

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BYBLOS BANK SAL

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

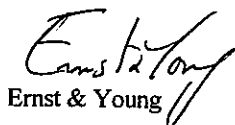
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

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

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

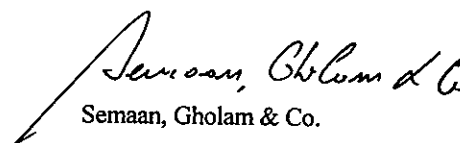
Opinion

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



Ernst & Young

16 April 2011
Beirut, Lebanon



Semaan, Gholam & Co.
Semaan, Gholam & Co.

Byblos Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>LL million</i>	<i>2009</i> <i>LL million</i>
Interest and similar income	5	1,224,014	1,141,893
Interest and similar expense	6	(796,751)	(753,113)
NET INTEREST INCOME		427,263	388,780
Fee and commissions income	7	140,221	129,573
Fee and commissions expense	7	(14,563)	(14,624)
NET FEE AND COMMISSIONS INCOME		125,658	114,949
Net trading income	8	22,158	38,141
Net gain on financial assets	9	100,965	14,011
Other operating income	10	8,118	16,251
TOTAL OPERATING INCOME		684,162	572,132
Credit loss expense	11	(29,272)	(26,245)
Impairment losses on other financial assets	12	(8,863)	(15,278)
NET OPERATING INCOME		646,027	530,609
Personnel expenses	13	(145,552)	(129,339)
Depreciation and impairment of property and equipment	27	(31,014)	(25,585)
Amortisation of intangibles assets	28	(112)	(340)
Other operating expenses	14	(142,144)	(109,513)
TOTAL OPERATING EXPENSES		(318,822)	(264,777)
PROFIT BEFORE TAX		327,205	265,832
Income tax expense	15	(59,386)	(46,410)
PROFIT FOR THE YEAR		267,819	219,422
Attributable to:			
Equity holders of the parent		255,770	206,628
Non controlling interest		12,049	12,794
		267,819	219,422
Earnings per share		<i>LL</i>	<i>LL</i>
Equity shareholders of the parent for the year:			
Basic earnings per share – common shares	16	399.61	384.65
Basic earnings per share – priority shares	16	448.01	433.05
Diluted earnings per share – common shares	16	374.78	362.97
Diluted earnings per share – priority shares	16	423.18	411.37

The attached notes 1 to 55 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>2010</i> <i>LL million</i>	<i>2009</i> <i>LL million</i>
Profit for the year	267,819	219,422
Other comprehensive income (loss)		
Net (loss) gain on available-for-sale financial assets	(15,968)	112,073
Exchanges differences on translation of foreign operations	(36,090)	(5,210)
Income tax effect on components of other comprehensive income	4,225	(15,485)
Other comprehensive (loss) income for the year, net of tax	(47,833)	91,378
Total comprehensive income for the year, net of tax	219,986	310,800
Attributable to:		
Equity holders of the parent	220,770	297,943
Non controlling interest	(784)	12,857
	219,986	310,800

The attached notes 1 to 55 form part of these consolidated financial statements.

Byblos Bank SAL

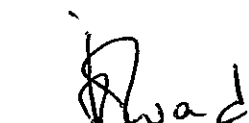
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 LL million	2009 LL million
ASSETS			
Cash and balances with central banks	17	2,761,110	2,533,372
Due from banks and financial institutions	18	3,899,011	3,142,483
Financial assets given as collateral and reverse repurchase agreements	19	8,918	1,193
Derivative financial instruments	20	1,462	12,224
Financial assets held for trading	21	205,940	204,128
Net loans and advances to customers	22	5,674,283	4,807,633
Net loans and advances to related parties	48	10,957	11,515
Debtors by acceptances	23	291,834	335,904
Available-for-sale financial instruments	24	1,875,811	1,794,657
Other financial assets classified as loans and receivables	25	7,490,856	6,681,889
Held to maturity financial instruments	26	428,698	563,604
Property and equipment	27	281,303	266,738
Intangible assets	28	1,039	734
Non-current assets held-for-sale	29	39,092	38,567
Other assets	30	77,078	70,545
TOTAL ASSETS		23,047,392	20,465,186
LIABILITIES AND EQUITY			
Due to central banks	31	19,492	11,704
Due to banks and financial institutions	32	1,441,346	1,675,807
Financial assets against securities lent and repurchase agreements	19	-	1,193
Derivative financial instruments	20	4,350	1,790
Customers' deposits	33	17,815,282	15,366,354
Deposits from related parties	49	112,396	139,814
Debt issued and other borrowed funds	34	213,501	290,963
Engagements by acceptances	23	291,834	335,904
Current tax liability	35	44,526	40,212
Other liabilities	36	212,261	236,169
Liabilities linked to held-for-sale assets	29	1,312	1,995
Provision for risks and charges	37	88,983	66,954
End of service benefits	38	30,922	28,276
Deferred tax liabilities	15	11,445	15,485
Subordinated notes	39	303,324	299,634
TOTAL LIABILITIES		20,590,974	18,512,254
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	40	434,984	262,706
Share capital – priority shares	40	249,289	249,289
Share capital – preferred shares	40	4,840	4,840
Share premium – common shares	40	229,014	26,425
Share premium – preferred shares	40	581,456	579,035
Capital reserves	43	475,653	391,073
Other equity instruments	46	14,979	-
Treasury shares	44	(16,189)	(176)
Retained earnings		16,484	24,954
Revaluation reserve of real estate	41	5,689	5,689
Available-for-sale reserve	42	53,993	66,026
Net results of the financial period - profit		255,770	206,628
Foreign currency translation reserve		(9,573)	13,394
NON CONTROLLING INTEREST	45	160,029	123,049
TOTAL EQUITY		2,456,418	1,952,932
TOTAL LIABILITIES AND EQUITY		23,047,392	20,465,186

The consolidated financial statements were authorized for issue in accordance with the Board of Directors resolution on 16 April 2011.


 Dr Francois Bassil
 Chairman/ General Manager


 Mr Ziad El-Zoghbi
 Financial and Administrative Manager

The attached notes 1 to 55 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	<i>Notes</i>	<i>2010 LL million</i>	<i>2009 LL million</i>
Off statement of financial position items			
Financing Commitments			
Financing commitments given to banks and financial institutions	53	933,859	803,564
Financing commitments received from banks and financial institutions		81,765	244,917
Engagements to customers		341,871	403,731
Undrawn commitments to lend		1,514,547	812,871
Bank Guarantees			
Guarantees given to banks and financial institutions	53	401,244	360,485
Guarantees given to customers	53	1,001,997	885,543
Foreign Currencies Contracts			
Foreign currencies to receive	20	282,530	297,126
Foreign currencies to deliver		285,418	296,046
Claims from legal cases		5,937	5,937
Assets under management		3,385,897	3,952,357
Bad debts fully provided for	22	98,700	113,117

The attached notes 1 to 55 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

Notes	Attributable to equity holders of the parent													Non controlling interest	Total equity	
	Share capital			Share premium - Common shares LL million	Share premium - Preferred shares LL million	Capital reserves LL million	Other equity instruments LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Available- for-sale reserve LL million	Net results of the financial period - profit LL million	Foreign currency translation reserve LL million			Total LL million
	Common shares LL million	Priority shares LL million	Preferred shares LL million													
Balance at 1 January 2009	260,535	247,228	3,600	26,425	444,704	339,886	-	(1,554)	15,317	5,689	(30,517)	172,285	18,604	1,502,202	116,207	1,618,409
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	206,628	-	206,628	12,794	219,422
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	96,525	-	(5,210)	91,315	63	91,378
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	96,525	206,628	(5,210)	297,943	12,857	310,800
Transfer to retained earnings	-	-	-	-	-	-	-	-	172,285	-	-	(172,285)	-	-	-	-
Transfer to reserves and premiums	43	-	-	-	-	53,165	-	-	(53,165)	-	-	-	-	-	-	-
Redemption of series 2003 preferred shares	40	-	(1,200)	-	(149,550)	-	-	-	-	-	-	-	-	(150,750)	-	(150,750)
Increase in par value of outstanding shares	40	2,171	2,061	20	-	(3,052)	-	-	(1,200)	-	-	-	-	-	-	-
Issuance of series 2009 preferred shares	40	-	2,420	-	283,881	-	-	-	-	-	-	-	-	286,301	-	286,301
Net sale of treasury shares	44	-	-	-	-	-	-	1,378	-	-	-	-	-	1,378	-	1,378
Non controlling interest's share of dividends paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,558)	(3,558)
Other	-	-	-	-	-	1,074	-	-	(3,270)	-	18	-	-	(2,178)	(2,457)	(4,635)
Dividends paid	54	-	-	-	-	-	-	-	(105,013)	-	-	-	-	(105,013)	-	(105,013)
Balance at 31 December 2009	262,706	249,289	4,840	26,425	579,035	391,073	-	(176)	24,954	5,689	66,026	206,628	13,394	1,829,883	123,049	1,952,932
Balance at 1 January 2010	262,706	249,289	4,840	26,425	579,035	391,073	-	(176)	24,954	5,689	66,026	206,628	13,394	1,829,883	123,049	1,952,932
Profit for the year	-	-	-	-	-	-	-	-	-	-	(12,033)	255,770	(22,967)	220,770	(784)	219,986
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(22,967)	(35,000)	(12,833)	(47,833)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	(12,033)	255,770	(22,967)	220,770	(784)	219,986
Transfer to retained earnings	-	-	-	-	-	-	-	-	206,628	-	-	(206,628)	-	-	-	-
Transfer to reserves and premiums	40 & 43	-	-	-	2,421	84,124	-	-	(86,545)	-	-	-	-	-	-	-
Capital increase	40	172,278	-	202,589	-	-	-	-	-	-	-	-	-	374,867	-	374,867
Net purchase of treasury shares	44	-	-	-	-	456	-	(16,013)	-	-	-	-	-	(15,557)	-	(15,557)
Non controlling interest share in capital increase of a subsidiary	45	-	-	-	-	-	-	-	-	-	-	-	-	-	38,037	38,037
Non controlling interest's share of dividends paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,966)	(5,966)
Dividends paid to treasury shares	44	-	-	-	-	-	-	-	141	-	-	-	-	141	-	141
Dividends paid	54	-	-	-	-	-	-	-	(128,694)	-	-	-	-	(128,694)	-	(128,694)
Non-controlling interest in subsidiary acquired	3	-	-	-	-	-	-	-	-	-	-	-	-	-	7,505	7,505
Non-controlling interest in subsidiary liquidated	45	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,812)	(1,812)
Other equity instruments issued	46	-	-	-	-	-	14,979	-	-	-	-	-	-	14,979	-	14,979
Balance at 31 December 2010	434,984	249,289	4,840	229,014	581,456	475,653	14,979	(16,189)	16,484	5,689	53,993	255,770	(9,573)	2,296,389	160,029	2,456,418

The attached notes 1 to 55 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>LL million</i>	<i>2009</i> <i>LL million</i>
OPERATING ACTIVITIES			
Profit before tax		327,205	265,832
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	27 & 28	30,115	25,344
Provision for loans and advances and other doubtful accounts, net	11	29,272	26,245
Gain on disposal of property, plant and equipment	10	(900)	(860)
Gain on disposal of non-current assets held for sale	10	(3,914)	(11,275)
Provisions for risks and charges, net		22,029	36,363
Provision for impairment of financial instruments		8,863	15,278
Provision for end of services benefits	38	4,456	3,686
Impairment provision on non-current assets held for sale		-	581
Impairment provision on property and equipment	27	1,011	-
Operating profit before working capital changes		418,137	361,194
Changes in operating assets and liabilities			
Due from central banks		(8,284)	126,370
Due from banks and financial institutions		(7,189)	(189,970)
Financial assets given as collateral		(7,725)	95,654
Due to banks and financial institutions		52,040	8,993
Cash collateral on securities lent and repurchase agreements		(1,193)	1,193
Derivative financial instruments		13,322	171
Financial assets held for trading		(1,812)	6,697
Net loans and advances		(887,365)	(638,729)
Other assets		(6,382)	(9,671)
Customers' and related party deposits		2,412,583	2,899,288
Other liabilities		(39,652)	38,911
Cash from operations		1,936,480	2,700,101
End of service benefits paid	38	(1,810)	(2,888)
Taxation paid		(40,212)	(29,996)
Net cash from operating activities		1,894,458	2,667,217
INVESTING ACTIVITIES			
Available for sale financial instruments		(98,167)	(416,507)
Financial assets classified as loans and receivables		(818,076)	(2,062,865)
Held to maturity financial instruments		136,092	735,006
Purchase of property and equipment		(59,992)	(52,887)
Proceeds from sale of property and equipment		2,552	7,277
Purchase of non current assets held for sale		(5,389)	(772)
Proceeds from sale of non-current assets held for sale		8,778	19,587
Liabilities linked to held for sale assets		(683)	275
Acquisition of subsidiary, net of cash acquired	3	(12,557)	-
Net cash used in investing activities		(847,442)	(1,770,886)
FINANCING ACTIVITIES			
Issuance of ordinary common shares		374,867	-
Issuance of preferred shares		-	286,301
Issuance of other equity instrument		14,979	-
Redemption of preferred shares		-	(150,750)
Due to Central Bank		9,865	(82,516)
Debts issued and other borrowed funds		(77,462)	14,054
Subordinated notes		3,690	3,431
Treasury shares		(15,415)	1,378
Dividends paid		(128,694)	(105,013)
Change in minority interest		17,366	(5,951)
Net cash from financing activities		199,196	(39,066)
Effect of exchange rates:			
Effect of exchange rates on property and equipment		13,591	(2,530)
Foreign currency translation differences		(22,967)	(5,210)
Effect of exchange rates on reserves and premiums		-	(2,197)
Net effect of foreign exchange rates		(9,376)	(9,937)
INCREASE IN CASH AND CASH EQUIVALENTS		1,236,836	847,328
Cash and cash equivalents at 1 January		3,498,532	2,651,204
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	48	4,735,368	3,498,532

The attached notes 1 to 55 form part of these consolidated financial statements.