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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 2011 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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.

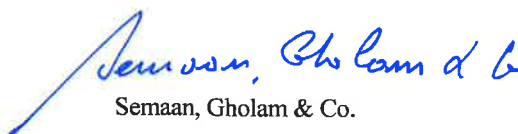
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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


Ernst & Young

16 March 2012
Beirut, Lebanon


Semaan, Gholam & Co.

Byblos Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>LL million</i>	<i>2010</i> <i>LL million</i>
Interest and similar income	5	1,264,737	1,224,014
Interest and similar expense	6	(840,373)	(796,751)
NET INTEREST INCOME		424,364	427,263
Fee and commission income	7	158,184	140,221
Fee and commission expense	7	(13,389)	(14,563)
NET FEE AND COMMISSION INCOME		144,795	125,658
Net gain from financial instruments at fair value through profit or loss	8	61,601	-
Net trading income	9	-	22,158
Net gain on financial assets	10	4,200	100,965
Net gain from sale of financial assets at amortized cost	11	64,165	-
Other operating income	12	13,191	8,118
TOTAL OPERATING INCOME		712,316	684,162
Credit loss expense	13	(42,770)	(29,272)
Impairment losses on other financial assets	14	(23,575)	(8,863)
NET OPERATING INCOME		645,971	646,027
Personnel expenses	15	(161,286)	(145,552)
Depreciation and impairment of property and equipment	34	(31,466)	(31,014)
Amortisation of intangibles assets	35	(159)	(112)
Administrative and other operating expenses	16	(116,136)	(134,860)
TOTAL OPERATING EXPENSES		(309,047)	(311,538)
PROFIT BEFORE TAX		336,924	334,489
Income tax expense	17	(65,987)	(66,670)
PROFIT FOR THE YEAR		270,937	267,819
Attributable to:			
Equity holders of the parent		259,894	255,770
Non controlling interest		11,043	12,049
		270,937	267,819
Earnings per share		<i>LL</i>	<i>LL</i>
Equity shareholders of the parent for the year:			
Basic earnings per share – common shares	18	376.60	399.61
Basic earnings per share – priority shares	18	-	448.01
Diluted earnings per share – common shares	18	356.91	374.78
Diluted earnings per share – priority shares	18	-	423.18

The attached notes 1 to 59 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>2011</i> <i>LL million</i>	<i>2010</i> <i>LL million</i>
Profit for the year	270,937	267,819
Elements of other comprehensive income (loss):		
Net unrealized loss from financial instruments at fair value through other comprehensive income	(3,863)	-
Net loss on available-for-sale financial assets	-	(15,968)
Exchanges differences on translation of foreign operations	(37,348)	(36,090)
Income tax effect on components of other comprehensive income	1,379	4,225
Other comprehensive loss for the year, net of tax	(39,832)	(47,833)
Total comprehensive income for the year, net of tax	231,105	219,986
Attributable to:		
Equity holders of the parent	235,654	220,770
Non controlling interest	(4,549)	(784)
	231,105	219,986

The attached notes 1 to 59 form part of these consolidated financial statements.

Byblos Bank SAL


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 LL million	2010 LL million
ASSETS			
Cash and balances with central banks	19	4,282,468	2,748,642
Due from banks and financial institutions	20	4,330,842	3,899,011
Loans to banks and financial institutions and reverse repurchase agreements	21	667,488	-
Financial assets given as collateral	22	8,920	8,918
Derivative financial instruments	23	5,356	1,462
Financial assets held for trading	24	-	205,940
Equity instruments at fair value through profit or loss	25	26,603	-
Debt instruments and other financial assets at fair value through profit or loss	26	228,606	-
Net loans and advances to customers at amortized cost	27	6,028,914	5,673,300
Net loans and advances to related parties at amortized cost	53	13,406	11,940
Debtors by acceptances	28	331,821	291,834
Debt instruments at amortized cost	29	8,607,301	-
Equity instruments at fair value through other comprehensive income	30	76,967	-
Available-for-sale financial instruments	31	-	1,875,811
Other financial assets classified as loans and receivables	32	-	7,490,856
Held to maturity financial instruments	33	-	428,698
Property and equipment	34	301,066	281,303
Intangible assets	35	1,129	1,039
Assets taken in settlement of debt	36	35,452	39,092
Other assets	37	80,974	89,546
TOTAL ASSETS		25,027,313	23,047,392
LIABILITIES AND EQUITY			
Due to central banks	38	15,670	19,492
Due to banks and financial institutions	39	1,635,480	1,512,785
Derivative financial instruments	23	7,347	4,350
Customers' deposits at amortized cost	40	19,174,417	17,867,630
Related parties' deposits at amortized cost	53	151,991	112,396
Debt issued and other borrowed funds	41	662,290	213,501
Engagements by acceptances	28	331,821	291,834
Other liabilities	42	126,267	145,757
Provisions for risks and charges	43	129,989	119,905
Subordinated notes	44	307,263	303,324
TOTAL LIABILITIES		22,542,535	20,590,974
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	45	684,273	434,984
Share capital – priority shares	45	-	249,289
Share capital – preferred shares	45	4,840	4,840
Share premium – common shares	45	229,014	229,014
Share premium – preferred shares	45	583,858	581,456
Non distributable reserves (legal and obligatory)	46	469,072	396,526
Distributable free reserves	47	79,127	79,127
Other equity instruments	48	14,979	14,979
Treasury shares	49	(25,476)	(16,189)
Retained earnings		65,214	16,484
Revaluation reserve of real estate	50	5,689	5,689
Change in fair value of financial instruments at fair value through other comprehensive income	51	(20,556)	53,993
Net results of the financial period – profit		259,894	255,770
Foreign currency translation reserve		(31,329)	(9,573)
NON-CONTROLLING INTEREST		166,179	160,029
TOTAL EQUITY		2,484,778	2,456,418
TOTAL LIABILITIES AND EQUITY		25,027,313	23,047,392

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 16 March 2012.


 Dr François Bassil
 Chairman/ General Manager


 Mr Ziad El-Zoghbi
 Financial and Administrative Manager

The attached notes 1 to 59 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	<i>2011 LL million</i>	<i>2010 LL million</i>
OFF FINANCIAL POSITION ITEMS			
Commitments			
Commitments to banks and financial institutions	56	552,339	933,859
Commitments to customers	56	523,392	581,876
Undrawn commitments to lend	56	1,434,194	1,514,547
Guarantees			
Guarantees given to banks and financial institution	56	423,451	401,244
Guarantees received from banks and financial institutions		47,220	81,765
Guarantees given to customers	56	1,036,243	1,001,197
Guarantees received from customers		24,458,189	20,151,969
Foreign currencies forwards			
Foreign currencies to receive	23	504,188	282,530
Foreign currencies to deliver		505,851	285,418
Claims from legal cases			
Fiduciary assets		41,174	34,907
Assets under management		127,866	127,661
Bad debts fully provided for	27	3,197,425	3,243,277
		91,644	98,700

The attached notes 1 to 59 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the parent											Non-controlling interest	Total				
	Common shares LL million	Priority shares LL million	Preferred shares LL million	Share premium - common shares LL million	Share premium - preferred shares LL million	Non-distributable reserves (legal and obligatory) LL million	Distributable free reserves LL million	Other equity instruments LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million			Change in fair value of financial instruments at fair value through other comprehensive income LL million	Net results of the financial period - profit LL million	Foreign currency translation reserve LL million	Total LL million
Balance at 1 January 2011 before early adoption of IFRS 9	434,984	249,289	4,840	229,014	581,456	396,526	79,127	14,979	(16,189)	16,484	5,689	53,993	255,770	(9,573)	2,296,389	160,029	2,456,418
Effect of IFRS 9 early adoption (note 2)	-	-	-	-	-	-	-	-	-	38,077	-	(72,065)	-	-	(33,988)	(307)	(34,295)
Balance at 1 January 2011 after early adoption of IFRS 9	434,984	249,289	4,840	229,014	581,456	396,526	79,127	14,979	(16,189)	54,561	5,689	(18,072)	255,770	(9,573)	2,262,401	159,722	2,422,123
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	259,894	-	259,894	11,043	270,937
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	(2,484)	-	(21,756)	(24,240)	(15,592)	(39,832)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	(2,484)	259,894	(21,756)	235,654	(4,549)	231,105
Transfer of priority shares (note 45)	249,289	(249,289)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	255,770	-	-	(255,770)	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	2,412	72,266	-	-	-	(74,678)	-	-	-	-	-	-	-
Non-controlling interest share in a capital increase of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,473	23,473
Acquisition of non-controlling interest (note 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,584)	(8,584)
Dividends paid – subsidiaries (note 58)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,883)	(3,883)
Translation difference	-	-	-	-	(10)	-	-	-	-	-	-	-	-	-	(10)	-	(10)
Equity dividends paid (note 58)	-	-	-	-	-	-	-	-	-	(170,439)	-	-	-	-	(170,439)	-	(170,439)
Treasury shares	-	-	-	-	-	280	-	-	(9,287)	-	-	-	-	-	(9,007)	-	(9,007)
Balance at 31 December 2011	684,273	-	4,840	229,014	583,858	469,072	79,127	14,979	(25,476)	65,214	5,689	(20,556)	259,894	(31,329)	2,318,599	166,179	2,484,778
Balance at 1 January 2010	262,706	249,289	4,840	26,425	579,035	311,946	79,127	-	(176)	24,954	5,689	66,026	206,628	13,394	1,829,883	123,049	1,952,932
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	255,770	-	255,770	12,049	267,819
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	(12,033)	-	(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	-	-	-	-	2,421	84,124	-	-	-	(86,545)	-	-	-	-	-	-	-
Non-controlling interest in a liquidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,812)	(1,812)
Non-controlling interest share in capital increase of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,037	38,037
Non-controlling interest in an acquired subsidiary (note 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,505	7,505
Dividends paid – subsidiaries (note 58)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,966)	(5,966)	
Increase in capital	172,278	-	-	202,589	-	-	-	-	-	-	-	-	-	-	374,867	-	374,867
Equity dividends paid (note 58)	-	-	-	-	-	-	-	-	-	(128,553)	-	-	-	-	(128,553)	-	(128,553)
Treasury shares	-	-	-	-	-	456	-	-	(16,013)	-	-	-	-	-	(15,557)	-	(15,557)
Other equity instruments issued	-	-	-	-	-	-	-	14,979	-	-	-	-	-	-	14,979	-	14,979
Balance at 31 December 2010	434,984	249,289	4,840	229,014	581,456	396,526	79,127	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 59 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 L.L. million	2010 L.L. million
OPERATING ACTIVITIES			
Profit before tax		336,924	334,489
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	34 & 35	31,625	30,115
Provision for loans and advances and direct write offs, net	13	49,363	24,543
(Write-back) provision for other doubtful bank accounts, net	13	(6,593)	4,729
Impairment losses on other financial assets, net	14	23,575	8,863
Loss (gain) on disposal of property and equipment		88	(900)
Gain on disposal of assets taken in settlement of debt	12	(3,877)	(3,914)
Provisions for risks and charges, net		14,300	26,485
Unrealized fair value losses (gains) on financial instruments		6,339	(14,482)
Realized gains from financial instruments		(70,052)	(102,297)
Derivative financial instruments		(897)	13,322
Impairment provision on property and equipment	34	-	1,011
Operating profit before working capital changes		380,795	321,964
Changes in operating assets and liabilities			
Due from central banks		(499,978)	(8,284)
Due from banks and financial institutions		229,110	(7,189)
Financial assets given as collateral		(2)	(7,725)
Equity instruments at fair value through profit or loss		(1,713)	-
Debt instruments and other financial assets at fair value through profit or loss		(618)	-
Due to banks and financial institutions		(153,308)	(1,971)
Cash collateral on securities lent and repurchase agreements		-	(1,193)
Financial assets held for trading		-	19,389
Net loans and advances to customers and related parties		(406,443)	(887,365)
Other assets		9,633	(6,382)
Customers' and related parties' deposits		1,346,382	2,444,386
Other liabilities		(13,437)	7,674
Cash from operations		890,421	1,873,304
Provision for risks and charges paid		(4,216)	(1,810)
Taxation paid		(62,844)	(73,066)
Net cash from operating activities		823,361	1,798,428
INVESTING ACTIVITIES			
Available for sale financial instruments		-	(73,091)
Financial assets classified as loans and receivables		-	(747,574)
Held to maturity financial instruments		-	136,092
Debt instruments at amortized cost		427,407	-
Equity instruments at fair value through other comprehensive income		(143)	-
Loans to banks and financial institutions and reserve purchase agreements		(37,491)	-
Purchase of property and equipment and intangible assets		(57,381)	(59,992)
Proceeds from sale of property and equipment		1,170	2,552
Assets taken in settlement of debt		(829)	(5,389)
Proceeds from sale of assets taken in settlement of debt	36	8,346	8,778
Acquisition of subsidiary, net of cash acquired		-	(12,557)
Acquisition of additional non-controlling interest	3	(8,584)	-
Net cash from (used in) investing activities		332,495	(751,181)
FINANCING ACTIVITIES			
Issuance of ordinary common shares		-	374,867
Issuance of other equity instruments		-	14,979
Due to central banks		(1,265)	9,865
Debts issued and other borrowed funds		448,789	(77,462)
Subordinated notes		3,939	3,690
Treasury shares		(9,007)	(15,557)
Dividends paid to equity holders of the parent (net)		(170,439)	(128,553)
Dividends paid to non-controlling interest		(3,883)	(5,966)
Non-controlling interest share in a capital increase of a subsidiary		23,473	38,037
Non-controlling interest in a liquidated subsidiary		-	(1,812)
Net cash from financing activities		291,607	212,088
Effect of exchange rates:			
Effect of exchange rates on property and equipment		4,645	13,591
Foreign currency translation differences		(37,348)	(36,090)
Effect of exchange rates on reserves and premiums		(10)	-
Net effect of foreign exchange rates		(32,713)	(22,499)
INCREASE IN CASH AND CASH EQUIVALENTS		1,414,750	1,236,836
Cash and cash equivalents at 1 January		4,735,368	3,498,532
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	6,150,118	4,735,368
Operational cash flows from interest and dividends			
Interest paid		(834,902)	(787,332)
Interest received		1,249,141	1,207,341
Dividend received		5,214	4,987

The attached notes 1 to 59 form part of these consolidated financial statements.