Profit before Income Tax	Income Tax expense	Net Profit for the Year
Income of the Bank's local branches	151,414,482	(21,773,432)	129,641,050	160,494,229	(23,557,414)	136,936,815
Income of foreign branches and subsidiaries:						
Cyprus	2,919,942	(418,518)	2,501,424	3,207,390	(296,025)	2,911,365
Oman	7,459,769	(904,499)	6,555,270	7,021,121	(886,143)	6,134,978
Bank of Beirut UK Ltd	19,256,386	(5,058,914)	14,197,472	14,121,214	(3,952,587)	10,168,627
Beirut Hellinic Bank	4,984,333	(1,534,817)	3,449,516	-	-	-
Beirut Broker S.A.R.L.	9,165,096	(1,374,765)	7,790,331	11,046,561	(1,656,984)	9,389,577
BOB Finance S.A.L.	133,500	(22,630)	110,870	236,611	(35,493)	201,118
Bank of Beirut Invest S.A.L.	5,514,420	(132,309)	5,382,111	5,310,365	(124,077)	5,186,288
Cofida S.A.L.	1,504,334	(5,000)	1,499,334	1,658,872	(5,000)	1,653,872
Beirut Life	892,463	(19,702)	872,761	163,796	(4,879)	158,917
	203,244,725	(31,244,586)	172,000,139	203,260,159	(30,518,602)	172,741,557
Income from an associate	2,698,425	-	2,698,425	1,683,227	-	1,683,227
Less: Dividends received from an associate	(1,044,392)	-	(1,044,392)	(1,232,447)	-	(1,232,447)
	204,898,758	(31,244,586)	173,654,172	203,710,939	(30,518,602)	173,192,337
Tax on undistributed profits from subsidiaries	-	(1,483,041)	(1,483,041)	-	(1,477,698)	(1,477,698)
Eliminations	(16,110,000)	-	(16,110,000)	(19,800,000)	-	(19,800,000)
	188,788,758	(32,727,627)	156,061,131	183,910,939	(31,996,300)	151,914,639
Non controlling interests			(345,990)			(15,891)
Net profit attributable to equity holders of the group			155,715,141			151,898,748

Notes to the consolidated financial statements

33. Non-controlling interests

As at December 31 st - LBP'000	2011	2010
Beirut Hellenic Bank	23,689,622	-
Beirut Life S.A.L.	470,244	367,077
	24,159,866	367,077

34. Dividends paid

The following dividends were declared and paid by the Group:

LBP'000	2011	2010
LBP650 (LBP625 for 2010) per ordinary share	32,803,810	31,542,125
LBP4,522.5 (LBP3,488 for 2010) per preferred share Series "C"	13,205,700	9,978,743
LBP3,391.86 (LBP3,392 for 2010) per preferred share Series "D"	13,567,500	13,567,500
LBP3,015 per preferred share Series "E"	7,236,000	7,236,000
LBP3,015 (LBP867 for 2010) per preferred share Series "F"	9,045,000	2,601,986
	75,858,010	64,926,354

Subsequent to the statement of financial position date, the following dividends were proposed by the board of directors in respect of 2011. These dividends have not been provided for.

LBP'000	2011
LBP650 per ordinary share	32,803,810
LBP3,391.86 per preferred share Series «D»	13,567,500
LBP3,015 per preferred share Series «E»	7,236,000
LBP3,015 per preferred share Series «F»	9,045,000
LBP3,561.4 per preferred share Series «G»	12,714,443
LBP659.5 per preferred share Series «H»	3,707,830
	79,074,583

Dividends on Series "D" preferred shares were determined as representing 9% for 2011 (9% for 2010) of the share sale price.

Dividends on Series "E" preferred shares were determined as representing 8% of issue price for 2011 (8% for 2010).

Dividends on Series "F" preferred shares were determined as representing 8% of issue price for 2011 (8% for 2010 calculated for the period from issue closing date to year end).

Dividends on Series "G" preferred shares were determined as representing 6.75% of issue price for 2011.

Dividends on Series "H" preferred shares were determined as representing 7% of issue price for 2011 calculated for the period from issue closing date to year end.

Notes to the consolidated financial statements

35. Interest income

LBP'000	2011	2010
Deposits with the Central Banks	14,625,642	12,036,305
Deposits with banks and financial institutions	24,714,014	33,323,670
Deposits with an associate bank	716,940	1,034,789
Available for sale on securities	-	253,544,884
Held to maturity securities	-	92,987,014
Financial assets at amortized cost	288,082,359	-
Provision for early redemption of investment securities	(659,235)	(890,114)
Loans and advances to customers	308,447,668	185,964,250
Loans and advances to related parties	5,772,202	5,534,035
Interest recognized on impaired loans and advances to customers	3,347,936	2,579,670
	645,047,526	586,114,503

Interest income realized on impaired loans and advances to customers represent recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery or debt restructuring.

Interest income on trading portfolio is included under net interest and other income on trading portfolio (Note 40).

Distortion in the amounts of interest income between the different line items as compared to the comparable 2010 figures is due to the reclassification in the group's securities portfolio following the early application of IFRS 9 (Refer to Note 5).

36. Interest expense

LBP'000	2011	2010
Soft loans from the Central Bank of Lebanon – Note 22	1,165,592	26,500,846
Deposits and borrowings from banks and financial institutions	15,115,882	5,534,333
Customers' accounts at amortized cost	424,433,807	317,578,530
Related parties' accounts at amortized cost	3,750,298	8,482,678
Subordinated loans from shareholders – Note 22	1,089,169	1,089,169
Certificates of deposit	10,022,303	8,507,616
	455,577,051	367,693,172

Notes to the consolidated financial statements

37. Net interest and gains on financial liability designated at fair value

LBP'000	2011	2010
Interest expense on customers' accounts at fair value	191,225	108,161
Commission expense on customer's accounts at fair value	63,776	81,745
Gain/(loss) on structured deposits	1,247	(2,125)
	256,248	187,781

38. Fee and commission income

This caption consists of the following:

LBP'000	2011	2010
Commission on documentary credits	30,741,123	40,158,753
Commission on letters of guarantee	23,489,030	7,429,546
Commission on money transfers' transactions	1,643,210	368,273
Brokerage fees	10,250,381	11,619,558
Asset management fees	4,746,143	4,438,005
Commission on fiduciary accounts	1,330,061	1,418,962
Commission on banking services	12,267,427	11,252,999
Commission on credit cards	5,663,968	4,749,488
Commission on capital market transactions	9,800,870	2,468,018
Other	6,399,405	6,268,431
	106,331,618	90,172,033

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

39. Fee and commission expense

This caption consists of the following:

LBP'000	2011	2010
Commission on transactions with banks and financial institutions	1,608,650	898,211
Commission on credit card	2,514,091	2,695,822
Commission on fiduciary deposits	1,204,398	1,449,606
Commission on loans	4,613,112	5,305,181
Commission on money transfers' transactions	653,293	168,551
Commission on insurance transactions	1,133,369	113,303
Other	1,325,084	1,623,792
	13,051,997	12,254,466

Notes to the consolidated financial statements

40. Net interest and other gains on trading securities

This caption consists of the following:

LBP'000	2011	2010
Interest income	55,474,816	6,245,050
Amortization of premium/discount	-	2,843
Commissions paid on trading securities	(2,560,372)	(62,174)
Change in fair value (net) (Note 8)	160,679	(577,996)
Gain on sale	23,131,937	1,518,588
Dividends received	1,631,152	11,411
	77,838,212	7,137,722

41. Other operating income

This caption consists of the following:

LBP'000	2011	2010
Gain on sale of available-for-sale securities	-	20,709,158
Dividends on available for-sale investment securities	-	2,952,907
Share in profits of an associate (Note 14)	2,698,425	1,683,227
Foreign exchange gain	4,940,643	3,624,566
Insurance operating income	2,074,615	135,890
(Loss)/gain on forward contracts	(4,180,744)	7,216,848
Other operating income	80,860	203,462
Gain on sale of assets acquired in satisfaction of loans	16,861,223	1,101,660
(Loss)/gain on sale of property and equipment	(2,865)	23,899
Dividends on other investments	295,751	59,568
	22,767,908	37,711,185

42. Provision for credit losses

This caption consists of the following:

LBP'000	2011	2010
Provision charged during the year	(6,379,583)	(3,877,421)
Write-back	3,908,032	4,914,742
Direct write-off of loans	(34,874)	(175,485)
	(2,506,425)	861,836

Notes to the consolidated financial statements

43. Staff costs

This caption consists of the following:

LBP'000	2011	2010
Salaries	80,002,383	58,350,163
Social Security contributions	7,696,862	6,410,067
Executive board members remunerations	14,451,914	11,298,279
Catch up provision for end-of-service indemnities staff (Lebanese jurisdiction)	2,690,535	2,685,720
Catch up provision for end-of-service indemnities lawyers and executive management (Lebanese jurisdiction)	1,610,835	5,750,767
Pension costs	605,326	-
Other staff benefits	9,304,332	6,934,500
	116,362,187	91,429,496

44. General and administrative expenses

This caption is composed of the following:

LBP'000	2011	2010
Rent expenses under operating lease	4,155,200	1,749,675
Cleaning	833,072	715,526
Electricity, water and fuel	2,918,653	2,385,952
Telephone, mail and other communication expenses	4,571,301	3,769,083
Maintenance and repair fees	4,315,759	3,555,240
Subscription fees	1,423,688	972,251
Office supplies	2,918,938	2,606,210
Advertizing and marketing expenses	9,182,100	8,185,986
Reception and entertainment	1,379,924	1,695,294
Travel and related expenses	3,551,667	2,521,309
Insurance premiums	238,650	6,401
Professional fees	3,947,555	3,457,498
Regulatory charges	2,854,338	2,607,933
Taxes and fiscal charges	2,736,138	1,847,005
Insurance expenses	76,214	69,364
Donation and gifts	568,011	643,586
Centrale des risques	482,715	499,318
Management fees	2,352,164	2,287,923
Training, research and development expenses	431,808	490,374
Miscellaneous expenses	15,578,580	10,300,350
	64,516,475	50,366,278

Notes to the consolidated financial statements

45. Depreciation and amortization

This caption is composed of the following:

LBP'000	2011	2010
Depreciation property and equipment- Note 16	9,247,730	6,281,475
Amortization of deferred charges- Note 18	-	9,453,898
Amortization of software deferred charges – Note 18	1,126,999	408,880
	10,374,729	16,144,253

Amortization of deferred charges represent the last portion of deferred charges related to the acquisition of a problematic bank in 2002.

46. Earnings per share

The computation of the basic earnings per share is based on the Group net income before non-recurring income and the weighted average number of outstanding shares during each year, net of treasury shares held by the Group.

As at December 31 st - LBP'000	2011	2010
Earnings:		
Earnings for the purpose of basic earnings per share (net income for the year)	155,715,141	151,898,748
Less: Dividends proposed to non-cumulative preferred shares	(46,270,773)	(43,054,200)
Net income after distribution to non-cumulative preferred shares	109,444,368	108,844,548
Number of Shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	50,286,589	50,399,088
Effect of dilutive potential ordinary share, preferred shares	-	3,570,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	50,286,589	53,969,088
Basic Earnings per share	LBP 2,176.4	LBP2,160
Diluted Earnings per share	LBP 2,176.4	LBP2,017

The conversion effect of Series “G” preferred shares was excluded from the calculation of diluted earnings per share for 2011 since they have anti-dilutive effect.

Notes to the consolidated financial statements

47. Financial instruments with off-balance sheet risks

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

48. Fiduciary accounts

Fiduciary accounts consist of the following:

As at December 31 st - LBP'000	2011	2010
Deposits with Banks/Loans from banks	(56,473,495)	(84,335,760)
Lebanese treasury bills and Eurobonds and others	462,281,925	480,216,945
Debt securities (Private sector)	30,729,144	26,554,207
Back-to-back lending	37,076,371	44,640,052
Liabilities of funds under management	(6,848,614)	(8,275,992)
Equity securities (long position)	91,989,337	157,964,787
Derivatives	(8,322,047)	(971,958)
Debt leverage	47,143,086	28,182,140
	597,575,707	643,974,421

Notes to the consolidated financial statements

49. Balances / transactions with related parties

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

As at December 31 st - LBP'000	2011	2010
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances: Secured loans and advances	116,519,159	94,936,408
Unsecured loans and advances	38,406,325	12,102,856
Deposits	(177,078,002)	(167,796,560)
Accrued interest receivable	55,485	41,156
Accrued interest payable	552,141	(453,440)
Indirect facilities: Letters of credit	-	71,587
Letters of guarantees	5,038,915	4,610,596
Performance bonds	46,133	61,871
Associated companies:		
Direct facilities and credit balances:		
Financial loans	7,652,433	13,341,098
Bank debit account	-	165,920
Deposits	(3,035,702)	(2,422,365)
Acceptances	18,248,735	5,733,646
Margin on letter of credit	(3,962,744)	(3,029,001)
Indirect facilities:		
Letters of credit	17,087,967	14,430,911

Interest rates charged on balances outstanding are the same rates that would be charged in an arm's length transaction. Secured loans and advances are covered as of December 31, 2010 by real estate mortgages to the extent of LBP14.58billion, pledged deposits of the respective borrowers to the extent of LBP22.1billion, pledged securities to the extent of 3.9billion and bank guarantees to the extent of LBP1.5billion.

The remuneration of executive management amounted to LBP1.39billion during 2011 (LBP632million during 2010) in addition to incentives linked to performance representing 6% of profit before tax.

Moreover, the Group is accruing on a current basis for end-of-service indemnity for executive management (Refer to Note 43).

General and administrative expenses for the year ended December 31, 2011 included rent expenses to related parties for USD150,000 and AED250,000 (USD150,000 and AED228,373 for the year ended December 31, 2010) and management expenses to related parties for USD1,125,000 (USD1,125,000 for the year ended December 31, 2010).

Notes to the consolidated financial statements

50. Cash and cash equivalents

A. cash and cash equivalents

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

As at December 31 st - LBP'000	2011	2010
Cash	30,401,840	24,914,687
Current accounts with central banks	614,557,883	360,877,020
Time deposits with central banks	615,702,788	410,527,940
Checks for collection	56,147,573	60,735,603
Demand deposits with banks and financial institutions	350,995,071	131,356,088
Time deposits with banks and financial institutions	876,264,734	888,867,464
Demand deposits from banks	(242,218,554)	(245,110,606)
Time deposits from banks	(444,255,245)	(515,789,538)
Loans to banks	-	14,175,485
Blocked deposits	-	(24,026,998)
	1,857,596,090	1,106,527,145

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

Notes to the consolidated financial statements

B.Obtaining control of a subsidiary

On February 28, 2011, Bank of Beirut S.A.L. acquired 85% of Beirut Hellinic Bank (Australia) for a total consideration of AUD143million. The assets acquired and liabilities assumed at the acquisition date were as follows:

	AUD	LBP'000
Assets		
Cash and deposits at central banks	6,348,487	9,711,027
Deposits with banks and financial institutions	86,787,725	132,755,712
Loans and advances to customers	798,280,951	1,221,098,439
Financial assets at amortized cost	138,315,730	211,576,040
Property and equipment (less accumulated depreciation)	3,289,193	5,031,346
Other assets	2,613,061	3,997,095
Derivative financial asset	243,248	372,086
Intangible assets	632,968	968,225
Total assets	1,036,511,363	1,585,509,970
Liabilities		
Deposits and borrowings from banks	40,097,784	61,335,976
Derivative liability	674,125	1,031,183
Customers' and related parties' deposits at amortized cost	878,904,891	1,344,425,655
Other liabilities	13,188,700	20,174,226
Provisions	1,138,689	1,741,807
Total liabilities	934,004,189	1,428,708,847
Net assets	102,507,174	156,801,123
Total consideration	142,876,072	218,551,797
Less: Cash and cash equivalents acquired	(52,166,464)	(79,796,954)
Net cash outflow arising on acquisition	90,709,608	138,754,843

Notes to the consolidated financial statements

C. Non-cash transactions

The statement of cash flow is prepared after excluding the effect of the following material non-cash transactions:

As at December 31 st - LBP'000	2011	2010
Operating Activities:		
Loans and advances for the effect of assets acquired in satisfaction of debts and transfer from provisions for sundry contingencies	1,766,023	2,785,222
Investing Activities:		
Effect of assets acquired in satisfaction of debts	1,766,023	2,785,222
Central Bank soft loan against treasury bills	163,458,275	625,000,000
Financing Activities:		
Central Bank soft loan against treasury bills	163,458,275	625,000,000

51. Contingencies

As of the date of the statement of financial position, there are lawsuits and litigations, whereby the Group is either plaintiff or defendant, pending before the competent courts and outcome of which cannot be determined at present.

Notes to the consolidated financial statements

52. Collateral given

The carrying values of financial assets given as collateral or in the form of deposits with right of set off are as follows:

As at December 31 st 2011 - LBP'000	Corresponding Facilities				
	Pledged Amount	Nature of Facility	Amount of Facility	Nature of Facility	Amount of Facility
Term deposits with banks and financial institutions	17,699,200	Risk participation	50,188,398	-	-
Term deposits with banks subject to right of set-off	92,143,476	Letters of credit	7,339,138	Acceptances	2,930,949
Pledged deposits with banks	891,907	Financial guarantees	3,818,372	Performance bonds	25,056,896
Pledged deposits with banks	44,953,572	F/X operations	-	-	-
Amortized cost government bond	905,542	Letter of guarantee	1,200,000	-	-

As at December 31 st 2010 - LBP'000	Corresponding Facilities				
	Pledged Amount	Nature of Facility	Amount of Facility	Nature of Facility	Amount of Facility
Term deposits with banks and financial institutions	24,497,000	Risk participation	27,049,475	-	-
Term deposits with banks subject to right of set-off	107,160,732	Letters of credit	9,892,728	Acceptances	3,045,880
Pledged deposits with banks	16,587,408	Trade Finance	Nil	Letters of guarantee	1,128,522
Pledged deposits with banks	10,924,942	F/X operations	Nil	-	-
Held-to-maturity treasury bills	162,484,000	Soft loans	163,458,275	-	-
Held-to-maturity government bond	924,924	Letter of guarantee	1,200,000	-	-

Notes to the consolidated financial statements

53. Capital management

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator, and retain an economic capital enough to meet the Group's medium term expansion plan.

Furthermore, the Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad in addition to the minimum regulatory capital required by the host country. In addition, banks are required to observe the minimum capital adequacy ratio set by the regulator at 8% (Basle II Ratio).

The Group's capital is split as follows:

TIER I capital: Comprises share capital (after deduction of treasury shares), shareholders' cash contribution to capital, eligible non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits and retained earnings (inclusive of current year's net profit after deduction of proposed dividends). Goodwill and cumulative unfavorable change in fair value of available-for-sale securities are deducted from Tier I Capital.

TIER II capital: Comprises qualifying subordinated liabilities, 50% of cumulative favorable change in fair value of available-for-sale securities and revaluation surplus of owned properties and ineligible non-cumulative perpetual preferred shares.

Investments in associates are deducted from Tier I and Tier II capital.

Also, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital. Moreover total non-cumulative perpetual preferred shares cannot exceed 49% of Tier I capital and total non-convertible non-cumulative preferred shares cannot exceed 35% of Tier I.

The Group has complied with the regulatory capital requirement throughout the period.

The Group's capital adequacy ratio according to Basle II as of December 31, 2011 and 2010, is as follows:

As at December 31 st - LBP'000	2011	2010
Total regulatory capital (including remaining net profit after distribution of dividends)	1,359,388,000	1,162,173,000
Credit risk	9,000,910,000	7,435,408,000
Market risk	366,399,000	150,776,000
Operational risk	565,771,000	486,855,000
Risk weighted assets and risk weighted off-balance sheet items	9,933,080,000	8,073,039,000
Capital adequacy ratio	13.68%	14.4%

Notes to the consolidated financial statements

The Group's capital strategy is based on the following constraints:

- Comply with regulatory ratios, on individual and consolidated basis, primarily in respect of the Capital Adequacy Ratio under Basle II, noting that the Group should comply with Basle II capital requirement starting fiscal 2008.
- Ensure a high return on equity for the common shareholders.
- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

The Group's total equity funding consists of the following:

As at December 31 st - LBP'000	2011	2010
Equity allotted to common shares	810,235,959	829,866,122
Preferred shares	745,106,325	539,911,125
Subordinated loans	18,090,000	18,090,000
Total equity	1,573,432,284	1,387,867,247

By virtue of the Central Bank of Lebanon regulations, banks are requested to implement the Basle II – pillar 1 starting fiscal 2008 by applying the following mechanisms:

- Standardized approach for the Credit Risk
- Basic indicator approach for the Operational Risk

The Quantitative Impact Studies of the Group's compliance with Basle II capital adequacy ratio has demonstrated that the Bank is meeting the regulatory threshold ratio of 8%, taking into consideration the high risk weights applied on the Lebanese sovereign risk exposure in foreign currency.

The Group's strategy is to maintain a satisfactory economic capital beyond the regulatory threshold of 8%.

54. Financial instruments and risk management

The Group holds and issues financial instruments for three main purposes:

- to earn an interest margin or a fee;
- to finance its operations; and
- to manage the interest rate and currency risks arising from its operations and from its sources of finance.

The main risks arising from the Bank's financial instruments are:

- Credit risk
- Liquidity risk
- Interest rate risk; and
- Foreign currency risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various Committees to develop and monitor the Group's risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its management standards and procedures, aims to develop a disciplined control environment, in which employees understand their roles and obligations.

Notes to the consolidated financial statements

A. Credit Risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks, loans and advances to customers and other banks and investment securities. Credit risk also arises from off-balance sheet financial instruments such as letters of credit and letters of guarantee.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance affecting a particular industry or geographical location.

1. Management of credit risk

Credit risk is the risk of loss resulting from the failure of an obligor or counterparty to meet its contractual obligations. It is a part of many of the Group's business activities and exists in the different banking products (for example loans, letters of credit, derivative contracts....) provided to customers of all sizes, from large corporate clients to individual consumers.

The risk is controlled through monitoring and enforcing compliance with the risk principles and with policies, limits and regulatory requirements, whereby the Group has developed policies and practices to preserve the independence and integrity of decision-making and ensure credit exposure beyond normal risk are identified promptly, assessed accurately, approved properly, reviewed in light of market and external developments, monitored regularly and managed actively.

The Group assesses the creditworthiness of new contracting parties before entering into any transaction giving rise to credit exposure and continuously monitors creditworthiness and exposures thereafter. It applies a well-defined system for assessing the creditworthiness of its clients on the basis of many criteria related to the borrower mainly the nature of activity, financial performance and structure, credit history, cash flows, projected financials and management quality (e.g. purpose, amount, tenor, collateral presented as a second way out).

The Group sets limits on the credit exposure to both individual and groups and applies limits in a variety of forms to portfolios or sectors where it considers appropriate to restrict credit concentrations or areas of high risk. In addition credit concentration is subject to regulatory authority constraints whereby the credit concentration to one individual or Group (a Group is defined as a group of clients that are linked to one another by any of a number of criteria established, including capital ownership, voting rights, effective control and other indications) does not exceed a maximum of 20% of regulatory equity.

In order to meet credit risk management objectives, the Group seeks to maintain a risk profile that is diverse in terms of borrower, product type, industry and geographic concentration.

Through the risk reporting, credit risk trends and limit exceptions are provided regularly and discussed with concerned committees. In this connection, the Group works continuously towards enhancing its credit risk management tools and adopting more advanced approaches.

Notes to the consolidated financial statements

2- Measurement of credit risk

a) Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools. The Group's rating scale reflects the range of default probabilities defined for each rating class as explained below:

- **Watch List:** Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring. These loans are graded 4 and 5 in the Group's internal credit risk rating.
- **Past due but not impaired:** Loans past due but not impaired are loans where contractual interest or principal are past due but management believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.
- **Rescheduled loans:** Rescheduled loans are loans that have been restructured after they have been rated as substandard or doubtful and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in its original category.
- **Substandard loans:** Substandard loans are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Group will sustain some loss if the deficiencies are not corrected.
- **Doubtful loans:** Doubtful loans have all the weaknesses inherent in those classified as substandard, with the added characteristic that existing facts, conditions, and values make collection or liquidation in full highly improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until a more exact status may be determined. Pending factors include merger, acquisition, liquidation procedures, capital injection, additional collateral, new financing sources, or additional guarantors.
- **Loss:** Loans classified as a loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value. Rather, the amount of loss is difficult to measure and it is not practical or desirable to defer writing off this basically worthless asset even if partial recovery may be obtained in the future. Loans are charged off in the period in which they are deemed uncollectible.

Notes to the consolidated financial statements

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main component of its allowance are specific loss component that relate to individually significant exposures, and a minor part of a collective loan loss allowance established

for retail and Small and Medium Enterprises (SME's) where there is objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such as the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

3- Risk mitigation policies

Collateral:

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

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

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

Other specific risk mitigation policies include:

Netting arrangements:

The Group further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

Notes to the consolidated financial statements

a) Exposure to credit risk and concentration by counterparty:

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

a.1) Deposits with banks and financial institutions (excluding accrued interest):

As at December 31 st - LBP'000	2011		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP5billion	23,501,083	115,182,948	82
Between LBP5billion and LBP15billion	-	169,400,829	7
Between LBP15billion and LBP30billion	-	163,683,575	3
Between LBP30billion and LBP50billion	-	421,121,017	5
Between LBP50billion and LBP100billion	-	283,009,273	2
Grater than LBP100billion	-	214,665,980	1
	23,501,083	1,367,063,622	100

As at December 31 st - LBP'000	2010		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP5billion	18,206,599	99,226,045	77
Between LBP5billion and LBP15billion	17,911,636	205,000,075	13
Between LBP15billion and LBP30billion	-	218,934,710	5
Between LBP30billion and LBP50billion	-	355,852,808	4
Between LBP50billion and LBP100billion	-	193,165,244	1
	36,118,235	1,072,178,882	100

a.2) Loans to banks (excluding accrued interest):

As at December 31 st - LBP'000	2011		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Below LBP500million	17,692	1,116,991	38
Between LBP500million and LBP1.5billion	-	3,326,104	25
Between LBP1.5billion and LBP5billion	-	3,819,983	6
Between LBP5billion and LBP10billion	-	22,982,252	19
Between LBP10billion and LBP15billion	-	-	-
Above LBP 15billion	41,049,600	26,012,320	12
	41,067,292	57,257,650	100

Notes to the consolidated financial statements

As at December 31 st - LBP'000	2010		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP500million	-	1,292,521	44
Between LBP500million and LBP1.5billion	-	-	-
Between LBP1.5billion and LBP5billion	-	4,465,047	6
Between LBP5billion and LBP10billion	-	23,259,349	19
Between LBP10billion and LBP15billion	-	27,516,583	12
Above LBP15billion	43,846,800	34,752,276	19
	43,846,800	91,285,776	100

a.3) Loans and advances to customers (excluding accrued interest):

As at December 31 st - LBP'000	2011		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Below LBP 500million	584,917,211	689,087,259	95
Between LBP500million and LBP 1.5billion	96,582,264	636,382,615	1
Between LBP1.5billion and LBP 5billion	46,449,273	772,686,905	1
Between LBP5billion and LBP10billion	12,285,548	448,056,238	1
Between LBP10 billion and LBP15billion	10,077,910	267,825,538	1
Above LBP15billion	68,750,960	1,168,332,600	1
	819,063,166	3,982,371,155	100

As at December 31 st - LBP'000	2010		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP500million	571,872,563	422,804,735	95
Between LBP500million and LBP1.5billion	87,291,725	245,853,212	1
Between LBP1.5billion and LBP5billion	45,084,139	484,925,169	1
Between LBP5billion and LBP10billion	33,113,550	386,014,316	1
Between LBP10billion and LBP15billion	16,682,204	320,184,696	1
Above LBP15billion	42,466,134	740,874,910	1
	796,510,315	2,600,657,038	100

Notes to the consolidated financial statements

a.4) Loans and advances to related parties (excluding accrued interest):

As at December 31 st - LBP'000	2011		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Below LBP500million	2,087,867	3,494,659	84
Between LBP500M and LBP 1.5 billion	-	1,974,117	2
Between LBP1.5 billion and LBP 5 billion	1,720,440	23,136,135	8
Between LBP5 billion and LBP 10 billion	-	5,174,923	1
Between LBP10 billion and LBP 15billion	-	11,650,096	1
Above LBP15billion	-	105,687,232	4
	3,808,307	151,117,162	100

As at December 31 st - LBP'000	2010		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP500million	895,465	3,719,228	82
Between LBP500million and LBP1.5billion	-	1,306,448	2
Between LBP1.5billion and LBP5billion	90,635	11,486,337	6
Between LBP5billion and LBP10billion	-	24,482,977	5
Above LBP15billion	2,070,633	62,987,541	5
	3,056,733	103,982,531	100

a.5) Securities at fair value through other comprehensive income:

As at December 31 st - LBP'000	2011		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP5billion	3,391,575	47,899	12
Between LBP5billion and LBP15billion	-	-	-
Between LBP15billion and LBP30billion	-	-	-
Between LBP30billion and LBP200billion	-	-	-
Between LBP200billion and LBP350billion	-	-	-
Above LBP350billion	-	-	-
	3,391,575	47,899	12

Notes to the consolidated financial statements

a.6) Securities at amortized cost:

As at December 31 st - LBP'000	2010		
	LBP Base Accounts	F/Cy Base Accounts	% of Counterparties
Bracket			
Less than LBP5billion	291,624,096	634,588,584	491
Between LBP5billion and LBP15billion	941,146,309	699,231,911	212
Between LBP15billion and LBP30billion	633,438,867	253,098,353	49
Between LBP30billion and LBP200billion	517,000,000	425,101,127	21
Between LBP200billion and LBP350billion	-	-	-
Above LBP350billion	-	-	-
	2,383,209,272	2,012,019,975	773

b) Concentration of loans by industry or sector:

As at December 31 st - LBP'000	2011						
	Agriculture	Manufacturing and Industry	Financial Services	Real Estate and Construction	Trade Services	Others	Total
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	100,090,358	-	-	-	100,090,358
Loans and advances to customers	47,807,498	1,027,445,793	439,849,833	431,586,603	1,341,323,972	1,518,625,291	4,806,638,990
Loans and advances to related parties	-	5,116,493	36,018,893	4,415,539	96,091,324	13,338,705	154,980,954
Total	47,807,498	1,032,562,286	575,959,084	436,002,142	1,437,415,296	1,531,963,996	5,061,710,302

As at December 31 st - LBP'000	2010						
	Agriculture	Manufacturing and Industry	Financial Services	Real Estate and Construction	Trade Services	Others	Total
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	136,154,971	-	-	-	136,154,971
Loans and advances to customers	7,553,172	332,609,646	175,813,266	427,605,235	962,063,509	1,494,909,233	3,400,554,061
Loans and advances to related parties	-	1,789,748	30,763,097	5,259,714	69,170,503	97,358	107,080,420
Total	7,553,172	334,399,394	342,731,334	432,864,949	1,031,234,012	1,495,006,591	3,643,789,452

Notes to the consolidated financial statements

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

2011					
As at December 31 st - LBP'000	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Pledged Funds	
Regular loans	4,779,179,072	-	4,793,342,227	238,805,013	
Substandard	14,728,284	-	14,728,284	30,983	
Doubtful	34,753,567	(20,181,232)	14,572,335	-	
Collective					
Provision	-	(16,003,856)	(16,003,856)	-	
Total	4,828,660,923	(36,185,088)	4,806,638,990	238,835,996	

2010					
As at December 31 st - LBP'000	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Pledged Funds	
Regular loans	3,385,629,055	-	3,385,629,055	270,522,434	
Substandard	15,709,736	-	15,709,736	413,260	
Doubtful	36,243,677	(22,988,714)	13,254,963	-	
Collective					
provision	-	(14,039,693)	(14,039,693)	-	
Total	3,437,582,468	(37,028,407)	3,400,554,061	270,935,694	

Estimates of fair value for properties held as collateral are based on the value of collateral assessed at the time of borrowing discounted for the effect of illiquidity in the range of 5% to 20% applied based on geographical distribution of mortgages held.

Collateral held over loans and advances to banks represent securities held as part of reverse repurchase agreements.

Notes to the consolidated financial statements

2011

Fair Value of Collateral Received

	First Degree Mortgage on Property	Debt Securities	Bank Guarantees	Other	Total
	3,675,137,601	51,014,714	72,855,339	315,338,826	4,353,151,493
	6,173,064	-	-	32,120	6,236,167
	4,111,833	-	-	2,082	4,113,915
	-	-	-	-	-
	3,685,422,498	51,014,714	72,855,339	315,373,028	4,363,501,575

2010

Fair Value of Collateral Received

	First Degree Mortgage on Property	Debt Securities	Bank Guarantees	Other	Total
	1,103,788,443	83,606,457	17,070,421	13,588,985	1,488,576,740
	3,977,588	-	-	120	4,390,968
	3,880,349	-	-	2,317	3,882,666
	-	-	-	-	-
	1,111,646,380	83,606,457	17,070,421	13,591,422	1,496,850,374

Notes to the consolidated financial statements

c) Concentration of financial assets and liabilities by geographical area:

2011 LBP'000	Lebanon	Middle East and Africa	Europe	Norrrh America	Other	Accrued Interest	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	1,858,397,678	463,626,392	9,406,351	-	19,042,990	1,957,221	2,352,430,632
Deposits with banks and financial institutions	339,082,214	58,544,688	584,139,585	210,763,309	198,034,909	534,100	1,391,098,805
Trading assets	591,585,905	12,335,821	-	-	1,507,498	11,051,303	616,480,527
Loans to banks	42,393,997	48,469,910	67,650	-	7,214,077	1,944,724	100,090,358
Loans and advances to customers	2,751,856,425	442,168,859	440,084,786	15,226	1,167,309,025	5,204,669	4,806,638,990
Loans and advances to related parties	141,222,269	77,372	-	-	13,625,828	55,485	154,980,954
Investment securities	3,715,203,777	23,225,451	40,015,230	-	620,224,263	72,340,489	4,471,009,210
Total financial assets	9,439,742,265	1,048,448,493	1,073,713,602	210,778,535	2,026,958,590	93,087,991	13,892,729,476
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	426,659,298	138,583,341	(16,450,476)	737,588	181,373,600	1,357,669	732,261,020
Customers' and related parties' deposits designated at fair value through profit and loss	2,955,538	-	-	-	-	-	2,955,538
Customers' and related parties' deposits at amortized cost	7,757,089,578	1,500,132,082	562,968,478	34,540,906	1,534,342,131	68,928,889	11,458,002,064
Other borrowings	25,947,888	4,522,500	29,014,838	-	-	1,226,369	60,711,595
Certificates of deposit	180,411,336	18,316,125	10,883,323	-	15,901,100	1,214,558	226,726,442
Total financial liabilities	8,393,063,638	1,661,554,048	586,416,163	35,278,494	1,731,616,831	72,727,485	12,480,656,659
Net financial assets	1,046,678,627	(613,105,555)	487,297,439	175,500,041	295,341,759	20,360,506	1,412,072,817

Notes to the consolidated financial statements

2010 LBP'000	Lebanon	Middle East and Africa	Europe	Norrrh America	Other	Accrued Interest	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	1,686,270,399	362,082,359	16,142,819	-	-	1,478,100	2,065,973,677
Deposits with banks and financial institutions	213,124,226	65,890,749	723,873,243	29,431,022	75,977,877	576,128	1,108,873,245
Trading assets	105,746,980	-	-	-	-	2,109,993	107,856,973
Loans to banks	43,846,799	86,013,806	-	4,465,047	411,769	1,417,550	136,154,971
Loans and advances to customers	2,622,009,309	432,926,573	322,091,063	5,015	20,135,393	3,386,708	3,400,554,061
Loans and advances to related parties	107,023,872	15,392	-	-	-	41,156	107,080,420
Available for sale investment securities	3,561,236,420	14,599,423	18,090,000	-	-	67,763,761	3,661,689,604
Held-to-maturity investment securities	803,375,627	7,570,613	65,767,055	21,057,007	42,963,750	17,618,236	958,352,288
Total financial assets	9,142,633,632	969,098,915	1,145,964,180	54,958,091	139,488,789	94,391,632	11,546,535,239
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	484,180,376	111,345,883	27,010,914	14,571,272	166,075,376	2,063,396	805,247,217
Customers' and related parties' deposits designated at fair value through profit and loss	6,416,766	-	114,442	-	-	62,143	6,593,351
Customers' and related parties' deposits at amortized cost	7,238,281,745	1,242,514,695	318,660,484	35,065,215	144,593,908	43,741,979	9,022,858,026
Other borrowings	189,921,152	4,396,595	36,556,875	-	-	3,974,692	234,849,314
Certificates of deposit	150,365,529	-	-	-	-	936,481	151,302,010
Total financial liabilities	8,069,165,568	1,358,257,173	382,342,715	49,636,487	310,669,284	50,778,691	10,220,849,918
Net financial assets	1,073,468,064	(389,158,258)	763,621,465	5,321,604	(171,180,495)	43,612,941	1,325,685,321

Notes to the consolidated financial statements

B. Liquidity Risk

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

1. Management of liquidity risk

Liquidity is the «Group's ability to ensure the availability of funds to meet commitments (including off-balance sheet commitments) at a reasonable price at all times.» In 'business as usual' circumstances the day-to-day cash management of a bank should not lead to any threats to its solvency.

The Liquidity Risk is defined as the risk of the Group's ability to meet its current and future payment obligations in full or on time.

The Liquidity Risk arises when, in the case of a liquidity crisis, refinancing may only be raised at higher market rates (funding risk) or assets may only be liquidated at a discount to the market rates (market liquidity risk). It also results from the mismatches in the maturity pattern of assets and liabilities.

Liquidity Measurement

Liquidity is measured on a "business as usual basis" using:

- Balance Sheet Liquidity Ratios (purchased and stored liquidity ratios): such as immediate liquidity, loans / deposits, liquid assets ratio, interbank ratio, medium-term funding ratio, wholesale borrowing capacity, etc
- The liquidity relationship between the sub-components of the balance sheet at a particular point in time: Cash Flow Gap Scheduling which is the Gap between cash inflows and outflows determined within a series of time buckets.
- Stress testing: by stress testing "the business as usual" assumptions via standardized scenarios, the potential shortage of liquidity can be measured. This shortage needs to be covered by the Liquidity Buffer, which consists of unencumbered assets that can be reported or used as collateral at a Central Bank to generate cash.

The Bank's objectives are to comply with the Central Bank instructions for liquidity risk monitoring and set other internal prudential limits as described hereafter. Some of the internal limits are:

- Liquidity gap ratios for Lebanese Pounds and foreign currencies (special focus on the foreign currencies): One month GAP/Tier One Capital
- Liquid assets in foreign currencies (including Placement with the Central Bank) / Total Deposits in foreign currencies.
- Placements with Non Resident Banks in foreign currencies/Total Deposits in foreign currencies
- Long-term foreign currency Funds (including equity)/Long-term Loans (above one year)

Notes to the consolidated financial statements

The Contingency Funding Plan

Liquidity problems will usually arise only when the Group encounters a crisis. In this case, there is a need to put in place a Contingency Funding Plan that both quantifies the adequacy of the Bank's resources (Liquidity Buffer) to withstand a set of potential liquidity crises and sets out an Action Plan to be activated in the event of a liquidity crisis.

A mechanism to identify stress situations ahead of time, and to plan dealing with such unusual situations in a timely and effective manner should be in existence. The Contingency Plan is reviewed regularly and tested.

The responsibilities and authorities of overseeing efficient implementation of liquidity risk mitigation is distributed in the best way to achieve proficient handling of the problems facing the Group and thus ensuring a smooth continuation of the activity without jeopardizing the business. Accordingly, officials and committees of the Bank (namely ALCO, Treasury Department, Finance Department) assess the situation, decide on the activation of the contingency plan and act as follows:

- ALCO Committee is informed immediately, and quickly makes its assessment as to whether the plan should be activated.
- ALCO Committee takes all major decisions on loans or deposits, investment purchases, borrowing, whether to stop making additional loans, etc.
- ALCO Committee provides general, ongoing guidance on communicating with major depositors and other sources of funding, internal staff, and the press.
- The treasury Department is responsible for maintaining sufficient liquidity to meet the Bank's obligations and to meet the specific liquidity requirements of the supervisory authorities. The key measure used by the Bank for managing liquidity risk is the ratio of behaviorally adjusted net liquid assets (maturing in less than one month) to total deposits.
- In the unlikely event of a liquidity crisis the Treasury Department would immediately endeavour to sell the Bank's liquid assets, or if more expedient, seek additional funds from the shareholders or borrow in the market to alleviate the shortfall.

Notes to the consolidated financial statements

Residual contractual maturities of financial assets and liabilities:

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

LBP Base Accounts As at December 31 st , 2011 - LBP'000	With No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	
FINANCIAL ASSETS					
Cash and deposits at Central Banks	110,535,083	197,500,000	-	-	
Deposits with banks and financial institutions	18,861,346	4,830,857	-	-	
Trading assets	32,356,978	-	68,273,750	90,400,000	
Loans to banks	75,951	17,692	11,272,000	9,000,000	
Loans and advances to customers	35,167,111	394,820,388	(912,911)	8,844,296	
Loans and advances to related parties	4,289	3,752,755	-	-	
Investment securities	80,117,903	122,360,000	333,081,880	917,225,000	
Total financial assets	277,118,661	723,281,692	411,714,719	1,025,469,296	
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	976,119	23,724,797	30,319,018	-	
Customers' and related parties' deposits at amortized cost	332,720,484	2,737,400,800	695,827,164	22,587,200	
Total financial liabilities	333,696,603	2,761,125,597	726,146,182	22,587,200	
Maturity gap position	(56,577,942)	(2,037,843,905)	(314,431,463)	1,002,882,096	

Notes to the consolidated financial statements

	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	-	-	-	308,035,083
	-	-	-	23,692,203
	90,670,300	233,437,910	-	515,138,938
	3,600,000	17,177,600	-	41,143,243
	53,586,897	81,591,025	281,586,252	854,683,058
	-	-	-	3,757,044
	458,527,284	519,333,903	-	2,430,645,970
	606,384,481	851,540,438	281,586,252	4,177,095,539
	-	-	-	55,019,934
	138,100	15,153,436	-	3,803,827,184
	138,100	15,153,436	-	3,858,847,118
	606,246,381	836,387,002	281,586,252	318,248,421

Notes to the consolidated financial statements

F/Cy Base Accounts As at December 31 st , 2011 - LBP'000	With No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	
FINANCIAL ASSETS					
Cash and deposits at Central Banks	521,503,521	433,081,128	595,462,500	188,437,500	
Deposits with banks and financial institutions	392,145,047	981,653,868	(8,491,220)	2,098,907	
Trading assets	41,003,144	3,496,099	1,357	6,497,323	
Loans to banks	1,689,464	23,587,084	33,670,567	-	
Loans and advances to customer	106,851,622	3,198,942,622	260,954,286	99,652,332	
Loans and advances to related parties	1,296,750	143,601,922	-	4,642,529	
Investment securities	66,899,015	642,225,844	100,641,852	235,124,895	
Total financial assets	1,131,388,563	5,426,588,567	982,239,342	536,453,486	
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	240,137,040	423,144,261	13,959,785	-	
Customers' and related parties' deposits designated at fair value through profit and loss	2,955,538	-	-		
Customers' and related parties' deposits at amortized cost	1,125,135,013	5,316,804,514	1,021,779,209	114,731,908	
Other borrowings	1,226,368	24,918,619	22,932,704	377,021	
Certificates of deposit	1,211,533	114,759,711	93,691,125	16,431,750	
Total financial liabilities	1,370,665,492	5,879,627,105	1,152,362,823	131,540,679	
Maturity gap position	(239,276,929)	(453,038,538)	(170,123,481)	404,912,807	

Notes to the consolidated financial statements

	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	305,910,900	-	-	2,044,395,549
	-	-	-	1,367,406,602
	18,713,325	31,630,341	-	101,341,589
	-	-	-	58,947,115
	180,193,975	83,378,882	21,982,213	3,951,955,932
	1,682,709	-	-	151,223,910
	163,621,364	831,850,270	-	2,040,363,240
	670,122,273	946,859,493	21,982,213	9,715,633,937
	-	-	-	677,241,086
	-	-	-	2,955,538
	75,724,236	-	-	7,654,174,880
	840,314	10,416,569	-	60,711,595
	632,323	-	-	226,726,442
	77,196,873	10,416,569	-	8,621,809,541
	592,925,400	936,442,924	21,982,213	1,093,824,396

Notes to the consolidated financial statements

LBP Base Accounts As at December 31 st , 2010 - LBP'000	With No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	
FINANCIAL ASSETS					
Cash and deposits at Central Banks	105,629,871	128,584,000	-	-	
Deposits with banks and financial institutions	12,094,841	23,994,229	-	-	
Trading assets	268,623	-	-	5,592,923	
Loans to banks	208,236	58,807	10,000,000	11,272,000	
Loans and advances to customers	78,312,001	158,355,663	187,277,370	104,331,230	
Loans and advances to related parties	2,163,921	296,819	598,023	-	
Available for sale investment securities	54,984,009	135,645,234	416,745,001	857,669,518	
Held-to-maturity investment securities	5,977,442	116,184,477	49,698,125	50,163,189	
Total financial assets	259,638,944	563,119,229	664,318,519	1,029,028,860	
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	2,809,305	16,392,086	25,225,000	-	
Customers' and related parties' deposits at amortized cost	255,489,111	2,859,178,924	354,741,182	93,063,295	
Other borrowings	2,736,049	163,458,275	-	-	
Certificates of deposit	65,578	6,800,000	-	-	
Total financial liabilities	261,100,043	3,045,829,285	379,966,182	93,063,295	
Maturity gap position	(1,461,099)	(2,482,710,056)	284,352,337	935,965,565	

Notes to the consolidated financial statements

	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	-	-	-	234,213,871
	-	-	-	36,089,070
	-	-	-	5,861,546
	-	22,574,800	-	44,113,843
	78,267,922	191,258,235	-	797,802,421
	-	-	-	3,058,763
	811,671,945	491,164,446	-	2,767,880,153
	6,384,187	61,413,750	-	289,821,170
	896,324,054	766,411,231	-	4,178,840,837
	-	-	-	44,426,391
	67,502	135,369	13,987,165	3,576,662,548
	-	-	-	166,194,324
	-	-	-	6,865,578
	67,502	135,369	13,987,165	3,794,148,841
	896,256,552	766,275,862	(13,987,165)	384,691,996

Notes to the consolidated financial statements

F/Cy Base Accounts As at December 31 st , 2010 - LBP'000	With No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	
FINANCIAL ASSETS					
Cash and deposits at Central Banks	410,069,190	625,353,716	27,511,900	580,387,500	
Deposits with banks and financial institutions	188,387,370	814,973,035	69,423,770	-	
Trading assets	2,026,883	-	-	8,882,087	
Loans to banks	755,352	70,774,016	12,974,260	7,537,500	
Loans and advances to customers	420,864,898	1,451,807,721	347,306,829	286,873,036	
Loans and advances to related parties	66,241,484	27,117,744	8,813,854	1,769,523	
Available for sale investment securities	55,095,664	-	58,772,704	208,295,827	
Held-to-maturity investment securities	11,640,794	62,859,655	158,235,592	172,448,762	
Total financial assets	1,155,081,635	3,052,885,887	683,038,909	1,266,194,235	
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	201,996,103	531,371,839	27,452,884	-	
Customers' and related parties' deposits designated at fair value through profit and loss	62,143	3,680,450	2,850,758	-	
Customers' and related parties' deposits at amortized cost	958,195,932	3,708,681,635	683,728,711	87,605,225	
Other borrowings	1,238,642	54,646,875	-	549,386	
Certificates of deposit	(3,086,861)	617,418	-	146,905,875	
Total financial liabilities	1,158,405,959	4,298,998,217	714,032,353	235,060,486	
Maturity gap position	(3,324,324)	(1,246,112,330)	(30,993,444)	1,031,133,749	

C. Market Risks

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

1. Management of market risks

Interest Rate Risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on Group's net interest income, while a long term impact is on Group's net worth since the economic value of Group's assets, liabilities and off-balance sheet exposures are affected.

Notes to the consolidated financial statements

	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	188,437,500	-	-	1,831,759,806
	-	-	-	1,072,784,175
	10,212,719	66,146,675	14,727,063	101,995,427
	-	-	-	92,041,128
	76,234,020	19,665,136	-	2,602,751,640
	56,528	22,524	-	104,021,657
	129,686,656	241,147,833	200,810,767	893,809,451
	169,941,395	38,282,799	55,122,121	668,531,118
	574,568,818	365,264,967	270,659,951	7,367,694,402
	-	-	-	760,820,826
	-	-	-	6,593,351
	7,983,975	-	-	5,446,195,478
	1,026,030	11,194,057	-	68,654,990
	-	-	-	144,436,432
	9,010,005	11,194,057	-	6,426,701,077
	565,558,813	354,070,910	270,659,951	940,993,325

Interest Rate Risk Measurement

Major concern is to be given to interest rates movements both in the local and international markets whenever hedging against rates rise should be undertaken as part of the Group's strategy.

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings group of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising the return on risk.

Interest rate risk originating from banking activities arises partly from the employment of non-interest bearing liabilities such as shareholders' funds and customer current accounts, but also from the gaps that arise from the normal course of business.

The policy of the Group is to price all placements / exposures at floating rates or at fixed rates for fixed periods on appropriate rollover dates that allow for matching in the market.

Notes to the consolidated financial statements

Interest sensitivity analysis for accounts in lebanese pounds as at december 31, 2011:

As at December 31 st - LBP'000	Interest Rate Sensitivity Balance Sheet					
	Floating					
	Non-Interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	
FINANCIAL ASSETS						
Cash and deposits at Central Banks	110,535,083	-	-	-	-	
Deposits with banks and financial institutions	18,861,346	-	-	-	-	
Trading assets	32,356,978	-	-	-	-	
Loans to banks	75,951	-	-	-	-	
Loans and advances (less provision for credit losses)	35,167,111	89,926,409	12,833	-	-	
Loans and advances to related parties	4,289	2,538,654	-	-	-	
Investment securities	80,117,903	-	-	-	-	
Total financial assets	277,118,661	92,465,063	12,833	-	-	
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	976,119	10,528	-	-	-	
Customers' and related parties' deposits at amortized cost	332,720,484	5	-	-	-	
Total financial liabilities	333,696,603	10,533	-	-	-	
Interest rate gap position	(56,577,942)	92,454,530	12,833	-	-	

Notes to the consolidated financial statements

Interest Rate Sensitivity Balance Sheet

			Fixed						
	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
	-	-	197,500,000	-	-		-	197,500,000	308,035,083
	-	-	4,830,857	-	-	-	-	4,830,857	23,692,203
	-	-	-	68,273,750	90,400,000	90,670,300	233,437,910	482,781,960	515,138,938
	-	-	17,692	11,272,000	9,000,000	3,600,000	17,177,600	41,067,292	41,143,243
	-	89,939,242	304,893,979	(925,744)	8,844,296	53,586,897	363,177,277	729,576,705	854,683,058
	-	2,538,654	1,214,101	-	-		-	1,214,101	3,757,044
	-	-	122,360,000	333,081,880	917,225,000	458,527,284	519,333,903	2,350,528,067	2,430,645,970
	-	92,477,896	630,816,629	411,701,886	1,025,469,296	606,384,481	1,133,126,690	3,807,498,982	4,177,095,539
	-	10,528	23,714,269	30,319,018	-	-	-	54,033,287	55,019,934
	-	5	2,737,400,795	695,827,164	22,587,200	138,100	15,153,436	3,471,106,695	3,803,827,184
	-	10,533	2,761,115,064	726,146,182	22,587,200	138,100	15,153,436	3,525,139,982	3,858,847,118
	-	92,467,363	(2,130,298,435)	(314,444,296)	1,002,882,096	606,246,381	1,117,973,254	282,359,000	318,248,421

Notes to the consolidated financial statements

Interest sensitivity analysis for accounts in foreign currency as at december 31, 2011:

As at December 31 st - LBP'000	Interest Rate Sensitivity Balance Sheet					
	Floating					
	Non-Interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	
FINANCIAL ASSETS						
Cash and deposits at Central Banks	521,503,521	21,116,741		-	-	
Deposits with banks and financial institutions	392,145,047	362,687,597	3,983,088	2,098,907	-	
Trading assets	41,003,144	-	-	4,522,500	-	
Loans to banks	1,689,464	261,935	-	-	-	
Loans and advances (less provision for credit losses)	106,851,622	2,721,238,046	273,919,847	37,074,713	7,130,017	
Loans and advances to related parties	1,296,750	143,208,044	-	4,572,415	1,682,709	
Investment securities	66,899,015	576,744,414	-	17,178,082	32,012,060	
Total financial assets	1,131,388,563	3,825,256,777	277,902,935	65,446,617	40,824,786	
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	240,137,040	260,154,191	-	-	-	
Customers' and related parties' deposits designated at fair value through profit and loss	2,955,538	-	-	-	-	
Customers' and related parties' deposits at amortized cost	1,125,135,013	1,088,703,254	480,043,830	382,332	-	
Other borrowings	1,226,368	26,111,677	11,264,945	-	-	
Certificates of deposit	1,211,533	-	-	-	632,323	
Total financial liabilities	1,370,665,492	1,374,969,122	491,308,775	382,332	632,323	
Interest rate gap position	(239,276,929)	2,450,287,655	(213,405,840)	65,064,285	40,192,463	

Notes to the consolidated financial statements

Interest Rate Sensitivity Balance Sheet

			Fixed						
	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
	-	21,116,741	411,964,387	595,462,500	188,437,500	305,910,900	-	1,501,775,287	2,044,395,549
	-	368,769,592	618,966,271	(12,474,308)	-	-	-	606,491,963	1,367,406,602
	-	4,522,500	3,496,099	1,357	1,974,823	18,713,325	31,630,341	55,815,945	101,341,589
	-	261,935	23,325,149	33,670,567	-	-	-	56,995,716	58,947,115
	19,303,951	3,058,666,574	477,704,576	(12,965,561)	62,577,619	173,063,958	86,057,144	786,437,736	3,951,955,932
	-	149,463,168	393,878	-	70,114	-	-	463,992	151,223,910
	6,074,981	632,009,537	65,481,430	100,641,852	217,946,813	131,609,304	825,775,289	1,341,454,688	2,040,363,240
	25,378,932	4,234,810,047	1,601,331,790	704,336,407	471,006,869	629,297,487	943,462,774	4,349,435,327	9,715,633,937
	-	260,154,191	162,990,070	13,959,785	-	-	-	176,949,855	677,241,086
	-	-	-	-	-	-	-	-	2,955,538
	-	1,569,129,416	4,228,101,260	541,735,379	114,349,576	75,724,236	-	4,959,910,451	7,654,174,880
	-	37,376,622	(1,193,058)	11,667,759	377,021	840,314	10,416,569	22,108,605	60,711,595
	-	632,323	114,759,711	93,691,125	16,431,750	-	-	224,882,586	226,726,442
	-	1,867,292,552	4,504,657,983	661,054,048	131,158,347	76,564,550	10,416,569	5,383,851,497	8,621,809,541
	25,378,932	2,367,517,495	(2,903,326,193)	43,282,359	339,848,522	552,732,937	933,046,205	(1,034,416,170)	1,093,824,396

Notes to the consolidated financial statements

Interest sensitivity analysis for accounts in lebanese pounds as at december 31, 2010:

As at December 31 st - LBP'000	Interest Rate Sensitivity Balance Sheet					
	Floating					
	Non-Interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	
FINANCIAL ASSETS						
Cash and deposits at Central Banks	105,629,871	-	-	-	-	
Deposits with banks and financial institutions	12,094,841	3,961	-	-	-	
Trading assets	268,623	-				
Loans to banks	208,236	-				
Loans and advances to customers	78,312,001	15,838,044				
Loans and advances to related parties	2,163,921	-	-	-	-	
Available for sale investment securities	54,984,009	-	-	-	-	
Held-to-maturity investment securities	5,977,442	-	-	-	-	
Total Financial Assets	259,638,944	15,842,005	-	-	-	
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	2,809,305	-	-	-	-	
Customers' and related parties' deposits at amortized cost	255,489,111	-	-	-	-	
Other borrowings	2,736,049	-	-	-	-	
Certificates of deposit	65,578	-	-	-	-	
Total financial liabilities	261,100,043	-	-	-	-	
Interest rate gap position	(1,461,099)	15,842,005	-	-	-	

Notes to the consolidated financial statements

Interest Rate Sensitivity Balance Sheet

			Fixed						
	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
	-	-	128,584,000	-	-	-	-	128,584,000	234,213,871
		3,961	23,990,268	-	-	-	-	23,990,268	36,089,070
	-	-	-	-	5,592,923	-	-	5,592,923	5,861,546
	-	-	58,807	10,000,000	11,272,000	-	22,574,800	43,905,607	44,113,843
	259,097	16,097,141	318,922,669	603,076	3,178,722	30,547,425	350,141,387	703,393,279	797,802,421
	-	-	296,819	598,023	-	-	-	894,842	3,058,763
	-	-	135,645,234	416,745,001	857,669,518	811,671,945	491,164,446	2,712,896,144	2,767,880,153
	-	-	116,184,477	49,698,125	50,163,189	6,384,187	61,413,750	283,843,728	289,821,170
	259,097	16,101,102	723,682,274	477,644,225	927,876,352	848,603,557	925,294,383	3,903,100,791	4,178,840,837
	-	-							
	-	-	16,392,086	25,225,000	-	-	-	41,617,086	44,426,391
	-	-	2,859,178,924	354,741,182	93,063,295	67,502	14,122,534	3,321,173,437	3,576,662,548
	-	-	163,458,275	-	-	-	-	163,458,275	166,194,324
	-	-	6,800,000	-	-	-	-	6,800,000	6,865,578
	-	-	3,045,829,285	379,966,182	93,063,295	67,502	14,122,534	3,533,048,798	3,794,148,841
	259,097	16,101,102	(2,322,147,011)	97,678,043	834,813,057	848,536,055	911,171,849	370,051,993	384,691,996

Notes to the consolidated financial statements

Interest sensitivity analysis for accounts in foreign currency as at december 31, 2010:

As at December 31 st - LBP'000	Interest Rate Sensitivity Balance Sheet					
	Floating					
	Non-Interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	
FINANCIAL ASSETS						
Cash and deposit at Central Banks	410,069,190	-	-	-	-	
Deposits with banks and financial institutions	188,387,370	-	-	-	-	
Trading assets	2,026,883	-	-	-	-	
Loans to banks	755,352	-	-	-	-	
Loans and advances to customers	420,864,898	960,701,645	957,050	3,611,561	3,095,309	
Loans and advances to related parties	66,241,484	22,711,026	-	-	-	
Available for sale investment securities	55,095,664	-	-	-	-	
Held-to-maturity investment securities	11,640,794	-	7,641,460	-	-	
Total Financial Assets	1,155,081,635	983,412,671	8,598,510	3,611,561	3,095,309	
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	201,996,103	13,693,020	-	-	-	
Customers' and related parties' deposits						
designated at fair value through profit and loss	62,143	-	-	-	-	
Customers' and related parties' deposits at amortized cost	958,195,932	66,512,910	-	-	-	
Other borrowings	1,238,642	18,248,494	1,526,862	-	-	
Certificates of deposit	(3,086,861)	-	-	-	-	
Total financial liabilities	1,158,405,959	98,454,424	1,526,862	-	-	
Interest rate gap position	(3,324,324)	884,958,247	7,071,648	3,611,561	3,095,309	

Notes to the consolidated financial statements

Interest Rate Sensitivity Balance Sheet

			Fixed						
	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
		-	625,353,716	27,511,900	580,387,500	188,437,500	-	1,421,690,616	1,831,759,806
	-	-	845,123,035	39,273,770	-	-	-	884,396,805	1,072,784,175
		-	-	-	8,882,087	10,212,719	80,873,738	99,968,544	101,995,427
		-	70,774,016	12,974,260	7,537,500	-	-	91,285,776	92,041,128
	11,468,536	979,834,101	1,018,608,797	94,121,226	67,244,317	11,886,048	10,192,253	1,202,052,641	2,602,751,640
	-	22,711,026	15,064,480	4,667	-	-	-	15,069,147	104,021,657
	-	-	-	58,772,704	208,295,827	129,686,656	441,958,600	838,713,787	893,809,451
	-	7,641,460	62,859,655	150,594,132	172,448,762	169,941,395	93,404,920	649,248,864	668,531,118
	11,468,536	1,010,186,587	2,637,783,699	383,252,659	1,044,795,993	510,164,318	626,429,511	5,202,426,180	7,367,694,402
		13,693,020	523,282,867	21,848,836	-	-	-	545,131,703	760,820,826
	-	-	3,680,450	2,850,758	-	-	-	6,531,208	6,593,351
	-	66,512,910	3,642,168,725	683,728,711	87,605,225	7,983,975	-	4,421,486,636	5,446,195,478
	-	19,775,356	34,871,519	-	549,386	1,026,030	11,194,057	47,640,992	68,654,990
	-	-	617,418	-	146,905,875	-	-	147,523,293	144,436,432
	-	99,981,286	4,204,620,979	708,428,305	235,060,486	9,010,005	11,194,057	5,168,313,832	6,426,701,077
	11,468,536	910,205,301	(1,566,837,280)	(325,175,646)	809,735,507	501,154,313	615,235,454	34,112,348	940,993,325

Notes to the consolidated financial statements

Foreign Exchange Risk

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The Group does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures.

The table shown below gives details of the Group's exposure to currency risk:

As at December 31 st , 2011 - LBP'000	LBP	USD	
FINANCIAL ASSETS			
Cash and deposits at Central Banks	308,035,083	1,416,267,606	
Deposits with banks and financial institutions	23,692,203	953,705,303	
Trading assets	515,138,938	87,885,483	
Loans to banks	41,143,243	16,465,519	
Loans and advances to customers	854,683,058	1,972,782,298	
Loans and advances to related parties	3,757,044	103,632,605	
Investment securities	2,430,645,970	1,363,282,386	
Customers' acceptance liability	-	218,717,957	
Investments in associates	-	35,768,858	
Assets acquired in satisfaction of loans	9,102,639	18,516,266	
Property and equipment	90,901,647	191,950	
Goodwill	407,025	-	
Other assets	13,480,333	(417,914,133)	
Total Assets	4,290,987,183	5,769,302,098	
FINANCIAL LIABILITIES			
Deposits and borrowings from banks	55,019,931	320,666,532	
Customers' and related parties' deposits designated at fair value through profit and loss	-	2,955,538	
Customers' and related parties' deposits at amortized cost	3,803,827,184	4,791,361,534	
Liabilities under acceptance	-	218,717,957	
Other borrowings	-	60,711,595	
Certificates of deposit	-	226,094,119	
Other liabilities	40,789,215	(1,020,407,984)	
Provisions	21,666,471	11,691,940	
Total Liabilities	3,921,302,801	4,611,791,231	
Currencies to be delivered (Sold)	-	(413,937,525)	
Currencies to be received (Purchased)	-	727,995,905	
	-	314,058,380	
Net financial position	369,684,382	843,452,487	

Notes to the consolidated financial statements

Any foreign exchange forward swap transaction is either immediately covered or incorporated into the respective loan and deposit book (the banking book).

At the outset the Group's overall currency risk exposures is split into:

-Operational FX positions: The management of these risks is done via Trading books under the responsibility of the Global Markets Division.

-Structural FX positions: ALCO Committee decides on the level of the Structural FX positions to be held against the LBP denominated equity and foreign investment, to ensure proper hedging.

Treasury Department is responsible to monitor the compliance to the regulatory ratios set by the regulatory authorities. ALCO Committee is notified by the Finance department of any breach.

	Euro	GBP	AUD	Other	Total
	140,298,102	7,752,067	18,198,684	461,879,090	2,352,430,632
	190,132,824	112,116,687	62,247,586	49,204,202	1,391,098,805
	9,774,649	3,668,917	-	12,540	616,480,527
	38,115,380	-	-	4,366,216	100,090,358
	88,509,192	399,879,309	1,162,351,490	328,433,643	4,806,638,990
	7,815,905	349,635	24,398,409	15,027,356	154,980,954
	26,618,845	56,149,962	594,312,047	-	4,471,009,210
	129,154,490	30,534,206	-	78,999,673	457,406,326
	-	-	-	-	35,768,858
	-	-	-	-	27,618,905
	-	1,316,195	8,617,407	16,862,306	117,889,505
	-	1,747,233	86,582,169		88,736,427
	(77,247,839)	55,171,644	642,641,822	(168,258,082)	47,873,745
	553,171,548	668,685,855	2,599,349,614	786,526,944	14,668,023,242
	20,345,535	324,675,411	1,678,156	9,875,455	732,261,020
	-	-	-	-	2,955,538
	475,202,763	256,441,871	1,387,879,822	743,288,890	11,458,002,064
	129,154,490	30,534,206	-	78,999,673	457,406,326
	-		-	-	60,711,595
	-	632,323	-	-	226,726,442
	(229,078,385)	166,482,118	496,830,146	664,718,768	119,333,878
	395,566		-	140,620	33,894,597
	396,019,969	778,765,929	1,886,388,124	1,497,023,406	13,091,291,460
	(5,280,527)	(91,299,089)	(396,423,242)	(299,071,557)	(1,206,011,940)
	82,655,890	37,597,798	154,511,111	200,818,795	1,203,579,499
	77,375,363	(53,701,291)	(241,912,131)	(98,252,762)	(2,432,441)
	79,776,216	(56,378,783)	954,873,621	(612,243,700)	1,579,164,223

Notes to the consolidated financial statements

The table shown below gives details of the Group's exposure to currency risk:

As at December 31 st , 2010 LBP'000	LBP	USD	Euro	GBP	Other	Total
FINANCIAL ASSETS						
Cash and deposits at central banks	234,213,871	1,388,509,540	108,506,510	14,055,975	320,687,781	2,065,973,677
Deposits with banks and financial institutions	36,089,070	716,053,509	176,579,118	104,359,128	75,792,420	1,108,873,245
Trading assets	5,861,546	101,984,030	-	-	11,397	107,856,973
Loans to banks	44,113,843	26,640,582	45,266,943	19,853,357	280,246	136,154,971
Loans and advances to customers	797,802,421	2,151,019,744	146,581,096	44,542,847	260,607,953	3,400,554,061
Loans and advances to related parties	3,058,763	82,700,331	7,490,910	225,987	13,604,429	107,080,420
Available for sale investment securities	2,767,880,153	807,618,588	82,441,895	3,748,968	-	3,661,689,604
Held-to-maturity investment securities	289,821,170	561,972,140	38,874,768	67,424,012	260,198	958,352,288
Customers' liability under acceptances	-	139,249,291	64,107,513	19,199,071	79,690,368	302,246,243
Investments in associates	-	-	-	-	-	34,114,825
Assets acquired in satisfaction of loans	9,356,348	23,821,654	-	-	-	33,178,002
Property and equipment	80,969,487	234,224	396,656	1,073,062	16,109,724	98,783,153
Intangible assets	407,025	-	-	1,748,706	-	2,155,731
Other assets	11,610,143	17,407,078	725,705	596,777	514,779	30,854,482
Total Assets	4,281,183,840	6,051,325,536	670,971,114	276,827,890	767,559,295	12,047,867,675
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	44,426,391	549,280,608	177,088,408	23,111,610	11,340,200	805,247,217
Customers' and related parties' deposits designated at fair value through profit and loss	-	6,593,351	-	-	-	6,593,351
Customers' and related parties' deposits at amortized cost	3,576,662,548	4,268,072,612	426,202,964	131,606,438	620,313,464	9,022,858,026
Liability under acceptances	-	139,249,291	64,107,513	19,199,071	79,690,368	302,246,243
Other borrowings	166,194,324	68,654,990	-	-	-	234,849,314
Certificates of deposit	6,865,578	143,816,375	-	620,057	-	151,302,010
Other liabilities	52,464,933	60,762,278	2,955,826	2,432,194	3,838,879	122,454,110
Provisions	18,319,543	13,513,823	347,341	-	-	32,180,707
Total liabilities	3,864,933,317	5,249,943,328	670,702,052	176,969,370	715,182,911	10,677,730,978
Currencies to be delivered (Sold)	-	343,572,301	132,350,231	27,806,450	302,447,013	806,175,995
Currencies to be received (Purchased)	-	(407,448,171)	(133,491,457)	(10,288,442)	(254,955,552)	(806,183,622)
	-	(63,875,870)	(1,141,226)	17,518,008	47,491,461	(7,627)
Total Liabilities	3,864,933,317	5,186,067,458	669,560,826	194,487,378	762,674,372	10,677,723,351
Net financial position	416,250,523	865,258,078	1,410,288	82,340,512	4,884,923	1,370,144,324

Notes to the consolidated financial statements

55. Fair value of financial assets and liabilities

The summary of the Group's classification of each class of financial assets and liabilities covered by IFRS 9 (effective January 1, 2011) and IAS 39 (prior to January 1, 2011), and their fair values are as follows:

As at December 31 st , 2011 LBP'000	At fair value through profit or loss	At fair value through other comprehensive income	Measured at amortized cost	Total carrying value	Total faire value
FINANCIAL ASSETS					
Cash and deposits at central banks	-	-	2,352,430,632	2,352,430,632	2,343,736,098
Deposits with banks and financial institutions	-	-	1,391,098,805	1,391,098,805	1,391,386,325
Trading assets	616,480,527	-	-	616,480,527	616,480,527
Loans to Banks	-	-	100,090,358	100,090,358	101,047,851
Loans and advances to customers	-	-	4,806,638,990	4,806,638,990	4,825,579,208
Loans and advances to related parties	-	-	154,980,954	154,980,954	154,413,822
Investment securities	-	3,439,474	4,467,569,736	4,471,009,210	4,588,430,249
Total	616,480,527	3,439,474	13,272,809,475	13,892,729,476	14,021,074,080
FINANCIAL LIABILITIES					
Deposits and borrowings from banks and financial institutions	-	-	732,261,020	732,261,020	732,861,822
Customers' and related parties' deposit designated at fair value through profit and loss	2,955,538	-	-	2,955,538	2,955,538
Customers' and related parties' deposits at amortized cost	-	-	11,458,002,064	11,458,002,064	11,481,400,266
Other borrowings	-	-	60,711,595	60,711,595	68,195,652
Certificate of deposit	-	-	226,726,442	226,726,442	239,823,279
Total	2,955,538	-	12,477,701,121	12,480,656,659	12,525,236,557

Notes to the consolidated financial statements

As at December 31 st 2010 - LBP'000	Trading assets	At fair value through profit or loss	
FINANCIAL ASSETS			
Cash and deposits at central banks	-	-	
Deposits with banks and financial institutions	-	-	
Trading assets	107,856,973	-	
Loans to banks	-	-	
Loans and advances to customers	-	-	
Loans and advances to related parties	-	-	
Available-for-sale investment securities	-	-	
Held-to-maturity investment securities	-	-	
Total	107,856,973	-	
FINANCIAL LIABILITIES			
Deposits and borrowings	-	-	
Customers' and related parties' deposits			
at fair value through profit or loss	-	6,593,351	
Customers' and related parties' deposits at amortized cost	-	-	
Other borrowings	-	-	
Certificates of deposit	-	-	
Total	-	6,593,351	

Notes to the consolidated financial statements

	Available- for-sale	Held-to- maturity	Loans and receivables	Other amortized cost	Total carrying value	Total fair value
	-	-	-	2,065,973,677	2,065,973,677	2,058,668,464
	-		-	1,108,873,245	1,108,873,245	1,123,087,406
	-	-	-	-	107,856,973	107,856,973
	-	-	136,154,971	-	136,154,971	136,154,971
	-	-	3,400,554,061	-	3,400,554,061	3,430,346,130
	-	-	107,080,420	-	107,080,420	107,989,460
	3661,689,604	-	-	-	3,661,689,604	3,661,689,604
	-	958,352,288	-	-	958,352,288	963,573,555
	3,661,689,604	958,352,288	3,643,789,452	3,174,846,922	11,546,535,239	11,589,366,563
	-	-	-	805,247,217	805,247,217	805,247,217
	-	-	-			
	-	-	-	-	6,593,351	6,708,713
	-	-	-	9,022,858,026	9,022,858,026	9,043,576,023
	-	-	-	234,849,314	234,849,314	234,849,314
	-	-	-	151,302,010	151,302,010	156,921,860
	-	-	-	10,214,256,567	10,220,849,918	10,247,303,127

Notes to the consolidated financial statements

2011				
As at December 31 st - LBP'000	Level 1 (Quoted Price on Active Market)	Level 2 (Valuation Technique)	Level 3 (Valuation Technique)	Total
FINANCIAL ASSETS				
Trading assets:				
Quoted equity securities	16,092,703	-	-	16,092,703
Lebanese treasury bills	-	368,589,882	-	368,589,882
Lebanese Government bonds	-	-	46,969,623	46,969,623
Certificates of deposit issued by the Central Bank of Lebanon	-	-	141,221,456	141,221,456
Corporate bonds	10,266,930	-	-	10,266,930
Certificate of deposits issued by private sector	-	1,507,498	-	1,507,498
	26,359,633	370,097,380	188,191,079	584,648,092
FINANCIAL LIABILITIES				
Customers' and related parties' deposit at fair value through profit or loss	2,894,287	-	-	2,894,287
	2,894,287	-	-	2,894,287

2010

As at December 31 st - LBP'000	Level 1 (Quoted Price on Active Market)	Level 2 (Valuation Technique)	Level 3 (Valuation Technique)	Total
FINANCIAL ASSETS				
Trading assets:				
Certificates of deposit issued by				
Central Bank of Lebanon	-	13,712,318	-	13,712,318
Quoted equity securities	185,513	-	-	185,513
Lebanese Government bonds	-	-	91,849,149	91,849,149
	185,513	13,712,318	91,849,149	105,746,980
Available-for-sale investment securities:				
Quoted equity securities	25,067,047	-	-	25,067,047
Lebanese treasury bills	-	1,519,647,512	-	1,519,647,512
Lebanese Government bonds	-	-	685,315,011	685,315,011
Certificates of deposit issued by the Central Bank of Lebanon	-	-	1,302,555,602	1,302,555,602
Corporate bonds	32,048,464	-	-	32,048,464
Financial private sector debt securities	-	12,043,341	-	12,043,341
	57,115,511	1,531,690,853	1,987,870,613	3,576,676,977
FINANCIAL LIABILITIES				
Customers' and related parties' deposit at fair value through profit or loss	6,531,208	-	-	6,531,208
	6,531,208	-	-	6,531,208

56. Approval of the financial statements

The financial statements for the year ended December 31, 2011 were approved by the Board of Directors in its meeting held on March 27, 2012

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are
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Directory

Local Directory

Headquarters

Foch Street - Beirut Central District

Bank of Beirut s.a.l. Bldg.
Tel/Fax: 961 1 972972 - 983999
P.O. Box: 11-7354 Beirut - Lebanon
Telex: 23640 LE - 48203 LE
Forex: 961 1 970232 | 3 | 4 | 5 | 7 | 8 | 9 | 40 | 41 Fax: 961 1 970236
Reuters Dealing Code: BBDL
Reuters Page Code: BoB 01-05
Cable: BANBETMAL - Swift: BABELBBE

Head Offices

► Gefinor

Hamra, Clemenceau Street, Gefinor Center,
Block A, 1st Floor
P.O.Box: 11-7354 Beirut - Lebanon
Tel: 961 1 750888 - 350723
Fax: 961 1 744634

► Jdeideh

Baouchrieh (Jdeideh), Serail Street,
Bank of Beirut s.a.l. Bldg.
P.O.Box: 11-7354 Beirut - Lebanon
Tel: 961 1 888630 - 897706
Fax: 961 1 897705

► Riyad El Solh

Beirut, Riyad El Solh Street,
Bank of Beirut Bldg.
P.O.Box: 11-7354 Beirut - Lebanon
Tel: 961 1 980222 | 333

Local Branches

► Achrafieh, ABC

ABC Mall, Al-Salam Street
Tel: 961 1 204668 | 9 - 323536 - 328772
Fax: 961 1 204671

► Achrafieh, Sioufi

Ghazalieh Street, Samaha Bldg.
Tel/Fax: 961 1 204606 | 7 | 8

► Ain El-Remmaneh

Camille Chamoun Blvd.,
Ghannoum Street, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 385342 | 3 | 4
Fax: 961 1 385341

► Aley

Aley Main Road, Mahmoud Bldg.
Tel: 961 5 556125 | 6
Fax: 961 5 555924

► Al- Nahr

Al-Nahr Street, Mar Mikhael Area,
Khatchadourian Bldg.
Tel/Fax: 961 1 562342 | 3 | 4 - 587226

► Amchit

President Sleiman Street,
Tony Michel Issa Bldg.
Tel/Fax: 961 9 622734 | 5 | 6 | 8 | 9

► Antelias

Antelias Square, Antelias Main Road,
Tohme Bldg.
Tel/Fax: 961 4 525637 | 8 | 9

► Baouchrieh

Electricité du Liban Street,
Yazbek & Madi Bldg.
Tel: 961 1 871415 | 6 | 7
Fax: 961 1 871417

► Baouchrieh, Jdeideh

Serail Street, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 897750 | 1 | 2
Fax: 961 1 897753

► Baskinta

Baskinta Main Road, Georges Hobeika Bldg.
Tel/Fax: 961 4 250881 | 2 | 3 | 4

► Beit El Chaar - Aoukar

Champville Roundabout, Tony Khoury Bldg.
Tel/Fax: 961 4 923181 | 2 | 3 | 4 | 5

► Bourj Hammoud

Dora Blvd., Tchaghlassian Bldg.
Tel: 961 1 262480 - 263599
Fax: 961 1 269401

► Broumana

Broumana Main Road, Lodge Bldg.
Tel: 961 4 960806 | 949 - 963029
Fax: 961 4 960806 - 963029

► Chehabieh

Darb El Souk - Mtoll,
Chehabieh Main Road,
Khalil & Kassem Rkein Bldg.
Tel/Fax: 961 7 412022 | 3 | 4 | 5 | 6

► Chiyah

Mar Mikhael Blvd., Tohme & Barrage Bldg.
Tel/Fax: 961 1 274555 - 276042

► Chtaura

Chtaura - Masnaa' Main Road
Tel/Fax: 961 8 540421 | 431 | 438

- ▶ **Corniche El Mazraa**
Saeb Salam Avenue, Mourneh Bldg.
Tel/Fax: 961 1 318801 | 806 | 810 | 812 | 814
- ▶ **Deir El Zahrani**
Deir El Zahrani Highway, Ashraf Ahmad Jamoul Bldg.
Nabatiyeh, South Lebanon
Tel/Fax: 961 7 531094 | 529
- ▶ **Dekwaneh**
Slaf Street, Jean Mikhael Bldg.
Tel: 961 1 694510 | 20 | 30 | 40 | 60
Fax: 961 1 694570
- ▶ **Dhour El Choueir**
Dhour El Choueir Main Street,
Elie Kassir Bldg.
Tel/Fax: 961 4 391051 | 2 | 3 | 4 | 6
- ▶ **Dora**
Dora Square, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 256020 | 1
Fax: 961 1 256022
- ▶ **Foch, Main Branch**
Foch Street, Beirut Central District,
Bank of Beirut s.a.l. Bldg.
Tel/Fax: 961 1 985327 - 985418 | 9
- ▶ **Ghazir**
Ghazir Square, near Convent St Francis
Tel/Fax: 961 9 925740 | 840 - 926240 | 340 | 540
- ▶ **Ghobeiry**
Ghobeiry Main Road, Bdeir & Co. Bldg.
Tel: 961 1 278717 | 9 - 552480 | 1
Fax: 961 1 543874
- ▶ **Hamra, Gefinor**
Clemenceau Street,
Gefinor Center, Block A, Ground Floor
Tel: 961 1 738767
Fax: 961 1 746563
- ▶ **Hamra, Ras Beirut**
Mme. Curie Street, Minkara Center, near Bristol Hotel
Tel: 961 1 350168 | 9 - 354458
Fax: 961 1 349935
- ▶ **Hamra, Saroulla**
Hamra Main Road, facing Saroulla
Tel: 961 1 352992 - 740570 - 742182 - 750683
Fax: 961 1 342840
- ▶ **Hamra, Sidani**
138 Sidani Street, near AUH entrance,
Nawfal Bldg., Ground Floor
Tel/Fax: 961 1 746724 | 8
- ▶ **Hazmieh**
Hazmieh Main Road, Accaoui Center
Tel: 961 5 459221 - 951168 | 9
Fax: 961 5 457272
- ▶ **Jal El-Dib**
Jal El-Dib Main Road,
Abou Jaoude & Hachem Bldg.
Tel: 961 4 711399 - 711517 | 8 | 9
Fax: 961 4 711396 - 711399
- ▶ **Jal El-Dib Square**
Jal El-Dib Main Road,
Bank of Beirut s.a.l. Bldg.
Tel: 961 4 523624 | 626
Fax: 961 4 523625
- ▶ **Jbeil**
Jbeil Main Road, Cordahi & Matta Center
Tel: 961 9 546530 | 534
Fax: 961 9 546534
- ▶ **Jounieh**
Jounieh Square, A. & F. Al-Adem Bldg.
Tel: 961 9 637586 | 913955 | 990
Fax: 961 9 637586 | 913990
- ▶ **Jounieh, Ghadir**
Bkerkeh Main Road, Boueri Bldg.
Tel: 961 9 639006 | 7 | 8 | 9
Fax: 961 9 639010
- ▶ **Kaslik**
Kaslik, University Saint Esprit Bldg.,
Ground Floor
Tel: 961 9 911302 | 306 | 308 | 336
Fax: 961 9 911302 | 306
- ▶ **Kfardebian**
Kfardebian Main Street, facing municipality,
Mehanna bldg.
Tel/Fax: 961 9 711301 | 2 | 3 | 4 | 5
- ▶ **Kfarsaroun**
Koura, Bank of Beirut s.a.l. Bldg.
Tel: 961 6 651516 | 7 - 952727 | 8 | 9
Fax: 961 6 651517
- ▶ **Koraytem**
Takieddine Solh Street,
Hicham Nour Eldine Itani Bldg.
Tel/Fax: 961 1 797140 | 1 | 2 | 3
- ▶ **Mansourieh**
Mansourieh Main Road, Salamil Bldg.
Tel: 961 4 409693 | 4 | 5
Fax: 961 4 409695

► **Mar Elias**

Mar Elias Street, Kanafani Bldg.
Tel/Fax: 961 1 305571 - 818148

► **Mazraa, Barbir**

Corniche El-Mazraa, Saeb Salam Blvd.,
Moussa Bldg.
Tel/Fax: 961 1 663915 | 6 | 7 | 8

► **Mazraa, Saeb Salam Boulevard**

Corniche El-Mazraa, Saeb Salam Blvd.,
Sharikat El-Maskan Bldg.
Tel: 961 1 313276 - 318852
Fax: 961 1 312340

► **Mazraat Yachouh - Elyssar**

Mazraat Yachouh, Bikfaya Main Road,
Bank of Beirut s.a.l. Bldg.
Tel: 961 4 920106 | 8 - 928190 | 1 | 2
Fax: 961 4 920105

► **Palais de Justice**

Adlieh Cross Point,
Al-Ghazal Development Bldg.,
facing The House of Lawyers
Tel: 961 1 425842 - 426201 - 612922 | 3
Fax: 961 1 425842

► **Port of Beirut**

Saifi Area,
Compagnie de Gestion et d'Exploitation du Port de Beyrouth Bldg.
Tel/Fax: 961 1 563514 | 537 | 570 | 577

► **Rabieh**

Rabiya Center, Chucri Chammas Street, Zone 1
Tel/Fax: 961 4 521739 | 40 | 41 | 42 | 43

► **Riyad El-Solh**

Riyad El-Solh Street, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 980222 | 333
Fax: 961 1 980350

► **Sidon**

Riyad El-Solh Street,
Rizkallah Bldg., Ground Floor
Tel/Fax: 961 7 752502 | 3 | 4 | 5

► **Sin El-Fil, Horsh Tabet**

Marc 1 Center,
Emile Gerges Lahoud Square
Tel: 961 1 481773 | 874
Fax: 961 1 500352

► **Sin El-Fil, Saydeh**

Saydeh Street, Joseph & Michel Kahaleh Bldg.
Tel/Fax: 961 1 480616 - 482324

► **Tariq El-Jdideh**

Mufti Khaled Street,
Jamal Al Hariri & Fouad Toufik El Khawli Bldg.,
Ground Floor, Mazraa
Tel/Fax: 961 1 843605 | 49 | 52 | 54 | 57

► **Tripoli, Abou Samra**

Al-Haddadine Area, near Al-Kalaa,
Jamal Eddine Bldg., Ground Floor
Tel/Fax: 961 6 429500 | 1 | 2 | 3 | 4

► **Tripoli, Banks' Street**

Abdel Hamid Karamah Street,
Abdel Rahman Alameddine Bldg.
Tel: 961 6 445209 | 210
Fax: 961 6 445210

► **Tyre, Al-Ramel**

Hay Al-Ramel, Bank of Beirut s.a.l. Bldg.
Tel: 961 7 740051 - 742149
Fax: 961 7 740051

► **Tyre, Sour**

Tyre Main Road, Jal El-Bahr,
Bank of Beirut s.a.l. Bldg.
Tel: 961 7 348232 | 3 | 4
Fax: 961 7 348235

► **Zouk Mikael**

Zouk Mikael Main Road, Bsoussi Bldg.
Tel/Fax: 961 9 224812 | 3 - 225813 | 4 | 6

► **Zouk Mosbeh**

Jeita Highway
Tel/Fax: 961 9 223012 | 3 | 4

International Directory

Subsidiaries

- ▶ **United Kingdom**
Bank of Beirut (UK) Ltd.
 17 A Curzon Street,
 London (West End) W1J 5HS, England (UK)
 Tel: +44 20 74938342 | 6
 Fax: +44 20 74080053
 www.bankofbeirut.co.uk
- ▶ **Germany (UK subsidiary branch)**
Bank of Beirut (UK) Ltd. - Frankfurt Branch
 Grueneweg 2, 60322 Frankfurt
 Tel: +49 69 915067710
 Fax: +49 69 915067799
 www.bankofbeirut.de
- ▶ **Australia (16 branches)**
Beirut Hellenic Bank Ltd.
 Australian Head Office,
 Sydney City Branch, Laiki Bank House,
 Level 4, 219-223 Castlereagh Street,
 2000 Australia, Sydney
 Tel: +61 2 8262 9000
 Fax: +61 2 9283 7723
 www.beiruthellenic.com.au

Branches

- ▶ **Cyprus**
Bank of Beirut - Cyprus Branch
 Griva Digheni Street, Maximos Plaza,
 Block E, 3rd Floor, Office No.3
 P.O. Box: 59662 - 4011, Limassol, Cyprus
 Tel: +357 25 814202 | 3 | 4 | 5 | 6 | 7 | 8
 Fax: +357 25 814209
- ▶ **Sultanate of Oman - Ghubrah**
Bank of Beirut - Ghubrah Branch and Head Office
 Sultanate of Oman Head Office,
 North Ghubrah, Way No.3815,
 Bank of Beirut Bldg. No.A10251, 1st Floor,
 Muscat, Sultanate of Oman
 Tel: +968 24492380 - 24493818
 Fax: +968 24495066
- ▶ **Sultanate of Oman - Muscat**
Bank of Beirut - Muscat Branch
 Way No. 3009, Shatti Al Qurum, Al Jawhara Bldg. 576, Block 3,
 P.O. Box: 221, Postal Code 114, Muscat, Sultanate of Oman
 Tel: +968 24696281 - 24696294
 Fax: +968 24698769

- ▶ **Sultanate of Oman - Sohar**
Bank of Beirut - Sohar Branch
 Falaj Al Qabail
 P.O. Box: 487, Postal Code: 322, Sohar, Sultanate of Oman
 Tel: + 968 26750636 | 86
 Fax: + 968 26750676

Representative Offices

- ▶ **United Arab Emirates**
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 Emirates NBD premises,
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 Learning & Development Entrance, 1st Floor
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 Tel: +971 4 4053292 | 3 | 4 | 5
 Fax: +971 4 3445976
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- ▶ **Iraq**
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- ▶ **Qatar**
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