ANNUAL REPORT 2013

Creditbank S.A.L.

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People
you can
bank on

Chairman's Letter

The Lebanese economy was confronted by a range of obstacles and uncertainties in 2013, as political instability continued to plague the country and subdue its normally vibrant and dynamic market. The ongoing Syrian conflict has produced over a million refugees flooding into Lebanon and significantly hampered trade and tourism. Consequently, the national economy in 2013 grew by less than a third of the average annual growth recorded between 2007 and 2010.

Yet, despite this predicament, we are adamant that the Lebanese people, who are known for their resourcefulness, productivity and entrepreneurship, will be able to meet the challenge and emerge even stronger on the mid-long term. We furthermore believe that the private sector is the country's main economic engine and generator of wealth, while the banking sector should play a key role as provider and enabler.

This belief is reflected in the market position Creditbank has carved out for itself. It is with pride that we report to have one of the highest loans-to-deposits ratio in the country, which stands at 57% and underlines our conviction that one of a bank's primary tasks must be private sector lending.

This was not the only positive result we booked. Despite the challenging economic climate and the banking industry's growing number of regulatory requirements, 2013 was a pivotal and highly successful year for Creditbank. Our end-of-year figures continue to show excellent growth.

Recording a net financial profit of $18 million, Creditbank saw total assets grow to $2.6 billion, compared $2.2 billion by the end of 2012, an increase of 19%. Total deposits also increased by 20% to reach $2.3 billion – the highest deposits growth ratio among all Lebanon's Alpha banks.

The total amount of net loans increased by 20% to amount to $1.3 billion and the books showed a liquidity-to-assets ratio of 30.1%. Creditbank by the end of 2013 had 19 branches in Lebanon, as well as 14 abroad. The total number of employees reached 465 domestically and 404 abroad.

In accordance with the Lebanese Central Bank's circulations 126 and 128, Creditbank has established a special committee to fight money laundering and terrorist financing. Furthermore, the bank is fully compliant with the requirements of the US Foreign Account Tax Compliance Act (FATCA) and all of its mandatory regulations. Finally, we have met all international monetary requirements as set by Basel III well ahead of time.

Other major milestones include:

- Creditbank in 2013 achieved the prestigious Alpha bank status. With an annual growth rate of over 20% for 7 years running, our balance sheet size by the end of 2013 surpassed $2.6 billion.
- Creditbank in 2013 finalized a series of acquisitions of shares and became the full owner of its subsidiary bank in the Republic of Armenia, Anelik Bank CJSC, and its subsidiary bank in Moscow, Anelik RU.
- Our newly acquired status on the domestic and international stage prompted the birth of a new and dynamic corporate identity that was completed in early 2014.
- The branding overhaul included the launch of a new retail branch concept in our 20th domestic branch at Sodeco, Beirut, in January 2014. Our new flagship outlet will set the tone for all future branches.
- In early 2014, Creditbank signed a protocol with the International Finance Corporation (IFC) for trade finance, as well as a $20 million loan agreement with PROPARCO to facilitate and promote the Lebanese SME sector .

I would like to congratulate all our stakeholders on their emphasis on both ethical and economic values, which has created a strong reward-performance link that dominates our corporate culture. I would furthermore like to thank our clients and all our counterparties for their unwavering trust and loyalty.

Finally, I would like to express my sincerest gratitude and appreciation to our dedicated management teams and staff. The value of our human capital truly lies at the heart of our success.

With an eye on the future, we eagerly look ahead to carve out an even more competitive position in what is already an overcrowded market by further emphasizing our brand based on a strong customer service culture. It is an ambition that lies embodied in our newly adopted corporate identity and logo. It is our firm belief that one should be able to "bank on a bank," not just "bank with a bank."

Our signature line says it all: **"Creditbank: People you can bank on."**

Yours Sincerely,

Tarek J. Khalifé
Chairman - General Manager

General Profile

Established in 1981, Creditbank has managed to carve out a solid presence both in Lebanon and abroad. The bank was founded as Crédit Bancaire by Joseph Khalifé and Fouad Zoghby who, despite the many years of political turmoil in Lebanon, strongly believed in the country's ability to regain its position as the region's main banking hub. A renewed commitment to a strategy of growth in November 2002 resulted in the acquisition of Crédit Lyonnais s.a.l. prompting the bank to change its name to Creditbank s.a.l.

Ever since, Creditbank has consistently continued to grow. With a shareholders' equity of over $207 million, the bank by the end of 2013 had a network of 19 domestic branches spread across Lebanon, as well as 2 subsidiaries with 14 branches abroad. The total number of staff amounted to 465 domestically and 404 in the subsidiaries outside Lebanon. The bank in 2013 furthermore finalized its full acquisition of the Armenian Anelik Bank CJSC and its subsidiary Anelik RU LLC in Russia.

In fact, Creditbank is one of Lebanon's leading and fastest growing banks. In less than 35 years, it has reached Alpha status, a term used to identify the first tier of the Lebanese banking sector currently comprising of 14 banks out of the existing 52 operating banks. Creditbank's deposits and assets increased by 20% and 19% respectively in 2013. Whereas the average assets growth rate among Alpha Banks amounted to only 10.1%, Creditbank's loan portfolio grew by 20% respectively.

Despite the general economic slowdown in Lebanon since 2011, Creditbank saw its total assets, customer deposits and net loans from 2010 to 2013 increase at a CAGR of 20.41%, 22.41% and 21.15% respectively.

In line with its belief that a bank should primarily serve as a catalyser for the market in general and the private sector in particular, Creditbank boasted Lebanon's highest loans-to-deposits ratio, which in 2013 amounted to nearly 57%. The bank furthermore has a reputation for introducing innovative products and is engaged in all traditional and emerging banking activities, varying from Retail, Corporate and SME Banking to Specialized Finance.

As a consequence of the bank's prolific growth in recent years and its newfound Alpha status, the Creditbank management felt an urgent need to redefine its corporate identity and position itself more distinctly in Lebanon's rapidly changing and highly competitive market.

Research had shown a gap existed between the image perceived by existing clients, who had experienced the bank's services first hand, and potential clients, who had not yet interacted with the bank.

Taking inspiration from Creditbank's previous emblem and acronym 'CB,' the new logo is vibrant and dynamic, and captures the bank's DNA in a more eloquent manner. The Creditbank legacy has been built on two main pillars: first, the ability to listen and understand people's ever changing needs in an ever changing market; second, the ability to act in a manner that is both personal and professional in order to establish a long-term partnership.

In addition, the fluid circular icon is reminiscent of the infinity symbol with its connotations of change, strength and longevity. One should know that Creditbank was first founded in 1981 as a family business. The new logo captures the bank's early entrepreneurial spirit and origin. As such, it also reflects the notions of both tradition and modernity.

Creditbank's new identity was reinforced by the opening of its 20th branch in early 2014. Equipped with the latest state-of-the-art technology to optimize the bank's personalized services, the spacious outlet at Sodeco is set to become a showcase example for all future branches.

Last but not least, Creditbank has always been committed to the highest standards of business ethics, integrity and transparency, as embodied in its corporate governance framework, and actively pursues a policy of support for social activities, particularly in the field of youth, education and community building.

Board of Directors
Board Committees
Corporate Governance Framework

Corporate Structure

Mr. Tarek Joseph Khalifé
Chairman and General Manager

Mr. Khalifé holds a bachelor's degree in Civil Engineering and a master's degree in Business Administration. A major shareholder, he was first elected as Managing director to Creditbank's Board in 1994, before becoming Chairman and General Manager in 2004. Mr. Khalifé chairs the Executive & Investment Committee and Corporate Governance Committee, as well as the Board of Directors at subsidiary bank - Anelik Ru in Russia. He is also a Board Member at Anelik Bank, Creditbank's Armenian subsidiary.

Mr. Freddy Zraick
General Manager and Board Member

Representing Holfiban SAL Holding on the Board of Directors, Mr. Zraick is a member of two board committees, presides over several management committees and is chairman of Credex SAL, Creditbank's subsidiary and exclusive insurance brokerage firm. Having obtained a bachelor's degree in Economics, Mr. Zraick spent years working in the local banking industry before joining Creditbank as Head of Corporate Banking and Small & Medium Enterprises. He was appointed as General Manager in 2009 and has been a member of the bank's Executive & Investment Committee since 2008. Mr. Zraick is also a Board Member at Anelik Bank and Anelik Ru, Creditbank's Armenian and Russian subsidiaries respectively.

Mr. Fadi Barbar
Board Member

Representing the Lebanese holding company Financial Profile s.a.l on the Board of Directors as a non-executive Board Member. Mr. Barbar holds a degree in Business Administration and owns a series of major business interests in Africa. Mr. Barbar also represents Financial Profile holding s.a.l at the bank's Board Committee on Audit.

Mrs. Maria Khalifé-Bazerji
Board Member

Mrs. Bazerji holds a master's degree in Business Administration and is an executive Board Member at Creditbank. Mrs. Bazerji is furthermore the bank's Deputy General Manager in charge of Human Resources and Administration. In that capacity, Mrs. Bazerji is a member of the bank's Board Committee on Risk Management and several management committees including the Executive and Investment Committee.

Mtre. Paul Harb
Board Member

Representing Financial Trust Participation Holding s.a.l on the Board of Directors, Mtre. Harb holds an LLB in Private Law and a master's degree in Advanced Private Law Studies. Mtre. Harb joined Creditbank as Head of the Legal Department in 2003. Today, he is Secretary of the bank's Committee on Corporate Governance, Secretary at the Board of Directors and member of the Executive and Investment Committee. Mtre. Harb is also a Board Member at Creditbank's Armenian subsidiary Anelik Bank. Since 2012, he is a senior partner at the Abirached Harb Moussa law firm and a member of the Beirut Bar Association.

H.E. Mr. Dimyanos Kattar
Independent Board Member

A former Lebanese Minister of Finance and Economy, Mr. Kattar was elected as an independent Board Member on June 1, 2007 He has headed the Board Committee on Audit since August 13, 2009 and is a member of the Board Committee on Corporate Governance. Mr. Kattar studied Management and Strategy, as well as Political Economics. He has been active in both the advisory and academic arena, and has a wealth of experience in the field of corporate and public governance in the Arab World.

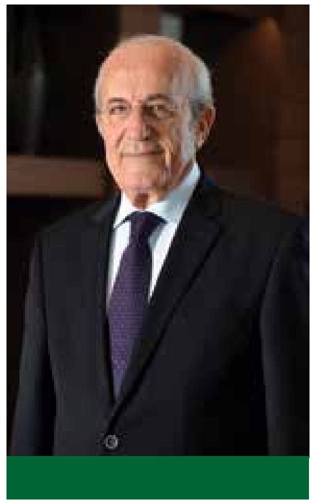
Mtre. René Abirached
Secretary of the Board

A senior partner at the Abirached Harb Moussa law firm, Mtre. Abirached holds a Lebanese and French master's degree in law. A member of the Beirut Bar Association, Mtre. Abirached is "Chargé d'enseignement" of International Private Law and a member of both the International Arbitration Center in Lebanon and the International Penal Law Association.

Dr. Henri Chaoul
Independent Board Member

Dr. Chaoul holds a PhD in Economics and is currently an independent Board Member, as well as a member of the Board Committees on Audit and Corporate Governance and Chairman of the Board Committee on Risk Management. Through his many tenures in financial firms in Europe, Asia, North America and the Middle East, Dr. Chaoul gained a wealth of experience in investment banking, private equity, financial consulting, economic, merger and acquisition analysis.

Mtre. Maroun Zein
Secretary of the Board



Holding a law degree from Saint Joseph University, Mtre. Zein has been a member of the Beirut Bar Association since 1962. He is the founder of and a senior partner in Zein Law Firm, which specializes in legal banking matters. Mtre. Zein has acted as Creditbank's legal advisor since 1985 and serves as Secretary of the Board of Directors.

BOARD COMMITTEES

To help streamline its activities and make its oversight more efficient, the Board of Directors (the Board), has created three committees: the Audit Committee, Risk Management Committee and Corporate Governance Committee.

In accordance with the requirements and recommendations of the Lebanese Central Bank and Banking Control Commission, the Audit Committee comprises 3 members. Its mission is to review and report to the Board the bank's annual financial results and all other accounting judgments prior to publication. The Audit Committee furthermore checks the adequacy of the bank's internal and external controls and reviews the criteria adopted for reporting. The Audit Committee is able to obtain any information from the bank's management and to meet with any manager.

The Risk Management Committee is charged with the regular review of the bank's risk management strategies. The committee's creation was proposed by the management and has been approved by the Board. The committee shall make regular reports to the Board.

The Corporate Governance Committee comprises three directors to oversee the bank's commitment to good corporate governance. The Board has formally adopted the following documents regarding Corporate Governance: The Corporate Governance Code, the Terms of Reference for the Board of Directors and the Code of Ethics and Business Conduct. Moreover an annual report on Corporate Governance is submitted to the General Assembly of shareholders.

In accordance with the requirements and recommendations of the Lebanese Central Bank and Banking Control Commission, the Corporate Governance Code's main guiding principles are the following:

- Responsibility – a clear division and delegation of authority.
- Accountability in the relations between the bank's management and the Board, and between the Board, the shareholders and other stakeholders.
- Transparency to enable stakeholders to assess the bank's financial condition.
- Fairness in the treatment of all stakeholders

CORPORATE GOVERNANCE FRAMEWORK

The Board currently consists of 7 members elected for a period of 3 years by the General Assembly of Shareholders. It is composed of executive, non-executive and independent directors. It is the bank's policy to always appoint at least two board members who are fully independent.

Board meetings take place on a regular basis, yet at least eight times a year. The Board's role is to provide strategic guidance for the bank and effective oversight of its management. It is responsible for the bank's financial operations and ensures that the interests of shareholders, depositors, creditors, employees and other stakeholders are met.

The Board, among other tasks, approves the bank's administrative framework and all rules and regulations deemed necessary to conduct business; establishes temporary or permanent management committees; creates new branches; determines the policy and limits regarding placements, investments, participations and expenditures; ratifies investment decisions.

The Board furthermore elects the bank's Chairman from among its members for a maximum period of three years. The Chairman aims to promote a constructive relationship between the Board and the bank's management and exercises the function of General Manager according to Lebanese laws.

In order to ensure a more effective follow-up of the bank's day-to-day management, until the Lebanese law allows the separation between the functions of Chairman and General Manager, the Board – upon request of the Chairman – appoints a General Manager and confirms the clear separation of powers between the Chairman on the one hand and the General Manager on the other. The Board also approves the appointment of all other senior executives including the heads of other divisions within the bank, the head of Internal Audit and the head of Compliance.

The bank's management committees include: Anti-Money Laundering/Counter Financing Terrorism Committee, Asset Liability Committee (ALCO), Committee on Operational Risk Management, Credit Committee, Executive and Investment Committee, Fiduciary Committee, Follow up Committee for Subsidiaries Abroad, Human Resources Committee, Internal Control Committee, IT and Organization Committee, Network and Retail Committee, Non-Performing Loans Committee, Procurement Committee, Security Committee.

Social Responsibility

Since its foundation in 1981, Creditbank has been active in the communities it operates in, dedicating itself to making a difference in people's lives. Evincing a clear and consistent policy of becoming a force for social change, Creditbank has been engaged in a wide range of activities over the years, with a special focus on education and the health and enablement of Lebanon's youth.

Showcasing this commitment during 2013 is a number of sponsorships and donations in line with the bank's particular attention to the younger generations, embodying our deeply held belief that children are the future. The fundamental assumption at the heart of our social engagement is that the best way to build a better tomorrow for our communities is by empowering and investing in the Lebanese youth, who will one day be responsible for the country.

The first step in this long-term endeavor is helping to guarantee the health and safety of our children. In this regard, Creditbank donated significantly to the Georges N. Khoriaty foundation in 2013. Founded in 2006 following the tragic death of 16-year-old Georges N. Khoriaty, GNK is a non-governmental organization that aims to improve road safety and health awareness in Lebanon. Research has shown that, besides health-related issues, the leading cause of death among Lebanese youth is traffic accidents, and Creditbank is committed to standing at GNK's side in tackling this pressing concern.

Creditbank's donation to GNK enabled the foundation to inaugurate the GNK Traffic Academy, which created a safe, friendly and fun environment for children aged between 6 to 18 to learn about road safety from a driver's, cyclist's and pedestrian's point of view. GNK's goal is to reduce the number of preventable deaths and injuries on Lebanon's roads. Thanks to our contribution, their efforts will have a greater impact for the foreseeable future, bringing them closer to achieving their noble goal.

The academy in Kfarhazir Al Koura will soon be ready to welcome its first children, helping to raise awareness with the help of the bank's participation by making ample use of advanced e-learning and simulator training techniques. Education through the use of e-learning techniques is a major focal point for Creditbank. Indeed, our efforts in education extend beyond health and safety awareness, as evidenced by the signing of a strategic partnership between Creditbank and Edulab in 2013.

Established in 2005, Edulab is an e-learning software company specialized in developing digital and interactive content adapted to the Lebanese national curriculum from grade 1 to 12. In Lebanon, more than 170 schools and over 100,000 pupils use Edulab's software. Creditbank's donation helped Edulab introduce its most recent e-learning solution, the Kitabi mobile application, which is a smart e-reader that allows the user not only to download and read books, but also to highlight text, search for keywords and add notes in the margins. As a full partner on all levels of Edulab's mission, Creditbank offers both schools and students credit facilities for acquiring e-learning equipment for the former and tablets for the latter. These same tablets were offered as prizes to the ten winners of the Math Championship games that took place in Edulab's stand in Grand Cinemas, under the supervision of Creditbank representatives who encouraged kids to participate.

Also in 2013, Creditbank offered the Carmel Saint Joseph College a series of state-of-the-art interactive whiteboards in an attempt to upgrade the school's teaching methods. That same year Creditbank offered a major grant to Toufoula as well. Founded in 2006, Toufoula is a Lebanese non-profit organization dedicated to helping children suffering from cancer and blood diseases by providing them with financial aid and improving their quality of life. Its main role is creating a unique and colorful environment in all hospitals with an oncology ward, and with the help of Creditbank, a "dream floor" was created in the Geitawi Hospital in Beirut, a place for young patients to experience the sense of wonder and fantasy every child deserves. In cooperation with some of Lebanon's most famous artists and designers, Toufoula has refurbished dozens of rooms and floors in a total of six Lebanese hospitals, and we are proud to be part of its compassionate vision: a vision of a society that cares.

As a final showcase of its dedication to the welfare of the nation's children, Creditbank launched an awareness campaign in partnership with dentist Dr. Naim Daccache to raise the level of healthy nutrition and oral hygiene for elementary school students. As part of the educational campaign, Dr. Daccache visited over 50 Lebanese schools alongside Creditbank representatives, who presented the students and teachers quizzes to make sure the message was well received and distributed valuable gifts among the winners.

Throughout its continuous educational efforts, Creditbank has provided more than just financial support, investing itself completely in the causes it has espoused and engaging itself fully with the sponsored parties as a reliable and dedicated partner.

Economic Overview

Despite Lebanon's ongoing economic slowdown, the country's banking sector has continued to grow in recent years. By the end of 2011, the year the Syrian crisis erupted, the consolidated balance sheet of Lebanese banks saw total assets amount to $140.6 billion compared to $128.9 billion by the end of 2010, which represented a 9% increase compared to an 11.9% rise a year earlier.

The banking sector continued to grow in the following years. Lebanese banks' total assets registered an 8% annual increase to amount to $151.9 billion by the end of 2012. The banks' combined deposits also increased by 8%, while loans to the private sector expanded to $43.5 billion by the end of 2012.

By the end of 2013, the combined balance sheet of banks operating on Lebanese soil saw total assets amount to $164.8 billion, which represented an 8.5% increase compared to the previous year. Total deposits stood at $141.2 billion with a dollarization ratio of 66%, compared to $130.8 billion by the end of 2012, a growth of 7.9%. The banks' combined profits in 2013 amounted to an estimated $1.6 billion.

These are resilient results, seeing the humble growth of the Lebanese economy as a whole since the outbreak of the Syrian conflict in early 2011. While Lebanon's Gross Domestic Product (GDP) recorded an average annual growth rate of 8.25% between 2007 and 2010, the Central Bank of Lebanon (BDL) estimated that yearly growth declined to 2.5% in 2013, while inflation stood at 3.5%.

Last year's financial blueprint would have looked worse, if the BDL in 2013 had not launched a $1.47 billion stimulus package. The central bank extended loans to Lebanon's commercial banks at an interest rate of 1%, on the condition they would lend at similar low rates to the end customer. By the end of 2013, some 75% of the funds had reached the market, mostly in support of real estate (56%), environmentally-friendly projects (20%) and the country's productive sectors (14%). The BDL in November 2013 announced a second stimulus package worth some $800 million would be launched in 2014.

The Syrian crisis negatively affected Lebanon in two ways. On the one hand, more than a million Syrian refugees have entered the country, which cost the treasury up to $900 million in 2013 alone, according to Lebanon's Finance Ministry. On the other hand, the ongoing violence and uncertainty in Syria has de facto closed Lebanon's only land bridge with the wider region. As a consequence, the trade and tourism sectors in particular experienced significant setbacks. Lebanon's trade deficit in 2013 grew by 2.5%, as exports fell by more than $480 million compared to 2012, while the influx of tourists continued to decline to reach 1.3 million by the end of 2013. Foreign direct investments also regressed.

Lebanon has a service-oriented free market economy. Trade and real estate combined contributed some 30% to GDP in 2013, while the industrial, financial and agricultural sectors contributed some 20%, 7% and 5% respectively. An important additional source of income is the diaspora of Lebanese living and working abroad. The World Bank estimated that they sent home some $7.6 billion in 2013, which makes Lebanon the world's 18th largest recipient of remittances.

As a result of the economic slowdown, Lebanon's budget deficit and national debt continued to inflate. The budget deficit in 2013 rose to $4.2 billion or 30.94% of expenditures, compared to 29.47% in 2012, according to figures released by the Finance Ministry. While revenues witnessed a minor increase of 0.26%, government expenditures grew by 2.4% in comparison to the previous year.

As Lebanon's debt rose to $63.3 billion in 2013, debt servicing remained the government's primary spending post at some $4 billion, followed by government employees' salaries and subsidies paid to the country's ailing electricity sector. Although still significantly below its peak level of 175% of GDP by the end of 2006, Lebanon's public debt in 2013 continued to increase to 144% of GDP, which remains one of the highest debt-to-GDP ratio's in the world.

The figure is less alarming as it may seem, as a large portion of the debt is held by the BDL and other public sector institutions, while the market-held debt-to-GDP ratio stands at less than 90%. In addition, Lebanon has one of the world's highest assets-to-GDP ratios, which amounted to nearly 380% by the end of 2013, compared to a global average of 161.9% and the European Union's 277.3%. By the end of 2013, close to 59% of the public debt was held by Lebanon's commercial banks.

Banking as Lebanon's Economic Cornerstone

Ever since the end of the Civil War in 1990, Lebanon has rapidly regained its status as one of the leading banking hubs in the Arab world. Several factors have played a role. Firstly, blessed with an old and well-established banking regulatory environment and traditions, Lebanon has always been a safe haven for both Lebanese and foreign nationals to deposit their earnings, even in times of crisis.

Secondly, Lebanon has no restrictions on the free movement of capital and earnings in and out of the country, while account holders are offered income tax exemptions on all interest and revenues earned.

Thirdly, Creditbank enjoys operating within the 1956 Banking Secrecy Law, which stipulates that banks operating on Lebanese soil are not allowed to reveal names, assets or holdings to any third party. Banks are only exempted in case of, for example, a client's written authorization, a client's bankruptcy or a judicial request based on serious suspicions of illegal accumulation of wealth. The BDL's circulations 126 and 128, stipulate that all Lebanese banks must have a special committee to combat money laundering and terrorist financing.

The BDL's all-important role within both Lebanon's banking sector and the greater economy as a whole is not to be underestimated. Established on August 1, 1963, the BDL is a legal public entity with full financial and administrative autonomy that has the exclusive right to issue the national currency and can take all measures deemed necessary to safeguard its monetary value.

Furthermore, the BDL is the financial sector's main regulatory and supervisory authority. With a conservative reputation, the BDL sets interest rates, credit ceilings, minimum reserve requirements and hands out penalties in case of shortcomings. Regarding Basel III, the capital adequacy requirements formulated by the Bank of International Settlements in 2009, most Lebanese banks already exceed the required ratios. Basel III has set the Tier 1 common equity ratio at 8%, the Tier 1 ratio at 10% and the Total Capital ratio at 12% by the end of 2015.

One decision that has gained the BDL critical acclaim around the world was the 2004 ban on Lebanese banks investing in structured or derivative products, which to a large extent triggered the global financial meltdown in 2008. As a result, the crisis not only left Lebanon unharmed, but spurred a major inflow of cash deposits from across the region. An estimated $55 billion entered Lebanese banks between 2007 and 2010.

Focus on Banking

By the end of 2013, there were 72 banks operative in Lebanon, the majority of which were commercial banks. The country boasted furthermore 10 foreign bank representative offices and dozens of financial institutions. The banking sector employs over 22,000 people and has close to 1,000 branches across the country, more than half of which are located in the Greater Beirut area, home to over half of Lebanon's population of some 4.1 million people.

Some 95% of the market is in the hands of Lebanon's Alpha banks that boast a minimum of $2 billion in deposits on their balance sheet. Creditbank, with deposits amounting to $2.3 billion by the end of 2013, became the country's 14th bank to join the sector's top bracket. Meanwhile, Lebanese banks have spread their wings in some 33 countries around the globe. This includes Creditbank, which owns a 100% stake in the Armenian Anelik Bank and Russian Anelik RU based in Moscow.

The Lebanese banking sector performed well in 2013, as total bank assets amounted to $164.8 billion by the end of 2013, which represented an 8.5% increase compared to the previous year. Total deposits stood at $141.2 billion, compared to $130.8bn a year earlier, a growth of 7.9%. Private sector lending amounted to $41.5 billion, compared to $37.8 billion one year earlier, which represented a growth rate of 9.6%, while the amounts invested in government bonds jumped to $37.66 billion, compared to $31.13 billion one year earlier. Finally, Lebanon's banks in 2013 deposed an additional $1.86 billion in the BDL, raising their total deposits to $54.3 billion.

Despite Lebanon's challenging economic climate, mainly due to the enduring Syrian crisis, the Lebanese banking sector looks safe and sound. Thanks to its solid reputation as a regional safe haven, Lebanon will continue to attract deposits from across the world. Internationally, it has firmly cemented its membership of the global banking family by meeting the Basel III regulations well ahead of time. Furthermore, Lebanon possesses a pool of highly qualified human capital, thanks to what is arguably the region's best education system.

Finally, while Lebanon is facing some economic hardships, the country enjoys great prospects to tap into a string of offshore gas and oil reserves, which is set to turn the country from a net fuel importer to a hydrocarbon exporter and, in no small manner, will help reduce the country's national debt.

Key Financial Indicators

USD million	2013	2012	2011
Main Financial Indicators			
Total Assets	2,643	2,219	1,893
Customer Deposits	2,280	1,902	1,632
Net Loans	1,298	1,081	967
Net Liquid Assets	1,162	946	795
Shareholders' Equity	207	170	150
Total Operating Income	76	71	72
Net Profit	18	16	23
EBITA	28	27	33
Number of Branches (Local)	19	18	17
Number of Branches (Abroad)	14	14	13
Number of ATM's (Local)	37	35	30
Number of ATM's (Abroad)	55	47	41
Number of Employees (Local)	465	434	406
Number of Employees (Abroad)	404	479	479
Profitability & Efficiency Ratios (%)			
ROAA	0.75%	0.79%	1.33%
ROAE	9.62%	10.15%	15.62%
Leverage Multiplier	12.89	12.85	11.74
Spread	1.96%	1.81%	2.21%
Net Interest Margin	2.26%	2.13%	2.55%
Cost / Income	67.45%	66.15%	57.76%
Assets Quality Ratios (%)			
Gross Non Performing loans / Gross Loans	4.81%	2.45%	4.55%
NPL Provisions / Non Performing Loans	33.62%	52.65%	32.13%
Liquidity & Funding Ratios (%)			
Net Loans / Assets	49.12%	48.70%	51.08%
Customer Deposits / Assets	86.27%	85.72%	86.21%
Net Liquid Assets / Assets	43.95%	42.64%	41.99%
Net Loans / Customer Deposits	56.94%	56.81%	59.25%
Capital Adequacy Ratios (%)			
Total Capital Adequacy Ratio (CAR)	11.04%	10.44%	9.02%
Equity / Total Assets	7.85%	7.65%	7.92%
Internal Capital Growth	5.34%	6.19%	10.59%
Growth Indicators (Creditbank)			
% Growth in Assets	19.12%	17.22%	25.00%
% Growth in Deposits	19.88%	16.55%	31.20%
% Growth in Net Loans	20.16%	11.74%	32.50%
% Growth in Shareholders' Equity	22.23%	13.13%	7.30%
% Growth in Total Operating Income	8.14%	-2.03%	16.10%
% Growth in Net Profit	11.69%	-29.37%	32.80%
Growth Indicators (Banking Sector)			
% Growth in Assets	9.70%	8.40%	7.70%
% Growth in Deposits	9.50%	8.80%	7.50%
% Growth in Net Loans	15.20%	11.70%	14.00%
% Growth in Shareholders' Equity	8.60%	12.90%	-0.10%
% Growth in Total Operating Income	3.80%	11.90%	3.00%
% Growth in Net Profit	0.50%	7.40%	-5.10%

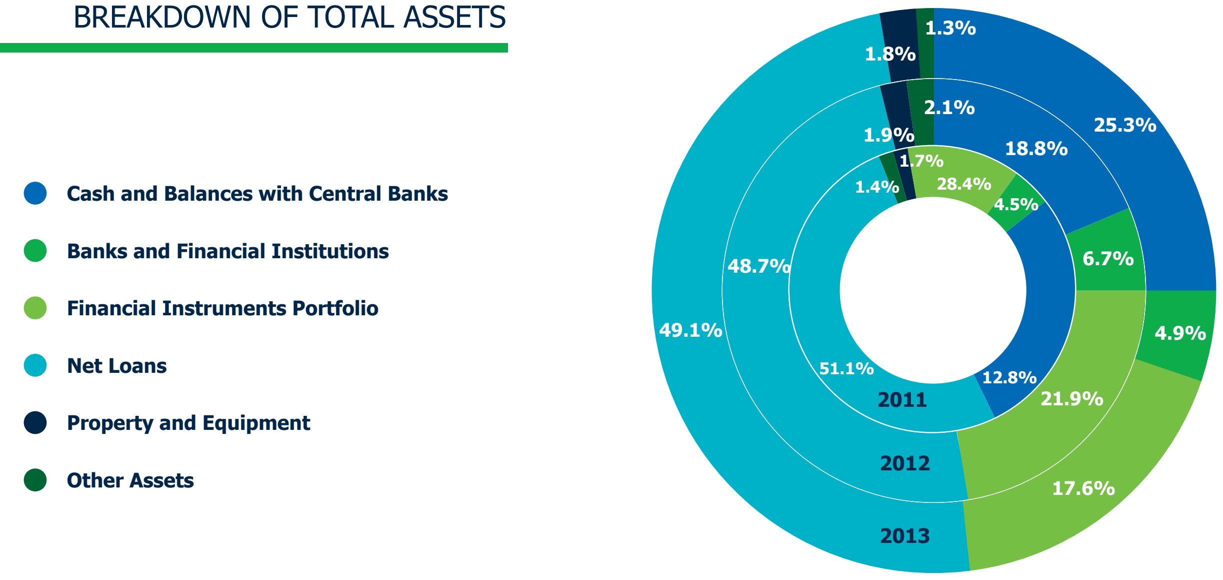
Management Notes

Total Assets

The following table shows the composition of the bank's total assets, as well as the percentage of total and percentage changes therein, as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Cash and Balances with Central Banks	1,007,088	25.3%	627,251	18.8%	379,837	60.6%	366,581
Banks and Financial Institutions	195,143	4.9%	223,171	6.7%	(28,028)	-12.6%	129,579
Financial Instruments Portfolio	703,081	17.6%	731,424	21.9%	(28,343)	-3.9%	809,577
Net Loans	1,957,383	49.1%	1,628,947	48.7%	328,436	20.2%	1,457,644
Property and Equipment	70,547	1.8%	63,352	1.9%	7,195	11.4%	49,275
Other Assets	51,382	1.3%	71,031	2.1%	(19,649)	-27.7%	41,241
Total Assets	**3,984,624**		**3,345,176**		**639,448**	**19.1%**	**2,853,897**

BREAKDOWN OF TOTAL ASSETS



The growth in total assets was remarkable as it reached 19.1% in 2013, compared to a 10.13% average growth rate among the Alpha Group's peer banks.

Total assets amounted to LBP 3,984,624 million (USD 2,643 million) on 31/12/2013, up LBP 639,448 million (USD 424 million) from LBP 3,345,176 million (USD 2,219 million) on 31/12/2012. Total assets in 2012 increased by LBP 491,279 million (USD 326 million) from LBP 2,853,897 million (USD 1,893 million) on 31/12/2011.

The growth is best explained by the increase of cash and balances with central banks and net loans, which recorded growth rates of 60.6% and 20.2% respectively in 2013.

The cash and balances with central banks increased from LBP 627,251 million (USD 416 million) at the end of 2012 to LBP 1,007,088 million (USD 668 million) at the end of 2013.

Net loans grew to reach LBP 1,957,383 million (USD 1,298 million) at the end of 2013, compared to LBP 1,628,947 million (USD 1,081 million) and LBP 1,457,644 million (USD 967 million) at the end of 2012 and 2011 respectively.

Distribution of Loans by Business Segment

The following table shows the composition of the bank's loans portfolio by the borrower's business segment, as well as the percentage changes therein, after accounting for specified loans loss provisions and acceptances as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	% of portfolio	2012	% of portfolio	Growth	%Growth	2011
Retail	619,614	31.6%	503,178	30.9%	116,436	23.1%	503,601
SME	653,063	33.4%	531,849	32.6%	121,214	22.8%	425,432
Corporate	684,706	35.0%	593,920	36.5%	90,787	15.3%	528,611
Total	**1,957,383**		**1,628,947**		**328,436**	**20.2%**	**1,457,644**

On December 31, 2013, corporate lending amounted to LBP 684,706 million (USD 454 million) or 35.0% of total loans, compared to LBP 593,920 million (USD 394 million) or 36.5% of total loans on December 31, 2012, reflecting a year-on-year increase of 15.3%.

SME lending amounted to LBP 653,063 million (USD 433 million) or 33.4% of the total loans portfolio on December 31, 2013, compared to LBP 531,849 million (USD 353 million) or 32.6% of total loans on December 31, 2012, reflecting a year-on-year increase of 22.8%.

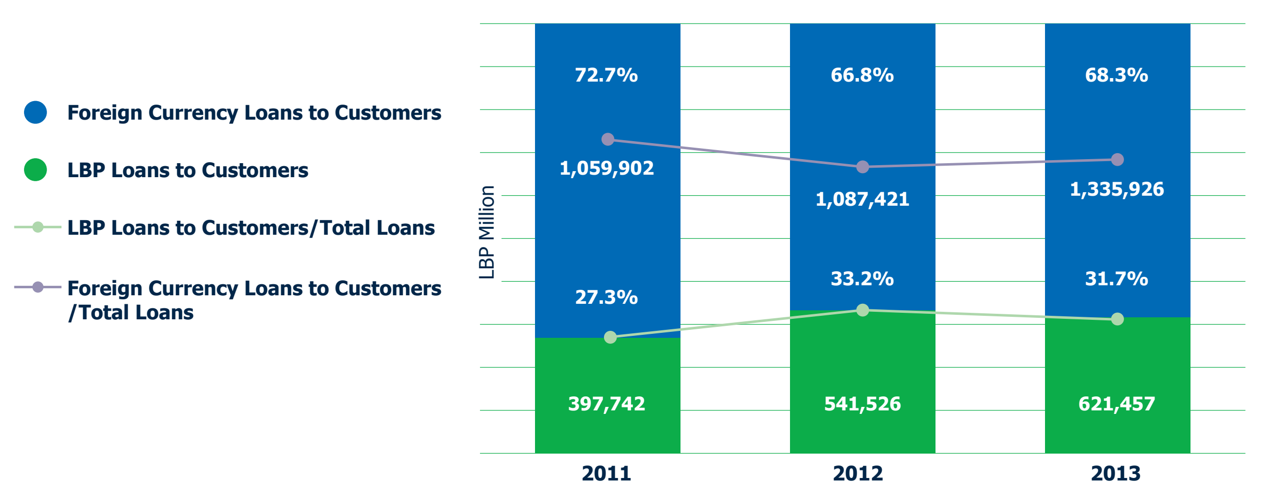
Retail lending stood at LBP 619,614 million (USD 411 million) or 31.6% of the total loans portfolio on December 31, 2013, compared to LBP 503,178 million (USD 334 million) or 30.9% of total loans on December 31, 2012, reflecting a year-on-year increase of 23.1%.

Distribution of Loans by Currency

The following table sets out the composition of the bank's loans portfolio by currency, as well as the percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	2012	Growth	%Growth	2011
LBP Loans to Customers	621,457	541,526	79,931	14.8%	397,742
Foreign Currency Loans to Customers	1,335,926	1,087,421	248,505	22.9%	1,059,902
Total	**1,957,383**	**1,628,947**	**328,436**	**20.2%**	**1,457,644**

LOANS BY CURRENCY



On December 31, 2013, LBP 1,335,926 million (USD 886 million) or 68.3% of total loans, were denominated in foreign currencies, principally U.S. Dollars, with the remaining 31.7% denominated in Lebanese Pounds, compared to LBP 1,087,421 million (USD 721 million) or 66.8% of total loans denominated in foreign currencies, principally U.S. Dollars, with the remaining 33.2% denominated in Lebanese Pounds on December 31, 2012, and LBP 1,059,902 million (USD 703 million) or 72.7% of total loans denominated in foreign currencies, principally U.S. Dollars, and the remaining 27.3% denominated in Lebanese Pounds on December 31, 2011.

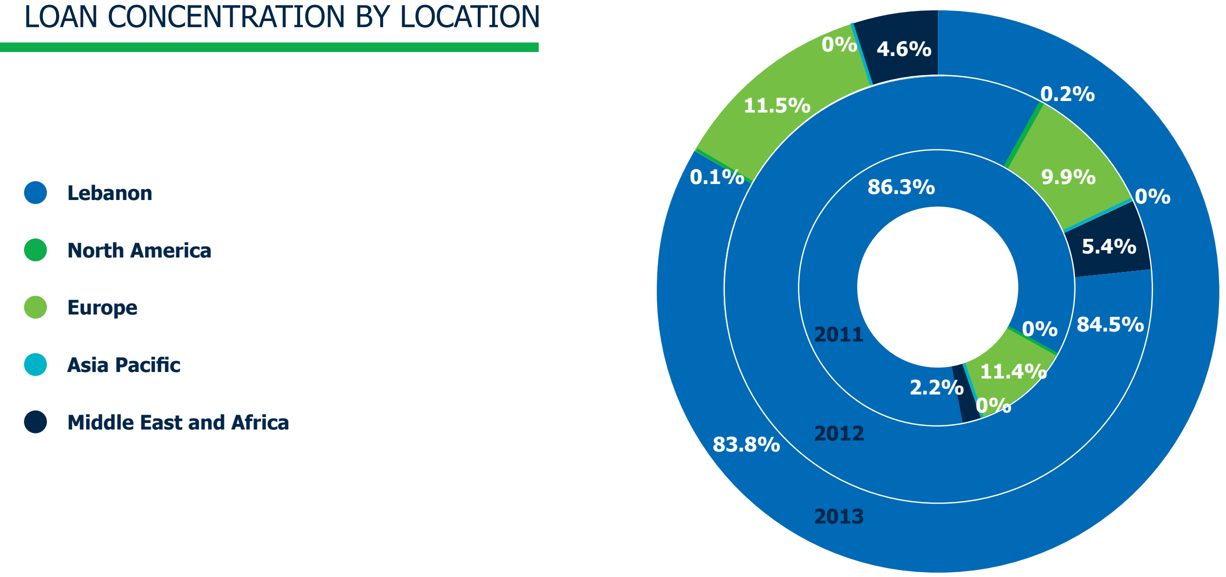
Loans in foreign currencies represented 65.2% of total foreign currency customers' deposits as at December 31, 2013, compared to 66.5% as at December 31, 2012, and 72% as at December 31, 2011.

Distribution of Loans by Location

The following table shows the composition of the bank's loans portfolio by geographical location, as well as the percentage of total and percentage changes therein, as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Lebanon	1,640,072	83.8%	1,376,497	84.5%	263,575	19.1%	1,258,551
North America	2,796	0.1%	2,862	0.2%	(66)	-2.3%	7
Europe	225,045	11.5%	161,878	9.9%	63,167	39.0%	166,731
Asia Pacific	118	0.0%	255	0.0%	(137)	-53.7%	-
Middle East and Africa	89,352	4.6%	87,455	5.4%	1,897	2.2%	32,356
Total Loans	**1,957,383**		**1,628,947**		**328,436**	**20.2%**	**1,457,644**

LOAN CONCENTRATION BY LOCATION



As at December 31, 2013, 83.8% of the bank's loans portfolio was based in Lebanon, while 11.5% and 4.6% of loans were granted for use in Europe and the Middle East and Africa respectively.

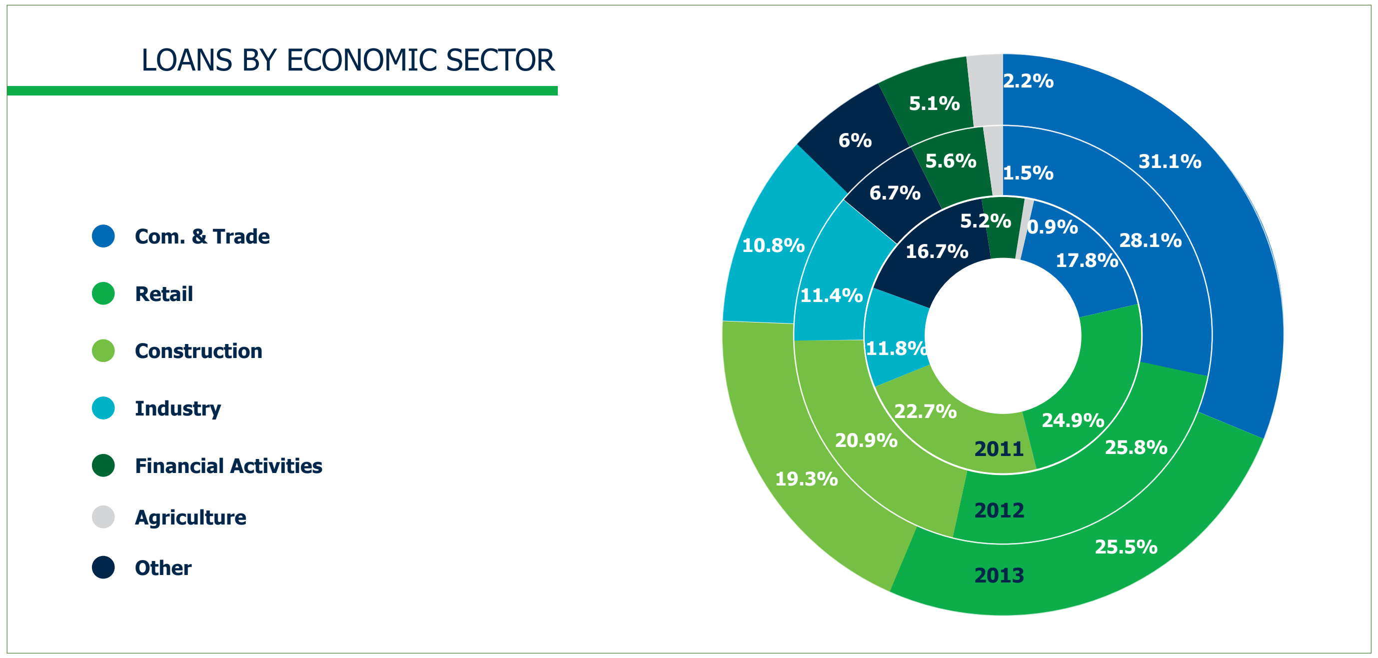
A yearly growth of 19.1% is noted in the loans portfolio in Lebanon, the result of a LBP 263,575 million (USD 175 million) increase from LBP 1,376,497 million (USD 913 million) by the end of 2012 to LBP 1,640,072 million (USD 1,088 million) by the end of 2013.

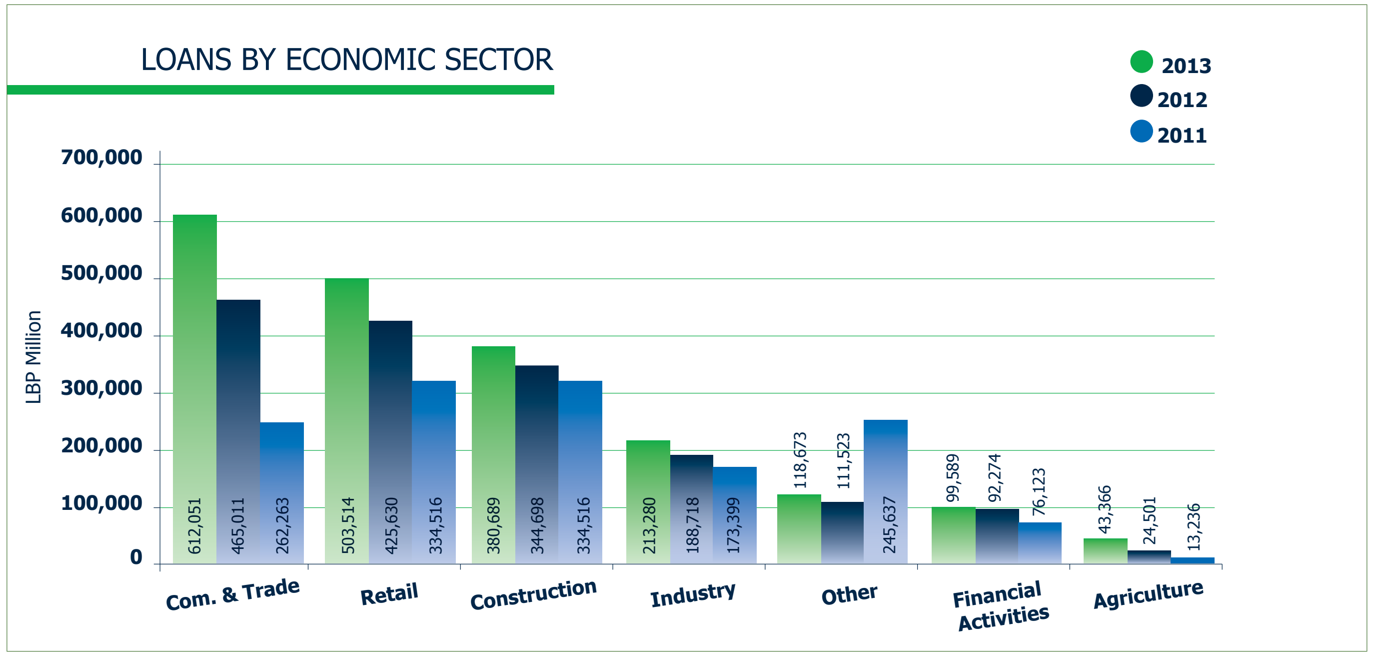
The portfolio in Europe recorded a growth of 39% in 2013, as it reached LBP 225,045 million (USD 149 million) by the end of the year, increasing by LBP 63,167 million (USD 42 million) from LBP 161,878 million (USD 107 million) by the end of 2012.

Distribution of Loans by Economic Sector

The following table sets out the composition of the bank's loans portfolio by the borrower's economic activity, as well as the percentage changes therein after accounting for specified loans loss provisions and acceptances as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Com. & Trade	612,051	31.1%	465,011	28.1%	147,039	31.6%	262,263
Retail	503,514	25.5%	425,630	25.8%	77,884	18.3%	365,694
Construction	380,689	19.3%	344,698	20.9%	35,990	10.4%	334,516
Industry	213,280	10.8%	188,718	11.4%	24,562	13.0%	173,399
Financial Activities	99,589	5.1%	92,274	5.6%	7,314	7.9%	76,123
Agriculture	43,366	2.2%	24,501	1.5%	18,865	77.0%	13,236
Other	118,673	6.0%	111,523	6.7%	7,149	6.4%	245,637
Total	**1,971,160**		**1,652,357**		**318,803**	**19.3%**	**1,470,868**





Commerce and trade loans increased to 31.1% of total loans on December 31, 2013, compared to 28.1% on December 31, 2012, and 17.8% on December 31, 2011.

Retail loans decreased to represent 25.5% of total loans in 2013, compared to 25.8% of total loans in 2012 having increased from 24.8% of total loans in 2011.

The Bank's construction, industrial, financial activities and agriculture loans comprised 19.3%, 10.8%, 5.1% and 2.2% of total loans respectively by December 31, 2013, compared to 20.9%, 11.4%, 5.6% and 1.5% of total loans respectively on December 31, 2012, and 22.7%, 11.8%, 5.2% and 0.9% of total loans respectively on December 31, 2011.

It is evident that loans increased in all industries. Commerce and trade had a significant growth of LBP 147,039 million (USD 98 million), which is equivalent to a 31.6% growth rate in 2013.
The Bank's deliberate distribution of its loan portfolio among the industries aims for diversity in order to avoid concentration of risk.

Gross and Net Loans

The following tables set out the composition of the bank's gross and net loans portfolio by loan classification, as well as the percentage of total and percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

Gross Loans

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Good Loans	1,682,967	84.4%	1,397,303	84.4%	285,664	20.4%	1,213,228
Watch Loans	215,288	10.8%	218,037	13.2%	(2,749)	-1.3%	203,163
Substandard Loans	22,013	1.1%	4,729	0.3%	17,284	365.5%	6,043
Doubtful Loans	73,765	3.7%	35,774	2.1%	37,991	106.2%	59,378
Bad Loans	74	0.0%	-	0.0%	74	N/A	2,068
Total Gross Loans	**1,994,107**		**1,655,843**		**338,264**	**20.4%**	**1,483,880**

Net Loans

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Good Loans	1,678,467	85.8%	1,391,730	85.4%	286,738	20.6%	1,208,677
Watch Loans	215,288	11.0%	218,037	13.4%	(2,749)	-1.3%	203,163
Substandard Loans	21,314	1.1%	4,358	0.3%	16,956	389.1%	5,727
Doubtful Loans	42,314	2.1%	14,822	0.9%	27,492	185.5%	40,077
Bad Loans	-	0.0%	-	0.0%	-	N/A	-
Total Net Loans	**1,957,383**		**1,628,947**		**328,437**	**20.2%**	**1,457,664**

A developed culture of risk management remains the key component to driving the growth of our loan portfolio's safety.

The above tables indicate the quality of the bank's portfolio of loans.

86% of the net loans at the end of 2013 were qualified as good loans and 11% as loans to be followed-up, while only 3% were qualified as substandard and doubtful loans.

The sustainability of the high quality of the bank's loans is the result of a consistent credit policy.

Loans Classification and Provisioning

The bank classifies its loans portfolio in six categories in accordance with Central Bank Decision N° 7159 dated November 10, 1998, as amended from time to time, and Decision N° 9794 dated December 14, 2007, as follows: (1) ordinary/regular loans; (2) loans to be followed-up; (3) loans to be followed-up and regularized; (4) sub-standard loans; (5) doubtful loans; and (6) bad or ailing loans.

Ordinary/regular loans display regular credit movement sufficient to repay the loan in accordance with the repayment schedule. The borrower's financial conditions, based on the most recent financial statements available and collateral, are adequate to cover the loan.

Loans to be followed-up display the same criteria as sub-class A above, if collateral is adequate and repayment of the loan in accordance with the established schedule is foreseen. However, the file of the borrower is incomplete to the extent that the borrower is late in submitting his or her financial statements.

Loans to be followed-up and regularized display signs of irregular credit movements or exceed the credit limit on a continuous basis. Recent financial statements for the borrower are unavailable and adverse conditions and trends of an economic or other nature are present, which may affect the borrower's ability to repay debt. Collateral has not been evaluated for a period exceeding three years. The loan is considered as recoverable. However, it is closely monitored for a year, at the end of which, if the specified conditions above are not regularized, the loan is reclassified.

Less than ordinary/sub-standard loans cover loans, which display most or all of the following: a significant decline in the borrower's profitability, causing a decrease in the cash flow into a corresponding account and/or resulting in repetitive delays in repayment exceeding a period of three months; a noticeable depreciation in the value of the collateral provided; or the use of funds for a purpose other than that specified in the loan agreement. The Credit Risk Committee will review the repayment schedule with the borrower and keep the loan under close monitoring. Interest and commissions are classified as unrealized until the loan is regularized.

Doubtful loans cover loans, which display all of the conditions of a non-performing loan in addition to having a complete lack of deposits into a corresponding account for a period of six months and/or delay in payments of a rescheduled loan exceeding three months from the date of maturity. A partial provision is made for the loan and interest and commissions are treated as unrealized.

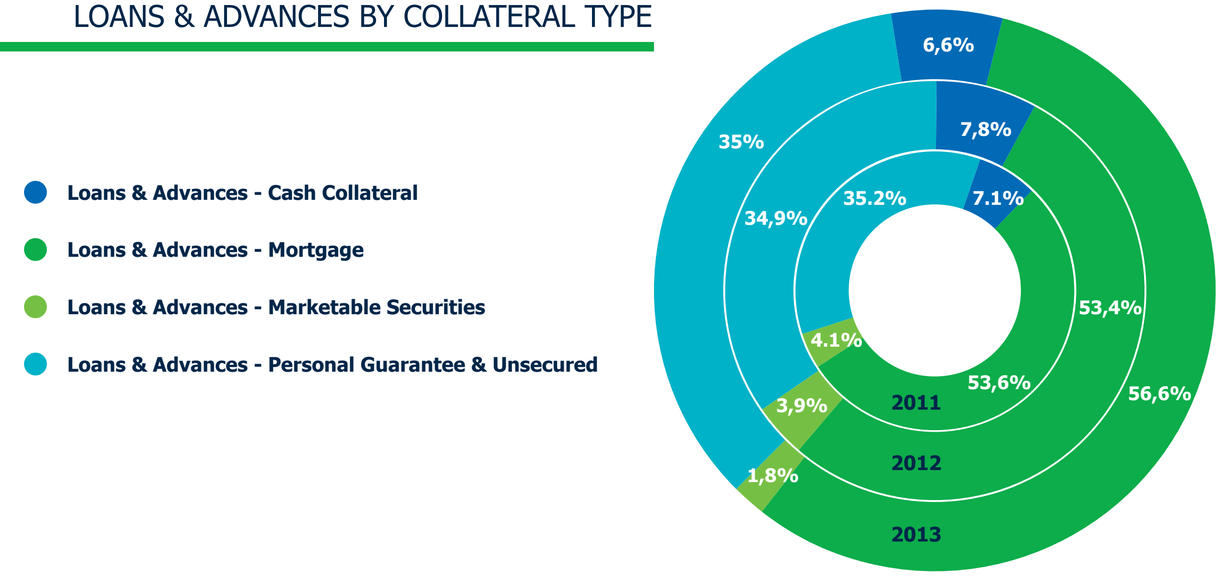
Bad or ailing loans cover all doubtful loans in respect of which all or most of the obligations are regarded as uncollectible. In this case, interest ceases to be accrued and a provision of 100% of the principal is made. The loan is under litigation until a ruling by the court is made, after which it is written-off. Following the Banking Control Commission circular N° 235, banks are also required to transfer any bad debt more than four years overdue to off-statement of financial position accounts.

Distribution of Loans by Collateral Type

The following table sets out the composition of the bank's loans portfolio by type of collateral after accounting for specified loans loss provisions and including acceptances on December 31, 2013, 2012 and 2011, respectively:

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Loans & Advances - Cash Collateral	129,205	6.6%	128,602	7.8%	603	0.5%	104,388
Loans & Advances - Mortgage	1,115,620	56.6%	882,362	53.4%	233,258	26.4%	788,627
Loans & Advances - Marketable Securities	34,832	1.8%	64,915	3.9%	(30,083)	-46.3%	59,747
Loans & Advances - Personal Guarantee & Unsecured Total	691,503	35.0%	576,478	34.9%	115,025	20.0%	518,106
Total	**1,971,160**		**1,652,357**		**318,803**	**19.3%**	**1,470,868**
Secured Loans as % of Total Loans	64.9%		65.1%				64.8%

LOANS & ADVANCES BY COLLATERAL TYPE



A significant proportion of the bank's loans is secured or guaranteed.

The types of security include cash collateral, mortgages over land and other property and securities (e.g., Lebanese treasury bills and debt and equity securities).

The bank's high percentage of secured loans on December 31, 2013, 2012 and 2011 primarily reflects the bank's conservative policies with respect to collateral requirements.

Investment Securities

The following table sets out the composition of the bank's investment securities as at December 31, 2013, 2012 and 2011, respectively:

As at 31 December 2013 *LBP Million*	Equity Instrument at Fair Value through P or L	Debt Instrument at Fair Value through P or L	Debt Instrument at Amortized Cost	Equity Instrument at Fair Value through OCI	Total
Lebanese Government Treasury Bills and Eurobonds	-	175,923	284,366	-	460,289
Treasury Bills Pledged Under Repurchase Agreements	-	-	-	-	-
Certificates of Deposit	-	40,150	165,810	-	205,960
Equity Securities	16,531	-	-	3,901	20,432
Funds	-	1,131	4,523	-	5,654
Interest Receivable	-	2,596	8, 150	-	10,746
Total By Category	**16,531**	**219,800**	**462,849**	**3,901**	**703,081**

As at 31 December 2012 *LBP Million*	Equity Instrument at Fair Value through P or L	Debt Instrument at Fair Value through P or L	Debt Instrument at Amortized Cost	Equity Instrument at Fair Value through OCI	Total
Lebanese Government Treasury Bills and Eurobonds	-	71,849	119,255	-	191,104
Treasury Bills Pledged Under Repurchase Agreements	-	-	3,000	-	3,000
Certificates of Deposit	-	10,638	510,359	-	520,997
Equity Securities	1,567	-	-	3,675	5,242
Funds	-	-	4,523	-	4,523
Interest Receivable	-	1,073	5,485	-	6,558
Total By Category	**1,567**	**83,560**	**642,622**	**3,675**	**731,424**

As at 31 December 2011 *LBP Million*	Equity Instrument at Fair Value through P or L	Debt Instrument at Fair Value through P or L	Debt Instrument at Amortized Cost	Equity Instrument at Fair Value through OCI	Total
Lebanese Government Treasury Bills and Eurobonds	-	77,948	152,742	-	230,690
Securities issued by the Ministry of Finance of Armenia	-	-	4,367	-	4,367
Treasury Bills Pledged Under Repurchase Agreements	-	-	-	-	-
Certificates of Deposit	-	102,831	447,714	-	550,544
Equity Securities	1,677	-	-	4,075	5,752
Funds	-	-	4,523	-	4,523
Interest Receivable	-	2,990	10,711	-	13,701
Total By Category	**1,677**	**183,769**	**620,056**	**4,075**	**809,577**

The bank on January 1, 2011, started applying IFRS 9 standards, as issued in October 2010 in accordance with the Lebanese Banking Control Commission Circular 265, which requires adopting the stipulations related to financial assets starting January 1, 2011.

IFRS 9 contains two primary measurement categories for financial assets: amortized cost and fair value. Unless designated as measured at fair value, a financial asset is measured at amortized cost if it is held within a business model, the objective of which is to hold assets to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for sale and loans and receivables.

IFRS 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated. Instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value. For investments in equity instruments that are not held for trading, IFRS 9 allows an irrevocable election, on an investment-by-investment basis, to present fair value changes from the investment in other comprehensive income. Dividends on such investments are generally recognized in profit or loss.

IFRS 9 requires that the effects of changes in credit risk of liabilities designated at fair value through profit or loss are presented in other comprehensive income, unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis from January 1, 2011, without restatement of prior periods. Differences between the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in opening retained earnings for the year ended December 31, 2011, i.e. as at January 1, 2011.

The provisions of IFRS 9 have not been applied to financial assets and financial liabilities derecognized before December 31, 2010.

Investment Securities by Classification

The bank classifies its portfolio of investment securities (which includes Lebanese bonds and other fixed-income securities, stocks and other variable-income securities) according to the following categories:

- Subsequent to initial recognition, investment securities are accounted for, depending on their classification as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Investment securities are measured at amortised cost using the effective interest method, if:

> such securities are held within a business model with an objective to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

> such securities have not been designated previously as measured at fair value through profit or loss.

- The bank elects to present changes in fair value of certain investments in equity instruments held for strategic purposes in other comprehensive income. The election is irrevocable and is made on an instrument-by-instrument basis at initial recognition.

- Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

- Other investment securities are measured at fair value through profit or loss.

Total Liabilities

The following table sets out the composition of the bank's total liabilities as well as the percentage of total and percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	**2013**	**%Total**	**2012**	**%Total**	**Growth**	**%Growth**	**2011**
Due to Banks and Financial Institutions	154,174	3.9%	155,599	4.7%	(1,425)	-0.9%	107,449
Deposits From Customers and Related Parties	3,437,478	86.3%	2,867,525	85.7%	569,953	19.9%	2,460,171
Provisions	144	0.0%	121	0.0%	23	19.0%	70
Other Liabilities	80,142	2.0%	66, 108	2.0%	14,034	21.2%	59,725
Total Liabilities	**3,671,938**	**92.2%**	**3,089,353**	**92.4%**	**582,585**	**18.9%**	**2,627,415**
Shareholders' Equity	312,686	7.8%	255,823	7.6%	56,863	22.2%	226,482
Total Liabilities & Shareholders' Equity	**3,984,624**		**3,345,176**		**639,448**	**19.1%**	**2,853,897**

Total liabilities recorded 18.9% growth in 2013.

As at December 31, 2013, total liabilities amounted to LBP 3,671,938 million (USD 2,436 million) compared to LBP 3,089,353 million (USD 2,049 million) as at December 31, 2012, and LBP 2,627,415 million (USD 1,743 million) as at December 31, 2011.

The main factor that caused the increase is the deposits from customers and related parties, which had a share of 93.6% of total liabilities by the end of 2013 compared to 4% due to banks and financial institutions.

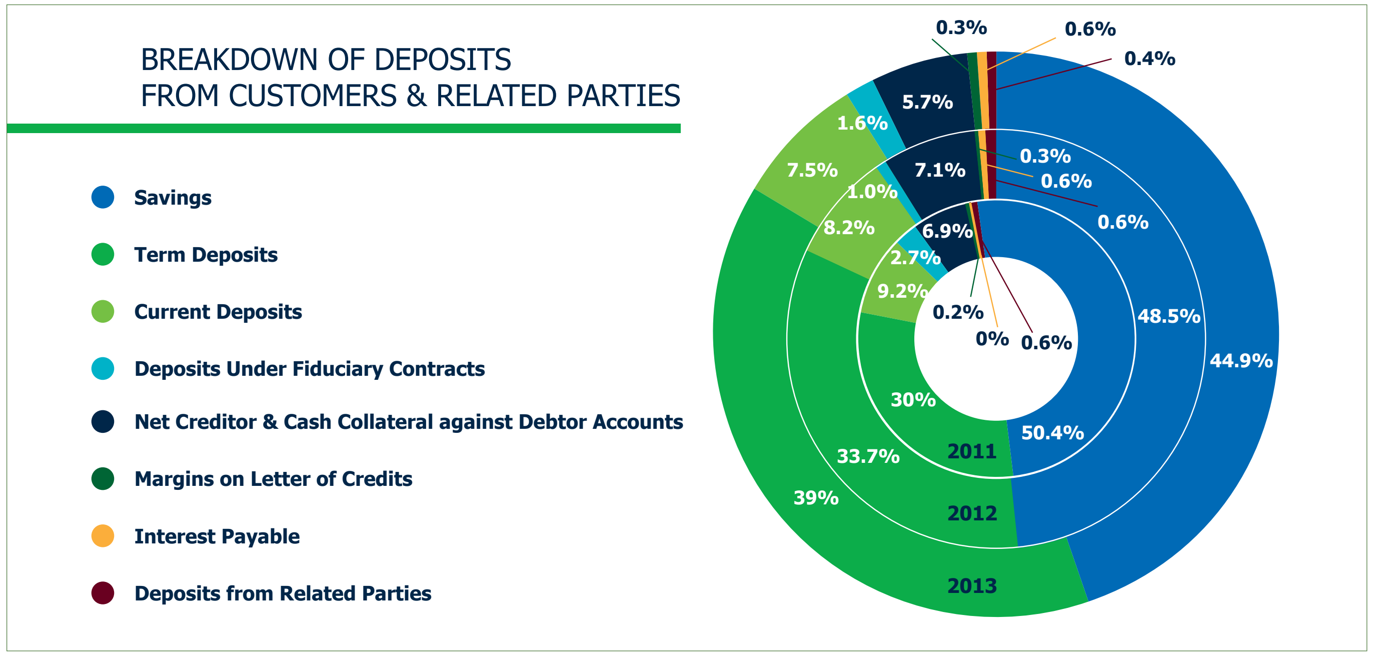
The growth of deposits from customers and related parties continued in 2013 and recorded 19.9% growth to reach LBP 3,437,478 million (USD 2,280 million) on December 31, 2013, against LBP 2,867,525 million (USD 1,902 million) on December 31, 2012, and LBP 2,460,171 million (USD 1,632 million) on December 31, 2011.

The bank's equity witnessed an increase of LBP 56,863 million (USD 38 million), or 22.2%: from LBP 255,823 million (USD 170 million) by the end of 2012 to LBP 312,686 million (USD 207 million) by the end of 2013, and an increase of LBP 29,341 million (USD 19 million), or 13%, between the end of 2012 and 2011.

Deposits from Customers & Related Parties

The following table sets out the composition of the bank's deposits by type of account as well as the percentage of total and percentage changes therein on December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Savings	1,542,884	44.9%	1,389,407	48.5%	153,477	11.0%	1,239,120
Term Deposits	1,339,087	39.0%	965,147	33.7%	373,940	38.7%	739,198
Current Deposits	258,593	7.5%	234,667	8.2%	23,926	10.2%	225,469
Deposits Under Fiduciary Contracts	54,794	1.6%	28,790	1.0%	26,004	90.3%	66,506
Net Creditor and Cash Collateral Against Debtor Accounts	195,122	5.7%	202,828	7.1%	(7,706)	-3.8%	170,489
Margins on Letter of Credits	9,461	0.3%	9,073	0.3%	388	4.3%	4,055
Interest Payable	20,861	0.6%	16,583	0.6%	4,278	25.8%	-
Deposits from Related Parties	16,676	0.4%	21,030	0.6%	(4,354)	-20.7%	15,334
Total Deposits	**3,437,478**		**2,867,525**		**569,953**	**19.9%**	**2,460,171**



Deposits from customers and related parties are the major source of the bank's funding, as they constituted 86.3 %, 85.7 % and 86.2 % of the bank's total assets by December 31, 2013, 2012 and 2011, respectively.

The bank's total deposits increased from LBP 2,460,171 million (USD 1,632 million) on December 31, 2011, to LBP 2,867,525 million (USD 1,902 million) on December 31, 2012, and LBP 3,437,478 million (USD 2,280 million) on December 31, 2013.

The 19.9% increase in total customers' deposits in 2013 was mainly due to the growth of savings and term deposits.

Term deposits grew by 38.7% reaching LBP 1,339,087 million (USD 888 million) or 39.0% of total deposits by the end of 2013, compared to LBP 965,147 million (USD 640 million) or 33.7% of total deposits by the end of 2012.

Savings grew by 11.0%, reaching LBP 1,542,884 million (USD 1,023 million) or 44.9% of total deposits on December 31, 2013, increasing LBP 153,477 million (USD 102 million) from LBP 1,389,407 million (USD 922 million)or 48.5% of total deposits on December 31, 2012.

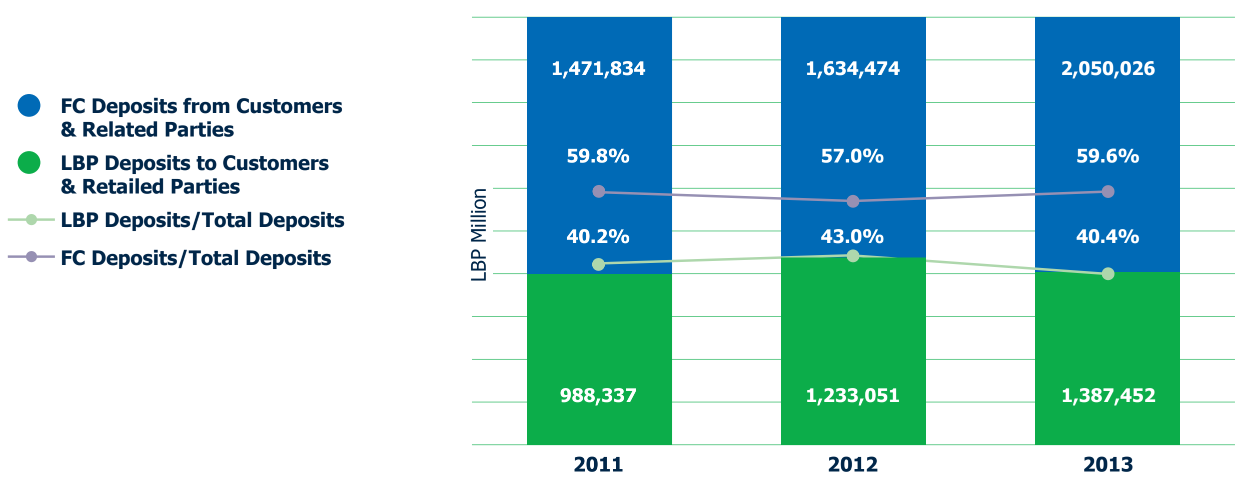
Current deposits, which earn the minimum balance rate offered by the bank, represented 7.5 % and 8.2% of total deposits on December 31, 2013, December 31, 2012, respectively.

Distribution of Deposits by Currency

The following table sets out the composition of the bank's deposits portfolio by currency as well as the percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	2012	Growth	%Growth	2011
LBP Deposits from Customers & Related Parties	1,387,452	1,233,051	154,401	12.5%	988,337
FC Deposits from Customers & Related Parties	2,050,026	1,634,474	415,552	25.4%	1,471,834
Total Deposits	**3,437,478**	**2,867,525**	**569,953**	**19.9%**	**2,460,171**

DEPOSITS BY CURRENCIES



The share of deposits in foreign currencies was 59.6% in 2013 compared to 57% and 59.8% in 2012 and 2011 respectively. The stake of deposits in LBP was 40.4% in 2013 compared to 43% in 2012 and 40.2% by the end of 2011.

As at the end of 2013, LBP 1,387,452 million (USD 920 million) of total deposits were denominated in Lebanese Pounds, and LBP 2,050,026 million (USD 1,359 million) in foreign currencies, principally U.S. Dollars, compared to LBP 1,233,051 million (USD 818 million) denominated in Lebanese Pounds and LBP 1,634,474 million (USD 1,084 million) denominated in foreign currencies, principally U.S. Dollars, as at December 31, 2012, and LBP 988,337 million (USD 656 million) denominated in Lebanese Pounds and LBP 1,471,834 million (USD 976 million) denominated in foreign currencies, principally U.S. Dollars, as at December 31, 2011.

Profitability

The following table sets out the composition of the bank's profitability as well as the percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	2012	Growth	%Growth	2011
Net Interest Income	79,781	63,396	16,385	25.8%	62,914
Net Fees and Commissions Income	22,718	21,099	1,619	7.7%	19,362
Net Profits on Financial Operations	5,329	13,499	(8,170)	-60.5%	20,610
Other Revenue	7,161	8,341	(1,180)	-14.1%	5,647
Total Operating Income (Before Impairment)	**114,989**	**106,335**	**8,654**	**8.1%**	**108,533**
Net Impairment Loss on Loans and Advances to Customers	(5,685)	(6,214)	529	-8.5%	(5,106)
Total Operating Income (After Impairment)	**109,304**	**100,121**	**9,183**	**9.2%**	**103,427**
Operating Expenses	(73,244)	(66,154)	(7,090)	10.7%	(58,717)
Depreciation & Amortization	(4,320)	(4,188)	(132)	3.2%	(3,976)
Tax Expense	(4,391)	(5,292)	901	-17.0%	(6,572)
Net Income	**27,349**	**24,487**	**2,862**	**11.7%**	**34,162**
Bank's Share	**27,343**	**24,423**			**34,151**
Dividend on Preferred Shares Series 1	3,460	3,460			3,460
Dividend on Preferred Shares Series 2	2,186	66			-
Dividend on Preferred Shares Series 3	72	-			-
Net Income related to Common Shares	21,626	20,898			30,691
Number of Common Shares During the Period	1,865,603	1,865,603			1,865,603
Earnings per Common Share **(In LBP)**	11,592	11,202			16,451

As at December 31, 2013, the bank realized a net income after tax of LBP 27,349 million (USD 18 million) compared to LBP 24,487 million (USD 16 million) as at December 31, 2012, and LBP 34,162 million (USD 23 million) as at December 31, 2011.

The bank's net interest income amounted to LBP 79,781 million (USD 53 million) on December 31, 2013, compared to LBP 63,396 million (USD 42 million) on December 31, 2012, reflecting a year-on-year growth of 26%.

The net fees and commissions also recorded an increase of LBP 1,619 million (USD 1 million) to reach LBP 22,718 million (USD 15 million) by the end of 2013, from LBP 21,099 million (USD 14 million) by the end of 2012.

Creditbank outperformed the Alpha Group's average growth rate of net profits: growing by 11.69% compared to a negative average growth rate (-0.13%) of the peer group for the year ending 2013.

The Bank realized a Return on Average Equity (ROAE) of 9.62 % and a Return on Average Assets (ROAA) of 0.75% for the year ended December 31, 2013, as compared to an ROAE and ROAA of 10.15% and 0.79% respectively, for the year ended December 31, 2012.

Operating Income

The following table sets out the composition of the bank's operating income as well as the percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	2012	Growth	%Growth	2011
Balances With Central Banks	34,824	14,981	19,843	132.5%	1,973
Banks and Financial Institutions	1,847	1,095	752	68.7%	1,646
Loans and Advances to Customers and Related Parties	158,235	141,955	16,280	11.5%	114,476
Investment Securities	45,064	46,065	(1,001)	-2.2%	54,793
Other Interest Income	2,771	463	2,308	498.5%	-
Total Interest Income	**242,741**	**204,559**	**38,182**	**18.7%**	**172,888**
Deposits from Banks	6,510	5,490	1,020	18.6%	5,154
Deposits from Customers	156,068	135,303	20,765	15.3%	104,820
Other Interest Expense	382	369	13	3.5%	-
Total Interest Expense	**162,960**	**141,162**	**21,798**	**15.4%**	**109,974**
Net Interest Income	**79,781**	**63,396**	**16,385**	**25.8%**	**62,914**
Fees and Commissions Income	29,176	26,840	2,336	8.7%	24,987
Fees and Commissions Expense	(6,458)	(5,741)	(717)	12.5%	5,625
Net Fees and Commissions Income	**22,718**	**21,099**	**1,619**	**7.7%**	**19,362**
Net Trading Income	3,576	2,416	1,160	48.0%	2,769
Net Income from Financial Instruments at Fair Value	904	5,016	(4,112)	-82.0%	7,537
Net Income from Financial Assets at Amortised Cost	849	6,067	(5,218)	-86.0%	10,304
Other Operating Income	7,161	8,341	(1,180)	-14.1%	5,645
Net Income from Other Operating Activities	**12,490**	**21,840**	**(9,350)**	**-42.8%**	**26,255**
Total Non-Interest Income	**35,208**	**42,939**	**(7,731)**	**-18.0%**	**45,617**
Total Operating Income	**114,989**	**106,335**	**8,654**	**8.1%**	**108,531**

The bank's interest income amounted to LBP 242,741 million (USD 161 million) as at December 31, 2013, compared to LBP 204,559 million (USD 136 million) as at December 31, 2012, reflecting a year-on-year increase of 18.7%, and LBP 172,888 million (USD 115 million) as at December 31, 2011. Interest income from loans and advances to customers and related parties amounted to LBP 158,235 million (USD 105 million) by the end of 2013, compared to LBP 141,955 million (USD 94 million) by the end of 2012, reflecting a year-on-year increase of 11.5%, and LBP 114,476 million (USD 76 million) by the end of 2011.

The bank's interest expense was LBP 162,960 million (USD 108 million) on December 31, 2013, as compared to LBP 141,162 million (USD 94 million) on December 31, 2012, reflecting a year-on-year increase of 15.4% and LBP 109,974 million (USD 73 million) on December 31, 2011.

Total deposits interest expense paid by the bank to customers increased to reach LBP 156,068 million (USD 104 million) on December 31, 2013, compared to LBP 135,303 million (USD 90 million) on December 31, 2012, reflecting a year-on-year increase of 15.3% and LBP 104,820 million (USD 70 million) on December 31, 2011. The increase in total deposits interest expenses during 2013 was due to the growth of customers' deposits.

The bank's net interest income before provisions increased by 25.8% to amount to LBP 79,781 million (USD 53 million) on December 31, 2013, compared to LBP 63,396 million (USD 42 million) on December 31, 2012, and LBP 62,915 million (USD 42 million) on December 31, 2011.

Non-interest income decreased in 2013 by 18% to amount to LBP 35,208 million (USD 23 million) by the end of 2013, compared to LBP 42,939 million (USD 28 million) by the end of 2012, and LBP 45,617 million (USD 30 million) by the end of 2011.

The decrease in non-interest income in 2013 was mainly due to the decrease of 84.2% in income from financial assets from LBP 11,083 million (USD 7 million) on December 31, 2012 to LBP 1,753 million (USD 1 million) on December 31,2013, which was partially offset by an increase of 7.7% in net fees and commissions income reaching LBP 22,718 million (USD 15 million) by the end of 2013, as compared to LBP 21,099 million (USD 14 million) by the end of 2012.

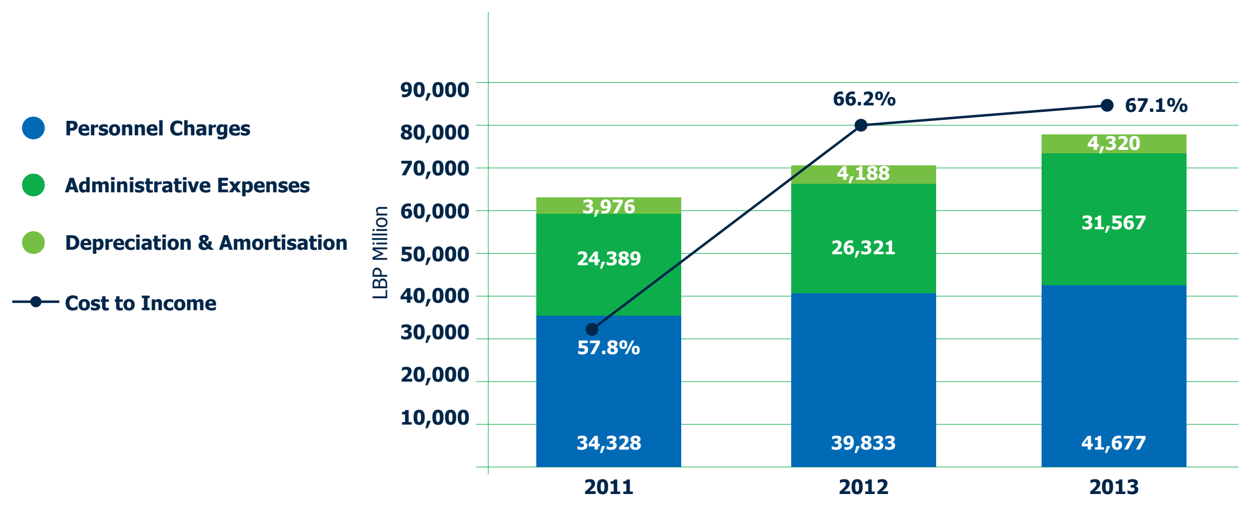
The bank's total operating income increased by 8.1% to become LBP 114,989 million (USD 76 million) for the period ended December 31, 2013, compared to LBP 106,335 million (USD 71 million) for the year ended December 31, 2012.

Operating Expenses

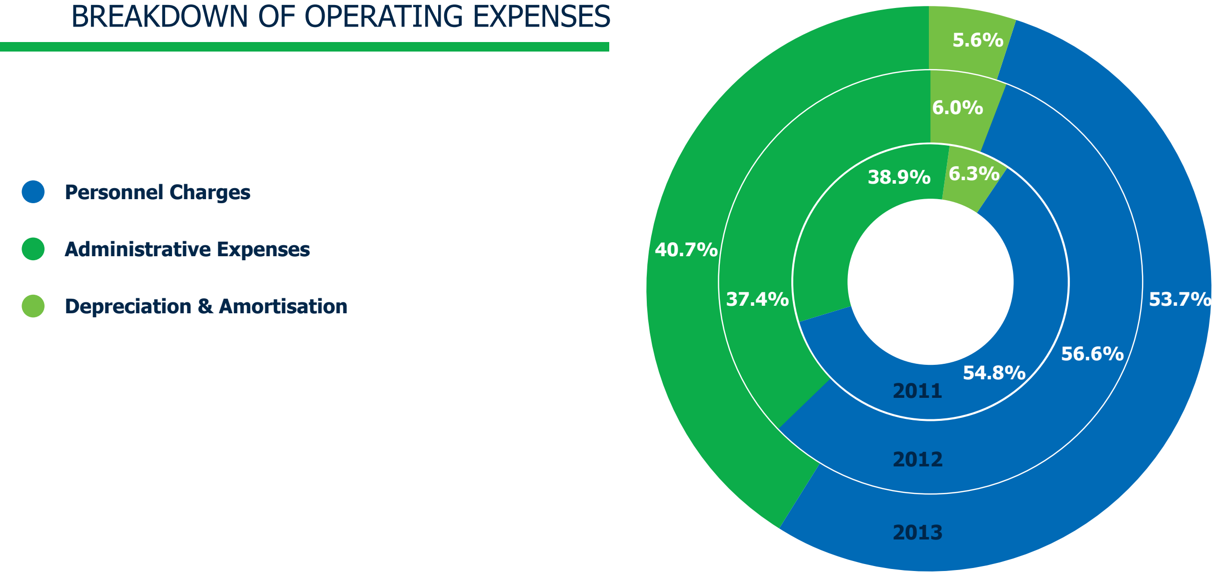
The following table sets out the composition of the bank's operating expenses as well as the percentage changes therein as at December 31, 2013, December 31, 2012, and December 31, 2011, respectively:

LBP Million	2013	%Total	2012	%Total	Growth	%Growth	2011
Personnel Charges	41,677	53.7%	39,833	56.6%	1,844	4.6%	34,328
Administrative Expenses	31,567	40.7%	26,321	37.4%	5,246	19.9%	24,389
Depreciation and Amortisation	4,320	5.6%	4,188	6.0%	132	3.2%	3,976
Total Operating Expenses	**77,564**		**70,342**		**7,222**	**10.3%**	**62,693**

OPERATING EXPENSES



BREAKDOWN OF OPERATING EXPENSES



The bank's growth strategy was also reflected in the bank's expenses. Personnel and administrative expenses reached LBP 41,677 million (USD 28 million) and LBP 31,567 million (USD 21 million) respectively by the end of 2013, compared to LBP 39,833 million (USD 26 million) and LBP 26,321 million (USD 17 million) by the end of 2012 and LBP 34,328 million (USD 23 million) and LBP 24,389 million (USD 16 million) by the end of 2011.

Personnel charges had a share of 54% of operating expenses on December 31, 2013, compared to 57% on December 31, 2012. Administrative expenses reached 41% of total operating expenses by the end of 2103, compared to 37% by the end of 2012.

In 2013, the bank's nationwide corporate identity campaign had a material share of administrative expenses. In addition, the 2013 year-to-year growth rates of 4.6% and 19.9% in personnel and administrative expenses respectively indicate the implementation of the bank's growth and the expansion strategies.

Risk Management

“Together one achieves more” has never been a truer statement when it comes to risk management in challenging economic times. With the banking sector exposed to numerous pressures and risks, Creditbank has introduced a series of measures to evaluate and enhance its risk capacity: the ability to identify the financial resources, expertise and operating mandate needed to determine how much risk can be taken.

The promoted governance and internal control processes have been instrumental in supporting Creditbank to weigh and manage emerging risks and maximize long-term results. Providing an upgraded set of tools to protect assets, revenues and reputation, they have allowed Creditbank to determine its risk capacity more clearly, particularly in terms of risk tolerance and risk appetite.

With the help of regular departmental reports, Creditbank’s Board Committee on Risk Management and Executive and Investment Committee make up a solid governance framework that oversees risk management. All risk-related policies are to be approved by the Board Committee on Risk Management, as well as the Board of Directors.

On another level related to risk management, Creditbank managed to maintain its strong financial position through enhanced capital management practices in order to continue to take advantage of growth opportunities, maintain access to financial markets and return capital to its shareholders. This in particular has been achieved through Creditbank’s Internal Capital Adequacy Assessment Process (ICAAP), which consists of capital guidelines to steer Creditbank through adverse economic scenarios.

Thus Creditbank maintained a capital adequacy ratio above the regulatory minimum required under Basel III. Total equity ratio stood at 11.04% on December 31, 2013, compared to a regulatory minimum of 10.5%. In short, Creditbank’s solid risk management and capital management policies have enabled the bank to maintain market resilience, withstand economic turbulence, retain value for its stakeholders and set the stage for growth.

Risk Management Processes and Accountability

The risk management process includes identifying, measuring, mitigating, controlling, monitoring, testing, reporting and reviewing of all kinds of operational, reputational and strategic risks. The process is adapted to all business activities, while establishing accountability for all associates involved.

Business-line managers and associates are held accountable for identifying, managing and reporting all existing and emerging risks in their business units. They ensure that their business activities are conducted within the risk appetite, as defined by management and approved by the Board in accordance with risk policies and procedures.

The Risk Management department continues to play a key role in ensuring that the appropriate risk management practices remain in place and in line with Creditbank’s overall strategy, thus adding an extra layer of protection to both the bank and its shareholders.

Key Risk Management Tools

1. Credit Risk Area: Creditbank studies the borrower's profile, repayment sources, underlying collateral and many other factors to determine and monitor credit risk. Creditbank controls its credit exposure by setting limits in line with regulations on the exposure to one borrower, a group of borrowers and/or industry segments. Such limits are continuously monitored.

Credit risk exposure is managed through regular analysis of the obligor's ability to meet interest and capital repayment obligations, as well as by obtaining collateral and/or other guarantees and by assessing the obligors eligibility to mitigate the gross credit risk exposure. Creditbank's Internal Credit Grading System allows it to analyze and rate the many conditions related to each obligor to determine the probability of default. An analysis of any eligible collateral and/or guarantees is furthermore used to determine the loss in case of an obligor's potential default, upon which provisioning and risk pricing are based.

2. Operational Risk Area: Operational Risk Management (ORM) is a continual process that consists of six stages: risk identification, assessment, analysis, mitigation decision, mitigation implementation, and supervision/review. This cycle enhances control for all of the bank's processes, products, activities and systems.

3. Enterprise-wide Stress Testing: Periodic enterprise-wide stress tests to enable a better understanding and reveal the potential impact of Creditbank›s risk profile in terms of earnings, capital and liquidity. Such tests also help tackle unanticipated market conditions.

4. Liquidity Risk: Funding and liquidity risk management allows Creditbank to maintain excess liquidity and access diverse funding sources, including the bank's stable deposit base.

5. Interest Rate Risk: Creditbank manages interest rates to ensure that rate fluctuations do not adversely affect core net interest income and the economic value of equity.

6. Market Risk: Creditbank aims to have a low market exposure risk. Market risks arise from open positions in interest rates (related to debt instruments that are being traded), currency and equity instruments, all of which are exposed to general and specific market movements. Creditbank abides by all applicable regulatory limits regarding market risk.

"It would be a mistake to conclude that the only way to succeed in banking is through ever-greater size and diversity. Indeed, better Risk Management may be the only truly necessary element of success in banking"

Alan Greenspan, Former Chairman of the US Federal Reserve

Consolidated Financial Statements

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To the shareholders of
Creditbank S.A.L.

We have audited the accompanying consolidated financial statements of CreditBank S.A.L. (the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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 misstatement, whether due to fraud or error.

Auditors' 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 about 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Semaan, Gholam & Co.
27 May 2014
Beirut, Lebanon

KPMG
KPMG

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
As at 31 December

In thousands of Lebanese Pound	Note	2013	2012
Assets			
Cash and balances with Central Banks	9	1,007,087,915	627,251,130
Banks and financial institutions	10	195,142,991	223,171,231
Loans and advances to customers and related parties	11,33	1,957,382,676	1,628,946,853
Investment securities	12	703,080,867	731,423,745
Property and equipment	13	70,547,036	63,351,571
Intangible assets	14	1,042,139	1,047,660
Asset held for sale	15	14,460,321	15,007,852
Other assets	16	26,151,631	45,247,598
Goodwill		9,728,373	9,728,373
Total assets		**3,984,623,949**	**3,345,176,013**
Liabilities			
Due to banks and financial institutions	17	154,174,363	155,598,525
Deposits from customers and related parties	18, 33	3,437,477,889	2,867,525,389
Current tax liabilities		4,067,206	3,121,746
Other liabilities 19		76,074,791	62,986,053
Provisions 20		144,038	120,988
Total liabilities		**3,671,938,287**	**3,089,352,701**
Equity			
Share capital	21	68,525,678	60,725,678
Share premium	21, 22	96,057,499	58,632,499
Cash contribution to capital	23	10,854,000	10,854,000
Reserves	24	120,093,658	95,575,686
Non-distributable reserves	24	140,660	3,251,236
Translation reserve	24	(6,786,055)	(5,874,564)
Retained earnings	24	23,780,531	27,270,066
Equity attributable to equity holders of the bank		312,665,971	250,434,601
Non-controlling interest		19,691	5,388,711
Total equity		**312,685,662**	**255,823,312**
Total liabilities and equity		**3,984,623,949**	**3,345,176,013**

The notes 1 to 34 are an integral part of these consolidated financial statements.
The consolidated financial statements were authorised for issue by the Chairman of the Board of Directors on 27 May 2014:

Mr. Tarek Khalifé
Chairman

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
For the year ended 31 December

In thousands of Lebanese Pound	Note	2013	2012
Interest income	25	242,741,043	204,558,003
Interest expense	25	(162,959,864)	(141,161,974)
Net interest income		**79,781,179**	**63,396,029**
Fees and commissions income		29,175,576	26,839,996
Fees and commissions expense		(6,458,190)	(5,741,417)
Net fees and commissions income		**22,717,386**	**21,098,579**
Net trading income	26	3,575,812	2,415,901
Net income from financial instruments at fair value	27	903,600	5,016,328
Net income from financial assets at amortised cost	28	848,968	6,067,333
Other revenue		7,161,286	8,341,250
Revenue		**114,988,231**	**106,335,420**
Personnel charges	29	(41,676,829)	(39,832,586)
Net impairment loss on loans and advances to customers	11	(5,684,786)	(6,214,416)
Depreciation and amortisation	13, 14	(4,320,040)	(4,187,525)
Administrative expenses	30	(31,566,512)	(26,320,926)
Profit before tax		**31,740,064**	**29,779,967**
Tax expense	31	(4,390,736)	(5,292,284)
Profit for the year		**27,349,328**	**24,487,683**
Other comprehensive income			
Net change of financial assets measured at fair value through other comprehensive income:			
Net change in fair value on equity instruments designated at fair value through other comprehensive income		180,062	(11,909)
Total other comprehensive income for the year		180,062	(11,909)
Total comprehensive income for the year		27,529,390	24,475,774
Profit attributable to:			
Equity holders of the Bank		27,342,870	24,423,304
Non-controlling interests		6,458	64,379
Profit for the year		27,349,328	24,487,683
Total comprehensive income attributable to:			
Equity holders of the Bank		27,522,932	24,411,395
Non-controlling interests		6,458	64,379
Total comprehensive income for the year		**27,529,390**	**24,475,774**

The notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the year ended 31 December 2012

In thousands of Lebanese Pound	Share capital	Share premium	Cash contribution to capital	Capital reserves	Property acquired in settlement of debt reserve	Fair value reserve	Revaluation reserve	Non-distributable reserves	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balances at 1 January 2012	55,525,678	33,682,500	10,854,000	62,838,343	453,813	17,185	7,444,856	4,853,203	(3,425,361)	35,611,693	207,855,910	18,526,752	226,382,662
Total comprehensive income for the year													
Profit for the year	–	–	–	–	–	–	–	–	–	24,411,395	24,411,395	64,379	24,475,774
Other comprehensive income													
Net change of financial assets measured at fair value through other comprehensive income:													
Net change in fair value on available-for-sale financial assets	–	–	–	–	–	(11,909)	–	–	–	–	(11,909)	–	(11,909)
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(11,909)**	**–**	**–**	**–**	**–**	**(11,909)**	**–**	**(11,909)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(11,909)**	**–**	**–**	**–**	**24,411,395**	**24,399,486**	**64,379**	**24,463,865**
Transactions with owners recorded directly in equity													
Contributions by and distributions to owners of the Bank													
Issue of preferred shares	5,200,000	24,949,999	–	–	–	–	–	–	–	–	30,149,999	–	30,149,999
Dividends paid to preferred shares holders	–	–	–	–	–	–	–	–	–	(3,459,712)	(3,459,712)	–	(3,459,712)
Dividends paid to common shares holders	–	–	–	–	–	–	–	–	–	(7,537,499)	(7,537,499)	–	(7,537,499)
Total contributions to owners	**5,200,000**	**24,949,999**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,997,211)**	**19,152,788**	**–**	**19,152,788**
Other transactions recorded directly in equity													
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	1,376,173	1,376,173	(13,202,420)	(11,826,247)
Exchange rate difference arising on consolidation	–	–	–	–	–	–	–	–	–	1,376,173	1,376,173	(13,202,420)	(11,826,247)
Total other transactions recorded directly in equity													
Total transactions recorded directly in equity	–	–	–	24,682,628	51,323	–	–	(1,601,967)	–	(23,131,984)	–	–	–
Profit for the year	–	–	–	–	–	–	–	–	(2,449,203)	–	(2,449,203)	–	(2,449,203)
Adjustments	–	–	–	(524,142)	–	38,581	585,008	–	–	–	99,447	–	99,447
Total other transactions recorded directly in equity	**–**	**–**	**–**	**24,158,486**	**51,323**	**38,581**	**585,008**	**(1,601,967)**	**(2,449,203)**	**(23,131,984)**	**(2,349,756)**	**–**	**(2,349,756)**
Total transactions recorded directly in equity	**5,200,000**	**24,949,999**	**–**	**24,158,486**	**51,323**	**38,581**	**585,008**	**(1,601,967)**	**(2,449,203)**	**(32,753,022)**	**18,179,205**	**(13,202,420)**	**4,976,785**
Balances at 31 December 2012	60,725,678	58,632,499	10,854,000	86,996,829	505,136	43,857	8,029,864	3,251,236	(5,874,564)	27,270,066	250,434,601	5,388,711	255,823,312

The notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the year ended 31 December 2013

In thousands of Lebanese Pound	Share capital	Share premium	Cash contribution to capital	Capital reserves	Property acquired in settlement of debt reserve	Fair value reserve	Revaluation reserve	Non-distributable reserves	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balances at 1 January 2013	60,725,678	58,632,499	10,854,000	86,996,829	505,136	43,857	8,029,864	3,251,236	(5,874,564)	27,270,066	250,434,601	5,388,711	255,823,312
Total comprehensive income for the year													
Profit for the year	–	–	–	–	–	–	–	–	–	27,342,870	27,342,870	6,458	27,349,328
Other comprehensive income													
Net change of financial assets measured at fair value through other comprehensive income:													
Net change in fair value on equity instruments designated at fair value through other comprehensive income	–	–	–	–	–	180,062	–	–	–	–	180,062	–	180,062
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**180,062**	**–**	**–**	**–**	**–**	**180,062**	**–**	**180,062**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**180,062**	**–**	**–**	**–**	**27,342,870**	**27,522,932**	**6,458**	**27,529,390**
Transactions with owners recorded directly in equity													
Contributions by and distributions to owners of the Bank													
Issue of preferred shares (series 3)	7,800,000	37,425,000	–	–	–	–	–	–	–	–	45,225,000	–	45,225,000
Dividends paid to holders of preferred shares (series 1 & 2)	–	–	–	–	–	–	–	–	–	(3,525,408)	(3,525,408)	–	(3,525,408)
Dividends paid to holders of common shares	–	–	–	–	–	–	–	–	–	(6,030,000)	(6,030,000)	–	(6,030,000)
Total contributions to owners	7,800,000	37,425,000	–	–	–	–	–	–	–	(9,555,408)	35,669,592	–	35,669,592
Changes in ownership interests in subsidiaries													
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–		–	(5,375,478)	(5,375,478)
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,375,478)**	**(5,375,478)**
Other transactions recorded directly in equity													
Transfer to reserves	–	–	–	24,552,626	(324,900)	–	–	(3,110,576)	–	(21,117,150)	–	–	–
Exchange rate difference arising on consolidation	–	–	–	–	–	–	–	–	(911,491)	–	(911,491)	–	(911,491)
Adjustments	–	–	–	40,512	–	4,310	65,362	–	–	(159,847)	(49,663)	–	(49,663)
Total other transactions recorded directly in equity	**–**	**–**	**–**	**24,593,138**	**(324,900)**	**4,310**	**65,362**	**(3,110,576)**	**(911,491)**	**(21,276,997)**	**(961,154)**	**–**	**(961,154)**
Total transactions recorded directly in equity	**7,800,000**	**37,425,000**	**–**	**24,593,138**	**(324,900)**	**4,310**	**65,362**	**(3,110,576)**	**(911,491)**	**(30,832,405)**	**34,708,438**	**(5,375,478)**	**29,332,960**
Balances at 31 December 2013	68,525,678	96,057,499	10,854,000	111,589,967	180,236	228,229	8,095,226	140,660	(6,786,055)	23,780,531	312,665,971	19,691	312,685,662

The notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF
CASH FLOWS
For the year ended 31 December

In thousands of Lebanese Pound	Note	2013	2012
Cash flows from operating activities			
Profit for the year		27,349,328	24,487,683
Adjustments for			
- Depreciation and amortisation	13, 14	4,320,040	4,187,525
- Net impairment losses on loans and advances to customers		5,684,786	6,214,416
- Net income from financial instruments at fair value	27	(903,600)	(5,016,328)
- Net income from financial assets at amortised cost	28	(848,968)	(6,067,333)
- Gain on sale of assets held for sale		(61,672)	(879,492)
- Impairment of assets held for sale		1,249,526	–
- Loss on sale of property and equipment		58,867	13,821
- Net interest income	25	(79,781,179)	(63,396,029)
- Income tax expense	31	4,390,736	5,292,284
		(38,542,136)	**(35,163,453)**
Changes in:			
- Balances held with Central Banks		(267,798,690)	(295,067,574)
- Banks and financial institutions		6,598,435	(4,680,259)
- Loans and advances to customers		(335,943,089)	(182,053,824)
- Other assets		19,095,967	(16,514,298)
- Due to banks and financial institutions		5,291,745	40,821,803
- Deposits from customers and related parties		565,674,367	404,735,688
- Provisions		23,050	50,833
- Other liabilities		13,088,738	(2,041,085)
		(32,511,613)	**(89,912,169)**
Interest received		240,691,338	196,517,164
Interest paid		(158,942,542)	(137,696,137)
Income tax paid		(3,445,276)	(7,054,698)
Net cash used in (from) operating activities		**45,791,907**	**(38,145,840)**
Cash flows from investing activities			
Net change in investment securities		34,414,977	82,081,908
Acquisition of property and equipment	13	(11,180,151)	(19,428,424)
Acquisition of intangible assets	14	(514,211)	(242,774)
Proceeds from sale of property and equipment		96,713	201,204
Proceeds from sale of property acquired in settlement of debt		1,110,840	2,092,285
Net cash from (used in) investing activities		**23,928,168**	**64,704,199**
Cash flows from financing activities			
Increase of capital	21	7,800,000	5,200,000
Issue premium - Preferred shares	22	37,425,000	24,949,999
Acquisition of non-controlling interest		(5,375,478)	(11,826,247)
Dividends paid		(9,555,408)	(10,997,211)
Net cash from (used in) financing activities		**30,294,114**	**7,326,541**
Net increase in cash and cash equivalents		100,014,189	33,884,900
Cash and cash equivalents at 1 January		225,176,515	192,315,222
Effect of exchange rate fluctuations on cash and cash equivalents		(811,376)	(1,023,607)
Cash and cash equivalents at 31 December	32	**324,379,328**	**225,176,515**

The notes 1 to 34 are an integral part of these consolidated financial statements.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

(1) Reporting entity

CreditBank S.A.L. (the "Bank») is a joint stock company domiciled in Lebanon. The Bank is registered under no.103 on the list of banks published by the Central Bank of Lebanon. The consolidated financial statements of the Bank as at and for the year ended 31 December 2013 comprise the Bank and its subsidiaries (together referred to as the Group and individually as Group entities). The Head office of the Bank is located in Dekwaneh (Freeway Center). The Group is primarily involved in investment, retail and corporate banking.

(2) Basis of preparation

(a) Basis of accounting
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Details of the Group's accounting policies, including changes during the year, are included in Notes 3 and 4.

(b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:
- Investment securities at fair value through other comprehensive income are measured at fair value,
- Investment securities designated at fair value through profit and loss are measured at fair value,
- Assets held for sale are measured at fair value at the date of acquisition.

(c) Functional and presentation currency
These consolidated financial statements are presented in Lebanese Pound (LBP), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of judgements and estimates
In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2014 is set out below in relation to the impairment of financial instruments and in the following notes:

- Notes 20 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Management discusses with the Board of Directors the development and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

Impairment of financial instruments
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(k) (vii).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the recoverable amounts that are expected to be received. In estimating the recoverable amount, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of amounts considered recoverable are independently approved by the Non-Performing Loans Committee.

A collective component of the total allowance is established for:
- groups of homogenous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances and investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Investments in equity securities were evaluated for impairment on the basis described in Note 4(k) (vii).

In making an assessment of whether an investment in sovereign debt is impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of the creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

The Group's assessment of whether there is objective evidence of impairment of its investments in sovereign debt, based on the above factors, see note 6 (b).

(e) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

(ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(3) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 4 to all years presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, with a date of initial application of 1 January 2013.

a. IFRS 10 Consolidated Financial Statements (2011).
b. IFRS 13 Fair Value Measurement.
c. Presentation of items of Other Comprehensive Income (Amendments to IAS 1).

(a) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed its control conclusions as of 1 January 2013.

The change did not have an impact on the Group's financial statements.

(b) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in Note 4(k)(vi), prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13, refer to Note 7(c). These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

(c) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

(4) Significant accounting policies

Except for the changes explained in Note 3, the accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Presentation of consolidated financial statements

The Group has elected to present consolidated financial statements.
The Group produces consolidated financial statements that are available for public use and that comply with IFRS. These consolidated financial statements can be obtained from the Bank's registered office in Dekwaneh (Freeway Center).

(b) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investees. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. Subsidiaries are accounted for at cost in these consolidated financial statements.

(c) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.
Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of investment securities at fair value through other comprehensive income are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(d) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.
The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income, see note 4(m).

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in 'net income from other financial instruments at fair value through profit or loss' in the statement of comprehensive income.

(e) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate (see (d)).

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees, are recognised as the related services are performed. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(f) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes foreign exchange differences.

(g) Net income from other financial instruments at fair value through profit or loss

Net income from financial instruments at fair value relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest and dividends.

(h) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in 'net income from other financial instruments at fair value through profit or loss'.

Dividends on equity instruments designated at fair value through other comprehensive income are presented in 'net income from other financial instruments at fair value through profit or loss' unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income.

(i) Lease payments - lessee

Payments made under operating lease are recognised in profit or loss on a straight-line basis over the term of the lease.

(j) Income tax

Income tax expense comprises current tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI).

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(k) Financial assets and financial liabilities

(i) Recognition

The Group initially recognises loans and advances and deposits on the date at which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

The Group classifies its financial assets as measured at amortised cost or fair value. See notes 4(l), (n) and (o). A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Group makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice.
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

Financial liabilities

The Group classifies its financial liabilities other than financial guarantees and loan commitments, as measured at amortized cost. See accounting policies 4(t).

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such case, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement
Policy applicable from 1 January 2013
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price.
Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

(vi) Fair value measurement

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument.

In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(vii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment for loans and advances and investment securities measured at amortised cost at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount of the financial amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount of the financial amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or investment securities at amortised cost. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Group writes off certain loans and advances and investment securities, when Group Credit Committee determines that there is no realistic prospect of recovery.

(viii) Designation at fair value through profit of loss
The Group has designated financial assets at fair value through profit or loss in either of the following circumstances:

- The assets are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 8 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.
The Group has made an election to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading – see accounting policies 4(m).
Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

(l) Cash and cash equivalents
Cash and cash equivalents include cash on hand, unrestricted balances held with the Central Bank of Lebanon, Central Bank of Armenia, Central Bank of Russia and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Trading assets and liabilities
Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net income from financial instruments at fair value.

(n) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.
When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in Group's financial statements.

(o) Investment securities
Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as amortized cost, fair value through profit or loss or fair value through other comprehensive income.

Investment securities are measured at amortised cost using the effective interest method, if:
- they are held within a business model with an objective to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest; and
- they have not been designated previously as measured at fair value through profit or loss.

The Group elects to present changes in fair value of certain investments in equity instruments held for strategic purposes in other comprehensive income. The election is irrevocable and is made on an instrument-by-instrument basis at initial recognition.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see note 27) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Other investment securities are measured at fair value through profit or loss.

(p) Property and equipment
(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income/other expenses in profit or loss.

(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

• Buildings	50 years
• Furniture and equipment	5 - 12.5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Intangible assets - Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(r) Assets held for sale

Properties acquired through the enforcement of security over loans and advances to customers are accounted for in accordance with the Directives issued by the Central Bank of Lebanon and the Banking Control Commission.

These assets are initially measured at fair value at the date of enforcement of the security. A reserve is constituted for assets not disposed of within two years of the date of enforcement at a rate of 20% or 5%, depending on the date the related loan was granted. Reserves ratio for assets acquired in connection with loans granted before 30 June 2003 and in accordance with the Central Bank of Lebanon intermediary circular no. 41 and its amendments is 20%, whereas reserves ratio for assets acquired in connection with loans after 30 June 2003 is 5%.

The accumulated amortisation is classified under "Reserves" (note 24).

(s) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, based on the management's best estimate.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(t) Deposits

Deposits are the Group's source of debt funding.
Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(u) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is determined using management's best estimates to the risk specific to the liability.

(v) Financial guarantees and loan commitments

Financial guarantees 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 it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

(5) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. These amendments are not expected to be relevant to the Group.

(6) Financial risk management

(a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

Corporate Governance

Board of Directors

The Board of Directors (the Board) is ultimately responsible for identifying and setting the level of tolerable risks to which the Group is exposed, and as such defines the risk appetite for the Group. In addition, the Board approves policies and procedures related to all types of risks. Periodic reporting is made to the Board on existing and emerging risks in the Group. A number of Board and management committees and departments are also responsible for various levels of risk management, as set out below.

(i) Board Committees

- Board Committee on Risk Management

The role of the Board Committee on Risk Management (BCORM) is to oversee the risk management framework and assess its effectiveness, review and recommend to the Board the risk policies and risk appetite, monitor the Group's risk profile, review stress tests scenarios and results, and provide access for the Head of Risk Management to the Board. The members of the BCORM are all Board Members, the President being an independent non-executive member, the secretary of the BCORM being the Head of the Risk Management Department. The BCORM meets at least every quarter.

The BCORM:

- Establishes and guides the Group's risk appetite/tolerances.
- Ensures that the Group implements sound risk management principles facilitating the identification, measurement, monitoring and control of risks.
- Monitors the Group's overall risk profile, ensuring that risks are maintained at prudent levels and are supported by adequate capital.
- Discusses Risk Management Policies and Limits and either approve them or recommend modifications to the Board of Directors.
- Reviews Risk Management Policies annually and when deemed necessary.
- Examines reports as submitted by ALCO, Committee on Operational Risk and the Head of Risk Management concerning risks inherent to the Group's activities and abidance with related limits.
- Submits Policies, Limits, Risk Management Reports, etc. along with the committee's recommendations and resolutions to the board for endorsement.

- Board Committee on Audit

The Board Committee on Audit includes two independent board members and one non-executive board member. It was constituted in accordance with the Central Bank of Lebanon principal circular no.118 and its role and responsibilities are defined within said circular and the Committee's Charter. In particular, the Committee reviews:

- the Group›s annual financial results prior to publication or distribution;
- the accounting judgments that are intrinsic to the financial statements;
- the accuracy of the financial statements and of the efficiency of the criteria adopted for reporting;
- the Group›s internal controls and, in consultation with management and the external auditors, the integrity of the Group›s financial reporting processes and controls;
- any significant findings of the external auditors together with management›s responses
- compliance with the Lebanese Central Bank's circulars as well as the reports and circulars of the Banking Control Commission;
- the scope, results, and adequacy of the Group›s internal and external audits;
- any significant changes to the Group›s accounting principles, and any items required to be communicated by the external auditors;
- the objectivity and independency of both external and internal auditors;
- other non-audit work performed by the external auditors so as not to compromise the auditors› objectivity. Such non-audit work is to be disclosed in the annual report.

The Board Committee on Audit reports to the Board and has the ability to obtain any information from management and to meet with any manager of the Group. It also has the ability to meet each of the Group›s external auditors and internal auditors.

(ii) Management Committees

- *Executive Committee*

The Group's Executive Committee mandate is to support the Board in the implementation of its strategy, to support the CEO in the day-to-day management of the Group, and to develop and implement business policies and issue guidance within the strategy approved by the Board. It also overviews and submits to the Board the risk policy and risk tolerances and appetite. Executive Committee members include the Chairman of the Group, the CEO, Deputy-General Managers and the Group's Head of Legal.

- *Asset Liability Committee*

The Asset Liability Committee (ALCO) is a management committee responsible in part for managing market risk exposures, liquidity, funding needs and contingencies. It is the responsibility of this committee to set up strategies for managing market risk exposures and ensuring that treasury implements those strategies so that exposures are managed within approved limits and in a manner consistent with the risk policy and limits approved by the Board.

- *Internal Audit*

All risk management processes are independently audited by the internal audit department at least annually. This includes the examination of both the adequacy and effectiveness of risk control procedures. Internal audit discusses the results of its assessments with the Board Committee on Audit and reports its findings and recommendations to said committee.

- *Risk Management Department*

The Risk Management Department ensures that risks are properly identified, measured, monitored and reported to specialized committees and to the Board of Directors through the BCORM. In addition, the Risk Management Department works closely with Senior Management to assist in ensuring proper controls are set up in order to mitigate various operational risks. The Risk Management Department has the responsibility to set policies and procedures to be submitted to concerned committees for discussion before the approval of the BCORM and the endorsement of the Board.

- *Internal Control committee*

The Internal Control Committee is a management committee that assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Group›s process for monitoring compliance with laws and regulations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers, banks and financial institutions, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading assets is managed independently. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities included in trading assets is managed as a component of market risk.

(i) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction- specific or counterparty-specific approval from the Group's ALCO Committee.

(ii) Management of credit risk

The Board of Directors has delegated responsibility for the management of Corporate (portfolio) credit risk and individual credit risk to the Credit Committee. A Risk Management Department reporting to the General Manager, is responsible for the management of the Group's credit risk, in coordination with commercial and credit assessment functions, including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and sectors.
  The Group's approach to controlling this concentration of exposure is by the diversification of its commitments and by setting limits at level of aggregate of products, economic sectors, region and segments.
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current Internal Rating framework consists of 10 grades (mapped to the Central Bank of Lebanon's 6 grades) reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.
  The responsibility for setting the final risk grades lies with the Credit Committee and is subject to regular reviews.
- Reviewing compliance with agreed exposure limits, including those for selected industries, and product types. Regular reports on the credit quality of local portfolios are discussed in ALCO and appropriate corrective action is taken in coordination with Credit Committee.
- Providing advice, guidance to promote best practice throughout the Group in the management of credit risk.

Each credit officer is required to implement the Group credit policies and procedures, with credit approval authorities delegated from the Board of Directors. Each Credit officer reports on all credit related matters to management and the Group Credit Committee. Each Credit officer is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in his/her portfolios, including those subject to central approval.

Regular audits of Group Credit processes are undertaken by Internal Audit.

(iii) Grading of credit risk

To measure the credit risk of loans and advances to customers and to banks at a counterparty level, the Group rates its counterparties according to the five rating classes defined by the Central Bank of Lebanon («BDL») and the Banking Control Commission of Lebanon («BCC») requirements as follows:

- Low fair risk (grade 1 and 2) – type of loan is expected to be repaid on a timely and consistent basis;
- Watch (grade 3) – type of loan is expected to be repaid but with lack of current financial information about the client;
- Substandard (grade 4)– type of loan where the client is witnessing a difficult financial condition;
- Doubtful (grade 5)– type of loan where there is no movement in the clients› balance;
- Bad (grade 6)– type of loan where the probability of repayment is low and almost nil.

(iv) Credit quality analysis

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Group against those assets.

		Loans and advances to customers and related parties		Due from Central Banks, banks and financial institutions		Investment securities (debt securities)		Lending commitments and financial guarantees	
In thousands of Lebanese Pound	**Note**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Maximum exposure to credit risk									
Carrying amount	9,10,11,12	1,957,382,676	1,628,946,853	1,160,007,995	805,880,281	682,648,666	809,740,262	–	–
Amount committed / guaranteed		–	–	–	–	–	–	282,432,870	258,232,833
At amortised cost									
Grade 1-2: Low-fair risk		1,682,967,257	1,397,302,741	1,160,007,995	805,880,281	462,849,082	726,181,129		
Grade 3: Watch		215,288,062	218,036,510	–	–	–	–		
Grade 4: Substandard		22,012,583	4,729,490	–	–	–	–		
Grade 5: Doubtful		73,765,232	35,774,420	–	–	–	–		
Grade 6: Bad		74,468	20	9,351,482	9,288,569	–	–		
Total gross amount		**1,994,107,602**	**1,655,843,181**	**1,169,359,477**	**815,168,850**	**462,849,082**	**726,181,129**		
Allowance for impairment (individual and collective)	18, 33	(36,724,926)	(26,896,328)	(9,351,482)	(9,288,569)	–	–		
Net carrying amount		**1,957,382,676**	**1,628,946,853**	**1,160,007,995**	**805,880,281**	**462,849,082**	**726,181,129**		
At fair value through profit or loss									
Grade 1: Low-fair risk						219,799,584	83,559,133		
Total carrying amount	**17**					**219,799,584**	**83,559,133**		
Off balance sheet									
Maximum exposure									
Lending commitments									
Grade 1-3: low-fair risk								201,494,355	166,437,809
Financial guarantees									
Grade 1-3: low-fair risk								80,910,952	91,768,971
Grade 5: Impaired								27,563	26,053
Total exposure								**282,432,870**	**258,232,833**
Neither past due nor impaired									
Grade 1-2: Low-fair risk		1,682,967,257	1,397,302,741	1,160,007,995	805,880,281	682,648,666	726,181,129		
		1,682,967,257	1,397,302,741	1,160,007,995	805,880,281	682,648,666	726,181,129		
Past due but not impaired									
Grade 3: Watch		215,288,062	218,036,510						
		215,288,062	218,036,510						
Individually impaired									
Grade 4: Substandard		22,012,583	4,729,490						
Grade 5: Doubtful		73,765,232	35,774,420						
Grade 6: Bad		74,468	20	9,351,482	9,288,569				
		95,852,283	40,503,930	9,351,482	9,288,569				
Total		**1,994,107,602**	**1,655,843,181**	**1,169,359,477**	**815,168,850**	**682,648,666**	**726,181,129**		
Allowance for impairment									
Individual		(32,224,504)	(21,323,174)	(9,291,952)	(9,288,569)				
Collective		(4,500,422)	(5,573,154)	(59,530)	–				
Total allowance for impairment	**10,11**	**(36,724,926)**	**(26,896,328)**	**(9,351,482)**	**(9,288,569)**				

Impaired loans and investment debt securities

The Group regards a loan and advance or a debt security (not carried at fair value through profit or loss) as impaired where there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset. In addition, a retail loan is considered impaired if it is overdue for 90 days or more. Loans that are subject to a collective provision for losses incurred but not yet reported (IBNR) are not considered impaired. Impaired loans are graded 4, 5 and 6 in the Group's books based on the supervisory classification.

Debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same grading.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

In thousands of Lebanese Pound	**Loans and advances to customers**		**Banks and financial institutions**	
	Gross	**Net**	**Gross**	**Net**
31 December 2013				
Grade 4: Individually impaired	22,012,583	21,313,711	–	–
Grade 5: Individually impaired	73,765,232	42,314,067	–	–
Grade 6: Individually impaired	74,468	–	9,351,482	
Total	**95,852,283**	**63,627,778**	**9,351,482**	**–**

In thousands of Lebanese Pound	**Loans and advances to customers**		**Banks and financial institutions**	
	Gross	**Net**	**Gross**	**Net**
31 December 2012				
Grade 4: Individually impaired	4,729,490	4,357,874	–	–
Grade 5: Individually impaired	35,774,420	14,822,146	–	–
Grade 6: Individually impaired	20	–	9,288,569	
Total	**40,503,930**	**19,180,020**	**9,288,569**	**–**

Write-off policy

The Group writes-off a loan or an investment debt security balance, and any related allowances for impairment losses and suspended interest, when the Group Non-Performing Loans Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Loans and investment debt securities that are past due but not impaired

Loans and investment debt that are past due but not impaired are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at fair value through profit or loss.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in 4(k) (vii).

Debt securities

Debt securities held by the Group consist of Lebanese treasury bills and Eurobonds issued by the Lebanese Government and certificates of deposits issued by Central Bank of Lebanon. These securities are rated B- based on Standard & Poor's.

(v) Collateral held and other credit enhancements, and their financial effect

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and updated regularly. Collateral generally is held over banks and financial institutions in cases of LCs confirmations but not held over investment securities, and no such collateral was held at 31 December 2013 or 2012.

An estimate made at the time of borrowing and as at year end of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

In thousands of Lebanese Pound	**Loans and advances to customers**			
	Fair value of collateral at inception (for the Group)		**Fair value of collateral at year end**	
	2013	**2012**	**2013**	**2012**
Against impaired				
Mortgaged property	9,989,621	6,805,046	14,376,614	12,284,368
Equities	514,991	511,205	253,484	293,664
Other	5,129,654	2,961,833	5,837,875	5,276,123
Against substandard				
Mortgaged property	8,879,105	8,473,334	19,063,010	7,265,951
Other	321,180	469,925	1,040,989	320,989
Against regular loans and advances				
Mortgaged property	889,584,380	756,863,105	1,543,267,410	1,226,345,316
Debt securities	4,497,696	4,308,959	4,222,084	4,497,508
Equities	75,562,506	39,146,720	116,564,612	76,119,466
Other	231,315,359	215,013,948	246,656,840	223,570,409
Total	**1,225,794,492**	**1,034,554,075**	**1,951,282,918**	**1,555,973,794**

Loans and advance to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Besides the Group's focus on corporate customer's creditworthiness, the Group does also routinely update the valuation of the collateral held against all loans to corporate customers. Valuation of collateral is also updated when the credit risk of a loan deteriorates significantly as the loan is monitored more closely. For impaired loans, the Group obtains appraisals of collateral because current value of the collateral is an input to the impairment measurement.

(vi) Concentrations of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location.
An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities at the reporting date is shown below:

		Due from Central Banks, banks and financial institutions		Loans and advanced to customers and related parties		Investment securities (debt securities)		Lending commitments and financial guarantees	
In thousands of Lebanese Pound	**Note**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Carrying amount	**8, 9, 10, 31**	**1,160,007,995**	**805,880,281**	**1,957,382,676**	**1,628,946,853**	**682,648,666**	**726,181,129**	**282,432,870**	**258,232,833**
Concentration by sector									
Corporate		–	–	1,337,769,114	1,125,768,696	5,735,614	4,589,407	221,683,175	200,868,149
Sovereign		964,865,005	582,709,050	–	–	676,913,052	721,591,722	–	–
Bank		195,142,990	223,171,231	–	–		–	–	–
Retail		–	–	619,613,562	503,178,157	–	–	60,749,695	57,364,684
		1,160,007,995	**805,880,281**	**1,957,382,676**	**1,628,946,853**	**682,648,666**	**726,181,129**	**282,432,870**	**258,232,833**
Concentration by location									
Lebanon		982,070,183	589,020,855	1,640,072,000	1,376,496,583	681,466,205	723,180,699	252,518,651	230,261,900
North America		41,018,000	27,341,000	2,796,000	2,862,000	–	–	22,613	22,613
Europe		104,529,812	186,897,426	225,044,676	161,878,270	1,182,461	3,000,430	8,487,559	13,289,216
Asia Pacific		1,370,000	975,000	118,000	255,000	–	–	19,962	57,612
Middle East and Africa		30,834,000	1,579,000	89,352,000	87,455,000	–	–	21,384,085	14,601,492
Australia		186,000	67,000	–	–	–	–	–	–
	8, 9, 10, 31	**1,160,007,995**	**805,880,281**	**1,957,382,676**	**1,628,946,853**	**682,648,666**	**726,181,129**	**282,432,870**	**258,232,833**

Concentration by location for loans and advances and for lending commitments and financial guarantees is based on the customer's country of domicile. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Cash and cash equivalents

The bank held cash and cash equivalents of LBP 324,995,522 thousand at 31 December 2013 (2012: LBP 225,176,055 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank of Lebanon, which is rated “B-” based on rating agency Standard and Poor’s.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Treasury Department receives information regarding the liquidity profile of their financial assets and financial liabilities. The Treasury Department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, deposits with banks and financial institutions and other facilities, to ensure that sufficient liquidity is maintained within the Group.

The daily liquidity position is monitored. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group as a whole.

The Group relies on deposits from customers and banks as its primary sources of funding. Deposits from customers and banks and financial institutions generally have short maturities. The short-term nature of these deposits increases the Group’s liquidity risk and the Group actively manages this risk through maintaining high quality service and constant monitoring of market trends.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment debt securities for which there is an active and liquid market less any deposits from banks and financial institutions, other borrowings and commitments maturing within the following month. A similar, but not identical, calculation is used to measure the Group’s compliance with the liquidity limit established by the Central Bank of Lebanon and the Lebanese Banking Control Commission.

Details of the reported Bank ratio of net liquid assets to customers’ deposits at the reporting date was as follows:

	2013	**2012**
At 31 December	27.60%	33.13%

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

In thousands of Lebanese Pound

	Note	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
31 December 2013								
Non-derivative liabilities								
Due to banks and financial institutions	17	154,174,363	(207,830,338)	(54,695,293)	(17,526,582)	(22,714,205)	(45,575,083)	(67,319,175)
Deposits from customers and related parties	18	3,437,477,889	(3,440,424,366)	(2,566,064,965)	(306,196,081)	(484,506,320)	(79,592,000)	(4,065,000)
		3,591,652,252	**(3,648,254,704)**	**(2,620,760,258)**	**(323,722,663)**	**(507,220,525)**	**(125,167,083)**	**(71,384,175)**
Non-derivative assets								
Cash and balances with Central Banks	9	1,007,087,915	1,293,946,007	307,427,599	16,273,287	26,374,619	319,953,339	623,917,163
Banks and financial institutions	10	195,142,991	195,355,334	195,242,551	11,064	49,788	51,931	–
Loans and advances to customers and related parties	11	1,957,382,676	2,763,207,064	386,656,740	98,294,282	329,334,693	970,109,356	978,811,993
Investment securities	12	703,080,867	1,110,253,432	21,295,061	7,959,402	33,259,864	133,077,769	914,661,336
		3,862,694,449	**5,362,761,837**	**910,621,951**	**122,538,035**	**389,018,964**	**1,423,192,395**	**2,517,390,492**
31 December 2012								
Non-derivative liabilities								
Due to banks and financial institutions	17	(155,598,525)	(159,053,396)	(99,672,948)	(27,035,083)	(20,063,836)	(6,915,872)	(5,365,657)
Deposits from customers and related parties	18	(2,867,525,389)	(2,901,351,013)	(2,308,883,301)	(220,996,831)	(319,839,595)	(51,631,286)	–
		(3,023,123,914)	**(3,060,404,409)**	**(2,408,556,249)**	**(248,031,914)**	**(339,903,431)**	**(58,547,158)**	**(5,365,657)**
Non-derivative assets								
Cash and balances with Central Banks	9	627,251,130	736,936,000	204,428,070	9,190,004	31,386,612	223,596,576	268,334,738
Banks and financial institutions	10	223,171,231	223,773,879	212,764,667	714,614	10,012,494	70,526	211,578
Loans and advances to customers and related parties	11	1,628,946,853	2,185,267,920	447,558,307	132,225,889	301,931,108	742,356,454	561,196,162
Investment securities	12	731,423,745	900,814,910	11,723,729	6,944,992	31,759,466	698,761,763	151,624,960
		3,210,792,959	**4,046,792,709**	**876,474,773**	**149,075,499**	**375,089,680**	**1,664,785,319**	**981,367,438**

The above table shows the undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and balances with the Central Bank of Lebanon, banks and financial institutions, and investment securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with banks.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency, while optimizing the return on risk.

(i) Management of market risks

Overall authority for market risk management is vested in ALCO.

(ii) Exposure to interest rate risks – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. ALCO is the monitoring body for compliance with these limits and the Risk Management is monitoring these limits monthly.
A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

In thousands of Lebanese Pound	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non bearing interest
31 December 2013								
Cash and balances with Central Banks	9	1,007,087,915	42,615,747	3,391,874	–	257,720,084	417,712,500	285,647,710
Banks and financial institutions	10	195,142,991	52,226,830	–	–	–	–	142,916,161
Loans and advances to customers and related parties	11, 33	1,957,382,676	1,375,263,098	19,004,000	52,822,000	313,299,000	136,330,000	60,664,578
Investment securities	12	462,849,082	4,203,556	–	1,116,000	38,925,323	410,452,075	8,152,128
		3,622,462,664	**1,474,309,231**	**22,395,874**	**53,938,000**	**609,944,407**	**964,494,575**	**497,380,577**
Due to banks and financial institutions	17	(154,174,363)	(42,951,647)	(5,603,000)	(13,257,000)	(16,474,000)	(45,876,000)	(30,012,716)
Deposits from customers and related parties	18, 33	(3,437,477,889)	(2,627,181,214)	(241,294,000)	(270,655,000)	(54,207,000)	(482,000)	(243,658,675)
		(3,591,652,252)	**(2,670,132,861)**	**(246,897,000)**	**(283,912,000)**	**(70,681,000)**	**(46,358,000)**	**(273,671,391)**
		30,810,412	**(1,195,823,630)**	**(224,501,126)**	**(229,974,000)**	**539,263,407**	**918,136,575**	**223,709,186**
31 December 2012								
Cash and balances with Central Banks	9	627,251,130	19,881,467	11,683,125	9,045,000	196,210,563	194,575,000	195,855,975
Banks and financial institutions	10	223,171,231	86,126,181	9,863,293	–	–	–	127,181,757
Loans and advances to customers and related parties	11, 33	1,628,946,853	1,132,942,693	15,661,000	52,807,000	293,020,000	117,568,000	16,948,160
Investment securities	12	642,621,996	3,015,000	500,000	–	579,555,997	54,065,000	5,485,999
		3,121,991,210	**1,241,965,341**	**37,707,418**	**61,852,000**	**1,068,786,560**	**366,208,000**	**345,471,891**
Due to banks and financial institutions	17	(155,598,525)	(58,203,544)	(12,470,000)	(20,377,000)	(17,390,000)	(22,751,000)	(24,406,981)
Deposits from customers and related parties	18, 33	(2,867,525,389)	(2,213,824,247)	(144,492,000)	(215,796,000)	(60,905,000)	(323,000)	(232,185,142)
		(3,023,123,914)	**(2,272,027,791)**	**(156,962,000)**	**(236,173,000)**	**(78,295,000)**	**(23,074,000)**	**(256,592,123)**
		98,867,296	**(1,030,062,450)**	**(119,254,582)**	**(174,321,000)**	**990,491,560**	**343,134,000**	**88,879,768**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200bp. The following is an analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position:

In thousands of Lebanese Pound	Change in bp	Sensitivity of net interest income	Sensitivity of Tier I and Tier II (EVE)
31 December 2013			
LBP	+200	-16.28%	-36.41%
USD	+200	-12.17%	-18.70%
EUR	+200	-1.12%	-1.12%
31 December 2012			
LBP	+200	-18.33%	-26.56%
USD	+200	-10.23%	-12.29%
EUR	+200	-1.07%	-1.59%

Overall interest rate risk positions are managed by Risk Management, which uses investment securities, advances to banks, deposits from banks to manage the overall position arising from the Group's activities.

(iii) Exposure to currency risks – non-trading portfolios

The Group is subject to currency risk on financial assets and liabilities denominated in currencies other than the Group's functional currency, which is the Lebanese Pound (LBP). Most of these financial assets and liabilities are denominated in US Dollars or Euros. The following is an analysis of the Group's sensitivity to a change in currency rates, assuming all other variables remain constant:

In thousands of Lebanese Pound	Increase in currency rate	Effect on profit before tax	Effect on Tier I and Tier II
31 December 2013			
USD	1%	-0.0953%	-0.0108%
EUR	1%	-0.0006%	-0.0001%
GBP	1%	-0.0001%	0.0000%
CAD	1%	0.0001%	-
CHF	1%	0.0002%	-
31 December 2012			
USD	1%	-0.2500%	-0.0300%
EUR	1%	-0.0010%	-0.0001%
GBP	1%	-0.0005%	-0.0001%
CAD	1%	0.0001%	-
CHF	1%	0.0002%	-

(iv) Exposure to foreign currency exchange risk

The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Group, and with regard to the translation of foreign operations into the presentation currency of the Group.

The following table presents the breakdown of assets and liabilities by currency:

	31 December 2013			31 December 2012		
In thousands of Lebanese Pound	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
Assets						
Cash and balances with Central Banks	413,200,263	593,887,652	1,007,087,915	286,721,477	340,529,653	627,251,130
Banks and financial institutions	2,391,780	192,751,211	195,142,991	2,131,095	221,040,136	223,171,231
Loans and advances to customers and related parties	621,456,587	1,335,926,089	1,957,382,676	541,525,943	1,087,420,910	1,628,946,853
Investment securities	564,648,103	138,432,764	703,080,867	549,478,308	181,945,437	731,423,745
Property and equipment	43,836,733	26,710,303	70,547,036	36,645,526	26,706,045	63,351,571
Intangible assets	171,234	870,905	1,042,139	249,934	797,726	1,047,660
Assets held for sale	–	14,460,321	14,460,321	–	15,007,852	15,007,852
Other assets	3,208,363	22,943,268	26,151,631	2,117,198	43,130,400	45,247,598
Goodwill	–	9,728,373	9,728,373	–	9,728,373	9,728,373
Total assets	**1,648,913,063**	**2,335,710,886**	**3,984,623,949**	**1,418,869,481**	**1,926,306,532**	**3,345,176,013**
Liabilities and equity						
Due to banks and financial institutions	40,907,899	113,266,464	154,174,363	9,082,722	146,515,803	155,598,525
Deposits from customers and related parties	1,387,452,155	2,050,025,734	3,437,477,889	1,233,051,240	1,634,474,149	2,867,525,389
Current tax liabilities	4,067,206	–	4,067,206	2,707,858	413,888	3,121,746
Other liabilities	23,677,336	52,397,455	76,074,791	12,426,224	50,559,829	62,986,053
Provisions	100,625	43,413	144,038	79,395	41,593	120,988
Share capital	68,525,678	–	68,525,678	60,725,678	–	60,725,678
Share premium	–	96,057,499	96,057,499	–	58,632,499	58,632,499
Cash contribution to capital	–	10,854,000	10,854,000	–	10,854,000	10,854,000
Reserves	112,075,276	8,018,382	120,093,658	95,575,686	–	95,575,686
Non-distributable reserves	140,660	–	140,660	3,251,236	–	3,251,236
Retained earnings	33,811,496	(10,030,965)	23,780,531	27,270,066	–	27,270,066
Translation reserve	–	(6,786,055)	(6,786,055)	–	(5,874,564)	(5,874,564)
Non-controlling interest	19,691	–	19,691	13,234	5,375,477	5,388,711
Total liabilities and equity	**1,670,778,022**	**2,313,845,927**	**3,984,623,949**	**1,444,183,339**	**1,900,992,674**	**3,345,176,013**

Foreign Exchange Position

In thousands of Lebanese Pound	**2013**		**2012**	
Position in:	Short	Long	Short	Long
USD	–	13,985,302	8,366,457	–
EUR	–	1,352,211	–	14,790,050
GBP	947,655	–	13,895	–
CAD	–	4,745	–	4,275
CHF	–	5,044	1,251,425	–
Other currencies	–	8,718,421	–	18,460,873
Total short/long position	**947,655**	**24,065,723**	**9,631,777**	**33,255,198**
Net foreign exchange position		**23,118,068**	–	**23,623,421**

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

Operational Risk Management (ORM) at the Group is a continuous process comprising six stages of identical importance: Risk Identification, Risk Assessment, Control Analysis, Mitigation Decision, Mitigation Implementation, and Supervision and Review.

Historical loss data is being collected and analyzed and Key Risk Indicators (KRIs) are being identified.
Risk and Control Self-Assessment (RCSA) is being conducted for all organization units' processes.

(f) Capital management

Regulatory capital

The Group's total risk weighted assets (RWA) and regulatory capital adequacy ratio at 31 December were as follows:

In thousands of Lebanese Pound	**2013**	**2012**
Credit Risk	2,189,168,862	1,965,554,305
Market Risk	182,625,000	50,587,500
Operational Risk	182,539,375	163,468,750
Total RWA	**2,554,333,237**	**2,179,610,555**

	2013	**2012**
Capital adequacy ratio	11.04%	10.44%

To monitor the adequacy of its capital, the Group uses ratios established by the Bank for International Settlements (BIS). In line with Basel III and Central Bank of Lebanon Basic Circular no.44 amended by Central Bank of Lebanon Intermediary Circular no. 282, the minimum requirements for capital adequacy ratios are set at 8% by the BIS and 10.5% by the Central Bank of Lebanon at the end of year 2013 (10% at the end of year 2012), to reach 12% at the end of year 2015. These ratios measure capital by comparing the Group's eligible capital with its statement of financial position, off-statement of financial position commitments and market and operational risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the level of risk necessary to support them.

Off-statement of financial position credit instruments are taken into account by applying different categories of conversion factors, designed to convert these items into statement of financial position equivalents. The resulting equivalent amounts are then weighted for risk using the same percentages as for assets in the statement of financial position.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, cash contribution to capital, preferred shares, share premium, capital reserves after deductions of intangible assets and 100% of unrealized losses on equity instruments measured at fair value through other comprehensive income, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes 50% of the fair value reserve relating to unrealized gains on equity instruments measured at fair value through other comprehensive income and collective impairment approved by the Banking Control Commission.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Group has changed its capital structure; refer to note 21.

The Group's regulatory capital position under regulator based on BCC memo 3/2014 at 31 December 2013 and BCC memo 6/2012 was as follows:

In thousands of Lebanese Pound	**2013**	**2012**
Tier 1 capital		
Share capital	68,525,678	60,725,678
Cash contribution to capital	10,854,000	10,854,000
Share premium	96,057,499	58,632,499
Capital reserves	111,589,967	85,538,372
Other reserve	(6,786,059)	(4,489,521)
Non-distributable reserves	140,660	3,251,236
Retained Earnings	11,359,310	17,714,658
Non-controlling interest	19,691	5,388,711
Less:		
Goodwill	(9,728,373)	(9,728,373)
Intangible assets	(1,042,139)	(1,047,660)
100% Fair value reserve of financial assets at FVTOCI - loss	(89,244)	–
	280,900,990	**226,839,600**
Tier 2 capital		
50% Fair value reserve of financial assets through OCI - gain	158,737	60,792
100% collective provision taken on retail portfolio	1,008,046	737,220
	1,166,783	798,012
Total regulatory capital	**282,067,773**	**227,637,612**

(7) Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

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 uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.
The Group's accounting policy on fair value measurement is discussed under note 4(k) (vi).

(a) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:
- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, bond and equity prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity security exchange-traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Financial instruments measured at fair value – fair value hierarchy
The table below analyses financial instruments measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which the fair value measurement is categorized:
(c) Financial instruments not measured at fair value

In thousands of Lebanese Pound

31 December 2013	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss	48,000,545	188,329,920	–	236,330,465
Financial instruments at fair value through other comprehensive income	728,375	3,038,328	134,617	3,901,320
	48,728,920	**191,368,248**	**134,617**	**240,231,785**
31 December 2012				
Financial instruments at fair value through profit or loss	6,424,445	78,702,075	–	85,126,520
Financial instruments at fair value through other comprehensive income	502,481	3,038,210	134,538	3,675,229
	6,926,926	**81,740,285**	**134,538**	**88,801,749**

In thousands of Lebanese Pound

31 December 2013	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and balances with Central Banks	42,222,911	964,865,004	–	1,007,087,915	1,007,087,915
Banks and financial institutions	–	195,142,991	–	195,142,991	195,142,991
Loans and advances to customers and related parties	–	2,037,506,995	–	2,037,506,995	1,957,382,676
Investment securities at amortised cost	77,590,724	370,770,157	–	448,360,881	462,849,082
	119,813,635	**3,568,285,147**	**–**	**3,688,098,782**	**3,622,462,664**
Financial liabilities					
Due to banks and financial institutions	–	154,174,363	–	154,174,363	154,174,363
Deposits from customers and related parties	–	3,438,359,081	–	3,438,359,081	3,437,477,889
	–	**3,592,533,444**	**–**	**3,592,533,444**	**3,591,652,252**

(8) Classification of financial assets and financial liabilities

The table below provides reconciliation between line items in the consolidated statement of financial position and categories of financial instruments:

In thousands of Lebanese Pound	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
31 December 2013					
Cash and balances with the Central Banks	9	–	–	1,007,087,915	1,007,087,915
Banks and financial institutions	10	–	–	195,142,991	195,142,991
Loans & advances to customers & related parties	11	–	–	1,957,382,676	1,957,382,676
Investment securities	12	236,330,465	3,901,320	462,849,082	703,080,867
		236,330,465	**3,901,320**	**3,622,462,664**	**3,862,694,449**
Due to banks and financial institutions	17	–	–	154,174,363	154,174,363
Deposits from customers and related parties	18	–	–	3,437,477,889	3,437,477,889
		–	**–**	**3,591,652,252**	**3,591,652,252**

In thousands of Lebanese Pound	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
31 December 2012					
Cash and balances with the Central Banks	9	–	–	627,251,130	627,251,130
Banks and financial institutions	10	–	–	223,171,231	223,171,231
Loans & advances to customers & related parties	11	–	–	1,628,946,853	1,628,946,853
Investment securities	12	85,126,520	3,675,229	642,621,996	731,423,745
		85,126,520	**3,675,229**	**3,121,991,210**	**3,210,792,959**
Due to banks and financial institutions	17	–	–	155,598,525	155,598,525
Deposits from customers and related parties	18	–	–	2,867,525,389	2,867,525,389
		–	**–**	**3,023,123,914**	**3,023,123,914**

(9) Cash and balances with Central Banks

In thousands of Lebanese Pound	2013	2012
Cash	42,222,911	44,542,080
Unrestricted balances with the Central Banks	540,180,252	247,738,301
Compulsory reserves held with Central Banks	411,331,991	328,802,419
Interest receivable	13,352,761	6,168,330
	1,007,087,915	627,251,130

In application of the Central Bank of Lebanon basic circular number 84, banks are required to constitute a compulsory reserve in local currency representing 15% of the weekly average of term deposits and 25% of the weekly average of current and call deposits in Lebanese Pound, and compulsory reserve in foreign currency representing 15% of their deposits in foreign currencies.

The Group also maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 8% of certain obligations of the Anelik Bank Armenia denominated in Armenian Drams and 12% on certain obligations of Anelik Bank Armenia denominated in foreign currencies, and in the Central Bank of the Russian Federation in accordance with the banking legislation of the Russian Federation in the amount of 0.2 - 3.5% of the Anelik Bank Armenia's attracted means.
Restricted balances held with Central Banks are not available for use in the Group's day-to-day operations.

(10) Banks and financial institutions

In thousands of Lebanese Pound	2013	2012
Current accounts	136,889,497	100,599,818
Money market placements	47,958,199	76,986,726
Cash collateral	19,628,805	45,531,426
Interest receivable	17,972	9,341,830
Allowance for impairment	(9,351,482)	(9,288,569)
	195,142,991	**223,171,231**

(11) Loans and advances to customers and related parties

In thousands of Lebanese Pound

	Gross amount	Impairment allowance 2013	Carrying amount	Gross amount	Impairment allowance 2012	Carrying amount
Retail customers:						
Mortgage lending	145,036,846	(3,279,676)	141,757,170	115,526,927	(2,492,256)	113,034,671
Personal loans	468,720,588	(10,539,581)	458,181,007	383,770,958	(8,255,359)	375,515,599
Credit cards	20,416,665	(1,002,839)	19,413,826	15,300,169	(982,178)	14,317,991
Other	274,766	(13,209)	261,557	322,835	(12,939)	309,896
	634,448,865	**(14,835,305)**	**619,613,560**	**514,920,889**	**(11,742,732)**	**503,178,157**
Corporate customers:						
Secured lending	868,195,144	(14,822,066)	853,373,078	722,431,693	(9,968,328)	712,463,365
Other lending	491,463,593	(7,067,555)	484,396,038	418,490,599	(5,185,268)	413,305,331
	1,359,658,737	**(21,889,621)**	**1,337,769,116**	**1,140,922,292**	**(15,153,596)**	**1,125,768,696**
	1,994,107,602	**(36,724,926)**	**1,957,382,676**	**1,655,843,181**	**(26,896,328)**	**1,628,946,853**

Allowances for impairment – Movement

In thousands of Lebanese Pound	**2013**	**2012**
Specific allowance for impairment		
Balance at 1 January	21,323,174	21,727,236
Impairment loss and suspended interest		
Charge for the year	6,931,392	6,385,072
Provision written back	919,218	–
Suspended interest written back	(55,215)	(2,741,912)
Suspended interest during the year	4,351,906	3,966,548
Write-offs resulting from settlements	(1,324,012)	(7,860,958)
Difference of exchange	78,045	(152,812)
Balance at 31 December	**32,224,508**	**21,323,174**

In thousands of Lebanese Pound	**2013**	**2012**
Collective allowance for impairment		
Balance at 1 January	5,573,154	4,507,598
Impairment loss for the year		
Charge for the year	281,407	1,380,679
Provision written back	(1,357,947)	(250,779)
Difference of exchange	3,804	(64,344)
Balance at 31 December	**4,500,418**	**5,573,154**
Total allowance for impairment	**36,724,926**	**26,896,328**

Net impairment loss on loans and advances to customers recognised in profit or loss

In thousands of Lebanese Pound	**2013**	**2012**
Provisions written back	420,774	1,101,106
Loans directly written off from profit or loss	1,229,935	332,195
Charge for the year - specific	(7,054,085)	(7,195,467)
Charge for the year - collective	(281,410)	(452,250)
	(5,684,786)	**(6,214,416)**

(12) Investment securities

In thousands of Lebanese Pound	2013	2012
Financial assets at fair value through profit or loss	236,330,465	85,126,520
Financial assets at fair value through other comprehensive income	3,901,320	3,675,229
Investment securities at amortised cost	462,849,082	642,621,996
	703,080,867	**731,423,745**

Financial assets at fair value through profit or loss

Lebanese government treasury bills and Eurobonds	175,922,532	71,848,730
Certificates of deposit	40,150,000	10,637,670
Funds	1,130,625	–
Interest receivable	2,596,427	1,072,733
Debt securities	**219,799,584**	**83,559,133**
Equity securities	**16,530,881**	**1,567,387**
	236,330,465	**85,126,520**

Financial assets at fair value through other comprehensive income

In thousands of Lebanese Pound	2013	2012
Equity securities	**3,901,320**	**3,675,229**

Investment securities at amortised cost

In thousands of Lebanese Pound	2013	2012
Lebanese government treasury bills and Eurobonds	284,366,454	119,255,276
Treasury bills pledged under repurchase agreements	–	3,000,430
Certificates of deposit	165,809,899	510,358,999
Funds	4,522,500	4,522,500
Interest receivable	8,150,229	5,484,791
Debt securities	**462,849,082**	**642,621,996**

During the year, as a result of liquidity management and favourable maturities, the Bank sold investment securities classified at amortised cost with a nominal value of LBP 791,669,440 thousand (2012: LBP 605,732,860 thousand) and realized a net gain of LBP 848,968 thousand (2012: 6,067,333 thousand).

(13) Property and equipment

In thousands of Lebanese Pound	Land and buildings	Furniture and equipment	Work in progress	Total
Cost				
Balance at 1 January 2012	34,433,348	38,574,926	3,874,933	76,883,207
Additions due to purchase of subs	8,676,658	–	–	8,676,658
Additions	156,831	2,198,301	8,396,634	10,751,766
Disposals	(17,856)	(3,238,825)	–	(3,256,681)
Transfers	1,117,653	1,560,466	(2,678,119)	–
Effects of movement in exchange rates	(1,022,701)	(404,793)	–	(1,427,494)
Balance at 31 December 2012	**43,343,933**	**38,690,075**	**9,593,448**	**91,627,456**
Balance at 1 January 2013	43,343,933	38,690,075	9,593,448	91,627,456
Additions	1,105,640	2,183,723	7,890,788	11,180,151
Disposals	–	(587,858)	–	(587,858)
Transfers	1,154,745	3,067,037	(4,221,782)	–
Effects of movement in exchange rates	9,627	(182,712)	–	(173,085)
Balance at 31 December 2013	**45,613,945**	**43,170,265**	**13,262,454**	**102,046,664**
Depreciation				
Balance at 1 January 2012	5,471,406	22,137,119	–	27,608,525
Additions due to purchase of subs	44,648	–	–	44,648
Depreciation for the year	1,029,067	2,920,159	–	3,949,226
Disposals	–	(3,086,304)	–	(3,086,304)
Transfers	(71)	71	–	–
Effects of movement in exchange rates	(39,779)	(200,431)	–	(240,210)
Balance at 31 December 2012	**6,505,271**	**21,770,614**	**–**	**28,275,885**
Balance at 1 January 2013	6,505,271	21,770,614	–	28,275,885
Depreciation for the year	1,099,805	2,711,571	–	3,811,376
Disposals	–	(437,497)	–	(437,497)
Effects of movement in exchange rates	9,011	(159,147)	–	(150,136)
Balance at 31 December 2013	**7,614,087**	**23,885,541**	**–**	**31,499,628**
Carrying amounts				
At 1 January 2012	**28,961,942**	**16,437,807**	**3,874,933**	**49,274,682**
At 31 December 2012	**36,838,662**	**16,919,461**	**9,593,448**	**63,351,571**
At 31 December 2013	**37,999,858**	**19,284,724**	**13,262,454**	**70,547,036**

(14) Intangible Assets

In thousands of Lebanese Pound	2013	2012
Cost		
At 1 January	4,544,421	4,358,935
Additions	514,211	242,774
Disposals	(351,367)	–
Effects of movement in exchange rates	(20,303)	(57,288)
At 31 December	**4,686,962**	**4,544,421**
Amortization		
At 1 January	3,496,761	3,275,025
Amortization expense	513,883	238,299
Disposals	(351,367)	
Effects of movement in exchange rates	(14,454)	(16,563)
At 31 December	**3,644,823**	**3,496,761**
Carrying amount		
At 1 January	**1,047,660**	**1,083,910**
At 31 December	**1,042,139**	**1,047,660**

(15) Assets held for sale

In thousands of Lebanese Pound	2013	2012
Balance at 1 January	15,007,852	11,881,475
Disposals	(1,049,168)	4,756,010
Additions	1,744,435	(1,212,793)
Impairment	(1,249,526)	–
Effects of movements in exchange rates	6,728	(416,840)
Balance at 31 December	**14,460,321**	**15,007,852**

(16) Other assets

In thousands of Lebanese Pound	2013	2012
Accounts receivable and prepayments	11,388,040	5,172,209
Receivable due to sale of assets held for sale	–	15,525,750
Debtors by acceptances	13,777,541	23,410,199
Other assets	986,050	1,139,440
	26,151,631	**45,247,598**

(17) Due to banks and financial institutions

In thousands of Lebanese Pound	2013	2012
Current deposits	28,835,706	18,632,175
Term deposits	58,027,661	86,378,384
Loan granted from Central Banks	45,955,972	15,707,623
Loan from banks and financial institutions	9,856,054	21,760,934
Loan granted from the European Investment Bank	10,321,960	11,681,588
Interest payable	1,177,010	1,437,821
	154,174,363	**155,598,525**

Following the Central Bank of Lebanon Intermediate Circulars no.313 and no.318 issued on 14 January 2013 and 25 February 2013 respectively, the Central Bank of Lebanon offered the commercial banks credit facilities up to a ceiling of LBP 2,210 billion and with a time limit ending on 31 December 2013. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2014. As of 31 December 2013, the Bank obtained credit facilities amounting to LBP 30,716,171 thousand.

(18) Deposits from customers and related parties

In thousands of Lebanese Pound	2013	2012
Term deposits	1,339,087,124	965,146,756
Current deposits	258,592,839	234,666,661
Savings	1,542,883,755	1,389,406,761
Deposits under fiduciary contracts	54,794,437	28,790,301
Net creditor and cash collateral against debtor accounts	195,121,568	202,827,982
Margins on letter of credits	9,461,444	9,073,328
Interest payable	20,861,147	16,583,014
Deposits from related parties	16,675,575	21,030,586
	3,437,477,889	**2,867,525,389**

Deposits from customers above LBP 1,500,000 thousand threshold amounted to LBP 1,803,458,000 thousand representing 54.5% of total deposits and are held by 319 customers. Same tiers representing 49.1% of total customers' deposits amounting to LBP 1,343,214,000 thousand were held by 280 customers in year 2012.

Deposits from customers include coded accounts amounting to LBP 17,787,589 thousand as at 31 December 2013 limited to 14 accounts (2012: LBP 16,932,000 thousand limited to 20 accounts) which are subject to the provisions of the Article 3 of the Lebanese Banking Secrecy Law dated 3 September 1956. Under the provisions of this Article, the Bank cannot reveal the identity of these depositors to third parties including auditors. Management currently is working on closing these accounts.

(19) Other liabilities

In thousands of Lebanese Pound	2013	2012
Checks for collection	10,502,931	11,475,866
Other creditors and accruals	35,859,448	13,802,952
Operational taxes and social security payables	3,140,415	2,767,748
Accrued expenses	3,391,254	2,087,632
Commission received in advance	2,505,346	1,852,530
Engagement by acceptances	13,777,541	23,410,199
Provision for employee benefits obligations	6,081,146	5,679,068
Other	816,710	1,910,058
	76,074,791	**62,986,053**

Provision for employee benefits obligations

In thousands of Lebanese Pound	2013	2012
Balance at 1 January	5,679,068	4,195,449
Net provision raised during the year	661,660	1,542,703
Indemnity paid during the year	(259,582)	(59,084)
Balance at 31 December	**6,081,146**	**5,679,068**

(20) Provisions

In thousands of Lebanese Pound	2013	2012
Provision for miscellaneous risks	43,413	41,773
Provision for loss on structural exchange position	12,925	12,925
Provision for fluctuations in foreign exchange rates (a)	87,700	66,290
	144,038	**120,988**

Provisions for fluctuations in foreign exchange rates
As per local regulatory requirements the Bank provides for an amount equivalent to 5 percent of its yearend foreign exchange position.

(21) Share capital

The share capital of the Bank as at 31 December is as follows:

	2013		2012	
	Number of shares	Value in 000 LBP	Number of shares	Value in 000 LBP
Common shares	1,865,603	48,505,678	1,865,603	48,505,678
Preferred shares	770,000	20,020,000	470,000	12,220,000
	2,635,603	**68,525,678**	**2,335,603**	**60,725,678**

The extraordinary General assembly of the shareholders of the Bank held on 20 September 2013, resolved to increase the capital of the Bank from LBP 60,725,678 thousand to LBP 68,525,678 thousand by issuing 300,000 new preferred shares (series 3) according to the provisions of the law No 308/2001, of LBP 26 thousand each subscribed and paid in cash.

The Central Bank of Lebanon approved on 5 November 2013, the increase of capital.

The extraordinary General assembly of the shareholders of the Bank held on 5 October 2012, resolved to increase the capital of the Bank from LBP 55,525,678 thousand to LBP 60,725,678 thousand by issuing 200,000 new preferred shares (series 2) according to the provisions of the law No 308/2001, of LBP 26 thousand each and paid in cash:

The Central Bank of Lebanon approved on 4 December 2012, the increase of capital.

Below is a summary of the prospectus issued relating to preferred shares series 1, 2 and 3:

	Series 1	Series 2	Series 3	Total
Date of Extraordinary General				
Assembly Resolution Date	22-Dec-08	5-Oct-12	20-Sep-13	
Number of Shares issued	270,000	200,000	300,000	770,000
Share Nominal Value in '000 LBP	26	26	26	
Total Nominal Value in '000 LBP	7,020,000	5,200,000	7,800,000	20,020,000
Share Issue Price USD	100	100	100	
Issue Premium	Calculated in USD as the difference between USD100 and the counter value of the nominal value per share based on the exchange rate at the underwriting dates	Calculated in USD as the difference between USD100 and the counter value of the nominal value per share based on the exchange rate at the underwriting dates	Calculated in USD as the difference between USD100 and the counter value of the nominal value per share based on the exchange rate at the underwriting dates	
Issue Premium Amount in '000 LBP	33,682,500	24,950,000	37,425,000	96,057,500
Benefits	Annual dividends of USD 8.50 per share	Annual dividends of USD 7.25 per share	Annual dividends of USD 7.25 per share	
Call Option	The Bank may at its option redeem the shares within 60 days following the date of the Ordinary General Meeting held to approve the accounts of the Bank for the year 2013 and for each subsequent year thereafter	The Bank may at its option redeem the shares for the first time within 60 days following the lapse of a 5-year period as of the date of the Confirmation EGM and for each subsequent year thereafter within 60 days following the date of the Ordinary General Assembly of Shareholders held to approve the accounts of the Bank for the immediately preceding fiscal year.	The Bank may at its option redeem the shares within 60 days following the date of the Ordinary General Meeting held to approve the accounts of the Bank for the year 2018 and for each subsequent year thereafter	
Redemption Value USD	101, if in 2014, increased by 1 USD for each subsequent year	101, if in 2018, increased by 1 USD for each subsequent year	100	

(22) Share premium

The premium resulted from the increase of the capital of the Bank by issuing preferred shares which represents the difference between the amounts paid by the shareholders. Refer to the table in note 21.

(23) Cash contribution to capital

The cash contributions to capital are subject to the following terms:

- The balance is blocked with the Bank over the lifetime of the Bank,
- These contributions may be used to cover any losses,
- These contributions can be used to increase the capital of the Bank,
- Interest equal to Libor three months can be paid on these contributions after the approval of the Banking Control Commission.

(24) Reserves

In thousands of Lebanese Pound	**2013**	**2012**
General banking risks reserve	27,974,095	21,892,255
Legal reserve	16,439,791	12,974,749
Reserve appropriated to capital increase	65,247,716	50,674,693
General reserves	1,890,072	1,455,132
Capital reserves	**111,551,674**	**86,996,829**
Assets held for sale reserve	180,236	505,136
Fair value reserve	221,202	43,857
Revaluation reserve	8,140,546	8,029,864
Non-distributable reserves	140,660	3,251,236
Translation reserve	(6,786,055)	(5,874,564)
	113,448,263	**92,952,358**

General banking risks reserve

According to the Central Bank of Lebanon regulations, banks in Lebanon are required to appropriate from their annual net profit a minimum of 0.2 percent and a maximum of 0.3 percent of total risk weighted assets and off statement of financial position items based on rates specified by the Central Bank of Lebanon to cover general banking risks. This ratio should not be less than 1.25 percent of these risks at the end of year ten (2017) and 2 percent at the end of year twenty (2027). This reserve is part of the Bank's equity and cannot be distributed as dividends.

Legal reserve

The Lebanese Money and Credit Act and the Bank's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. This reserve is not available for distribution.

Reserve appropriated to capital increase

This reserve includes the transfer from the general reserves according to the decision of the ordinary general assembly dated 17 June 2013. This reserve is not available for distribution.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of equity investments measured at fair value through other comprehensive income. When such equity instruments are derecognised the related cumulative amount in the fair value reserve is transferred to retained earnings.

Revaluation reserve

According to the provisions of law no.282 dated 30 December 1993 and decree no.5451 dated 26 July 1994 and the Central Bank of Lebanon and the Lebanese Banking Control Commission regulations, the Bank proceeded in 1999 to the revaluation of its owned buildings.
The Central Bank of Lebanon approved, on 26 January 2000 the revaluation amounting to LBP 7,444,856 thousand.

Translation reserve

Translation reserve represents the exchange difference resulting from translating the foreign operations of the subsidiaries from their original currency to the functional currency.

(25) Net interest income

In thousands of Lebanese Pound	2013	2012
Interest income		
Balances with the Central Banks	34,823,675	14,980,554
Banks and financial institutions	1,847,128	1,095,163
Loans and advances to customers and related parties	158,235,024	141,954,810
Investment securities	45,064,155	46,064,709
Other interest income	2,771,061	462,767
Total interest income	**242,741,043**	**204,558,003**
Interest expense		
Due to banks and financial institutions	(6,509,561)	(5,490,403)
Deposits from customers and related parties	(156,068,293)	(135,302,764)
Other interest expense	(382,010)	(368,807)
Total interest expense	**(162,959,864)**	**(141,161,974)**
Net interest income	**79,781,179**	**63,396,029**

(26) Net trading income

In thousands of Lebanese Pound	2013	2012
Foreign exchange income	**3,575,812**	**2,415,901**

(27) Net income from financial instruments at fair value through profit or loss

In thousands of Lebanese Pound	2013	2012
Dividend income	287,344	379,516
Gain from financial instruments at fair value	1,400,554	5,976,153
Loss from financial instruments at fair value	(784,298)	(1,339,341)
	903,600	**5,016,328**

(28) Net income from financial assets at amortised cost

In thousands of Lebanese Pound	2013	2012
Gain from financial assets at amortised cost	1,805,675	6,279,522
Loss from financial assets at amortised cost	(956,707)	(212,189)
	848,968	**6,067,333**

(29) Personnel charges

In thousands of Lebanese Pound	2013	2012
Wages and salaries	26,258,241	23,915,984
Social security contributions	3,190,138	3,237,294
Provision for employee benefits obligations	633,233	1,542,702
Representation fees	816,813	761,789
Exceptional indemnities	2,868,554	2,757,180
Scholarships	1,288,756	817,369
Transportation	1,007,997	872,902
Insurance and medical expenses	896,632	809,778
Chairman and vice chairman remunerations	1,523,277	1,712,192
Other benefits	3,193,188	3,405,396
	41,676,829	**39,832,586**

(30) Administrative expenses

In thousands of Lebanese Pound	2013	2012
Utilities	765,110	1,289,124
Rental expenses	1,471,064	1,610,066
Stationary and printings	760,771	1,825,318
Transportation expense	173,026	1,350,884
Maintenance and repair	2,709,123	2,897,292
Marketing and advertising	5,596,764	2,657,033
Professional fees	3,681,492	2,880,554
Telecommunication and postage	1,256,698	1,293,809
Taxes	2,252,529	2,995,306
Board of Directors attendance allowance	847,800	1,212,793
Miscellaneous expenses	12,052,135	6,308,747
	31,566,512	**26,320,926**

(31) Income tax expense

In thousands of Lebanese Pound	2013	2012
Profit for the year	27,349,328	24,487,683
Income tax on profit	4,390,736	5,292,284
Non-deductible taxes	(4,273,313)	1,046,464
Non-deductible provisions	281,407	452,252
Irrecoverable loans	53,160	30,277
Other non-deductible expenses	3,877,118	855,509
Dividends received	(287,340)	(261,364)
Income except from tax	(4,467)	(6,396,934)
Profit on reevaluation of financial assets at fair value	129,147	14,560
Taxable income	**31,515,776**	**25,520,731**
Tax expense at a rate of 15%	6,338,990	5,586,431
Tax income at a rate of 20%	(1,948,254)	(294,147)
Total tax expense	**4,390,736**	**5,292,284**

The Bank in Lebanon is subject to a withholding tax of 5% on certain interest income which is considered as a prepayment on corporate income tax due. In case this withholding tax exceeds the calculated corporate income tax expense, the excess is not reimbursable and is considered as a final income tax expense.

The Bank's tax returns for the years 2010 to 2013 remain subject to examination and acceptance by the income tax authorities.

(32) Cash and cash equivalents

In thousands of Lebanese Pound	2013	2012
Cash on hand	42,222,911	44,542,080
Unrestricted accounts with Central Banks	138,650,005	31,477,172
Banks and financial institutions	194,799,706	206,905,653
Less: due to banks and financial institutions	(51,293,294)	(57,748,390)
	324,379,328	**225,176,515**

(33) Related parties

Transactions with key management personnel
Key management personnel compensation
Key management personnel compensation comprised the following:

In thousands of Lebanese Pound	2013	2012
Short-term employee benefits	8,502,646	7,836,895

(34) Group entities

	Country of incorporation	31 December 2013 Ownership interest	31 December 2012 Ownership interest
Anelik Bank	Armenia	100.00%	89.95%
Anelik Bank	Russia	100.00%	100.00%
Credex SAL	Lebanon	99.76%	99.76%
Baabda 1587 SAL	Lebanon	99.00%	99.00%
Achrafieh 784 SAL	Lebanon	99.00%	99.00%

2013 changes:
On the 13th of July 2013, the Bank acquired additional shares (number 21,741) in its subsidiary "ANELIK BANK CJSC" which became a 100% owned subsidiary. This acquisition was approved by the Central Bank of Lebanon on that date. In addition, the Bank increased its equity participation in Anelik Bank –Russia by USD 800,000.

2012 changes:
On the 28th of March, 6th of June and the 10th of August 2012 the Bank increased its equity share in its subsidiary "ANELIK BANK CJSC" to reach the following percentages 71.75%, 83.95 and 89.95% respectively. All of these transactions were approved by the Central Bank of Lebanon and paid during the year.

On the 7th of September and the 17th of October 2012 the Bank acquired 99% of Baabda 1587 S.A.L and 99% of Achrafieh 784 S.A.L respectively. These acquisitions were approved by the Central Bank of Lebanon and paid during the year.

On the 31st of December 2012 the Bank recorded the acquisition of 100% of Anelik Ru LLC after receiving the approval of the Central Bank of Lebanon on this acquisition on the 20th of February 2013.

Directory

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Website: www.creditbank.com E-Mail: info@creditbank.com

MAIN BRANCH

Dekwaneh
Freeway Center, Sin El Fil Blvd.
Switchboard: (01) 481966/ 484833/ 484866 - (03) 170019 Fax: (01) 481988
2 ATMs
Opened in: 2004
Manager: Mr. Joseph Salem
E-Mail: dekwaneh@creditbank.com

BEIRUT & SUBURBS

Ain El Remmaneh
Boutros Bldg., Wadih Naim Street, Chiyah - Ain El Remmaneh.
Telefax: (01) 288925 - (03) 002877
ATM
Opened in: 2013
Manager: Mr. Elie Asmar
E-Mail: ainelremmaneh@creditbank.com

Ashrafieh
680, Beshir Gemayel Blvd., Sassine Area.
Switchboard: (01) 218183 - (03) 584999
Fax: (01) 204325
ATM
Opened in: 1982
Manager: Mr. Charles Obeid
E-Mail: ashrafieh@creditbank.com

Bourj Hammoud
Lampsos Bldg., Armenia Street.
Telefax: (01) 256971/2 - (70) 600707
ATM
Opened in: 2011
Manager: Mr. Razmig Shememian
E-Mail: bourjhammoud@creditbank.com

Chiyah
Wazneh bldg., Mesharrafiyeh.
Telefax: (01) 552502/ 3 - (03) 528900
ATM
Opened in: 1995
Manager: Mr. Adib Silbak
E-Mail: chiyah@creditbank.com

Hamra (Ras Beirut)
73, Baalbeck street.
Telefax: (01) 352849/ 742877/8 - (03) 361836
ATM
Opened in: 1991
Manager: Mr. Mazen Siniora
E-Mail: hamra@creditbank.com

Hazmieh
Ghaleb Center - Said Freiha Street.
Telefax: (05) 953410 - (70) 001720
ATM
Opened in: 2012
Manager: Mr. Marcelino Saad
E-Mail: hazmieh@creditbank.com

Jal El Dib
Abou Jawdeh bldg., Internal Main Square.
Telefax: (04) 713424/ 7 - (03) 516051
ATM
Opened in: 2001
Manager: Mr. Elie Genadry
E-Mail: jaleldib@creditbank.com

Jdeideh
Space II Center, New Jdeideh.
P.O. Box: 90950 Jdeideh (Metn)
Telefax: (01) 895072 - (03) 495849
ATM
Opened in: 1981
Manager: Ms. Thérèse Etr Bourjeily
E-Mail: jdeideh@creditbank.com

Sodeco-Ashrafieh
Belle View d'Ashrafieh 784 bldg., El Khatib Street, Nasra.
Telefax: (01) 425818 - (76) 649992
3 ATMs
Opened in: 2014
Manager: Mr. Rafic Makzoume
E-Mail: sodeco@creditbank.com

OTHER REGIONS

Ajaltoun
Highway Center, Main Place.
Telefax: (09) 235118/ 20 - (03) 249300
ATM
Opened in: 1986
Manager: Mr. Naji Abboud
E-Mail: ajaltoun@creditbank.com

Amioun
Chammas Bldg., Main Road - Serail Junction.
Telefax: (06) 954046/ 7 - (70) 707616
ATM
Opened in: 2011
Manager: Ms. Lina Saadé
E-Mail: amioun@creditbank.com

Chtaura
Al Kharfan bldg., Damascus Road.
Telefax: (08) 542700/4 - (03) 582562
ATM
Opened in: 2005
Manager: Mr. Zafer Fadel
E-Mail: chtaura@creditbank.com

Elissar
Azar bldg., Main Road, Kornet Chehwan.
Telefax: (04) 921760/ 1/ 922986
(03) 417600
ATM
Opened in: 1993
Manager: Mr. Patrick Jawhar
E-Mail: elissar@creditbank.com

Ghazir
Sarkis Center, Main Road.
Telefax: (09) 852930 - (03) 234721
ATM
Opened in: 1994
Manager: Mr. Maroun Chelala
E-Mail: ghazir@creditbank.com

Jounieh
Boueiz bldg., Main Place.
P.O. Box: 1288 Jounieh
Telefax: (09) 914860/ 2 - (03) 312631
ATM
Opened in: 1982
Manager: Mr. Milad Sayegh
E-Mail: jounieh@creditbank.com

Mansourieh
New Highway.
Telefax: (04) 533870/ 3 - (70) 170008
ATM
Opened in: 2007
Manager: Mr. Tarek Saadé
E-Mail: mansourieh@creditbank.com

Saida
Sayah bldg., Dekerman area.
Switchboard: (07) 727601/ 3 - (03) 662220
Fax: (07) 727604
ATM
Opened in: 2004
Manager: Mr. Mahmoud Abdennabi
E-Mail: saida@creditbank.com

Sarba
Sarba Highway.
Telefax: (09) 637511/ 2 - (03) 553232
ATM
Opened in: 2002
Manager: Ms. Georgette Chalfoun
E-Mail: sarba@creditbank.com

Tripoli
Karim Center, Riad El Solh Street, Tall Area.
Switchboard: (06) 428001/ 3 - (70) 949050
Fax: (06) 428004
2 ATMs
Opened in: 2003
Manager: Mr. Selim Nassim
E-Mail: tripoli@creditbank.com

LEBANON I CREDEX S.A.L

Parallel 232 Center, Sin el Fil Blvd., Dekwaneh - Lebanon, Telefax: (01) 510666/ 7/ 8
Manager: Mr. Selim Beshara, Website: www.credex.com.lb, E-Mail: info@credex.com.lb

ARMENIA I ANELIK BANK CJSC

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44 Komitas street, Yerevan, Armenia
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51 Arshakunyats street, Yerevan, Armenia
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4 Ogostosi, 23 street, Avovyan, Armenia
Tel: +374222-20288
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Tel: +37322-21865
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Sevan
12/1 Sayat-Nova, Sevan, Armenia
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