

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 2008 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' 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 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.

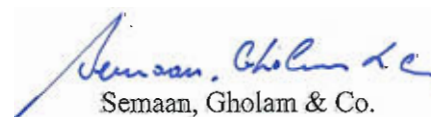
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008 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.

23 April 2009
Beirut, Lebanon

Byblos Bank SAL

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 LL million	2007 LL million
Interest and similar income	5	1,037,795	939,021
Interest and similar expense	6	(681,953)	(661,014)
NET INTEREST INCOME		355,842	278,007
Fees and Commissions income	7	116,719	90,655
Fees and Commissions expense	7	(9,796)	(8,808)
NET FEES AND COMMISSIONS INCOME		106,923	81,847
Net trading income	8	9,383	17,207
Net gain or loss on financial assets	9	14,471	12,173
Other operating income	10	17,519	3,885
TOTAL OPERATING INCOME		504,138	393,119
Credit loss expense	11	(5,434)	(4,761)
Impairment losses on financial investments	12	(37,700)	-
NET OPERATING INCOME		461,004	388,358
Personnel expenses	13	(123,143)	(98,366)
Depreciation of property and equipment	27	(16,997)	(13,660)
Amortisation of intangibles assets	28	(125)	(125)
Other operating expenses	14	(98,208)	(87,234)
TOTAL OPERATING EXPENSES		(238,473)	(199,385)
OPERATING PROFIT		222,531	188,973
Excess of group's interest in the fair value of net assets of acquired subsidiary over cost	4	-	870
Impairment loss on assets held for sale	29	(408)	(4,751)
PROFIT BEFORE TAX		222,123	185,092
Income tax expense	15	(38,208)	(35,574)
PROFIT FOR THE YEAR		183,915	149,518
Attributable to:			
Equity holders of the parent		172,285	142,550
Minority interests		11,630	6,968
		183,915	149,518
Earnings per share			
Basic, for profit for the year attributable to ordinary equity holders of the parent – Common shares	16	LL 317.19	LL 278.73
Basic, for profit for the year attributable to ordinary equity holders of the parent – Priority shares	16	LL 365.19	LL 326.73

The attached notes 1 to 64 form part of these consolidated financial statements.


Byblos Bank SAL

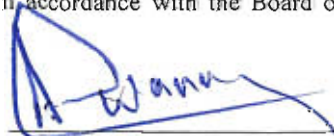
CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 LL million	2007 LL million
ASSETS			
Cash and balances with central banks	17	2,023,979	1,788,544
Due from banks and financial institutions	18	2,525,830	2,778,817
Financial assets given as collateral and reverse repurchase agreements	19	96,847	90,929
Derivative financial instruments	20	30,117	19,146
Financial assets held for trading	21	210,825	836,771
Net loans and advances to customers	22	4,194,647	3,354,275
Net loans and advances to related parties	47	12,017	11,738
Debtors by acceptances	23	284,468	265,415
Available-for-sale financial instruments	24	1,280,283	2,030,428
Financial assets classified as loans and receivables	25	4,619,105	1,182,265
Held to maturity financial instruments	26	1,299,646	1,652,876
Property and equipment	27	243,322	192,348
Intangible assets	28	1,074	1,199
Non-current assets held-for-sale	29	46,108	51,389
Other assets	30	60,874	43,690
TOTAL ASSETS		16,929,142	14,299,830
LIABILITIES AND EQUITY			
Due to central banks	31	83,656	60,950
Derivative financial instruments	20	28,866	18,988
Due to banks and financial institutions	32	1,462,261	1,008,162
Customers' deposits	33	12,500,408	10,825,202
Deposits from related parties	47	106,472	122,906
Debt issued and other borrowed funds	34	267,555	269,872
Current tax liability	35	29,996	25,400
Engagements by acceptances	23	284,468	265,415
Other liabilities	36	191,059	179,084
Liabilities linked to held-for-sale assets	29	1,720	2,139
Provision for risks and charges	37	30,591	18,033
End of service benefits	38	27,478	20,575
Subordinated notes	39	296,203	331,145
TOTAL LIABILITIES		15,310,733	13,147,871
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – Common ordinary shares	40	260,535	246,028
Share capital – Common priority shares	40	247,228	247,228
Share capital – Preferred shares	40	3,600	1,200
Issue premium – Common ordinary shares	40	26,425	-
Issue premium – Preferred shares		444,704	149,550
Capital reserves	43	334,348	296,487
Treasury shares	40	(1,554)	(947)
Retained earnings		15,317	11,127
Revaluation reserve of real estate	41	5,689	5,689
Available-for-sale reserve	42	(30,517)	(46,244)
Net results of the financial period - profit		172,285	142,550
Foreign currency translation reserve		18,604	21,669
Other reserve	44	5,538	-
		1,502,202	1,074,337
MINORITY INTEREST	45	116,207	77,622
TOTAL EQUITY		1,618,409	1,151,959
TOTAL LIABILITIES AND EQUITY		16,929,142	14,299,830

The consolidated financial statements were authorized for issue in accordance with the Board of Directors resolution on 18 April 2009.


 Dr François Bassil
 Chairman/ General Manager


 Mr Alain Wanna
 Financial and Administrative Manager

The attached notes 1 to 64 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>Notes</i>	<i>2008 LL million</i>	<i>2007 LL million</i>
OFF-BALANCE SHEET ITEMS			
Financing Commitments			
Financing commitments given to banks and financial institutions	48	862,122	819,316
Financing commitments received from banks and financial institutions		184,563	65,597
Engagements to customers		276,964	326,566
Bank Guarantees			
Guarantees given to banks and financial institutions	48	267,414	126,738
Guarantees given to customers	48	793,830	767,135
Guarantees received from customers		14,664,214	8,832,505
Foreign Currency Contracts			
Foreign currencies to receive		339,685	474,402
Foreign currencies to deliver		338,434	474,244
Claims from legal cases		265,458	255,976
Fiduciary deposits		174,558	177,875
Assets under management		2,604,921	2,066,134
Bad debts fully provided for	22	121,244	113,690

The attached notes 1 to 64 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Note	2008 LL million	2007 LL million
OPERATING ACTIVITIES			
Profit before tax		222,123	185,092
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		17,122	13,785
Provision for loans and advances, net		5,434	4,761
Gain on disposal of property, plant and equipment		(72)	(399)
Gain on disposal of non-current assets held for sale		(12,505)	(602)
Provisions for risks and charges, net		12,558	14,787
Provision for impairment of financial instruments		37,700	-
Provision for end of services benefits		7,252	4,888
Impairment provision on non-current assets held for sale		408	4,751
Excess of group's interest in the net fair value of net assets of acquired subsidiary over cost		-	(870)
Excess of fair value of net assets acquired of Unicredit Banca di Roma SpA- Beirut Branch overcost		(1,353)	-
		<u>288,667</u>	<u>226,193</u>
Changes in operating assets and liabilities			
Due from central banks		(221,380)	(488,608)
Due from banks and financial institutions		108,814	(266,997)
Financial assets given as collateral		(5,918)	(50,479)
Due to banks and financial institutions		270,760	4,374
Derivative financial instruments		(1,093)	(586)
Financial assets held for trading		521,875	313,435
Net loans and advances		(826,190)	(733,052)
Other assets		(9,072)	1,054
Customers' and related party deposits		1,615,843	1,486,619
Other liabilities		3,550	13,374
		<u>1,745,856</u>	<u>505,327</u>
Cash from operations			505,327
End of service benefits paid		(349)	(883)
Taxation paid		(25,400)	(30,724)
		<u>1,720,107</u>	<u>473,720</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Available for sale financial instruments		(987,470)	(722,195)
Financial assets classified as loans and receivables		(1,616,818)	31,255
Held to maturity financial instruments		352,921	160,562
Purchase of property and equipment		(58,757)	(50,246)
Proceeds from sale of property and equipment		317	1,103
Purchase of non current assets held for sale		(5,179)	(19,089)
Proceeds from sale of non-current assets held for sale		22,557	3,569
Liabilities linked to held for sale assets		(419)	314
Acquisition of a subsidiary, net of cash acquired	4	-	(8,530)
Acquisition of net assets of Unicredit Banca Di Roma SpA- Beirut Branch		(12,415)	-
		<u>(2,305,263)</u>	<u>(603,257)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Issuance of ordinary common shares		38,479	-
Issuance of preferred shares		297,554	-
Due to central bank		22,706	2,885
Debts issued and other borrowed funds		(2,317)	(3,647)
Subordinated notes		(37,711)	304,119
Treasury shares		(607)	(581)
Dividends paid		(92,961)	(92,962)
Gain on sale of subsidiary shares to minority interest	43	6,028	-
Change in minority interest		26,955	9,980
		<u>258,126</u>	<u>219,794</u>
Net cash from financing activities			
Effect of exchange rates:			
Effect of exchange rates on property and equipment		(866)	(1,593)
Foreign currency translation differences		(3,065)	10,031
Effect of exchange rates on reserves and premiums		(2,806)	3,353
		<u>(6,737)</u>	<u>11,791</u>
Net effect of foreign exchange rates			
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>(333,767)</u>	<u>102,048</u>
Cash and cash equivalents at 1 January		<u>2,984,971</u>	<u>2,882,923</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	46	<u>2,651,204</u>	<u>2,984,971</u>

In 2008, operating and investing activities include a non-cash item representing the increase in financial assets classified as loans and receivables in the amount of LL 1,820,022 against decrease in trading and available-for-sale financial assets in the amount of LL 104,071 million and LL 1,715,951 million, respectively.

The attached notes 1 to 64 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the parent																		Minority interests	Total equity		
	Share capital						Capital reserves										Net results of the financial period - profit				Foreign currency translation reserve	
	Share capital - Common shares LL million	Share capital - Preferred shares LL million	Share capital - Priority shares LL million	Issue premium - Common shares LL million	Issue premium - Preferred shares LL million	Treasury shares LL million	Legal reserve LL million	Reserves appropriated for capital increase LL million	General reserve LL million	Equity component of convertible subordinated notes LL million	Reserve for general Banking risks LL million	Other capital reserves LL million	Other reserve LL million	Retained earnings LL million	Revaluation reserve LL million	Available-for-sale reserve LL million	LL million	LL million			Total LL million	
Balance at January 2007	246,028	1,200	247,228	-	149,550	(366)	77,256	20,010	96,776	-	48,159	-	-	18,824	5,689	(12,250)	115,389	11,638	1,025,131	60,951	1,086,082	
Net movement in cumulative changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,132)	-	-	(34,132)	(277)	(34,409)		
Translation difference	-	-	-	-	-	-	380	-	2,845	-	-	-	-	128	-	138	-	10,031	13,522	2,600	16,122	
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	380	-	2,845	-	-	-	128	-	(33,994)	-	10,031	(20,610)	2,323	(18,287)		
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	142,550	(20,610)	6,968	149,518		
Total income and expenses for the year	-	-	-	-	-	-	380	-	2,845	-	-	-	128	-	(33,994)	-	142,550	10,031	121,940	9,291	131,231	
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	115,389	-	-	-	(115,389)	-	-	-	-	
Transfer to capital reserves	-	-	-	-	-	-	12,488	274	8,733	-	8,757	-	(30,252)	-	-	-	-	-	-	-	-	
Equity component of convertible subordinated loans (note 39)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Minority interests in capital increase of subsidiaries	-	-	-	-	-	-	-	-	20,809	-	-	-	-	-	-	-	-	-	20,809	-	20,809	
Minority interests attributable of acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	
Dividends paid – subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,411	9,411	
Equity dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(92,962)	-	-	-	-	-	(92,962)	-	(92,962)	
Treasury shares	-	-	-	-	-	(581)	-	-	-	-	-	-	-	-	-	-	-	-	(581)	-	(581)	
Balance at 31 December 2007	246,028	1,200	247,228	-	149,550	(947)	90,124	20,284	108,354	20,809	56,916	-	-	11,127	5,689	(46,244)	142,550	21,669	1,074,337	77,622	1,151,959	
Net movement in cumulative changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,747	-	-	15,747	240	15,987		
Translation difference	-	-	-	-	-	-	(791)	-	(1,518)	-	-	-	(497)	-	(20)	-	(3,065)	(5,891)	(2,158)	(8,049)		
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	(791)	-	(1,518)	-	-	-	(497)	-	15,727	-	172,285	(3,065)	9,856	(1,918)	7,938	
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	172,285	-	172,285	11,630	183,915	
Total income and expenses for the year	-	-	-	-	-	-	(791)	-	(1,518)	-	-	-	(497)	-	15,727	-	172,285	(3,065)	182,141	9,712	191,853	
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	142,550	-	-	-	(142,550)	-	-	-	-	
Transfer to capital reserve and other reserves	-	-	-	-	-	-	15,313	523	13,558	-	9,970	-	(44,902)	-	-	-	-	-	-	-	-	
Increase in capital (note 40)	14,507	2,400	-	26,425	295,154	-	-	-	(2,769)	-	-	-	-	-	-	-	-	-	335,717	-	335,717	
Capital increase of subsidiaries (notes 43 and 45)	-	-	-	-	-	-	-	-	-	-	-	6,028	-	-	-	-	-	-	3,575	31,203	34,778	
Dividends paid – subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,330)	(2,330)	
Equity dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(92,961)	-	-	-	-	-	(92,961)	-	(92,961)	
Treasury shares	-	-	-	-	-	(607)	-	-	-	-	-	-	-	-	-	-	-	-	(607)	-	(607)	
Balance at 31 December 2008	260,535	3,600	247,228	26,425	444,704	(1,554)	104,646	20,807	117,941	18,040	66,886	6,028	5,538	15,317	5,689	(30,517)	172,285	18,604	1,502,202	116,207	1,618,409	

The attached notes 1 to 64 form part of these consolidated financial statements.