CSCBANK S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
CSCBANK S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of CSCBANK S.A.L. and its Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

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

Auditor's Responsibility:

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

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

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

Opinion:

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

UHY Andy Bryan

Deloitte & Touche

Beirut, Lebanon
June 15, 2012

UHY Andy Bryan

Deloitte & Touche

CSCBANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2011 LBP'000	December 31, 2010 LBP'000
Cash and central banks	6	19,199,411	14,045,077
Deposits with banks and financial institutions	7	139,886,587	121,695,758
Trading assets at fair value through profit or loss	8	10,945,031	7,647,805
Settlements due from banks and financial institutions	9	21,972,729	41,340,866
Loans and advances to customers	10	19,778,302	21,067,006
Advances to related parties	11	916,728	414,222
Investment securities	12	11,136,799	19,393,430
Investments in associates	13	9,268,244	8,550,487
Regulatory blocked funds	14	6,000,000	6,000,000
Property and equipment	15	24,219,590	24,530,273
Intangible assets	16	3,383,756	2,678,789
Other assets	17	983,293	834,077
Total assets		267,690,470	268,197,790
LIABILITIES			
Settlements due to banks and financial institutions	18	73,615,594	88,850,186
Deposits from banks and financial institutions	19	24,159,561	15,515,809
Customers' deposits	20	29,664,602	18,506,613
Creditors' operating accounts	21	22,874,742	35,030,129
Creditors' operating accounts - related parties	22	6,713,151	7,689,107
Accounts payable and other creditors	23	3,808,187	4,919,995
Other liabilities	24	1,140,919	1,459,876
Provisions	25	4,360,988	5,606,883
Total liabilities		166,337,744	177,578,598
EQUITY			
Capital	26	75,000,000	55,000,000
Legal and other reserves	28	1,533,545	1,017,503
Retained earnings		6,829,097	7,070,753
Cumulative change in fair value of investment securities	29	(127,535)	351,355
Foreign currency translation reserve		(100,345)	(4,882)
Profit for the year		15,462,336	24,420,684
Equity attributable to equity holders of the Bank		98,597,098	87,855,413
Non-controlling interests		2,755,628	2,763,779
Total Equity		101,352,726	90,619,192
Total Liabilities and Equity		267,690,470	268,197,790
Financial instruments with off-balance risk			
Standby letters of credit	40	22,157,737	20,422,660
Fiduciary accounts	38	30,154,505	15,222,129

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CSCBANK S.A.L.
CONSOLIDATED STATEMENT OF INCOME

	Notes	Year Ended December 31, 2011 LBP'000	2010 LBP'000
Commission and fee revenue	30	76,463,976	74,827,579
Commission and fee expense	31	(45,540,059)	(38,825,501)
Net commission and fee income		30,923,917	36,002,078
Interest income	32	8,894,983	8,375,119
Interest expense	33	(1,697,333)	(1,316,109)
Net interest income		7,197,650	7,059,010
Net interest and gain on trading assets at fair value through profit or loss	35	2,163,348	113,911
Share of profit of associates	13	876,579	190,350
Other financial revenues	34	-	11,517,910
		3,039,927	11,822,171
Net financial revenues		41,161,494	54,883,259
Allowance for impairment of loans and advances	9,10&11	(325,651)	(422,176)
Bad debts expense		(18,003)	(67,958)
Provision for impairment of investment in associate	13	-	(105,525)
Total allowance for impairment		(343,654)	(595,659)
Net financial revenues after impairment losses		40,817,840	54,287,600
Salaries and related charges	36	(14,302,322)	(15,427,841)
General and administrative expenses	37	(7,766,109)	(9,284,357)
Depreciation and amortization expenses	15 & 16	(4,070,111)	(3,912,069)
Net write-back / of provision for contingencies	25	855,279	(464,871)
Other income		713,300	643,694
Other expense		(38,437)	(97,515)
		(24,608,400)	(28,542,959)
Profit before income tax		16,209,440	25,744,641
Income tax expense		(177,489)	(496,464)
Profit for the year		16,031,951	25,248,177
Attributable to:			
Equity holders of the Bank		15,462,336	24,420,684
Non-controlling interests		569,615	827,493
		16,031,951	25,248,177

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CSCBANK S.A.L.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2011	2010
	LBP'000	LBP'000
Profit for the year	16,031,951	25,248,177
Other comprehensive income:		
Net unrealized gain on investments in available-for-sale securities	-	3,003,072
Realized gain on sale of available-for-sale securities recycled to profit or loss	-	(10,794,096)
Net unrealized loss on investments in equity securities designated as at fair value through other comprehensive income	(127,535)	-
Deferred taxes	-	578,845
Exchange differences on translating foreign operations	(95,463)	(15,811)
Total other comprehensive income	(222,998)	(7,227,990)
Total comprehensive income for the year	15,808,953	18,020,187
Attributable to:		
Equity holders of the Bank	15,239,338	17,192,694
Non-controlling interests	569,615	827,493
	15,808,953	18,020,187

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CSCBANK S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Bank								
	Capital	Legal and other reserve	Retained Earnings	Change in Fair Value of Available-for-Sale Securities	Foreign Currency Translation Reserve	Profit for the year	Total	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance as at January 1, 2010	40,000,000	974,370	8,231,757	7,563,534	10,929	18,393,154	75,173,744	3,471,899	78,645,643
Total comprehensive income for 2010	-	-	-	(7,212,179)	(15,811)	24,420,684	17,192,694	827,493	18,020,187
Allocation of 2009 profit	-	1,836,554	16,556,600	-	-	(18,393,154)	-	-	-
Capital increase – Note 26	15,000,000	(1,798,020)	(13,201,980)	-	-	-	-	-	-
Dividend distribution – Note 27	-	-	(4,500,000)	-	-	-	(4,500,000)	-	(4,500,000)
Decrease in non-controlling interests	-	-	-	-	-	-	-	(1,619,592)	(1,619,592)
Effect of change in ownership in subsidiaries	-	-	(83,979)	-	-	-	(83,979)	83,979	-
Other movement	-	4,599	68,355	-	-	-	72,954	-	72,954
Balance as at December 31, 2010	55,000,000	1,017,503	7,070,753	351,355	(4,882)	24,420,684	87,855,413	2,763,779	90,619,192
Effect of early adoption of IFRS9 – Note 5	-	-	695,166	(351,355)	-	-	343,811	-	343,811
Balance as at December 31, 2010 – as restated	55,000,000	1,017,503	7,765,919	-	(4,882)	24,420,684	88,199,224	2,763,779	90,963,003
Total comprehensive income for 2011	-	-	-	(127,535)	(95,463)	15,462,336	15,239,338	569,615	15,808,953
Allocation of 2011 profit	-	3,094,359	21,326,325	-	-	(24,420,684)	-	-	-
Capital increase – Note 26	20,000,000	(2,581,904)	(17,418,096)	-	-	-	-	-	-
Dividend distribution – Note 27	-	-	(4,750,000)	-	-	-	(4,750,000)	-	(4,750,000)
Decrease in non-controlling interest	-	2,871	-	-	-	-	2,871	(577,766)	(574,895)
Other movement	-	716	(95,051)	-	-	-	(94,335)	-	(94,335)
Balance as at December 31, 2011	75,000,000	1,533,545	6,829,097	(127,535)	(100,345)	15,462,336	98,597,098	2,755,628	101,352,726

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CSCBANK S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2011 LBP'000	2010 LBP'000
Cash flows from operating activities:			
Profit for the year before income tax		16,209,440	25,744,641
Adjustments:			
Allowance for impairment of loans and advances		325,651	422,176
Net provisions for contingencies and end-of-service indemnity	25	(1,102,163)	1,494,277
Provision for impairment in investments in associates	13	-	105,525
Bad debt expense		18,003	67,958
Depreciation and amortization	15&16	4,070,111	3,912,069
Interest income		(8,894,983)	(8,375,119)
Interest expense		1,697,333	1,316,109
Share of profits of associates		(876,579)	(190,350)
Loss on disposal of fixed assets		15,934	41,061
Change in fair value of financial assets at fair value through profit or loss		(196,266)	(203,158)
Decrease in deposits with banks and financial institutions		(23,534,034)	(59,670,126)
Increase in deposits from banks and financial institutions		8,604,449	3,947,943
Net change in settlements due from/due to banks and financial institutions		4,018,961	27,266,273
Decrease/(increase) in loans and advances to customers		1,339,167	(18,848,126)
(Increase)/decrease in advances to related parties		(782,039)	259,197
(Increase)/decrease in other assets		(149,216)	105,060
Interest received		8,309,238	8,991,633
Interest paid		(1,622,570)	(1,635,143)
Income tax paid		(518,780)	(353,587)
Regulatory blocked funds		-	(6,000,000)
Increase in customers' deposits		11,122,529	18,506,613
Decrease in creditors' operating accounts		(12,155,387)	(19,642,521)
(Decrease)/increase in accounts payable and other creditors		(770,517)	712,919
(Decrease)/increase in creditors' operating accounts – related parties		(975,956)	6,055,290
(Decrease)/increase in other liabilities		(318,957)	721,443
(Decrease)/increase in provisions		(143,732)	543,886
Net change in non-controlling interests		(577,766)	(1,535,613)
Foreign currency translation reserve		(186,927)	(24,834)
Net cash generated by/(used in) operating activities		2,924,944	(16,264,504)
Cash flows from investing activities:			
Decrease/(increase) in investments in associates		158,822	(6,130,481)
Decrease in investment securities	8&12	5,319,660	46,797,665
Increase in tangible and intangible assets		(4,480,329)	(3,658,407)
Net cash generated by investing activities		998,153	37,008,777
Cash flows from financing activities:			
Dividends paid		(4,750,000)	(4,500,000)
Net cash used in financing activities		(4,750,000)	(4,500,000)
Net (decrease)/increase in cash and cash equivalents		(826,903)	16,244,273
Cash and cash equivalents – beginning of year	41	70,742,096	54,497,823
Cash and cash equivalents – end of year	41	69,915,193	70,742,096

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CSCBank S.A.L. (the "Bank") is a Lebanese joint stock company registered in Lebanon under commercial registration No.62620 on August 20, 1992 and was registered at the Central Bank of Lebanon as a financial institution under Number 30 on March 17, 2001.

Prior to June 30, 2010, the Bank was incorporated as a financial institution. On June 30, 2010, the Central Bank of Lebanon approved the conversion of the financial institution into a specialized bank under the name of CSCBANK S.A.L. As a result, the financial institution was removed from the list of financial institutions and was registered at the Central Bank of Lebanon as a specialized bank under Number 133.

The Bank's current operations are to extend credit facilities from deposits and from its own funds as well as from the funds obtained from banks and financial institutions, in addition to issuing, acquiring, managing, and marketing credit cards and other types of cards in local as well as international markets, and conducting fiduciary operations, financial intermediation, and establishment and management of mutual investment funds and management of the electronic clearing system with the Central Bank of Lebanon.

The Bank's headquarters are located in Beirut.

CSCBank S.A.L. is subject to the regulations provided in decree number 50 dated July 15, 1983 and the Central Bank of Lebanon decision number 6101 dated February 8, 1996.

The Bank operates within the following guidelines:

(a) The objective is exclusive utilization of resources in medium and long-term loans, in investment in securities and in issuing medium and long-term letters of guarantee subject to sufficient collaterals. Advances and loans are considered medium or long-term if maximum 15% of the loan balance will be repaid within the first two years; otherwise the loan will not qualify as medium and long-term debt.

(b) The Bank is prohibited from accepting deposits with less than six-month maturity. However, the Bank has the right to provide the depositor the permission to withdraw before maturity. In this case, the Bank will automatically be entitled to charge a penalty interest computed on the drawn balance at the rate of 5% and for the remaining period until maturity.

(c) The Bank can place its available liquidity in short-term placements (less than one year) in the form of deposits with banks, fiduciary facilities to financial institutions or as Lebanese treasury bonds. Moreover, the Bank can borrow or receive deposits from banks, financial institutions, and insurance companies for less than six-month maturity period.

(d) Investment in property, plant and equipment and non-current equity securities should not exceed the Bank equity. However, the Bank can carry additional investments in non-current equity securities not to exceed 50% of the total deposits and borrowings with maturities greater than five years.

(e) Loans should be provided only against real or bank guarantees. The Bank is entitled to provide clean loans to the public sector, to the government, or to large companies based on the approval of the Central Bank of Lebanon and on a case-by-case basis. Under no circumstance should the value of the loan extended to customers exceed 60% of the appraisal value of the real and / or bank guarantees provided. Also, the aggregate balance of the loans extended to one debtor or a group of related companies should not exceed 20% of the Bank's equity.

(f) The total medium and long-term loans and investments in LBP in the private sector should not drop under 10% of the Bank's obligations in LBP, that include equity, deposits and debts.

(g) The total Bank investments and loans to the public sector, in any currency, should not exceed:

- Its investments and participations in the private sector, in Lebanese mixed companies, and in shares or investment funds that do not invest in Lebanese treasury bills.
- Its investments in financial intermediation operations as a market maker on condition that the respective bonds are liquidated within a six-month period.

(h) The Bank has the right to issue debentures and bonds up to six times its equity, as directed by article Number 125 of the Commercial Law following the approval of the general assembly. Interest paid on these bonds is tax exempt.

(i) According to tax regulations, the Bank is exempt from income tax for the first seven fiscal years from the date of its conversion into a bank. The Bank becomes subject to income tax starting the eighth fiscal year. There also, a cost of capital of 4% applicable on the Bank paid up capital is considered as deductible for tax purposes. In case there is a deficit in the taxable statement of comprehensive income in any year, this deficit cannot be carried forward to the next year. Accrued taxes on profit are recorded in the statement of financial position net of paid withheld taxes on interest income.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Early adopted Standard during the current period

In the current year the Group has applied IFRS 9 *Financial Instruments* (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates. The date of initial application is as of January 1, 2011. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis without restatement of prior periods as permitted by the Standard.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*. As a general rule, IFRS 9 requires all financial assets related to debt securities to be classified and subsequently measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. However, equity securities and derivatives should all be measured at fair value.

As required by IFRS 9, debt instruments are measured at amortized cost only if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows 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. If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss (FVTPL).

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortized cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income that is generally recognized in profit or loss in accordance with IAS 18 *Revenue*, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

For debt instruments not designated at fair value through profit or loss under the fair value option, reclassification is required between fair value through profit or loss and amortized cost, or vice versa, if the Group's business model objective for its financial assets changes so that its previous measurement basis no longer applies.

IFRS 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated. Instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

As at January 1, 2011, the Group's management reviewed and assessed the Group's existing financial assets and liabilities. The impact resulting from the initial application of IFRS 9 on the Group's financial assets is detailed under Note 5. Differences between the carrying amounts of financial assets and financial liabilities from the adoption of IFRS 9 are recognized in opening retained earnings.

Financial liabilities

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated at fair value through profit or loss) attributable to changes in the credit risk of that liability.

For financial liabilities that are designated at fair value through profit or loss, 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 presented 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. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss was presented in profit or loss.

2.2 Standards and Interpretations effective for the current period

The following new and revised standards and interpretations have been applied in the current year with no material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 24 *Related Party Disclosures* (as revised in 2009) modify the definition of a related party and simplify disclosures for government-related entities. The Bank and its subsidiaries are not government-related entities and the application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

- Amendments to IAS 32 *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

- Amendments to IFRIC 14 - *Prepayments of a Minimum Funding Requirement.* The amendments correct an unintended consequence of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The application of the amendments has had no effect on the Group's financial statements.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; IFRIC 13. The application of these improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

2.3 Standards and Interpretations in issue but not yet effective

The Group has not applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Currently, the Group has not entered into such transactions.	July 1, 2011
• IFRS 10 *Consolidated Financial Statements** replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements, and SIC 12 *Consolidation – Special Purpose Entities.* IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee and includes a new definition of control. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. IAS 27 *Consolidated and Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	January 1, 2013
• IFRS 11 *Joint Arrangements** replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non monetary Contributions by Venturers.* IFRS 11 establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate. IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	January 1, 2013
• IFRS 12 *Disclosure of Interests in Other Entities** is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.	January 1, 2013

• IFRS 13 *Fair Value Measurement* defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. The scope of IFRS 13 is broad and applies to both financial and non-financial items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards.	January 1, 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income.* The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	July 1, 2012
• Amendments to IAS 12 *Income Taxes* provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	January 1, 2012
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	January 1, 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	January 1, 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	January 1, 2013

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Management anticipate that the adoption of the above Standards and Interpretation will have no material impact on the financial statements of the Group in the period of initial application, except for IFRS 13 which may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Financial instruments at fair value through profit or loss.
- Investments in equity securities.
- Available-for-sale financial assets (applicable prior to January 1, 2011).

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 applied are set out below:

A. Basis of Consolidation:

The consolidated financial statements of CSCBank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries). Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated subsidiaries consist of the following:

Company Name	Ownership Percentage	Ownership Date	Activity
	%		
CSC Finance S.A.L.	100	2010	Financial Institution
CSC S.A.L. (Holding)	100	2003	Holding
- CSC Overseas Development Ltd.	100	2003	Financial Intermediary
- CSC24seven.com Ltd	50	2003	Financial Institution
- CSC Yemen Ltd	51	2004	Financial Intermediary
- CSC Egypt SAE	50% + 1 share	2005	Financial Intermediary
- CSC Jordan Ltd	60	2005	Financial Intermediary
- CSC Europe Ltd	100	2006	Financial Intermediary
- CSC Jordan Overseas Ltd	60	2008	Financial Intermediary
- CSC Syria Overseas Ltd	84	2008	Financial Intermediary
- CSC Syria Ltd	84	2008	Financial Intermediary

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners 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 the subsidiaries to bring their accounting policies in line with those used by the other entities of the Group.

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

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, a bargain purchase gain is recognized immediately in profit or loss.

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.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

C. Goodwill:

Goodwill arising on an acquisition of a business is carried at cost. Refer to Note 3C for the measurement of goodwill at initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under “Investments in Associates”.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

D. Foreign Currencies:

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 Lebanese Pound 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 other comprehensive income under equity.

E. 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.

Effective January 1, 2011, upon derecognition of a financial asset that is classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation 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.

F. Classification of Financial Assets:

Policy Applicable effective January 1, 2011 (IFRS 9):

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.

Policy Applicable prior to January 1, 2011 (IAS 39):

Subsequent to initial recognition, investment securities are accounted for depending on their classification as either: held-to-maturity, loans and receivables, available-for-sale, or fair value through profit or loss.

Held-to-Maturity Investment Securities:

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortized cost.

Loans and Receivables Investment Securities:

Loans and receivables investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the ability to hold to maturity.

Loans and receivables investment securities are carried at amortized cost.

Available-for-Sale Investment Securities:

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be readily measured are carried at cost. All other available-for-sale investments are carried at fair value and unrealized gains or losses are included in other comprehensive income.

The change in fair value on available-for-sale debt securities reclassified to held-to-maturity is segregated from the change in fair value of available-for-sale debt securities under equity and is amortized over the remaining term to maturity of the debt security as a yield adjustment.

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.

G. Financial Liabilities and Equity Instruments:

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 Bank'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 Bank's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost

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 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.

H. 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.

I. Fair Value Measurement of Financial Instruments:

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction.

When published price quotations exist, the Group measures the fair value of a financial instrument that is traded in an active market using quoted prices for that instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument, adjusted for any other factors such as liquidity risk.

J. Impairment of Financial Assets:

Effective January 1, 2011 financial assets carried at amortized cost; and prior to January 1, 2011 financial assets other than those carried at fair value through profit and loss, are assessed for indicators of impairment at the reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collaterals and guarantees.

The Group considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

Prior to January 1, 2011: For available-for-sale investment securities, the cumulative losses previously recorded in other comprehensive income and accumulated in equity were recognized in profit or loss in case the impairment losses are substantiated by a prolonged decline in fair value of the investment securities. Any increase in the fair value of available-for-sale equity securities, subsequent to an impairment loss, was not recognized in profit or loss. Any increase in the fair value of available-for-sale debt securities, subsequent to an impairment loss, was recognized in profit or loss.

K. 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.

L. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 results and assets and liabilities of associates are incorporated in these 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 in accordance with 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, which 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.

M. 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 advance payments on capital expenditures) less their residual values, if any, over their useful lives, using the straight-line method as follows:

	Years
Buildings	33 - 50
Freehold improvements	17
Computer equipment	5 - 10
Technical equipment	5 - 10
Office equipment	10
Furniture and fixtures	10 - 13
Other properties and equipment	5 - 10

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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.

N. Intangible Assets:

Intangible assets are stated at historical cost, less accumulated depreciation and impairment loss, if any. Intangible assets other than goodwill, and consisting of computer software, are amortized on a straight-line basis at the rate of 20% and are subject to impairment testing.

O. Impairment of Tangible and Intangible Assets (Other than Goodwill):

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

The fair value of the Group's owned properties 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 of an illiquidity factor and market constraints.

P. Provision for Employees' End-of-Service Indemnity / Staff Retirement Benefits:

Provision for employees' end-of-service indemnities

The provision for employees' termination benefits is based on the liability that would arise if the employment of all the staff were terminated at the statement of financial position date.

The Group provides for employees' end-of-service indemnities in accordance with applicable Labor and Social Security Law with the contracted employment terms or with the Board of Directors resolutions. The entitlement to these benefits is usually based upon the employees' length of service, the employees' salaries and other requirements outlined in the relevant laws.

Q. Provisions:

Provisions are recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are 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.

R. Revenue and Expense Recognition:

Fee and commission income are recognized when services are preformed and charged to cardholder's accounts according to contractual agreements.

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

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities (prior to January 1, 2011).

Interest income, dividend income, realized and unrealized fair value changes and foreign exchange differences on financial assets designated at fair value through profit or loss and on trading assets at fair value through profit or loss are presented separately in the income statement.

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. Prior to January 1, 2011 dividends on available-for-sale securities were presented in other revenue.

S. Income Tax:

As discussed under Note 1 above, the Bank is exempt from income tax for the first seven fiscal years from the date of its conversion into a bank.

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Part of debt securities invested in by the Group is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position 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.

T. Fiduciary Accounts:

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

U. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with maturities of a period up to three months including: cash and balances with the Central Bank, deposits with banks and financial institutions and deposits from banks and financial institutions.

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 carrying amounts of assets and 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 or in the future periods if the revision affects both current and future periods.

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

Classification of Financial Assets (Applicable from January 1, 2011):

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

Allowances for Credit Losses - Loans and Advances to Customers:

Allowance for impairment for credit losses is calculated on the basis of an estimated amount equivalent to 100% of the total due and unpaid balances outstanding for more than 180 days for non-insured accounts, and 20% of the due and unpaid balances outstanding for more than 90 days for the insured accounts.

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 3I. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainly of market factors, pricing assumptions and other risks affecting the specific instrument.

Where available, management has used market indicators in its mark to model approach for the valuation of the Lebanese government debt securities and Central Bank certificates of deposit at fair value. The IFRS fair value hierarchy allocates the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The fair value hierarchy used in the determination of fair value consists of three levels of input data for determining the fair value of an asset or liability.

Level 1 - quoted prices for identical items in active, liquid and visible markets such as stock exchanges,
Level 2 - observable information for similar items in active or inactive markets,
Level 3 - unobservable inputs used in situations where markets either do not exist or are illiquid.

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 a market participant that holds the asset or owes the liability. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data. Where practical, the discount rate used in the mark to model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the Lebanese Government debt securities and Central Bank certificates of deposit."

Impairment of Available-for-Sale Equity Investments (Prior to January 1, 2011):

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination requires judgment. In making this judgment the Group, among other factors, evaluates the normal volatility in share price.

5. CLASSIFICATION OF FINANCIAL ASSETS ON THE DATE OF INITIAL APPLICATION OF IFRS 9

As discussed in Note 2 (2.1), the Group has early adopted IFRS 9 *Financial Instruments*. Below is a summary of the transitional classification and measurement adjustments to the Group's investments securities on the date of initial application of IFRS 9. All other financial assets were classified as loans and receivables under IAS 39 and have been classified at amortized cost under IFRS 9:

	Previous classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 at December 31, 2010	Carrying amount under IFRS 9 at January 1, 2011
			LBP'000	LBP'000
Equity securities - Quoted	Available for sale	Fair value through profit or loss	10,257,163	10,257,163
Lebanese Government bonds	Available for sale	Amortized cost	8,976,122	9,319,933
			19,233,285	19,577,096

The impact of the early adoption of IFRS 9 on the opening retained earnings and the cumulative change in fair value as at January 1, 2011 was as follows:

	Retained Earnings	Cumulative Change in Fair Value (Under Equity)
	LBP'000	LBP'000
Reported balances - December 31, 2010	7,070,753	351,355
Allocation to retained earnings of portion of change in fair value related to portfolio classified as at fair value through profit or loss (net of deferred tax)	695,166	(695,166)
Offset of change in fair value related to portfolio classified as at amortized cost (net of deferred tax)	-	343,811
Reported balances - January 1, 2011	7,765,919	-

6. CASH AND CENTRAL BANKS

This caption is composed of the following:

	December 31, 2011		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Cash on hand and Automated Teller Machines (ATM)	142,946	179,866	322,812
Current accounts with Central Bank of Lebanon	3,753,987	3,778,779	7,532,766
Current accounts with other central banks	-	37,583	37,583
	3,896,933	3,996,228	7,893,161
Time deposits with Central Bank of Lebanon	-	11,306,250	11,306,250
	-	11,306,250	11,306,250
	3,896,933	15,302,478	19,199,411

	December 31, 2010		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Cash on hand and Automated Teller Machines (ATM)	19,934	45,086	65,020
Current accounts with Central Bank of Lebanon	1,781,595	5,378,375	7,159,970
Current accounts with other central banks	-	36,337	36,337
	1,801,529	5,459,798	7,261,327
Time deposits with Central Bank of Lebanon	-	6,783,750	6,783,750
	1,801,529	12,243,548	14,045,077

7. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This caption is composed of the following:

	December 31, 2011		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Current non-interest bearing accounts:			
Resident banks and financial institutions	100,955	1,646,013	1,746,968
Resident related banks	644,463	111,145	755,608
Non-resident banks and financial institutions	-	18,100,910	18,100,910
	745,418	19,858,068	20,603,486
Time deposit accounts:			
Resident banks and financial institutions	53,299,164	40,626,964	93,926,128
Resident related banks	4,247,000	12,641,951	16,888,951
Non-resident banks and financial institutions	-	7,008,877	7,008,877
	57,546,164	60,277,792	117,823,956
Accrued interest receivable	764,849	694,296	1,459,145
Total	59,056,431	80,830,156	139,886,587

	December 31, 2010		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Current non-interest bearing accounts:			
Resident banks and financial institutions	74,939	2,368,662	2,443,601
Resident related banks	792,963	397,975	1,190,938
Non-resident related banks	-	233,418	233,418
Non-resident banks and financial institutions	-	20,399,576	20,399,576
	867,902	23,399,631	24,267,533
Time deposit accounts:			
Resident banks and financial institutions	43,500,000	27,553,431	71,053,431
Resident related banks	6,500,000	8,311,113	14,811,113
Non-resident banks and financial institutions	-	10,742,568	10,742,568
	50,000,000	46,607,112	96,607,112
Accrued interest receivable	469,898	351,215	821,113
Total	51,337,800	70,357,958	121,695,758

Time deposits as at December 31, 2011 and 2010 bear the following maturities and average interest rates:

	December 31, 2011			
	Accounts in LBP		Foreign Currencies	
Remaining Period to Maturity	**Amount**	**Average Interest Rate**	**Amount**	**Average Interest Rate**
	LBP'000	**%**	**LBP'000**	**%**
First quarter of 2012	7,860,504	6.29%	22,251,792	3.97%
Second quarter of 2012	4,567,085	7.16%	30,672,730	3.83%
Third quarter of 2012	4,635,000	7.24%	7,353,270	4.11%
Fourth quarter of 2012	40,483,575	6.66%	-	-
	57,546,164		60,277,792	

	December 31, 2010			
	Accounts in LBP		Foreign Currencies	
Remaining Period to Maturity	**Amount**	**Average Interest Rate**	**Amount**	**Average Interest Rate**
	LBP'000	**%**	**LBP'000**	**%**
First quarter of 2011	7,000,000	7.12%	25,429,486	4.66%
Second quarter of 2011	4,000,000	6.88%	8,311,113	4.00%
Fourth quarter of 2011	39,000,000	6.79%	9,851,513	2.00%
First quarter of 2012	-	-	3,015,000	5.00%
	50,000,000		46,607,112	

Accrued interest receivable is segregated as follows as at December 31, 2011 and 2010:

	December 31,	
	2011	**2010**
	LBP'000	**LBP'000**
Non-related parties	1,311,751	669,245
Related parties	147,394	151,868
	1,459,145	821,113

8. TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2011 LBP'000	December 31, 2010 LBP'000
Quoted equity securities	5,552,997	7,647,805
Unquoted equity securities	5,343,396	-
Accrued interest receivable	48,638	-
	10,945,031	7,647,805

The unrealized gain on trading assets at fair value through profit or loss amounted to LBP196million in 2011 and was recorded under "Net interest and gain on trading assets at fair value through profit or loss" in the consolidated statement of income (LBP114million in 2010) (refer to note 35).

Trading assets at fair value through profit or loss include equity securities reclassified from available-for-sale investment securities upon there early adoption of IFRS 9 starting January 1, 2011 (see notes 5 and 12).

9. SETTLEMENTS DUE FROM BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31, 2011 LBP'000	December 31, 2010 LBP'000
Due from banks and financial institutions	21,972,729	41,340,866
Doubtful debts	678,434	586,972
	22,651,163	41,927,838
Allowances for impairment	(678,434)	(586,972)
	21,972,729	41,340,866

Settlements due from banks and financial institutions represent amounts paid by the Group related to the transactions conducted by the cardholders who are customers of the client banks and financial institutions and amounts billed by the Group to these banks and financial institutions for the services rendered. These transactions are generated and settled according to the conditions of the contracts signed between both parties. These balances are non-interest bearing and the settlement period does not exceed one month.

The movement of allowance for impairment of uncollectible balances during 2011 and 2010 is summarized as follows:

	2011 LBP'000	2010 LBP'000
Balance at January 1	586,972	451,370
Additions	114,584	159,723
Effect of exchange rates changes	(23,122)	(24,121)
Balance at December 31	678,434	586,972

10. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers consist of the following:

	December 31, 2011			December 31, 2010		
	Gross Amount net of Unrealized Interest	Impairment Allowance	Net Carrying Value	Gross Amount net of Unrealized Interest	Impairment Allowance	Net Carrying Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular customers - individuals (retail):						
- Medium term loans and advances	4,265,891	-	4,265,891	6,331,773	-	6,331,773
- Credit cards	11,000,579	-	11,000,579	10,372,348	-	10,372,348
- Overdrafts	3,210,620	-	3,210,620	-	-	-
	18,477,090	-	18,477,090	16,704,121	-	16,704,121
Classified customers - individuals (retail):						
- Doubtful and bad loans	1,360,994	(1,360,994)	-	1,429,877	(1,429,877)	-
	1,360,994	(1,360,994)	-	1,429,877	(1,429,877)	-
Regular customers – corporate:						
- Discounted bills	1,177,413	-	1,177,413	4,243,425	-	4,243,425
- Other advances	123,799	-	123,799	119,460	-	119,460
	1,301,212	-	1,301,212	4,362,885	-	4,362,885
	21,139,296	(1,360,994)	19,778,302	22,496,883	(1,429,877)	21,067,006

The movement of doubtful and bad loans and related unrealized interest and allowance for impairment during 2011 and 2010 is summarized as follows:

	2011			
	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Carrying Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1	1,819,214	(389,337)	(1,429,877)	-
Additions	54,577	-	(54,577)	-
Write-backs	(123,043)	-	123,043	-
Effect of changes in exchange rates	(417)	-	417	-
Balance at December 31	1,750,331	(389,337)	(1,360,994)	-

	2010			
	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1	1,309,241	(132,446)	(1,176,795)	-
Additions	519,344	(256,891)	(262,453)	-
Effect of changes in exchange rates	(9,371)	-	9,371	-
Balance at December 31	1,819,214	(389,337)	(1,429,877)	-

11. ADVANCES TO RELATED PARTIES

This caption represents non-interest bearing accounts receivable resulting from current operations with related parties. Balances due from related parties are settled within periods not exceeding three months. The majority of these balances are denominated in U.S. Dollar.

	December 31,	
	2011	2010
	LBP'000	LBP'000
Advances to associate	286,778	205,759
Advances to shareholders and other related parties	909,483	208,463
	1,196,261	414,222
Allowance for impairment of advances to associate	(279,533)	-
	916,728	414,222

12. INVESTMENT SECURITIES

This caption consists of the following:

	December 31, 2011 LBP'000	December 31, 2010 LBP'000
Financial assets at fair value through other comprehensive income (A)	1,063,633	-
Financial assets at amortized cost (B)	10,073,166	-
Available-for-sale financial assets (C)	-	19,393,430
	11,136,799	19,393,430

A- Financial assets at fair value through other comprehensive income:

	December 31, 2011		
	Cost LBP'000	Carrying Fair Value LBP'000	Cumulative Change in Fair Value LBP'000
Unquoted equity securities	1,191,168	1,063,633	(127,535)

B- Financial assets at amortized cost:

	December 31, 2011				
	Accounts in LBP		Counter Value of Foreign Currencies		Total
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Government bonds	1,500,000	1,501,215	8,465,308	7,687,768	9,965,308
Accrued interest receivable	22,859	-	84,999	-	107,858
	1,522,859	1,501,215	8,550,307	7,687,768	10,073,166

Financial assets at amortized cost were segregated over remaining periods to maturity as follows:

	December 31, 2011							
	Accounts in LBP				Counter Value of Foreign Currencies			
Remaining period to maturity	Nominal Value	Amortized Cost	Fair Value	Yield	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government Bonds:								
-1 year to 3 years	750,000	750,000	753,746	5.94	-	-	-	
-3 years to 5 years	750,000	750,000	747,469	6.18	1,507,500	1,711,141	1,664,075	6.07
-Beyond 5 years	-	-	-		6,754,167	6,754,167	6,023,693	5.43
	1,500,000	1,500,000	1,501,215		8,261,667	8,465,308	7,687,768	

C- Available-for-sale investment securities:

	December 31, 2010							
	Accounts in LBP			Counter Value of Foreign Currency				
	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value	Amortized Cost	Carrying Fair Value	Cumulative Change in Fair Value	Provision for Impairment Loss	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	-	-	7,073,576	7,768,742	695,166	(2,341,671)	5,427,071
Unquoted equity securities	-	-	-	4,830,092	4,830,092	-	-	4,830,092
Lebanese Government bonds	4,500,000	4,428,673	(71,327)	4,819,933	4,547,449	(272,484)	-	8,976,122
	4,500,000	4,428,673	(71,327)	16,723,601	17,146,283	422,682	(2,341,671)	19,233,285
Accrued interest receivable	-	20,805	-	-	139,340	-	-	160,145
	4,500,000	4,449,478	(71,327)	16,723,601	17,285,623	422,682	(2,341,671)	19,393,430

Available-for-sale debt securities were segregated over remaining periods to maturity as follows:

	December 31, 2010							
	Accounts in LBP				Counter Value of Foreign Currencies			
Remaining period to maturity	Nominal Value	Amortized Cost	Carrying Fair Value	Yield	Nominal Value	Amortized Cost	Carrying Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government Bonds:								
- 1 Year to 3 Years	750,000	750,000	747,432	5.94	598,933	598,933	602,947	5.87
- 3 Years to 5 Years	750,000	750,000	753,606	6.18	-	-	-	
- Beyond 5 Years	3,000,000	3,000,000	2,927,635	7.90	4,221,000	4,221,000	3,944,502	5.47
	4,500,000	4,500,000	4,428,673		4,819,933	4,819,933	4,547,449	

The movement of investments securities during 2011 and 2010 is summarized as follows:

	2011				
	Available-for-sale securities		Financial assets at Amortized cost		Financial assets at fair value through other comprehensive income
	Accounts in LBP	Counter Value of Foreign Currency	Accounts in LBP	Counter Value of Foreign Currency	Counter Value of Foreign Currency
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1	4,428,673	14,804,612	-	-	-
Reclassification to amortized cost upon early adoption of IFRS9	(4,500,000)	(4,819,933)	4,500,000	4,819,933	-
Cumulative change in fair value reclassified from other comprehensive income upon early adoption of IFRS 9	71,327	272,484	-	-	-
Reclassification from available-for-sale securities to trading assets at fair value through profit or loss upon early adoption of IFRS 9	-	(10,257,163)	-	-	-
Acquisitions	-	-	-	5,751,808	1,191,168
Redemptions	-	-	(3,000,000)	(2,106,433)	-
Change in fair value (loss)	-	-	-	-	(127,535)
Balance at December 31	-	-	1,500,000	8,465,308	1,063,633

	Available-for-sale securities		
	2010		
	Accounts in LBP	Counter Value of Foreign Currency	Total
	LBP'000	LBP'000	LBP'000
Balance at January 1	29,767,382	50,339,743	80,107,125
Acquisitions	4,500,000	9,927,036	14,427,036
Sales	(28,057,000)	(39,608,563)	(67,665,563)
Change in fair value	(1,741,944)	(6,049,080)	(7,791,024)
Effect of discount/premium amortization	(39,765)	247,306	207,541
Effect of changes in exchange rates	-	(51,830)	(51,830)
Balance at December 31	4,428,673	14,804,612	19,233,285

13. INVESTMENTS IN ASSOCIATES

		December 31,			
		% of Ownership			
	Country	2011	2010	2011	2010
		%	%	LBP'000	LBP'000
Arab Company for Internet Services Ltd	Jordan	38	40	7,038,590	6,320,833
Credit Card Management S.A.L.	Lebanon	20	20	1,184,714	1,184,714
Universal Cards Company	Saudi Arabia	40	40	1,044,940	1,044,940
IPN Yemen	Yemen	35	35	105,525	105,525
				9,373,769	8,656,012
Allowance for impairment loss				(105,525)	(105,525)
				9,268,244	8,550,487

The Group's investment in 20% equity stake of "Credit Card Management Company S.A.L." includes LBP442million representing the goodwill arising from the acquisition of the equity interest in the above company.

During 2010, CSC S.A.L. (Holding), a subsidiary, purchased a 40% equity stake in Arab Company for Internet Services Ltd. (registered in Jordan) for a total consideration of LBP6.13billion (Note 22) representing 40% of the estimated value of the said company amounting to JOD7.2million at the acquisition date. The total book value of the company at the acquisition date was JOD1.02million. As per the purchase contract, the said subsidiaries and the remaining shareholders in the company cannot transfer or convert their shares to non-related parties for a period of 3 years from the date of acquisition. During 2011, the said subsidiary sold 5% of its ownership in this associate to CSC Jordan, another subsidiary, which resulted in a decrease in the Group's percentage of ownership in this associate by 2% to become 38% as of December 31, 2011. The Group recognized its share in the associate's profit for the year ended December 31, 2011 in the amount of LBP877million under "Share of profits of associates" in the statement of income (LBP190million for the year ended December 31, 2010).

The investment in IPN Yemen as at December 31, 2011 and 2010 represents a 35% equity stake in the company's capital of USD200,000 (LBP301million). During 2010, the investment was fully impaired and the related allowance was recorded in the statement of income.

Summarized financial information in respect of the Group's associates is set out below:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Total assets	19,033,776	16,686,857
Total liabilities	5,250,820	4,755,928
Net assets	13,782,956	11,930,929
Total revenue	16,478,873	12,184,266
Total profit for the year	3,724,944	2,369,494

14. REGULATORY BLOCKED FUNDS

Regulatory blocked funds represent a non-interest earning compulsory deposit placed with the Lebanese Treasury upon conversion of the parent company into a specialized bank. This deposit is refundable in case of cessation of operations, according to article 132 of the Money and Credit Law.

15. PROPERTY AND EQUIPMENT

This caption consists of the following:

	Buildings	Freehold/ Leasehold Improvements	Computer Equipment	Technical Equipment	Office Equipment	Furniture and Fixtures	Other Properties and Equipment	Advances on Property and Equipment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cost:									
Balance as at January 1, 2010	12,749,635	7,610,372	10,233,735	3,786,667	1,552,519	598,814	656,028	304,798	37,492,568
Additions	158,288	884,529	1,167,628	114,196	209,139	16,805	114,740	53,666	2,718,991
Transfers	-	304,875	-	-	-	-	-	(304,875)	-
Effect of changes in exchange rates	-	-	(12,475)	(868)	(934)	(56)	(118)	-	(14,451)
Adjustments and disposals	-	-	(47,378)	-	-	-	-	-	(47,378)
Balance as at December 31, 2010	12,907,923	8,799,776	11,341,510	3,899,995	1,760,724	615,563	770,650	53,589	40,149,730
Additions	-	1,429,033	942,522	108,969	87,897	118,715	83,021	11,440	2,781,597
Effect of changes in exchange rates	-	(137,249)	(31,781)	-	(3,175)	-	-	-	(172,205)
Adjustments and disposals	-	(27,199)	(259,703)	-	(112,319)	(960)	(2,029)	-	(402,210)
Balance as at December 31, 2011	12,907,923	10,064,361	11,992,548	4,008,964	1,733,127	733,318	851,642	65,029	42,356,912
Accumulated depreciation:									
Balance as at January 1, 2010	(765,060)	(2,035,599)	(5,945,060)	(2,563,091)	(748,010)	(260,749)	(344,137)	-	(12,661,706)
Depreciation	(254,286)	(655,160)	(1,517,257)	(300,948)	(128,495)	(50,220)	(70,151)	-	(2,976,517)
Effect of changes in exchange rates	-	-	10,941	848	553	12	95	-	12,449
Adjustments and disposals	-	-	6,317	-	-	-	-	-	6,317
Balance as at December 31, 2010	(1,019,346)	(2,690,759)	(7,445,059)	(2,863,191)	(875,952)	(310,957)	(414,193)	-	(15,619,457)
Depreciation	(278,774)	(489,656)	(1,571,918)	(252,888)	(141,771)	(56,968)	(83,069)	-	(2,875,044)
Effect of changes in exchange rates	-	23,208	7,556	-	982	-	-	-	31,746
Adjustments and disposals	-	5,490	238,332	-	79,239	343	2,029	-	325,433
Balance as at December 31, 2011	(1,298,120)	(3,151,717)	(8,771,089)	(3,116,079)	(937,502)	(367,582)	(495,233)	-	(18,137,322)
Net carrying value:									
As at December 31, 2011	11,609,803	6,912,644	3,221,459	892,885	795,625	365,736	356,409	65,029	24,219,590
As at December 31, 2010	11,888,577	6,109,017	3,896,451	1,036,804	884,772	304,606	356,457	53,589	24,530,273

16. INTANGIBLE ASSETS

The caption consists of the following:

	Computer Software LBP'000
Cost:	
Balance as at January 1, 2010	9,679,163
Additions	939,416
Balance as at December 31, 2010	10,618,579
Additions	1,928,141
Effect of charges in exchange rates	(28,107)
Balance as at December 31, 2011	12,518,613
Accumulated amortization:	
Balance as at January 1, 2010	(7,004,238)
Additions	(935,552)
Balance as at December 31, 2010	(7,939,790)
Additions	(1,195,067)
Balance as at December 31, 2011	(9,134,857)
Net book value:	
As at December 31, 2011	3,383,756
As at December 31, 2010	2,678,789

17. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2011 LBP'000	2010 LBP'000
Deferred charges	-	14,106
Prepaid expenses	726,339	671,038
Other debit balances	256,954	148,933
	983,293	834,077

18. SETTLEMENTS DUE TO BANKS AND FINANCIAL INSTITUTIONS

Settlements due to banks and financial institutions amounting to LBP73.6billion as of December 31, 2011 (LBP88.9billion in 2010) represent non-interest bearing balances due to several banks resulting mainly from the automated teller machines transactions.

These balances are generated and settled in accordance with the contractual terms between these banks and the Group.

The Group on a daily basis, performs clearing transactions with Lebanese banks, using the electronic clearing system of the Central Bank of Lebanon, in accordance with the Central Bank of Lebanon requirements in its circular No. 92 dated January 24, 2003.

19. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December31, 2011				
	Accounts in LBP		Accounts in Foreign Currencies		
	Amount	Average Interest Rate	Amount	Average Interest Rate	Total
	LBP'000	%	LBP'000	%	LBP'000
Blocked accounts	-	-	10,176,958	2.03	10,176,958
Term deposits	3,750,000	2.75	10,147,725	1.94	13,897,725
	3,750,000		20,324,683		24,074,683
Accrued interest payable	565		84,313		84,878
	3,750,565		20,408,996		24,159,561

	December31, 2010			
	Accounts in LBP		Accounts in Foreign Currencies	
	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
Blocked accounts	-	-	9,583,695	1.41
Term deposits	-	-	5,886,539	4.33
	-		15,470,234	
Accrued interest payable	-		45,575	
	-		15,515,809	

Blocked accounts are balances deposited with the Group by bank issuers of credit cards, in guarantee of the credit facilities granted on these cards.

Term deposits represent short term money market deposits maturing during the first and third quarters of the year 2012.

20. CUSTOMERS' DEPOSITS

Customers' deposits are allocated by currencies as follows:

	December 31,	
	2011	2010
	LBP'000	LBP'000
US Dollar	20,671,837	14,615,754
Euro	7,182,370	3,413,319
Sterling pound	1,806,396	477,540
Lebanese Pounds	3,999	-
	29,664,602	18,506,613

In 2011, interest expense on customers' deposits amounted to LBP839million and was recorded under interest expenses in the statement of income (LBP437million for the year ended December 31, 2010).

21. CREDITORS' OPERATING ACCOUNTS

This caption consists of the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Due to companies, merchants and points of sale	1,676,350	6,650,478
Debit and internet cards	21,180,318	28,361,246
Other credit balances	18,074	18,405
	22,874,742	35,030,129

Creditors operating accounts are short term, non-interest bearing accounts, mostly denominated in foreign currencies.

"Due to companies, merchants and points of sale" represents the balances due to resident and non-resident merchants, as a result of credit card transactions, settled according to the respective merchants' contractual terms.

"Debit and internet cards" represents pledged funds received against credit facilities granted to customers using these cards.

22. CREDITORS' OPERATING ACCOUNTS – RELATED PARTIES

The caption represents non-interest bearing current credit accounts with related parties.

"Creditors operating accounts - related parties" as at December 31, 2011 and 2010 includes the balance due to a related party company against the Group's use, in credit card operations, of machines owned by the related party and placed in commercial stores against a fixed commission fee for each type of transaction and monthly rental charges. It also includes the balances due to two related companies that provide the Group with network communication and internet services, against a fixed commission fee for each type of transaction and monthly rental charges.

23. ACCOUNTS PAYABLE AND OTHER CREDITORS

This caption consists of the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Charge back payable	412,500	484,591
Due to National Social Security Fund	137,159	108,133
Taxes payable	618,393	919,289
Suppliers of fixed assets, software and other suppliers	1,001,137	1,384,489
Other creditors	1,638,998	2,023,493
	3,808,187	4,919,995

Under Article 14 of Legislative Decree No. 50 issued on July 15, 1983, applicable to specialized banks, the Bank is exempt from tax on profits for the first seven financial years effective July 1, 2010, the date of its conversion into a specialized bank. The Bank's profits for the six-months period ended June 30, 2010 remained subject to tax on profits.

The Group's Lebanese entities' tax returns after 2007 are still subject to examination and final assessment by the Income Tax Department. Management is of the opinion that additional tax liability, if any, will not be material.

In 2011, the Bank's social security declarations related to the period from March 1, 2009 up to March 1, 2011 were reviewed by the National Social Security Fund. This revision resulted in additional liabilities of LBP305million paid and recorded in 2011 under "Salaries and related charges" in the consolidated statement of income.

24. OTHER LIABILITIES

This caption consists of the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Accrued expenses	1,030,476	1,415,896
Deferred revenues	110,443	41,188
Deferred Tax	-	2,792
	1,140,919	1,459,876

"Deferred revenues" represent credit card issuance fees received in advance and recognized in income upon issuance of the related cards in the period subsequent to the statement of financial position date.

25. PROVISIONS

This caption consists of the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Provision for employee's end-of-service indemnity	3,288,343	3,596,902
Provision for contingencies	1,072,645	2,009,981
	4,360,988	5,606,883

Movement of employees' end-of-service indemnity provision was as follows:

	2011	2010
	LBP'000	LBP'000
Balance - beginning of the year	3,596,902	2,617,133
Additions (Note 36)	211,567	1,029,405
Write backs (Note 36)	(458,451)	-
Settlements	(61,675)	(49,636)
Balance - end of the year	3,288,343	3,596,902

The movement of provision for contingencies was as follows:

	2011	2010
	LBP'000	LBP'000
Balance - beginning of the year	2,009,981	951,587
Additions	134,702	464,871
Settlements	(61,374)	(32,089)
Transfer	-	625,612
Write backs	(989,981)	-
Effect of changes in exchange rates	(20,683)	-
Balance - end of the year	1,072,645	2,009,981

26. CAPITAL

Capital amounting to LBP55billion as at December 31, 2010 consisted of 2,200,000 shares of LBP25,000 each, authorized and fully paid. On June 6, 2011, the shareholders' extraordinary general assembly decided to increase the capital by an amount of LBP20billion to become LBP75billion through the issuance of 800,000 nominative shares of LBP25,000 each. The increase was effected by transferring LBP2.58billion from legal reserves and LBP17.42billion from retained earnings. The capital increase was approved by the Central Bank of Lebanon on August 12, 2011 and 2010 respectively.

On June 12, 2010, the shareholders' extraordinary general assembly decided to increase the capital by an amount of LBP15billion to become LBP55billion through the issuance of 600,000 nominative shares of LBP25,000 each. The increase was effected by transferring LBP1.78billion from legal reserves and LBP13.22billion from retained earnings. The capital increase was approved by the Central Bank of Lebanon on September 14, 2010.

27. DIVIDEND DISTRIBUTION

In its meeting held on June 6, 2011, the General Assembly of shareholders approved the distribution of dividends in the amount of LBP4.75billion (a dividend of LBP2,159 per share). During 2010, dividends paid amounted to LBP4.5billion, a dividend of LBP2,045 per share as approved by the General Assembly held on June 12, 2010. These dividends were fully paid during 2011 and 2010 respectively.

28. LEGAL AND OTHER RESERVES

This caption consists of the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Legal reserves	373,663	358,083
Reserves for general banking risks	500,462	-
Other reserves	659,420	659,420
	1,533,545	1,017,503

Legal reserves:

The Group's Lebanese entities transfer 10% of their annual net income to legal reserve until such reserve reaches one third of capital, as required by the Lebanese Code of Commerce and Money and Credit Law. This reserve is not available for distribution.

Reserve for general banking risks:

The reserve for general banking risks is constituted according to local banking regulations, from net profit, 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. This reserve should reach 1.25% of total risk weighted assets, off-balance sheet risk and global exchange position at year 10 and 2% of that amount at year 20. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

29. CUMULATIVE CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES

This caption consists of the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Unrealized gain on quoted equity securities	-	696,659
Unrealized loss on Lebanese Government bonds	-	(345,304)
	-	351,355

The unrealized gain of LBP697 million was transferred to retained earnings and the unrealized loss of LBP345 million was offset to related investment securities upon the early adoption of IFRS 9 (refer to note 5).

30. COMMISSION AND FEE REVENUE

This caption consists of the following:

	Year Ended December 31,	
	2011	2010
	LBP'000	LBP'000
Commissions earned from issuance of cards	9,156,870	8,013,198
Commissions earned from cardholders' spending	45,786,854	44,386,879
Commissions earned from the ATM network	16,306,390	18,382,287
Commissions earned from merchants	2,179,375	1,697,183
Other commissions earned	3,034,487	2,348,032
	76,463,976	74,827,579

31. COMMISSION AND FEE EXPENSE

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Clearing and commission fees paid to International and Regional Switches and ATM network usage	27,073,911	23,789,918
Commissions paid on cardholders' spending	14,528,419	12,924,202
ATM fraud losses	2,863,210	667,988
Other commissions paid	1,074,519	1,443,393
	45,540,059	38,825,501

32. INTEREST INCOME

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Interest on deposits with banks and financial institutions	5,277,498	1,714,403
Interest on investments in available-for-sale debt securities	-	4,023,470
Interest on investments in financial assets at amortized cost	753,412	-
Interest on loans and advances to customers	2,864,073	2,637,246
	8,894,983	8,375,119

33. INTEREST EXPENSE

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Interest on due to banks and financial institutions	422,901	635,007
Interest on customers' deposits	838,775	561,742
Other	435,657	119,360
	1,697,333	1,316,109

34. OTHER FINANCIAL REVENUES

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Dividend income from available-for-sale securities	-	723,814
Realized gain on sale of available-for-sale securities	-	10,794,096
	-	11,517,910

35. NET INTEREST AND GAIN ON TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Dividend income	751,130	-
Realized gain from sale of securities	1,215,952	-
Net unrealized gain from securities – Note 8	196,266	113,911
	2,163,348	113,911

36. SALARIES AND RELATED CHARGES

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Salaries and other benefits	11,716,462	12,026,758
Transportation and other benefits	1,569,001	1,171,139
Social Security contributions	1,263,743	1,200,539
Provision for end-of-service indemnity	(246,884)	1,029,405
	14,302,322	15,427,841

Salaries and related charges include key management compensation in the amount of LBP584million for 2011 (LBP575million for 2010).

37. GENERAL AND ADMINISTRATIVE EXPENSES

This caption consists of the following:

	Year Ended December 31, 2011 LBP'000	Year Ended December 31, 2010 LBP'000
Miscellaneous taxes and fees	655,125	880,410
Telecommunication	1,203,478	1,387,618
Water, electricity and fuel	755,731	637,088
Studies, professional fees and training	1,480,120	1,731,533
Maintenance, security and other building expenses	1,288,406	1,417,887
Travel, accommodation and entertainment	519,224	807,418
Software and other licensing fees	52,760	44,891
Stationery and printing	270,798	286,823
Insurance, security and money transfer	367,215	308,654
Transportation, shipping and porters	46,063	44,852
Publicity and advertising	130,854	200,089
Rent and related services	331,349	293,209
Subscriptions and conferences	3,587	10,782
Attendance fees to the members of the board of directors	270,225	297,060
Other	391,174	936,043
	7,766,109	9,284,357

38. FIDUCIARY ACCOUNTS

This caption consists of the following:

	December 31, 2011 LBP'000	December 31, 2010 LBP'000
Discretionary deposits sharing in credit risks (Note 8)	-	-
Non-discretionary deposits	30,154,505	15,222,129
	30,154,505	15,222,129

In 2011 and 2010, the discretionary customers' deposits represented fiduciary deposits assigned to finance advances from the Group's portfolio with the approval of the accounts holders and related risks and rewards belong to the account holders.

The non-discretionary fiduciary deposits are invested according to the contractual terms with the account holders and for their account.

39. MEMO ACCOUNTS

This caption consists of the following:

	December 31, 2011 LBP Million	December 31, 2010 LBP Million
Facilities extended and not utilized	764,310	1,119,417
of which facilities extended covered by contracts with banks and financial institutions	752,659	1,066,843
Assets under custody	224,506	221,273

Non-utilized credit facilities extended to individual customers and banks resulting from the issuance of revolving credit cards and charge cards. Facilities to the extent of LBP753billion are subject to contractual terms signed with banks to settle the dues to the Group within limited time periods (LBP1,067billion as at December 31, 2010).

In addition, the banks and each of the cardholders of the banks are jointly and severally liable for all charges incurred by the Group as a consequence of the use of the cards. In case of default of one or more banks, the Group has recourse against the cardholders of such bank for the dues incurred by the cardholders and not yet settled to the Bank.

The total commitments related to the extended facilities do not necessarily represent future cash requirements, since the Group does not expect these funds to be drawn at one time, noting that the Group is continuously collecting utilized amounts from banks and the payment period varies between daily and monthly according to the agreements with the banks.

Assets under custody represent the receivables of credit card facilities granted to banks' customers and managed by the Group, on behalf of those banks. These receivables amounted to LBP224billion as at December 31, 2011 (LBP221billion as at December 31, 2010). A commission fee is paid to the Group against the management of these receivables.

40. COMMITMENTS AND LIABILITIES

Standby letters of credit have been issued in favor of international credit card companies as well as regional switches for the amount of LBP22.1billion (Counter value of USD14,698,333) as at December 31, 2011 (LBP20,4billion (Counter value of USD13,547,370 in 2010)), to guarantee any shortage in the credit facilities coverage granted by the above mentioned companies for credit card operations. Accordingly, the Group could be liable for the risks of these letters of credit, since the Group operates through issuing, marketing and managing those credit cards based on contracts signed between the Group and the international credit card companies.

41. NOTE TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents as presented in the statement of cash flows comprise the following:

	December 31,	
	2011	2010
	LBP'000	LBP'000
Cash and central banks	19,199,411	14,045,077
Current accounts with banks and financial institutions (Note 6)	20,603,486	24,267,533
Time deposits with banks and financial institutions (Note 6)	30,112,296	32,429,486
Net total	69,915,193	70,742,096

Time deposits with banks and financial institutions and due to banks and financial institutions represent balances with original maturities of 90 days or less from their origination.

The following non-cash transactions were excluded from the statement of cash flows for the year 2011:

- The change in fair value gain of investments in available-for-sale securities in the amount of LBP351million against financial assets at amortized cost in the amount of LBP345million (loss) and against retained earnings in the amount of LBP687million (gain) for the year end December 31, 2011.

- The change in fair value of financial assets at fair value through other comprehensive income in the amount of LBP128million against financial assets at fair value through other comprehensive income.

42. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by Central Bank of Lebanon, the Group's lead regulator. The subsidiaries of the Group operating abroad are also required to respect particular ratios according to the competent authorities of supervisions.

Central Bank of Lebanon requires each bank or banking group to observe the minimum capital adequacy ratio set by the regulator at 8% (Basel II Ratio).

The Group's capital is split as follows:

Tier I Capital: Comprises share capital after deduction of treasury shares, reserves from appropriation of profits and retained earnings.

Tier II Capital: Comprises qualifying subordinated liabilities and cumulative change in fair value of financial assets at fair value through other comprehensive income.

Also, 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 the regulatory capital requirement throughout the period.

The Group's capital adequacy ratio (Basle II) was as follows:

	2011 In million of LBP	2010 In million of LBP
Total regulatory capital	79,818	64,253
Credit risk	198,992	151,522
Market risk	34,781	19,064
Operational risk	70,073	79,645
Risk-weighted assets	303,846	250,231
Capital adequacy ratio	**26.27%**	**25.67%**

43. FINANCIAL INSTRUMENTS

a. Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. The Group attempts to control credit risk related to individual clients through insuring part of the facilities granted with private insurance companies and by taking guarantees when necessary. Also, credit risk related to banks and financial institutions is mostly guaranteed by term deposits from bank issuers of credit cards.

Concentrations of credit risk arise when a number of counter-parties 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 to developments affecting a particular industry or geographical location.

The Group attempts to control concentration of credit risk by diversifying and distributing its credit activities to avoid undesirable concentration of risk arising from customers having similar economic features or same geographical region.

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:

	December 31, 2011	
	Amount LBP'000	No. of counterparties
Less than LBP100million	1,155,986	31
Between LBP100million and LBP500million	3,172,740	12
Between LBP500million and LBP1billion	2,696,881	4
More than LBP1billion	132,860,980	17
	139,886,587	64

	December 31, 2010	
	Amount LBP'000	No. of counterparties
Less than LBP100million	455,526	16
Between LBP100million and LBP500million	4,545,616	19
Between LBP500million and LBP1billion	3,656,388	5
Over LBP1billion	113,038,228	15
	121,695,758	55

(a.2) Settlements due from banks and financial institutions:

	December 31, 2011	
	Amount LBP'000	No. of counterparties
Less than LBP100million	1,398,453	60
Between LBP100million and LBP500million	4,786,557	20
Between LBP500million and LBP1billion	3,446,767	4
Over LBP1billion	12,340,952	5
	21,972,729	89

	December 31, 2010	
	Amount LBP'000	No. of counterparties
Less than LBP100million	1,035,414	63
Between LBP100million and LBP500million	6,746,587	27
Between LBP500million and LBP1billion	1,510,101	2
Over LBP1billion	32,048,764	12
	41,340,866	104

(a.3) Loans and advances to customers:

	December 31, 2011	
	Amount	No. of counterparties
	LBP'000	
Less than LBP10million	8,779,329	5,250
Between LBP10million and LBP50million	2,119,859	153
Between LBP50million and LBP100million	121,653	2
Over LBP100million	8,757,461	9
	19,778,302	5,414

	December 31, 2010	
	Amount	No. of counterparties
	LBP'000	
Less than LBP10million	7,869,937	4,462
Between LBP10million and LBP50million	1,870,794	112
Between LBP50million and LBP100million	199,305	3
Over LBP100million	11,126,970	11
	21,067,006	4,588

b. Liquidity Risk:

Liquidity risk is the risk that an institution 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. The Group is managing its assets and liabilities in a way to provide and maintain a sufficient rate of liquidity. The majority of the Group's financial assets and liabilities carry short term maturities and their maturities are disclosed under the related notes.

Financial assets and financial liabilities by maturity:

	December 31, 2011					
	Accounts with no Maturity	Up to 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS						
Cash and central banks	19,199,411	-	-	-	-	19,199,411
Deposits with banks and financial institutions	22,062,631	117,823,956	-	-	-	139,886,587
Trading assets at fair value through profit or loss	-	10,945,031	-	-	-	10,945,031
Settlements due from banks and financial institutions	-	21,972,729	-	-	-	21,972,729
Loans and advances to customers	-	19,553,410	224,892	-	-	19,778,302
Advances to related parties	-	916,728	-	-	-	916,728
Investment securities	1,171,491	-	750,000	2,461,141	6,754,167	11,136,799
Regulatory blocked funds	6,000,000	-	-	-	-	6,000,000
	48,433,533	171,211,854	974,892	2,461,141	6,754,167	229,835,587
FINANCIAL LIABILITIES						
Settlements due to banks and financial institutions	73,615,594	-	-	-	-	73,615,594
Deposits from banks and financial institutions	-	24,159,561	-	-	-	24,159,561
Customers' deposits	-	29,664,602	-	-	-	29,664,602
Creditors' operating accounts	22,874,742	-	-	-	-	22,874,742
Creditors' operating accounts – related parties	-	6,713,151	-	-	-	6,713,151
Accounts payable and other creditors	3,808,187	-	-	-	-	3,808,187
	100,298,523	60,537,314	-	-	-	160,835,837
	(51,864,990)	110,674,540	974,892	2,461,141	6,754,167	68,999,750

	December 31, 2010					
	Accounts with no Maturity	Up to 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS						
Cash and central banks	14,045,077	-	-	-	-	14,045,077
Deposits with banks and financial institutions	25,088,646	93,592,112	3,015,000	-	-	121,695,758
Trading assets at fair value through profit or loss	-	7,647,805	-	-	-	7,647,805
Settlements due from banks and financial institutions	-	41,340,866	-	-	-	41,340,866
Loans and advances to customers	-	13,277,993	7,789,013	-	-	21,067,006
Advances to related parties	-	414,222	-	-	-	414,222
Investment securities	10,417,308	-	1,350,379	4,698,108	2,927,635	19,393,430
Regulatory blocked funds	6,000,000	-	-	-	-	6,000,000
	55,551,031	156,272,998	12,154,392	4,698,108	2,927,635	231,604,164
FINANCIAL LIABILITIES						
Settlements due to banks and financial institutions	88,850,186	-	-	-	-	88,850,186
Deposits from banks and financial institutions	-	15,515,809	-	-	-	15,515,809
Creditors' deposits	-	18,516,005	-	-	-	18,516,005
Creditors' operating accounts	35,020,737	-	-	-	-	35,020,737
Creditors' operating accounts – related parties	-	7,689,107	-	-	-	7,689,107
Accounts payable and other creditors	4,919,995	-	-	-	-	4,919,995
	128,790,918	41,720,921	-	-	-	170,511,839
	(73,239,887)	114,552,077	12,154,392	4,698,108	2,927,635	61,092,325

c. Market Risk:

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.

Currency Risk:

The Group is exposed to exchange risk associated with the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows.

Below is the segregation of assets and liabilities between Lebanese Pound and foreign currencies base accounts as at December 31, 2011 and 2010:

	December 31, 2011			
	LBP	US Dollar	Other currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and central banks	3,896,933	12,883,245	2,419,233	19,199,411
Deposits with banks and financial institutions	59,056,431	41,909,482	38,920,674	139,886,587
Trading assets at fair value through profit or loss	-	10,166,531	778,500	10,945,031
Settlements due from banks and financial institutions	10,976,408	9,667,819	1,328,502	21,972,729
Loans and advances to customers	2,704,815	16,576,647	496,840	19,778,302
Advances to related parties	364,987	495,497	56,244	916,728
Investment securities	1,522,859	6,004,340	3,609,600	11,136,799
Investments in associates	1,184,714	-	8,083,530	9,268,244
Regulatory blocked funds	6,000,000	-	-	6,000,000
Property and equipment	21,821,624	2,214,813	183,153	24,219,590
Intangible assets	1,610,013	1,703,969	69,774	3,383,756
Other assets	6,348	751,399	225,546	983,293
Total assets	109,145,132	102,373,742	56,171,596	267,690,470
LIABILITIES				
Settlements due to banks and financial institutions	18,468,876	38,461,287	16,685,431	73,615,594
Deposits from banks and financial institutions	3,750,565	14,409,485	5,999,511	24,159,561
Customers' deposits	3,999	20,671,837	8,988,766	29,664,602
Creditors' operating accounts	142,545	10,291,723	12,440,474	22,874,742
Creditors' operating accounts – related parties	526,433	3,662,444	2,524,274	6,713,151
Accounts payable and other creditors	559,992	1,690,093	1,558,102	3,808,187
Other liabilities	105,525	969,571	65,823	1,140,919
Provisions	1,734,383	2,509,675	116,930	4,360,988
Total liabilities	25,292,318	92,666,115	48,379,311	166,337,744
Equity	93,052,352	6,408,732	1,891,642	101,352,726
Total liabilities and equity	118,344,670	99,074,847	50,270,953	267,690,470
Net foreign exchange risk	(9,199,538)	3,298,895	5,900,643	-

	December 31, 2010			
	LBP	US Dollar	Other currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and central banks	1,801,529	8,699,837	3,543,711	14,045,077
Deposits with banks and financial institutions	51,337,800	43,764,483	26,593,475	121,695,758
Trading assets at fair value through profit and loss	-	7,630,941	16,864	7,647,805
Settlements due from banks and financial institutions	7,377,779	19,687,159	14,275,928	41,340,866
Loans and advances to customers	-	20,260,428	806,578	21,067,006
Advances to related parties	-	247,873	166,349	414,222
Investment securities	4,449,478	13,359,871	1,584,081	19,393,430
Investments in associates	1,184,714	-	7,365,773	8,550,487
Regulatory blocked funds	6,000,000	-	-	6,000,000
Property and equipment	21,974,553	2,379,584	176,136	24,530,273
Intangible assets	2,439,235	216,045	23,509	2,678,789
Other assets	4,732	760,176	69,169	834,077
Total assets	96,569,820	117,006,397	54,621,573	268,197,790
LIABILITIES				
Settlements due to banks and financial institutions	14,330,025	55,447,804	19,072,357	88,850,186
Deposits from banks and financial institutions	-	6,832,880	8,682,929	15,515,809
Customers' deposits	-	14,615,754	3,890,859	18,506,613
Creditors' operating accounts	9,392	18,035,980	16,984,757	35,030,129
Creditors' operating accounts – related parties	-	885,662	6,803,445	7,689,107
Accounts payable and other creditors	801,274	2,797,637	1,321,084	4,919,995
Other liabilities	40,703	1,331,303	87,870	1,459,876
Provisions	1,662,706	3,861,076	83,101	5,606,883
Total liabilities	16,844,100	103,808,096	56,926,402	177,578,598
Equity	82,053,639	8,357,817	207,736	90,619,192
Total liabilities and equity	98,897,739	112,165,913	57,134,138	268,197,790
Net Foreign Exchange Risk	(2,327,919)	4,840,484	(2,512,565)	-

Interest Rate Risk:

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The structure of the financial statements in Lebanese Pounds and foreign currencies presented below, show interest sensitivity which reflect the mismatches in the sources and application of funds between assets earning fixed interest rates over medium to long term period versus short term funding subject to floating rates.

Interest sensitivity analysis:

	December 31, 2011											
		Floating Interest Rate					Fixed Interest Rate					
	Non-Interest Earning	Up to 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Total	Up to 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Total	Grand 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
FINANCIAL ASSETS												
Cash and central banks	-	19,199,411	-	-	-	19,199,411	-	-	-	-	-	19,199,411
Deposits with banks and financial institutions	27,353,817	111,032,770	-	-	-	111,032,770	1,500,000	-	-	-	1,500,000	139,886,587
Trading assets at fair value through profit or loss	10,945,031	-	-	-	-	-	-	-	-	-	-	10,945,031
Settlements due from banks and financial institutions	21,972,729	-	-	-	-	-	-	-	-	-	-	21,972,729
Loans and advances to customers	-	19,553,410	-	-	-	19,553,410	-	224,892	-	-	224,892	19,778,302
Advances to related parties	916,728	-	-	-	-	-	-	-	-	-	-	916,728
Investment securities	1,171,491	-	-	-	-	-	-	750,000	2,461,141	6,754,167	9,965,308	11,136,799
Regulatory blocked funds	6,000,000	-	-	-	-	-	-	-	-	-	-	6,000,000
	68,359,796	149,785,591	-	-	-	149,785,591	1,500,000	974,892	2,461,141	6,754,167	11,690,200	229,835,587
FINANCIAL LIABILITIES												
Settlements due to banks and financial institutions	73,615,594	-	-	-	-	-	-	-	-	-	-	73,615,594
Deposits from banks and financial institutions	-	24,159,561	-	-	-	24,159,561	-	-	-	-	-	24,159,561
Customers' deposits	-	29,664,602	-	-	-	29,664,602	-	-	-	-	-	29,664,602
Creditors' operating accounts	22,874,742	-	-	-	-	-	-	-	-	-	-	22,874,742
Creditors' operating accounts - related parties	6,713,151	-	-	-	-	-	-	-	-	-	-	6,713,151
Accounts payable and other creditors	3,808,187	-	-	-	-	-	-	-	-	-	-	3,808,187
	107,011,674	53,824,163	-	-	-	53,824,163	-	-	-	-	-	160,835,837
	(38,651,878)	95,961,428	-	-	-	95,961,428	1,500,000	974,892	2,461,141	6,754,167	11,690,200	68,999,750

	December 31, 2010											
		Floating Interest Rate					Fixed Interest Rate					
	Non-Interest Earning	Up to 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Total	Up to 1 Year	1 - 3 Years	3 - 5 Years	Over 5 Years	Total	Grand 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
FINANCIAL ASSETS												
Cash and central banks	14,045,077	-	-	-	-	-	-	-	-	-	-	14,045,077
Deposits with banks and financial institutions	23,551,761	98,143,997	-	-	-	98,143,997	-	-	-	-	-	121,695,758
Trading assets at fair value through profit or loss	7,647,805	-	-	-	-	-	-	-	-	-	-	7,647,805
Settlements due from banks and financial institutions	41,340,866	-	-	-	-	-	-	-	-	-	-	41,340,866
Loans and advances to customers	-	13,277,993	-	-	-	13,277,993	-	7,789,013	-	-	7,789,013	21,067,006
Advances to related parties	395,763	18,459	-	-	-	18,459	-	-	-	-	-	414,222
Investment securities	10,417,308	-	-	-	-	-	-	1,350,379	4,698,108	2,927,635	8,976,122	19,393,430
Regulatory blocked funds	6,000,000	-	-	-	-	-	-	-	-	-	-	6,000,000
	103,398,580	111,440,449	-	-	-	111,440,449	-	9,139,392	4,698,108	2,927,635	16,765,135	231,604,164
FINANCIAL LIABILITIES												
Settlements due to banks and financial institutions	88,850,186	-	-	-	-	-	-	-	-	-	-	88,850,186
Deposits from banks and financial institutions	-	15,515,809	-	-	-	15,515,809	-	-	-	-	-	15,515,809
Creditors' operating accounts	35,030,129	-	-	-	-	-	-	-	-	-	-	35,030,129
Creditors' operating accounts - related parties	7,689,107	-	-	-	-	-	-	-	-	-	-	7,689,107
Accounts payable and other creditors	4,919,995	-	-	-	-	-	-	-	-	-	-	4,919,995
	136,489,417	15,515,809	-	-	-	15,515,809	-	-	-	-	-	152,005,226
	(33,090,837)	95,924,640	-	-	-	95,924,640	-	9,139,392	4,698,108	2,927,635	16,765,135	79,598,938

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable;

	December 31, 2011			
	Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Trading assets at fair value through profit or loss:	-	-	-	-
Quoted equity securities	5,552,997	-	-	5,552,997
Unquoted equity securities	-	-	5,343,396	5,343,396
	5,552,997	-	5,343,396	10,896,393
Financial asset at fair value through other comprehensive income:				
Unquoted equity securities	-	-	1,063,633	1,063,633

	December 31, 2010			
	Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Trading assets at fair value through profit or loss				
Quoted equity securities	7,647,805	-	-	7,647,805
	7,647,805	-	-	7,647,805
Available-for-sale investment securities:				
Quoted equity securities	5,427,071	-	-	5,427,071
Lebanese Government bonds	-	-	8,976,122	8,976,122
	5,427,071	-	8,976,122	14,403,193
Unquoted equity securities				4,830,092
				19,233,285

The basis for the determination of the estimated fair values with respect to financial instruments carried at amortized cost and for which quoted market prices are not available is summarized as follows:

a) Deposits with Central Bank and financial institutions:

The fair value of current deposits (including non-interest earning compulsory deposits with Central Banks), and overnight deposits is their carrying amount. The estimated fair value of fixed interest earning deposits with maturities or interest reset dates beyond one year from the reporting date is based on the discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and to banks and financial institutions:

The estimated fair value of loans and advances to customers is based on the discounted amount of expected future cash flows determined at current market rates.

c) Banks and financial institutions and credit accounts and operating credit accounts:

The fair value of deposits with current maturity or no stated maturity is their carrying amount. The estimated fair value on other deposits is based on the discounted cash flows using interest rates for new deposits with similar remaining maturity.

45. COMPARATIVE FINANCIAL STATEMENTS

Certain 2010 comparative figures were reclassified to conform to the current year presentation, in particular credit balances related to prepaid cards in the amount of LBP16.8billion were reclassified from loans and receivables to creditors' operating accounts.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2011 were approved and authorized for issue by the Board of Directors on June 14, 2012.