

BANQUE BEMO S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016

BANQUE BEMO S.A.L.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-6
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	7-8
Consolidated Statement of Profit or Loss	9
Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13-106

BT 9115/DTT

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Banque Bemo S.A.L.
Beirut, Lebanon

Opinion

We have audited the accompanying consolidated financial statements of Banque Bemo S.A.L. (the "Bank") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the *Code of Ethics of the Lebanese Association of Certified Public Accountants* that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a matter

Without qualifying our opinion, we draw attention to Note 11 and Note 22 of the consolidated financial statements, concerning the regulatory restricted contribution at December 31, 2016 amounting to LBP41.25billion, originating from surplus derived from sale of treasury bills in Lebanese pounds against investment in medium term Lebanese Government bonds and certificates of deposit in foreign currency issued by the Central Bank of Lebanon, in compliance with Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016. According to this Circular, the restricted contribution which is regulated in nature has been appropriated, after deducting the relevant tax liability in the amount of LBP6.19billion and appropriating an amount of LBP24.11billion to offset the adverse currency translation adjustment of the investment in associate (Note 13), to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of the implementation of IFRS 9 for Impairment, as and when quantified effective on January 1, 2018. By virtue of this Intermediary Circular, 70% of the remaining residual surplus once recognized over time shall be treated as non-distributable income designated and restricted only for appropriation to capital increase.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

How our audit addressed the key audit matter

Regulatory Restricted Contribution

During November and December of 2016, the Central Bank of Lebanon issued regulations applicable to all banks operating in Lebanon with respect to the use of the contribution derived from the special and non-conventional securities arrangement deals concluded with the regulator. This is a key audit matter in relation to the use, accounting and taxability of the benefit earned.

We reviewed the accounting and use of the benefit associated with the regulated restricted contribution derived from the special and non-conventional securities arrangement deals with the regulator, after deducting the relevant tax, in line with the conditions for the designated purpose setup by the regulator.

Impairment of loans and advances

The calculation of the impairment of the loans and advances portfolio is inherently judgmental as it involves significant subjective assumptions made by the management of the Group. Due to the significance of the loans and advances portfolio and the related uncertainty estimation associated to the impairment determination, this is considered a key audit matter.

The majority of the Group's loans and advances consists of corporate loans. Management monitors and performs an impairment assessment of the loans and advances portfolio on an individual basis and provides for impaired loans; and for those loans that are considered to be unimpaired, Management performs an assessment of impairment on a collective basis after segregating the loans portfolio into groups of loans with similar characteristics.

The assessment on an individual basis relies on management's knowledge of each debtor. The loan portfolios that give rise to the greatest uncertainty are typically those where impairment is derived from models for collective assessment which are subject to Management's assumptions with respect to industry risk factors, economic outlook as well as collateral fair value and shortfalls.

The risks outlined were addressed as follows: We tested the design and operating effectiveness of the relevant controls that Management has put in place to identify which loans and advances are potentially impaired on an individual basis and the impairment loss setup against these loans. These tests included testing of:

- Both system-based and manual controls over the timely recognition of impaired loans and advances;
- Controls over the impairment calculation models, including data inputs; and
- Controls over collateral valuation estimates.

For impairment allowances against collectively assessed loans and advances, substantially covered by the regulatory designated deferred liability in anticipation of IFRS 9 referred to under *Emphasis of a matter* section of our report, we critically assessed Management's assumptions, and estimations, in particular with respect to the inputs into the impairment model, the industry risk factors, and economic factors, and historical default rates.

For non-performing loans, we tested the valuation model used by Management to determine the expected recoverable amount, including testing the expected future cash flows, the collateral value and the rate used to discount these to the present.

We examined a sample of loans and advances, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate.

Impairment of investment in an associate

The Group's investment in an associate in the amount of LBP18billion as at December 31, 2016, is considered material to the financial statements and related impairment involves considerable estimation uncertainty especially since the associate is incorporated in Syria where there is severe and frequent fluctuation of the Syrian Pound against foreign currencies, in particular the U.S. Dollar, the currency in which the investment is recorded in the Group's books. Management uses an impairment model based on inputs related to the associate's equity adjusted for unrealized exchange gains on the hedged portion of the associate's equity. For this reason, impairment of investment in an associate is considered a key audit matter.

The risk of inadequate determination of the impairment of the investment in associate was addressed in our audit by obtaining the impairment calculation used by Management and verifying the inputs related to the associate's equity and unrealized exchange gains as at December 31, 2016 extracted from the financial statements of the associate. Furthermore, the year-end exchange rates applied by Management in the model to convert the equity as at December 31, 2016 from Syrian Pound to U.S. Dollar were verified against official rates.

Furthermore, we verified Management's calculation of currency translation adjustment resulting from the exchange rate fluctuation on the associate's equity as at December 31, 2016, which is accumulated under equity.

Other Information

Management is responsible for the Other Information included in the Annual Report. The Other Information does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, within the framework of local banking laws, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partners in charge of the audit resulting in this independent auditors' report are Nada Maalouf for Deloitte & Touche and Alfred Nehme for DFK Fiduciaire du Moyen Orient.

Beirut, Lebanon
May 2, 2017


DFK Fiduciaire du Moyen Orient


Deloitte & Touche

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash and deposits with central banks	5	549,560,119	440,213,601
Deposits with banks and financial institutions	6	298,217,095	201,242,051
Financial assets at fair value through profit or loss	7	85,253,068	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	8	17,512,310	48,867,483
Loans and advances to customers	9	1,037,927,223	1,016,269,785
Loans and advances to related parties	10	2,646,345	1,855,871
Investment securities	11	594,523,821	638,556,400
Customers' liability under acceptances	12	6,936,955	25,296,152
Investments in an associate	13	18,052,156	17,645,342
Assets acquired in satisfaction of loans	14	2,046,944	2,046,944
Property and equipment	15	23,967,744	16,698,002
Intangible assets	16	981,680	618,201
Other assets	17	<u>12,924,894</u>	<u>8,243,257</u>
Total Assets		<u><u>2,650,550,354</u></u>	<u><u>2,443,253,739</u></u>
 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:			
	41		
Documentary and commercial letters of credit		31,295,824	25,232,406
Guarantees and standby letters of credit		90,464,323	85,545,223
Forward exchange contracts		246,224,821	433,508,634
FIDUCIARY DEPOSITS	42	45,197,457	40,387,852

THE ACCOMPANYING NOTES 1 TO 51 FORM AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

<u>LIABILITIES</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Deposits and borrowings from banks and financial institutions	18	126,651,112	111,351,617
Customers' accounts at amortized cost	19	2,078,192,028	1,949,950,909
Related parties' accounts at amortized cost	20	110,953,534	89,000,514
Acceptance liability	12	6,936,955	25,296,152
Other term borrowings	21	9,315,863	7,530,780
Other liabilities	22	30,860,467	13,510,433
Provisions	23	7,496,647	6,042,789
		<u>2,370,406,606</u>	<u>2,202,683,194</u>
Subordinated bonds	24	<u>37,687,500</u>	<u>37,687,500</u>
Total liabilities		<u>2,408,094,106</u>	<u>2,240,370,694</u>
<u>EQUITY</u>			
Share capital	25	62,248,000	62,248,000
Treasury shares	25	(2,931,915)	(2,696,018)
Preferred shares	26	52,641,854	52,641,854
Shareholders' cash contribution to capital	27	29,104,984	29,104,984
Reserves	28	50,065,272	39,540,019
Retained earnings		27,384,124	25,795,153
Currency translation adjustment	13	-	(23,440,267)
Profit for the year	30	23,842,788	19,490,701
Equity attributable to the shareholders of the Bank		<u>242,355,107</u>	<u>202,684,426</u>
Non-controlling interest	29	<u>101,141</u>	<u>198,619</u>
Total equity		<u>242,456,248</u>	<u>202,883,045</u>
Total Liabilities and Equity		<u>2,650,550,354</u>	<u>2,443,253,739</u>

THE ACCOMPANYING NOTES 1 TO 51 FORM AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31,	
		2016 LBP'000	2015 LBP'000
Interest income	32	116,755,051	107,867,838
Interest expense	33	(79,240,335)	(72,425,574)
Net interest income		<u>37,514,716</u>	<u>35,442,264</u>
Fee and commission income	34	20,175,935	9,751,500
Fee and commission expense	35	(309,957)	(376,959)
Net fee and commission income		<u>19,865,978</u>	<u>9,374,541</u>
Net interest and other gains/(losses) on financial assets at fair value through profit or loss	36	4,531,743	6,706,383
Gain on exchange		2,856,686	2,527,958
Gain from derecognition of assets at amortized cost, (net)	11	1,934,797	2,575,456
Other operating income, (net)	37	4,709,925	2,965,009
Net financial revenues		<u>71,413,845</u>	<u>59,591,611</u>
Allowance for impairment of loans and advances and other receivables, (net)	9,17	(1,605,560)	(515,456)
Write-back of provision for collectively assessed loans, (net)	9	-	140,597
Net financial revenues after net impairment charge		<u>69,808,285</u>	<u>59,216,752</u>
Staff costs	38	(22,620,527)	(20,579,175)
Administrative expenses	39	(15,684,416)	(14,789,388)
Depreciation and amortization	15,16	(1,518,618)	(1,428,069)
Recovery of principal of financial assets at fair value through profit or loss		75,256	-
(Provision for)/write-back of provision for contingencies	23	(1,524,478)	1,071,567
		<u>(41,272,783)</u>	<u>(35,725,065)</u>
Profit before income tax		28,535,502	23,491,687
Income tax expense	22	(4,790,192)	(3,991,541)
Profit for the year	30	<u>23,745,310</u>	<u>19,500,146</u>
Attributable to:			
Equity holders of the Bank		23,842,788	19,490,701
Non-Controlling interest		(97,478)	9,445
		<u>23,745,310</u>	<u>19,500,146</u>
Basic and diluted earning per shares	40	<u>328/28</u>	<u>257/11</u>

THE ACCOMPANYING NOTES 1 TO 51 FORM AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Notes</u>	<u>Year Ended</u>	
		<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Profit for the year		<u>23,745,310</u>	<u>19,500,146</u>
Other comprehensive income ("OCI"):			
Loss arising from currency translation adjustment	13	(<u>667,529</u>)	(<u>1,407,841</u>)
Net other comprehensive loss for the year		(<u>667,529</u>)	(<u>1,407,841</u>)
Total comprehensive income for the year		<u>23,077,781</u>	<u>18,092,305</u>
Attributable to:			
Equity holders of the Bank		23,175,259	18,082,860
Non-controlling interests	29	(<u>97,478</u>)	<u>9,445</u>
		<u>23,077,781</u>	<u>18,092,305</u>

THE ACCOMPANYING NOTES 1 TO 51 FORM AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to the Bank													Non-Controlling Interest	Total
	Capital	Treasury Shares	Preferred Shares	Shareholders' Cash Contribution to Capital	Legal Reserve	Reserve for General Banking Risks	Other Reserves	General Reserves	Reserve for Assets Acquired in Satisfaction of Loans	Currency Translation Adjustment	Retained Earnings	Profit for the Year	Total		
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at December 31, 2014	62,248,000	(2,344,459)	52,641,854	29,104,984	3,517,416	22,997,375	5,518,363	-	722,441	(22,032,426)	22,205,984	17,128,792	191,708,324	223,699	191,932,023
Total comprehensive income	-	-	-	-	-	-	-	-	-	(1,407,841)	-	19,490,701	18,082,860	9,445	18,092,305
Allocation of income for the year 2014	-	-	-	-	1,530,675	3,526,500	114,263	1,500,000	112,986	-	10,344,368	(17,128,792)	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	34,609	-	34,609	-	34,609
Disposal of asset acquired in satisfaction of loans -Note14	-	-	-	-	-	-	67,817	-	(67,817)	-	-	-	-	(34,609)	(34,609)
Dividends paid - Note 31	-	-	-	-	-	-	-	-	-	-	(6,793,375)	-	(6,793,375)	-	(6,793,375)
Acquisition of treasury shares (net) - Note 25	-	(351,559)	-	-	-	-	-	-	-	-	-	-	(351,559)	-	(351,559)
Other	-	-	-	-	-	-	-	-	-	-	3,567	-	3,567	84	3,651
Balance at December 31, 2015	62,248,000	(2,696,018)	52,641,854	29,104,984	5,048,091	26,523,875	5,700,443	1,500,000	767,610	(23,440,267)	25,795,153	19,490,701	202,684,426	198,619	202,883,045
Total comprehensive income	-	-	-	-	-	-	-	-	-	(667,529)	-	23,842,788	23,175,259	(97,478)	23,077,781
Allocation of income for the year 2015	-	-	-	-	1,798,012	5,380,160	690,234	2,554,500	102,347	-	8,965,448	(19,490,701)	-	-	-
Dividends paid - Note 31	-	-	-	-	-	-	-	-	-	-	(7,376,477)	-	(7,376,477)	-	(7,376,477)
Acquisition of treasury shares (net) - Note 25	-	(235,897)	-	-	-	-	-	-	-	-	-	-	(235,897)	-	(235,897)
Offset against surplus derived from non-conventional deals arrangement with regulator - Note 13	-	-	-	-	-	-	-	-	-	24,107,796	-	-	24,107,796	-	24,107,796
Balance at December 31, 2016	62,248,000	(2,931,915)	52,641,854	29,104,984	6,846,103	31,904,035	6,390,677	4,054,500	869,957	-	27,384,124	23,842,788	242,355,107	101,141	242,456,248

THE ACCOMPANYING NOTES 1 TO 51 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31,	
		2016	2015
		LBP'000	LBP'000
Cash flows from operating activities:			
Profit before tax		28,535,502	23,491,687
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Prior period adjustment		-	34,919
Gain from disposal of assets acquired in satisfaction of loans	37	-	(807,816)
Depreciation and amortization	15, 16	1,518,618	1,428,069
Provision for contingencies	23	1,976,728	960,305
Write back of provision for contingencies	23	(452,250)	(2,031,872)
Write-back of provision collectively assessed loans, (net)	9	-	(140,597)
Allowance for impairment of loans and advances and other receivables, (net)	9, 17	1,605,560	212,875
Non-controlling interest		-	(34,525)
Provision for employees' end-of-service indemnities	23	941,970	378,854
Unrealized loss on financial assets at fair value through profit or loss trading securities	36	2,721,584	162,251
Equity income from investment in associates	37	(1,074,343)	(189,633)
Gain from sale of property and equipment		(1,947)	(39,809)
Decrease/(increase) in deposits with banks and financial institutions		60,840,938	(15,115,289)
Increase in trading assets at fair value through profit or loss		(62,274,002)	(2,552,063)
Increase in loans and advances to customers and related parties		(27,285,682)	(57,869,535)
Net (increase)/decrease in other assets		(5,005,499)	1,096,576
Increase in non-interest earning compulsory reserve and deposits with central banks		(2,219,876)	(41,734,228)
Increase in due to banks and financial institutions		17,947,757	10,037,538
Increase in customers' and related parties' deposits at amortized cost		157,082,455	232,283,844
Net increase in other liabilities		43,697,584	3,240,901
Settlements of provision for contingencies	23	(58,755)	(137,183)
Settlement of employees' end-of-service indemnity	23	(950,444)	(365,708)
Taxes paid		(6,086,461)	(5,203,120)
Others (including effect of exchange rate changes)		(2,482,192)	(4,712,893)
Net cash provided by operating activities		<u>208,977,245</u>	<u>142,393,548</u>
Cash flows from investing activities:			
Investment securities		44,031,843	(124,998,400)
Acquisition of treasury shares (net)		(235,897)	(351,559)
Property and equipment	15	(8,542,556)	(2,537,569)
Proceeds from sale of property and equipment		75,734	50,665
Proceeds from sale of assets acquired in satisfaction of loans		-	1,020,577
Intangible assets	16	(683,068)	(158,380)
Net cash provided by/(used in) investing activities		<u>34,646,056</u>	<u>(126,974,666)</u>
Cash flows from financing activities:			
Dividends paid	31	(7,376,477)	(6,793,375)
Subordinated Bonds		-	(30,976)
Net cash used in financing activities		<u>(7,376,477)</u>	<u>(6,824,351)</u>
Effect of exchange rates changes on cash and cash equivalents - Beginning of year		<u>1,570,125</u>	<u>1,945,189</u>
Net increase in cash and cash equivalents		237,816,947	10,539,720
Cash and cash equivalents - Beginning of year		<u>195,561,810</u>	<u>185,022,090</u>
Cash and cash equivalents - End of year	44	<u>433,378,757</u>	<u>195,561,810</u>

THE ACCOMPANYING NOTES 1 TO 51 FORM AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

Banque Bemo S.A.L. (the “Bank”) is a Lebanese joint-stock company listed on the Beirut Stock Exchange and registered in the Commercial Register under Number 17837 and on the list of banks published by the Central Bank of Lebanon under Number 93. The Bank's headquarters are located in Beirut.

The Bank provides a full range of commercial, corporate and private banking activities through a network of 8 branches in Lebanon in addition to a branch in Limassol, Cyprus.

Banque Bemo S.A.L. is owned by Sharikat AL Istismarat Al Oropia Lil Shareq Al Aousat (Holding) S.A.L. to the extent of 61.06%.

These financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the “Group”) Refer to Note 3(A).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for Annual Periods Beginning on or After</u>
Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 1, 2018
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none">• there is consideration that is denominated or priced in a foreign currency;• the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and• the prepayment asset or deferred income liability is non-monetary.	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018

New and Revised IFRSs

Effective for Annual Periods Beginning on or After

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

January 1, 2018

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

IFRS 9 *Financial Instruments* (revised versions in 2010, 2013 and 2014)

January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

New and Revised IFRSs

**Effective for
Annual Periods
Beginning on or After**

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 Revenue from Contracts with Customers

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

New and Revised IFRSs

**Effective for
Annual Periods
Beginning on or After**

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

January 1, 2019

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred
indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, will have no material impact on the financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis of Preparation and Measurement

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

- Financial assets and liabilities at fair value through profit or loss are measured at fair value.
- Equity securities at fair value through other comprehensive income are measured at fair value.
- Derivative financial instruments are measured at fair value.

Assets and liabilities are grouped according to their nature and are presented in an approximate order that reflects their relative liquidity.

The principal accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Banque Bemo S.A.L. incorporate the financial statements of the Bank and the entities controlled by the Bank and its subsidiaries.

Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders 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 subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated subsidiaries as at December 31, 2016 comprise:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Date of Acquisition or Incorporation</u>	<u>Percentage of Ownership</u>		<u>Business Activities</u>
			<u>2016</u> %	<u>2015</u> %	
Bemo Securitization S.A.L.	Lebanon	1998	96.00	96.00	Securitization & Structured Finance
Ferticed Limited Holding	Bermuda	1995	-	100.00	Holding Company
Depository & Custody Company S.A.L.	Lebanon	2007	99.90	99.90	Depository and custody of securities
Bemo Investment Firm Ltd.	Dubai	2013	75.00	75.00	Investment

During December 2016, the wholly owned subsidiary, Ferticed Limited Holding was liquidated.

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 the group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, these the gain is recognized in profit or loss.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries and associates are identified separately from the Group's equity therein.

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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

C. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the Group's reporting currency. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollars ("USD"). The exchange rate of the USD against the LBP has been constant for several years.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's reporting 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 U.S. Dollars 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.

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.

Cash flows provided by and used in foreign currencies under various activities, as included in the statement of cash flows, are converted into Lebanese Pounds at year-end exchange rates, except for cash and cash equivalents at the beginning of the year which is converted at the prior year closing exchange rates and the effect of currency fluctuation, if any, is disclosed separately.

D. Financial Assets and Liabilities:

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.

Upon derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revolution reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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.

Repurchase and Reverse Repurchase Agreements:

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognized on the consolidated statement of financial position reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income in the consolidated statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

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.

Fair Value Measurement of Financial Instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of Financial Assets:

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets which impacted the estimated future cash flows of the investment.

For certain categories of financial asset, such as loans and advances, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. This provision is estimated based on various factors including credit ratings allocated to a 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, as well as observable changes in national or local economic conditions that correlate with default on loans and advances.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Collateral Valuation:

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and periodically updated based on the Group's policies and type of collateral.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties, such as independent accredited experts and other independent sources.

E. Classification of Financial Assets:

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 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.

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.

F. 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.

G. Financial Liabilities and Equity Instruments Issued by the Group:

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 Group'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 Group's own equity instruments.

Financial Liabilities at Fair Value Through Profit or Loss:

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 is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading 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; 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.

Financial liabilities at FVTPL are stated at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss. Such gains or losses that are recognized in profit or loss incorporate any interest paid on the financial liabilities and are included in the "Net interest and gain and loss on liabilities at FVTPL" in the consolidated statement of profit or loss.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, 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 recognized 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. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss.

Financial Liabilities Subsequently Measured at Amortized Cost:

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method.

Financial Guarantee Contract Liabilities:

Financial guarantee 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, credit-insurance contracts).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

H. Derivative Financial Instruments:

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, (both written and purchased) are initially measured at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. The resulting gain or loss is recognized in the income statement immediately unless the derivative is designated and effective as a hedge instrument in which event the timing of the recognition in the statement of profit or loss depends on the hedge relationship. The Group designates certain derivatives as either hedges of the fair value recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models or pricing models as appropriate as indicated under Note 3D.

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.

Hedge Accounting:

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated statement of profit or loss in "Net results on financial instruments at fair value through profit or loss". For situations where that hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of profit or loss.

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.

Hedges of Net Investments in Foreign Operations:

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the foreign operation.

I. Investments in Associates:

An associate is an entity over which the Group has significant influence. 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 considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The results and assets and liabilities of associates, except where the Group has control over the associates' financial and operating policies, are incorporated in the 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 under IFRS 5 Non-current Assets Held-for-Sale and Discontinued 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. The goodwill 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The financial statements of the associates are prepared for the same reporting period of the Group.

J. 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 land and advance payments on capital expenditures, less their residual values, if any, over the estimated useful lives of the related assets. Depreciation is calculated systematically using the straight-line method on the basis of the following annual rates:

	<u>Rate</u>
	%
Property	2.5
Furniture and fixtures	7.5 to 8
Equipment	10 to 12
Computer hardware	20
Installations and leasehold improvements	15 to 20
Vehicles	12 to 20

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives estimated at five years.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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.

K. Intangible Assets:

Intangible assets are stated at cost less any accumulated impairment loss. Intangible assets, other than goodwill consist of computer software and are amortized over a period of 5 years and are subject to impairment testing.

L. 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 which 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.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated statement of profit or loss under "Other operating income, (net)". Gains resulting from the sale of repossessed assets are transferred to "Reserves from disposal of assets acquired in satisfaction of loans" starting in the following financial year.

For assets which were not disposed of within the specified period of two years, an amount computed as percentage of their gross carrying value is transferred from retained earnings to "Reserves for assets acquired in satisfaction of loans" in the following financial year.

M. Impairment of Tangible and Intangible Assets:

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment provision required, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value, the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.
- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

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.

In this connection, the recoverable amount of the Group's owned properties and of properties acquired in satisfaction of 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 for illiquidity and market constraints.

The impairment loss is charged to income.

N. Employees' Benefits:

Obligations for contributions to defined employees' benefits are recognized as an expense on a current basis.

Employees' End-of-Service Indemnities: (Under the Lebanese Jurisdiction)

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were terminated at the statement of financial position 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 and interest accrued by the Fund.

Defined Benefit Plans: (Under other jurisdictions)

Obligations in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted.

O. Provisions:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the obligation at the statement of financial position date.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

P. Revenue and Expense Recognition:

Interest income and expense are recognized on an accrual basis, taking account 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 the amortization discount or premium.

Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and liabilities at amortized cost.
- Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Net trading income presented in the statement of profit or loss includes:

- Interest income and expense on the trading portfolio.
- Dividend income on the trading equities.
- Realized and unrealized gains and losses on the trading portfolio.

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 statement of profit or loss.

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.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability (i.e. commissions and fees earned on the loan book) are included under interest income and expense.

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

Revenue from securitization contracts is recognized based on the following:

- Where the outcome of a securitization contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the financial position date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.
- Where the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately

Q. Operating Lease Agreements:

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the consolidated statement of profit or loss on a straight line basis over the lease term.

R. Treasury Shares:

Treasury shares are stated at cost. Any gain or loss on sale is reflected as an adjustment to retained earnings.

S. Fiduciary Deposits:

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

T. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income (OCI), in which case it is recognized in OCI.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the statement of financial position date. Income tax payable is reflected in the consolidated statement of financial position net of taxes previously settled in the form of withholding tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. 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.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is possible that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

U. 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, which comprise share options granted to employees, if applicable.

V. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with original contractual maturities of three months or less and include: cash and balances with the Central Banks and deposits with banks and financial institutions.

W. Dividends on Ordinary Shares:

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

X. Deferred Restricted Contributions

Restricted contributions derived from special and non-conventional deals arrangement concluded with the regulator are deferred until designated conditions for recognition are met. At the time income is received it is deferred under "regulatory deferred liability" and applied to the designated purpose according to the regulator's requirements.

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 reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements.

Going Concern:

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the consolidated financial statements continue to be prepared on the going concern basis.

Classification of Financial Assets:

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 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 statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Group based their assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Allowances for Credit Losses:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances, balances placed with banks and other accounts receivable 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 the advances and the value of collateral and potential repossession.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios, etc...), concentrations of risks, economic data and the performance of different individual groups.

Impairment of investment in associates:

The Group assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists the Group estimates the investment's recoverable amount. When the cost of the investment exceeds the recoverable amount, the investment is considered impaired and a provision for impairment is setup representing the difference between the investment's recoverable amount and its carrying value. The provision is charged to the consolidated statement of profit or loss.

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 3D. For financial instruments that traded 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.

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 market participants. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data.

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Cash on hand	9,015,076	9,585,724
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP52.1billion in 2016 and LBP43.8billion in 2015)	86,775,776	109,315,294
Current accounts with other central banks	368,681	314,758
Term placements with Central Bank of Lebanon	451,430,265	319,257,280
Accrued interest receivable	<u>1,970,321</u>	<u>1,740,545</u>
	<u>549,560,119</u>	<u>440,213,601</u>

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

Cash compulsory reserves with Central Bank of Lebanon represent non-interest earning deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions in accordance with the local banking regulations.

Current accounts with other central banks include the equivalent in Euro of LBP276million as at December 31, 2016 (LBP276million as at December 31, 2015) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2015) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

Term placements with Central Bank of Lebanon include an amount of LBP284billion as at December 31, 2016 (LBP247billion as at December 31, 2015) representing the equivalent in foreign currencies of amounts 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' deposits in foreign currencies, certificates of deposit and borrowings obtained from non-resident financial institutions.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Checks in course of collection	17,896,839	19,477,736
Current accounts	136,114,235	48,455,562
Current accounts - related parties	5,256,064	4,912,781
Term placements	73,562,537	54,917,403
Term placements - related parties	-	644,380
Margin accounts	65,301,776	72,742,005
Accrued interest receivable	<u>85,644</u>	<u>92,184</u>
	<u>298,217,095</u>	<u>201,242,051</u>

Deposits with banks and financial institutions include deposits in the amount of LBP12.47billion subject to right of set-off by the related correspondents against trade finance and other facilities at 2016 year end (LBP2.95billion against trade finance and other facilities as at December 31, 2015).

Margin accounts and pledged deposits are blocked against trade finance and treasury transactions and banking facilities (Refer to Note 45).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>LBP</u>	<u>Foreign</u>	<u>Total</u>	<u>LBP</u>	<u>Foreign</u>	<u>Total</u>
<u>Base Accounts</u>	<u>Currency</u>	<u>Base Accounts</u>		<u>Base Account</u>	<u>Currency</u>	
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Quoted equity securities	-	7,099,123	7,099,123	-	5,406,294	5,406,294
Lebanese treasury bills	16,777,541	-	16,777,541	14,166,027	-	14,166,027
Foreign Governments treasury bills	-	-	-	-	327,681	327,681
Lebanese Government bonds	-	20,113,835	20,113,835	-	608,062	608,062
Certificates of deposit issued by the Central Bank of Lebanon	5,910,721	31,657,500	37,568,221	1,036,083	-	1,036,083
Certificates of deposit issued by banks	-	753,750	753,750	-	-	-
Corporate bonds	-	1,885,186	1,885,186	-	3,715,581	3,715,581
Accrued interest receivable	<u>321,650</u>	<u>733,762</u>	<u>1,055,412</u>	<u>358,275</u>	<u>82,647</u>	<u>440,922</u>
	<u>23,009,912</u>	<u>62,243,156</u>	<u>85,253,068</u>	<u>15,560,385</u>	<u>10,140,265</u>	<u>25,700,650</u>

The negative change in fair value of financial assets at fair value through profit or loss in the amount of LBP2.72billion (loss of LBP162million in 2015) is recorded under "Net interest and other gains/(losses) on financial assets at fair value through profit or loss" (Note 36) in the consolidated statement of profit or loss.

8. LOANS TO BANKS AND FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Discounted letters of credit and acceptances	9,974,810	8,240,056
Loans to a resident financial institution (a)	7,537,500	25,627,500
Loans under reverse repurchase agreements (b)	-	14,814,474
Accrued interest on reverse repurchase agreements	-	185,453
	<u>17,512,310</u>	<u>48,867,483</u>

- (a) Loans to a resident financial institution outstanding as at December 31, 2016 comprise a 1 year term loan in the amount of USD5million (LBP7.54billion) originated during the year 2014 and secured by a pledged deposit in Lebanese Pounds amounting to LBP12.5billion. This term loan is subject to a fixed annual interest rate of 4.25% and is being renewed on a yearly basis at maturity under the same terms and conditions.

Loans to a resident financial institution in the amount of USD12million (LBP18.09billion) was fully settled during 2016. This term loan was subject to a fixed annual interest rate of 4.5% and was secured by a pledged deposit in Lebanese Pounds amounting to LBP10.5billion outstanding as at December 31, 2015.

Interest income for the year ended December 31, 2016 amounted to LBP1.09billion recorded under interest income in the consolidated statement of profit or loss (LBP1.1billion for the year ended December 31, 2015) (Refer to Note 32).

- (b) Loans under reverse repurchase agreement represent short term loans granted to a resident financial institution. These loans are secured by certificates of deposit in USD issued by the Central Bank of Lebanon in the amount of USD20million (LBP30.15billion) and matured during 2016. Loans outstanding as at December 31, 2015 amounted to USD10million (LBP15.07billion) and matured in 2016. Interest income for the year ended December 31, 2016 amounted to LBP272million recorded under interest income in the consolidated statement of profit or loss (LBP1.6billion for the year ended December 31, 2015) (Refer to Note 32).

9. LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2016				December 31, 2015			
	Gross Amount		Unrealized		Gross Amount		Unrealized	
	Net of Unearned Interest LBP'000	Interest LBP'000	Interest LBP'000	Impairment LBP'000	Net of Unearned Interest LBP'000	Interest LBP'000	Impairment LBP'000	Carrying Amount LBP'000
Performing Retail customers:								
- Mortgage loans	61,203,856	-	-	-	52,883,643	-	-	52,883,643
- Personal loans	9,346,674	-	-	-	11,372,989	-	-	11,372,989
- Overdrafts	32,180,224	-	-	-	28,470,701	-	-	28,470,701
- Other	8,932,017	-	-	-	7,634,588	-	-	7,634,588
Performing Corporate customers:								
- Large enterprises	632,130,785	-	-	-	621,480,879	-	-	621,480,879
- Small and medium enterprises	270,489,706	-	-	-	288,192,657	-	-	288,192,657
Non performing - Retail Customers:								
- Substandard	1,604,648	(95,148)	-	-	-	-	-	-
- Bad and doubtful	450,316	(263,113)	(187,203)	-	410,337	(211,580)	(198,757)	-
Non performing- Corporate Customers:								
- Substandard	15,869,844	(347,798)	-	-	8,729,688	(1,031,991)	(753,750)	6,943,947
- Bad and doubtful	19,857,862	(5,937,330)	(6,441,717)	-	8,260,432	(3,374,525)	(4,638,695)	247,212
Allowance for impairment for collectively assessed loans:								
- Corporate loans	-	-	(2,095,422)	-	-	-	(2,095,422)	(2,095,422)
- Retail loans	-	-	(34,460)	-	-	-	(34,460)	(34,460)
Accrued interest receivable	1,263,482	-	-	-	1,173,051	-	-	1,173,051
	<u>1,053,329,414</u>	<u>(6,643,389)</u>	<u>(8,758,802)</u>	<u>1,037,927,223</u>	<u>1,028,608,965</u>	<u>(4,618,096)</u>	<u>(7,721,084)</u>	<u>1,016,269,785</u>

The movement of collective provisions during the year ended December 31, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance January 1	2,129,882	4,396,057
Additions	-	763,903
Write-back	-	(904,500)
Transfer to allowance for impairment of loans and advances	-	(2,125,578)
Balance December 31	<u>2,129,882</u>	<u>2,129,882</u>

During 2015 the Banking Control Commission approved the write-back of collective provisions in the amount of USD600,000 (LBP905million) to be reallocated to general reserves set up against the Bank's loan portfolio.

The movement of substandard loans with related unrealized interest during 2016 and 2015 is summarized as follows:

	<u>2016</u>			
	<u>Substandard</u>	<u>Unrealized</u>	<u>Allowance for</u>	<u>Net</u>
	<u>Loans</u>	<u>Interest</u>	<u>Impairment</u>	<u>Book Value</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Balance January 1	8,729,688	(1,031,991)	(753,750)	6,943,947
Withdrawals on existing loans	16,814,417	-	-	16,814,417
Additions to unrealized interest	397,357	(397,357)	-	-
Transfer to doubtful and bad debts	(8,466,970)	986,402	753,750	(6,726,818)
Balance December 31	<u>17,474,492</u>	<u>(442,946)</u>	<u>-</u>	<u>17,031,546</u>

	<u>2015</u>			
	<u>Substandard</u>	<u>Unrealized</u>	<u>Allowance for</u>	<u>Net</u>
	<u>Loans</u>	<u>Interest</u>	<u>Impairment</u>	<u>Book Value</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Balance January 1	9,904,902	(381,244)	-	9,523,658
Withdrawals on existing loans	17,589	-	-	17,589
Additions to unrealized interest	792,687	(792,687)	-	-
Additions to allowance for impairment	-	-	(753,750)	(753,750)
Transfer to doubtful and bad debts	(1,918,416)	147,473	-	(1,770,943)
Transfer from unearned to unrealized interest	-	(10,191)	-	(10,191)
Write-off	(67,074)	4,658	-	(62,416)
Balance December 31	<u>8,729,688</u>	<u>(1,031,991)</u>	<u>(753,750)</u>	<u>6,943,947</u>

The movement of doubtful and bad loans and related unrealized interest and allowance for impairment during 2016 and 2015 is summarized as follows:

	2016				2015			
	<u>Doubtful and Bad Loans</u> LBP'000	<u>Unrealized Interest</u> LBP'000	<u>Allowance for Impairment</u> LBP'000	<u>Net Book Value</u> LBP'000	<u>Doubtful and Bad Loans</u> LBP'000	<u>Unrealized Interest</u> LBP'000	<u>Allowance for Impairment</u> LBP'000	<u>Net Book Value</u> LBP'000
Balance January 1	8,670,769	(3,586,105)	(4,837,452)	247,212	7,209,836	(3,417,513)	(3,388,558)	403,765
Downgraded from regular loans	1,741,764	-	-	1,741,764	387,499	-	-	387,499
Withdrawals on existing doubtful loans	182,545	-	-	182,545	41,443	-	-	41,443
Settlement of loans	(282,192)	-	-	(282,192)	(911,882)	-	-	(911,882)
Additions to unrealized interest and allowance for impairment	2,013,980	(2,013,980)	(2,090,728)	(2,090,728)	998,574	(998,574)	(34,745)	(34,745)
Transfer from collective provision for loan impairment	-	-	-	-	-	-	(2,125,578)	(2,125,578)
Write-back	-	184,147	772,616	956,763	-	135,686	586,333	722,019
Write-off	(414,755)	166,005	248,750	-	(774,961)	737,886	37,075	-
Downgraded from substandard loans	8,466,970	(986,402)	(753,750)	6,726,818	1,918,416	(147,473)	-	1,770,943
Effect of exchange rates changes	(70,903)	35,892	31,644	(3,367)	(198,156)	103,883	88,021	(6,252)
Balance December 31	<u>20,308,178</u>	<u>(6,200,443)</u>	<u>(6,628,920)</u>	<u>7,478,815</u>	<u>8,670,769</u>	<u>(3,586,105)</u>	<u>(4,837,452)</u>	<u>247,212</u>

10 LOANS AND ADVANCES TO RELATED PARTIES

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Retail loans	2,085,613	1,413,979
Overdrafts to corporates	<u>560,732</u>	<u>441,892</u>
	<u>2,646,345</u>	<u>1,855,871</u>

Loans and advances to related parties are partially secured (Refer to Note 43).

11. INVESTMENT SECURITIES

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>LBP</u>	<u>C/V of F/Cy</u>	<u>Total</u>	<u>LBP</u>	<u>C/V of F/Cy</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Financial assets at fair value through other comprehensive income	<u>615,120</u>	<u>23,346</u>	<u>638,466</u>	<u>615,120</u>	<u>24,082</u>	<u>639,202</u>
	<u>615,120</u>	<u>23,346</u>	<u>638,466</u>	<u>615,120</u>	<u>24,082</u>	<u>639,202</u>
Financial assets at amortized cost (A)	205,374,999	381,255,394	586,630,393	358,231,747	269,342,207	627,573,954
Accrued interest receivable	<u>3,663,165</u>	<u>3,591,797</u>	<u>7,254,962</u>	<u>6,975,357</u>	<u>3,367,887</u>	<u>10,343,244</u>
	<u>209,038,164</u>	<u>384,847,191</u>	<u>593,885,355</u>	<u>365,207,104</u>	<u>272,710,094</u>	<u>637,917,198</u>
	<u>209,653,284</u>	<u>384,870,537</u>	<u>594,523,821</u>	<u>365,822,224</u>	<u>272,734,176</u>	<u>638,556,400</u>

A. Financial assets at amortized cost are broken down as follows:

	December 31, 2016					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000
Lebanese treasury bills	149,290,331	152,536,263	2,249,737	-	-	-
Lebanese Government bonds	-	-	-	115,685,102	105,933,735	1,403,208
Certificates of deposit issued by the Central Bank of Lebanon	56,084,668	56,677,826	1,413,428	245,750,426	241,501,500	2,001,519
Corporate bonds	-	-	-	19,819,866	19,874,922	187,070
	<u>205,374,999</u>	<u>209,214,089</u>	<u>3,663,165</u>	<u>381,255,394</u>	<u>367,310,157</u>	<u>3,591,797</u>

	December 31, 2015					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000
Lebanese treasury bills	170,611,032	175,665,881	2,487,541	-	-	-
Lebanese Government bonds	-	-	-	151,730,640	148,936,447	2,045,470
Certificates of deposit issued by the Central Bank of Lebanon	187,620,715	188,991,707	4,487,816	82,764,034	83,168,775	1,021,932
Corporate bonds	-	-	-	34,847,533	34,831,549	300,485
	<u>358,231,747</u>	<u>364,657,588</u>	<u>6,975,357</u>	<u>269,342,207</u>	<u>266,936,771</u>	<u>3,367,887</u>

The remaining periods to maturity of financial assets at amortized cost, denominated in **Lebanese Pounds** excluding accrued interest, is as follows:

<u>Contractual Maturity</u>	<u>December 31, 2016</u>			
	<u>LBP Base Accounts</u>			
	<u>Nominal Value</u> <u>LBP'000</u>	<u>Amortized Cost</u> <u>LBP'000</u>	<u>Fair Value</u> <u>LBP'000</u>	<u>Yield</u> <u>%</u>
Lebanese treasury bills:				
Up to 1 year	36,127,480	36,417,476	38,934,035	7.77
1 year to 3 years	35,475,000	35,841,489	36,290,763	7.63
3 years to 5 years	39,700,000	40,129,662	40,870,364	7.80
Beyond 5 years	35,110,850	36,901,704	36,441,101	8.15
	<u>146,413,330</u>	<u>149,290,331</u>	<u>152,536,263</u>	
Certificates of deposit issued by the Central Bank of Lebanon:				
3 years to 5 years	8,000,000	8,060,153	8,174,105	7.50
5 years to 10 years	46,000,000	48,024,515	48,503,721	7.98
	<u>54,000,000</u>	<u>56,084,668</u>	<u>56,677,826</u>	
	<u>200,413,330</u>	<u>205,374,999</u>	<u>209,214,089</u>	
<u>Contractual Maturity</u>	<u>December 31, 2015</u>			
	<u>LBP Base Accounts</u>			
	<u>Nominal Value</u> <u>LBP'000</u>	<u>Amortized Cost</u> <u>LBP'000</u>	<u>Fair Value</u> <u>LBP'000</u>	<u>Yield</u> <u>%</u>
Lebanese treasury bills:				
- 1 year to 3 years	68,430,000	69,626,783	72,588,862	7.57
- 3 years to 5 years	71,700,000	72,645,938	74,223,538	7.58
- Beyond 5 years	27,516,350	28,338,311	28,853,481	8.00
	<u>167,646,350</u>	<u>170,611,032</u>	<u>175,665,881</u>	
Certificates of deposit issued by the Central Bank of Lebanon:				
- Up to 1 year	14,000,000	14,217,209	14,375,087	8.37
- 3 years to 5 years	11,000,000	11,147,561	11,363,482	7.50
- 5 years to 10 years	57,000,000	58,995,975	59,749,736	7.96
- Beyond 10 years	94,000,000	103,259,970	103,503,402	8.23
	<u>176,000,000</u>	<u>187,620,715</u>	<u>188,991,707</u>	
	<u>343,646,350</u>	<u>358,231,747</u>	<u>364,657,588</u>	

<u>Contractual Maturity</u>	December 31, 2016			
	F/Cy Base Accounts			
	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
Up to one year	3,610,463	3,627,505	3,540,486	7.31
1 year to 3 years	25,899,391	26,044,415	24,637,491	5.28
3 years to 5 years	25,627,500	26,155,564	24,725,864	6.16
5 years to 10 years	37,042,290	36,840,511	33,223,672	6.21
Beyond 10 years	<u>22,974,300</u>	<u>23,017,107</u>	<u>19,806,222</u>	6.65
	<u>115,153,944</u>	<u>115,685,102</u>	<u>105,933,735</u>	
Certificates of deposit issued by the Central Bank of Lebanon:				
3 years to 5 years	7,537,500	7,537,500	7,537,500	6.20
5 years to 10 years	226,426,500	230,535,419	226,426,500	6.36
Beyond 10 years	<u>7,537,500</u>	<u>7,677,507</u>	<u>7,537,500</u>	6.64
	<u>241,501,500</u>	<u>245,750,426</u>	<u>241,501,500</u>	
Corporate Bonds:				
Up to 1 year	7,160,625	7,136,765	7,160,625	5.99
1 year to 3 years	4,661,150	4,629,955	4,661,150	6.55
3 years to 5 years	3,153,771	3,153,771	3,153,771	7.33
5 years to 10 years	<u>4,899,375</u>	<u>4,899,375</u>	<u>4,899,376</u>	6.96
	<u>19,874,921</u>	<u>19,819,866</u>	<u>19,874,922</u>	
	<u>376,530,365</u>	<u>381,255,394</u>	<u>367,310,157</u>	

The remaining periods to maturity of financial assets at amortized cost, denominated in **Foreign Currencies** excluding accrued interest, is as follows:

<u>Contractual Maturity</u>	<u>December 31, 2015</u>			
	<u>F/Cy Base Accounts</u>			
	<u>Nominal Value</u> <u>LBP'000</u>	<u>Amortized Cost</u> <u>LBP'000</u>	<u>Fair Value</u> <u>LBP'000</u>	<u>Yield</u> <u>%</u>
Lebanese Government bonds:				
- 1 year to 3 years	33,323,829	33,903,255	33,001,233	6.59
- 3 years to 5 years	32,260,500	32,929,532	32,589,316	5.90
- 5 years to 10 years	39,686,445	40,247,355	38,582,630	6.52
- Beyond 10 years	<u>44,597,880</u>	<u>44,650,498</u>	<u>44,763,268</u>	6.80
	<u>149,868,654</u>	<u>151,730,640</u>	<u>148,936,447</u>	
Certificates of deposit issued by the Central Bank of Lebanon:				
- 3 years to 5 years	7,537,500	7,537,500	7,537,500	6.20
- 5 years to 10 years	63,616,500	67,538,542	67,943,025	6.43
- Beyond 10 years	<u>7,537,500</u>	<u>7,687,992</u>	<u>7,688,250</u>	6.63
	<u>78,691,500</u>	<u>82,764,034</u>	<u>83,168,775</u>	
Corporate Bonds:				
- Up to 1 year	184,838	184,838	184,838	7.00
- 1 year to 3 years	12,572,550	12,572,550	12,572,550	6.13
- 3 years to 5 years	780,048	780,048	780,048	7.00
- 5 years to 10 years	<u>21,347,629</u>	<u>21,310,097</u>	<u>21,294,113</u>	5.80
	<u>34,885,065</u>	<u>34,847,533</u>	<u>34,831,549</u>	
	<u>263,445,219</u>	<u>269,342,207</u>	<u>266,936,771</u>	

The movement of financial assets at amortized cost, denominated in **Lebanese Pounds** excluding accrued interest, is summarized as follows:

	<u>2016</u>		
	<u>Certificates of Deposit Issued by the Central Bank of Lebanon</u>		
	<u>Lebanese Treasury Bills</u> <u>LBP'000</u>	<u>LBP'000</u>	<u>Total</u> <u>LBP'000</u>
Balance January 1	170,611,032	187,620,715	358,231,747
Additions	54,766,980	34,000,000	88,766,980
Swap and sales	(76,000,000)	(156,000,000)	(232,000,000)
Net variation in premium	(87,681)	(9,536,047)	(9,623,728)
Balance December 31	<u>149,290,331</u>	<u>56,084,668</u>	<u>205,374,999</u>

	2015		
	Lebanese Treasury Bills	Certificates of Deposit Issued by the Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	206,627,905	104,947,624	311,575,529
Additions	15,540,000	103,000,000	118,540,000
Redemptions	(18,550,000)	-	(18,550,000)
Swap and sales	(32,298,660)	(29,000,000)	(61,298,660)
Net variation in premium	(708,213)	8,673,091	7,964,878
Balance December 31	<u>170,611,032</u>	<u>187,620,715</u>	<u>358,231,747</u>

The movement of financial assets at amortized cost, denominated in **Foreign Currencies** excluding accrued interest, is summarized as follows:

	2016			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by Banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	151,730,640	82,764,034	34,847,533	269,342,207
Additions	42,653,467	22,160,250	11,758,500	76,572,217
Redemptions	(17,758,350)	-	(22,107,003)	(39,865,353)
Swap and sales	(59,609,827)	140,649,750	(4,611,290)	76,428,633
Net variation in premium	(1,330,828)	176,392	(17,524)	(1,171,960)
Exchange difference	-	-	(50,350)	(50,350)
Balance December 31	<u>115,685,102</u>	<u>245,750,426</u>	<u>19,819,866</u>	<u>381,255,394</u>

	2015			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by Banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	78,134,242	81,079,537	33,522,244	192,736,023
Reclassification from fair value to amortized cost	22,699,935	25,627,500	-	48,327,435
Additions	93,091,140	30,451,500	8,566,065	132,108,705
Redemptions	(11,946,938)	-	(5,106,487)	(17,053,425)
Swap and sales	(29,652,525)	(56,199,600)	(2,095,425)	(87,947,550)
Net variation in premium	(595,214)	1,805,097	(38,864)	1,171,019
Balance December 31	<u>151,730,640</u>	<u>82,764,034</u>	<u>34,847,533</u>	<u>269,342,207</u>

Gain from derecognition of financial assets at amortized cost consists of the following:

	Year Ended	
	December 31,	
	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Lebanese treasury bills	588,800	987,527
Certificates of deposit issued by the Central Bank of Lebanon	1,116,680	1,242,976
Lebanese Government bonds	203,527	323,998
Corporate bonds issued by banks	<u>25,790</u>	<u>20,955</u>
	<u>1,934,797</u>	<u>2,575,456</u>

During the year 2016, the Group entered into several sales transactions of Lebanese Treasury bills, Lebanese Government bonds, and certificates of deposit issued by the Central Bank of Lebanon and by banks of aggregate carrying value of LBP33billion, LBP54.4billion, LBP64billion and LBP4.6billion, respectively.

During the year 2015, the Group entered into several sales transactions of Lebanese Treasury bills, Lebanese Government bonds, and certificates of deposit issued by the Central Bank of Lebanon and by banks of aggregate carrying value of LBP33billion, LBP27.5billion, LBP87.4billion and LBP2.1billion, respectively.

The Group entered into the above transactions for the purpose of liquidity management.

During the year 2016, the Bank entered into sales transactions of Lebanese Treasury bills and certificates of deposit denominated in Lebanese Pounds designated between fair value through profit or loss and amortized cost securities and having a nominal value of LBP37billion and LBP80.5billion, respectively concluded in conjunction with the acquisition of certificates of deposit denominated in U.S. Dollars with longer maturity designated between fair value through profit or loss and amortized cost with a nominal value of USD21million and USD57million respectively. The resulting surplus of the inter-related transactions derived from the special and non-conventional arrangement with the regulator, in the amount of LBP41.25billion was deferred net of tax in the amount of LP6.19billion deferred under "Regulatory deferred liability" under "Other liabilities" (Note 22).

12. 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.

13. INVESTMENT IN AN ASSOCIATE

	<u>Country of Incorporation</u>	<u>Interest Held</u> %	<u>December 31,</u>	
			<u>2016</u>	<u>2015</u>
			<u>Carrying Value</u> <u>LBP'000</u>	<u>Carrying Value</u> <u>LBP'000</u>
Banque Bemo Saudi Fransi S.A.	Syria	22	<u>18,052,156</u>	<u>17,645,342</u>
			<u>18,052,156</u>	<u>17,645,342</u>

The movement of investment in an associate is as follows:

	<u>2016</u> <u>LBP'000</u>	<u>2015</u> <u>LBP'000</u>
Balance January 1	17,645,342	18,860,293
Share in profit of an associate (Note 37)	1,074,343	189,633
Currency translation adjustment for the year	(667,529)	(1,407,841)
Prior years adjustment	-	<u>3,257</u>
Balance December 31	<u>18,052,156</u>	<u>17,645,342</u>

The movement of the currency translation adjustment for the years 2016 and 2015 is as follows:

	<u>2016</u> <u>LBP'000</u>	<u>2015</u> <u>LBP'000</u>
Balance January 1	23,440,267	22,032,426
Additions	667,529	1,407,841
Offset against surplus derived from special and non-conventional deals arrangement with the regulator (Note 22(b))	(24,107,796)	-
Balance December 31	<u>-</u>	<u>23,440,267</u>

Banque Bemo Saudi Fransi S.A. is a material associate of the Group. The summarized consolidated financial statements of the associate are provided below:

	<u>2016</u> LBP'000	<u>2015</u> LBP'000
Total Assets	684,060,771	770,318,449
Total Liabilities	601,260,079	689,562,382
Equity of the group	82,344,937	80,206,105
Equity attributable to non-controlling interests	455,755	549,962
Profit for the year of the group	30,032,075	29,780,378
Profit attributable to non-controlling interests	97,939	104,490

Summarized consolidated statement of profit or loss:

	Year Ended December 31,	
	<u>2016</u> LBP'000	<u>2015</u> LBP'000
Interest income	19,444,234	21,443,388
Interest expense	(5,251,800)	(6,944,825)
Fee and commission income	4,731,713	7,818,047
Fee and commission expense	(200,558)	(525,397)
Administrative expenses	(4,619,876)	(5,016,493)
Staff costs	(8,914,820)	(10,392,175)
Provision for doubtful debts	(2,208,676)	(5,898,233)
Others	<u>2,290,774</u>	<u>482,148</u>
	5,270,991	966,460
Unrealized gain on capital revaluation	<u>24,859,023</u>	<u>28,918,408</u>
	<u>30,130,014</u>	<u>29,884,868</u>

Summarized consolidated statement of financial position:

	December 31,	
	2016	2015
	LBP'000	LBP'000
<u>Assets</u>		
Cash and central banks	139,367,528	189,852,340
Deposits with banks and financial institutions	399,802,784	206,302,410
Trading assets at fair value through profit or loss	1,629,824	2,069,803
Loans to banks and financial institutions	100,886,577	163,876,149
Investment securities	12,791,243	164,607,339
Fixed assets	14,201,194	19,416,522
Others	<u>15,381,621</u>	<u>24,193,886</u>
	<u>684,060,771</u>	<u>770,318,449</u>
<u>Liabilities</u>		
Deposits from banks	26,995,235	29,308,980
Customers' accounts at amortized cost	540,521,584	619,090,105
Others	<u>33,743,260</u>	<u>41,163,297</u>
	<u>601,260,079</u>	<u>689,562,382</u>

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through foreclosure of security over loans and advances.

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and these assets 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. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non performing loans' portfolio are met. This regulatory reserve is reflected under equity. In this connection, an amount of LBP102million was appropriated in 2016 from 2015 income (LBP113million in 2015). An amount of LBP68million was transferred in 2015 to "Reserves from disposal of assets acquired in satisfaction of loans" upon the sale of the related foreclosed assets (Note 28).

During 2015, the Group sold assets acquired in satisfaction of loans whose aggregate carrying value amounted to LBP213million as at the sale date. As a result, the Group recognized capital gain in the amount of LBP807million recorded under "Other operating income/(loss)" (Note 37) in the consolidated statement of profit or loss for the year ended December 31, 2015.

15. PROPERTY AND EQUIPMENT

	<u>Land</u> LBP'000	<u>Buildings</u> LBP'000	<u>Furniture</u> LBP'000	<u>Computer Equipment</u> LBP'000	<u>Vehicles</u> LBP'000	<u>Installations and Leasehold Improvement</u> LBP'000	<u>Advances on Capital Expenditures</u> LBP'000	<u>Total</u> LBP'000
Gross amount:								
Balance, January 1, 2015	7,222,927	6,265,992	2,378,246	6,148,979	762,962	9,066,023	8,805	31,853,934
Additions	-	1,118,612	42,550	495,489	376,165	297,773	206,980	2,537,569
Disposals	-	-	(56,480)	(259,392)	(222,528)	(252,817)	-	(791,217)
Transfers between categories	-	-	-	564	-	8,241	(8,805)	-
Balance, December 31, 2015	<u>7,222,927</u>	<u>7,384,604</u>	<u>2,364,316</u>	<u>6,385,640</u>	<u>916,599</u>	<u>9,119,220</u>	<u>206,980</u>	<u>33,600,286</u>
Additions	-	1,008,280	186,871	647,364	131,893	76,414	6,491,734	8,542,556
Disposals	-	-	(34,165)	(273,808)	(113,958)	(6,590)	-	(428,521)
Transfers between categories	-	52,762	-	-	-	-	(52,762)	-
Balance, December 31, 2016	<u>7,222,927</u>	<u>8,445,646</u>	<u>2,517,022</u>	<u>6,759,196</u>	<u>934,534</u>	<u>9,189,044</u>	<u>6,645,952</u>	<u>41,714,321</u>
Accumulated depreciation:								
Balance, January 1, 2015	-	1,410,668	1,913,005	4,791,936	503,283	7,902,102	-	16,520,994
Additions	-	160,773	115,077	396,525	91,291	397,985	-	1,161,651
Write-off on disposal	-	-	(55,203)	(249,816)	(222,528)	(252,814)	-	(780,361)
Balance, December 31, 2015	-	<u>1,571,441</u>	<u>1,972,879</u>	<u>4,938,645</u>	<u>372,046</u>	<u>8,047,273</u>	-	<u>16,902,284</u>
Additions	-	196,442	111,927	463,401	110,579	316,678	-	1,199,027
Write-off on disposal	-	-	(32,741)	(272,694)	(42,711)	(6,588)	-	(354,734)
Balance, December 31, 2016	-	<u>1,767,883</u>	<u>2,052,065</u>	<u>5,129,352</u>	<u>439,914</u>	<u>8,357,363</u>	-	<u>17,746,577</u>
Carrying amount:								
December 31, 2016	<u>7,222,927</u>	<u>6,677,763</u>	<u>464,957</u>	<u>1,629,844</u>	<u>494,620</u>	<u>831,681</u>	<u>6,645,952</u>	<u>23,967,744</u>
December 31, 2015	<u>7,222,927</u>	<u>5,813,163</u>	<u>391,437</u>	<u>1,446,995</u>	<u>544,553</u>	<u>1,071,947</u>	<u>206,980</u>	<u>16,698,002</u>

The addition to advances on capital expenditures during the year 2016 in the amount of LBP6.5billion, represents an advance payment on plot number 660 located in Medawar for the purpose of building the Bank's head quarters.

The addition to buildings during the year 2016 in the amount of LBP1billion, fully settled during the year, represents the purchase of plot number 1331 section 5 and 6 located in Rabieh for the purpose of expanding Rabieh Branch.

The addition to buildings during the year 2015 in the amount of LBP1.12million, fully settled during the year, represents the purchase of plot number 1331 section 4 located in Rabieh for the purpose of expanding Rabieh branch.

16. INTANGIBLE ASSETS

	<u>Purchased Software LBP'000</u>
Cost:	
Balance, January 1, 2015	3,878,052
Acquisitions	<u>158,380</u>
Balance, December 31, 2015	4,036,432
Acquisitions	683,068
Disposals	(3,789)
Balance, December 31, 2016	<u>4,715,711</u>
Amortization:	
Balance, January 1, 2015	3,151,813
Amortization of the year	<u>266,418</u>
Balance, December 31, 2015	3,418,231
Amortization of the year	319,591
Disposals	(3,789)
Balance, December 31, 2016	<u>3,734,031</u>
Carrying Amount:	
December 31, 2016	<u>981,680</u>
December 31, 2015	<u>618,201</u>

17. OTHER ASSETS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Exchange difference on fixed exchange position	302,578	302,578
Fair value of forward exchange contracts	4,425,698	-
Stamps	86,033	41,784
Deferred charges	13,594	24,239
Receivables from securitization operations	338,928	840,106
Receivables from an associate bank and a financial institution	731,401	983,283
Prepayments	1,588,510	1,048,475
Sundry accounts receivable (Net of provision)	<u>5,438,152</u>	<u>5,002,792</u>
	<u>12,924,894</u>	<u>8,243,257</u>

Provision for doubtful receivables of LBP287.45million was set up during 2016 against receivables from the National Social Security Fund (LBP313.29million for the year 2015). Total provision as at December 31, 2016 amounts to LBP855million (LBP532million as at December 31, 2015).

Receivables from an associate bank and a financial institution represent amounts paid by the Group on behalf of these related entities.

18. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2016			December 31, 2015		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Current deposits of banks and financial institutions	2,130	822,829	824,959	57,874	688,965	746,839
Current deposits - Related parties	-	76,822,551	76,822,551	-	16,394,611	16,394,611
Money market deposits	9,552,000	-	9,552,000	26,929,500	12,060,000	38,989,500
Money market deposits - Related parties	-	25,526,936	25,526,936	-	28,439,451	28,439,451
Pledged deposits (Note 8)	12,530,000	-	12,530,000	25,500,000	-	25,500,000
Accrued interest payable	1,340,485	54,181	1,394,666	1,278,158	3,058	1,281,216
	<u>23,424,615</u>	<u>103,226,497</u>	<u>126,651,112</u>	<u>53,765,532</u>	<u>57,586,085</u>	<u>111,351,617</u>

19. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2016		
	Counter		
	LBP	Value in	Total
	LBP'000	LBP of F/Cy	LBP'000
Deposits from customers:			
Current and demand deposits	55,328,764	308,331,397	363,660,161
Term deposits	244,134,811	1,272,446,294	1,516,581,105
Collateral against loans and advances	25,587,680	138,002,595	163,590,275
Margins and other accounts:			
Margins for irrevocable import letters of credit.	-	224,024	224,024
Margins on letters of guarantee	578,989	3,338,476	3,917,465
Other margins	50,150	12,421,892	12,472,042
Margins on trading transactions	380,134	8,193,480	8,573,614
Accrued interest payable	<u>2,914,064</u>	<u>6,259,278</u>	<u>9,173,342</u>
Total	<u>328,974,592</u>	<u>1,749,217,436</u>	<u>2,078,192,028</u>

	December 31, 2015		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current and demand deposits	37,427,952	272,607,087	310,035,039
- Term deposits	289,148,423	1,130,447,643	1,419,596,066
- Collateral against loans and advances	28,644,802	151,028,261	179,673,063
Margins and other accounts:			
- Margins for irrevocable import letters of credit	-	308,404	308,404
- Margins on letters of guarantee	448,730	1,587,513	2,036,243
- Other margins	59,050	15,696,623	15,755,673
- Margins on trading transactions	165,134	13,594,316	13,759,450
Accrued interest payable	<u>3,404,893</u>	<u>5,382,078</u>	<u>8,786,971</u>
Total	<u>359,298,984</u>	<u>1,590,651,925</u>	<u>1,949,950,909</u>

Deposits from customers are allocated by brackets of deposits as follows:

	December 31, 2016		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
Less than LBP200million	148,199,335	7.13	72.66
From LBP200million to LBP1.5billion	622,353,910	29.95	21.94
Over LBP1.5billion	<u>1,307,638,783</u>	<u>62.92</u>	<u>5.40</u>
	<u>2,078,192,028</u>	<u>100.00</u>	<u>100.00</u>

	December 31, 2015		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
- Less than LBP200million	157,993,332	8.10	74.08
- From LBP200million to LBP1.5billion	638,305,555	32.74	21.19
- Over LBP1.5billion	<u>1,153,652,022</u>	<u>59.16</u>	<u>4.73</u>
	<u>1,949,950,909</u>	<u>100.00</u>	<u>100.00</u>

Term deposits as at December 31, 2016 include fiduciary deposits received from a non-resident related party bank in the amount of LBP19.15billion (LBP2.22billion as at December 31, 2015).

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

	<u>LBP Base Accounts</u>		<u>F/Cy Base Accounts</u>		<u>Cost of Funds</u> <u>LBP'000</u>
	<u>Average Balance of Deposits</u> <u>LBP'000</u>	<u>Average Interest Rate</u> <u>%</u>	<u>Average Balance of Deposits</u> <u>LBP'000</u>	<u>Average Interest Rate</u> <u>%</u>	
2016	347,215,150	6.17	1,715,030,692	3.03	73,312,232
2015	334,869,820	6.17	1,572,101,089	2.86	66,431,464
2014	304,486,256	6.11	1,562,183,916	2.65	60,001,984

20. RELATED PARTIES' ACCOUNTS AT AMORTIZED COST

	<u>December 31, 2016</u>		
	<u>LBP'000</u>	<u>Counter Value in LBP'000 of F/Cy</u>	<u>Grand Total</u> <u>LBP'000</u>
Deposits from related party customers:			
- Current and demand deposits	3,689,077	27,764,272	31,453,349
- Term deposits	930,518	74,784,894	75,715,412
Margins and other accounts:			
- Margins on letters of guarantee	-	3,501,730	3,501,730
Accrued interest payable	<u>2,176</u>	<u>280,867</u>	<u>283,043</u>
Total	<u>4,621,771</u>	<u>106,331,763</u>	<u>110,953,534</u>

	<u>December 31, 2015</u>		
	<u>LBP'000</u>	<u>Counter Value in LBP'000 of F/Cy</u>	<u>Grand Total LBP'000</u>
Deposits from related party customers:			
- Current and demand deposits	3,787,204	39,830,994	43,618,198
Term deposits	632,023	44,183,428	44,815,451
Margins and other accounts:			
- Margin on letters of guarantee	-	35,567	35,567
- Margins for irrecoverable import letters of guarantee	-	156,780	156,780
Accrued interest payable	<u>1,932</u>	<u>372,586</u>	<u>374,518</u>
Total	<u>4,421,159</u>	<u>84,579,355</u>	<u>89,000,514</u>

Deposits from related parties at amortized cost are allocated by brackets of deposits as follows:

	<u>December 31, 2016</u>	
	<u>Total Deposits LBP'000</u>	<u>% to Total Deposits %</u>
- Less than LBP500million	5,776,304	5.21
- From LBP500million to LBP1.5billion	9,432,564	8.50
- Over LBP1.5billion	<u>95,744,666</u>	<u>86.29</u>
	<u>110,953,534</u>	<u>100.00</u>

	<u>December 31, 2015</u>	
	<u>Total Deposits LBP'000</u>	<u>% to Total Deposits %</u>
- Less than LBP500million	7,010,427	7.88
- From LBP500million to LBP1.5billion	11,752,139	13.20
- Over LBP1.5billion	<u>70,237,948</u>	<u>78.92</u>
	<u>89,000,514</u>	<u>100.00</u>

21. OTHER TERM BORROWINGS

Other term borrowings, represent borrowing from Central Bank of Lebanon in LBP being facilities in accordance with Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments by which the Group benefited from credit facilities granted against loans the Group has granted, at its own risk, to its customers, pursuant to certain conditions, rules and mechanism.

22. OTHER LIABILITIES

	December 31	
	2016	2015
	LBP'000	LBP'000
Current tax liability (a)	8,889,827	2,102,204
Deferred tax liability	501,838	501,838
Withheld tax on salaries	539,505	487,747
Withheld tax on interest	543,241	589,286
Due to the National Social Security Fund	334,801	503,000
Checks and incoming payment orders in course of settlement	1,808,437	611,281
Accrued expenses	2,410,778	1,518,359
Payable to a related party	724,854	1,251,656
Sundry accounts payable	2,074,296	1,284,557
Forward exchange contracts	-	2,964,333
Regulatory deferred liability (b)	10,952,921	-
Other	2,079,969	1,696,172
	<u>30,860,467</u>	<u>13,510,433</u>

(a) The determination of income tax of the Bank is presented as follows:

	2016	2015
	LBP'000	LBP'000
Profit before income tax	28,535,502	23,491,687
Add: Non-deductible expenses/losses	4,420,961	2,655,570
Less:		
- Non-taxable revenues/gains	(1,058,902)	(471,570)
- Income of Cyprus branch and subsidiaries	(764,718)	(1,077,211)
Taxable income for the year	31,132,843	24,598,476
Enacted tax rate in Lebanon	15%	15%
	4,669,926	3,689,771
Add: Income tax provision - branches and subsidiaries	120,266	301,770
Income tax expense	4,790,192	3,991,541
Less: Tax paid during the year in the form of withholding tax	(1,992,672)	(1,701,675)
Less: Cyprus income tax paid during the year	(102,248)	(195,032)
	2,695,272	2,094,834
Brought forward balance from non-resident branch	7,370	7,370
	2,702,642	2,102,204
Tax on surplus derived from non-conventional deal arrangements with the regulator(Note 22(b))	6,187,185	-
Current tax liability	<u>8,889,827</u>	<u>2,102,204</u>

During 2015, the Bank's tax returns for fiscal years 2010 to 2013 were reviewed and assessed by the tax authorities. The outcome of this review resulted in tax penalties relevant to fiscal years 2010 and 2011, in the amount of LBP204million accrued for during 2015 and fully settled during the first quarter of 2016.

The outcome of the review of the Bank's tax returns for fiscal years 2012 and 2013 is still pending.

The Bank's tax returns since fiscal years 2014 to 2016 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these review.

The tax returns of the Group's Lebanese subsidiaries since fiscal year 2012 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

(b) In accordance with the Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016, banks should record the surplus derived from the sale of treasury bills in Lebanese Pound against investment in medium and long term certificates of deposit in foreign currency issued by the Central Bank of Lebanon under deferred liability, which is regulated in nature, and shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of the implementation of IFRS 9 for Impairment, as and when quantified effective January 1, 2018, in addition to appropriation to offset any impairment losses of goodwill and investments in associates.

During the year 2016, as a result of several transactions derived from the special and non-conventional deals arrangement with the Central Bank of Lebanon, the Group received a surplus of LBP41.25billion recorded under "Regulatory deferred liability", net of tax in the amount of LBP6.19billion (Note 11). Furthermore, in accordance with the above mentioned Circular, the Group appropriated an amount of LBP24.11billion to offset currency translation losses incurred from the investment in an associate (Note 13). The remaining balance of LBP10.95billion is deferred in accordance with the above-mentioned circular to be appropriated to collective provision for credit risks. The Group will appropriate the shortage in the amount of LBP5.65billion from free reserves in 2017, to constitute the minimum 2% of weighted credit risks stipulated in the circular number 446 referred to above.

23. PROVISIONS

Provisions consist of the following:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Provision for staff end-of-service indemnity	4,152,995	4,164,596
Provision for contingencies	2,986,452	1,520,729
Provision for loss on foreign currency position	357,200	357,464
	<u>7,496,647</u>	<u>6,042,789</u>

The movement of provision for staff end-of-service indemnity is as follows:

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance January 1	4,165,596	4,160,953
Additions (Note 38)	941,970	378,854
Settlements	(950,444)	(365,708)
Exchange difference	(4,127)	(9,503)
Balance December 31	<u>4,152,995</u>	<u>4,164,596</u>

The movement of the provision for contingencies was as follows:

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance January 1	1,520,729	2,729,479
Additions	1,976,728	960,305
Write-back	(452,250)	(2,031,872)
Settlements	(58,755)	(137,183)
Balance December 31	<u>2,986,452</u>	<u>1,520,729</u>

During 2015, the Group wrote-back provision for contingencies in the amount of USD1,311,000 (LBP1.98billion) previously set-up by the Group in 2002 following a lawsuit filed by a non-resident correspondent bank against the branch in Limassol, Cyprus, as legal counsel of the Group is of the opinion that there will not be any effect on the Group. The approval of the Banking Control Commission was obtained on June 5, 2015.

24. SUBORDINATED BONDS

This caption consists of the following:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Subordinated bonds	<u>37,687,500</u>	<u>37,687,500</u>
	<u>37,687,500</u>	<u>37,687,500</u>

The exceptional general assembly of shareholders approved in its meeting held on October 24, 2014 the issuance of subordinated bonds in the amount of USD25million divided into 2,500 bonds of USD10,000 nominal value each. These bonds were issued on December 15, 2014 and mature on January 4, 2021 and are subject to an annual interest rate of 6% payable on December 31 and June 30 of each year.

Interest expense on subordinated bonds for the year ended December 31, 2016 amounting to LBP2.27billion is recorded under "Interest expense" in the consolidated statement of profit or loss (LBP2.26billion for the year ended December 31, 2015) (Note 33).

In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purposes of computation of Risk Based Capital Ratio, to be decreased by 20% on a yearly basis.

25. SHARE CAPITAL

The Bank's capital as at December 31, 2016 is composed of 62,000,000 issued shares of LBP1,004 each (62,000,000 shares of LBP1,004 each as at December 31, 2015) authorized and fully paid and divided as follows:

- Listed Shares : 51,400,000
- Unlisted Shares : 10,600,000

The movement of treasury shares during 2016 and 2015 was as follows:

	<u>2016</u>		<u>2015</u>	
	<u># of Shares</u>	<u>Amount</u> <u>LBP'000</u>	<u># of Shares</u>	<u>Amount</u> <u>LBP'000</u>
Balance - January 1	568,428	2,696,018	439,814	2,344,459
Acquisition	95,857	235,897	130,114	355,855
Sales	-	-	(1,500)	(4,296)
Balance - December 31	<u>664,285</u>	<u>2,931,915</u>	<u>568,428</u>	<u>2,696,018</u>

26. PREFERRED SHARES

On December 19, 2013, the Group issued Non-cumulative Perpetual Preferred Shares in the amount of USD35million (LBP52billion) on the basis of 350,000 shares at USD100. The Group offered discounts to preferred shares subscribers for the aggregate amount of USD80,960 (USD 122million). These preferred shares generate benefits at an annual rate of 7%.

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

This caption represents capital injection of USD19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Group's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital.

This type of equity instrument consists of non-refundable capital injection which could be converted into share capital and it has the advantage of being booked and maintained in foreign currencies which allows for hedging against national currency fluctuation.

28. RESERVES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Legal reserve (a)	6,846,103	5,048,091
Reserve for general banking risks (b)	31,904,035	26,523,875
General reserve for performing loans (c)	4,054,500	1,500,000
Reserve for assets acquired in satisfaction of loans - Note 14	869,957	767,610
Reserve from disposal of assets acquired in satisfaction of loans - Note 14	182,080	182,080
Free reserves	<u>6,208,597</u>	<u>5,518,363</u>
	<u>50,065,272</u>	<u>39,540,019</u>

- (a) In accordance with the requirements of the Lebanese Money and Credit Law, the Group transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution.
- (b) The reserve for general banking risks is constituted according to local banking regulations from income 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. The cumulative reserve should not be less than 1.25% at the end of the 10th year (2007) and 2% at the end of the 20th year. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP2.84billion and LBP29billion, respectively, in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.
- (c) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit the equivalent of:
- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.
 - 0.25% of performing corporate loans as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

29. NON-CONTROLLING INTERESTS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Equity	198,619	189,174
(Loss)/profit for the year	(97,478)	<u>9,445</u>
	<u>101,141</u>	<u>198,619</u>

30. PROFIT FOR THE YEAR

The consolidated profit for the year is allocated as follows between the Bank and its subsidiaries:

	<u>Year Ended</u>		
	<u>December 31, 2016</u>		
	<u>Group's</u>	<u>Non-Controlling</u>	<u>Total</u>
	<u>Share</u>	<u>Interests</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Profit of the Bank	23,752,848	-	23,752,848
Profit/(loss) of subsidiaries:			
Bemo Securitization S.A.L.	363,421	-	363,421
Depository and Custody Company S.A.L.	19,009	19	19,028
Bemo Investment Firm Ltd.	(292,490)	(97,497)	(389,987)
Total	<u>23,842,788</u>	<u>(97,478)</u>	<u>23,745,310</u>

	<u>Year Ended</u>		
	<u>December 31, 2015</u>		
	<u>Group's</u>	<u>Non-Controlling</u>	<u>Total</u>
	<u>Share</u>	<u>Interests</u>	<u>Total</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Profit of the Bank	21,079,495	-	21,079,495
Profit/(Loss) of subsidiaries:			
Bemo Securitization S.A.L.	(1,694,765)	-	(1,694,765)
Depository and Custody Company S.A.L.	77,871	78	77,949
Bemo Investment Firm Ltd.	28,100	9,367	37,467
Total	<u>19,490,701</u>	<u>9,445</u>	<u>19,500,146</u>

31. DIVIDENDS PAID

	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
LBP60 per common share paid by the Bank in 2016 (LBP50 per share in 2015)	3,683,102	3,100,000
USD7 per preferred share paid by the Bank in 2016 (USD7 per share in 2015)	<u>3,693,375</u>	<u>3,693,375</u>
	<u>7,376,477</u>	<u>6,793,375</u>

32. INTEREST INCOME

	<u>Year Ended</u> <u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Interest income from:		
Term deposits with Central Banks	7,446,353	5,889,369
Deposits with banks and financial institutions	1,035,206	824,271
Deposits with related party banks and financial institutions	417,962	135,307
Financial assets at amortized cost	39,607,051	34,068,580
Loans to banks and financial institutions - Note 8	1,091,513	1,109,149
Loans under reverse repurchase agreements - Note 8	271,948	1,620,951
Loans and advances to customers	66,653,265	64,020,907
Loans and advances to related parties	47,606	63,618
Interest realized on impaired loans and advances to customers - Note 9	<u>184,147</u>	<u>135,686</u>
	<u>116,755,051</u>	<u>107,867,838</u>

Interest income on the Group's trading portfolio is included under "net interest and other gains/(losses) on financial assets at fair value through profit or loss" (Note 36).

33. INTEREST EXPENSE

	<u>Year Ended</u> <u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Interest expense on:		
Deposits and borrowings from banks and financial institutions	2,917,157	3,311,182
Deposits and borrowings from related party banks and financial institutions	743,501	334,716
Other term borrowings	-	86,962
Customers' accounts at amortized cost	71,110,425	65,108,952
Related parties' accounts at amortized cost	2,201,807	1,322,512
Subordinated bonds - Note 24	<u>2,267,445</u>	<u>2,261,250</u>
	<u>79,240,335</u>	<u>72,425,574</u>

34. FEE AND COMMISSION INCOME

	Year Ended	
	December 31	
	2016	2015
	LBP'000	LBP'000
Commission on documentary credits	756,945	1,205,505
Commission on letters of guarantee	1,225,747	999,065
Commission on customers' securities transactions (a)	9,568,516	-
Commission on other customers' transactions	1,283,864	1,228,093
Service fees on customers' transactions	6,990,452	5,866,119
Other	350,411	452,718
	<u>20,175,935</u>	<u>9,751,500</u>

(a) The Group's customers entered into sales transaction of certificates of deposits in Lebanese Pounds against purchase of Lebanese Government bonds in U.S. Dollars with the regulator and as a result, the Group recorded commissions in the amount of LBP9.57billion,

35. FEE AND COMMISSION EXPENSE

	Year Ended	
	December 31	
	2016	2015
	LBP'000	LBP'000
Commission on transactions with banks	224,899	226,316
Other	<u>85,058</u>	<u>150,643</u>
	<u>309,957</u>	<u>376,959</u>

36. NET INTEREST AND OTHER GAINS / (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year Ended	
	December 31	
	2016	2015
	LBP'000	LBP'000
Dividends received on equity securities	243,218	260,776
Interest received on debt securities	4,731,043	4,952,880
Unrealized loss	(2,721,584)	(162,251)
Realized gain	<u>2,279,066</u>	<u>1,654,978</u>
	<u>4,531,743</u>	<u>6,706,383</u>

37. OTHER OPERATING INCOME/(LOSS), (NET)

	Year Ended December 31	
	2016	2015
	LBP'000	LBP'000
Dividends on financial assets at fair value through other comprehensive income	53,603	44,669
Share in profit of an associate (Note 13)	1,074,343	189,633
Revenues and commissions from securitization operations	3,319,930	1,688,506
Gain from sale of assets acquired in satisfaction of loans (Note 14)	-	807,816
Others	262,049	234,385
	<u>4,709,925</u>	<u>2,965,009</u>

38. STAFF COSTS

	Year Ended December 31	
	2016	2015
	LBP'000	LBP'000
Salaries and related charges	19,640,565	18,105,071
Social Security contributions	2,037,992	2,095,250
Provision for employees' end-of-service indemnities (net) (Note 23)	941,970	378,854
	<u>22,620,527</u>	<u>20,579,175</u>

39. ADMINISTRATIVE EXPENSES

	Year Ended December 31	
	2016	2015
	LBP'000	LBP'000
Travel and entertainment	257,073	241,191
Advertisement and publicity	1,387,628	804,057
Professional fees	4,292,888	4,688,603
Maintenance and repairs	1,468,335	1,277,961
Electricity and fuel	354,564	336,197
Telephone expenses	499,021	484,789
Printing and stationary	325,626	333,495
Rent and building services	2,098,555	1,963,457
Insurance	266,995	270,744
Subscriptions	1,574,544	1,380,831
Gifts and donations	457,136	208,125
Fees and taxes	965,880	1,108,175
Other	1,736,171	1,691,763
	<u>15,684,416</u>	<u>14,789,388</u>

40. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculation:

	<u>2016</u> <u>LBP'000</u>	<u>2015</u> <u>LBP'000</u>
Number of common shares outstanding during the year	<u>62,000,000</u>	<u>62,000,000</u>
Weighted average number of treasury shares	(<u>621,628</u>)	(<u>558,712</u>)
Weighted average number of common shares adjusted for the effect of treasury shares	<u>61,378,372</u>	<u>61,441,288</u>
	<u>2016</u> <u>LBP'000</u>	<u>2015</u> <u>LBP'000</u>
Net profit attributable to equity holders of the Group	23,842,788	19,490,701
Less dividends to preferred shares	(<u>3,693,375</u>)	(<u>3,693,375</u>)
Net profit attributable to equity holders of the Group	<u>20,149,414</u>	<u>15,797,326</u>
Basic earnings per share in LBP	<u>328/28</u>	<u>257/11</u>
Diluted earnings per share in LBP	<u>328/28</u>	<u>257/11</u>

41. 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 financial position. 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.

Forward exchange contracts outstanding as of December 31, 2016 and 2015 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers.

42. FIDUCIARY DEPOSITS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>Resident</u>	<u>Resident</u>
	<u>Customers</u>	<u>Customers</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Fiduciary deposits from customers invested in certificates of deposit issued by the Central Bank of Lebanon	-	1,035,653
Fiduciary deposits from customers invested in other banks	30,977,402	20,313,226
Fiduciary deposits from related parties invested in loans granted to related party companies	14,195,935	3,015,000
Fiduciary deposits from customers invested in loans granted to other customers	24,120	16,023,973
	<u>45,197,457</u>	<u>40,387,852</u>

43. 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 excluding accrued interest and balances eliminated on consolidation consist of the following:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
- Secured loans and advances	602,802	654,741
- Unsecured loans and advances	1,440,138	756,373
- Deposits	42,076,774	17,496,019
Associated companies:		
Direct facilities and credit balances:		
- Unsecured loans and advances	603,405	444,757
- Deposits	68,876,760	71,504,495
Indirect facilities:		
- Letters of guarantee	2,497,669	29,496

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP678million as at December 31, 2016 (LBP448million as at December 31, 2015).

The remuneration of executive management amounted to LBP2.51billion during 2016 (LBP2.16billion during 2015).

44. CASH AND CASH EQUIVALENTS

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Cash	9,015,076	9,585,724
Current accounts with Central Banks (excluding compulsory reserve)	34,771,506	65,590,519
Term placements with Central Bank of Lebanon	161,762,500	20,552,500
Checks for collection and current accounts with banks and financial institutions	159,267,138	72,846,079
Term placements with banks and financial institutions	<u>68,562,537</u>	<u>26,986,988</u>
	<u>433,378,757</u>	<u>195,561,810</u>

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

45. COLLATERAL GIVEN

The carrying values of financial assets given as collateral are as follows:

	<u>December 31, 2016</u>		
	<u>Pledged Amount</u>	<u>Nature of Facility</u>	<u>Amount of Facility</u>
	<u>LBP'000</u>		<u>LBP'000</u>
Deposits with banks and financial institutions	65,301,776	Forward contracts	57,653,925
		Options and swaps	29,874,806
		Acceptances less than one year	1,296,318
		<u>65,301,776</u>	
	<u>December 31, 2015</u>		
	<u>Pledged Amount</u>	<u>Nature of Facility</u>	<u>Amount of Facility</u>
	<u>LBP'000</u>		<u>LBP'000</u>
Deposits with banks and financial institutions	72,742,005	Forward contracts	179,416,597
		Options and swaps	41,005,459
		Acceptances less than one year	9,140,342
		<u>72,742,005</u>	

46. PARTLY - OWNED SUBSIDIARY

Bemo Invest Firm Ltd. is a partly owned subsidiary of the Group. Financial information of the subsidiary are provided below:

	<u>2016</u>	<u>2015</u>
	%	%
Portion of equity interests held by non-controlling interests	<u>75</u>	<u>75</u>

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations:

	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Total Assets	<u>1,443,075</u>	<u>2,705,302</u>
Total Liabilities	<u>1,039,019</u>	<u>1,911,258</u>
Total Equity	<u>404,056</u>	<u>794,044</u>
(Loss)/profit for the year	<u>(389,988)</u>	<u>37,466</u>

	<u>Year Ended</u>	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
Fee and commission income	353,418	687,129
Commission expense	(4,314)	(5,069)
Administrative expenses	(463,889)	(384,470)
Staff Costs	(274,682)	(259,290)
Depreciation and amortization	(521)	(834)
	<u>(389,988)</u>	<u>37,466</u>

Summarized statement of financial position:

	<u>Year Ended</u>	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	LBP'000	LBP'000
<u>Assets</u>		
Deposits with banks and financial institutions	1,116,355	1,256,590
Property and equipment	-	522
Other assets	<u>326,720</u>	<u>1,448,190</u>
	<u>1,443,075</u>	<u>2,705,302</u>
<u>Liabilities</u>		
Other liabilities	802,351	1,470,625
Provisions	<u>236,668</u>	<u>440,633</u>
	<u>1,039,019</u>	<u>1,911,258</u>

47. 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.

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.

Pursuant to Central Bank Decision No 10848 dated December 7, 2011, adopted with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

<u>Ratio</u>	<u>December 31, 2015</u> %	<u>December 31, 2016</u> %	<u>December 31, 2017</u> %	<u>December 31, 2018</u> %
Common Equity Tier 1 ratio	8.00	8.5	9	10
Tier 1 ratio	10.00	11	12	13
Total Capital ratio	12.00	14	14.5	15

The Group's capital is split as follows:

Tier I capital: Comprises share capital, after deduction of treasury shares, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of current year's net profit) and minority interest. Goodwill, intangible assets and unfavorable change in fair value of investments at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II capital: Comprises qualifying subordinated liabilities, cumulative favorable change in fair value through other comprehensive income and revaluation surplus of owned properties.

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

Furthermore, 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.

The Group has complied with imposed capital requirements throughout the year.

The Group's risk based capital ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2016 and 2015, is as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>LBP million</u>	<u>LBP million</u>
Risk-weighted assets	1,735,782	1,563,724
Credit risk	1,544,134	1,447,389
Market risk	88,601	24,588
Operational risk	103,047	91,747
Common equity Tier I (net)	180,385	135,521
Tier I capital (including reserve for assets acquired in satisfaction of loans)	232,925	188,162
Tier II capital	<u>37,688</u>	<u>37,688</u>
Total capital	<u><u>270,613</u></u>	<u><u>225,850</u></u>
Capital adequacy ratio - Common Equity Tier I	10.39%	8.67%
Capital adequacy ratio - Tier I	13.42%	12.03%
Capital adequacy ratio - Tier I and Tier II	15.59%	14.44%

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 Central Bank of Lebanon directives and Basle III.
- 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:

	<u>Balances</u>		<u>Variation</u>	
	<u>December 31,</u>		<u>Amount</u>	<u>%</u>
	<u>2016</u>	<u>2015</u>		
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	
Equity allotted to common shares	189,713,253	150,042,572	32,670,681	26.44
Preferred shares	52,641,854	52,641,854	-	-
Subordinated bonds	<u>37,687,500</u>	<u>37,687,500</u>	-	-
Total equity	<u><u>280,042,607</u></u>	<u><u>240,371,926</u></u>		

48. SEGMENT INFORMATION

The Group's operating segments are organized as follows: Lebanon and subsidiaries.

Measurement of segment assets, liabilities, income and expenses is based on the Group's accounting policies.

Segment income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made, if any.

The Group has two reportable business segments which reflect the basis on which senior management reviews operations:

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Lebanon and Middle East</u>	<u>Cyprus</u>	<u>Inter-Segment</u>	<u>Lebanon and Middle East</u>	<u>Cyprus</u>	<u>Inter-Segment</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Total Assets	2,604,048,920	58,745,723	(12,244,289)	2,382,951,697	72,807,352	(12,505,310)
Total Liabilities	2,367,034,833	43,018,731	(1,959,458)	2,188,428,295	55,377,563	(3,435,164)
Total Equity	237,014,087	15,726,992	(10,284,831)	194,523,402	17,429,789	(9,070,146)
Profit for the year	23,093,321	651,989	-	17,145,354	2,354,792	-

ASSETS

Cash and Central Banks	549,165,457	394,662	-	439,794,200	419,401	-
Deposits with banks and financial institutions	294,335,787	16,125,597	(12,244,289)	196,951,347	16,796,014	(12,505,310)
Financial assets at fair value through profit or loss	85,164,618	88,450	-	24,723,818	976,832	-
Loans to banks and financial institutions	17,512,310	-	-	48,867,483	-	-
Loans and advances to customers	1,022,637,222	15,290,001	-	998,844,145	17,425,640	-
Loans and advances to related parties	2,627,298	19,047	-	1,813,974	41,897	-
Investment securities	568,891,667	25,632,154	-	610,879,937	27,676,463	-
Investment in associate	18,052,156	-	-	17,645,342	-	-
Other	45,662,405	1,195,812	-	43,431,451	9,471,105	-

LIABILITIES

Deposits and borrowings from banks	126,651,112	1,959,467	(1,959,467)	111,351,617	3,364,230	(3,364,230)
Customers' accounts at amortized cost	2,038,099,268	40,092,760	-	1,907,728,053	42,293,790	(70,934)
Related parties' accounts at amortized cost	110,944,857	8,677	-	88,560,214	440,300	-
Other term borrowings	9,315,863	-	-	7,530,780	-	-
Other	44,336,242	957,827	-	35,570,131	9,279,243	-
Subordinated bonds	37,687,500	-	-	37,687,500	-	-

	2016			2015		
	Lebanon and Middle East	Cyprus	Inter-Segment	Lebanon and Middle East	Cyprus	Inter-Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	114,242,753	2,882,594	(370,296)	105,773,985	2,393,625	(299,772)
Interest expense	(78,541,791)	(1,068,840)	370,296	(71,814,322)	(911,024)	299,772
Net interest income	<u>35,700,962</u>	<u>1,813,754</u>	<u>-</u>	<u>33,959,663</u>	<u>1,482,601</u>	<u>-</u>
Fee and commission income	19,754,188	421,747	-	9,524,658	226,842	-
Fee and commission expense	(309,340)	(617)	-	(371,516)	(5,443)	-
Net fee and commission income	<u>19,444,848</u>	<u>421,130</u>	<u>-</u>	<u>9,153,142</u>	<u>221,399</u>	<u>-</u>
Net interest and other gain on trading assets at fair value through profit or loss	4,473,048	58,695	-	6,067,216	639,167	-
Gain on exchange	2,856,741	(55)	-	2,527,593	365	-
Gain from sale of assets at amortized cost	1,934,797	-	-	2,575,456	-	-
Other operating income	<u>4,712,706</u>	<u>(2,781)</u>	<u>-</u>	<u>2,908,938</u>	<u>56,071</u>	<u>-</u>
Net financial revenues	<u>69,123,102</u>	<u>2,290,743</u>	<u>-</u>	<u>57,192,008</u>	<u>2,399,603</u>	<u>-</u>
Allowance for impairment of loans and advances and other receivables, (net)	(1,631,622)	26,062	-	(196,273)	(319,183)	-
Write-back of provision/ (provision for) collectively assessed loans, (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,597</u>	<u>-</u>	<u>-</u>
Net financial revenues after net impairment charge	<u>67,491,480</u>	<u>2,316,805</u>	<u>-</u>	<u>57,136,332</u>	<u>2,080,420</u>	<u>-</u>
Staff costs	(22,264,895)	(355,632)	-	(20,242,094)	(337,081)	-
Administrative expenses	(14,550,489)	(1,133,927)	-	(13,762,908)	(1,026,480)	-
Depreciation and amortization	(1,460,449)	(58,169)	-	(1,377,505)	(50,564)	-
(Provision)/write-back of provision for contingencies, net	<u>(1,449,222)</u>	<u>-</u>	<u>-</u>	<u>(904,766)</u>	<u>1,976,333</u>	<u>-</u>
	<u>(39,725,055)</u>	<u>(1,547,728)</u>	<u>-</u>	<u>(36,287,273)</u>	<u>562,208</u>	<u>-</u>
Profit before income tax	27,766,425	769,077	-	20,849,059	2,642,628	-
Income tax expense	(4,673,104)	(117,088)	-	(3,703,705)	(287,836)	-
Profit for the year	<u>23,093,321</u>	<u>651,989</u>	<u>-</u>	<u>17,145,354</u>	<u>2,354,792</u>	<u>-</u>

49. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management department and various committees to develop and monitor the Group's risk management policies and their implementation.

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. Regular review of risk management policies and systems to reflect changes in market conditions, products and services offered is the responsibility of the various committees and the Board of Directors. The Group, through its management standards and procedures, aims to develop a disciplined control environment, in which employees understand their roles and obligations.

A. Credit Risk

Credit risk is the risk of financial loss to the Group if a 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 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

The Group manages credit risk by developing policies and procedures that are regularly reviewed to ensure continuous effective credit risk management in light of changes in business strategy.

Credit risk management policies and practices define lending limits, credit approval authorization matrices, and risk identification and monitoring systems. The Group applies an internal rating system that takes into account criteria related to the borrower (e.g. nature of the activity, financial performance and structure, credit history, cash flows, projected financials and management) and to the credit quality (e.g. purpose, amount, tenor, collateral presented as a second way out). The Group also sets lending limits to a single obligor or a related group of obligors.

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:

- **Special Mention /Vulnerable:** Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring.
- **Past due but not impaired:** Loans past due but not impaired are loans where contractual interest or principal are past due but the Group's 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.
- **Substandard loans:** Substandard loans are loans that are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged in favor of the group. Exposures where an indication of the possibility that the Group will sustain a loss if certain irregularities and deficiencies are not addressed exists are classified under this category.
- **Doubtful loans:** Doubtful loans have, in addition to the weaknesses existing in substandard loans, characteristics indicating that current existing facts and figures make the collection in full highly improbable. The probability of loss is high but certain reasonable and specific pending factors which if addressed could strengthen the probability of collection, result in the deferral of the exposure as an estimated loss until a more exact status is determined.
- **Loss:** Loans classified as loss are considered as uncollectible and of such minimal value that their classification as assets is not warranted. This does not mean that the loan is absolutely unrecoverable or has no salvage value. However, the amount of loss is difficult to measure and the Group does not wish to defer the writing of the loan even partial recovery might occur in the future. Loans are charged off in the period in which they are deemed uncollectible and therefore classified as loss.

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 the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

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)

4. Financial assets with credit risk exposure and related concentrations

(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):

<u>Bracket</u>	<u>December 31, 2016</u>	
	<u>Total Amount</u> LBP'000	<u>% to Total Deposits</u> %
Less than LBP5billion	34,117,340	11.44
From LBP5billion to LBP15billion	90,262,477	30.28
Over LBP15billion	<u>173,751,634</u>	<u>58.28</u>
	<u>298,131,451</u>	<u>100.00</u>

<u>Bracket</u>	<u>December 31, 2015</u>	
	<u>Total Amount</u> LBP'000	<u>% to Total Deposits</u> %
Less than LBP5billion	25,441,436	12.65
From LBP5billion to LBP15billion	85,547,053	42.53
Over LBP15billion	<u>90,161,378</u>	<u>44.82</u>
	<u>201,149,867</u>	<u>100.00</u>

(a.2) Loans and advances to customers (excluding collective provision and accrued interest):

<u>Bracket</u>	<u>December 31, 2016</u>		
	<u>No. of Counter Parties</u>	<u>Total Amount</u>	<u>% to Total</u>
		<u>LBP'000</u>	<u>%</u>
Less than LBP500million	958	67,201,149	6.47
From LBP500million to LBP5billion	272	456,868,373	43.98
Over LBP5billion	57	514,724,101	49.55
	<u>1,287</u>	<u>1,038,793,623</u>	<u>100.00</u>

<u>Bracket</u>	<u>December 31, 2015</u>		
	<u>No. of Counter Parties</u>	<u>Total Amount</u>	<u>% to Total</u>
		<u>LBP'000</u>	<u>%</u>
Less than LBP500million	1,003	63,245,206	6.22
From LBP500million to LBP5billion	268	445,768,535	43.82
Over LBP5billion	57	508,212,875	49.96
	<u>1,328</u>	<u>1,017,226,616</u>	<u>100.00</u>

(a.3) Loans and advances to related parties:

<u>Bracket</u>	<u>December 31, 2016</u>	
	<u>Total Amount</u>	<u>% to Total Deposits</u>
	<u>LBP'000</u>	<u>%</u>
Less than LBP500million	2,646,345	100.00
	<u>2,646,345</u>	<u>100.00</u>

<u>Bracket</u>	<u>December 31, 2015</u>	
	<u>Total Amount</u>	<u>% to Total Deposits</u>
	<u>LBP'000</u>	<u>%</u>
Less than LBP500million	1,855,871	100.00
	<u>1,855,871</u>	<u>100.00</u>

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

	December 31, 2016						
	Gross Loans Net of Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Fair Value of Collateral Held			Total LBP'000
				Pledged Funds LBP'000	Property LBP'000	Equities LBP'000	
Performing Accounts	1,012,555,113	-	1,012,555,113	164,506,928	156,766,732	28,754,822	350,028,482
Past due but not impaired:							
Between 30-60 days	1,215,799	-	1,215,799	-	-	-	-
Between 60-90 days	407,854	-	407,854	-	-	-	-
Between 90-180 days	2,013,946	-	2,013,946	-	-	-	-
Beyond 180 days	863,532	-	863,532	-	-	-	-
Impaired:							
Substandard debts	15,522,046	-	15,522,046	-	26,403,862	138,946	26,542,808
Doubtful and bad debts	14,107,735	(6,628,920)	7,478,815	-	8,050,050	-	8,050,050
Collective provision for loan impairment:							
	-	(2,129,882)	(2,129,882)	-	-	-	-
	<u>1,046,686,025</u>	<u>(8,758,802)</u>	<u>1,037,927,223</u>	<u>164,506,928</u>	<u>191,220,644</u>	<u>28,893,768</u>	<u>384,621,340</u>

December 31, 2015

	Gross		Net	Fair Value of Collateral Held			
	Loans Net of	Allowance for		Pledged	Property	Equities	Total
	Unrealized	Impairment					
Interest	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
Performing Accounts	1,009,357,545	-	1,009,357,545	173,270,895	174,326,866	29,192,983	376,790,744
Past due but not impaired:							
Between 30-60 days	206,151	-	206,151	-	-	-	-
Between 60-90 days	430,010	-	430,010	-	-	-	-
Between 90-180 days	82,475	-	82,475	-	-	-	-
Beyond 180 days	1,132,327	-	1,132,327	-	-	-	-
Impaired:							
Substandard debts	7,697,697	(753,750)	6,943,947	-	8,238,488	-	8,238,488
Restructured substandard debts	3,528,882	(3,281,670)	247,212	-	-	-	-
Doubtful and bad debts	1,555,782	(1,555,782)	-	-	512,550	-	512,550
Collective provision for loan impairment	-	(2,129,882)	(2,129,882)	-	-	-	-
	<u>1,023,990,869</u>	<u>(7,721,084)</u>	<u>1,016,269,785</u>	<u>173,270,895</u>	<u>183,077,904</u>	<u>29,192,983</u>	<u>385,541,782</u>

(b) Concentration of financial assets by industry or sector (excluding the collective provision for loan impairment):

	December 31, 2016									
	<u>Sovereign</u>	<u>Financial</u>	<u>Real Estate</u>	<u>Manufacturing</u>	<u>Consumer</u>	<u>Real Estate</u>	<u>Services</u>	<u>Individuals</u>	<u>Private</u>	<u>Total</u>
	<u>LBP'000</u>	<u>Services</u>	<u>Development</u>	<u>LBP'000</u>	<u>Goods</u>	<u>Trading</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>Other</u>	<u>LBP'000</u>
		<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>Trading</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Balance Sheet Exposure:										
Cash and deposits with central banks	549,560,119	-	-	-	-	-	-	-	-	549,560,119
Deposits with banks and financial institutions	-	298,217,095	-	-	-	-	-	-	-	298,217,095
Financial assets at fair value through profit or loss	75,511,132	8,117,181	-	39,673	20,424	1,527,821	36,837	-	-	85,253,068
Loans to banks and financial institutions and reverse repurchase agreement	-	17,512,310	-	-	-	-	-	-	-	17,512,310
Loans and advances to customers	-	6,672,532	195,780,277	147,196,726	470,397,284	-	59,888,364	158,857,983	1,263,939	1,040,057,105
Loans and advances to related parties	-	-	-	560,732	-	-	11,790	2,073,823	-	2,646,345
Financial assets at amortized cost	573,878,419	-	-	-	15,430,530	4,576,406	-	-	-	593,885,355
Financial assets at fair value through other comprehensive income	-	540,120	-	-	-	98,346	-	-	-	638,466
Customers' liability under acceptances	-	-	1,277,276	1,005,278	4,654,401	-	-	-	-	6,936,955
Other assets	-	-	-	-	-	-	-	-	10,934,179	10,934,179
	<u>1,198,949,670</u>	<u>331,059,238</u>	<u>197,057,553</u>	<u>148,802,409</u>	<u>490,502,639</u>	<u>6,202,573</u>	<u>59,936,991</u>	<u>160,931,806</u>	<u>12,198,118</u>	<u>2,605,640,997</u>
Off-Balance sheet Risks										
Documentary and commercial letters of credit	-	39,403	1,046,188	2,114,454	27,817,946	-	-	277,833	-	31,295,824
Guarantees and standby letters of credit	-	20,668,484	20,823,165	11,632,540	15,826,557	-	20,146,537	1,367,040	-	90,464,323
Forward Contracts	-	228,975,174	10,353,753	157,488	3,948,130	-	-	2,790,276	-	246,224,821

December 31, 2015

	<u>Sovereign</u>	<u>Financial</u>	<u>Real Estate</u>	<u>Manufacturing</u>	<u>Consumer</u>	<u>Services</u>	<u>Private</u>	<u>Other</u>	<u>Total</u>
	<u>LBP'000</u>	<u>Services</u>	<u>Development</u>	<u>LBP'000</u>	<u>Goods</u>	<u>LBP'000</u>	<u>Individuals</u>	<u>LBP'000</u>	<u>LBP'000</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>Trading</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Cash and deposits with central banks	440,213,601	-	-	-	-	-	-	-	440,213,601
Deposits with banks and financial institutions	-	201,242,051	-	-	-	-	-	-	201,242,051
Financial assets at fair value through profit or loss	16,504,060	5,951,662	-	227,046	41,448	2,976,434	-	-	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	-	48,867,483	-	-	-	-	-	-	48,867,483
Loans and advances to customers	-	9,111,003	194,839,621	154,744,816	459,291,755	66,374,895	134,030,902	6,675	1,018,399,667
Loans and advances to related parties	-	-	-	438,711	3,181	-	1,413,979	-	1,855,871
Financial assets at amortized cost	602,769,180	3,037,364	-	1,616,283	10,596,584	19,897,787	-	-	637,917,198
Financial assets at fair value through other comprehensive income	-	540,120	-	-	-	99,082	-	-	639,202
Customers' liability under acceptance	-	-	205,433	1,997,444	23,093,275	-	-	-	25,296,152
Other assets	-	-	-	-	-	-	-	6,826,181	6,826,181
	<u>1,059,486,841</u>	<u>268,749,683</u>	<u>195,045,054</u>	<u>159,024,300</u>	<u>493,026,243</u>	<u>89,348,198</u>	<u>135,444,881</u>	<u>6,832,856</u>	<u>2,406,958,056</u>

Off-Balance Sheet Risks:

Documentary and commercial letters of credit	-	-	284,011	1,652,019	23,296,376	-	-	-	25,232,406
Guarantees and standby letters of credit	-	20,072,711	22,974,623	18,209,979	14,367,800	8,495,809	1,424,301	-	85,545,223
Forward contracts	-	417,735,090	8,965,517	1,484,707	3,197,261	-	1,241,142	-	432,623,717

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

	December 31, 2016					Total LBP'000
	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	
ASSETS						
Cash and deposits with central banks	549,164,133	-	-	394,661	1,325	549,560,119
Deposits with banks and financial institutions	128,294,416	8,144,990	39,524,014	109,489,907	12,763,768	298,217,095
Financial assets at fair value through profit or loss	85,071,504	-	181,564	-	-	85,253,068
Loans to banks and financial institutions and reverse repurchase agreements	17,512,310	-	-	-	-	17,512,310
Loans and advances to customers	963,385,390	33,020,867	5,357	41,282,231	233,378	1,037,927,223
Loans and advances to related parties	2,646,345	-	-	-	-	2,646,345
Financial assets at amortized cost	593,885,355	-	-	-	-	593,885,355
Financial assets at fair value through other comprehensive income	615,120	-	-	23,346	-	638,466
Customers' liability under acceptances	5,803,005	1,133,950	-	-	-	6,936,955
Investments in associates	-	18,052,156	-	-	-	18,052,156
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	2,046,944
Property and equipment	23,520,036	-	-	447,708	-	23,967,744
Intangible assets	949,140	-	-	32,540	-	981,680
Other assets	12,549,332	-	-	48,842	326,720	12,924,894
Total Assets	2,385,443,030	60,351,963	39,710,935	151,719,235	13,325,191	2,650,550,354
LIABILITIES						
Deposits and borrowings from banks and financial institutions	26,030,655	100,025,446	-	595,011	-	126,651,112
Customers' accounts at amortized cost	1,570,955,316	374,348,984	30,674,598	70,019,272	32,193,858	2,078,192,028
Related parties' accounts at amortized cost	78,892,982	32,056,213	-	4,339	-	110,953,534
Acceptance liability	1,169,233	142,896	164,318	2,823,505	2,637,003	6,936,955
Other term borrowings	9,315,863	-	-	-	-	9,315,863
Other liabilities	29,863,008	-	-	195,108	802,351	30,860,467
Provisions	7,163,979	-	-	96,000	236,668	7,496,647
Subordinated bonds	37,687,500	-	-	-	-	37,687,500
Total liabilities	1,761,078,536	506,573,539	30,838,916	73,733,235	35,869,880	2,408,094,106
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	30,200,261	897,171	58,340	140,052	-	31,295,824
Guarantees and standby letters of credit	71,879,791	4,617,995	12,214,209	1,752,328	-	90,464,323
Forward exchange contracts	131,333,987	56,521,450	-	58,369,384	-	246,224,821

December 31, 2015

	<u>Lebanon</u>	<u>Middle East and Africa</u>	<u>North America</u>	<u>Europe</u>	<u>Other</u>	<u>Total</u>
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and deposits with central banks	439,794,200	-	-	419,401	-	440,213,601
Deposits with banks and financial institutions	103,722,790	1,680,525	27,105,717	67,686,114	1,046,905	201,242,051
Financial assets at fair value through profit or loss	21,924,645	1,268,013	688,542	810,099	1,009,351	25,700,650
Loans to banks and financial institutions and reverse repurchase agreement	48,867,483	-	-	-	-	48,867,483
Loans and advances to customers	901,124,199	54,018,406	188,427	54,638,307	6,300,446	1,016,269,785
Loans and advances to related parties	1,813,973	-	-	41,898	-	1,855,871
Financial assets at amortized cost	636,300,915	-	-	1,616,283	-	637,917,198
Financial assets at fair value through other comprehensive income	615,120	-	-	24,082	-	639,202
Customers' liability under acceptances	14,178,576	11,117,576	-	-	-	25,296,152
Investments in associates	-	17,645,342	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	2,046,944
Property and equipment	16,237,494	-	-	460,508	-	16,698,002
Intangible assets	618,183	-	-	18	-	618,201
Other assets	8,193,542	-	-	49,715	-	8,243,257
Total Assets	<u>2,195,438,064</u>	<u>85,729,862</u>	<u>27,982,686</u>	<u>125,746,425</u>	<u>8,356,702</u>	<u>2,443,253,739</u>
LIABILITIES						
Deposits and borrowings from banks	63,152,931	43,276,338	4,922,348	-	-	111,351,617
Customers' accounts at amortized cost	1,431,828,159	367,055,121	94,444,628	21,606,951	35,016,050	1,949,950,909
Related parties' accounts at amortized cost	57,160,240	31,840,274	-	-	-	89,000,514
Acceptance liability	298,272	2,069,553	17,507,854	-	5,420,473	25,296,152
Other term borrowings	7,530,780	-	-	-	-	7,530,780
Other liabilities	13,283,673	-	226,760	-	-	13,510,433
Provisions	5,951,170	-	91,619	-	-	6,042,789
Subordinated bonds	37,687,500	-	-	-	-	37,687,500
Total Liabilities	<u>1,616,892,725</u>	<u>444,241,286</u>	<u>117,193,209</u>	<u>21,606,951</u>	<u>40,436,523</u>	<u>2,240,370,694</u>
FINANCIAL INSTRUMENTS						
WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	23,392,240	1,840,166	-	-	-	25,232,406
Guarantees and standby letters of credit	67,006,878	17,209,874	1,328,471	-	-	85,545,223
Forward exchange contracts	58,677,723	194,303,520	179,642,474	-	-	432,623,717

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 risk is the Group's ability to ensure the availability of funding to meet commitments, both on-balance and off-balance sheet commitments, at a reasonable cost on time. The management of liquidity should not lead to threats to the Group's solvency.

Liquidity risk arises when in case of crisis, refinancing may only be raised at higher market rates (funding risk), or assets may only be liquidated at a discount to market rates (market liquidity risk). Liquidity risk is also caused by mismatches in the maturities of assets and liabilities (uses and sources of funds).

Residual contractual maturities of assets and liabilities:

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

	December 31, 2016							Total LBP'000
	LBP Base Accounts							
	Accounts with No Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	
ASSETS								
Cash and deposits with central banks	66,643,974	109,000,000	-	-	-	-	-	175,643,974
Deposits with banks and financial institutions	1,637,863	-	5,000,000	-	-	-	-	6,637,863
Financial assets at fair value through profit or loss	321,651	-	-	5,799,928	3,097,894	8,909,833	4,880,607	23,009,913
Loans and advances to customers	34,019,527	26,720,462	12,600	30,230	-	-	-	60,782,819
Loans and advances to related parties	14,907	-	-	-	-	-	-	14,907
Financial assets at amortized cost	3,663,166	1,722,480	34,694,995	35,841,489	48,189,815	84,926,219	-	209,038,164
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	615,120
Property and equipment	23,520,035	-	-	-	-	-	-	23,520,035
Intangible assets	943,868	-	-	-	-	-	-	943,868
Other assets	7,095,199	-	-	-	-	-	-	7,095,199
Total Assets	138,475,310	137,442,942	39,707,595	41,671,647	51,287,709	93,836,052	4,880,607	507,301,862
LIABILITIES								
Deposits and borrowings from banks and financial institutions	1,342,615	20,052,000	2,030,000	-	-	-	-	23,424,615
Customers' accounts at amortized cost	59,252,101	235,002,890	34,719,601	-	-	-	-	328,974,592
Related parties' accounts at amortized cost	3,691,253	930,518	-	-	-	-	-	4,621,771
Other term borrowings	88,596	395,949	864,477	2,315,701	2,204,529	2,850,214	596,397	9,315,863
Other liabilities	3,408,804	-	-	-	-	-	-	3,408,804
Provisions	6,402,691	-	-	-	-	-	-	6,402,691
Total Liabilities	74,186,060	256,381,357	37,614,078	2,315,701	2,204,529	2,850,214	596,397	376,148,336
Maturity Gap	64,289,250	(118,938,415)	2,093,517	39,355,946	49,083,180	90,985,838	4,284,210	131,153,526

The tables below show the Group's assets and liabilities in **Foreign Currencies** base accounts segregated by maturity:

	December 31, 2016							Total LBP'000
	F/Cy Base Accounts							
	Accounts with No Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	
ASSETS								
Cash and deposits with central banks	31,485,879	52,762,500	32,145,846	100,073,100	103,178,820	54,270,000	-	373,916,145
Deposits with banks and financial institutions	157,700,213	102,606,933	30,713,384	558,702	-	-	-	291,579,232
Financial assets at fair value through profit or loss	7,832,884	41,429	753,750	699,821	8,636,409	32,784,007	11,494,855	62,243,155
Loans to banks and financial institutions and reverse repurchase agreement	-	16,066,256	1,446,054	-	-	-	-	17,512,310
Loans and advances to customers	654,060,113	301,435,707	20,691,835	851,939	104,810	-	-	977,144,404
Loans and advances to related parties	1,998,180	569,777	53,825	9,656	-	-	-	2,631,438
Financial assets at amortized cost	8,404,037	2,494,903	3,457,127	30,674,370	36,846,835	272,275,305	30,694,614	384,847,191
Financial assets at fair value through other comprehensive income	23,346	-	-	-	-	-	-	23,346
Customers' liability under acceptances	-	6,149,582	770,765	16,608	-	-	-	6,936,955
Investments in associates	18,052,156	-	-	-	-	-	-	18,052,156
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	-	-	2,046,944
Property and equipment	447,709	-	-	-	-	-	-	447,709
Intangible assets	37,812	-	-	-	-	-	-	37,812
Other assets	5,829,695	-	-	-	-	-	-	5,829,695
Total Assets	887,918,968	482,127,087	90,032,586	132,884,196	148,766,874	359,329,312	42,189,469	2,143,248,492
LIABILITIES								
Deposits and borrowings from banks and financial institutions	76,644,311	26,582,186	-	-	-	-	-	103,226,497
Customers' accounts at amortized cost	338,768,547	1,024,726,594	324,691,608	60,019,154	1,011,533	-	-	1,749,217,436
Related parties' accounts at amortized cost	31,546,869	41,193,271	33,591,623	-	-	-	-	106,331,763
Acceptance liability	-	6,149,582	770,765	16,608	-	-	-	6,936,955
Other liabilities	27,451,663	-	-	-	-	-	-	27,451,663
Provisions	1,093,956	-	-	-	-	-	-	1,093,956
Subordinated bonds	-	-	-	-	37,687,500	-	-	37,687,500
Total Liabilities	475,505,346	1,098,651,633	359,053,996	60,035,762	38,699,033	-	-	2,031,945,770
Maturity Gap	412,413,622	(616,524,546)	(269,021,410)	72,848,434	110,067,841	359,329,312	42,189,469	111,302,722

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

	December 31, 2015							Total LBP'000
	LBP Base Accounts							
	Accounts with No Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	
ASSETS								
Cash and deposits with central banks	53,620,133	10,000,000	-	-	-	-	-	63,620,133
Deposits with banks and financial institutions	2,686,503	-	5,000,000	-	-	-	-	7,686,503
Financial assets at fair value through profit or loss	358,275	400,573	-	-	-	14,801,537	-	15,560,385
Loans and advances to customers	37,162,312	1,381	12,000	28,248	9,765	-	-	37,213,706
Loans and advances to related parties	14,221	-	-	-	-	-	-	14,221
Financial assets at amortized cost	6,975,357	-	14,217,209	69,626,783	83,793,499	87,334,286	103,259,970	365,207,104
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	615,120
Property and equipment	16,029,993	-	-	-	-	-	-	16,029,993
Intangible assets	614,762	-	-	-	-	-	-	614,762
Other assets	2,501,519	-	-	-	-	-	-	2,501,519
Total Assets	120,578,195	10,401,954	19,229,209	69,655,031	83,803,264	102,135,823	103,259,970	509,063,446
LIABILITIES								
Deposits and borrowings from banks and financial institutions	1,336,032	37,052,000	15,377,500	-	-	-	-	53,765,532
Customers' accounts at amortized cost	41,505,760	246,339,154	68,445,830	1,254,603	1,753,637	-	-	359,298,984
Related parties' accounts at amortized cost	3,789,136	632,023	-	-	-	-	-	4,421,159
Other term borrowings	68,955	278,517	676,756	1,810,734	1,782,188	2,532,379	381,251	7,530,780
Other liabilities	8,508,270	-	-	-	-	-	-	8,508,270
Provisions	4,975,375	-	-	-	-	-	-	4,975,375
Total Liabilities	60,183,528	284,301,694	84,500,086	3,065,337	3,535,825	2,532,379	381,251	438,500,100
Maturity Gap	60,394,667	(273,899,740)	(65,270,877)	66,589,694	80,267,439	99,603,444	102,878,719	70,563,346

The tables below show the Group's assets and liabilities in **Foreign Currencies** base accounts segregated by maturity:

	December 31, 2015							Total LBP'000
	F/Cy Base Accounts							
	Accounts with No Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	
ASSETS								
Cash and deposits with central banks	67,336,188	19,736,640	37,559,880	63,407,610	141,820,650	46,732,500	-	376,593,468
Deposits with banks and financial institutions	70,251,760	80,755,738	42,548,050	-	-	-	-	193,555,548
Financial assets at fair value through profit or loss	5,488,941	-	-	75,375	286,802	2,332,707	1,956,440	10,140,265
Loans to banks and financial institutions and reverse repurchase agreement	185,453	31,816,105	16,865,925	-	-	-	-	48,867,483
Loans and advances to customers	634,296,266	329,190,935	14,647,276	863,115	58,487	-	-	979,056,079
Loans and advances to related parties	1,378,527	431,911	20,351	10,861	-	-	-	1,841,650
Financial assets at amortized cost	3,367,887	-	184,838	46,475,805	41,247,080	129,095,994	52,338,490	272,710,094
Financial assets at fair value through other comprehensive income	24,082	-	-	-	-	-	-	24,082
Customers' liability under acceptances	-	21,534,748	3,761,404	-	-	-	-	25,296,152
Investments in associates	17,645,342	-	-	-	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	-	-	2,046,944
Property and equipment	668,009	-	-	-	-	-	-	668,009
Intangible assets	3,439	-	-	-	-	-	-	3,439
Other assets	5,741,738	-	-	-	-	-	-	5,741,738
Total Assets	808,434,576	483,466,077	115,587,724	110,832,766	183,413,019	178,161,201	54,294,930	1,934,190,293
LIABILITIES								
Deposits and borrowings from banks and financial institutions	17,086,634	40,499,451	-	-	-	-	-	57,586,085
Customers' accounts at amortized cost	309,176,024	1,039,523,076	200,839,746	40,101,546	1,011,533	-	-	1,590,651,925
Related parties' accounts at amortized cost	40,395,927	34,045,482	8,630,446	1,507,500	-	-	-	84,579,355
Acceptance liability	-	21,534,748	3,761,404	-	-	-	-	25,296,152
Other liabilities	5,002,163	-	-	-	-	-	-	5,002,163
Provisions	1,067,414	-	-	-	-	-	-	1,067,414
Subordinated Bonds	-	-	-	-	-	37,687,500	-	37,687,500
Total Liabilities	372,728,162	1,135,602,757	213,231,596	41,609,046	1,011,533	37,687,500	-	1,801,870,594
Maturity Gap	435,706,414	(652,136,680)	(97,643,872)	69,223,720	182,401,486	140,473,701	54,294,930	132,319,699

Concentration of Liabilities by counterparty:

Information regarding the concentration of liabilities by counterparty is disclosed under the respective notes to the financial statements.

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:

Market risks include interest rate risk and exchange risk.

The Group has established an Assets and Liabilities Management Committee (ALCO) to manage market risks. ALCO's primary objective is to maximize interest income spread and trading income while maintaining market risks at an appropriate level through regular management and measurement of these risks.

The Group has developed policies and procedures to manage market risks and ensure compliance with regulatory requirements and limits in addition to internal risk strategies and limits.

2. 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 treasury department is responsible for monitoring the compliance with the regulatory ratios set by the regulatory authorities. ALCO is supported by the finance department by reports of any breach of these ratios.

Below is the carrying value of assets and liabilities segregated by major currencies to reflect the Group's exposure to foreign currency exchange risk at year end:

	December 31, 2016					
	LBP	USD	Euro	GBP	Other	
<u>ASSETS</u>	<u>LBP'000</u>	<u>C/V in LBP</u> <u>LBP'000</u>	<u>C/V in LBP</u> <u>LBP'000</u>	<u>C/V in LBP</u> <u>LBP'000</u>	<u>C/V in LBP</u> <u>LBP'000</u>	<u>Total</u> <u>LBP'000</u>
Cash and deposits with central banks	175,643,974	282,239,383	88,774,593	2,888,830	13,339	549,560,119
Deposits with banks and financial institutions	6,637,863	157,987,863	98,469,012	23,566,997	11,555,360	298,217,095
Financial assets at fair value through profit or loss	23,009,913	62,243,155	-	-	-	85,253,068
Loans to banks and financial institutions and reverse repurchase agreements	-	17,512,310	-	-	-	17,512,310
Loans and advances to customers	60,782,819	844,379,245	111,527,193	5,893,249	15,344,717	1,037,927,223
Loans and advances to related parties	14,907	2,576,868	54,570	-	-	2,646,345
Financial assets at amortized cost	209,038,164	384,847,191	-	-	-	593,885,355
Financial assets at fair value through other comprehensive income	615,120	-	23,346	-	-	638,466
Customers' liability under acceptances	-	3,577,187	2,892,540	-	467,228	6,936,955
Investments in associates	-	18,052,156	-	-	-	18,052,156
Assets acquired in satisfaction of loans	-	2,046,944	-	-	-	2,046,944
Property and equipment	23,520,035	447,709	-	-	-	23,967,744
Intangible assets	943,868	37,812	-	-	-	981,680
Other assets	7,095,199	(40,512,208)	53,016,089	(6,725,725)	(4,374,158)	8,499,197
Total Assets	507,301,862	1,735,435,615	354,757,343	25,623,351	23,006,486	2,646,124,657
 <u>LIABILITIES</u>						
Deposits and borrowings from banks and financial institutions	23,424,615	59,860,207	27,366,105	4,428,923	11,571,262	126,651,112
Customers' accounts at amortized cost	328,974,592	1,489,145,482	209,801,233	31,342,129	18,928,592	2,078,192,028
Related parties' accounts at amortized cost	4,621,771	94,253,772	8,585,076	3,237,844	255,071	110,953,534
Acceptance liability	-	3,577,186	2,892,540	-	467,229	6,936,955
Other term borrowings	9,315,863	-	-	-	-	9,315,863
Other liabilities	3,408,804	8,061,042	29,912,115	(6,662,790)	(3,858,704)	30,860,467
Provisions	6,402,691	997,956	96,000	-	-	7,496,647
Subordinated bonds	-	37,687,500	-	-	-	37,687,500
Total Liabilities	376,148,336	1,693,583,145	278,653,069	32,346,106	27,363,450	2,408,094,106
Currencies to be delivered	-	139,492,237	73,829,051	16,098,677	16,804,856	246,224,821
Currencies to be received	-	(94,206,024)	(125,789,800)	(9,372,952)	(12,430,348)	(241,799,124)
Net on-balance sheet financial position	131,153,526	87,138,683	24,143,525	2,970	17,544	242,456,248

December 31, 2015

	USD		Euro		Other Currencies	
	LBP LBP'000	C/V in LBP LBP'000	C/V in LBP LBP'000	GBP C/V in LBP LBP'000	C/V in LBP LBP'000	Total LBP'000
ASSETS						
Cash and deposits with central banks	63,620,133	307,148,282	68,857,793	447,248	140,145	440,213,601
Deposits with banks and financial institutions	7,686,503	94,420,835	88,754,075	4,190,054	6,190,584	201,242,051
Financial assets at fair value through profit or loss	15,560,385	7,903,665	2,199,303	37,297	-	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	-	48,867,483	-	-	-	48,867,483
Loans and advances to customers	37,213,706	869,930,282	82,189,233	9,960,008	16,976,556	1,016,269,785
Loans and advances to related parties	14,221	1,832,862	8,788	-	-	1,855,871
Financial assets at amortized cost	365,207,104	271,093,809	1,616,285	-	-	637,917,198
Financial assets at fair value through other comprehensive income	615,120	-	24,082	-	-	639,202
Customers' liability under acceptances	-	13,255,331	10,917,811	-	1,123,010	25,296,152
Investments in associates	-	17,645,342	-	-	-	17,645,342
Assets acquired in satisfaction of loans	-	2,046,944	-	-	-	2,046,944
Property and equipment	16,029,993	668,009	-	-	-	16,698,002
Intangible assets	614,762	3,439	-	-	-	618,201
Other assets	2,501,519	4,987,536	753,874	140	188	8,243,257
Total Assets	509,063,446	1,639,803,819	255,321,244	14,634,747	24,430,483	2,443,253,739
LIABILITIES						
Deposits and borrowings from banks and financial institutions	53,765,532	31,396,703	20,650,113	3,892,894	1,646,375	111,351,617
Customers' accounts at amortized cost	359,298,984	1,325,298,473	226,705,280	22,835,553	15,812,619	1,949,950,909
Related parties' accounts at amortized cost	4,421,159	84,579,355	-	-	-	89,000,514
Acceptance liability	-	13,255,330	10,917,812	-	1,123,010	25,296,152
Other term borrowings	7,530,780	-	-	-	-	7,530,780
Other liabilities	8,508,270	(9,113,643)	4,166,273	12,173,458	(5,188,258)	10,546,100
Provisions	4,975,375	975,795	91,619	-	-	6,042,789
Subordinated bonds	-	37,687,500	-	-	-	37,687,500
Total Liabilities	438,500,100	1,484,079,513	262,531,097	38,901,905	13,393,746	2,237,406,361
Currencies to be delivered	-	200,300,744	205,467,260	16,963,543	10,777,087	433,508,634
Currencies to be received	-	(213,813,093)	(201,804,074)	(4,822,114)	(16,033,686)	(436,472,967)
	-	(13,512,349)	3,663,186	12,141,429	(5,256,599)	(2,964,333)
Net on-balance sheet financial position	70,563,346	142,211,957	(3,546,667)	(12,125,729)	5,780,138	202,883,045

3. 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 the 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.

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

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between **Lebanese Pound** base accounts:

	December 31, 2016									
	Lebanese Pounds Base Accounts									
	Floating Interest Rate			Fixed Interest Rate						
	Non-Interest Bearing	Up to Three Months	Total	Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	Grand Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
ASSETS										
Cash and deposits with central banks	66,643,974	109,000,000	109,000,000	-	-	-	-	-	-	175,643,974
Deposits with banks and financial institutions	-	1,637,863	1,637,863	5,000,000	-	-	-	-	5,000,000	6,637,863
Financial assets at fair value through profit or loss	321,651	-	-	-	5,799,928	3,097,894	8,909,833	4,880,607	22,688,262	23,009,913
Loans and advances to customers	1,595	60,738,394	60,738,394	12,600	30,230	-	-	-	42,830	60,782,819
Loans and advances to related parties	-	14,907	14,907	-	-	-	-	-	-	14,907
Financial assets at amortized cost	3,663,166	1,722,480	1,722,480	34,694,995	35,841,489	48,189,815	84,926,219	-	203,652,518	209,038,164
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	-	-	615,120
Property and equipment	23,520,035	-	-	-	-	-	-	-	-	23,520,035
Intangible assets	943,868	-	-	-	-	-	-	-	-	943,868
Other assets	7,095,199	-	-	-	-	-	-	-	-	7,095,199
Total Assets	102,804,608	173,113,644	173,113,644	39,707,595	41,671,647	51,287,709	93,836,052	4,880,607	231,383,610	507,301,862
LIABILITIES										
Deposits and borrowings from banks and financial institutions	1,342,615	20,052,000	20,052,000	2,030,000	-	-	-	-	2,030,000	23,424,615
Customers' accounts at amortized cost	2,914,064	291,340,927	291,340,927	34,719,601	-	-	-	-	34,719,601	328,974,592
Related parties' accounts at amortized cost	3,454,678	1,167,093	1,167,093	-	-	-	-	-	-	4,621,771
Other term borrowings	88,596	395,949	395,949	864,477	2,315,701	2,204,529	2,850,214	596,397	8,831,318	9,315,863
Other liabilities	3,408,804	-	-	-	-	-	-	-	-	3,408,804
Provisions	6,402,691	-	-	-	-	-	-	-	-	6,402,691
Total Liabilities	17,611,448	312,955,969	312,955,969	37,614,078	2,315,701	2,204,529	2,850,214	596,397	45,580,919	376,148,336
Interest rate gap position	85,193,160	(139,842,325)	(139,842,325)	2,093,517	39,355,946	49,083,180	90,985,838	4,284,210	185,802,691	131,153,526

December 31, 2015

	Lebanese Pounds Base Accounts										
	Non-Interest Bearing LBP'000	Floating Interest Rate			Fixed Interest Rate						Grand Total LBP'000
		Up to Three Months LBP'000	Over 3 Months Less than 1 Year LBP'000	Total LBP'000	Over 3 Months Less than 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	Total LBP'000	
ASSETS											
Cash and deposits with central banks	3,176,378	60,443,755	-	60,443,755	-	-	-	-	-	-	63,620,133
Deposits with banks and financial institutions	2,686,503	-	5,000,000	5,000,000	-	-	-	-	-	-	7,686,503
Financial assets at fair value through profit or loss	358,275	400,573	-	400,573	-	-	-	14,801,537	-	14,801,537	15,560,385
Loans and advances to customers	3,349	37,160,344	-	37,160,344	12,000	28,248	9,765	-	-	50,013	37,213,706
Loans and advances to related parties	-	14,221	-	14,221	-	-	-	-	-	-	14,221
Financial assets at amortized cost	6,975,357	-	-	-	14,217,209	69,626,783	83,793,499	87,334,286	103,259,970	358,231,747	365,207,104
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	-	-	-	615,120
Property and equipment	16,029,993	-	-	-	-	-	-	-	-	-	16,029,993
Intangible assets	614,762	-	-	-	-	-	-	-	-	-	614,762
Other assets	2,501,519	-	-	-	-	-	-	-	-	-	2,501,519
Total Assets	32,961,256	98,018,893	5,000,000	103,018,893	14,229,209	69,655,031	83,803,264	102,135,823	103,259,970	373,083,297	509,063,446
LIABILITIES											
Deposits and borrowings from banks and financial institutions	1,336,032	37,052,000	-	37,052,000	15,377,500	-	-	-	-	15,377,500	53,765,532
Customers' accounts at amortized cost	514,486	287,330,428	-	287,330,428	68,445,830	1,254,603	1,753,637	-	-	71,454,070	359,298,984
Related parties' accounts at amortized cost	2,876,906	1,544,253	-	1,544,253	-	-	-	-	-	-	4,421,159
Other term borrowings	68,955	278,517	-	278,517	676,756	1,810,734	1,782,188	2,532,379	381,251	7,183,308	7,530,780
Other liabilities	8,508,270	-	-	-	-	-	-	-	-	-	8,508,270
Provisions	4,975,375	-	-	-	-	-	-	-	-	-	4,975,375
Total Liabilities	18,280,024	326,205,198	-	326,205,198	84,500,086	3,065,337	3,535,825	2,532,379	381,251	94,014,878	438,500,100
Interest rate gap position	14,681,232	(228,186,305)	5,000,000	(223,186,305)	(70,270,877)	66,589,694	80,267,439	99,603,444	102,878,719	279,068,419	70,563,346

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between **Foreign Currencies** base accounts:

	December 31, 2016												
	Non-interest Bearing	Floating Interest Rate				Total	Fixed Interest Rate					Grand Total	
		Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years		Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 years		Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
ASSETS													
Cash and deposits with central banks	8,589,250	75,659,130	32,145,846	100,073,100	103,178,820	311,056,896	-	-	-	54,270,000	-	54,270,000	373,916,146
Deposits with banks and financial institutions	183,976,326	76,330,820	-	-	-	76,330,820	30,713,384	558,702	-	-	-	31,272,086	291,579,232
Financial assets at fair value through profit or loss	7,832,884	41,429	-	-	-	41,429	753,750	699,821	8,636,409	32,784,007	11,494,855	54,368,842	62,243,155
Loans to banks and financial institutions and reverse repurchase agreements	9,974,810	7,537,500	-	-	-	7,537,500	-	-	-	-	-	-	17,512,310
Loans and advances to customers	955,552	954,540,268	-	-	-	954,540,268	20,691,835	851,939	104,810	-	-	21,648,584	977,144,404
Loans and advances to related parties	-	2,567,957	-	-	-	2,567,957	53,825	9,656	-	-	-	63,481	2,631,438
Financial assets at amortized cost	8,404,037	2,494,903	-	-	-	2,494,903	3,457,127	30,674,370	36,846,835	272,275,305	30,694,614	373,948,251	384,847,191
Financial assets at fair value through other comprehensive income	23,346	-	-	-	-	-	-	-	-	-	-	-	23,346
Customers' liability under acceptances	6,936,955	-	-	-	-	-	-	-	-	-	-	-	6,936,955
Investments in associates	18,052,156	-	-	-	-	-	-	-	-	-	-	-	18,052,156
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	-	-	-	-	-	-	-	2,046,944
Property and equipment	447,709	-	-	-	-	-	-	-	-	-	-	-	447,709
Intangible assets	37,812	-	-	-	-	-	-	-	-	-	-	-	37,812
Other assets	5,829,695	-	-	-	-	-	-	-	-	-	-	-	5,829,695
Total Assets	253,107,476	1,119,172,007	32,145,846	100,073,100	103,178,820	1,354,569,773	55,669,921	32,794,488	45,588,054	359,329,312	42,189,469	535,571,244	2,143,248,493
LIABILITIES													
Deposits and borrowings from banks and financial institutions	14,699,311	88,527,186	-	-	-	88,527,186	-	-	-	-	-	-	103,226,497
Customers' accounts at amortized cost	110,647,363	1,252,847,778	-	-	-	1,252,847,778	324,691,608	60,019,154	1,011,533	-	-	385,722,295	1,749,217,436
Related parties' accounts at amortized cost	3,683,442	69,056,698	-	-	-	69,056,698	33,591,623	-	-	-	-	33,591,623	106,331,763
Acceptance liability	6,936,955	-	-	-	-	-	-	-	-	-	-	-	6,936,955
Other liabilities	27,451,663	-	-	-	-	-	-	-	-	-	-	-	27,451,663
Provisions	1,093,956	-	-	-	-	-	-	-	-	-	-	-	1,093,956
Subordinated bonds	-	-	-	-	-	-	-	-	37,687,500	-	-	37,687,500	37,687,500
Total Liabilities	164,512,690	1,410,431,662	-	-	-	1,410,431,662	358,283,231	60,019,154	38,699,033	-	-	457,001,418	2,031,945,770
Interest rate gap position	88,594,786	(291,259,655)	32,145,846	100,073,100	103,178,820	(55,861,889)	(302,613,310)	(27,224,666)	6,889,021	359,329,312	42,189,469	78,569,826	111,302,723

December 31, 2015

Non-interest Bearing	Floating Interest Rate					Fixed Interest Rate						Grand Total	
	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Total	Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 years	Total		
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
ASSETS													
Cash and deposits with central banks	67,336,188	19,736,640	37,559,880	63,407,610	141,820,650	262,524,780	-	-	-	46,732,500	-	46,732,500	376,593,468
Deposits with banks and financial institutions	70,251,760	80,755,738	-	-	-	80,755,738	42,548,050	-	-	-	-	42,548,050	193,555,548
Financial assets at fair value through profit or loss	5,488,941	-	-	-	-	-	-	75,375	286,802	2,332,707	1,956,440	4,651,324	10,140,265
Loans to banks and financial institutions and reverse repurchase agreements	8,425,509	25,366,974	-	-	-	25,366,974	15,075,000	-	-	-	-	15,075,000	48,867,483
Loans and advances to customers	497,088	962,990,113	-	-	-	962,990,113	14,647,276	863,115	58,487	-	-	15,568,878	979,056,079
Loans and advances to related parties	665,750	1,144,688	-	-	-	1,144,688	20,351	10,861	-	-	-	31,212	1,841,650
Financial assets at amortized cost	3,367,887	-	-	-	-	-	184,838	46,475,805	41,247,080	129,095,994	52,338,490	269,342,207	272,710,094
Financial assets at fair value through other comprehensive income	24,082	-	-	-	-	-	-	-	-	-	-	-	24,082
Customers' liability under acceptances	25,296,152	-	-	-	-	-	-	-	-	-	-	-	25,296,152
Investments in associates	17,645,342	-	-	-	-	-	-	-	-	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	-	-	-	-	-	-	-	2,046,944
Property and equipment	668,009	-	-	-	-	-	-	-	-	-	-	-	668,009
Intangible assets	3,439	-	-	-	-	-	-	-	-	-	-	-	3,439
Other assets	5,741,738	-	-	-	-	-	-	-	-	-	-	-	5,741,738
Total Assets	207,458,829	1,089,994,153	37,559,880	63,407,610	141,820,650	1,332,782,293	72,475,515	47,425,156	41,592,369	178,161,201	54,294,930	393,949,171	1,934,190,293
LIABILITIES													
Deposits and borrowings from banks and financial institutions	17,086,634	40,499,451	-	-	-	40,499,451	-	-	-	-	-	-	57,586,085
Customers' accounts at amortized cost	5,382,078	1,343,317,022	-	-	-	1,343,317,022	200,839,746	40,101,546	1,011,533	-	-	241,952,825	1,590,651,925
Related parties' accounts at amortized cost	372,586	74,068,823	-	-	-	74,068,823	8,630,446	1,507,500	-	-	-	10,137,946	84,579,355
Acceptance liability	25,296,152	-	-	-	-	-	-	-	-	-	-	-	25,296,152
Other liabilities	5,002,163	-	-	-	-	-	-	-	-	-	-	-	5,002,163
Provisions	1,067,414	-	-	-	-	-	-	-	-	-	-	-	1,067,414
Subordinated bonds	-	-	-	-	-	-	-	-	-	37,687,500	-	37,687,500	37,687,500
Total Liabilities	54,207,027	1,457,885,296	-	-	-	1,457,885,296	209,470,192	41,609,046	1,011,533	37,687,500	-	289,778,271	1,801,870,594
Interest rate gap position	153,251,802	(367,891,143)	37,559,880	63,407,610	141,820,650	(125,103,003)	(136,994,677)	5,816,110	40,580,836	140,473,701	54,294,930	104,170,900	132,319,699

The effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Group for the subsequent fiscal year is LBP7.87billion increase/decrease.

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the fair values of financial assets and liabilities (excluding accrued interest) recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	December 31, 2016				
	Carrying Value LBP'000	Fair Value			Total LBP'000
		Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	7,099,123	7,099,123	-	-	7,099,123
Lebanese treasury bills	16,777,541	-	16,777,541	-	16,777,541
Lebanese Government bonds	20,113,835	-	20,113,835	-	20,113,835
Certificates of deposit issued by the Central Bank of Lebanon	37,568,221	-	37,568,221	-	37,568,221
Certificates of deposit issued by banks	753,750	-	753,750	-	753,750
Corporate bonds	1,885,186	1,885,186	-	-	1,885,186
	<u>84,197,656</u>	<u>8,984,309</u>	<u>75,213,347</u>	<u>-</u>	<u>84,197,656</u>
Financial assets at fair value through other comprehensive income:					
Equities - Unquoted	638,466	-	-	638,466	638,466
	<u>638,466</u>	<u>-</u>	<u>-</u>	<u>638,466</u>	<u>638,466</u>
Financial assets at amortized cost:					
Lebanese treasury bills	149,290,331	-	152,536,263	-	152,536,263
Lebanese Government bonds	115,685,102	-	105,933,735	-	105,933,735
Certificates of deposit issued by Central Bank	301,835,094	-	298,179,326	-	298,179,326
Corporate bonds	19,819,866	19,874,922	-	-	19,874,922
	<u>586,630,393</u>	<u>19,874,922</u>	<u>556,649,324</u>	<u>-</u>	<u>576,524,246</u>
Financial liabilities measured at amortized cost:					
Subordinated bonds	37,687,500	-	-	36,894,934	36,894,934
	<u>37,687,500</u>	<u>-</u>	<u>-</u>	<u>36,894,934</u>	<u>36,894,934</u>

	December 31, 2015				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	5,406,294	5,406,294	-	-	5,406,294
Lebanese treasury bills	14,166,027	-	14,166,027	-	14,166,027
Foreign Government treasury bills	327,681	327,681	-	-	327,681
Lebanese Government bonds	608,062	-	608,062	-	608,062
Certificates of deposit issued by the Central Bank of Lebanon	1,036,083	-	1,036,083	-	1,036,083
Corporate bonds	3,715,581	3,715,581	-	-	3,715,581
	<u>25,259,728</u>	<u>9,449,556</u>	<u>15,810,172</u>	<u>-</u>	<u>25,259,728</u>
Financial assets at fair value through other comprehensive income:					
Equities - Unquoted	639,202	-	-	639,202	639,202
	<u>639,202</u>	<u>-</u>	<u>-</u>	<u>639,202</u>	<u>639,202</u>
Financial assets at amortized cost:					
Lebanese treasury bills	170,611,032	-	175,665,881	-	175,665,881
Lebanese Government Bonds	151,730,640	-	148,936,447	-	148,936,447
Certificates of deposit issued by Central Bank	270,384,749	-	272,160,482	-	272,160,482
Corporate bonds	34,847,533	34,831,549	-	-	34,831,549
	<u>627,573,954</u>	<u>34,831,549</u>	<u>596,762,810</u>	<u>-</u>	<u>631,594,359</u>
Financial liabilities measured at amortized cost:					
Subordinated bonds	37,687,500	-	-	36,811,085	36,811,085
	<u>37,687,500</u>	<u>-</u>	<u>-</u>	<u>36,811,085</u>	<u>36,811,085</u>

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

December 31, 2016		
<u>Financial Assets</u>	<u>Date of Valuation</u>	<u>Valuation Technique and key Inputs</u>
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign currency	December 31, 2016	DCF at a discount rate based on observable yield curve at measurement date
Certificates of deposit issued by banks	December 31, 2016	DCF at a discount rate based on observable yield curve at measurement date
Lebanese Government bonds	December 31, 2016	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2016	N/A
At amortized cost:		
Lebanese treasury bills	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Lebanese Government Bonds	December 31, 2016	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign currency	December 31, 2016	DCF at a discount rate based on observable yield curve at measurement date
<u>Financial Liabilities</u>		
At amortized cost:		
Subordinated bonds	December 31, 2016	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

December 31, 2015

Financial Assets	Date of Valuation	Valuation Technique and key Inputs
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign currency	December 31, 2015	DCF at a discount rate based on observable yield curve at measurement date
Lebanese Government bonds	December 31, 2015	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2015	N/A
At amortized cost:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Lebanese Government bonds	December 31, 2015	DCF at a discount rate determined based USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable Lebanese treasury bills, adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign currency	December 31, 2015	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2015	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2016 were approved by the Board of Directors in its meeting held on March 24, 2017.