CSCBANK S.A.L.

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2012**

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TABLE OF CONTENTS

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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, 2012, 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, 2012, 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 4, 2013

UHY Andy Bryan

Deloitte & Touche

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

ASSETS	Notes	December 31, 2012 LBP'000	December 31, 2011 LBP'000
Cash and central banks	5	29,736,730	19,199,411
Deposits with banks and financial institutions	6	165,714,005	139,886,587
Trading assets at fair value through profit or loss	7	9,376,445	10,945,031
Settlements due from banks and financial institutions	8	24,775,563	22,856,442
Loan to a financial institution	9	7,865,695	-
Loans and advances	10	28,955,606	19,811,317
Investment securities	11	13,195,754	11,136,799
Investments in associates	12	9,638,624	9,268,244
Regulatory blocked funds	13	6,000,000	6,000,000
Property and equipment	14	24,222,738	24,219,590
Intangible assets	15	3,809,845	3,383,756
Other assets	16	845,024	983,293
Total assets		324,136,029	267,690,470
LIABILITIES			
Settlements due to banks and financial institutions	17	45,272,781	49,483,837
Deposits from banks and financial institutions	18	66,251,854	49,483,323
Customers' deposits at amortized cost	19	46,971,549	29,664,602
Creditors' operating accounts	20	24,681,125	22,874,742
Creditors' operating accounts - related parties	21	2,467,549	5,521,146
Borrowings from banks	22	15,075,000	-
Accounts payable and other creditors	23	2,990,100	3,808,187
Other liabilities	24	2,160,056	1,140,919
Provisions	25	4,672,312	4,360,988
Total liabilities		210,542,326	166,337,744
EQUITY			
Capital	26	75,000,000	75,000,000
Legal and other reserves	28	2,199,805	1,533,545
Retained earnings		20,128,162	6,829,097
Cumulative change in fair value of investment securities	11	(127,535)	(127,535)
Foreign currency translation reserve		(113,249)	(100,345)
Profit for the year		13,294,450	15,462,336
Equity attributable to equity holders of the Bank		110,381,633	98,597,098
Non-controlling interests		3,212,070	2,755,628
Total Equity		113,593,703	101,352,726
Total Liabilities and Equity		324,136,029	267,690,470
Financial instruments with off-balance risk			
Standby letters of credit	38	22,165,270	22,157,737
Fiduciary accounts	36	32,412,381	30,154,505

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, 2012 LBP'000	2011 LBP'000
Commission and fee revenue	29	67,794,427	76,463,976
Commission and fee expense	30	(38,520,738)	(45,540,059)
Net commission and fee income		29,273,689	30,923,917
Interest income	31	10,871,926	8,894,983
Interest expense	32	(1,775,755)	(1,697,333)
Net interest income		9,096,171	7,197,650
Net interest and gain on trading assets at fair value through profit or loss	33	1,772,470	2,163,348
Share of profit of associates	12	1,010,004	876,579
		2,782,474	3,039,927
Net financial revenues		41,152,334	41,161,494
Allowance for impairment of loans and advances	8&10	(77,561)	(325,651)
Bad debts expense		(37,197)	(18,003)
Total allowance for impairment		(114,758)	(343,654)
Net financial revenues after impairment losses		41,037,576	40,817,840
Salaries and related charges	34	(15,638,383)	(14,302,322)
General and administrative expenses	35	(7,506,848)	(7,766,109)
Depreciation and amortization expenses	14 & 15	(4,092,496)	(4,070,111)
Net write-back of/provision for contingencies	25	36,738	855,279
Other income		776,804	713,300
Other expense		(264,411)	(38,437)
		(26,688,596)	(24,608,400)
Profit before income tax		14,348,980	16,209,440
Income tax expense		(483,257)	(177,489)
Profit for the year		13,865,723	16,031,951
Attributable to:			
Equity holders of the Bank		13,294,450	15,462,336
Non-controlling interests		571,273	569,615
		13,865,723	16,031,951

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, 2012 LBP'000	Year Ended December 31, 2011 LBP'000
Profit for the year	13,865,723	16,031,951
Other comprehensive income:		
Net unrealized loss on investments in equity securities designated as at fair value through other comprehensive income	-	(127,535)
Exchange differences on translating foreign operations	(2,149)	(95,463)
Total other comprehensive income	(2,149)	(222,998)
Total comprehensive income for the year	13,863,574	15,808,953
Attributable to:		
Equity holders of the Bank	13,292,301	15,239,338
Non-controlling interests	571,273	569,615
	13,863,574	15,808,953

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 Financial Assets at Fair Value Through other Comprehensive Income	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, 2011	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)
Dividend distribution to non-controlling interest	-	2,871	-	-	-	-	2,871	(947,720)	(944,849)
Share of non-controlling interest in subsidiaries capital increase	-	-	-	-	-	-	-	425,261	425,261
Other movement	-	716	(95,051)	-	-	-	(94,335)	(55,307)	(149,642)
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
Total comprehensive income for 2012	-	-	-	-	(12,904)	13,294,450	13,281,546	571,273	13,852,819
Allocation of 2012 profit	-	658,466	14,803,870	-	-	(15,462,336)	-	-	-
Dividend distribution – Note 27	-	-	(1,400,000)	-	-	-	(1,400,000)	-	(1,400,000)
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	(98,986)	(98,986)
Other movement	-	7,794	(104,805)	-	-	-	(97,011)	(15,845)	(112,856)
Balance as at December 31, 2012	75,000,000	2,199,805	20,128,162	(127,535)	(113,249)	13,294,450	110,381,633	3,212,070	113,593,703

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, 2012 LBP'000	2011 LBP'000
Cash flows from operating activities:			
Profit for the year before income tax		14,348,980	16,209,440
Adjustments:			
Allowance for impairment of loans and advances		77,561	325,651
Net provisions for contingencies and end-of-service indemnity	25	448,444	(1,102,163)
Bad debt expense		37,197	18,003
Depreciation and amortization	14&15	4,092,496	4,070,111
Interest income		(10,871,926)	(8,894,983)
Interest expense		1,775,755	1,697,333
Gain on sale of financial assets at fair value through profit or loss		(307,118)	(1,215,952)
Share of profits of associates		(1,010,004)	(876,579)
Loss on disposal of fixed assets		-	15,934
Change in fair value of financial assets at fair value through profit or loss		(845,930)	(196,266)
Decrease in deposits with banks and financial institutions		(41,675,761)	(23,534,034)
Increase in deposits from banks and financial institutions		1,156,558	1,510,156
Decrease/(increase) in financial assets at fair value through profit or loss		2,721,634	(1,885,008)
Net change in settlements due from/due to banks and financial institutions		(6,186,580)	1,909,200
(Increase)/decrease in loans and advances		(9,202,644)	1,440,841
Increase in loans to financial institution		(7,865,695)	-
Decrease/(increase) in other assets		138,269	(149,216)
Interest received		10,271,150	8,309,238
Interest paid		(1,722,037)	(1,622,570)
Income tax paid		(177,489)	(518,780)
Increase in customers' deposits		17,249,956	11,122,529
Increase/(decrease) in creditors' operating accounts		1,806,383	(12,155,387)
Decrease in accounts payable and other creditors		(1,123,855)	(770,517)
Decrease in creditors' operating accounts – related parties		(3,053,597)	(2,103,551)
Increase/(decrease) in other liabilities		1,019,137	(318,957)
Increase/(decrease) in provisions		(137,120)	(143,732)
Net change in non-controlling interests		(114,831)	(577,766)
Foreign currency translation reserve		(109,915)	(186,927)
Net cash generated by/(used in) operating activities		(29,260,982)	(9,623,952)
Cash flows from investing activities:			
Decrease in investments in associates		639,624	158,822
Decrease in investment securities	11	(2,005,888)	8,420,620
Increase in tangible and intangible assets		(4,521,733)	(4,480,329)
Net cash generated by investing activities		(5,887,997)	4,099,113
Cash flows from financing activities:			
Increase in borrowing from banks		15,075,000	-
Dividends paid		(1,400,000)	(4,750,000)
Net cash used in financing activities		13,675,000	(4,750,000)
Net decrease in cash and cash equivalents		(21,473,979)	(10,274,839)
Cash and cash equivalents – beginning of year	39	30,693,706	40,968,545
Cash and cash equivalents – end of year	39	9,219,727	30,693,706

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 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 subject to a penalty interest payable to the Central Bank of Lebanon computed on the drawn balance at the rate of 5% and for the remaining period until maturity.

    Furthermore, the Bank will be required to deposit an amount equivalent to the drawn balance with the Central Bank of Lebanon. This deposit will be blocked for the remaining period to maturity and will not generate interest.

(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 Standards and Interpretations effective for the current period

The following revised standard has 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 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.

2.2 New and Revised Standards in issue but not yet effective

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

	Effective for Annual Periods Beginning on or After
• Amendments to IFRS 7 Financial Instruments Disclosures: enhancing disclosures about offsetting of financial assets and liabilities. Disclosures should be provided retrospectively for all comparative periods.	January 1, 2013
• 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 and SIC – 12 consolidation *Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10.	January 1, 2013

	Effective for Annual Periods Beginning on or After
• 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 and SIC – 13 *Jointly Control Entities* will be withdrawn upon the effective date 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
• Amendment to IFRSs 10, 11 and 12 on transition guidance: These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	January 1, 2013

	Effective for Annual Periods **<u>Beginning on or After</u>**
• 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 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
• Amendments to IAS 32 *Financial Instruments:* - *Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities. - Resulting from Annual Improvements 2009, 2011 cycle (tax effect of equity distributions)	January 1, 2014
• IAS 27 Separate Financial Statements (as revised in 2011) as a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries , jointly controlled entities and associates in separate financial statements.	January 1, 2013
• IAS 28 *Investment in Associates and Joint Ventures* (as revised in 2011): As a consequence of the new IFRS 11 and 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.	January 1, 2013

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, consisting of 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 directors 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.
- Derivative financial instruments are measured at fair value.

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

The principal accounting policies 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
- CSC24seven.com Ltd	50	2003	Financial Institution
- CSC Overseas Development Ltd.	100	2003	Financial Intermediary
- 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 Ltd	84	2008	Financial Intermediary
- CSC Syria Overseas 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 in the net assets (excluding goodwill) of consolidated subsidiaries and associates are identified separately from the Group's equity therein.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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.

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

C. Foreign Currencies:

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional 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 equity.

D. Financial assets and Liabilities:

Recognition and Derecognition:

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.

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expire.

In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Upon derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments 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.

A financial liability (or a part of a financial liability) can only be derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Repurchase and Reverse Repurchase Agreements

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

Offsetting:

Financial assets and liabilities are set off and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value Measurement:

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.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. 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;

- the fair value of other financial assets and financial liabilities and those traded in inactive markets (excluding derivative instruments) are determined either based on quoted prices adjusted downward for factors related to illiquidity or in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, as applicable; and

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Impairment of Financial Assets:

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or

- the disappearance of an active market for that financial asset because of financial difficulties; or

- significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets which impacted the estimated future cash flows of the investment.

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

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

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

Collateral valuation

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

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

E. Classification of Financial Assets:

All recognized financial assets are measured in their entirety at either amortized cost or fair value, depending on their classification.

Debt Instruments:

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost, less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL"). In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL are measured at FVTPL.

Even if a debt instrument meets the two amortized cost criteria above, it may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Equity Instruments:

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in profit or loss.

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments 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.

F. Loans and Advances:

Loans and advances are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost, less any impairment. Interest income is recognized by applying the effective interest rate. Non-performing loans and advances to customers are stated net of unrealized interest and provision for credit losses because of doubts and the probability of non-collection of principal and/or interest.

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

Classification as debt or equity:

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss:

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

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

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss.

Financial liabilities subsequently measured at amortised cost

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

Financial guarantee contract liabilities:

Financial guarantees contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. These contracts can have various judicial forms (guarantees, letters of credit, credit-insurance contracts).

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

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

H. 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, except where the Group has control over the associates' financial and operating policies, are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the income statement.

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.

I. 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.

J. 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.

K. 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.

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

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

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.

- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

In this connection, the recoverable amount of the Group’s owned properties and of properties acquired in satisfaction of debts, is the estimated market value, as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment for illiquidity and market constraints.

The impairment loss is charged to income.

M. Employees' Benefits:

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

Employees' End-of-Service Indemnities:

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were terminated at the statement of financial position date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund.

N. Provisions:

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

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

O. Revenue and Expense Recognition:

Interest income and expense are recognized on an accrual basis, taking account of the principal outstanding and the rate applicable, except for non-performing loans and advances for which interest income is only recognized upon realization. Interest income and expense include the amortization discount or premium.

Interest income and expense presented in the income statement include:

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

Net trading income presented in the income statement includes:

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

Interest income on financial assets measured at fair value through profit or loss and interest income on the trading portfolio are presented separately in the income statement.

Other net income from financial assets measured at fair value through profit or loss, other than those held for trading, includes:

- Dividend income.
- Realized and unrealized fair value changes.
- Foreign exchange differences.

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

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

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

P. 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 conversation into a bank.

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

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Q. Fiduciary Deposits:

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.

R. Cash and Cash Equivalents:

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

S. Dividends on ordinary shares

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

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

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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Classification of Financial Assets

Business Model:

The business model test requires the Group to assess whether its business objective for financial assets is to collect the contractual cash flows of the assets rather than realize their fair value change from sale before their contractual maturity. The Group considers at which level of its business activities such assessment should be made. Generally, a business model can be evidenced by the way business is managed and the information provided to management. However the Group's business model can be to hold financial assets to collect contractual cash flows even when there are some sales of financial assets. While IFRS 9 provides some situations where such sales may or may not be consistent with the objective of holding assets to collect contractual cash flows, the assessment requires the use of judgment based on facts and circumstances.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- The frequency and volume of sales;
- The reasons for any sales;
- How management evaluates the performance of the portfolio;
- The objectives for the portfolio.

Characteristics of the Financial Asset:

Once the Group determines that its business model is to hold the assets to collect the contractual cash flows, it exercises judgment to assess the contractual cash flows characteristics of a financial asset. In making this judgment, the Group considers the contractual terms of the acquired asset to determine that they give rise on specific dates, to cash flows that solely represent principal and principal settlement and accordingly may qualify for amortized cost accounting.

Features considered by the Group that would be consistent with amortized cost measurement include:

- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

Features considered by the Group that would be inconsistent with amortized cost measurement include:

- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

B. Key Sources of Estimation Uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 3(F). 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.

5. CASH AND CENTRAL BANKS

This caption is composed of the following:

	December 31, 2012		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Cash on hand and Automated Teller Machines (ATM)	154,495	226,417	380,912
Current accounts with Central Bank of Lebanon	6,482,798	9,680,973	16,163,771
Current accounts with other central banks	-	1,422	1,422
	6,637,293	9,908,812	16,546,105
Time deposits with Central Bank of Lebanon	-	13,190,625	13,190,625
	6,637,293	23,099,437	29,736,730

	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

Term placements with the Central Bank of Lebanon include the equivalent in foreign currencies of LBP13.2billion as at December 31, 2012 (LBP11.3billion as at December 31, 2011) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposits and loans obtained from non-resident financial institutions.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This caption is composed of the following:

	December 31, 2012		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Current non-interest bearing accounts:			
Resident banks and financial institutions	373,092	1,343,436	1,716,528
Resident related banks	1,399,791	120,996	1,520,787
Non-resident banks and financial institutions	-	14,562,673	14,562,673
	1,772,883	16,027,105	17,799,988
Time deposit accounts:			
Resident banks and financial institutions	56,350,199	58,678,722	115,028,921
Resident related banks	7,584,971	16,136,887	23,721,858
Non-resident banks and financial institutions	-	7,156,384	7,156,384
	63,935,170	81,971,993	145,907,163
Accrued interest receivable	835,695	1,171,159	2,006,854
Total	66,543,748	99,170,257	165,714,005

	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

Time deposits with resident banks and financial institutions include an amount of LBP1.8billion (LBP9.8billion in 2011) pledged against standby letters of credit issued in favor of international credit card companies and regional switches.

Time deposits as at December 31, 2012 and 2011 bear the following maturities and average interest rates:

	December 31, 2012			
	Accounts in LBP		Foreign Currencies	
Maturity	Amount	Average Interest Rate	Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
First quarter of 2013	12,179,256	6.59%	37,086,973	3.95%
Second quarter of 2013	14,816,510	6.80%	14,938,593	4.38%
Third quarter of 2013	12,864,404	6.97%	7,770,982	4.30%
Fourth quarter of 2013	24,075,000	6.86%	22,175,445	5.00%
	63,935,170		81,971,993	

	December 31, 2011			
	Accounts in LBP		Foreign Currencies	
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	

Accrued interest receivable is segregated as follows as at December 31, 2012 and 2011:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Non-related parties	1,624,340	1,311,751
Related parties	382,514	147,394
	2,006,854	1,459,145

7. TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Quoted equity securities	4,732,127	5,552,997
Unquoted equity securities	4,589,646	5,343,396
Accrued interest receivable	54,672	48,638
	9,376,445	10,945,031

The unrealized gain on trading assets at fair value through profit or loss amounted to LBP846million in 2012 and was recorded under "Net interest and gain on trading assets at fair value through profit or loss" in the consolidated statement of income (unrealized gain of LBP196million in 2011) (refer to note 33).

8. SETTLEMENTS DUE FROM BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Due from banks and financial institutions – non-related	23,708,948	21,972,729
Due from banks and financial institutions – related parties	1,066,615	883,713
Doubtful debts	664,664	678,434
	25,440,227	23,534,876
Allowances for impairment	(664,664)	(678,434)
	24,775,563	22,856,442

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 2012 and 2011 is summarized as follows:

	2012	2011
	LBP'000	LBP'000
Balance at January 1	678,434	586,972
Additions	19,206	114,584
Write-off	(15,716)	-
Effect of exchange rates changes	(17,260)	(23,122)
Balance at December 31	664,664	678,434

9. LOAN TO A FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31, 2012
	LBP'000
Loan to a financial institution	7,537,500
Accrued interest receivable	328,195
	7,865,695

The loan to a financial institution is denominated in U.S. Dollar and matures on March 7, 2013.

10. LOANS AND ADVANCES

This caption consists of the following:

	December 31,	
	2012	2011
	LBP'000	LBP'000
(a) Loans and advances to customers	28,311,421	19,778,302
(b) Loans and advances to related parties	644,185	33,015
	28,955,606	19,811,317

(a) Loans and advances to customers

Loans and advances to customers consist of the following:

	December 31, 2012			December 31, 2011		
	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
Performing loans and advances - retail:						
- Discounted bills	25,412	-	25,412	-	-	-
- Medium term loans and advances	9,921,206	-	9,921,206	4,039,787	-	4,039,787
- Credit cards	11,701,997	-	11,701,997	11,000,579	-	11,000,579
- Overdrafts	115,769	-	115,769	3,210,620	-	3,210,620
- Loans to employees	548,029	-	548,029	226,104	-	226,104
	22,312,413	-	22,312,413	18,477,090	-	18,477,090
Non-performing loans and advances - retail:						
- Doubtful and bad loans	1,385,632	(1,385,632)	-	1,360,994	(1,360,994)	-
	1,385,632	(1,385,632)	-	1,360,994	(1,360,994)	-
Performing loans and advances - corporate:						
- Discounted bills	678,456	-	678,456	1,177,413	-	1,177,413
- Medium term loans	5,320,552	-	5,320,552	123,799	-	123,799
	5,999,008	-	5,999,008	1,301,212	-	1,301,212
	29,697,053	(1,385,632)	28,311,421	21,139,296	(1,360,994)	19,778,302

The movement of doubtful and bad loans and related unrealized interest and allowance for impairment during 2012 and 2011 is summarized as follows:

	2012			
	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1	1,939,808	(578,814)	(1,360,994)	-
Additions	26,857	-	(26,857)	-
Write-offs	(60,806)	60,806	-	-
Write-backs	(1,667)	-	1,667	-
Effect of changes in exchange rates	(552)	-	552	-
Balance at December 31	1,903,640	(518,008)	(1,385,632)	-

	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	2,008,691	(578,814)	(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	1,939,808	(578,814)	(1,360,994)	-

(b) 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,	
	2012	2011
	LBP’000	LBP’000
Advances to an associate	315,713	286,778
Advances to shareholders and other related parties	641,170	25,770
	956,883	312,548
Allowance for impairment of advances to an associate	(312,698)	(279,533)
	644,185	33,015

Movement of allowance for impairment of advances to associate was as follows:

	December 31, 2012 LBP'000	December 31, 2011 LBP'000
Balance beginning of the year	279,533	-
Addition	33,165	279,533
Balance end of the year	312,698	279,533

11. INVESTMENT SECURITIES

This caption consists of the following:

	December 31, 2012 LBP'000	December 31, 2011 LBP'000
Financial assets at fair value through other comprehensive income (A)	1,063,633	1,063,633
Financial assets at amortized cost (B)	12,132,121	10,073,166
	13,195,754	11,136,799

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

	December 31, 2012		
	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)

	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, 2012				
	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	3,500,000	3,569,967	8,477,230	8,150,381	11,977,230
Accrued interest receivable	70,396	-	84,495	-	154,891
	3,570,396	3,569,967	8,561,725	8,150,381	12,132,121

	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 include an amount of LBP7.23billion (LBP5.73billion in 2011) pledged against standby letters of credit issued in favor of international credit card companies and regional switches.

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

	December 31, 2012							
	Accounts in LBP				Counter Value of Foreign Currencies			
Remaining period to maturity	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Yield %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Yield %
Lebanese Government Bonds:								
-1 year to 3 years	750,000	750,000	762,175	5.94	-	-	-	
-3 years to 5 years	750,000	750,000	749,870	6.18	1,507,500	1,663,679	1,660,937	6.07
-Beyond 5 years	2,000,000	2,000,000	2,057,922	8.24	6,805,127	6,813,551	6,489,444	5.43
	3,500,000	3,500,000	3,569,967		8,312,627	8,477,230	8,150,381	

	December 31, 2011							
	Accounts in LBP				Counter Value of Foreign Currencies			
Remaining period to maturity	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Yield %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Yield %
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	

The movement of investments securities during 2012 and 2011 is summarized as follows:

	2012		
	Financial Assets at Amortized Cost		Financial assets at fair value through other comprehensive income
	Accounts in LBP	Counter Value of Foreign Currency	Counter Value of Foreign Currency
	LBP'000	LBP'000	LBP'000
Balance at January 1	1,500,000	8,465,308	1,063,633
Acquisitions	2,000,000	-	-
Effect of discount/premium amortization	-	(39,038)	-
Effect of changes in exchange rates	-	50,960	-
Balance at December 31	3,500,000	8,477,230	1,063,633

	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

12. INVESTMENTS IN ASSOCIATES

		December 31,			
		% of Ownership			
	Country	2012	2011	2012	2011
		%	%	LBP'000	LBP'000
Access to Arabia Overseas Ltd	Cyprus	38	38	7,408,970	7,038,590
Arab Company for Internet Services Ltd	Jordan	38	38		
Credit Card Management S.A.L.	Lebanon	20	20	1,184,714	1,184,714
Universal Cards Company	Saudi Arabia	26	40	1,044,940	1,044,940
IPN Yemen	Yemen	35	35	105,525	105,525
				9,744,149	9,373,769
Allowance for impairment loss				(105,525)	(105,525)
				9,638,624	9,268,244

The Group's investment in 20% equity stake of "Credit Card Management Company S.A.L." includes LBP254million representing the goodwill arising from the acquisition of the equity interest in the above company.

Access to Arabia Overseas and Arab Company for Services Ltd are managed as one business and their activities are complementary and inter-related. The Group recognized its share in the associates' profit for the year ended December 31, 2012 in the amount of LBP1billion recorded under "Share of profits of associates" in the consolidated statement of income (LBP877million for the year ended December 31, 2011).

During 2012, the Group's equity stake in "Universal Cards Company" decreased to 26% due to dilution. As a result, the Group's share in the associate's loss decreased from LBP160million in 2011 to LBP82million in 2012.

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

			Group's Share	
	2012	2011	2012	2011
	LBP'000	LBP'000	LBP'000	LBP'000
Total assets	19,879,400	19,033,776	5,207,933	5,561,665
Total liabilities	3,799,723	5,247,306	1,019,848	1,747,042
Net assets	16,079,677	13,786,471	4,188,085	3,814,623
Total revenue	17,096,215	16,478,873	5,027,158	5,352,223
Total profit for the year	3,568,189	3,724,944	1,192,461	1,222,302

13. REGULATORY BLOCKED FUNDS

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

14. PROPERTY AND EQUIPMENT

This caption consists of the following:

	Buildings LBP'000	Freehold/ Leasehold Improvements LBP'000	Computer Equipment LBP'000	Technical Equipment LBP'000	Office Equipment LBP'000	Furniture and Fixtures LBP'000	Other Properties and Equipment LBP'000	Advances on Property and Equipment LBP'000	Total LBP'000
Cost:									
Balance as at January 1, 2011	12,907,923	8,808,703	11,394,994	4,021,653	1,538,261	660,935	774,108	53,666	40,160,243
Additions	-	1,429,033	942,522	108,969	118,278	88,334	83,021	11,440	2,781,597
Transfers	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(137,228)	(31,781)	(136)	(3,272)	206	6	-	(172,205)
Adjustments and disposals	-	(27,199)	(270,216)	(96,233)	(16,086)	(960)	(2,029)	-	(412,723)
Balance as at December 31, 2011	12,907,923	10,073,309	12,035,519	4,034,253	1,637,181	748,515	855,106	65,106	42,356,912
Additions	945,050	1,072,845	809,521	-	42,334	35,305	24,809	237,054	3,166,918
Transfers	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(300,273)	(57,350)	(182)	(6,215)	(25)	(4,464)	-	(368,509)
Adjustments and disposals	-	-	-	-	(3,916)	-	-	-	(3,916)
Balance as at December 31, 2012	13,852,973	10,845,881	12,787,690	4,034,071	1,669,384	783,795	875,451	302,160	45,151,405
Accumulated depreciation:									
Balance as at January 1, 2011	1,019,390	2,692,204	7,454,505	2,877,889	848,840	321,001	375,081	-	15,588,910
Additions	268,290	500,145	1,571,912	252,888	146,778	51,962	83,069	-	2,875,044
Effect of foreign currency exchange differences	-	(23,208)	(7,496)	-	(982)	-	-	-	(31,686)
Adjustments and disposals	-	(5,490)	(207,845)	(65,505)	(13,734)	(343)	(2,029)	-	(294,946)
Balance as at December 31, 2011	1,287,680	3,163,651	8,811,076	3,065,272	980,902	372,620	456,121	-	18,137,322
Additions	279,369	688,907	1,408,783	219,629	133,854	53,198	86,467	-	2,870,207
Effect of foreign currency exchange differences	-	(56,661)	(16,586)	(82)	(915)	(23)	(1,164)	-	(75,431)
Adjustments and disposals	-	-	-	-	(3,431)	-	-	-	(3,431)
Balance as at December 31, 2012	1,567,049	3,795,897	10,203,273	3,284,819	1,110,410	425,795	541,424	-	20,928,667
Net carrying value:									
As at December 31, 2012	12,285,924	7,049,984	2,584,417	749,252	558,974	358,000	334,027	302,160	24,222,738
As at December 31, 2011	11,620,243	6,909,658	3,224,443	968,981	656,279	375,895	398,985	65,106	24,219,590

In 2012, and for expansion purposes, the Group acquired additional premises in “Ivoire Center”, in Ras Beirut, Lebanon for an aggregate amount of LBP945million fully settled in 2012.

15. INTANGIBLE ASSETS

The caption consists of the following:

	Computer Software LBP'000
Cost:	
Balance as at January 1, 2011	10,618,579
Additions	1,928,141
Effect of charges in exchange rates	(28,107)
Balance as at December 31, 2011	12,518,613
Additions	1,681,588
Adjustments	(2,630)
Effect of changes in exchange rates	(83,055)
Balance as at December 31, 2012	14,114,516
Accumulated amortization:	
Balance as at January 1, 2011	(7,939,790)
Additions	(1,195,067)
Balance as at December 31, 2011	(9,134,857)
Additions	(1,222,289)
Adjustments	21,653
Effect of changes in exchange rates	30,822
Balance as at December 31, 2012	(10,304,671)
Net book value:	
As at December 31, 2012	3,809,845
As at December 31, 2011	3,383,756

16. OTHER ASSETS

This caption consists of the following:

	December 31, 2012 LBP’000	December 31, 2011 LBP’000
Prepaid expenses	628,681	726,339
Deferred tax assets	6,742	-
Other debit balances	209,601	256,954
	845,024	983,293

17. SETTLEMENTS DUE TO BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31, 2012 LBP'000	December 31, 2011 LBP'000
Settlements due to banks and financial institutions - non-related	43,685,570	48,291,832
Settlements due to banks and financial institutions - related parties	1,587,211	1,192,005
	45,272,781	49,483,837

Settlements due to banks and financial institutions 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.

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31, 2012				
	Accounts in LBP		Accounts in Foreign Currencies		
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %	Total LBP'000
Banks and financial institutions current accounts	-	-	47,299,233	1.67%	47,299,233
Bank and financial institutions current accounts – related parties	-	-	7,537,500	2.14%	7,537,500
Blocked accounts	-	-	11,333,516	1.93%	11,333,516
	-	-	66,170,249		66,170,249
Accrued interest payable	-	-	81,605		81,605
	-		66,251,854		66,251,854

	December 31, 2011				
	Accounts in LBP		Accounts in Foreign Currencies		
	Amount LBP'000	Average Interest Rate %	Amount LBP'000	Average Interest Rate %	Total LBP'000
Banks and financial institutions current accounts	3,750,000	2.75	35,471,487	1.76%	39,221,487
Blocked accounts	-	-	10,176,958	1.94%	10,176,958
	3,750,000		45,648,445		49,398,445
Accrued interest payable	565		84,313		84,878
	3,750,565		45,732,758		49,483,323

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

19. CUSTOMERS' DEPOSITS AT AMORTIZED COST

Customers' deposits are allocated by currencies as follows:

	December 31, 2012		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Customers deposits	5,550,461	41,364,097	46,914,558
Accrued interest deposits	37,079	19,912	56,991
	5,587,540	41,384,009	46,971,549

	December 31, 2011		
	Accounts in LBP	Accounts in Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000
Customers deposits	3,999	29,660,603	29,664,602

20. CREDITORS' OPERATING ACCOUNTS

This caption consists of the following:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Due to companies, merchants and points of sale	1,532,419	1,676,350
Debit and internet cards	23,148,706	21,180,318
Other credit balances	-	18,074
	24,681,125	22,874,742

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.

21. CREDITORS' OPERATING ACCOUNTS – RELATED PARTIES

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

"Creditors operating accounts - related parties" as at December 31, 2012 and 2011 includes the balance due to a related party company against the Group's use 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.

22. BORROWINGS FROM BANKS

This caption represents borrowing from a resident bank in the amount of around LBP15billion (USD10million) maturing on December 10, 2013.

23. ACCOUNTS PAYABLE AND OTHER CREDITORS

This caption consists of the following:

	December 31,	
	2012	**2011**
	LBP'000	**LBP'000**
Charge back payable	565,452	412,500
Due to National Social Security Fund	171,211	137,159
Taxes payable	673,754	618,393
Suppliers of fixed assets, software and other suppliers	1,567,664	1,001,137
Other creditors	12,019	1,638,998
	2,990,100	3,808,187

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.

In 2012, the Bank's tax returns for the years 2007 were subject to preliminary examination and tax assessment by the tax authorities. This tax revision resulted in additional tax liability in the amount of LBP68million that was accrued for and recognized in the consolidated statement of income in 2012 under "general and administrative expense – Other taxes".

The Group's Lebanese entities' tax returns from 2008 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.

The Group's Lebanese entities National Social Security Fund (NSSF) declarations after March 1, 2011 are still subject to examination and final assessment by the NSSF authorities. Management is of the opinion that such additional liabilities, if any, will not be material.

24. OTHER LIABILITIES

This caption consists of the following:

	December 31,	
	2012	**2011**
	LBP'000	**LBP'000**
Accrued expenses	2,096,116	1,030,476
Deferred revenues	56,687	110,443
Deferred tax	7,253	-
	2,160,056	1,140,919

"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 date of the consolidated statement of financial position.

25. PROVISIONS

This caption consists of the following:

	December 31, 2012 LBP'000	December 31, 2011 LBP'000
Provision for employee's end-of-service indemnity	3,671,198	3,288,343
Provision for contingencies	1,001,114	1,072,645
	4,672,312	4,360,988

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

	2012 LBP'000	2011 LBP'000
Balance - beginning of the year	3,288,343	3,596,902
Additions (Note 34)	629,919	211,567
Write backs (Note 34)	(144,737)	(458,451)
Settlements	(102,327)	(61,675)
Balance - end of the year	3,671,198	3,288,343

The movement of provision for contingencies was as follows:

	2012 LBP'000	2011 LBP'000
Balance - beginning of the year	1,072,645	2,009,981
Additions	-	134,702
Write backs	(36,738)	(989,981)
Settlements	-	(61,374)
Transfer	-	-
Effect of changes in exchange rates	(34,793)	(20,683)
Balance - end of the year	1,001,114	1,072,645

26. CAPITAL

Capital amounting to LBP75billion as at December 31, 2012 and 2011 consists of 3,000,000 shares of LBP25,000 each, authorized and fully paid.

On June 6, 2011, the shareholders' extraordinary general assembly decided to increase the capital of the Bank from LBP55billion 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.

27. DIVIDEND DISTRIBUTION

In its meeting held on October 4, 2012, the General Assembly of shareholders approved the distribution of dividends in the amount of LBP1.40billion (a dividend of LBP466.67 per share). During 2011, dividends paid amounted to LBP4.75billion, (a dividend of LBP2.159 per share) as approved by the General Assembly held on June 6, 2011. These dividends were fully paid during 2012 and 2011 respectively.

28. LEGAL AND OTHER RESERVES

This caption consists of the following:

	December 31,	
	2012	**2011**
	LBP'000	**LBP'000**
Legal reserves	932,693	373,663
Reserves for general banking risks	607,692	500,462
Other reserves	659,420	659,420
	2,199,805	1,533,545

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. COMMISSION AND FEE REVENUE

This caption consists of the following:

	Year Ended December 31,	
	2012	2011
	LBP'000	LBP'000
Commissions earned from issuance of cards	10,227,137	9,156,870
Commissions earned from cardholders' spending	39,111,725	45,786,854
Commissions earned from the ATM network	14,166,766	16,306,390
Commissions earned from merchants	1,646,318	2,179,375
Other commissions earned	2,642,481	3,034,487
	67,794,427	76,463,976

30. COMMISSION AND FEE EXPENSE

This caption consists of the following:

	Year Ended December 31,	
	2012	2011
	LBP'000	LBP'000
Clearing and commission fees paid to International and Regional Switches and ATM network usage	23,324,489	27,073,911
Commissions paid on cardholders' spending	13,595,657	14,528,419
ATM fraud losses	349,334	2,863,210
Other commissions paid	1,251,258	1,074,519
	38,520,738	45,540,059

31. INTEREST INCOME

This caption consists of the following:

	Year Ended December 31, 2012 LBP'000	Year Ended December 31, 2011 LBP'000
Interest on deposits with banks and financial institutions	7,197,376	5,277,498
Interest on loan to a financial institution	345,469	-
Interest on investments in financial assets at amortized cost	670,415	753,412
Interest on loans and advances to customers	2,658,666	2,864,073
	10,871,926	8,894,983

32. INTEREST EXPENSE

This caption consists of the following:

	Year Ended December 31, 2012 LBP'000	Year Ended December 31, 2011 LBP'000
Interest on due to banks and financial institutions	636,829	625,724
Interest on customers' deposits	913,959	838,775
Interest on borrowings from banks	35,175	-
Other	189,792	232,834
	1,775,755	1,697,333

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

This caption consists of the following:

	Year Ended December 31, 2012 LBP'000	Year Ended December 31, 2011 LBP'000
Dividend income	619,422	751,130
Realized gain from sale of securities	307,118	1,215,952
Net unrealized gain from securities – Note 7	845,930	196,266
	1,772,470	2,163,348

34. SALARIES AND RELATED CHARGES

This caption consists of the following:

	Year Ended December 31, 2012 LBP'000	Year Ended December 31, 2011 LBP'000
Salaries and other benefits	12,074,110	11,716,462
Transportation and other benefits	1,652,297	1,569,001
Social Security contributions	1,426,794	1,263,743
Provision for end-of-service indemnity	485,182	(246,884)
	15,638,383	14,302,322

Salaries and related charges include key management compensation in the amount of LBP1.75billion for 2012 (LBP1billion for 2011).

35. GENERAL AND ADMINISTRATIVE EXPENSES

This caption consists of the following:

	Year Ended December 31, 2012 LBP'000	Year Ended December 31, 2011 LBP'000
Miscellaneous taxes and fees	667,791	655,125
Telecommunication	928,317	1,203,478
Water, electricity and fuel	778,157	755,731
Studies, professional fees and training	1,359,373	1,480,120
Maintenance, security and other building expenses	1,528,091	1,288,406
Travel, accommodation and entertainment	500,441	519,224
Software and other licensing fees	84,213	52,760
Stationery and printing	284,493	270,798
Insurance, security and money transfer	284,401	367,215
Transportation, shipping and porters	36,793	46,063
Publicity and advertising	144,416	130,854
Rent and related services	239,469	331,349
Subscriptions and conferences	23,234	3,587
Attendance fees to the members of the board of directors	271,350	270,225
Other	376,309	391,174
	7,506,848	7,766,109

36. FIDUCIARY ACCOUNTS

This caption consists of the following:

	December 31, 2012 LBP'000	December 31, 2011 LBP'000
Non-discretionary deposits	32,412,381	30,154,505
	32,412,381	30,154,505

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

37. MEMO ACCOUNTS

This caption consists of the following:

	December 31, 2012 LBP Million	December 31, 2011 LBP Million
Facilities extended and not utilized	735,353	764,310
of which facilities extended covered by contracts with banks and financial institutions	697,758	752,659
Assets under custody	184,842	224,506

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 LBP698billion are subject to contractual terms signed with banks to settle the dues to the Group within limited time periods (LBP753billion as at December 31, 2011).

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 LBP185billion as at December 31, 2012 (LBP224billion as at December 31, 2011). A commission fee is paid to the Group against the management of these receivables.

38. 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 LBP22.2billion (Counter value of USD14,703,330) as at December 31, 2012 (LBP22.1billion (Counter value of USD14,698,333) in 2011), 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.

39. NOTE TO THE STATEMENT OF CASH FLOWS

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

	December 31,	
	2012	2011
	LBP'000	LBP'000
Cash and central banks	29,736,730	19,199,411
Current accounts with banks and financial institutions (Note 6)	17,799,988	20,603,486
Time deposits with banks and financial institutions (Note 6)	16,519,742	30,112,296
Due to banks and financial institutions	(54,836,733)	(39,221,487)
Net total	9,219,727	30,693,706

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.

40. 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:

	2012 **In million of LBP**	**2011** **In million of LBP**
Total regulatory capital	93,214	79,818
Credit risk	245,302	198,992
Market risk	24,026	34,781
Operational risk	77,852	70,073
Risk-weighted assets	347,180	303,846
Capital adequacy ratio	**26.85%**	**26.27%**

41. 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, 2012	
	Amount LBP'000	No. of counterparties
Less than LBP100million	630,281	36
Between LBP100million and LBP500million	4,137,311	15
Between LBP500million and LBP1billion	2,789,811	4
Over LBP1billion	158,156,602	17
	165,714,005	72

	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

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

	December 31, 2012	
	Amount LBP'000	No. of counterparties
Less than LBP100million	1,173,108	62
Between LBP100million and LBP500million	4,922,684	20
Between LBP500million and LBP1billion	1,200,610	2
Over LBP1billion	16,412,546	9
	23,708,948	93

	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

(a.3) Loans and advances to customers:

	December 31, 2012	
	Amount LBP'000	No. of counterparties
Less than LBP10million	8,740,788	4,475
Between LBP10million and LBP50million	3,062,057	177
Between LBP50million and LBP100million	233,240	3
Over LBP100million	16,275,336	10
	28,311,421	4,665

	December 31, 2011	
	Amount LBP'000	No. of counterparties
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

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 liabilities by maturity:

	December 31, 2012						
	Accounts with No Maturity	Up to 3 months	3 months 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	LBP'000
Financial Liabilities							
Settlements due to banks and financial institutions	45,272,781	-	-	-	-	-	45,272,781
Deposits from banks and financial institutions	81,605	54,836,733	11,333,516	-	-	-	66,251,854
Customers' deposits	-	3,038,553	43,655,212	-	-	277,784	46,971,549
Creditors' operating accounts	24,681,125	-	-	-	-	-	24,681,125
Creditors' operating accounts - related parties	2,467,549	-	-	-	-	-	2,467,549
Borrowings from banks	-	-	15,075,000	-	-	-	15,075,000
Accounts payable and other creditors	2,316,346	-	-	-	-	-	2,316,346
	74,819,406	57,875,286	70,063,728	-	-	277,784	203,036,204

	December 31, 2011						
	Accounts with No Maturity	Up to 3 months	3 months 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	LBP'000
Financial Liabilities							
Settlements due to banks and financial institutions	49,483,837	-	-	-	-	-	49,483,837
Deposits from banks and financial institutions	25,323,762	13,897,725	10,261,836	-	-	-	49,483,323
Customers' deposits at amortized cost	-	29,664,602	-	-	-	-	29,664,602
Creditors' operating accounts	22,874,742	-	-	-	-	-	22,874,742
Creditors' operating accounts - related parties	-	-	5,521,146	-	-	-	5,521,146
Accounts payable and other creditors	3,189,794	-	-	-	-	-	3,189,794
	100,872,135	43,562,327	15,782,982	-	-	-	160,217,444

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, 2012 and 2011:

	December 31, 2012			
	LBP	US Dollar	Other currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and central banks	6,637,293	16,712,060	6,387,377	29,736,730
Deposits with banks and financial institutions	66,543,748	49,193,891	49,976,366	165,714,005
Trading assets at fair value through profit or loss	-	8,487,928	888,517	9,376,445
Settlements due from banks and financial institutions	10,668,485	12,427,783	1,679,295	24,775,563
Loan to a financial institution	-	7,865,695	-	7,865,695
Loans and advances	1,405,913	27,126,015	423,678	28,955,606
Investment securities	3,570,396	5,964,925	3,660,433	13,195,754
Investments in associates	1,184,714	1,352,887	7,101,023	9,638,624
Regulatory blocked funds	6,000,000	-	-	6,000,000
Property and equipment	21,876,393	1,540,221	806,124	24,222,738
Intangible assets	1,434,495	2,231,121	144,229	3,809,845
Other assets	3,778	588,785	252,461	845,024
Total assets	119,325,215	133,491,311	71,319,503	324,136,029
LIABILITIES				
Settlements due to banks and financial institutions	15,304,503	18,317,983	11,650,295	45,272,781
Deposits from banks and financial institutions	-	54,117,959	12,133,895	66,251,854
Customers' deposits at amortized cost	5,587,540	29,513,697	11,870,312	46,971,549
Creditors' operating accounts	306,693	8,787,039	15,587,393	24,681,125
Creditors' operating accounts - related parties	(46)	2,769,569	(301,974)	2,467,549
Borrowings from banks	-	15,075,000	-	15,075,000
Accounts payable and other creditors	585,062	1,999,587	405,451	2,990,100
Other liabilities	407,025	1,683,215	69,816	2,160,056
Provisions	2,176,298	2,437,088	58,926	4,672,312
Total liabilities	24,367,075	134,701,137	51,474,114	210,542,326
Equity	104,710,623	6,421,423	2,461,657	113,593,703
Total liabilities and equity	129,077,698	141,122,560	53,935,771	324,136,029
Net Foreign Exchange Risk	(9,752,483)	(7,631,249)	17,383,732	-

	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	11,341,395	10,156,071	1,358,976	22,856,442
Loans and advances	2,704,815	16,583,892	522,610	19,811,317
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	18,995,309	17,264,786	13,223,742	49,483,837
Deposits from banks and financial institutions	3,750,565	36,266,523	9,466,235	49,483,323
Customers' deposits at amortized cost	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	-	3,001,907	2,519,239	5,521,146
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	-

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 presented below, show interest sensitivity which reflect the mismatches in the sources and application of funds between assets earning interest rates over medium to long term period versus short term funding.

Interest sensitivity analysis:

	December 31, 2012						
	Non-Interest Earning	Up to 3 months	3 months 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	LBP'000
FINANCIAL ASSETS							
Cash and Central Banks	29,736,730	-	-	-	-	-	29,736,730
Deposits with banks and financial institutions	2,523,426	66,556,439	96,634,140	-	-	-	165,714,005
Settlements due from banks and financial institutions	24,775,563	-	-	-	-	-	24,775,563
Trading assets at fair value through profit or loss	8,622,695	-	753,750	-	-	-	9,376,445
Loan to a financial institution	-	7,865,695	-	-	-	-	7,865,695
Loans and advances	395,072	11,602,896	6,403,322	4,135,787	6,418,529	-	28,955,606
Investment securities	1,218,524	-	-	750,000	750,000	10,477,230	13,195,754
Investments in associates	9,638,624	-	-	-	-	-	9,638,624
Regulatory blocked funds	6,000,000	-	-	-	-	-	6,000,000
Total assets	82,910,634	86,025,030	103,791,212	4,885,787	7,168,529	10,477,230	295,258,422
FINANCIAL LIABILITIES							
Settlements due to banks and financial institutions	45,272,781	-	-	-	-	-	45,272,781
Deposits from banks and financial institutions	37,877,358	16,959,375	11,415,121	-	-	-	66,251,854
Customers' deposits at amortized cost	56,991	3,028,656	43,608,118	-	-	277,784	46,971,549
Creditors' operating accounts	22,573,937	2,107,188	-	-	-	-	24,681,125
Creditors' operating accounts - related parties	2,467,549	-	-	-	-	-	2,467,549
Borrowings from banks	-	-	15,075,000	-	-	-	15,075,000
Account payable and other creditors	2,316,346	-	-	-	-	-	2,316,346
Total liabilities	110,564,962	22,095,219	70,098,239	-	-	277,784	203,036,204
Net Assets	(27,654,328)	63,929,811	33,692,973	4,885,787	7,168,529	10,199,446	92,222,218

	December 31, 2011						
	Non-Interest Earning LBP'000	Up to 3 months LBP'000	3 months to 1 year LBP'000	1 – 3 Years LBP'000	3 – 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
FINANCIAL ASSETS							
Cash and Central Banks	19,199,411	-	-	-	-	-	19,199,411
Deposits with banks and financial institutions	27,353,817	-	112,532,770	-	-	-	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	22,856,442	-	-	-	-	-	22,856,442
Loans and advances	33,015	-	19,553,410	224,892	-	-	19,811,317
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
	87,559,207	-	132,086,180	974,892	2,461,141	6,754,167	229,835,587
FINANCIAL LIABILITIES							
Settlement due to banks and financial institutions	49,483,837	-	-	-	-	-	49,483,837
Deposits from banks and financial institutions	25,323,762	13,897,725	10,261,836	-	-	-	49,483,323
Customers' deposits at amortized cost	-	29,664,602	-	-	-	-	29,664,602
Creditors' operating accounts	22,874,742	-	-	-	-	-	22,874,742
Creditors' operating accounts - related parties	5,521,146	-	-	-	-	-	5,521,146
Account payable and other creditors	3,189,794	-	-	-	-	-	3,189,794
	106,393,281	43,562,327	10,261,836	-	-	-	160,217,444
	(18,834,074)	(43,562,327)	121,824,344	974,892	2,461,141	6,754,167	69,618,143

42. 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, 2012		
	Level 1	Level 3	Total
	LBP'000	LBP'000	LBP'000
Trading assets at fair value through profit or loss:			
Quoted equity securities	4,732,127	-	4,732,127
Unquoted equity securities	-	4,589,646	4,589,646
	4,732,127	4,589,646	9,321,773
Financial assets at fair value through other comprehensive income:			
Unquoted equity securities	-	1,063,633	1,063,333

	December 31, 2011		
	Level 1	Level 3	Total
	LBP'000	LBP'000	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

43. SUBSEQUENT EVENTS

Subsequent to the date of the statement of financial position, Cyprus was exposed to a severe restructuring of its banking system led by the Troika as a condition precedent to provide the state of Cyprus a financial bailout to support servicing its foreign debts. Management is of the opinion that considering the Group's business model of non-resident status in Cyprus, the Group's assets will not be impaired as a result of the current crisis.

44. COMPARATIVE FINANCIAL STATEMENTS

Certain 2011 comparative figures were reclassified to conform to the current year presentation, in the amount of LBP25.3billion that were reclassified to “Settlement due to banks and financial institutions” from “Deposits from banks and financial institutions”.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2012 were approved and authorized for issue by the Board of Directors on June 4, 2013.