

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 balance sheet as of 31 December 2007 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 for 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 the Group as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Semaan, Gholam & Co.

18 April 2008
Beirut, Lebanon

Byblos Bank SAL

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>LL million</i>	<i>2006</i> <i>LL million</i>
ASSETS			
Cash and balances with central banks	5	2,612,812	2,506,877
Lebanese and other governmental treasury bills and bonds	6	4,265,036	4,174,808
Bonds and financial instruments with fixed income	7	122,316	86,383
Shares, securities and financial instruments with variable income	8	117,867	38,648
Banks and financial institutions	9	3,242,599	2,368,851
Loans and advances to customers (*)	10	3,366,013	2,637,722
Bank acceptances	11	265,415	284,106
Tangible fixed assets	12	243,737	189,398
Intangible assets	13	1,199	1,324
Other assets	14	2,733	3,091
Regularisation accounts and other debit balances	15	56,175	55,550
TOTAL ASSETS		14,295,902	12,346,758

(*) Including:

- Substandard loans (gross amount)	35,495	47,049
- Unrealized interest on substandard, doubtful and bad loans	(87,122)	(107,385)
- Provision for doubtful and bad loans	(107,591)	(147,724)

OFF BALANCE SHEET ITEMS

Engagements received from financial intermediaries	4,288	9,843
Engagements received from customers	5,351,780	4,563,024
Bad loans fully provided for	10	113,690
Foreign currencies to deliver against foreign currencies to receive	35	398,463

The consolidated financial statements were authorized for issue in accordance with the Board of Directors resolution on 17 April 2008.

Dr Francois Bassil
Chairman/ General Manager

Mr Alain Wanna
Financial and Administrative Manager

Byblos Bank SAL

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>LL million</i>	<i>2006</i> <i>LL million</i>
LIABILITIES AND EQUITY			
Due to central banks	16	60,950	77,085
Banks and financial institutions	17	1,008,162	876,875
Customers' deposits	18	10,931,048	9,461,489
Engagements by acceptances	11	265,415	284,106
Liabilities under financial instruments	19	269,872	273,519
Other liabilities	20	161,042	155,559
Regularisation accounts and other credit balances	21	50,799	37,490
Provisions for risks and charges	22	65,510	46,718
Subordinated loans	23	331,145	47,835
TOTAL LIABILITIES		13,143,943	11,260,676
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	25	494,456	494,456
Treasury Shares	25	(947)	(366)
Revaluation variance of fixed assets	24	5,689	5,689
Reserve for general banking risks	26	56,916	48,159
Other reserves and premiums	27	389,121	343,592
Retained earnings		11,127	18,824
Net results of the financial period - profit	30	142,550	115,389
Cumulative changes in fair values	28	(46,244)	(12,250)
Foreign currency translation difference		21,669	11,638
		1,074,337	1,025,131
MINORITY INTERESTS	29	77,622	60,951
TOTAL EQUITY		1,151,959	1,086,082
TOTAL LIABILITIES AND EQUITY		14,295,902	12,346,758
OFF BALANCE SHEET ITEMS			
Signature commitments given	34	1,159,288	829,135
Financing commitments given	34	553,901	541,477
Assets under management and fiduciary deposits	34	177,875	148,900
Assets in custody	34	2,066,134	944,137
Foreign currencies to receive against foreign currencies to deliver	35	398,492	397,634

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Dr Francois Bassil
Chairman/ General Manager

Mr Alain Wanna
Financial and Administrative Manager

Byblos Bank SAL

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 LL million	2006 LL million
Interest and similar income		924,687	811,188
Lebanese and other governmental treasury bills and bonds	6	360,924	321,600
Deposits and similar accounts with banks and financial institutions	5 & 9	309,254	292,849
Bonds and financial instruments with fixed income	7	10,032	6,267
Loans and advances to customers		242,220	190,139
Loans and advances to related parties		2,257	333
Interest and similar charges		(657,862)	(584,265)
Deposits and similar accounts from banks and financial institutions	16 & 17	(51,782)	(49,092)
Deposits from customers and other credit balances		(575,101)	(504,099)
Deposits from related parties		(5,331)	(1,773)
Subordinated loans	23	(8,669)	(12,492)
Liabilities under financial instruments	19	(16,979)	(16,809)
Net provisions less recoveries on loans and advances	30	(4,761)	(10,282)
Provisions for loans and advances		(13,808)	(18,885)
Recovery of provisions for loans and advances		9,047	8,603
Net interest received		262,064	216,641
Revenues from shares, securities and financial instruments with variable income	8	1,581	990
Net commissions	30	93,029	79,393
Commissions received		104,989	85,156
Commissions paid		(11,960)	(5,763)
Profit from financial operations		32,588	46,370
Profit from trading and non-trading investments		18,078	35,071
Profit from foreign exchange operations		14,510	11,299
Loss on financial operations		(4,789)	(21,512)
Loss on trading and non-trading investments		(2,508)	(19,022)
Loss on foreign exchange operations		(2,281)	(2,490)
Net profit from financial operations	30	27,799	24,858
Other operating income		3,885	4,047
Excess of group's interest in the fair value of net asset of acquired subsidiary over cost	4	870	-
Other operating expenses		(6,052)	(10,838)
General and administrative expenses		(179,548)	(150,769)
Salaries and related benefits	30	(98,366)	(81,978)
General operating expenses	30	(81,182)	(68,791)
Depreciation and amortization of tangible and intangible fixed assets		(18,536)	(17,963)
Profit before tax		185,092	146,359
Income tax expense		(35,574)	(27,672)
Profit for the year		149,518	118,687
Attributable to:			
Equity holders of the parent		142,550	115,389
Minority interests		6,968	3,298
		149,518	118,687
Earnings per share			
Basic, for profit for the year attributable to ordinary equity holders of the parent – Common shares	32	LL 278.73	LL 212.51
Basic, for profit for the year attributable to ordinary equity holders of the parent – Priority shares	32	LL 326.73	LL 260.51

Byblos Bank SAL

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

<i>Notes</i>	<i>2007</i> <i>LL million</i>	<i>2006</i> <i>LL million</i>
OPERATING ACTIVITIES		
Profit before tax and minority interest	185,092	146,359
Adjustments for:		
Depreciation of tangible assets	13,660	12,170
Amortization of intangible assets	125	125
Impairment provision for assets acquired in recovery of debts	4,751	5,668
Profit on disposal of tangible fixed assets	(399)	(46)
Profit on disposal of assets acquired in recovery of debts	(602)	(2,344)
Loss (profit) on sale of treasury bills held for trading	938	(3,348)
Profit on sale of non-trading treasury bills	(77)	(12,354)
Loss on sale of bonds held for trading	65	223
Loss on sale of non-trading bonds	-	705
Profit on sale of shares held for trading	(5,285)	(4,221)
Profit on sale of certificates of deposits with the Central Bank	(11,776)	(12,904)
Excess of group's interest in the net fair value of net assets of acquired subsidiary over cost	(870)	-
Changes in fair value of treasury bills held for trading	1,123	11,165
Changes in fair value of shares held for trading	(503)	4,639
Changes in fair value of bonds for trading	(55)	46
Provision for doubtful debts (net of recoveries)	726	6,013
Provision for doubtful banks and financial institutions (net of recoveries)	-	(35)
Provision for other debtors (net of recoveries)	(104)	253
General provision (net of recoveries)	3,929	3,253
Provision for country risk (net of recoveries)	54	228
Bad debts written off	156	570
Provision for end of service indemnities	4,888	1,819
Provision for foreign currency differences	6	12
Provision for risk and charges (recoveries)	(3)	1,486
Technical reserves of insurance company	14,784	8,297
	210,623	167,779
Changes in operating assets and liabilities		
Lebanese and other governmental treasury bills and bonds- held for trading	314,202	768,883
Bonds and financial instruments with fixed income- held for trading	1,337	72,782
Shares, securities and financial instruments with variable income – held for trading	1,613	(2,389)
Due from Central Bank	(281,147)	479,304
Due from Banks and Financial Institutions	(24,098)	(50,509)
Loans and advances to customers	(723,122)	(411,990)
Other assets	562	(277)
Regularization and other debit balances	64	(24,370)
Due to Central Banks	(19,020)	32,539
Due to Banks and Financial Institutions	37,892	118,376
Customer deposits	1,460,280	953,017
Other liabilities	379	30,610
Regularization and other credit balances	13,309	13,111
End of Service Benefits Paid	(883)	(969)
Taxes paid	(30,724)	(26,901)
Cash from operating activities	961,267	2,118,996
INVESTING ACTIVITIES		
Lebanese and other governmental treasury bills and bonds- not held for trading	(440,403)	(1,300,769)
Bonds and financial instruments with fixed income- not held for trading	(35,584)	(2,566)
Shares, securities and financial instruments with variable income – not held for trading	(75,285)	(52)
Purchase of tangible fixed assets	(50,246)	(25,648)
Properties acquired in settlement of debt	(19,089)	(24,247)
Proceeds from sale of tangible fixed assets	1,103	390
Proceeds from sale of properties acquired in settlement of debt	3,569	9,959
Acquisition of a subsidiary, net of cash acquired	(8,530)	-
Cash from investing activities	(624,465)	(1,342,933)
FINANCING ACTIVITIES		
Due to Central Bank	2,885	(50,020)
Liabilities under financial instruments	(3,647)	6,699
Subordinated loans	304,119	(105,153)
Treasury shares	(581)	(366)
Dividends paid	(92,962)	(52,980)
Change in minority interest	9,980	892
Cash from financing activities	219,794	(200,928)
Effect of exchange rates:		
Effect of exchange rates on fixed assets	(1,593)	(652)
Foreign currency translation differences	10,031	7,058
Effect of exchange rates on reserves and premiums	3,353	2,389
Net effect of foreign exchange rates	11,791	8,795
INCREASE IN CASH AND CASH EQUIVALENTS	568,387	583,930
Cash and cash equivalents at 1 January	2,882,923	2,298,993
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	3,451,310	2,882,923

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to equity holders of the parent														Minority interests	Total equity		
	Share capital				Other reserves and premiums													
	Ordinary shares LL million	Preferred shares LL million	Priority shares LL million	Treasury shares LL million	Legal reserve LL million	Reserves appropriated for capital increase LL million	Premium on issuance of preferred shares LL million	General reserve LL million	Equity component of convertible subordinated loans LL million	Reserve for general Banking Risks LL million	Revaluation reserve LL million	Cumulative changes in fair values LL million	Retained earnings LL million	Not results of the financial period - profit LL million			Foreign currency translation differences LL million	Total LL million
Balance at 1 January 2006	246,028	1,200	247,228	-	65,662	19,755	149,550	79,342	-	39,859	5,689	21,190	4,704	102,094	4,580	987,081	56,761	1,043,842
Net movement in cumulative changes in fair values	-	-	-	-	-	-	-	-	-	-	(33,660)	-	-	-	-	(33,660)	-	(33,660)
Translation difference	-	-	-	-	422	-	-	1,748	-	-	-	230	219	-	7,058	9,667	2,342	12,009
Total income and expense for the year recognized directly in equity	-	-	-	-	422	-	-	1,748	-	-	-	(33,440)	219	-	7,058	(23,993)	2,342	(21,654)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	115,389	-	115,389	3,298	118,687
Total income and expenses for the year	-	-	-	-	422	-	-	1,748	-	-	-	(33,440)	219	115,389	7,058	91,396	5,640	97,036
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	102,094	(102,094)	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	11,172	255	-	15,486	-	8,300	-	-	(35,213)	-	-	-	-	-
Dividends paid - subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,430)	(1,430)
Equity dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(52,980)	-	-	(52,980)	-	(52,980)
Treasury shares	-	-	(366)	-	-	-	-	-	-	-	-	-	-	-	(366)	-	-	(366)
Balance at 31 December 2006	246,028	1,200	247,228	(366)	77,256	20,010	149,550	96,776	-	48,159	5,689	(12,250)	18,824	115,389	11,638	1,025,131	60,251	1,086,082
Net movement in cumulative changes in fair values	-	-	-	-	-	-	-	-	-	-	(34,133)	-	-	-	-	(34,133)	(377)	(34,096)
Translation difference	-	-	-	-	380	-	-	2,845	-	-	-	158	128	-	10,031	13,322	3,000	16,322
Total income and expense for the year recognized directly in equity	-	-	-	-	380	-	-	2,845	-	-	-	(33,994)	128	-	10,031	(20,610)	3,333	(18,287)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	142,550	-	142,550	6,968	149,518
Total income and expenses for the year	-	-	-	-	380	-	-	2,845	-	-	-	(33,994)	128	142,550	10,031	121,940	0,201	131,231
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	115,389	(115,389)	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	13,488	274	-	8,733	-	8,757	-	-	(30,253)	-	-	-	-	-
Equity component of convertible subordinated loans (note 23)	-	-	-	-	-	-	-	-	30,809	-	-	-	-	-	-	30,809	-	30,809
Minority interests in capital increase of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Minority interests attributable of acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,411	9,411
Dividends paid - subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,032)	(3,032)
Equity dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(93,867)	-	-	(93,867)	-	(93,867)
Treasury shares	-	-	(581)	-	-	-	-	-	-	-	-	-	-	-	(581)	-	-	(581)
Balance at 31 December 2007	246,028	1,200	247,228	(947)	90,124	20,284	149,550	108,354	20,809	56,916	5,689	(46,244)	11,427	142,550	21,669	1,074,337	77,622	1,151,959