Creditbank S.A.L.

ANNUAL REPORT 2016

Creditbank S.A.L.

CHAIRMAN'S LETTER

Despite facing a region in turmoil and a rather stagnant national economy, in 2016 Creditbank once again displayed its resilient business model and managed to book satisfactory end-of-year results, offering confidence to the Bank's stakeholders for the challenging years ahead.

Before analyzing the Bank's figures and philosophy in detail, it would serve us well to take note of the reigning operational environment, recent economic challenges and socio-political volatility in the country as a whole.

It was only by the end of 2016 that Lebanon found some much needed stability by electing a new President, Prime Minister and cabinet, ending over two years of political deadlock.

Lebanon's new government has yet to play its essential role in trying to overcome some of the many social and macroeconomic obstacles facing the country. That would include the pressing need to adopt a draft budget and fiscal plan for the first time in over a decade to help reign in Lebanon's growing deficit and national debt.

In addition, while taking into account the plight of over a million Syrian refugees residing on Lebanese soil, a strong and stable state is a must in order to improve the country's outdated infrastructure in terms of power generation and distribution, water supply and waste management, transportation networks and digital infrastructure.

Without this necessary evolution Lebanon's economy will fail to benefit from future revival opportunities – the activation of oil and gas resources and the eminent rebuilding of Syria.

The government will have to formulate a sound plan to help kick start a struggling economy, ideally, by encouraging private initiative and enhancing productivity in a multitude of economic sectors.

The recent creation of new legislation allowing public private partnerships and the reappointment of the Governor of the Lebanese Central Bank (BDL), Riad Salamé, in early 2017 hold great promise for renewed stability and long term confidence in the economy and the banking sector's future.

In spite of a sluggish national and regional economy the banking sector has succeeded in applying the evolving international regulations in compliance, including the Basel Accords and IFRS standards, setting the bar even higher at times. This has allowed a seamless integration of the Lebanese banking sector into the international financial system.

Against this backdrop, Creditbank in 2016 saw assets grow by 5.62%, deposits by 5.28% and net loans by 7.88%. The relative slowdown compared to previous years is partially due to the deconsolidation of Anelik CJSC. Nevertheless, the Bank realized a net profit increase of 11.72%.

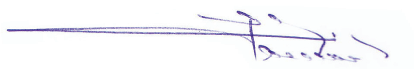
True to its philosophy that a bank should primarily function as a catalyzer for economic growth in general and the private sector in particular, Creditbank's net-loans-to-deposits ratio progressed from 59.56% to 61.06%. The Bank's physical footprint also grew, as the network of branches in Lebanon expanded from 23 to 25.

I would like to thank our management and staff for their consistency and drive, and our clientele for their continuous trust.

We remain dedicated to our core principles, steadfast in the knowledge that our success can only stem from our clients.

With our growth minded policy still intact it is these core principles that guide us through this challenging conjuncture.

Tarek Khalifé
Chairman



GENERAL PROFILE

Founded in 1981, Creditbank is one of Lebanon's leading and fastest growing banks. With a network of branches spread geographically across Lebanon, the Bank was granted Alpha status when deposits in 2013 exceeded the USD 2 billion mark. Only 14 out of 49 commercial banks currently operative on Lebanese soil have received the country's prestigious Alpha status.

Creditbank was established by Joseph Khalifé and Fouad Zoghby as "Crédit Bancaire." Despite the climate of strife and conflict overwhelming Lebanon at the time, the founders strongly believed in the country and financial sector's capacity to regain its reputation as the Middle East's main banking hub.

In 2002, the Bank's commitment to growth led to the acquisition of Credit Lyonnais s.a.l., which prompted the name change to Creditbank s.a.l.

Internationally, Creditbank in 2013 finalised the full acquisition of Anelik RU LLC in Russia and Anelik Bank CJSC in Armenia.

In October 2016, Creditbank, then as sole shareholder of Anelik Bank (CJSC), realized an increase in equity of the latter, by opening up the capital. Consequently, Creditbank landed with a participation in Anelik Bank (CJSC) of 40.3% of the new capital. Accordingly, Creditbank deconsolidated Anelik Bank (CJSC) from its financial statements.

In line with Creditbank's corporate strategy, set and endorsed a few years ago, consisting in phasing out its presence in the Russian market by gradually decreasing the activity of its Russian subsidiary bank Anelik RU, with a view to selling its USD 12 million investment or winding it up. On August 9, 2017, Anelik RU ceased its activity.

As the strategic reflection of Creditbank has evolved towards consolidating its market share domestically, Creditbank has taken initial steps aiming at enlarging its shareholders' base, by opening up its capital in positioning the bank for growth by acquisition.

Having opened its latest branches in Corniche El Mazraa and Jdidet el Joumeh - Halba in 2016, Creditbank's network includes 25 branches spread across Lebanon, with a workforce of 593.

In 2016, with a shareholders' equity of USD 328 million, Creditbank saw assets and deposits grow by 5.6% and 5.3% respectively, whilst the average 2016 growth rate among Alpha Banks amounted to 6.1% for assets and 3.7% for deposits.

Fully committed to its core belief that the primary role of a bank within the economy is to serve as a private sector enabler and market catalyzer, Creditbank's loans-to-deposits ratio is 61.1%, one of Lebanon's highest ratios. Around 76.8% of loans is being extended to commercial enterprises and entrepreneurs.

The Bank's main fields of expertise comprise all traditional and emerging banking operations, including Retail and Commercial Banking as well as Specialized Finance. The Bank is furthermore highly recognized for its specialized consultancy and dedicated advisory services.

Ever since its foundation, Creditbank has made it a priority to advance state-of-the-art technologies in its products and services, in addition to introducing tailor-made retail products aiming at optimizing customer satisfaction and expectations.

Years of solid growth aided by a revamping of its corporate identity have enabled Creditbank to position and manifest itself more distinctly within Lebanon's highly competitive banking and financial sector.

Creditbank's corporate identity is built upon two main pillars: first, its ability to listen and understand people's needs on an equal basis; second, its capability to act in a professional manner with the ultimate aim to establish a long-term partnership.

Creditbank has completed the rejuvenation of its branch network by adopting a new interior design and workflow model, which was first introduced in 2014 to reinforce its brand identity.

Based on the concept of customer centricity, Creditbank's new generation branches have struck a perfect balance between customer comfort and technological innovation, landing harmony to customer experience.

The fully digitalized waiting lounge and intelligent queuing system allow for a pleasant and seemingly effortless banking experience, while the one-on-one service pods provide a superior level of privacy, comfort and efficiency. In tandem, Creditbank's customers are able to carry out 75% of their daily transactions through the Bank's 24/7 smart ATMs.

Finally, Creditbank is staunchly committed to the highest standards of transparency, business ethics and customer protection, as embodied in its corporate governance framework, while it continues to adopt a consistent policy of Corporate Social Responsibility, particularly in the field of youth, health and education.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

MR. TAREK JOSEPH KHALIFÉ

CHAIRMAN AND GENERAL MANAGER

Holding a bachelor's degree in Civil Engineering and a master's degree in Business Administration, Mr. Khalifé is the major shareholder of the Bank. He was elected as Managing Director to the Creditbank Board in 1994, before becoming Chairman and General Manager in 2004. Mr. Khalifé heads the Corporate Governance Board Committee, the Executive & Investment Committee and other managerial committees.

MR. FADI BARBAR

BOARD MEMBER

Representing Financial Profile Holding s.a.l, Mr. Barbar is a non-executive Board Member. He holds a degree in Business Administration, Mr. Barbar owns a series of business interests in Africa and real estate projects in Lebanon. He also represents Financial Profile Holding s.a.l at the Bank's Board Committees on Audit and on Remuneration.

MRS. MARIA KHALIFÉ-BAZERJI

BOARD MEMBER

Holding a master's degree in Business Administration, Mrs. Bazerji is an executive Board Member and the Bank's Deputy General Manager in charge of Administration. Mrs. Bazerji is furthermore a member of the Bank's Board Committee on Risk Management and several management committees, including the Executive and Investment Committee.

BOARD OF DIRECTORS

H.E. MR. DIMYANOS KATTAR

INDEPENDENT BOARD MEMBER

A former Lebanese Minister of Finance and Economy, Mr. Kattar has been an independent Board Member since June 2007. With degrees in Management and Strategy, as well as Political Economics, he has chaired the Board Committee on Audit since 2009. He is furthermore a member of the Board Committee on Corporate Governance and the Board Committee on Remuneration. Having worked in both the advisory and the academic fields, Mr. Kattar is an expert in corporate and public governance in the Arab World.

DR. HENRI CHAOUL

INDEPENDENT BOARD MEMBER

Holding a PhD in Economics, Dr. Chaoul is an independent Board Member. He chairs the Board Committee on Risk Management and the Board Committee on Remuneration, and is furthermore a member of the Board Committees on Audit and Corporate Governance. Through his extensive experience in a number of financial firms based in Europe, Asia, North America and the Middle East, Dr. Chaoul has gained comprehensive expertise in investment banking, private equity, financial consulting, economic, merger and acquisition analysis.

PAUL HARB Esq.

BOARD MEMBER

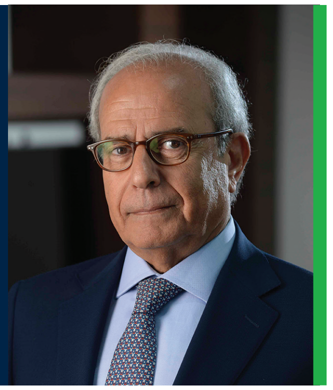
Representing Financial Trust Participation Holding s.a.l., Me. Harb holds an LLB in Private Law and a master's degree in Advanced Private Law studies. A senior partner at the Abirached Harb Moussa law firm since 2012, he has long been a member of the Beirut Bar Association. Me. Harb joined Creditbank as head of the Legal Department in 2003. Today, he is Secretary of the Bank's Board of Directors, Secretary of the Board Committees on Corporate Governance and Remuneration, and a member of the Executive and Investment Committee.

MR. FREDDY ZRAICK
FORMER GENERAL MANAGER 2009-2016

Representing Holfiban s.a.l Holding until the end of April 2017, Mr. Zraick was a member of two board committees, presided (during his tenure as General Manager) over several management committees, and was Chairman of Credex SAL, Creditbank's subsidiary and exclusive insurance brokerage firm. Holding a bachelor's degree in Economics, Mr. Zraick spent years working in the banking sector, before joining Creditbank in 2003 as head of Corporate Banking and Small & Medium Enterprises. He was a member of the Executive & Investment Committee from 2008 and the Bank's General Manager from 2009 until the end of April 2017 when he submitted his resignation.

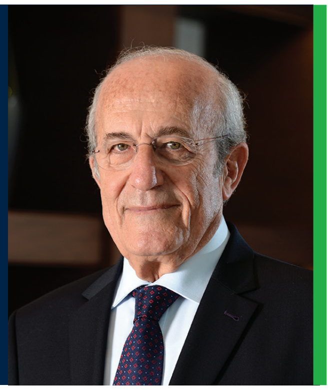
RENÉ ABIRACHED Esq.
SECRETARY OF THE BOARD

Holding a Lebanese and French master's degree in law, Me. Abirached is Secretary of the Creditbank Board of Directors and legal advisor since 1987. He is also the secretary of the Bank's Board Committee on Audit. A senior partner at the Abirached Harb Moussa law firm and a member of the Beirut Bar Association, Me. 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.



MAROUN ZEIN Esq.
SECRETARY OF THE BOARD

Holding a law degree from Saint Joseph University, Me. Zein has been Creditbank's legal advisor since 1985 and Secretary of the Board of Directors. A member of the Beirut Bar Association since 1962, he is a founding senior partner in Zein Law Firm, which is specialized in legal banking matters.



CORPORATE GOVERNANCE FRAMEWORK

Creditbank is strongly committed to the highest standards of corporate governance as the basis for sound and sustainable growth while subsequently meeting the demands of all stakeholders involved.

Corporate governance refers to the cohesive system of rules, best industry practices, internal checks and balances by which a company is directed and controlled. As corporate governance ultimately also provides the framework for attaining the institution's strategic objectives, it touches every sphere of management.

First published in July 2009, the main guiding principles of Creditbank's Corporate Governance Code are:

- Responsibility – clear division and delegation of authority.
- Accountability – in the relations between the Bank's management and the Board of Directors (the Board) and between the Board and all stakeholders.
- Transparency and disclosure – to enable stakeholders to constantly assess the Bank's financial performance.
- Fairness – in the treatment of all stakeholders.

The Board is responsible for the Bank's operations and financial wellbeing and must ensure that the interests of all stakeholders, including regulators and supervisors, are met.

It approves the Bank's strategic goals and supervises senior management to ensure the Bank is properly managed within the framework of all internal and external rules and regulations. The Board furthermore certifies that all internal control mechanisms are effective and up to date.

The Board consists of seven members, including non-executive and independent directors who are elected for a period of three years by the General Assembly of Shareholders.

The election of at least two independent directors ensures an element of impartiality in the decision making process.

Board meetings take place regularly and at least eight times a year. The Board Secretary keeps a permanent written record of the Board's discussions, motions and votes.

The Board, among other tasks, formulates the Bank's main business objectives and draws up a plan to achieve them. It establishes temporary and permanent management committees, determines the branch expansion plan and defines the strategy regarding placements, investments, participations and expenditures.

The Board elects the Bank's Chairman from among the Directors for a maximum period of three years. The Chairman ensures a mutually beneficial dialogue between the Board and the Bank's management. The Chairman furthermore exercises, as per applicable laws, the function of General Manager.

BOARD COMMITTEES

The Board certifies a clear separation of executive powers and approves the appointment of all senior executives within the Bank, including the heads of divisions and departments of the Bank as well as the heads of Internal Audit and Compliance.

The Bank's management committees include:

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

The Board is ultimately responsible for setting the Bank's strategy, overviewing its implementation, and overseeing the way its activities are carried out, especially in the light of risk appetite and policies, budget, compliance and internal procedures. For added efficiency it has established four Board Committees: the Board Committee on Audit, Board Committee on Risk Management, Board Committee on Remuneration and Board Committee on Corporate Governance.

There is a formal and transparent process for all appointments to the Board committees, each of which has direct access to all appropriate members of the Bank's management.

In accordance with the regulations of the Lebanese Central Bank and Banking Control Commission, the Audit Committee consists of three members.

It reports to the Board on, among other things, the annual financial results and all other accounting judgements prior to publication, as well as the accuracy of the financial statements and the efficiency of the criteria used. It furthermore examines the adequacy of the Bank's internal and external control mechanisms.

The Risk Management Committee reviews and approves the Bank's internal risk management strategies on a regular basis. Senior management is responsible for implementing the strategies and policies approved by the Board.

The Remuneration Committee, composed of three board members, is responsible for establishing a sound remuneration policy and supervising its implementation in accordance with BDL Basic Circular No 133 on remunerations and bonuses granted to bank employees.

The Corporate Governance Committee consists of four members. It supervises the Bank's commitment to good corporate governance as laid down in the following guidelines: the Corporate Governance Code, Corporate Governance Guidelines, Terms of Reference for the Board of Directors and Code of Ethics and Business Conduct.

Creditbank closely monitors the rapid evolution of corporate governance and best banking practices around the globe, as it pursues to continuously update and upgrade its internal corporate framework and decision making process in order to always provide the best possible outcome for all internal and external stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

Ever since Creditbank's establishment, the concept of corporate social responsibility has been an intrinsic part of its mission. We strongly believe that part of our role as a good corporate citizen is to make a positive contribution to the communities we operate in.

The Bank seeks to establish long-term partnerships in order to make a substantial and lasting impact, particularly in the contexts of youth, education and culture.

2016 was a year of continued commitment and upheld promises, which saw the Bank both extend and expand its CSR engagements, through sustaining existing partnerships as well as establishing new ones.

Indeed, our long-standing support of such initiatives as the Institut de Rééducation Audio-Phonétique (IRAP) and the Georges N. Khoriaty Traffic Academy (GNK) has remained steadfast, while our constant outreach has yielded new partners such as the Lebanese Mountain Trail Association (LMTA) and Beyt el Kottab (BeK).

Our collaboration with GNK still continues strong today. GNK seeks to instill ethics and the rules of safe driving in generations of 6-18 year-old Lebanese children and young adolescents by educating them about in-car and pedestrian safety measures through an accredited integrated and interactive E-learning and simulator based curriculum.

The steps and approaches involved in the curriculum are: theoretical (lecture room), interactive (simulator room), practical (traffic garden) and knowledge assessment module (computer room).

Since the very beginning of its involvement back in 2013, Creditbank has strongly believed in GNK's mission to raise a better generation of responsible drivers, and 2016 saw us pursue our joint efforts. Our collaboration throughout the years has involved many visits to the academy to continuously follow up on the phases of establishing the traffic building and traffic garden, which were revealed before the academy's inauguration on October 6, 2016.

We were also present during awareness sessions and school visits to the academy, which saw children enroll in the full curriculum. We sincerely believe our efforts combined with the GNK foundation's endeavors will help create more awareness about road safety and build a new culture of safe driving behavior in Lebanon.

Creditbank's commitment to IRAP is ongoing. The initiative we joined in 2015 continued for the second consecutive year through the revamping of its kitchen. IRAP is a specialized center for the education of deaf children and adolescents. Founded in 1960, it features a multidisciplinary team that offers specialized education to 90 hearing impaired children starting from the early education stage to the academic Brevet level.

The new kitchen increased the institute's food making capabilities, helping it to cover the expenses related to its educational programs and services. The kitchen is now spacious, fully operational, with new equipment and an increased production capacity. The inauguration of the new kitchen was held on June 22, 2016, in the presence of Creditbank's and IRAP's managements and teams.

Our support entailed volunteering in the kitchen to get to know the IRAP family better. Our team's frequent visits to the premises helped in interacting with the students, in following up on the project's phases and in understanding the educational programs offered to the children and the adolescents at IRAP. Creditbank's end-of-year gifts were also selected from IRAP, as an integral part of the full spectrum of initiatives to support and engage further with the institute.

As for its new partnerships, Creditbank has focused on initiatives that seek to preserve and enrich our national, cultural and social heritage. Consequently, we have joined hands with LMTA, the Lebanon Mountain Trail Association, which has been working since 2007 to develop and protect Lebanon's first long distance hiking trail, as well as to promote a socially responsible tourism that protects natural, cultural and historical heritage in rural areas.

LMTA organizes an annual event called The Thru Walk where two teams of hikers, in opposite directions, walk the 470 km blazed trail over a period of 30 days, encouraging appreciation for the country's natural and historical beauty, as well as empowering trailside communities (guest houses, local guides etc...).

Creditbank collaborated with the NGO on the 2016 edition of the Thru Walk. The event was organized around the theme of promoting food heritage on the Lebanese Mountain Trail. More than 180 hikers from 14 different countries walked the entire 470 km. Representatives from Creditbank were present during sectional hikes as well, and several events were held among participants and local hosts to celebrate the richness of the local cuisine along the trail.

Over a period of 30 days, the event boosted commercial activities in the region, thus supporting rural communities and their economies. Our collaboration also extended to LMTA's annual event in Beirut, with the trail's very own chefs and hosts preparing special dishes to promote the culinary heritage of our mountains in the heart of the capital.

With the aim to increase Lebanon's exposure to national and international literature, Creditbank furthermore collaborated with Beyt el Kottab (BeK), also known as the International Writers House. BeK's mission is to support and promote literary creation exploring contemporary social themes.

To fulfill this objective, it organizes residencies in Beirut and abroad, allowing Arab writers the time and means needed to explore and create. In addition, BeK publishes and translates literary texts, and every year hosts a literary festival.

Creditbank supported BeK in organizing these projects to familiarize the Lebanese community with the horizon of literature and to provide a space for Lebanese writers to meet their national, regional and international peers.

2016 saw us deepening and strengthening existing partnerships, as well as embracing several new initiatives in a wide variety of fields. No doubt, Creditbank in the coming years will continue to play its part as a force for social change.

ECONOMIC OVERVIEW

The Lebanese economy in 2016 continued its journey on a path of subdued growth, yet closed the year on an altogether positive note. However, with a region in turmoil, the country remains on high security alert. The government will face a challenging working environment as it tackles a budget to kick start a stalling economy and to rehabilitate failing and outdated infrastructures, but perhaps the paramount challenge remains in rooting out corruption that continues to drain all economic advances.

Nevertheless, political unity is likely to strengthen investor sentiment and help steer the country towards more robust economic growth. Illustrative of the positive outlook at year's end, was an Economena Analytics survey among 17 leading Lebanese economists who predicted economic growth to accelerate to reach a rate of 2.5% in 2017.

According to the International Monetary Fund, Lebanon's Gross Domestic Product (GDP) in 2016 grew at a rate of less than 1% to some $52.3 billion. The World Bank's estimate was slightly higher at 1.3%. Still, both evaluations remained a far cry from the 8% average growth rate recorded between 2008 and 2011.

Exports in 2016 saw a minor increase, to nearly $3 billion by year's end, yet this still represents a 33% decrease when compared to exports in 2012. Imports marginally rose from $18 billion in 2015, to $18.7 billion in 2016. Consequently, Lebanon faced a trade deficit of $15.7 billion in 2016, a 3.9% increase compared to the previous year.

Following several years of decline, the number of foreign visitors to Lebanon also recorded a minor increase. According to the Ministry of Tourism, foreign arrivals in 2016 recorded a 12% increase to reach 1.69 million, the highest number since the country attracted a record 2.17 million tourists in 2010. With a new government in place, the number of foreign arrivals is expected to further swell in 2017.

Likewise, the real estate and construction sector, another major pillar of the Lebanese economy, showed signs of recovery. According to data released by the Orders of Engineers in Beirut and the North, the total number of construction permits issued rose by 13.29% to reach 17,097 by the end of 2016. The total area under construction, however, decreased by 1% to amount to 12,234 thousand square meter. Following three years of decline, cement deliveries in 2016 increased by 4%.

Representing some 15% of GDP and 8% of public revenues, the real estate market too showed signs of an upturn. The number of property sales in 2016 increased by 1.4% to reach a total of 64,248 transactions with a total value of $8.4 billion, which means a 4.9% increase when compared to the previous year.

With regard to remittances, another major component of Lebanon's GDP, the World Bank estimated inflows increased by 1.5% to amount to $7.6 billion.

Despite the minor economic recovery, state finances suffered. Weak growth limits tax returns. As a result, Lebanon's public debt for the third year in a row grew faster than the country's national income.

Lebanon's gross public debt in 2016 increased by $4.6 billion, to $74.9 billion raising the debt-to-GDP ratio to 143.9%, which remains one of the world's highest. Just under half of the country's public debt, at 47.8 percent, is held by Lebanese commercial banks.

The banking sector has long been a backbone of the Lebanese economy and enjoys an excellent reputation in the region. By the end of 2016, the Association of Banks in Lebanon (ABL) consisted of 66 active members and seven representative offices of foreign banks.

The sector is supervised by the Central Bank of Lebanon (Banque du Liban - BDL). Founded on August 1, 1963, the BDL is an independent public entity tasked with, among other things, issuing the Lebanese Pound, safeguarding monetary and economic stability, and ensuring a sound operating environment.

Lebanese commercial banks in 2016 had a profitable year. Private sector deposits increased by a massive $10.9 billion, of which 65.8% is in US dollars. The most significant activity launched by the BDL in 2016 was a successful swap operation worth over $13 billion, realizing its aim of strengthening its foreign currency reserves.

In previous years, the Lebanese parliament passed several laws concerning international cooperation to fight tax evasion, money laundering, and the regulation of trans-border cash movements. The parliament also approved Lebanon's adherence to the United Nations (UN) 1999 International Convention for the Suppression of the Financing of Terrorism.

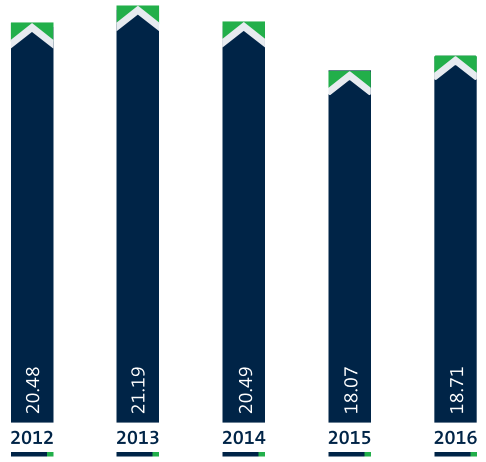
Lebanese banks are already in compliance with the US' Foreign Account Tax Compliance Act (FATCA), while the sector is gearing up to implement the Organization of Economic Cooperation and Development's (OECD) Common Reporting Standards on tax sharing information, otherwise known as GATCA, or the Global Account Tax Compliance Act.

In terms of capitalization, Lebanese banks have long met and surpassed the minimum requirements set by Basel III, the global regulatory framework regarding capital adequacy and market liquidity agreed upon in Switzerland in 2010/ 2011.

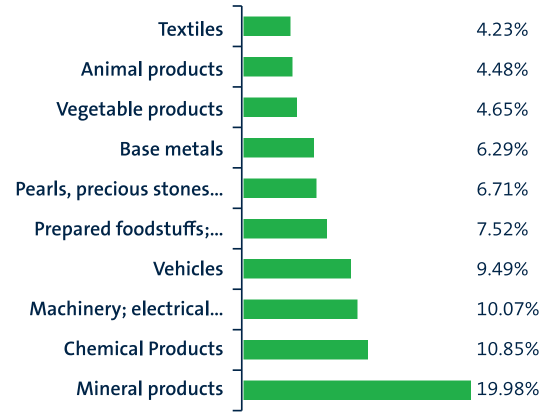
Finally, BDL in August 2016 announced the launch of a $1 billion stimulus package. It is the fourth consecutive package introduced in recent years. The BDL initiative offers loans to Lebanon's commercial banks at a discounted rate so that they can re-lend to the private sector.

All in all, thanks to the BDL's clever maneuvering the Lebanese economy in 2016 once again managed to book positive results, while the newfound political stability has boosted consumer sentiment and improved morale in the economic sector overall.

LEBANON'S YEARLY IMPORTS (IN USD BILLION)

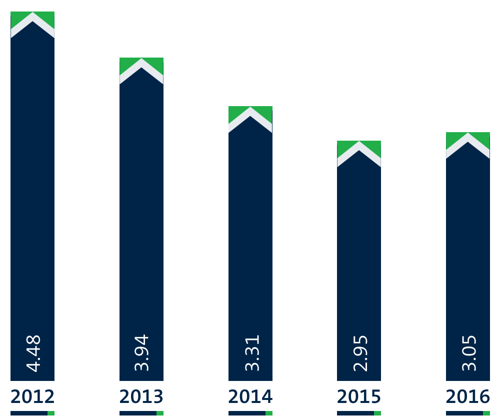


Most Imported Products



Source: Lebanese Customs

LEBANON'S YEARLY EXPORTS (IN USD BILLION)



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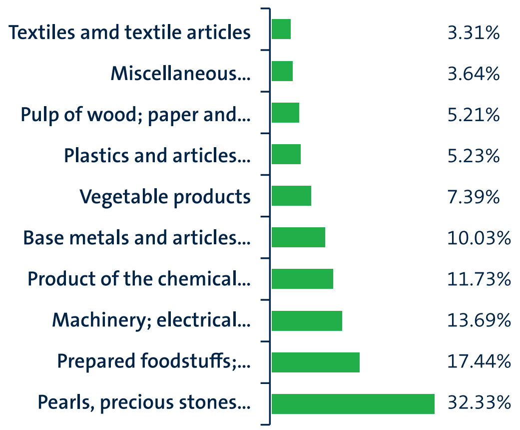
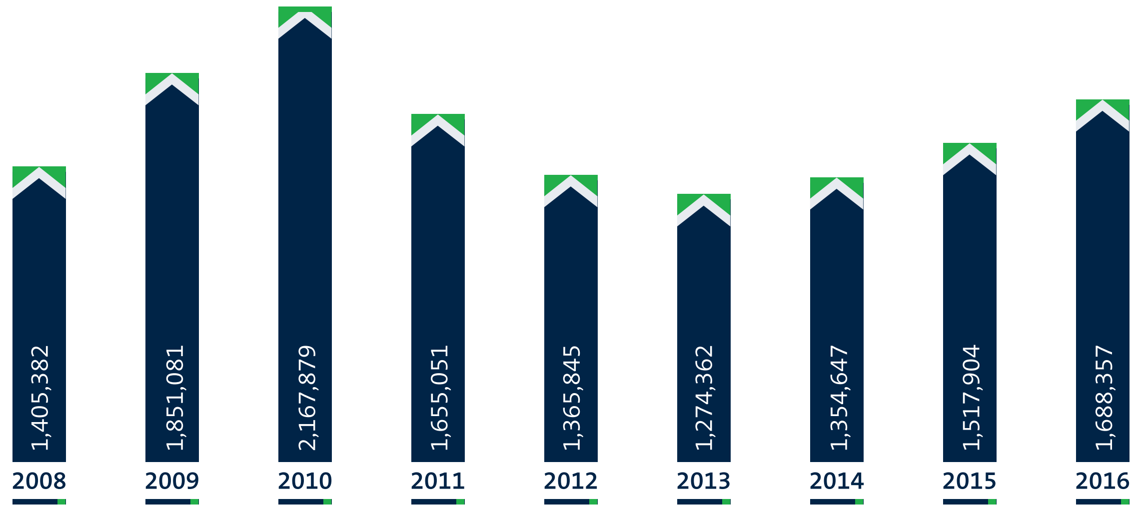


Source: Lebanese Customs

NUMBER OF FOREIGN VISITORS BY YEAR



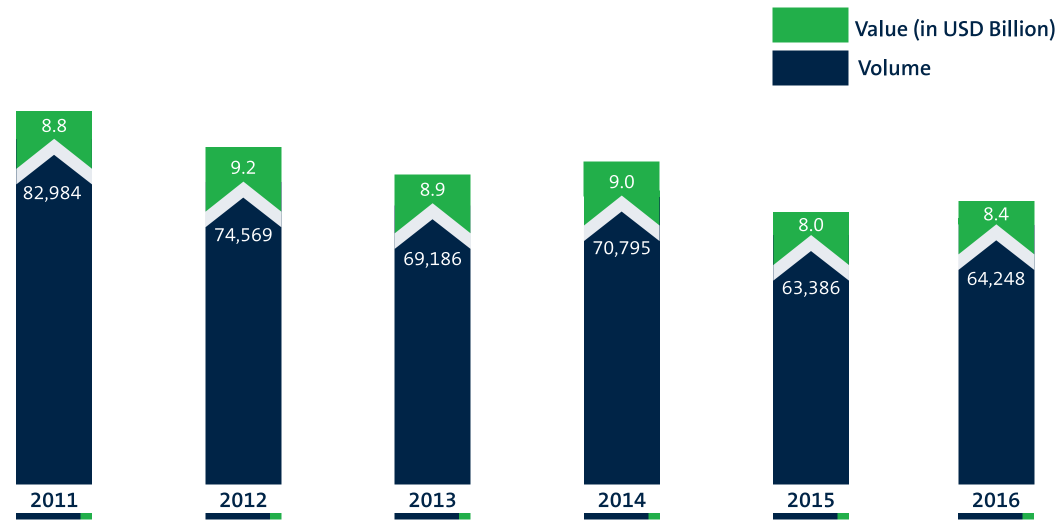
Source: Ministry of Tourism

THE LEBANESE BANKING SECTOR AT A GLANCE (2016)

Number of Lebanese Banks:	65 (incl. 16 investment banks)
Number of Branches in Lebanon:	1078
Total Workforce:	25,260
Total Assets:	USD 241 billion
Total Deposits:	USD 193.2 billion
Corporate and SME loans:	56%

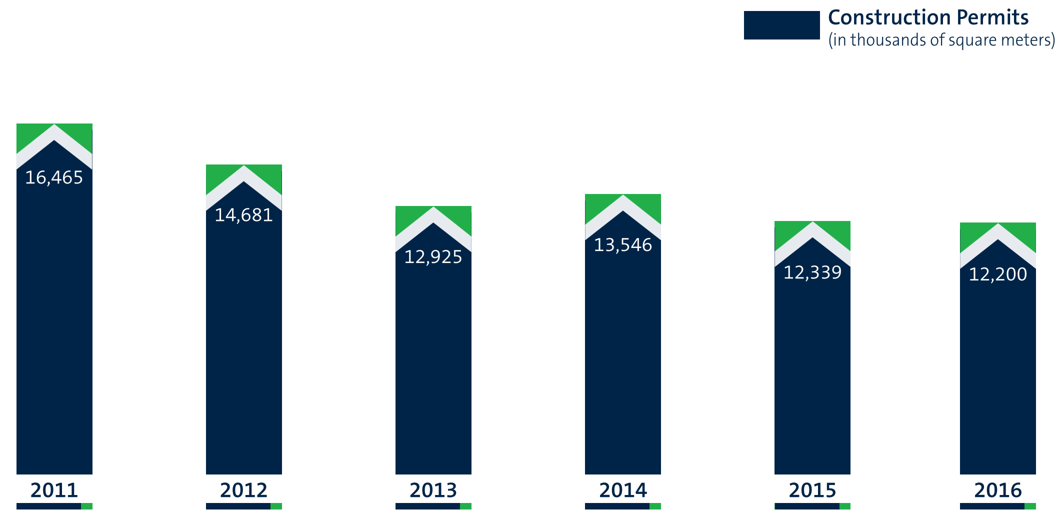
Source: Bankdata

VALUE AND VOLUME OF REAL ESTATE TRANSACTIONS (2011 – 2016)



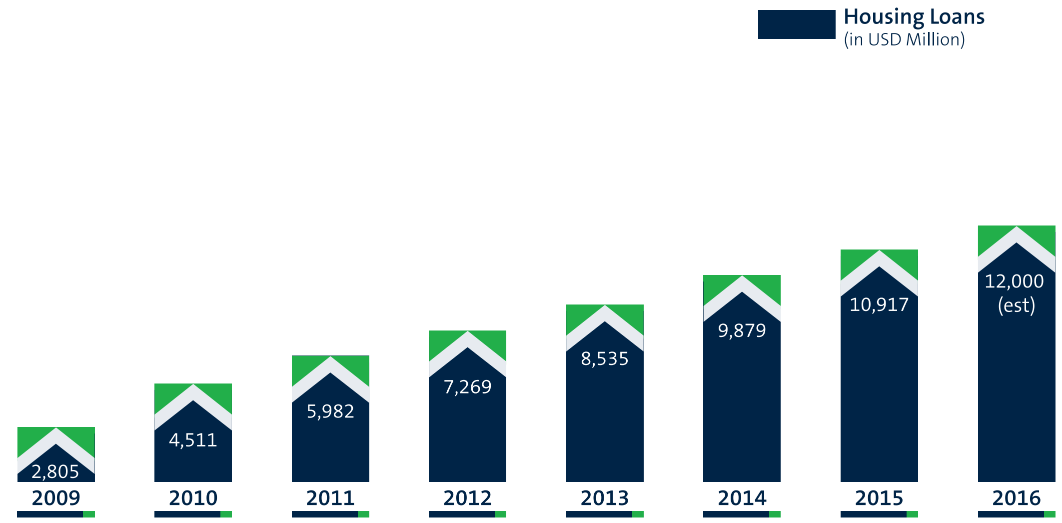
Source: Real Estate Registry

NUMBER OF CONSTRUCTION PERMITS (2011 – 2016)



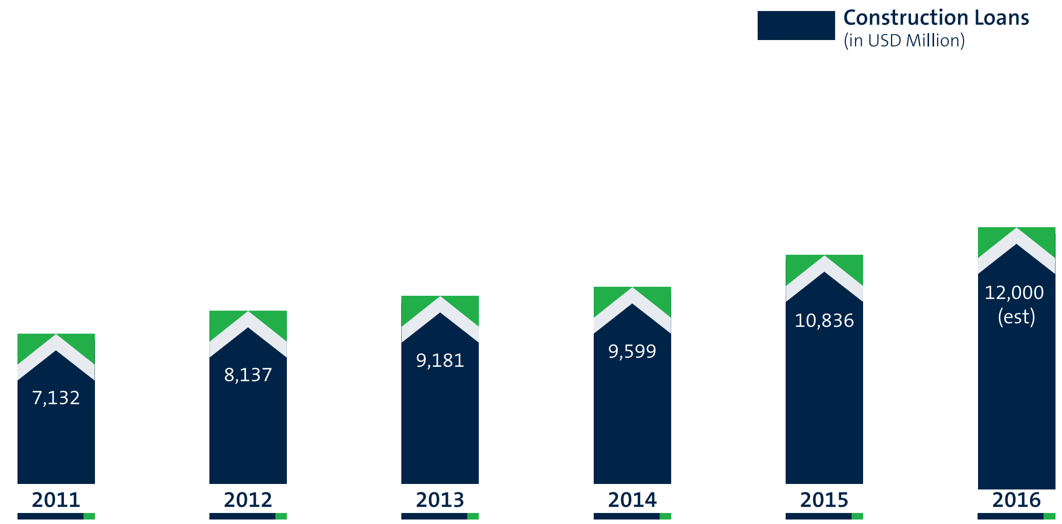
Source: Order of Engineers of Beirut and Tripoli

VALUE OF HOUSING LOANS (2009 – 2016)



Source: Central Bank of Lebanon

VALUE OF CONSTRUCTION LOANS (2011 – 2016)



Source: Central Bank of Lebanon

MANAGEMENT DISCUSSION & FINANCIAL ANALYSIS

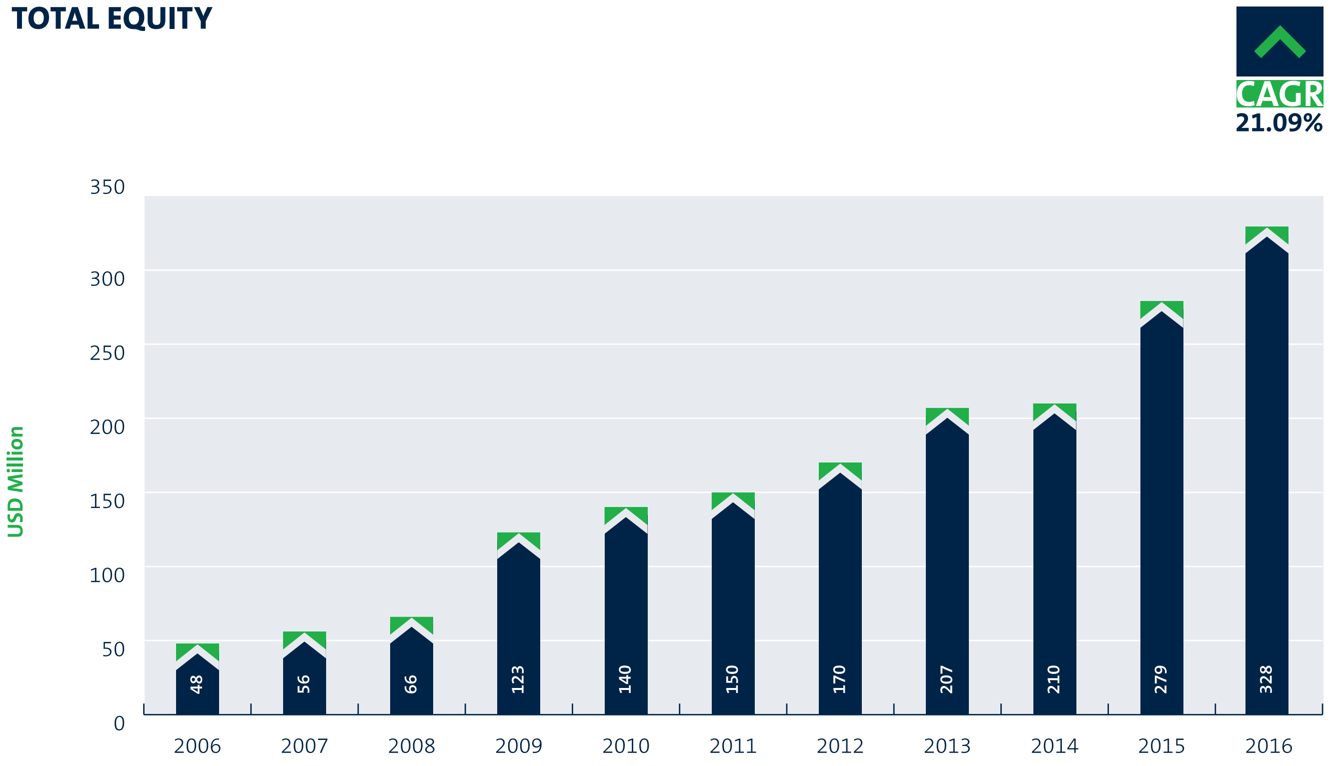
USD MILLION	2016	2015	2014	2013
Main Financial Indicators				
Total Assets	3,509	3,322	3,000	2,643
Customer Deposits	2,976	2,827	2,601	2,280
Net Loans	1,817	1,684	1,481	1,298
Net Liquid Assets	1,398	1,334	1,236	1,162
Shareholders' Equity	328	279	210	207
Total Operating Income	152	115	95	76
Net Profit	39	35	26	18
EBITA	100	57	42	28
Number of Branches (Local)	25	23	22	19
Number of Branches (Abroad)	2	19	15	14
Number of ATMs (Local)	48	44	43	37
Number of ATMs (Abroad)	6	64	64	55
Number of Employees (Local)	605	545	508	465
Number of Employees (Abroad)	141	529	508	404
Profitability & Efficiency Ratios (%)				
ROAA	1.15%	1.12%	0.91%	0.75%
ROAE	12.98%	14.40%	12.36%	9.62%
Leverage Multiplier	11.25	12.92	13.51	12.89
Spread	1.72%	2.13%	1.97%	1.96%
Net Interest Margin	2.04%	2.38%	2.23%	2.26%
Cost / Income	36.05%	52.67%	58.70%	67.45%
Assets Quality Ratios (%)				
Gross Non Performing loans / Gross Loans	5.93%	6.48%	4.02%	4.81%
NPL Provisions / Non Performing Loans	56.12%	46.85%	59.06%	33.62%

	2016	2015	2014	2013
Liquidity & Funding Ratios (%)				
Net Loans / Assets	51.78%	50.70%	49.36%	49.12%
Customer Deposits / Assets	84.81%	85.09%	86.70%	86.27%
Net Liquid Assets / Assets	39.83%	40.16%	41.20%	43.95%
Net Loans / Customer Deposits	61.06%	59.59%	56.93%	56.94%
Capital Adequacy Ratios (%)				
Total Capital Adequacy Ratio (CAR)	13.13%	12.79%	10.45%	11.04%
Equity / Total Assets	9.34%	8.41%	7.01%	7.85%
Internal Capital Growth	10.73%	11.87%	10.36%	5.34%
Growth Indicators (Creditbank)				
% Growth in Assets	5.62%	10.75%	13.49%	19.12%
% Growth in Deposits	5.28%	8.69%	14.06%	19.88%
% Growth in Net Loans	7.88%	13.75%	14.04%	20.16%
% Growth in Shareholders' Equity	17.32%	32.92%	1.32%	22.23%
% Growth in Total Operating Income	32.81%	20.23%	24.87%	8.14%
% Growth in Net Profit	11.72%	36.60%	42.27%	11.69%
Growth Indicators (Alpha Group)				
% Growth in Assets	6.07%	4.75%	9.85%	10.13%
% Growth in Deposits	3.67%	4.57%	8.93%	9.88%
% Growth in Net Loans	1.39%	5.86%	11.23%	15.62%
% Growth in Shareholders' Equity	10.69%	6.00%	11.86%	8.83%
% Growth in Total Operating Income	37.54%	6.93%	9.29%	3.31%
% Growth in Net Profit	10.47%	8.26%	8.90%	0.06%

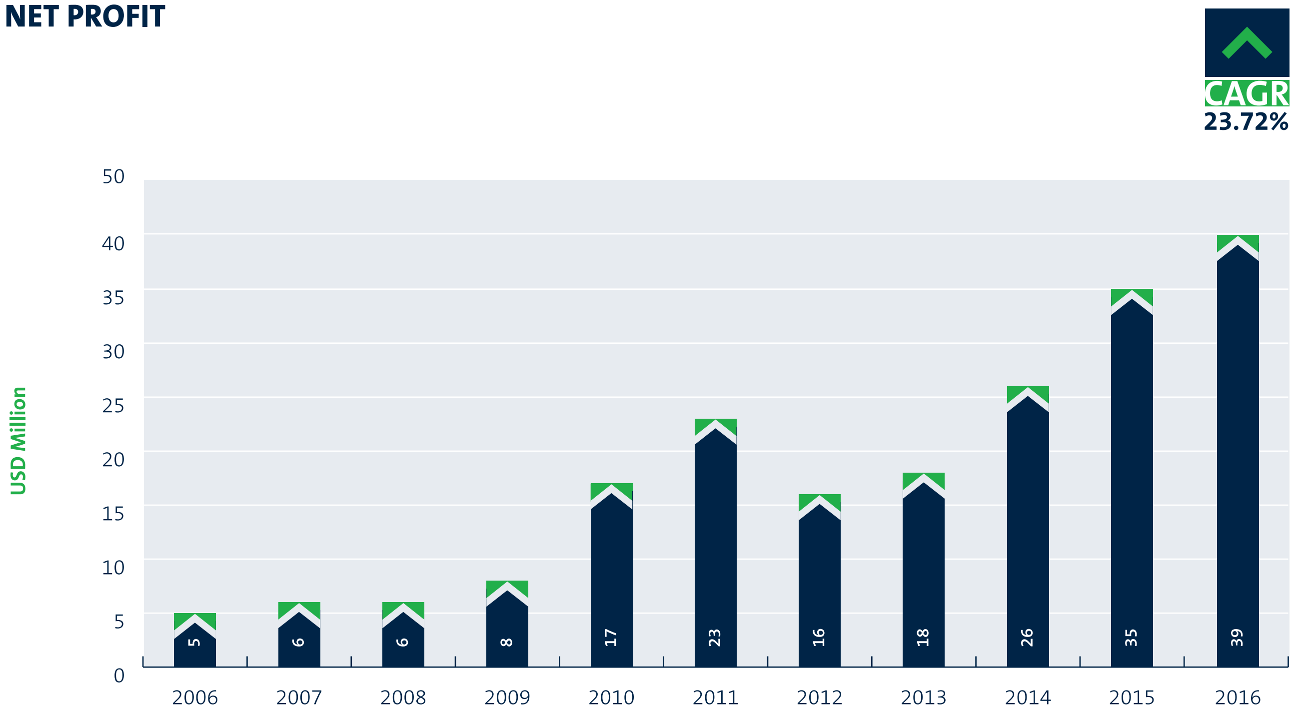
Note:
2016 Creditbank figures are based on deconsolidation of Anelik CJSC
Source of Alpha Group indicators: BANKDATA.

CUSTOMER DEPOSITS

TOTAL EQUITY

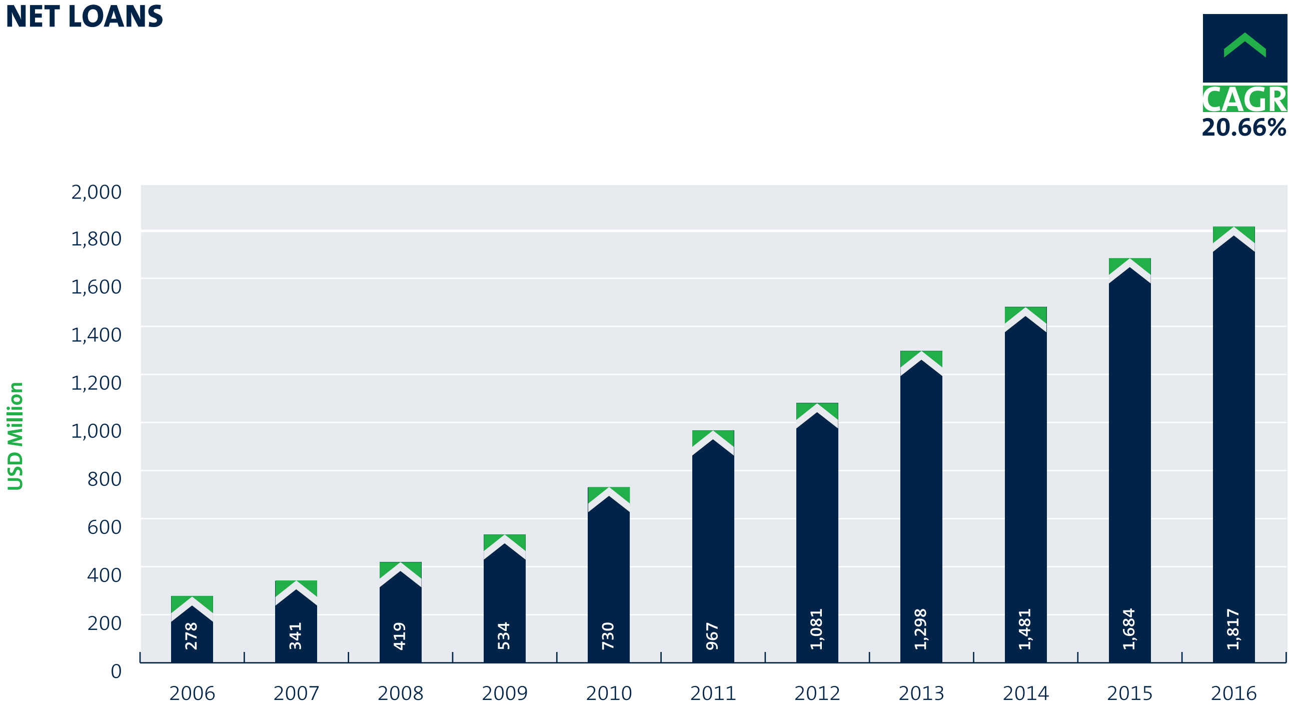


NET PROFIT

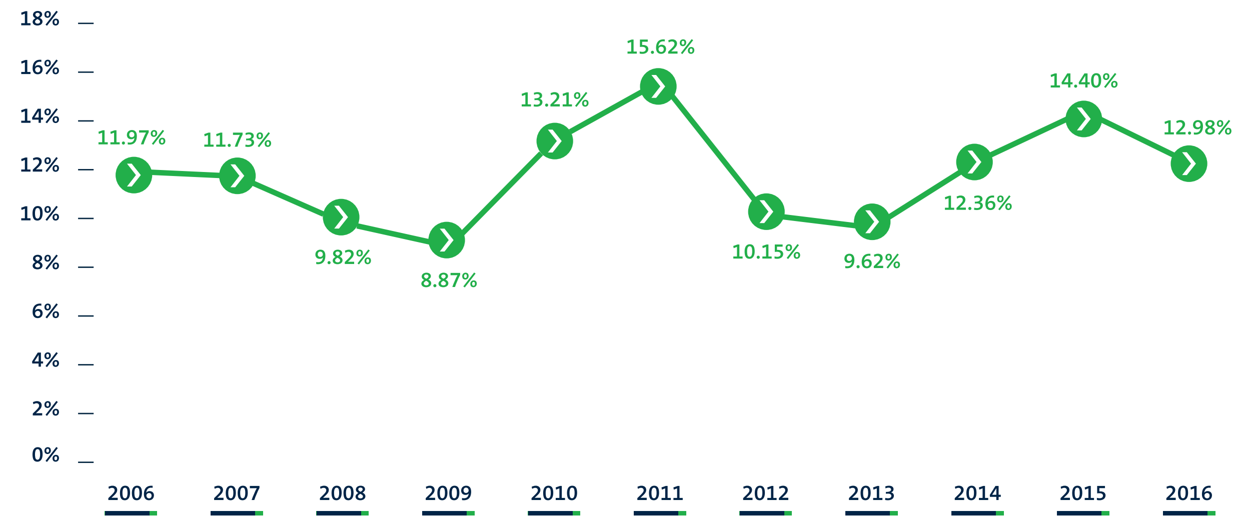


TOTAL ASSETS

NET LOANS



RETURN ON AVERAGE EQUITY



RETURN ON AVERAGE ASSETS

OVERVIEW

On December 31, 2016, the Group had 746 employees. Creditbank S.A.L. had a network of 25 branches in Lebanon. CB Anelik RU LLC, the Group's 100% owned subsidiary in the Russian Federation, had 2 branches. In addition, the Group owned 99.76% of insurance brokerage firm Credex S.A.L. and 99% of the real estate companies Baabda 1587 S.A.L. and Achrafieh 784 S.A.L.

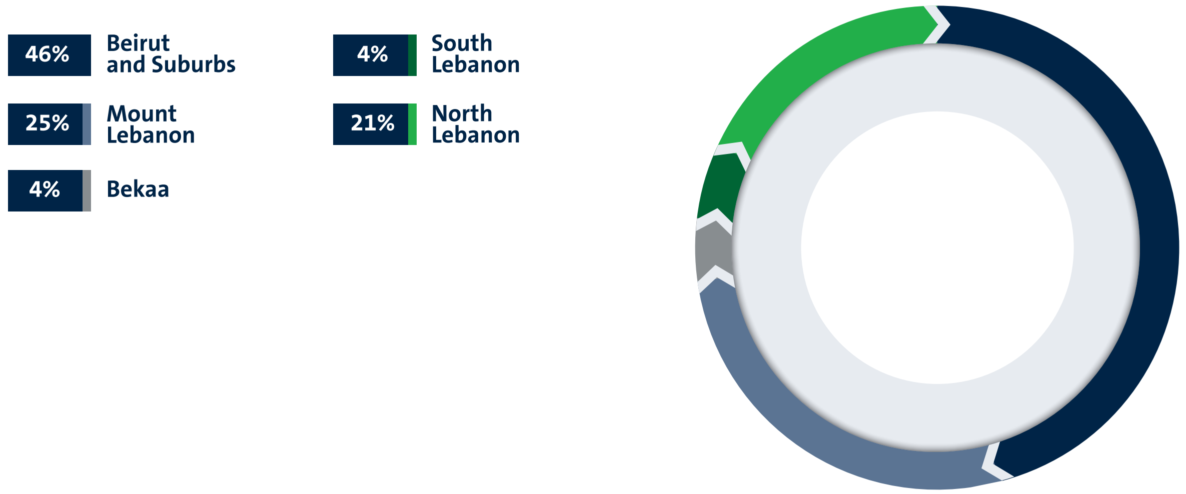
In October 2016, Creditbank, then as sole shareholder of Anelik Bank (CJSC), realized an increase in equity of the latter, by opening up the capital. Consequently, Creditbank landed with a participation in Anelik Bank (CJSC) of 40.3% of the new capital. Accordingly, Creditbank deconsolidated Anelik Bank (CJSC) from its financial statements.

It is recommended to take this event into account when studying the financial statements of the Group and analyzing the growth figures Creditbank recorded in 2016.

The following discussion covers the performance of the Group during the fiscal year 2016 in comparison with the previous year. The data are based on the Group's audited consolidated financial statements.

All USD amounts found in this section were converted using an LBP 1,507.5 = USD 1 rate.

GEOGRAPHICAL DISTRIBUTION OF ATMs IN LEBANON



TOTAL ASSETS

The following table shows the composition of the Group's total assets, as well as the percentage of total and percentage changes therein, on December 31, 2016, and December 31, 2015, respectively:

LBP MILLION	2016	% Total	2015	% Total	Growth	% Growth
Cash and Balances with Central Banks	1,662,757	31.4%	1,086,449	21.7%	576,308	53.0%
Banks and Financial Institutions	231,497	4.4%	176,663	3.5%	54,834	31.0%
Net Loans	2,739,272	51.8%	2,539,247	50.7%	200,025	7.9%
Investment Securities	381,265	7.2%	990,389	19.8%	(609,124)	-61.5%
Shares Acquired in Settlement of Debt	100,051	1.9%	89,987	1.8%	10,064	11.2%
Investments in Associates	69,030	1.3%	-	0.0%	69,030	N/A
Property and Equipment	70,118	1.3%	76,674	1.5%	(6,556)	-8.6%
Other Assets	36,194	0.7%	49,050	1.0%	(12,856)	-26.2%
Total Assets	**5,290,183**		**5,008,459**		**281,724**	**5.6%**

BREAKDOWN OF TOTAL ASSETS

Cash and Balances with Central Banks

Banks and Financial Institutions

Net Loans

Investment Securities

Shares Acquired in Settlement of Debt

Investments In associates

Property and Equipment

The growth of total assets continued in 2016 and reached 5.6% or LBP 281,724 million (USD 187 million). By December 31, 2016, the Group's total assets stood at LBP 5,290,183 million (USD 3,509 million), compared to LBP 5,008,459 million (USD 3,322 million) on December 31, 2015.

The Group's net loans recorded a growth of LBP 200,025 million (USD 133 million) or 7.9% to amount to LBP 2,739,272 million (USD 1,817 million) by the end of 2016, compared to LBP 2,539,247 million (USD 1,684 million) by the end of 2015.

Net loans and cash and balances with central banks constituted respectively 51.8% and 31.4% of the Group's total assets in 2016, compared to 50.7% and 21.7% in 2015.

Investment securities amounted to LBP 381,265 million (USD 253 million) by December 31, 2016, compared to LBP 990,389 million (USD 657 million) at December 31, 2015. They constituted 7.2% of total assets by December 31, 2016, compared to 19.8% by December 31, 2015.

The standalone figures illustrate the Bank's emphasis on sustainable growth. Total assets increased 9.9% or LBP 474,730 million (USD 315 million) to reach LBP 5,283,764 million (USD 3,505 million) on December 31, 2016, compared to LBP 4,809,034 million (USD 3,190 million) on December 31, 2015.

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

The following table sets out the composition of the Group's loan portfolio as defined by the borrower's business segment, as well as the percentage of total and changes therein, on December 31, 2016, and December 31, 2015, respectively:

LBP MILLION	2016	% of portfolio	2015	% of portfolio	Growth	% Growth
Retail	635,119	23.2%	640,997	25.2%	(5,878)	-0.9%
SME	1,707,791	62.3%	1,581,614	62.3%	126,177	8.0%
Corporate	396,362	14.5%	316,636	12.5%	79,726	25.2%
Total	**2,739,272**		**2,539,247**		**200,025**	**7.9%**

Corporate lending amounted to LBP 396,362 million (USD 263 million) on December 31, 2016, compared to LBP 316,636 million (USD 210 million) on December 31, 2015, reflecting a year on year increase of 25.2%.

SME lending reached LBP 1,707,791 million (USD 1,133 million) on December 31, 2016, compared to LBP 1,581,614 million (USD 1,049 million) on December 31, 2015, reflecting a year on year increase of 8%.

Retail lending amounted to LBP 635,119 million (USD 421 million) on December 31, 2016, compared to LBP 640,997 million (USD 425 million) on December 31, 2015, reflecting a year on year decrease of 0.9%. The decrease in 2016 was mainly due to the deconsolidation of Anelik CJSC.

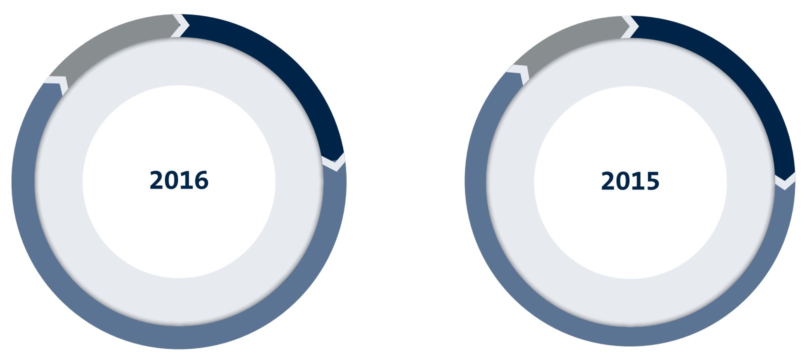
Corporate, SME, and Retail loans constituted 14.5%, 62.3% and 23.2% of total loans respectively on December 31, 2016, compared to 12.5%, 62.3%, and 25.2% on December 31, 2015.

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Retail

SME

Corporate

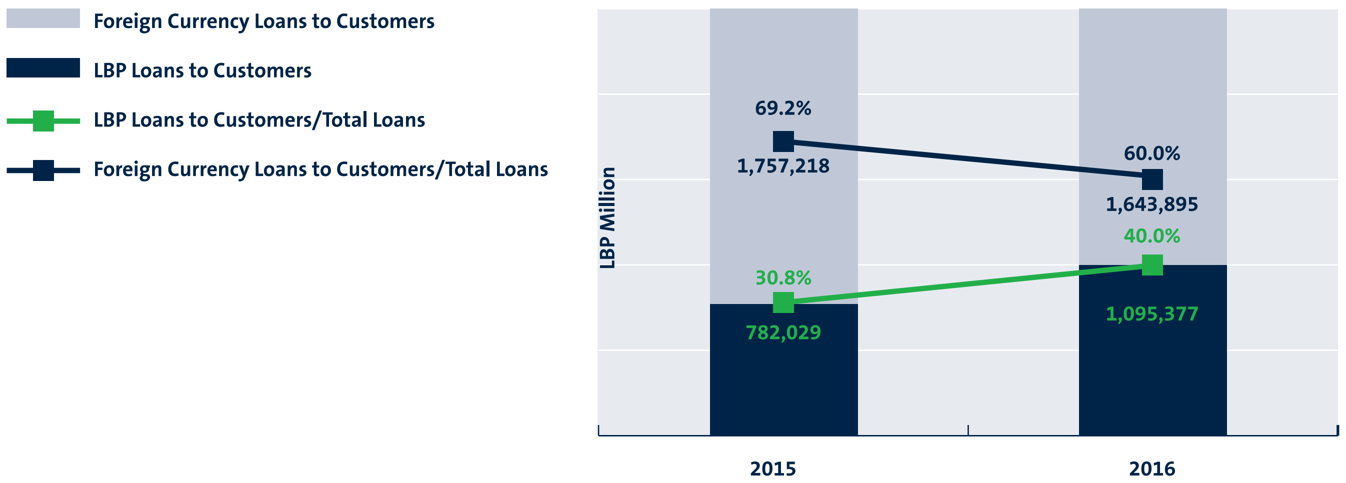


DISTRIBUTION OF LOANS BY CURRENCY

The following table sets out the composition of the Group's loan portfolio by currency, as well as the percentage changes therein on December 31, 2016, and December 31, 2015, respectively:

LBP MILLION	2016	2015	Growth	% Growth
LBP Loans to Customers	1,095,377	782,029	313,349	40.1%
Foreign Currency Loans to Customers	1,643,895	1,757,218	(113,324)	-6.4%
Total	**2,739,272**	**2,539,247**	**200,025**	**7.9%**

LOANS BY CURRENCY



Loans to customers in LBP represented 40% or LBP 1,095,377 million (USD 727 million) of total loans by December 31, 2016, whereas loans to customers in foreign currencies represented 60% or LBP 1,643,895 million (USD 1,090 million) of total loans.

By December 31, 2015, loans to customers in LBP represented 30.8% or LBP 782,029 million (USD 519 million), while loans in foreign currencies represented 69.2% or LBP 1,757,218 million (USD 1,166 million) of total loans.

Loans in LBP recorded a 40.1% increase in 2016 compared to 2015, whereas, mainly due to the deconsolidation of Anelik CJSC, loans in FC decreased by 6.4%.

Standalone loans to customers reached LBP 2,738,791 million (USD 1,817 million) by the end of 2016, compared to LBP 2,349,805 million (USD 1,559 million) by the end of 2015. By the end of 2016, a growth of LBP 388,986 million (USD 258 million) or 16.6 % was recorded and distributed among LBP and FC loans: LBP 313,349 million (USD 208 million) and LBP 75,637 million (USD 50 million) respectively.

DISTRIBUTION OF LOANS BY LOCATION

The following table shows the composition of the Group's loan portfolio by geographical location, as well as the percentage of total and percentage changes therein, on December 31, 2016, and December 31, 2015, respectively:

LBP MILLION	2016	% of Total	2015	% of Total	Growth	% Growth
Lebanon	2,402,274	87.8%	2,030,399	80.0%	371,875	18.3%
Americas	33,513	1.2%	26,259	1.0%	7,254	27.6%
Europe	137,062	5.0%	317,382	12.5%	(180,320)	-56.8%
Asia Pacific	213	0.0%	268	0.0%	(55)	-20.5%
Middle East and Africa	165,362	6.0%	164,713	6.5%	649	0.4%
Australia	848	0.0%	225	0.0%	623	276.9%
Total Loans	**2,739,272**		**2,539,246**		**200,025**	**7.9%**

The majority of the Group's loan portfolio concerned Lebanon, amounting to 87.8% by December 31, 2016, compared to 80% by December 31, 2015.

The loan portfolio concerning the Middle East and Africa, Europe, and Americas constituted 6%, 5%, and 1.2% of the total loan portfolio by the end of 2016, compared to 6.5%, 12.5% and 1% by the end of 2015.

The loan portfolio regarding Lebanon witnessed a year on year growth of LBP 371,875 million (USD 247 million) or 18.3% to reach LBP 2,402,274 million (USD 1,594 million) by December 31, 2016, compared to LBP 2,030,399 million (USD 1,347 million) by December 31, 2015.

The loan portfolio regarding Europe on December 31, 2016, decreased by LBP 180,320 million (USD 120 million), mainly as a result of the deconsolidation of Anelik CJSC.

DISTRIBUTION OF LOANS BY ECONOMIC SECTOR

The following table shows the composition of the Group's loan portfolio by the borrower's economic activity, as well as the percentage of total and changes therein, by December 31, 2016, and December 31, 2015, respectively:

LBP Million	2016	% of Total	2015	% of Total	Growth	% Growth
Enterprises and buildings	664,097	24.24%	565,774	22.28%	98,324	17.4%
Individuals	579,907	21.17%	625,622	24.64%	-45,715	-7.3%
Real Estate, rental, and other services	356,227	13.00%	222,422	8.76%	133,805	60.2%
Trade	328,987	12.01%	307,350	12.10%	21,638	7.0%
Manufacturing industries	201,830	7.37%	217,287	8.56%	-15,457	-7.1%
Financial activities	184,604	6.74%	145,992	5.75%	38,612	26.4%
Hotels, apartments, and restaurants	124,620	4.55%	134,555	5.30%	-9,935	-7.4%
Social and sanitary services	111,293	4.06%	111,565	4.39%	-272	-0.2%
Electricity, gas, and petrol	61,628	2.26%	65,258	2.57%	-3,630	-5.6%
Transportation and communication services	39,220	1.44%	51,933	2.05%	-12,713	-24.5%
Agriculture, fishing, and cultivation	37,906	1.38%	42,834	1.69%	-4,928	-11.5%
Other services	31,343	1.14%	30,829	1.21%	513	1.7%
Educational, media, legal, consultancy, and administrative services	10,910	0.40%	9,532	0.38%	1,377	14.5%
Excavation industries	6,640	0.24%	8,171	0.32%	-1,531	-18.7%
Public administration and social security services	60	0.00%	123	0.00%	-63	-51.2%
Total	**2,739,272**		**2,539,247**		**200,025**	**7.9%**

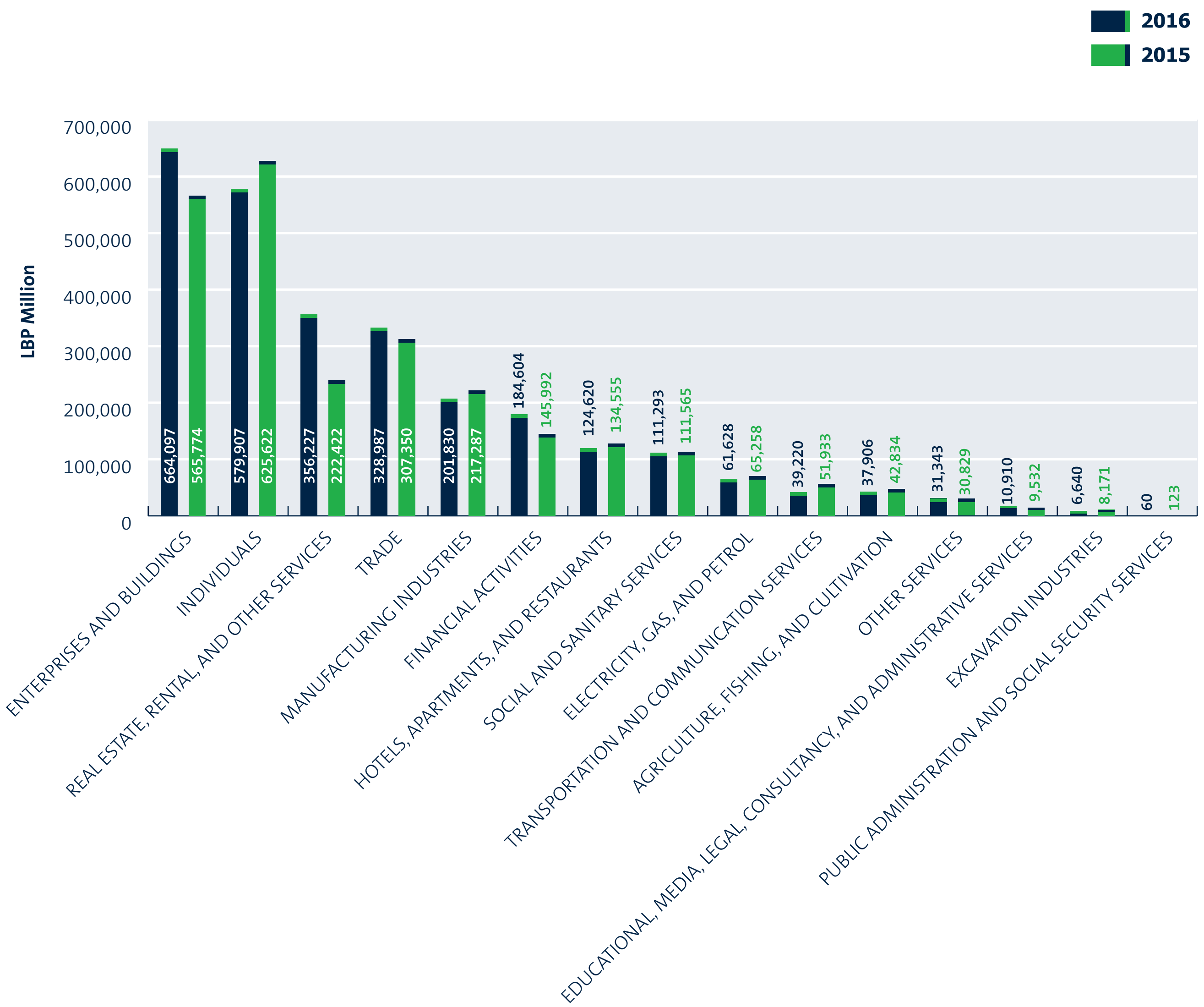
In 2016, loans concerning enterprises and buildings increased by 17.4% or LBP 98,324 million (USD 65 million) to reach LBP 664,097 million (USD 441 million) or 24.24% of the Group's total loans by December 31, 2016.

Loans to individuals constituted 21.17% of total loans reaching LBP 579,907 million (USD 385 million) on December 31, 2016, compared to LBP 625,222 million (USD 415 million) on December 31, 2015.

Real Estate, rental, and other services constituted 13 % of total loans reaching LBP 356,227 million (USD 236 million) on December 31, 2016, compared to LBP 222,422 million (USD 148 million) on December 31 2015, representing a significant growth of 60.2% or LBP 133,805 million (USD 89 million) in 2016.

Trade, manufacturing industries and financial activities loans amounted to LBP 328,987 million (USD 218 million), LBP 201,830 million (USD 134 million) and LBP 184,604 million (USD 122 million) on December 31, 2016, which represented 12.01%, 7.37% and 6.74% of total loans respectively.

LOANS BY ECONOMIC SECTOR



GROSS AND NET LOANS

The following tables set out the composition of the Group's gross and net loans portfolio by loan classification, as well as the percentage of total and percentage changes therein by December 31, 2016, and December 31, 2015, respectively:

Gross Loans

LBP Million	2016	% Total	2015	% Total	Growth	% Growth
Low fair risk/follow up (1 - 2)	1,889,209	66.6%	1,890,832	72.3%	(1,623)	-0.1%
Watch/Special mention (3)	776,380	27.4%	558,244	21.3%	218,136	39.1%
Substandard (4)	30,363	1.1%	13,122	0.5%	17,241	131.4%
Doubtful (5)	124,188	4.4%	144,854	5.5%	(20,666)	-14.3%
Bad (6)	13,385	0.5%	11,675	0.4%	1,709	14.6%
Total Gross Loans	**2,833,524**		**2,618,727**		**214,797**	**8.2%**

Net Loans

LBP Million	2016	% Total	2015	% Total	Growth	% Growth
Low fair risk/follow up (1 - 2)	1,883,899	68.9%	1,883,955	74.2%	(56)	0.0%
Watch/Special mention (3)	775,565	28.3%	557,380	22.0%	218,185	39.1%
Substandard (4)	26,637	1.0%	9,874	0.4%	16,763	169.8%
Doubtful (5)	53,171	1.8%	88,038	3.5%	(34,866)	-39.6%
Bad (6)	0	0.0%	1	0.0%	(1)	N/A
Total Net Loans	**2,739,272**		**2,539,247**		**200,025**	**7.9%**

On December 31, 2016, 68.9% and 28.3% of the Group's net loan portfolio were classified as good loans and watch loans respectively. Only 2.8% were classified as substandard and doubtful loans. The figures show the overall quality of the Group's loan portfolio.

LOANS CLASSIFICATION

The Group classifies its counterparties according to the six rating classes defined by the Central Bank of Lebanon (BDL) and the Banking Control Commission of Lebanon (BCC) requirements as follows:

- Low fair risk / Normal and follow up (grades 1 and 2) – types of loans that are expected to be repaid on a timely and consistent basis; for grade 2, the client file is not complete;

- Watch / Special mention (grade 3) – type of loan that is expected to be repaid but current conditions lead to believe that the probability of repayment would be lowered;

- Substandard (grade 4) – type of loan where the client is witnessing difficult financial conditions and might not be in a position to settle the loan in full;

- Doubtful (grade 5) – type of loan where there is no movement in the client's balance;

- Bad (grade 6) – type of loan where the probability of repayment is low and almost nil.

DISTRIBUTION OF LOANS BY COLLATERAL TYPE

The following table sets out the composition of the Group's loan portfolio by type of collateral as well as the percentage of total and percentage changes therein on December 31, 2016, and 2015, respectively:

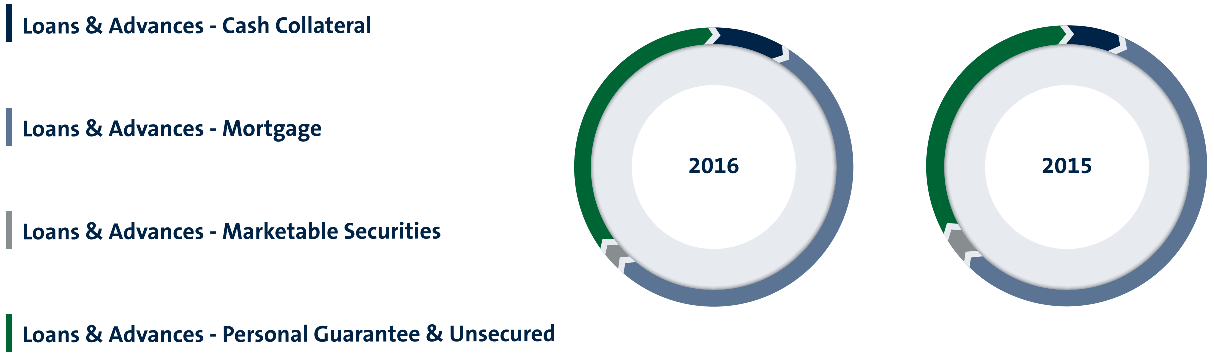
LBP Million	2016	% of Total	2015	% of Total	Growth	% Growth
Loans & Advances - Cash Collateral	236,163	8.7%	176,448	6.9%	59,715	33.8%
Loans & Advances - Mortgage	1,468,516	53.6%	1,431,079	56.4%	37,437	2.6%
Loans & Advances - Marketable Securities	77,788	2.8%	99,378	3.9%	(21,590)	-21.7%
Loans & Advances - Personal Guarantee & Unsecured	956,805	34.9%	832,342	32.8%	124,463	15.0%
Total	**2,739,272**		**2,539,247**		**200,025**	**7.9%**
Secured Loans as % of Total Loans	65.1%		67.2%			

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

Types of guarantee include cash collateral, mortgages over land and other property and securities (e.g. debt and equity securities).

The Group's high percentage of secured loans on December 31, 2016, and 2015 respectively, reflects the Group's conservative policies in regards to collateral requirements.

LOANS AND ADVANCES BY COLLATERAL TYPE



INVESTMENT SECURITIES

The following tables set out the composition of the Group's investment securities by December 31, 2016, and 2015, respectively:

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
As at 31 December 2016					
Lebanese Government Treasury Bills and Eurobonds	-	50,147	225,079	-	275,227
Treasury Bills Pledged Under Repurchase Agreements	-	-	-	-	-
Certificates of Deposit	-	21,245	70,853	-	92,098
Corporate Bonds	-	-	754	-	754
Equity Securities	1,267	-	-	5,053	6,320
Funds	-	2,638	1,857	-	4,495
Interest Receivable	-	969	1,403	-	2,371
Total By Category	**1,267**	**74,999**	**299,945**	**5,053**	**381,265**
As at 31 December 2015					
Lebanese Government Treasury Bills and Eurobonds	-	57,965	49,091	-	107,055
Treasury Bills Pledged Under Repurchase Agreements	-	-	1,200	-	1,200
Certificates of Deposit	-	44,736	803,457	-	848,194
Corporate Bonds	-	-	656	-	656
Equity Securities	1,353	-	-	4,027	5,380
Funds	-	2,638	2,637	-	5,275
Interest Receivable	-	2,061	20,569	-	22,629
Total By Category	**1,353**	**107,400**	**877,610**	**4,027**	**990,389**

TOTAL LIABILITIES AND EQUITY

The following table sets out the composition of the Group's total liabilities and equity, as well as the percentage of total and percentage changes therein by December 31, 2016, and 2015, respectively:

LBP Million	2016	% Total	2015	% Total	Growth	% Growth
Due to Banks and Financial Institutions	168,350	3.2%	242,189	4.8%	(73,839)	-30.5%
Deposits From Customers and Related Parties	4,486,388	84.9%	4,261,464	85.2%	224,924	5.3%
Other Liabilities	76,654	1.4%	76,828	1.5%	(173)	-0.2%
Provisions	64,745	1.2%	6,868	0.1%	57,877	842.7%
Total Liabilities	**4,796,137**	**90.7%**	**4,587,349**	**91.6%**	**208,788**	**4.6%**
Equity	494,046	9.3%	421,110	8.4%	72,936	17.3%
Total Liabilities & Equity	**5,290,183**		**5,008,459**		**281,724**	**5.6%**

The Group's total liabilities reached LBP 4,796,137 million (USD 3,182 million) by December 31, 2016, compared to LBP 4,587,349 million (USD 3,043 million) by December 31, 2015. The increase of LBP 208,788 million (USD 138 million) or 4.6% was mainly due to a LBP 224,924 million (USD 149 million) or 5.3% growth in deposits from customers and related parties.

By December 31, 2016, total equity increased by LBP 72,936 million (USD 48 million) or 17.3% to reach LBP 494,046 million (USD 328 million), compared to LBP 421,110 million (USD 279 million) by December 2015. Its share of total liabilities and equity reached 9.3% in 2016 compared to 8.4% in 2015.

Total liabilities and equity amounted to LBP 5,290,183 million (USD 3,509 million) by December 31, 2016, compared to LBP 5,008,459 million (USD 3,322 million) by December 31, 2015.

Deposits from customers and related parties constituted 84.9%, the largest share of total liabilities and equity by the end of December 2016 compared to 85.2% by the end of December 2015.

Continuing the growth, total standalone liabilities recorded a 9.7% increase in 2016 and reached LBP 4,788,076 million (USD 3,176 million) by December 31, 2016, compared to LBP 4,363,210 million (USD 2,894 million) by December 31, 2015. The increase was mainly due to a 9.4% growth of deposits from customers and related parties. The latter increased from LBP 4,099,871 million (USD 2,720 million) on December 31, 2015 to LBP 4,485,404 million (USD 2,975 million) on December 31, 2016.

DEPOSITS FROM CUSTOMERS & RELATED PARTIES

The following table shows the composition of the Group's deposits by type of account, as well as the percentage of total and percentage changes therein on December 31, 2016, and 2015, respectively:

LBP Million	2016	% of Total	2015	% of Total	Growth	% Growth
Term Deposits	2,427,266	54.1%	1,940,947	45.5%	486,319	25.1%
Savings	1,358,639	30.3%	1,651,602	38.8%	(292,963)	-17.7%
Net Creditor and Cash Collateral Against Debtor Accounts	357,443	8.0%	289,449	6.8%	67,995	23.5%
Current Deposits	263,368	5.9%	274,060	6.4%	(10,692)	-3.9%
Deposits Under Fiduciary Contracts	36,180	0.8%	60,003	1.4%	(23,823)	-39.7%
Interest Payable	28,129	0.6%	26,474	0.6%	1,654	6.2%
Deposits from Related Parties	10,784	0.2%	14,321	0.4%	(3,537)	-24.7%
Margins on Letter of Credits	4,579	0.1%	4,608	0.1%	(29)	-0.6%
Total Deposits	**4,486,388**		**4,261,464**		**224,924**	**5.3%**

BREAKDOWN OF DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

Deposits from customers and related parties continued to be the Group's main source of funding. Constituting 84.9% and 85.2% of the Group's total liabilities and equity, they amounted to LBP 4,486,388 million (USD 2,976 million) and LBP 4,261,464 million (USD 2,827 million) on December 31, 2016, and December 31, 2015, respectively.

Term deposits increased by 25.1% or LBP 486,319 million (USD 323 million) to reach LBP 2,427,266 million (USD 1,610 million) or 54.1% of total customers and related parties deposits by the end of 2016, compared to LBP 1,940,947 million (USD 1,288 million) or 45.5% of total deposits from customers and related parties by the end of 2015.

Savings, net creditor and cash collateral against debtor accounts and current deposits constituted 30.3%, 8% and 5.9% of total deposits from customers and related parties on December 31, 2016, compared to 38.8%, 6.8%, and 6.4% on December 31, 2015.

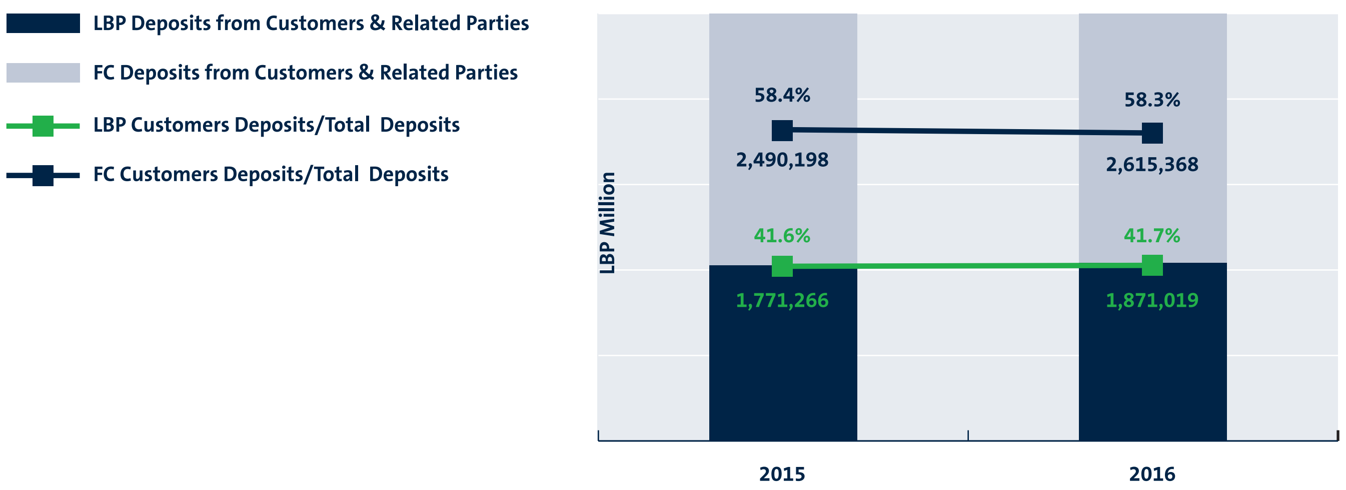
The standalone deposits from customers and related parties amounted to LBP 4,485,404 million (USD 2,975 million) on December 31, 2016, compared to LBP 4,099,871 (USD 2,720 million) on December 31, 2015, realizing a year on year growth of 9.4% or LBP 385,533 million (USD 256 million).

DISTRIBUTION OF DEPOSITS BY CURRENCY

The following table sets out the composition of the Group's deposit portfolio by currency, as well as percentage changes therein on December 31, 2016, and 2015, respectively:

LBP Million	2016	2015	Growth	% Growth
LBP Deposits from Customers & Related Parties	1,871,019	1,771,266	99,753	5.6%
FC Deposits from Customers & Related Parties	2,615,368	2,490,198	125,170	5.0%
Total Deposits	**4,486,388**	**4,261,464**	**224,924**	**5.3%**

DEPOSITS BY CURRENCY



Total deposits from customers and related parties in 2016 grew by 5.3% or LBP 224,924 million (USD 149 million), LBP 125,170 million (USD 83 million) of which in foreign currencies and LBP 99,753 million (USD 66 million) in Lebanese Pounds.

Deposits from customers and related parties by December 31, 2016 reached LBP 4,486,388 million (USD 2,976 million) of which 41.7% or LBP 1,871,019 million (USD 1,241 million) in Lebanese Pounds and 58.3% or LBP 2,615,368 million (USD 1,735 million) in foreign currencies.

On December 31, 2015, deposits from customers and related parties reached LBP 4,261,464 million (USD 2,827 million), of which 41.6% or LBP 1,771,266 million (USD 1,175 million) in Lebanese Pounds and 58.4% or LBP 2,490,198 million (USD 1,652 million) in foreign currencies.

The standalone deposits from customers and related parties increased by 9.4% reaching LBP 4,485,404 million (USD 2,975 million) by December 31, 2016, compared to LBP 4,099,871 million (USD 2,720 million) by December 31, 2015. The percentage distribution of the deposits in Lebanese Pounds and foreign currencies stood at 41.8% and 58.2% respectively by December 31, 2016, compared to 43.3% and 56.7% by December 31, 2015.

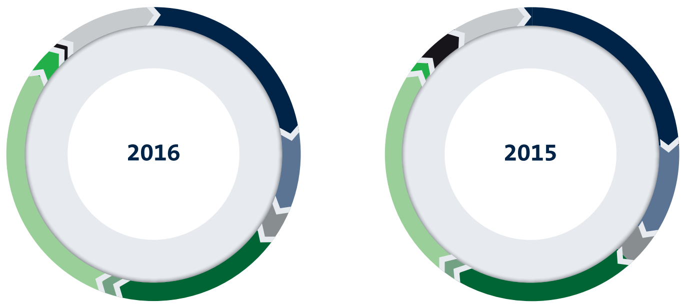
TOTAL EQUITY

The following table sets out the composition of the Group's total equity, as well as the percentage of total and changes therein on December 31, 2016, and 2015 respectively:

LBP Million	2016	% Total	2015	% Total	Growth	% Growth
Share Capital - Common Shares	112,119	22.6%	112,119	26.7%	-	0.0%
Share Capital - Preferred Shares	47,500	9.6%	47,500	11.3%	-	0.0%
Share Premium - Common Shares	17,274	3.5%	17,274	4.1%	-	0.0%
Share Premium - Preferred Shares	95,712	19.4%	95,712	22.7%	-	0.0%
Cash Contribution to Capital	10,854	2.2%	10,854	2.6%	-	0.0%
Reserves	144,102	29.2%	108,807	25.8%	35,295	32.4%
Non-Distributable Retained Earnings	18,050	3.7%	8,883	2.1%	9,166	103.2%
Translation Reserve	(5,635)	-1.1%	(21,789)	-5.2%	16,154	-74.1%
Retained Earnings	54,022	10.9%	41,712	9.9%	12,311	29.5%
Equity Attributable to Equity Holders of the Bank	**493,998**	**100.0%**	**421,072**	**100.0%**	**72,926**	**17.3%**
Non-Controlling Interest	48	0.0%	38	0.0%	10	27.2%
Total Equity	**494,046**	**100.0%**	**421,110**	**100.0%**	**72,936**	**17.3%**

TOTAL EQUITY

- Share Capital - Common Shares
- Share Capital - Preferred Shares
- Share Premium - Common Shares
- Share Premium - Preferred Shares
- Cash Contribution to Capital
- Reserves
- Non-Distributable Retained Earnings
- Translation Reserve
- Retained Earnings



The Group's total equity recorded a growth of LBP 72,936 million (USD 48 million) or 17.3% to amount to LBP 494,046 million (USD 328 million) by December 31, 2016, compared to LBP 421,110 million (USD 279 million) at December 31, 2015.

Growth in 2016 was mainly due to an increase of 32.4% or LBP 35,295 million (USD 23 million) in reserves.

The translation reserve reached LBP -5,635 million (USD -4 million) on December 31, 2016, compared to LBP-21,789 million (USD -14 million) on December 31, 2015. The variation was due to the deconsolidation of Anelik Bank CJSC.

PROFITABILITY

The following table sets out the composition of the Group's profitability, as well as the percentage changes therein for the year 2016 and 2015, respectively:

LBP Million	2016	2015	Growth	% Growth
Net Interest Income	100,158	108,423	(8,265)	-7.6%
Net Fees and Commissions Income	20,731	21,536	(805)	-3.7%
Net Profits on Financial Operations	97,057	32,967	64,090	194.4%
Other Revenue	7,724	9,719	(1,995)	-20.5%
Gain from investment in associate	3,618	-	3,618	N/A
Total Operating Income (Before Impairment)	**229,288**	**172,645**	**56,643**	**32.8%**
Net Impairment Loss on Loans and Advances to Customers	(11,943)	(19,014)	7,071	-37.2%
Impairment Charges - Collective Provision	(56,318)	-	(56,318)	N/A
Total Operating Income (After Impairment)	**161,027**	**153,631**	**7,396**	**4.8%**
Operating Expenses	(78,386)	(86,357)	7,971	-9.2%
Depreciation & Amortization	(4,274)	(4,568)	293	-6.4%
Tax Expense	(18,988)	(9,558)	(9,430)	98.7%
Net Income	**59,379**	**53,148**	**6,230**	**11.7%**
Bank's Share	**59,368**	**53,139**		
Dividend on Preferred Shares Series 2	2,186	2,186		
Dividend on Preferred Shares Series 3	3,279	3,279		
Dividend on Preferred Shares Series 4	2,186	2,186		
Dividend on Preferred Shares Series 5	2,637	1,662		
Net Income related to Common Shares	49,080	43,826		
Number of Common Shares During the Period	2,242,383	2,242,383		
Earnings per Common Share (In LBP)	21,887	19,544		

The Group in 2016 recorded an after tax net income of LBP 59,379 million (USD 39 million) compared to LBP 53,148 million (USD 35 million) in 2015, reflecting year on year growth of 11.7% or LBP 6,230 million (USD 4 million).

Net profits on financial operations amounted to LBP 97,057 million (USD 64 million) on December 31, 2016, compared to LBP 32,967 million (USD 22 million) on December 31, 2015. A growth of 194.4% or LBP 64,090 million (USD 43 million) was achieved due to the BDL's financial engineering operations.

During November 2016, the Central Bank of Lebanon issued Intermediate Circular number 439, which required banks operating in Lebanon to constitute collective provision equivalent to 2% of consolidated risk weighted loans and advances to customers. This provision amounted to LBP 43,726,000 thousands as at 31 December 2016. In addition, the Bank constituted an additional collective provision amounting to LBP 12,591,844 thousands.

The Group realized a Return on Average Assets of 1.15 % in 2016, compared to 1.12% in 2015.

OPERATING INCOME

The following table shows the composition of the Group's operating income, as well as the percentage changes therein for the year 2016, and 2015, respectively:

LBP Million	2016	2015	Growth	% Growth
Balances with Central Banks	52,432	40,554	11,878	29.3%
Banks and Financial Institutions	14,966	445	14,521	3263.7%
Loans and Advances to Customers and Related Parties	196,519	215,983	(19,464)	-9.0%
Investment Securities	63,481	74,686	(11,206)	-15.0%
Other Interest Income	-	8	(8)	-100.0%
Total Interest Income	**327,397**	**331,677**	**(4,279)**	**-1.3%**
Deposits from Banks	5,320	10,639	(5,319)	-50.0%
Deposits from Customers	221,920	212,148	9,771	4.6%
Other Interest Expense	-	466	(466)	-100.0%
Total Interest Expense	**227,239**	**223,253**	**3,986**	**1.8%**
Net Interest Income	**100,158**	**108,423**	**(8,265)**	**-7.6%**
Fees and Commissions Income	27,384	29,037	(1,654)	-5.7%
Fees and Commissions Expense	(6,652)	(7,501)	849	-11.3%
Net Fees and Commissions Income	**20,731**	**21,536**	**(805)**	**-3.7%**
Net Trading Income	(14,200)	4,760	(18,960)	-398.3%
Net Income from Investment Securities at Fair Value	49,661	19,283	30,378	157.5%
Net Income from Investment Securities at Amortized Cost	61,285	8,637	52,647	609.5%
Dividend Income	311	286	25	8.8%
Other Operating Income	7,724	9,719	(1,995)	-20.5%
Gain from investment in associates	3,618	-	3,618	N/A
Net Income from Other Operating Activities	**108,399**	**42,686**	**65,713**	**153.9%**
Total Non-Interest Income	**129,130**	**64,222**	**64,908**	**101.1%**
Total Operating Income	**229,288**	**172,645**	**56,643**	**32.8%**

Mainly as a result of the deconsolidation of Anelik CJSC, the Group's interest income reached LBP 327,397 million (USD 217 million) by December 31, 2016, compared to LBP 331,677 million (USD 220 million) by December 31, 2015.

The Group's interest expense amounted to LBP 227,239 million (USD 151 million) on December 31, 2016, as compared to LBP 223,253 million (USD 148 million) on December 31, 2015. The increase of LBP 3,986 million (USD 3 million) was mainly due to the growth of customer deposits in 2016.

On December 31, 2016 the Group's net interest income reached LBP 100,158 million (USD 66 million), compared to LBP 108,423 million (USD 72 million) by December 31, 2015.

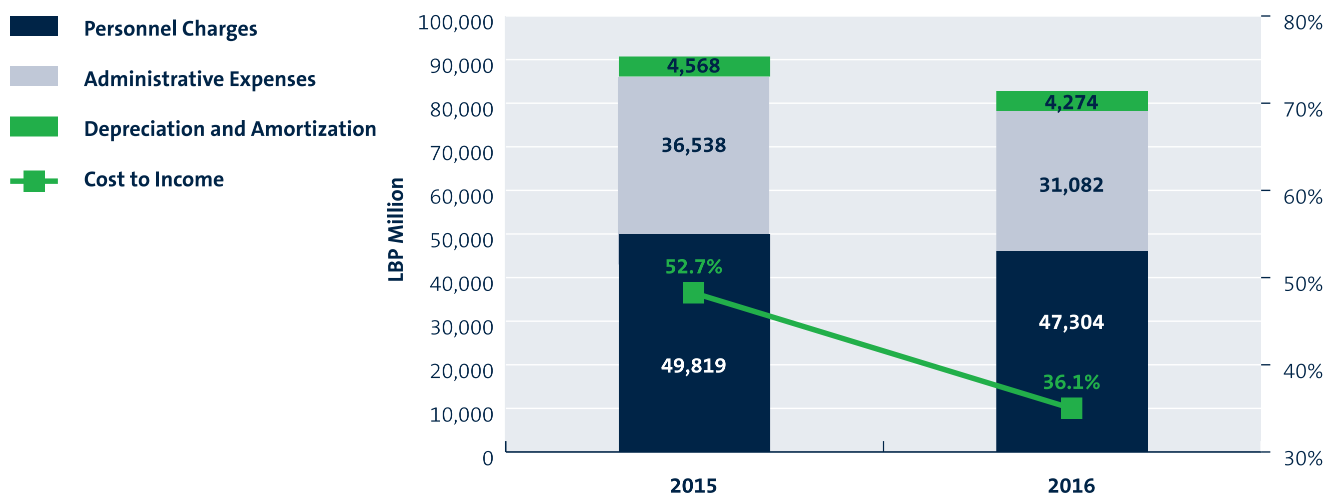
Total operating income of the Group increased by LBP 56,643 million (USD 38 million) or 32.8% to amount to LBP 229,288 million (USD 152 million) by the end of 2016, compared to LBP 172,645 million (USD 115 million) by the end of 2015.

OPERATING EXPENSES

The following table shows the composition of the Group's operating expenses, as well as the percentage of total and changes therein by December 31, 2016, and December 31, 2015, respectively:

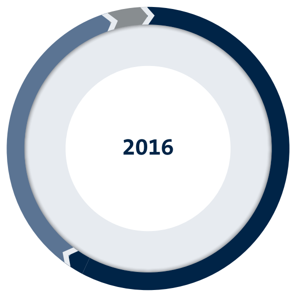
LBP Million	2016	% of Total	2015	% of Total	Growth	% Growth
Personnel Charges	47,304	57.2%	49,819	54.8%	(2,515)	-5.0%
Administrative Expenses	31,082	37.6%	36,538	40.2%	(5,456)	-14.9%
Depreciation and Amortization	4,274	5.2%	4,568	5.0%	(293)	-6.4%
Total Operating Expenses	**82,660**		**90,925**		**(8,265)**	**-9.1%**

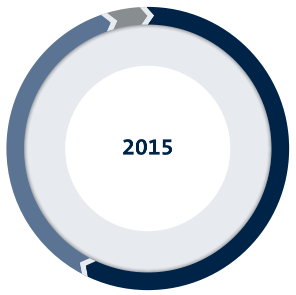
OPERATING EXPENSES



BREAKDOWN OF OPERATING EXPENSES

	2016	2015
Personnel Charges	57%	55%
Administrative Expenses	38%	40%
Depreciation and Amortization	5%	5%





Mainly as a result of the deconsolidation of Anelik CJSC, the Group's total operating expenses decreased by 9.1% from LBP 90,925 million (USD 60 million) on December 31, 2015 to LBP 82,660 million (USD 55 million) on December 31, 2016.

Personnel charges constituted 57.2 % of the Group's total operating expenses by December 31, 2016, compared to 54.8% by December 31, 2015, while administrative expenses stood at 37.6% and 40.2% respectively.

The standalone operating expenses of Creditbank sal in 2016 increased by 10.7%, mainly due to an 11.7% increase in personnel charges from LBP 39,813 million (USD 26 million) on December 31, 2015, to LBP 44,456 million (USD 29 million) on December 31, 2016, and an 8.2% increase in administrative expenses from LBP 27,579 million (USD 18 million) by December 31, 2015 to LBP 29,838 million (USD 20 million) by December 31, 2016. These figures reflect the expansion strategy the bank is implementing in the local market.

RISK MANAGEMENT

Introduction

"Together everyone achieves more" (TEAM) has never been a truer statement when it comes to risk management in challenging 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, subject to risk limits and other controls.

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

With the help of regular departmental reports, the Creditbank Board Committee on Risk Management provides a solid governance framework supervising risk management. All risk-related policies and strategic decisions are approved by the Board Committee on Risk Management, as well as the Board of Directors.

The Group manages to maintain its strong financial position through enhanced capital management practices, which enabled it to continue to take advantage of growth opportunities, maintain access to financial markets and return capital to its shareholders. This is in particular achieved through the Bank's annual Internal Capital Adequacy Assessment Process (ICAAP), an internal assessment procedure regarding risks and capital quality that aims to steer the Bank through adverse economic scenarios and cover all risks to which it is exposed.

Risk Management Function

The Risk Management Function follows the rules and regulations set by the Basel Committee in the Core Principles for Effective Banking Supervision (September 2012) and the International Convergence of Capital Measurement and Capital Standards - A Revised Framework - Comprehensive Version (June 2006) - to measure and manage credit risk, operational risk, liquidity risk, market risk, interest rate risk in the banking book, as well as other risks inherent to the Bank's activities.

With respect to the Basel recommendations regarding best practices in risk management and the objective of capital measurement and capital adequacy, the Bank in addition to the IFRS9 impairment requirements, has adopted a phased and sophisticated approach to managing credit risk. It makes use of an internal rating based methodology (IRB) to calculate Expected Credit Loss and ultimately capital requirements (Unexpected Loss or UL) for credit risk.

Capital management is addressed in the Bank's annual Internal Capital Adequacy Assessment Process (ICAAP) covering all risks to which the Group is or may be exposed, along with an assessment of capital levels.

The overall responsibility of the ICAAP is assigned to an ICAAP Team, comprised of the Head of Risk Management, the Head of Finance and the Head of Internal Audit.

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 the Bank's overall strategy, thus adding an extra layer of protection to both the Bank and its stakeholders.

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Risk Management Framework

The Bank is mainly exposed to credit risk, liquidity risk, interest rate risk and operational risks, with a lower exposure to market risk.

1. Credit Risk

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

Credit risk exposure is managed through the regular analysis of the obligors' ability to meet interest and capital repayment obligations, as well as by obtaining collateral and/or other guarantees, and by assessing the obligor's collateral's eligibility to mitigate the gross credit risk exposure.

Creditbank's Internal Credit Risk System allows it to analyze and rate the many conditions related to each obligor and determine the probability of default. An analysis of eligible collaterals and/or guarantees is furthermore used to determine the loss in case of the obligor's potential default, upon which provisioning, and ultimately capital charges and risk pricing will be based.

Reference pages 48 - 49 (Classification of Loans)

Analysis of Credit Concentration Risk

The concentration of credit risk is analyzed by Client/Group, by Industry Segment, by Collateral Type and by Geographical Location.

The following tables show the total exposure to credit risk (Loans & Advances) by collateral type.

Reference pages 50 - 51 (Distribution of Loans by Collateral Type)

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

Creditbank developed a Liquidity Risk Management Policy and Contingency Funding Plan (CFP) to manage and monitor the liquidity on a daily basis. The liquidity position is assessed using various scenarios and stress tests that may impact the Immediate Liquidity Ratio.

References: pages 54 - 55 (Deposits from Customers & Related Parties) and pages 56 - 57 (Distribution of Deposits by Currency)

3. Interest Rate Risk in the Banking book
The Bank manages interest rates to ensure that rate fluctuations do not adversely affect the core net interest income and the economic value of equity. The IRR arises from the mismatch of re-pricing of assets and liabilities.

Reference to IRR Tables pages 130 - 131 - 132

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4. Market Risk
Market risk at the Bank arises from open positions in interest rates (related to debt instruments that are being traded), currency and equity instruments classified at Fair Value through Profit or Loss (FVTPL), all of which are exposed to general and specific market movements.

The Market Risk Governance has been defined in the Investment Policy. It is the responsibility of the Asset and Liability Committee (ALCO) to manage the Bank's investment portfolio under the terms of the Investment Policy. While striving to maximize portfolio performance, the ALCO shall keep the management of the portfolio within the bounds of good banking practices, satisfy the Bank's liquidity needs, and ensure compliance with both regulatory and internally set limits and requirements.

Reference page 52 (Investment Securities: Equity and Debt instruments)

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

The framework for collecting, managing and controlling operational risks encompasses various tools including:

- Risk and Control Self-Assessment (RCSA).
- Operational risk data collection.
- Assessment and analysis of reported Operational risk events.
- Key risk indicators.

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

"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 truly necessary element of success in banking" - Alan Greenspan, Former Chairman of Federal Reserve

CONSOLIDATED FINANCIAL STATEMENTS

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To the shareholders of Creditbank S.A.L.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Creditbank S.A.L. (the "Bank" or "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of matters described in the *"Basis for Qualified Opinion"* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As disclosed in note 21 to the consolidated financial statements, the Group recorded:

- excess provisions amounting to LBP 43,726 million under "Provisions" in order to comply with the provisioning requirements of Central Bank of Lebanon's Intermediate Circular number 439 dated 8 November 2016;
- furthermore, the Group recorded excess provisions amounting to LBP 12,592 million under "Provisions". We were unable to obtain appropriate evidence whether those provisions would be required for loans and advances to customers or any other financial statements captions.

The Group's accounting for the above-mentioned transactions departs from the requirements of International Financial Reporting Standards (IFRSs). Had the Group properly accounted for these transactions, events and conditions, in accordance with International Financial Reporting Standards, the effects on the consolidated financial statements would have been as follows:

- Net income for the year ended 31 December 2016 would have increased by LBP 56,318 million through a decrease in "Provisions for risks and charges" by LBP 56,318 million;
- Total liabilities as at 31 December 2016 would have decreased by LBP 56,318 million, through a decrease in "Provisions" by LBP 56,318 million; and
- Equity as at 31 December 2016 would have increased, through an increase in net income, by LBP 56,318 million.

As disclosed in notes 29 and 30 to the financial statements, the Group has derecognized during 2016 financial instruments at amortised cost for the amount of LBP 1,065,417,500 thousand which resulted in capital gains for the amount of LBP 61,284,642 thousand. This derecognition was material to the Group's portfolio of investment securities measured at amortised cost and is inconsistent with the business model of the Bank for financial assets, and deviates from the provisions of International Financial Reporting Standard (IFRS) 9 "Financial Instruments" which requires the Bank to reconsider its business model for the measurement of securities at amortised cost in line with the behaviour of the portfolio.

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

Key Audit Matters

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

Impairment of loans and advances to customers

Impairment of loans and advances to customers is a key audit matter due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment. The risk is that the amount of impairment may be misstated.

The estimation of the impairment loss allowance on an individual basis requires management to make judgements to determine whether there is objective evidence of impairment and to make assumptions about the financial condition of the borrowers and expected future cash flows.

The collective impairment loss allowance relates to retail and corporate loans and losses incurred but not yet identified (IBNR loss allowance) on other loans.

Our procedures in this area included:

- assessing the trends in the local credit environment, considering their likely impact on the Group's exposures and using this information to focus our testing on the key risk areas;
- assessing and testing the design and operating effectiveness of the controls over the Group's loan impairment process — for example:
  - controls over the model process, including building, monitoring, periodic validation and approvals;
  - controls over the completeness and accuracy of data input into models;
  - for the principal underlying system generating credit data, IT controls such as access, data management, and change management;
  - controls over the identification of which loans and advances were impaired. For individually significant loans this included controls over credit grading and the monitoring process; and
  - the management review process over the calculations;
- re-performing certain credit procedures as follows:
  - for individually significant loans:
    - performing a credit assessment of a sample of loans in credit risk grades 4, 5 and 6 to determine whether their grading was appropriate and assess the reasonableness of the amount and timing of estimated recoverable cash flows, including realisable value of collateral and how forbearance was considered; and
    - performing a credit assessment of a sample of loans graded 1 to 3 to determine whether their grading was appropriate; and
  - for retail loans:
    - testing the accuracy of key inputs into the models;
    - for a selection of models, assessing the appropriateness of the impairment calculation methodology; and
    - re-performing certain calculations; and
- assessing whether disclosures in the consolidated financial statements appropriately reflect the Group's exposure to credit risk.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mr. Wissam Safwan for KPMG and Mr Antoine Gholam for BDO, Semaan, Gholam & Co.

BDO, Semaan, Gholam & Co

29 June 2017
Beirut, Lebanon

KPMG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION I AS AT 31 DECEMBER

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Assets			
Cash and balances with Central Banks	9	1,662,757,077	1,086,448,811
Banks and financial institutions	10	231,496,926	176,663,367
Loans and advances to customers and related parties	11	2,739,271,955	2,539,246,736
Investment securities	12	381,264,694	990,388,821
Shares acquired in settlement of debt at fair value through	13	100,050,702	89,987,161
Investments in associate	36	69,030,165	-
Property and equipment	14	70,118,092	76,674,073
Intangible assets	15	523,555	1,250,321
Other assets	16	31,264,051	22,926,668
Non-current assets held for sale	17	4,405,996	15,144,313
Goodwill		-	9,728,373
Total assets		**5,290,183,213**	**5,008,458,644**
Liabilities			
Due to banks and financial institutions	18	168,350,210	242,189,464
Deposits from customers and related parties	19	4,486,387,546	4,261,463,870
Current tax liabilities		15,475,439	4,840,000
Other liabilities	20	61,178,786	71,987,122
Provisions	21	64,744,743	6,868,227
Total liabilities		**4,796,136,724**	**4,587,348,683**
Equity			
Share capital - common shares	22	112,119,150	112,119,150
Share capital - preferred shares	22	47,500,000	47,500,000
Share premium - common shares	23	17,273,587	17,273,587
Share premium - preferred shares	23	95,712,499	95,712,499
Cash contribution to capital	24	10,854,000	10,854,000
Reserves	25	144,102,103	108,807,323
Non-distributable retained earnings	25	18,049,769	8,883,426
Translation reserve	25	(5,635,174)	(21,789,768)
Retained earnings		54,022,333	41,711,823
Equity attributable to equity holders of the bank		**493,998,267**	**421,072,040**
Non-controlling interest		**48,222**	37,921
Total equity		**494,046,489**	421,109,961
Total liabilities and equity		**5,290,183,213**	**5,008,458,644**

The notes on pages 13 to 72 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 29 June 2017:

Mr. Tarek Khalifeh
Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME I FOR THE YEAR ENDED 31 DECEMBER

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Interest income		327,397,325	331,676,619
Interest expense		(227,239,489)	(223,253,406)
Net interest income	26	**100,157,836**	**108,423,213**
Fees and commission income		27,383,671	29,037,374
Fees and commission expense		(6,652,311)	(7,501,082)
Net fees and commission income	27	**20,731,360**	**21,536,292**
Net trading (loss) income	28	(14,199,799)	4,759,955
Net gain on investment securities at fair value through profit or loss	29	49,660,585	19,282,806
Net gain on investment securities at amortised cost	30	61,284,642	8,637,469
Dividend income		311,480	286,319
Other revenue		7,724,036	9,719,081
Gain from investment in associate		3,618,000	-
Revenue		**229,288,140**	**172,645,135**
Personnel charges	31	(47,304,428)	(49,819,277)
Net impairment loss on loans and advances to customers	11	(11,943,044)	(19,014,336)
Impairment charges - collective provision	21	(56,317,844)	-
Depreciation and amortisation	14, 15	(4,274,414)	(4,567,885)
Administrative expenses	32	(31,081,748)	(36,537,603)
Profit before tax		**78,366,662**	**62,706,034**
Income tax expense	33	(18,987,923)	(9,557,558)
Profit for the year		**59,378,739**	**53,148,476**
Other comprehensive income			
Net unrealized gain on investment securities at fair value through other comprehensive income			
- From Bank		6,330	42,318
- From investment in associate		2,317,566	-
Total other comprehensive income for the year		2,323,896	42,318
Total comprehensive income for the year		**61,702,635**	**53,190,794**
Profit attributable to:			
Equity holders of the Bank		59,368,438	53,138,888
Non-controlling interests		10,301	9,588
Profit for the year		**59,378,739**	**53,148,476**
Total comprehensive income attributable to:			
Equity holders of the Bank		61,692,334	53,181,206
Non-controlling interests		10,301	9,588
Total comprehensive income for the year		**61,702,635**	**53,190,794**

The notes on pages 13 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED FINANCIAL STATEMENTS **CREDITBANK** I ANNUAL REPORT 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I FOR THE YEAR ENDED 31 DECEMBER 2016

IN THOUSANDS OF LEBANESE POUND	Share capital common shares	Share capital preferred shares	Share premium common shares	Share premium preferred shares	Cash contribution to capital	Capital Reserves	General reserve on SME & COR portfolio	General reserve on Retail portfolio	Non-current assets held for sale reserve	Fair value reserve
Balances at 1 January 2016	112,119,150	47,500,000	17,273,587	95,712,499	10,854,000	94,462,846	1,026,861	3,445,325	1,455,774	321,291
Acquisition of non-controlling interests										
Profit for the year	–	–	–	–	–	–	–	–	–	–
Other comprehensive income, net of tax 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	–	–	–	–	–	–	–	–	–	2,323,896
Total other comprehensive income	–	–	–	–	–	–	–	–	–	2,323,896
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	2,323,896
Transactions with owners of the Bank										
Contributions and distributions										
Dividends paid to holders of preferred shares (series 2,3, 4 and 5)	–	–	–	–	–	–	–	–	–	–
Total contributions and distributions	–	–	–	–	–	–	–	–	–	–
Change in ownership interest in subsidiaries										
Change in ownership interest in subsidiary to associate	–	–	–	–	–	–	–	–	–	(313,603)
Total change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	(313,603)
Other transactions recorded directly in equity										
Transfer from retained earnings to reserves	–	–	–	–	–	33,297,089	–	–	637,769	–
Exchange rate difference arising on consolidation	–	–	–	–	–	–	–	–	–	–
Total other transactions recorded directly in equity	–	–	–	–	–	33,297,089	–	–	637,769	–
Total transactions recorded directly in equity	–	–	–	–	–	33,297,089	–	–	637,769	(313,603)
Balances at 31 December 2016	112,119,150	47,500,000	17,273,587	95,712,499	10,854,000	127,759,935	1,026,861	3,445,325	2,093,543	2,331,584

The notes on pages 13 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED FINANCIAL STATEMENTS CREDITBANK I ANNUAL REPORT 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I FOR THE YEAR ENDED 31 DECEMBER 2016

IN THOUSANDS OF LEBANESE POUND	Real estate revaluation reserve	Reserves	Non-distributable retained earnings	Translation reserve	Retained earnings	Total	Non-controling interest	Total equity
Balances at 1 January 2016	8,095,226	108,807,323	8,883,426	(21,789,768)	41,711,823	421,072,040	37,921	421,109,961
Acquisition of non-controlling interests								
Profit for the year	–	–	–	–	59,368,438	59,368,438	10,301	59,378,739
Other comprehensive income, net of tax 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	–	2,323,896	–	–	–	2,323,896	–	2,323,896
Total other comprehensive income	–	2,323,896	–	–	–	2,323,896	–	2,323,896
Total comprehensive income for the year	–	2,323,896	–	–	59,368,438	61,692,334	10,301	61,702,635
Transactions with owners of the Bank								
Contributions and distributions								
Dividends paid to holders of preferred shares (series 2,3, 4 and 5)	–	–	–	–	(9,312,943)	(9,312,943)	–	(9,312,943)
Total contributions and distributions	–	–	–	–	(9,312,943)	(9,312,943)	–	(9,312,943)
Change in ownership interest in subsidiaries								
Change in ownership interest in subsidiary to associate	(650,371)	(963,974)	–	15,145,239	5,356,216	19,537,481	–	19,537,481
Total change in ownership interest in subsidiaries	**(650,371)**	**(963,974)**	**–**	**15,145,239**	**5,356,216**	**19,537,481**	**–**	**19,537,481**
Other transactions recorded directly in equity								
Transfer from retained earnings to reserves	–	33,934,858	9,166,343	–	(43,101,201)	–	–	–
Exchange rate difference arising on consolidation	–	–	–	1,009,355	–	1,009,355	–	1,009,355
Total other transactions recorded directly in equity	**–**	**33,934,858**	**9,166,343**	**1,009,355**	**(43,101,201)**	**1,009,355**	**–**	**1,009,355**
Total transactions recorded directly in equity	**(650,371)**	**32,970,884**	**9,166,343**	**16,154,594**	**(47,057,928)**	**11,233,893**	**–**	**11,233,893**
Balances at 31 December 2016	**7,444,855**	**144,102,103**	**18,049,769**	**(5,635,174)**	**54,022,333**	**493,998,267**	**48,222**	**494,046,489**

The notes on pages 13 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED FINANCIAL STATEMENTS CREDITBANK I ANNUAL REPORT 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY I FOR THE YEAR ENDED 31 DECEMBER 2015

IN THOUSANDS OF LEBANESE POUND	Share capital -common shares	Share capital -preferred shares	Share premium common shares	Share premium -preferred shares	Cash contribution to capital	Reserves	Non-distributable retained earnings	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balances at 1 January 2015	55,525,678	18,200,000	–	87,324,999	10,854,000	134,376,295	247,913	(18,898,531)	29,154,735	316,785,089	28,333	316,813,422
Acquisition of non-controlling interests												
Profit for the year	–	–	–	–	–	–	–	–	53,138,888	53,138,888	9,588	53,148,476
Other comprehensive income, net of tax												
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	–	–	–	–	–	42,318	–	–	–	42,318	–	42,318
Total other comprehensive income	–	–	–	–	–	42,318	–	–	–	42,318	–	42,318
Total comprehensive income for the year	–	–	–	–	–	42,318	–	–	53,138,888	53,181,206	9,588	53,190,794
Transactions with owners of the Bank												
Contributions and distributions												
Issue of common shares (note 22)	5,339,000	–	17,273,587	–	–	–	–	–	–	22,612,587	–	22,612,587
Issue of preferred shares (series 5) (note 22)	–	6,500,000	–	31,187,500	–	–	–	–	–	37,687,500	–	37,687,500
Increase in share capital par value	51,254,472	22,800,000	–	–	–	(74,054,472)	–	–	–	–	–	–
Dividends paid to holders of preferred shares (series 2, 3 and 4)	–	–	–	–	–	–	–	–	(6,303,105)	(6,303,105)	–	(6,303,105)
Total contributions and distributions	**56,593,472**	**29,300,000**	**17,273,587**	**31,187,500**	**–**	**(74,054,472)**	**–**	**–**	**(6,303,105)**	**53,996,982**	**–**	**53,996,982**
Other transactions recorded directly in equity												
Transfer from retained earnings to reserves	–	–	–	–	–	25,643,182	8,635,513	–	(34,278,695)	–	–	–
Transfer to reserves (note 25)	–	–	–	(22,800,000)	–	22,800,000	–	–	–	–	–	–
Exchange rate difference arising on consolidation	–	–	–	–	–	–	–	(2,891,237)	–	(2,891,237)	–	(2,891,237)
Total other transactions recorded directly in equity	**–**	**–**	**–**	**(22,800,000)**	**–**	**48,443,182**	**8,635,513**	**(2,891,237)**	**(34,278,695)**	**(2,891,237)**	**–**	**(2,891,237)**
Total transactions recorded directly in equity	**56,593,472**	**29,300,000**	**17,273,587**	**8,387,500**	**–**	**(25,611,290)**	**8,635,513**	**(2,891,237)**	**(40,581,800)**	**51,105,745**	**–**	**51,105,745**
Balances at 31 December 2015	**112,119,150**	**47,500,000**	**17,273,587**	**95,712,499**	**10,854,000**	**108,807,323**	**8,883,426**	**(21,789,768)**	**41,711,823**	**421,072,040**	**37,921**	**421,109,961**

The notes on pages 13 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS I FOR THE YEAR ENDED 31 DECEMBER

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Cash flows from operating activities			
Profit for the year		59,378,739	53,148,476
Adjustments for:			
-Depreciation		4,240,451	4,334,777
-Amortisation		83,959	233,108
-Net impairment losses on loans and advances to customers		11,943,044	19,014,336
-Net gain on investment securities at fair value through profit and loss		(49,660,585)	(19,282,806)
-Net gain on investment securities at amortised cost		(61,284,642)	(8,637,469)
-Dividend income		(311,480)	(286,319)
-Reversal of impairment of non-current assets held for sale		–	422,973
-Gain (loss) on sale of property and equipment		21,671	(27,402)
-Net interest income		(100,157,836)	(108,423,213)
-Income tax expense		18,987,923	9,557,558
		(116,758,756)	**(49,945,981)**
Changes in:			
-Balances held with Central Banks		(317,666,778)	(173,830,932)
-Banks and financial institutions		(2,415,801)	(2,292,158)
-Loans and advances to customers and related parties		(212,792,957)	(328,382,535)
-Other assets		(8,337,383)	(85,507)
-Due to banks and financial institutions		(41,440,567)	24,723,052
-Deposits from customers and related parties		223,269,386	342,014,366
- Investments in associate		(69,030,165)	-
- Non-current assets held for sale		10,738,317	-
-Provisions		57,876,516	(459,158)
-Other liabilities		(10,808,336)	20,507,880
		(487,366,524)	**(167,750,973)**
Interest received		344,259,518	327,482,569
Interest paid		(226,506,171)	(224,035,770)
Income tax paid		(8,352,484)	(8,170,758)
Net cash used in operating activities		**(377,965,661)**	**(72,474,932)**

The notes on pages 13 to 72 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS I FOR THE YEAR ENDED 31 DECEMBER

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Cash flows from investing activities			
Net change in investment securities		701,044,184	(124,328,252)
Acquisition of shares acquired in settlement of debt at fair value through profit and loss		(10,063,541)	(6,648,638)
Net change / acquisition in property and equipment		2,261,844	(9,057,889)
Acquisition of intangible assets		(152,741)	(586,024)
Proceeds from sale of property and equipment		909,169	554,213
Proceeds from sale of property acquired in settlement of debt		-	2,910,820
Net (purchase) / proceeds from sale of intangible assets		(1,288)	1,288
Acquisition of property acquired in settlement of debt		689,229	-
Net cash from (used in) investing activities		**694,686,856**	**(137,154,482)**
Cash flows from financing activities			
Proceeds from issue / net redemption of preferred shares		-	6,500,000
Proceeds from issue of common shares		-	5,339,000
Proceeds from issue premium - common shares		-	17,273,587
Proceeds from issue premium - preferred shares		-	31,187,500
Change in control in Anelik CJSC		29,265,854	-
Dividends paid		(9,312,943)	(6,303,105)
Net cash from financing activities		**19,952,911**	**53,996,982**
Net increase (decrease) in cash and cash equivalents		**336,674,106**	**(155,632,432)**
Cash and cash equivalents at 1 January		242,472,809	400,870,270
Effect of exchange rate fluctuations on cash and cash equivalents		1,064,502	(2,765,029)
Cash and cash equivalents at 31 December	34	**580,211,417**	**242,472,809**

The notes on pages 13 to 72 are an integral part of these consolidated financial statements.

(1) REPORTING ENTITY

Creditbank S.A.L. (the "Bank" or "Group") 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 Head office of the Bank is located in Dekwaneh (Freeway Center). The Group is primarily involved in investment, retail and corporate banking. Set out below is a list of subsidiaries.

	Country of incorporation	Number of shares	31 December 2016 Ownership interest	31 December 2015 Ownership interest
Anelik Bank CJSC	Armenia	273,926	–	100.00%
CB Anelik RU LLC	Russia	-	100.00%	100.00%
Credex SAL	Lebanon	74,820	99.76%	99.76%
Baabda 1587 SAL	Lebanon	2,970	99.00%	99.00%
Achrafieh 784 SAL	Lebanon	990	99.00%	99.00%

(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 change 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 or loss are measured at fair value; and
- Shares acquired in settlement of debt are measured at fair value.

(c) Functional and presentation currency
These consolidated financial statements are presented in Lebanese Pound (LBP), which is the Bank'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 ending 31 December 2016 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Notes 21 and 35 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 7 - determination of the fair value of financial instruments with significant unobservable inputs.

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 (m)(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 concerned committees.

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 investments securities at amortised cost 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.

(3) CHANGE 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 adopted certain standards and amendments to standards, with a date of initial application of 1 January 2016. The nature and the impact of each new standard and amendments are described below.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. While this is not an outright ban, it creates a high hurdle for when revenue-based methods of amortisation may be used for intangible assets.

The phrase 'highly correlated' is a new term that is not used in other IFRSs. It was introduced to limit the use of revenue-based amortisation, because revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices, which are not directly linked to the consumption of the economic benefits embodied in the intangible asset. As a result, an entity will need to demonstrate that there is more than just some element of relationship between revenue generation and the consumption of benefits.

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

Equity Method in Consolidated Financial Statements (Amendments to IAS 27)
In order to facilitate the convergence of IFRS with local GAAP for consolidated financial statements in those countries, countries where local regulations require entities to present consolidated financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures, the Board issued Equity Method in Consolidated Financial Statements (Amendments to IAS 27) on 12 August 2014.

The amendments allow the use of the equity method in consolidated financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

Annual Improvements to IFRSs 2012 – 2014 Cycle
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 5 is amended to clarify that:

- If an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
- If an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held for- sale accounting.

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Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

IFRS 7 Financial Instruments: Disclosures
IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

IAS 19 Employee Benefits
The IASB has amended IAS 19 to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
New requirements for investment entities to use fair value accounting came into effect in early 2014, but early adoption had already highlighted a series of application issues.

In response, on 18 December 2014 the IASB issued Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28), which addresses three consolidated issues.

- Intermediate investment entities
- Intermediate parents owned by investment entities
- Interests in investment entities

Disclosure Initiative (Amendments to IAS 1)
The amendments do not require any significant change to current practice. Only by keeping the bigger picture in mind, and avoiding a boilerplate, checklist approach to financial statement disclosures, can preparers achieve the improved reporting sought by these clarifications.

(4) SIGNIFICANT ACCOUNTING POLICIES

Except for the change 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) Subsidiary
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) Interests in associates
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity-method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

(d) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

(e) Foreign currency
Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. 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 financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(f) 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 profit or loss and comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis and include interest income and expense on all trading assets and liabilities.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in 'Net gain on investments securities at fair value through profit or loss' in the statement of profit or loss and other comprehensive income.

(g) 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.

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.

(h) Net trading cost / income

Net trading cost income comprises foreign exchange differences.

(i) Net gain from investments securities at fair value through profit or loss

Net gain from investments securities at fair value through profit or loss includes all realised and unrealised fair value changes and interest.

(j) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(k) 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.

(l) 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 income 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.

(m) 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 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. 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 at amortized cost.

(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 derecognized), 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 recognized in other comprehensive income is recognized 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 consolidated 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 derecognized. 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 expire.

(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 realise 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
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.

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.

(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.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

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 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 Bank Credit Committee determines that there is no realistic prospect of recovery.

(viii) Designation at fair value through profit or 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 7 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.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with the Central Bank of Lebanon 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.

(o) 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 gain on investments securities at fair value through profit or loss".

(p) 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 Bank's financial statements.

(q) 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 at 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 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.

(r) 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 consolidated 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.

(s) 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.

(t) Non-current 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.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable. They are stated at lower of fair value of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A reserve is constituted for assets not disposed of within two years of the date of enforcement at an annual rate of 20% or 5%.

The accumulated amortisation is classified under "Reserves" (note 25).

(u) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets 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.

(v) 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.

(w) 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.

(x) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that 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) STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier adoption is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements. The new standards and amendments listed below are those that could potentially have an impact on the Group's performance, financial position or disclosures.

Disclosure Initiative (Amendments to IAS 7)
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

IFRS 9 Financial instruments
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The Banks are currently required to apply phase I of IFRS 9 issued in November 2009 which only addressed the classification and measurement of financial assets. The complete version issued in 2014 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. (It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39). IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases
IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard –i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions involving the Legal form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16 but is not expected to have a significant effect.

(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; and
- Operational risks.

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

Risk management framework - Corporate Governance

(i) Board Committees

Board of Directors

The Board is ultimately responsible for the conduct of the Group's affairs. However, for added efficiency, Board Committees may be set up with declared role and responsibilities. The Board Committees should regularly report to the full Board. In addition to the Audit Committee, a Corporate Governance Committee and a Risk Management Committee have been formed.

There is a formal and transparent process for appointments to the Board Committees and their membership is made public on the Group's website. The function, roles, and responsibilities of each Board Committee are set out in terms of reference and shall be published on the Group's website.

Each Board Committee has direct access to appropriate members of the Group's management, in accordance with the provisions of its respective function. A permanent written record of Board Committee discussions, motions, and Directors' votes is kept by the committee secretary.

The Group expects to set up more Board Committees over time. It may also decide to combine the functions of several committees if appropriate or if administratively more convenient.

Audit Committee

In accordance with the requirements and recommendations of the Lebanese Central Bank and Banking Control Commission, in particular the principal circular N°118, the Group has a Board Committee on Audit comprising 3 members. Membership of the Audit Committee shall be disclosed in the annual report.

The Group's policy is that at least one member of the Audit Committee should have accounting or other financial management qualifications and expertise.

The Audit Committee reviews, and reports to the full Board

- 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 Banks 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 scope of the Audit Committee's work also covers the Group's subsidiaries in Lebanon and abroad. The Committee shall assist the Board of Directors in fulfilling its duties with regard to overview of the subsidiaries financial statements' soundness and the capital adequacy and financial ratios in such a way as to assess the risks related to the investment, thus allowing the Board of Directors to mitigate such risks.

The Audit Committee has the ability to obtain any information from management and to meet with any manager of the Group.

The Audit Committee has the ability to meet each of the Group's external auditors and its internal auditors, without (other) management being present, at least once a year. The Group considers that a strong and open relationship between the Audit Committee and these two audit functions is critical to the successful functioning of this important governance mechanism.

The Audit Committee ensures a follow-up of the corrective suggestions mentioned in the external and internal audit reports. The Audit Committee ensures the efficiency and sufficiency of the regulations of procedures of the Internal Audit. The Group recognizes that the Audit Committee does not substitute for the responsibilities of the Board of Directors or the Company's management for the supervision and adequacy of the Company's internal control systems.

Corporate Governance Committee

The Board has formed a Corporate Governance Committee to oversee the preparation and amendments of its Code.

The Committee comprises three Directors (including one non-executive Director) as well as the Board's Secretary. Membership of the Committee is disclosed in the annual report and may be published in the Group's website. The Corporate Governance Committee may also supervise compliance with, and enforcement of the Code.

Risk Management Committee

The review of risk management is in the first instance handled by a coherent and comprehensive Risk Management Department.

The Board, on a regular basis, reviews and approves the risk management strategies and policies of the Group. Senior management is responsible for implementing the strategies that have been approved by the Board, and for developing the policies and procedures for managing the various types of risk.

The creation of a Risk Management Board Committee has been proposed by management, and approved by the Board.

The Group considers that the rapid development and increasing sophistication and complexity of risk management requires that the Risk Management Department and later Committee keep fully informed of the developments in the Group's risk management functions. Accordingly, the Committee shall make regular reports to the full Board.

(ii) Bank's Management Committees

The Group operates through a number of committees, set up with clear missions, authorities and responsibilities, as follows:

Executive and Investment Committee

The Executive and Investment Committee is composed of five members; it meets on a monthly basis. The Executive and Investment Committee roles and responsibilities are set as follows:

- To define the strategic orientations of the Group and to submit them to the Board of Directors.
- To periodically set and review Bank policies and submit them to the Board of Directors.
- To set targets and define the relevant budget and carry on the follow-up thereof.
- To discuss any new investments including mergers and acquisition, partnership agreements, investments in companies or financial institutions.
- To define Network expansion.
- To validate recommendations and supervise the activity of various Committees.

Asset Liability Committee (ALCO)

The ALCO Committee is composed of five members; it meets on a bi-monthly basis. The main roles and responsibilities of the ALCO Committee are set as follows:

- To define interest rate policies and enforce the application of the assets liability management standards analyze the Group's financial ratios, GAP Review and Analysis.
- To decide on the trading operations and financial instruments, manage placements, deposits and credit lines.
- To review Credit risk, Market Risk, Liquidity Risk, Interest Rate Risk Limits and Reports. All related reports / recommendations will be sent to the Board of Directors.
- To propose to the Executive and Investment Committee market risk limits.
- To ensure the reporting to the Board of Directors through the Executive and Investment Committee.

The Credit Committee

The Credit Committee is composed of four voting members and a fifth non-voting member, it meets weekly. The main roles and responsibilities of the Credit Committee are set as follows:

- To evaluate customer risk and decide on the facilities to grant, as well as the terms and conditions thereof.
- To decide on the transfer of a file to the non-performing loan Committee.
- To propose to the Executive and Investment Committee a credit policy.

The Non-Performing Loans Committee

The Non-Performing Loans Committee is composed of five voting members in addition to one non-voting member, it meets on a semi-annual basis. The Non-Performing Loans Committee main roles and responsibilities are set as follows:

- To review and take decisions on non-performing loans and recommend actions on a going forward basis with respect to the relevant files.
- To follow up on cases handed over to the Legal Department and approve settlements.
- To propose adequate provisions.

The Internal Control Committee

The Internal Control Committee is composed of five voting members and one non-voting member, it meets on a quarterly basis. The main roles and responsibilities of the Internal Control Committee are set as follows:

- To ensure the proper application of procedures and regulations.
- To analyse audit reports and the departments' answers thereto.
- To take adequate decisions and recommend solutions.

The Security Committee

The Security Committee is composed of five voting members and two non-voting members; it meets on a quarterly basis. This Committee's roles and responsibilities are defined in the Banking Control Commission circular N° 222 dated 18 August 2000.

The Anti-Money Laundering/Counter Financing Terrorism Committee

The Anti-Money Laundering/Counter Financing Terrorism Committee is composed of seven members and one non-voting member; it meets on a quarterly basis. Responsibilities of this Committee are as defined in the Central Bank Intermediary Decisions N° 8488 dated 17 September 2003 and N° 10725 dated 21 May 2011.

The Operational Risk Management Committee

The Operational Risk Management Committee is composed of five members, it meets upon request. Its main roles and responsibilities are set as follows:

- To review and approve the operational risk management procedures developed by the Risk Manager and enhance the overall handling of operational risk,
- To ensure the abidance by the Group's operational risk policies and procedure, examine and recommend on the operational risks inherent to the Group's activities, and
- Discuss the risk management operational risk and control assessment process (RCSA) outcome.

(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 (such as individual obligor default risk, country and sector risk.)

For risk management purposes, credit risk arising on trading assets is managed independently.

(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 counterparty 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 Bank's ALCO Committee.

(ii) Management of credit risk

The Board of Directors has delegated responsibility for the management of individual credit risk to the Bank's Credit Committee. A Risk Management Department reporting to the General Manager, is responsible for the management of the Group's Corporate (portfolio) 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.
- *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 industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities). 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*, 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.

(iii) Grading 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 Bank Credit processes are undertaken by Internal Audit.

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 six rating classes defined by the Central Bank of Lebanon ("BDL") and the Bankinh Control Commission of Lebanon ("BCC") requirements as follows:

- Low fair risk / Normal and follow up (grades 1 and 2) – types of loans that are expected to be repaid on a timely and consistent basis; for grade 2, the client file is not complete.
- Watch / Special mention (grade 3) – type of loan that is expected to be repaid but current conditions lead to believe that the probability of repayment would be lowered;
- Substandard (grade 4) – type of loan where the client is witnessing a difficult financial condition and might not be in a position to settle the loan in full;
- 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.

The Group has two risk rating systems: a grading system for retail obligors and a credit risk rating system for the commercial portfolio (corporate and SME) – Rating Obligors – ORR and Rating facilities FRR.

Grades are from 1 to 10; 1 being the best and 10 being the worst. To be noted that each risk rating is mapped to the supervisory classification grades.

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(iv) Credit quality analysis

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

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		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**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Maximum exposure to credit risk									
Carrying amount	9,10,11,12	2,739,271,956	2,539,246,736	1,849,979,426	1,216,291,293	374,944,863	985,009,205	–	–
Amount committed / guaranteed	35	–	–	–	–	–	–	356,894,984	368,004,081
At amortised cost									
Grade 1-2: Low-fair risk		1,889,208,618	1,890,831,620	1,849,979,426	1,213,716,186	299,945,399	877,609,703		
Grade 3: Watch		776,380,140	558,244,449	–	–	–	–		
Grade 4: Substandard		30,362,753	13,121,564	–	–	–	–		
Grade 5: Doubtful		124,188,301	144,854,258	994,074	3,066,099	–	–		
Grade 6: Bad		13,384,529	11,675,086	9,254,063	9,276,828	–	–		
Total gross amount		**2,833,524,341**	**2,618,726,977**	**1,860,227,563**	**1,226,059,113**	**299,945,399**	**877,609,703**		
Allowance for impairment (individual and collective)		(94,252,385)	(79,480,241)	(10,248,137)	(9,767,820)	–	–		
Net carrying amount		**2,739,271,956**	**2,539,246,736**	**1,849,979,426**	**1,216,291,293**	**299,945,399**	**877,609,703**		
At fair value through profit or loss									
Grade 1: Low-fair risk		–	–	–	–	74,999,464	107,399,502		
Total carrying amount		–	–	–	–	74,999,464	107,399,502		
Off balance sheet									
Maximum exposure									
Lending commitments and financial guarantees									
Grade 1-3: low-fair risk								356,814,636	367,931,096
Grade 5: Impaired								80,348	72,985
Total exposure								**356,894,984**	**368,004,081**

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		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	2016	2015	2016	2015	2016	2015	2016	2015
Neither past due nor impaired									
Grade 1-2: Low-fair risk		1,884,861,544	1,887,378,767	1,849,979,426	1,213,716,186	374,944,863	985,009,205		
		1,884,861,544	1,887,378,767	1,849,979,426	1,213,716,186	374,944,863	985,009,205		
Past due but not impaired									
Grade 3: Watch		774,609,335	556,428,647	–	–	–	–		
		774,609,335	556,428,647	–	–	–	–		
Individually impaired									
Grade 1-2: Low-fair risk		4,347,074	3,452,853	–	–	–	–		
Grade 3: Watch		1,770,805	1,815,802	–	–	–	–		
Grade 4: Substandard		30,362,753	13,121,564	–	–	–	–		
Grade 5: Doubtful		124,188,301	144,854,258	994,074	3,066,099	–	–		
Grade 6: Bad		13,384,529	11,675,086	9,254,063	9,276,828	–	–		
		174,053,462	174,919,563	10,248,137	12,342,927	–	–		
Total		**2,833,524,341**	**2,618,726,977**	**1,860,227,563**	**1,226,059,113**	**374,944,863**	**985,009,205**		
Allowance for impairment									
Individual		(88,942,482)	(72,603,316)	(10,248,137)	(9,767,820)	–	–		
Collective		(5,309,903)	(6,876,925)	–	–	–	–		
Total allowance for impairment	**10,11**	**(94,252,385)**	**(79,480,241)**	**(10,248,137)**	**(9,767,820)**	**–**	**–**		

Impaired loans and investment debt securities
The Group regards a loan and advance or a debt security as impaired in the following circumstances.

- 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.
- A retail loan is overdue for more than 31 days (housing loans for more than 181 days).

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there is no other indicators of impairment.

Loans that are subject to a collective incurred but not yet reported (IBNR) provision are not considered impaired.

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:

	Loans and advances to customers		Banks and financial institutions	
IN THOUSANDS OF LEBANESE POUND	Gross	Net	Gross	Net
31 December 2016				
Grades 1,2 and 3: Performing loans	6,117,879	5,302,288	–	–
Grade 4: Individually impaired	30,362,753	26,637,132	–	–
Grade 5: Individually impaired	124,188,301	53,171,228	994,074	–
Grade 6: Individually impaired	13,384,529	332	9,254,063	–
Total	**174,053,462**	**85,110,980**	**10,248,137**	**–**
31 December 2015				
Grades 1,2 and 3: Performing loans	5,268,655	4,403,713	–	–
Grade 4: Individually impaired	13,121,564	9,873,934	–	–
Grade 5: Individually impaired	144,854,258	88,037,662	3,066,099	2,575,107
Grade 6: Individually impaired	11,675,086	938	9,276,828	–
Total	**174,919,563**	**102,316,247**	**12,342,927**	**2,575,107**

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's committees determine 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 (m)(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 rating agency Standard & Poor's.

(v) Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements 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 2016 or 2015.

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:

	Loans and advances to customers			
	Fair value of collateral at inception (for the Group)		Fair Value of collateral at year end	
IN THOUSANDS OF LEBANESE POUND	**2016**	**2015**	**2016**	**2015**
Against impaired				
Mortgaged property	35,058,798	13,572,609	58,093,346	21,758,201
Equities	531,822	525,274	244,171	255,800
Other including cash	5,074,655	4,762,051	5,074,655	4,762,051
Against substandard				
Mortgaged property	28,743,454	13,709,844	44,777,597	40,975,923
Other including cash	2,273,294	2,259,729	2,273,294	2,259,729
Against regular loans and advances				
Mortgaged property	1,164,517,747	1,173,641,735	2,285,196,751	2,228,668,250
Debt securities	3,150,139	14,096,108	3,342,446	11,324,742
Equities	161,827,906	71,022,301	125,082,467	49,315,617
Other including cash	368,792,373	383,871,671	368,792,373	356,675,356
Total	**1,769,970,188**	**1,677,461,322**	**2,892,877,100**	**2,715,995,669**

Residential mortgage lending

The table below stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

IN MILLIONS OF LEBANESE POUND	**2016**	**2015**
Loan to value (LTV) ratio		
Less than 50%	77,933,323	74,329,102
51% to 70%	89,278,586	75,706,663
71% to 90%	46,730,806	43,556,569
91% to 100%	2,276,576	5,132,725
More than 100%	42,565,420	45,211,884
Total	**258,784,711**	**243,936,943**

Loans and advances 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.

Because of 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.

The Group obtains appraisals of collateral because current value of the collateral is an input to the impairment measurement.

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(vi) Concentration of credit risk by sector and by geographic location

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 advances to customers and related parties		Investment securities (debt securities)		Lending commitments and financial guarantees	
IN THOUSANDS OF LEBANESE POUND	**Note**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount	8, 9, 10, 35	**1,849,979,426**	**1,216,291,293**	**2,739,271,956**	**2,539,246,736**	**374,944,863**	**985,009,205**	**356,894,984**	**368,004,081**
Concentration by sector									
Corporate		–	–	2,104,253,085	1,898,249,251	5,294,450	5,977,134	302,389,793	311,002,551
Sovereign		1,618,482,500	1,039,627,926	–	–	369,650,413	979,032,071	–	–
Bank		231,496,926	176,663,367	–	–	–	–	4,845,825	13,574,398
Retail		–	–	635,018,871	640,997,485	–	–	49,659,366	43,427,132
		1,849,979,426	**1,216,291,293**	**2,739,271,956**	**2,539,246,736**	**374,944,863**	**985,009,205**	**356,894,984**	**368,004,081**
Concentration by location									
Lebanon		1,742,847,277	1,076,708,131	2,402,274,221	2,030,399,272	374,191,168	972,302,808	347,631,050	348,326,172
Americas		37,622,872	41,145,000	33,513,000	26,259,000	–		206,947	816,582
Europe		66,352,169	93,546,162	137,061,735	317,382,464	753,695	12,706,397	2,662,013	7,055,148
Asia Pacific		30,744	125,000	213,000	268,000	–	–	7,538	39,538
Middle East and Africa		2,372,995	3,086,000	165,362,000	164,713,000	–	–	6,376,070	11,735,841
Australia		753,369	1,681,000	848,000	225,000	–	–	11,366	30,800
	8, 9, 10, 35	**1,849,979,426**	**1,216,291,293**	**2,739,271,956**	**2,539,246,736**	**374,944,863**	**985,009,205**	**356,894,984**	**368,004,081**

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

Concentration of loans and advances to customers

As at 31 December 2016, 234 customers (2015: 213 customers) of the loans and advances and related parties are above LBP 1,500,000 thousands and constitute 72.04% (2015: 69.61%) of total net loans and advances to customers and related parties as at year end.

Cash and cash equivalents

The Group held cash and cash equivalents of LBP 580,211,417 thousand at 31 December 2016 (2015: LBP 242,472,809 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with Central Banks. In addition, cash and cash equivalents are held also with reputable banks and financial institutions.

(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 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.

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 and during the reporting period were as follows:

IN THOUSANDS OF LEBANESE POUND	2016	2015
At 31 December	33.57%	39.68%

(iii) Maturity analysis for financial liabilities and financial assets

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 2016								
Non-derivative liabilities								
Due to banks and financial institutions	18	168,350,210	(211,719,748)	(13,551,344)	(6,228,714)	(26,037,267)	(73,776,141)	(92,126,282)
Deposits from customers and related parties	19	4,486,387,546	(4,567,019,960)	(3,286,294,708)	(385,984,321)	(678,769,743)	(194,875,287)	(21,095,901)
		4,654,737,756	**(4,778,739,708)**	**(3,299,846,052)**	**(392,213,035)**	**(704,807,010)**	**(268,651,428)**	**(113,222,183)**
Non-derivative assets								
Cash and balances with the Central Banks	9	1,662,757,077	2,084,354,236	499,540,490	18,803,156	112,912,437	413,806,708	1,039,291,445
Banks and financial institutions	10	231,496,926	231,940,509	226,903,365	5,037,144	–	–	–
Loans and advances to customers and related parties	11	2,739,271,956	3,874,176,352	590,972,224	221,296,247	534,741,388	1,151,820,148	1,375,346,345
Investment securities	12	381,264,694	675,634,450	4,285,719	72,958,241	153,918,736	51,457,374	393,014,380
Shares acquired in settlement of debt at fair value through profit or loss	13	100,050,702	100,050,702	–	–	–	100,050,702	–
		5,114,841,355	**6,966,156,249**	**1,321,701,798**	**318,094,788**	**801,572,561**	**1,717,134,932**	**2,807,652,170**
31 December 2015								
Non-derivative liabilities								
Due to banks and financial institutions	18	242,189,464	(287,455,633)	(61,949,449)	(13,883,189)	(52,959,743)	(42,417,892)	(116,245,360)
Deposits from customers and related parties	19	4,261,463,870	(4,342,290,987)	(3,062,554,635)	(328,623,647)	(731,475,881)	(199,251,892)	(20,384,932)
		4,503,653,334	**(4,629,746,620)**	**(3,124,504,084)**	**(342,506,836)**	**(784,435,624)**	**(241,669,784)**	**(136,630,292)**
Non-derivative assets								
Cash and balances with the Central Banks	9	1,086,448,811	1,365,181,118	268,600,593	15,740,891	55,608,379	383,557,234	641,674,021
Banks and financial institutions	10	176,663,367	176,734,983	174,864,770	14,277	67,817	1,780,248	7,871
Loans and advances to customers and related parties	11	2,539,246,736	3,644,576,915	529,282,512	121,644,623	499,590,203	1,158,870,599	1,335,188,978
Investment securities	12	990,388,821	2,384,136,355	8,027,919	13,401,683	80,599,147	164,581,173	2,117,526,433
Shares acquired in settlement of debt at fair value through profit or loss	13	89,987,161	89,987,161	–	–	–	89,987,161	–
		4,882,734,896	**7,660,616,532**	**980,775,794**	**150,801,474**	**635,865,546**	**1,798,776,415**	**4,094,397,303**

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

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- Demand deposits from customers are expected to remain stable or increase;
- Unrecognised loan commitments are not all expected to be drawn down immediately; and
- Retail mortgage loans have an original contractual maturity between 20 and 25 years but an earlier maturity because some customers might take advantage of early repayment options.

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.

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(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 Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency, while optimising the return on risk.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. ALCO sets up limits for type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

(ii) Exposure to market risk – 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 2016								
Cash and balances with the Central Banks	9	1,662,757,077	599,728,645	7,183,305	–	283,500,000	475,325,400	297,019,727
Banks and financial institutions	10	231,496,926	50,745,414	–	–	–	–	180,751,512
Loans and advances to customers and related parties	11	2,739,271,956	2,035,747,956	17,554,000	26,097,000	305,954,000	271,804,000	82,115,000
Investment securities - debt securities	12	299,945,399	67,986,225	28,489,521	98,348,496	16,666,057	87,052,500	1,402,600
		4,933,471,358	**2,754,208,240**	**53,226,826**	**124,445,496**	**606,120,057**	**834,181,900**	**561,288,839**
Due to banks and financial institutions	18	(168,350,210)	(10,387,000)	(14,538,000)	–	(32,646,000)	(103,610,000)	(7,169,210)
Deposits from customers and related parties	19	(4,486,387,546)	(3,428,438,673)	(302,522,000)	(341,574,000)	(181,830,000)	(14,737,000)	(217,285,873)
		(4,654,737,756)	**(3,438,825,673)**	**(317,060,000)**	**(341,574,000)**	**(214,476,000)**	**(118,347,000)**	**(224,455,083)**
		278,733,602	**(684,617,433)**	**(263,833,174)**	**(217,128,504)**	**391,644,057**	**715,834,900**	**336,833,756**
31 December 2015								
Cash and balances with the Central Banks	9	1,086,448,811	343,773,671	25,024,410	6,030,000	20,000,000	442,937,500	248,683,230
Banks and financial institutions	10	176,663,367	30,482,127	–	–	363,479	–	145,817,761
Loans and advances to customers and related parties	11	2,539,246,736	1,763,790,653	22,857,000	61,572,000	350,080,000	239,477,000	101,470,083
Investment securities - debt securities	12	877,609,703	90,598	–	20,255,881	9,295,544	827,381,369	20,586,311
		4,679,968,617	**2,138,137,049**	**47,881,410**	**87,857,881**	**379,739,023**	**1,509,795,869**	**516,557,385**
Due to banks and financial institutions	18	(242,189,464)	(64,776,000)	(25,584,000)	(22,109,000)	(12,917,000)	(109,565,000)	(7,238,464)
Deposits from customers and related parties	19	(4,261,463,870)	(3,127,869,870)	(335,025,000)	(364,257,000)	(180,265,000)	(13,930,000)	(240,117,000)
		(4,503,653,334)	**(3,192,645,870)**	**(360,609,000)**	**(386,366,000)**	**(193,182,000)**	**(123,495,000)**	**(247,355,464)**
		176,315,283	**(1,054,508,821)**	**(312,727,590)**	**(298,508,119)**	**186,557,023**	**1,386,300,869**	**269,201,921**

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

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 in market interest rates, assuming a symmetrical 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 2016			
LBP	200	-8.32%	-22.80%
USD	200	-8.82%	-11.17%
EUR	200	0.35%	-0.29%
31 December 2015			
LBP	+200	-15.84%	-46.68%
USD	+200	-4.98%	-8.81%
EUR	+200	0.81%	0.10%

Overall interest rate risk positions are monitored by the Risk Management and highlighted to ALCO.

(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 2016			
USD	1%	0.1141%	0.0205%
EUR	1%	0.0015%	0.0003%
GBP	1%	0.0002%	0.0000%
CAD	1%	0.0000%	0.0000%
CHF	1%	0.0000%	0.0000%
31 December 2015			
USD	1%	-0.0511%	-0.0082%
EUR	1%	0.0043%	0.0007%
GBP	1%	-0.0002%	0.0000%
CAD	1%	-0.0121%	-0.0020%
CHF	1%	0.0000%	0.0000%

(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 2016			31 December 2015		
IN THOUSANDS OF LEBANESE POUND	LBP	C/V LBP	Total	LBP	C/V LBP	Total
Assets						
Cash and balances with Central Banks	951,067,108	711,689,969	1,662,757,077	455,996,476	630,452,335	1,086,448,811
Banks and financial institutions	46,130,894	181,295,883	227,426,777	5,164,527	171,498,840	176,663,367
Head Office, Holdings, Sister and Related Banks	–	4,070,149	4,070,149	–	–	–
Loans and advances to customers and related parties	1,095,377,329	1,643,894,626	2,739,271,955	782,028,566	1,757,218,170	2,539,246,736
Investment securities	220,244,609	161,020,085	381,264,694	896,633,794	93,755,027	990,388,821
Shares acquired in settlement of debt at fair value through profit or loss	–	100,050,702	100,050,702	–	89,987,161	89,987,161
I nvestments in Subsidiaries and Associates	–	69,030,165	69,030,165	–	–	–
Property and equipment	60,799,924	9,318,168	70,118,092	54,023,978	22,650,095	76,674,073
Intangible assets	261,631	261,924	523,555	190,433	1,059,888	1,250,321
Other assets	2,697,076	28,566,975	31,264,051	2,945,019	19,981,649	22,926,668
Non-current assets held for sale	–	4,405,996	4,405,996	–	15,144,313	15,144,313
Goodwill	–	–	–	–	9,728,373	9,728,373
Total assets	**2,376,578,571**	**2,913,604,642**	**5,290,183,213**	**2,196,982,793**	**2,811,475,851**	**5,008,458,644**
Liabilities and equity						
Due to banks and financial institutions	114,378,348	53,971,862	168,350,210	106,622,390	135,567,074	242,189,464
Deposits from customers and related parties	1,871,019,430	2,615,368,116	4,486,387,546	1,771,266,068	2,490,197,802	4,261,463,870
Current tax liabilities	15,475,439	–	15,475,439	4,840,000	–	4,840,000
Other liabilities	14,743,791	46,434,995	61,178,786	17,554,017	54,433,105	71,987,122
Provisions	34,316,875	30,427,868	64,744,743	6,825,918	42,309	6,868,227
Share capital - common shares	112,119,150	–	112,119,150	112,119,150	–	112,119,150
Share capital - preferred shares	47,500,000	–	47,500,00	47,500,000	–	47,500,00
Share premium - common shares	17,273,587	–	17,273,587	17,273,587	–	17,273,587
Share premium - preferred shares	–	95,712,499	95,712,499	–	95,712,499	95,712,499
Cash contribution to capital	–	10,854,000	10,854,000	–	10,854,000	10,854,000
Reserves	118,818,484	25,283,619	144,102,103	78,655,292	30,152,031	108,807,323
Non-distributable retained earnings	18,049,769	–	18,049,769	8,883,426	–	8,883,426
Retained earnings	53,984,473	37,860	54,022,333	53,296,369	(11,584,546)	41,711,823
Translation reserve	–	(5,635,174)	(5,635,174)	–	(21,789,768)	(21,789,768)
Non-controlling interest	48,222	–	48,222	37,921	–	37,921
Total liabilities and equity	**2,417,727,568**	**2,872,455,645**	**5,290,183,213**	**2,224,874,138**	**2,783,584,506**	**5,008,458,644**

(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 behaviour.

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 analysed and Key Risk Indicators (KRIs) are being identified. Risk and Control Self-Assessment (RCSA) is being conducted for all organisation units' processes.

(f) Capital management

Regulatory capital

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the Banking markets where the Group operates;
- To apply mitigation techniques that may help lower the capital charge;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines issued by the Central Bank of Lebanon (in line with the guidelines issued by the Basel Committee). The required information is filed with the authority on a semiannual basis.

The Group did maintain a ratio of total regulatory capital above the 'Basel Ratio', and did maintain a ratio of Common Equity Tier 1 and Tier 1 Capital above the minimum level set by the Central Bank of Lebanon; however, the total capital adequacy ratio is below the minimum level set by the Central Bank of Lebanon.

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

IN THOUSANDS OF LEBANESE POUND	2016	2015
Credit risk	2,955,640,126	2,719,389,781
Market risk	104,869,838	90,749,891
Operational risk	256,713,986	241,798,738
Total risk weighted assets	**3,317,223,950**	**3,051,938,410**

	2016	2015
Net Common Equity Tier 1 Ratio	8.77%	8.09%
Net Tier 1 Capital Ratio	13.09%	12.78%
Capital adequacy ratio	13.13%	12.79%

To monitor the adequacy of its capital, the Group uses ratios established by the Group for International Settlements (BIS). In line with the Central Bank of Lebanon Basic Circular no.44 amended by the Central Bank of Lebanon Intermediary Circular no. 436, the minimum requirements for capital adequacy ratios are set at 8% by the BIS and 12% by the Central Bank of Lebanon at the end of year 2015 to reach 14% at the end of year 2016. The Common Equity Tier 1 Ratio should be 8.5% as at 31 December 2016 and Tier 1 Ratio should be 11% as at the same date.

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.

In accordance with the Central Bank of Lebanon basic circular no. 43, the Group's capital is constituted of the following:

- Net Common Equity Tier 1 capital, which includes ordinary share capital, cash contribution to capital, common shares premium, retained earnings after deduction of dividends to be distributed and non-current assets held for sale reserve, capital reserves after deductions of intangible assets and unrealized losses on equity instruments measured at fair value through other comprehensive income. As per the BCC memo 06/2017, Banks are required to deduct from its Net Common Equity Tier 1 an amount due from its investment in Anelik CJSC by more than 10% of its Net Common Equity Tier 1 after regulatory adjustments (investments in associates out of consolidation scope).

- Net Tier 1 capital is obtained by the addition of Net Common Equity Tier 1 capital and preferred shares
- Total Capital Ratio, which includes 50% of the fair value reserve relating to unrealised gains on equity instruments measured at fair value through other comprehensive income.

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

IN THOUSANDS OF LEBANESE POUND	2016	2015
Share capital - common shares	112,119,150	112,119,150
Share premium - common shares	17,273,587	17,273,587
Cash contribution to capital	10,854,000	10,854,000
Capital reserves	132,232,122	98,935,034
Non-distributable retained earnings	18,049,769	8,883,426
Retained Earnings	43,095,334	31,733,977
Non-controlling interest	–	37,922
Less:		
- Goodwill	–	(9,728,373)
- Intangible assets	(523,555)	(1,250,321)
- 100% Fair value reserve of financial assets at FVTOCI - loss	(134,017)	(123,615)
- Translation reserve	(5,635,174)	(21,789,768)
- Regulatory adjustment due to investments in associates out of consolidation scope **	(36,296,878)	–
Net Common Equity - Tier 1	**291,034,338**	**246,945,019**
Share capital - preferred shares	47,500,000	47,500,000
Share premium - preferred shares	95,712,499	95,712,499
Net Tier 1 Capital	**434,246,837**	**390,157,518**
50% Fair value reserve of financial assets through OCI - gain	1,232,801	65,652
	1,232,801	65,652
Total regulatory capital	**435,479,638**	**390,223,170**

* Retained earnings less dividends to be distributed and reserve of assets held for sale.

** Starting 2016, the Group is required to deduct from its Net Common Equity Tier 1 an amount due from its investment in Anelik CJSC by more than 10% of its Net Common Equity Tier 1 (investments in associates out of consolidation scope).

(7) FAIR VALUES OF FINANCIAL INSTRUMENTS

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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 nonperformance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets 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.

(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 measurment 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 categorised:

IN THOUSANDS OF LEBANESE POUND	Level 1	Level 2	Level 3	Total
31 December 2016				
Financial instruments at fair value through profit or loss	68,497,962	7,768,346	–	76,266,308
Financial instruments at fair value through other comprehensive income	464,008	4,588,979	–	5,052,987
Shares acquired in settlement of debt at fair value through profit or loss	–	100,050,702	–	100,050,702
	68,961,970	**112,408,027**	**–**	**181,369,997**

31 December 2015	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss	34,805,647	73,946,844	–	108,752,491
Financial instruments at fair value through other comprehensive income	828,675	3,082,928	115,024	4,026,627
Shares acquired in settlement of debt at fair value through profit or loss	–	89,987,161	–	89,987,161
	35,634,322	**167,016,933**	**115,024**	**202,766,279**

(c) Financial instruments not measured at fair value

IN THOUSANDS OF LEBANESE POUND	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
31 December 2016					
Financial assets					
Cash and balances with Central Banks	44,274,577	1,618,482,500	–	1,662,757,077	1,662,757,077
Banks and financial institutions	–	231,496,926	–	231,496,926	231,496,926
Loans and advances to customers and related parties	–	2,727,965,447	–	2,727,965,447	2,739,271,956
Investment securities at amortised cost	84,311,125	214,015,809	753,695	299,080,629	299,945,399
	128,585,702	**4,791,960,682**	**753,695**	**4,921,300,079**	**4,933,471,358**
Financial liabilities					
Due to banks and financial institutions	–	168,350,210	–	168,350,210	168,350,210
Deposits from customers and related parties	–	4,667,835,970	–	4,667,835,970	4,486,387,546
	–	**4,836,186,180**	**–**	**4,836,186,180**	**4,654,737,756**

IN THOUSANDS OF LEBANESE POUND	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
31 December 2015					
Financial assets					
Cash and balances with Central Banks	46,820,884	1,039,627,927	–	1,086,448,811	1,086,448,811
Banks and financial institutions	–	176,663,367	–	176,663,367	176,663,367
Loans and advances to customers and related parties	–	2,609,092,075	225,769	2,609,317,844	2,539,246,736
Investment securities at amortised cost	40,843,729	863,892,252	–	904,735,981	877,609,703
	87,664,613	**4,689,275,621**	**225,769**	**4,777,166,003**	**4,679,968,617**
Financial liabilities					
Due to banks and financial institutions	–	242,189,464	–	242,189,464	242,189,464
Deposits from customers and related parties	4,030,371	4,270,825,547	–	4,274,855,918	4,261,463,870
	4,030,371	**4,513,015,011**	**–**	**4,517,045,382**	**4,503,653,334**

(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 2016					
Cash and balances with the Central Banks	9	–	–	1,662,757,077	1,662,757,077
Banks and financial institutions	10	–	–	231,496,926	231,496,926
Loans and advances to customers and related parties	11	–	–	2,739,271,956	2,739,271,956
Investment securities	12	76,266,308	5,052,987	299,945,399	381,264,694
Shares acquired in settlement of debt at fair value through profit or loss	13	100,050,702	–	–	100,050,702
		176,317,010	**5,052,987**	**4,933,471,358**	**5,114,841,355**
Due to banks and financial institutions	18	–	–	168,350,210	168,350,210
Deposits from customers and related parties	19	–	–	4,486,387,546	4,486,387,546
		–	**–**	**4,654,737,756**	**4,654,737,756**
31 December 2015					
Cash and balances with the Central Banks	9	–	–	1,086,448,811	1,086,448,811
Banks and financial institutions	10	–	–	176,663,367	176,663,367
Loans and advances to customers and related parties	11	–	–	2,539,246,736	2,539,246,736
Investment securities	12	108,752,491	4,026,627	877,609,703	990,388,821
Shares acquired in settlement of debt at fair value through profit or loss	13	89,987,161	–	–	89,987,161
		198,739,652	**4,026,627**	**4,679,968,617**	**4,882,734,896**
Due to banks and financial institutions	18	–	–	242,189,464	242,189,464
Deposits from customers and related parties	19	–	–	4,261,463,870	4,261,463,870
		–	**–**	**4,503,653,334**	**4,503,653,334**

(9) CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Cash	44,274,577	46,820,885
Unrestricted balances with Central Banks	1,089,758,589	522,126,683
Compulsory reserves held with Central Banks	509,097,713	502,566,126
Interest receivable	19,626,198	14,935,117
	1,662,757,077	**1,086,448,811**

Cash and balances with Central Banks include non-interest bearing balances held by the Group at the Central Bank of Lebanon in coverage of compulsory reserve requirements for all banks operating in Lebanon as required by the Lebanese banking rules and regulations. This compulsory reserve is calculated on the basis of 25% of the weekly average of current accounts denominated in Lebanese Pound and 15% of the weekly average of term deposits after taking into account certain waivers relating to subsidised loans denominated in Lebanese Pound and foreign currencies. The compulsory reserve amounted to LBP 124,079,824 thousand as at 31 December 2016 (2015: LBP 117,566,912 thousand).

In addition, all banks operating in Lebanon are required to deposit 15% of total foreign currency deposits with the Central Bank of Lebanon interest-bearing placements regardless of their nature. These placements amounted to USD 255,093 thousand (equivalent to LBP 384,552,698 thousand) as at 31 December 2016 (2015: USD 231,726 thousand - equivalent to LBP 349,327,397 thousand).

Compulsory reserves 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	**2016**	**2015**
Current accounts	181,612,685	146,299,041
Money market placements	56,428,860	36,013,023
Cash collateral	3,570,617	4,093,494
Interest receivable	132,901	25,629
Allowance for impairment	(10,248,137)	(9,767,820)
	231,496,926	**176,663,367**

(11) LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

IN THOUSANDS OF LEBANESE POUND	**Gross amount**	**Impairment allowance 2016**	**Carrying amount**	**Gross amount**	**Impairment allowance 2015**	**Carrying amount**
Retail customers:						
Mortgage lending	258,784,711	(614,512)	258,170,199	243,936,943	(410,774)	243,526,169
Personal loans	368,257,215	(10,800,106)	357,457,109	388,107,135	(12,500,595)	375,606,540
Credit cards	21,105,930	(1,714,366)	19,391,564	22,262,432	(1,362,243)	20,900,189
Other	–	–	–	983,611	(19,022)	964,589
	648,147,856	**(13,128,984)**	**635,018,872**	**655,290,121**	**(14,292,634)**	**640,997,487**
Corporate customers:						
Secured lending	1,316,542,030	(13,918,351)	1,302,623,679	1,350,864,739	(50,641,165)	1,300,223,574
Other lending	868,834,454	(67,205,050)	801,629,404	612,572,117	(14,546,442)	598,025,675
	2,185,376,484	**(81,123,401)**	**2,104,253,083**	**1,963,436,856**	**(65,187,607)**	**1,898,249,249**
	2,833,524,340	**(94,252,385)**	**2,739,271,955**	**2,618,726,977**	**(79,480,241)**	**2,539,246,736**

(a) Allowances for impairment – Movement

IN THOUSANDS OF LEBANESE POUND	**2016**	**2015**
Specific allowance for impairment		
Balance at 1 January	72,603,316	50,916,190
Impairment loss and suspended interest		
Charge for the year	14,762,193	17,172,893
Provision written back	(3,917,510)	(567,459)
Suspended interest written back	(181,731)	(255,737)
Suspended interest during the year	12,418,846	7,059,323
Write-offs resulting from settlements	(1,108,996)	(1,218,081)
Result of Anelik CJSC de-consolidation	(5,769,101)	–
Difference of exchange	135,465	(503,813)
Balance at 31 December	**88,942,482**	**72,603,316**

IN THOUSANDS OF LEBANESE POUND	**2016**	**2015**
Collective allowance for impairment		
Balance at 1 January	6,876,925	3,397,709
Impairment loss for the year		
Charge for the year	1,272,098	2,879,870
Provision written back	(620,170)	4,651,028
Write-offs resulting from settlements	–	(4,027,688)
Result of Anelik CJSC de-consolidation	(2,218,902)	–
Difference of exchange	(48)	(23,994)
Balance at 31 December	5,309,903	6,876,925
Total allowance for impairment	94,252,385	79,480,241

(b) Net impairment loss on loans and advances to customers

IN THOUSANDS OF LEBANESE POUND	**2016**	**2015**
Provisions written back	4,537,680	1,092,959
Loans directly written off to profit or loss	(449,444)	(54,532)
Collection of bad debts	1,849	–
Charge for the year - specific provision	(14,762,193)	(17,172,893)
Charge for the year - collective provision	(1,272,098)	(2,879,870)
Difference of exchange	1,162	–
	(11,943,044)	**(19,014,336)**

Loans and advances to related parties are disclosed in note 36.

(12) INVESTMENT SECURITIES

IN THOUSANDS OF LEBANESE POUND	2016	2015
Investment securities at fair value through profit or loss (a)	76,266,308	108,752,491
Investment securities at fair value through other comprehensive income (b)	5,052,987	4,026,627
Investment securities at amortised cost (c)	299,945,399	877,609,703
	381,264,694	**990,388,821**

(a) Financial instruments at fair value through profit or loss

IN THOUSANDS OF LEBANESE POUND	2016	2015
Government treasury bills and eurobonds	50,147,351	57,964,556
Certificates of deposit	21,245,348	44,736,273
Funds	2,638,125	2,638,125
Interest receivable	968,640	2,060,548
Debt securities	**74,999,464**	**107,399,502**
Equity securities	**1,266,844**	**1,352,989**
	76,266,308	**108,752,491**

(b) Financial instruments at fair value through other comprehensive income

IN THOUSANDS OF LEBANESE POUND	2016	2015
Equity securities	**5,052,987**	**4,026,627**

(c) Financial instruments at amortised cost

IN THOUSANDS OF LEBANESE POUND	2016	2015
Government treasury bills and eurobonds	225,079,412	49,090,779
Corporate bonds	753,695	656,029
Securities pledged under repurchase agreements	–	1,199,968
Certificates of deposit	70,852,500	803,457,399
Funds	1,857,190	2,636,890
Interest receivable	1,402,602	20,568,638
Debt securities	**299,945,399**	**877,609,703**

(13) SHARES ACQUIRED IN SETTLEMENT OF DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year 2014, the Group acquired 2,113,194 shares in IBL Bank SAL (representing 10.83% of its share capital) as a settlement of debt amounting to USD 49,500 thousand related to a corporate client.

The Central Bank has approved the amount of such acquisition on 5 June 2014. Subsequently, the Group has revalued those shares and has increased the investment value by the amount of revaluation surplus. The Group should dispose of those shares within a period of two years from the date of acquisition.

IN THOUSANDS OF LEBANESE POUND	2016	2015
2,113,194 shares of "IBL Bank S.A.L"	100,050,702	89,987,161

(14) PROPERTY AND EQUIPMENT

IN THOUSANDS OF LEBANESE POUND	Land and bulidings	Furniture and equipment	Work in progress	Total
Cost				
Balance at 1 January 2015	44,857,423	48,251,951	12,640,011	105,749,385
Additions	8,796	1,283,860	7,765,233	9,057,889
Disposals	–	(1,226,883)	–	(1,226,883)
Transfers	11,210,042	5,346,565	(16,556,607)	–
Adjustment	–	–	(363,762)	(363,762)
Effects of movement in exchange rates	(258,944)	(510,679)	–	(769,623)
Balance at 31 December 2015	**55,817,317**	**53,144,814**	**3,484,875**	**112,447,006**
Balance at 1 January 2016	55,817,317	53,144,814	3,484,875	112,447,006
Additions	1,912,720	1,679,205	9,673,740	13,265,665
Disposals	–	(487,326)	–	(487,326)
Transfers	–	2,640,972	(2,640,972)	–
Adjustment	–	–	(786,723)	(786,723)
De-Consolidation Anelik CJSC	(13,481,016)	(7,650,326)	–	(21,131,342)
Effects of movement in exchange rates	–	238,276	–	238,276
Balance at 31 December 2016	**44,249,021**	**49,565,615**	**9,730,920**	**103,545,556**
Accumulated depreciation				
Balance at 1 January 2015	8,198,457	24,731,284	–	32,929,741
Depreciation for the year	877,479	3,457,298	–	4,334,777
Disposals	–	(1,063,534)	–	(1,063,534)
Adjustment	–	(300)	–	(300)
Effects of movement in exchange rates	(35,698)	(392,053)	–	(427,751)
Balance at 31 December 2015	**9,040,238**	**26,732,695**	**–**	**35,772,933**
Balance at 1 January 2016	9,040,238	26,732,695	–	35,772,933
Depreciation for the year	834,895	3,355,560	–	4,190,455
Disposals	–	(343,209)	–	(343,209)
De-Consolidation Anelik CJSC	(1,941,266)	(4,449,290)	–	(6,390,556)
Effects of movement in exchange rates	–	197,841	–	197,841
Balance at 31 December 2016	**7,933,867**	**25,493,597**	**–**	**33,427,464**
Carrying amounts				
At 1 January 2015	36,658,966	23,520,667	12,640,011	72,819,644
At 31 December 2015	46,777,079	26,412,119	3,484,875	76,674,073
At 31 December 2016	**36,315,154**	**24,072,018**	**9,730,920**	**70,118,092**

(15) INTANGIBLE ASSETS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Cost		
At 1 January	5,158,130	4,680,044
Additions	152,741	586,024
Disposals	–	(1,288)
De-consolidation of Anelik CJSC	(1,558,807)	–
Effects of movement in exchange rates	61,908	(106,650)
At 31 December	**3,813,972**	**5,158,130**
Accumulated Amortization		
At 1 January	3,907,809	3,721,446
Amortization expense	83,959	233,108
De-consolidation of Anelik CJSC	(723,376)	–
Effects of movement in exchange rates	22,025	(46,745)
At 31 December	**3,290,417**	**3,907,809**
Carrying amount		
At 1 January	**1,250,321**	**958,598**
At 31 December	**523,555**	**1,250,321**

(16) OTHER ASSETS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Accounts receivable and prepayments	23,517,213	10,154,711
Debtors by acceptances (a)	7,536,937	6,649,868
Other assets	209,925	6,122,089
	31,264,075	**22,926,668**

(a) Debtors by acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its customers against commitments provided by them, which are stated as a liability in the balance sheet under other liabilities under caption "Engagement by acceptances". Debtors and engagements by acceptances are considered as current assets and liabilities.

(17) NON-CURRENT ASSETS HELD FOR SALE

IN THOUSANDS OF LEBANESE POUND	2016	2015
Balance at 1 January	15,144,313	15,871,603
Disposals	–	(2,910,820)
Additions	689,229	2,834,747
(Reversal) of impairment	–	(422,973)
Effects of movements in exchange rates	–	(228,244)
Effects of deconsolidation	(11,427,546)	–
Balance at 31 December	**4,405,996**	**15,144,313**

These assets represent properties acquired in settlement of debt against settlement of facilities of defaulting clients. As per BDL basic circular no.78 and article no.154 of the Money and Credit Act, banks have two years (from the date of acquisition) to liquidate those assets, else they are required to constitute reserves (through appropriation of retained earnings) against these assets, prior to distribution of dividends (refer to note 25).

(18) DUE TO BANKS AND FINANCIAL INSTITUTIONS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Current deposits	5,392,324	4,539,532
Term deposits	25,514,235	98,261,563
Loan granted from Central Banks	105,150,800	87,901,593
Loan from banks and financial institutions	–	11,230,477
Loan granted from the European Investment Bank	5,847,230	7,407,888
Loan granted from Proparco	24,668,182	30,150,000
Interest payable	1,777,439	2,698,411
	168,350,210	**242,189,464**

Following the Central Bank of Lebanon basic decision no. 6116 related to basic circular no. 23 and intermediate circular no. 367 issued on 11 August 2014, the Central Bank of Lebanon offered the commercial banks facilities that are subject to an interest rate of 1% per annum payable on a yearly basis. These facilities were given subject to granting mainly housing loans back to clients at an average interest rate of 5.2%.

(19) DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Savings		1,358,639,429	1,651,601,823
Term deposits		2,427,266,276	1,940,947,241
Current deposits		263,368,204	274,059,998
Deposits under fiduciary contracts		36,180,059	60,002,979
Net creditor and cash collateral against debtor accounts		357,443,431	289,448,894
Margins on letter of credits		4,578,010	4,607,637
Interest payable		28,128,489	26,474,199
Deposits from related parties	36	10,783,648	14,321,099
		4,486,387,546	**4,261,463,870**

As at 31 December 2016, deposits from customers above LBP 1,500,000 thousand threshold amounted to LBP 2,186,787 million representing 51.24% of total deposits and are held by 424 customers. Same tiers representing 54.22% of total customers' deposits amounting to LBP 2,223,051 million were held by 375 customers in year 2015.

Deposits from customers include coded accounts amounting to LBP 20,629,466 thousand as at 31 December 2016 limited to 11 customers (2015: LBP 18,094,902 thousand limited to 13 customers) which are subject to the provisions of the Article 3 of the Banking Secrecy Law dated 3 September 1956. Under the provisions of this Article, the Group cannot reveal the identity of these depositors to third parties including auditors. Since 2013, management has been working on closing these accounts.

(20) OTHER LIABILITIES

IN THOUSANDS OF LEBANESE POUND	2016	2015
Other creditors and accruals	24,093,509	31,951,448
Checks for collection	15,434,364	15,161,981
Engagement by acceptances	7,536,937	6,649,868
Operational taxes and social security payables	4,733,247	7,060,667
Accrued expenses	4,430,587	6,125,740
Commission received in advance	4,607,709	3,923,885
Other liabilities	342,461	1,113,533
	61,178,814	**71,987,122**

(21) PROVISIONS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Provision for employee benefits obligations (a)	7,838,081	6,794,732
Provision for various matters	33,401	34,456
Provision for loss on structural exchange position	12,925	12,925
Provision for fluctuations in foreign exchange rates (b)	542,492	26,114
Collective provision (c)	56,317,844	–
	64,744,743	**6,868,227**

(a) Provision for employee benefits obligations

IN THOUSANDS OF LEBANESE POUND	2016	2015
Balance at 1 January	6,794,732	6,887,132
Net provision raised during the year	1,569,125	1,948,804
Indemnity paid during the year	(525,776)	(2,041,204)
Balance at 31 December	**7,838,081**	**6,794,732**

(b) Provisions for fluctuations in foreign exchange rates

As per local regulatory requirements the Group provides for an amount equivalent to 5 percent of its year-end foreign exchange position.

(c) Collective provision

During November 2016, the Central Bank of Lebanon issued Intermediate Circular number 439 which required banks operating in Lebanon to constitute collective provision equivalent to 2% of consolidated risk weighted loans and advances to customers. This provision amounted to LBP 43,726,000 thousands as at 31 December 2016. In addition, the Group constituted an additional collective provision amounting to LBP 12,591,844 thousands.

(22) SHARE CAPITAL

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

	2016		2015	
	Number of shares	Value in 000 LBP	Number of shares	Value in 000 LBP
Common shares	2,242,383	112,119,150	2,242,383	112,119,150
Preferred shares	950,000	47,500,000	950,000	47,500,000
	3,192,383	**159,619,150**	**3,192,383**	**159,619,150**

The extraordinary General Assembly of the Shareholders of the Group held on 20 February 2015 resolved to increase the capital of the Group from LBP 73,725,678 thousand to LBP 80,225,678 thousand by issuing 250,000 new preferred shares (series 5), according to the provisions of the law No. 308/2001, of LBP 26 thousand each subscribed to and paid in cash with a premium of LBP 124,750 per share thus a total premium of LBP 31,187,500 thousand.

The extraordinary General Assembly of the Shareholders of the Group held on 2 October 2015 resolved to increase the capital of the Group from LBP 80,225,678 thousand to LBP 159,619,150 thousand as follows:

- Increase of the nominal value from LBP 26 thousand to LBP 50 thousand by transferring from the reserve appropriated to capital increase a total of LBP 74,054,472 thousand.
- Issuance of 106,780 new common shares of LBP 50 thousand each subscribed to and paid in cash with a premium of LBP 161,768 per share thus a total premium of LBP 17,273,587 thousand.

The Central Bank of Lebanon has approved the above transactions on 10 December 2015.

Below is a summary of the prospectus issued relating to preferred shares series 2, 3, 4 and 5 and its related amendments:

	Series 2	Series 3	Series 4	Series 5	Total
Date of Extraordinary General Assembly Resolution Date	5-Oct-12	20-Sep-13	11-Jul-14	20-Feb-15	
Number of Shares issued	200,000	300,000	200,000	250,000	950,000
Share Nominal Value in '000 LBP	Was increased from 26 to 50 during 2015	Was increased from 26 to 50 during 2015	Was increased from 26 to 50 during 2015	Was increased from 26 to 50 during 2015	
Total Nominal Value in '000 LBP	10,000,000	15,000,000	10,000,000	12,500,000	47,500,000
Share Issue Price USD	100	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 subscription 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 subscription 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 subscription 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 subscription dates.	
Issue Premium Amount in '000 LBP	20,149,999	30,225,000	20,150,000	25,187,500	95,712,499
Benefits	Annual dividends of USD 7.25 per share	Annual dividends of USD 7.25 per share	Annual dividends of USD 7.25 per share	Annual dividends of USD 7 per share	
Call Option	(i) at any time after the Issue Date, if a Regulatory Event shall occur at a redemption price equal to the issue price (i.e. U.S. $ 100.00 per share); or (ii) 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.	(i) at any time after the Issue Date, if a Regulatory Event shall occur at a redemption price equal to the issue price (i.e. U.S. $ 100.00 per share); or (ii) within 60 days following the date of the Ordinary General Assembly of Shareholders held to approve the annual accounts of the Bank for the year 2018 subject to the lapse of 5-years from the date of the Extraordinary General Assembly held to confirm the due issuance of the Series 3 Preferred Shares, and annually thereafter within 60 days following each such subsequent Ordinary General Meeting at which the annual audited financial accounts for the Bank are approved for the immediately preceding fiscal year.	(i) at any time after the Issue Date if a Regulatory Event (as defined below) shall occur, at a redemption price equal to the issue price (i.e. USD 100 per share); or (ii) for the first time, within 60 days following the lapse of a 5-year period as of the date of the Extraordinary General Assembly held to ascertain the due issuance of the Series 4 Preferred Shares, and, for each subsequent year thereafter, within 60 days following the date of each Ordinary General Assembly of Shareholders held to approve the annual accounts of the Bank for the immediately preceding fiscal year.	(i) at any time after the Issue Date if a Regulatory Event (as defined below) shall occur, at a redemption price equal to the issue price (i.e. USD 100 per share); or (ii) for the first time, within 60 days following the lapse of a 5-year period as of the date of the Extraordinary General Assembly held to ascertain the due issuance of the Series 5 Preferred Shares, and, for each subsequent year thereafter, within 60 days following the date of each Ordinary General Assembly of Shareholders held to approve the annual accounts of the Bank for the immediately preceding fiscal year	
Redemption Value USD	101, if in 2018, increased by 1 USD for each subsequent year	100	100	100	

(23) SHARE PREMIUM

Share premium – common shares
The premium resulted from the increase of capital of the Group by issuing 106,780 new common shares in 2015 at LBP 50 thousand each with a premium of LBP 161,768 per share.

Share premium – preferred shares
The premium resulted from the increase of the capital of the Group by issuing preferred shares which represents the difference between the amount paid by the shareholders and the nominal value of the shares. Refer to the table in note 22.

(24) CASH CONTRIBUTION TO CAPITAL

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

- The balance is blocked with the Group over the lifetime of the Group,
- These contributions may be used to cover any losses,
- These contributions can be used to increase the capital of the Group,
- No interest is calculated on these contributions.

The amounts of cash contributions to capital as at 31 December 2016 were LBP 10,854,000 thousand (2015: LBP 10,854,000 thousand). No interest has been paid on these cash contributions.

(25) RESERVES AND NON-DISTRIBUTABLE RETAINED EARNINGS

(i) Reserves

IN THOUSANDS OF LEBANESE POUND	2016	2015
General banking risks reserve (a)	51,513,321	42,969,380
Legal reserve (b)	28,835,897	23,914,040
Reserve appropriated to capital increase (c)	36,003,739	23,178,789
General reserves	5,996,249	4,400,637
Capital reserves	**122,349,206**	**94,462,846**
Reserve against retail portfolio (d)	2,113,772	1,026,861
Reserve against corporate portfolio (e)	7,769,144	3,445,325
Non-current assets held for sale reserve (f)	2,093,542	1,455,774
Fair value reserve (g)	2,331,584	321,291
Real estate revaluation reserve (h)	7,444,855	8,095,226
	144,102,103	**108,807,323**

(a) General banking risks reserve
According to the Central Bank of Lebanon basic circular no.50, banks in Lebanon are required to appropriate from their annual net profits a minimum of 0.2 percent and a maximum of 0.3 percent of total risk weighted assets 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 (2007) and 2 percent at the end of year twenty (2017). This reserve is part of Tier I, but is not available for distribution.

(b) Legal reserve
The Money and Credit Act, article no. 132 and the Group's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. This reserve is not available for distribution.

(c) Reserve appropriated to capital increase

Movement on the reserve appropriated to capital increase is summarised as follows:

IN THOUSANDS OF LEBANESE POUND	2016	2015
At 1 January	23,178,789	67,042,433
Appropriation of previous year profits	12,819,974	7,279,259
Transfer from non-distributable retained earnings	4,976	111,569
Less: transfer to share capital to increase the nominal value (note 22)	–	(74,054,472)
Transfer from share premuim- preferred shares	–	22,800,000
	36,003,739	**23,178,789**

The transfer in 2015, from share premium - preferred shares to reserve appropriated to capital increase and amounting to LBP 22,800,000 thousand represent the excess resulting from the difference between the amount paid by the preferred shares holders and the nominal value of the common share after the increase of the nominal value of common shares from LBP 26 thousand to LBP 50 thousand each from reserves.

(d) Reserve against retail portfolio

BCC circular no. 280 introduced the requirement to establish a reserve for performing retail portfolio (i.e. where late settlements do not exceed 30 days) equal to 0.5% of the carrying amount of the portfolio at 31 December 2014. As at 31 December 2016, this reserve amounted to LBP 2,113,772 thousand (2015: LBP 1,026,861 thousand). Additional appropriations of 0.5% per annum are required for six consecutive years starting 2015.

(e) Reserve against corporate portfolio

BCC circular no. 280 introduced the requirement to establish a reserve for performing corporate portfolio not less than 0.25% of the carrying amount of the portfolio in 2014, 0.5% in 2015, 1% in 2016 and 1.5% in 2017. As at 31 December 2016, this reserve amounted to LBP 7,769,144 thousand (2015: LBP 3,445,325 thousand).

(f) Non-current assets held for sale reserve

In compliance with the Central Bank of Lebanon circular no.78, banks are required to deduct from annual profits an amount of 20% or 5% of the carrying value of its properties acquired in settlement of debt (note 16), in case the Group failed to liquidate the properties within 2 years from the date of acquisition. The required reserves are established through appropriation of retained earnings. This reserve is not considered as part of the Group's Tier Capital nor is available for distribution. As per the Banking Control Commission circular no. 173, the gain realised on the sale of an asset acquired in settlement of debt should be recognised in the statement of comprehensive income at the date of the sale and transferred subsequently to the statement of changes in equity.

(g) 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.

(h) Real estate 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 Banking Control Commission regulations, the Group 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.

(ii) Non-distributable retained earnings

Cumulative unrealised gains (gross of losses) are treated as retained earnings not available for distribution under BCC circular no. 270 regulations. These gains will become available for distribution upon disposal of the related instrument.

Movement on these retained earnings is summarised as follows:

IN THOUSANDS OF LEBANESE POUND	2016	2015
At 1 January	8,883,426	247,913
Unrealised gain on investment securities at fair value through profit and loss (note 29)	9,171,319	8,747,082
Revaluation gains related to investment securities sold (transferred to realised)	(4,976)	(111,569)
At 31 December	**18,049,769**	**8,883,426**

(26) NET INTEREST INCOME

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Interest income			
Balances with Central Banks		52,431,945	40,553,850
Banks and financial institutions		14,966,008	444,926
Loans and advances to customers and related parties	36	196,518,798	215,983,211
Investment securities		63,480,574	74,686,489
Other interest income		–	8,143
Total interest income		**327,397,325**	**331,676,619**
Interest expense			
Due to banks and financial institutions		(5,319,902)	(10,639,181)
Deposits from customers and related parties	36	(221,919,587)	(212,148,239)
Other interest expense		–	(465,986)
Total interest expense		**(227,239,489)**	**(223,253,406)**
Net interest income		**100,157,836**	**108,423,213**

(27) NET FEES AND COMMISSION INCOME

IN THOUSANDS OF LEBANESE POUND	2016	2015
Fees and commission income		
Fees on letters of credit and acceptances	1,020,454	1,053,965
Fees on transactions with customers	13,312,550	13,618,164
Fees on letters of guarantee	2,246,964	1,564,196
Fees on various banking transactions	10,803,703	12,801,049
Total fees and commission income	**27,383,671**	**29,037,374**
Fees and commission expense		
Fees on banks and financial institutions accounts	(1,193,609)	(1,352,630)
Fees on various banking transactions	(5,458,702)	(6,148,452)
Total fees and commission expense	**(6,652,311)**	**(7,501,082)**
Net fees and commission income	**20,731,360**	**21,536,292**

(28) NET TRADING (LOSS) / INCOME

IN THOUSANDS OF LEBANESE POUND	2016	2015
Foreign exchange (loss) income	**(14,199,799)**	**4,759,955**

(29) NET GAIN ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Unrealised gain from investment securities at fair value through profit or loss	12,703,328	9,171,319
Unrealised loss from investment securities at fair value through profit or loss	(4,215,932)	(582,701)
Realised gain from investment securities at fair value through profit or loss	41,635,793	10,836,768
Realised loss from investment securities at fair value through profit or loss	(462,604)	(142,580)
	49,660,585	**19,282,806**

During 2016 the Central Bank of Lebanon bought from the Group long-term treasury bills and certificates of deposit denominated in Lebanese Lira at prices significantly exceeding their fair values. These transactions were available to banks on the condition that they are able to reinvest an amount equivalent to the nominal value of the sold instruments in Eurobonds issued by the Lebanese Republic or certificates of deposits issued by the Central Bank of Lebanon denominated in US dollars and purchased at their fair values. In fact, these transactions involved the purchase and sale (exchange) of financial instruments held at fair value through profit and loss (FVTPL); namely certificates of deposit and treasury bills. The mentioned transactions occurred simultaneously at two consolidated stages and instances (June and August 2016).

During June 2016, the Group exchanged certificates of deposit with a nominal amount of LBP 37,500 Million. The net gain resulting from this transaction amounted to LBP 10,754 Million.

During August 2016, the Group exchanged treasury bills with a nominal amount of LBP 30,000 million. The net gain resulting from this transaction amounted to LBP 15,323 Million.

The cumulative net gain that resulted from the above mentioned exchange transactions amounts to LBP 26,077 Million was reported under "Realized gain from investment securities at fair value through profit or loss".

Furthermore, and for the purpose of increasing its share in the special transactions referred to above, the Group sold to other banks financial instruments recognized at amortised cost for the amount of LBP. 1,065,417,500 thousands (refer to note 30).

This transaction resulted in net gains for the Group in the amount of LBP 61,284,642 thousands.

(30) NET GAIN ON INVESTMENTS SECURITIES AT AMORTISED COST

IN THOUSANDS OF LEBANESE POUND	2016	2015
Gain from sale of investment securities at amortised cost	61,363,337	8,639,539
Loss from sale of investment securities at amortised cost	(78,695)	(2,070)
	61,284,642	**8,637,469**

The Group derecognised some debt instruments classified at amortised cost. During the year, the Bank in Lebanon sold investment securities classified at amortised cost with a nominal value of LBP 1,065,417,500 thousand (2015: LBP 212,000,000 thousand) and realized a net gain of LBP 61,284,642 thousand (2015: 8,637,469 thousand).

Below is a detailed listing of the sale transactions that occurred during the year 2016:

IN THOUSANDS OF LEBANESE POUND		31-Dec-16	
Type of investment securities	**Maturity**	**Nominal value**	**Net gain on sale**
	22-Apr-31	3,015,000	24,120
Eurobonds (USD)	22-Apr-31	1,507,500	12,060
	22-Apr-31	12,060,000	(60,300)
		16,582,500	**(24,120)**
	9-Jan-25	5,000,000	1,918
	9-Jan-25	1,000,000	23,844
	15-Oct-26	6,000,000	277,002
Lebanese Treasury Bills (LBP)	12-Nov-26	17,760,000	759,218
	17-Sep-26	6,435,000	280,752
	15-Oct-26	5,640,000	222,267
		41,835,000	**1,565,001**

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IN THOUSANDS OF LEBANESE POUND		31-Dec-16	
Type of investment securities	**Maturity**	**Nominal value**	**Net gain on sale**
	5-Mar-26	5,000,000	196,228
	5-Mar-26	5,000,000	196,023
	5-Feb-26	6,000,000	491,840
	2-Jul-26	5,000,000	301,697
	20-Aug-26	3,000,000	193,305
	20-Aug-26	2,000,000	128,851
	22-Jan-26	5,000,000	250,856
	19-Nov-26	10,000,000	622,478
	6-Aug-26	10,000,000	604,981
	29-Jan-26	10,000,000	802,611
	5-Feb-26	10,000,000	803,386
	22-Jan-26	30,000,000	1,547,344
	22-Jan-26	5,000,000	258,836
	29-Jan-26	10,000,000	801,952
Certificates of deposits (LBP)	29-Jan-26	5,000,000	400,976
	19-Nov-26	10,000,000	621,122
	6-Aug-26	15,000,000	928,810
	19-Nov-26	15,000,000	930,420
	6-Aug-26	10,000,000	633,640
	15-Jan-26	10,000,000	798,330
	19-Nov-26	25,000,000	1,548,939
	6-Aug-26	3,000,000	185,227
	6-Aug-26	2,000,000	123,454
	15-Jan-26	20,000,000	1,538,486
	6-Aug-26	3,000,000	179,294
	15-Jan-26	5,000,000	405,739
	6-Aug-26	2,000,000	119,530
	29-Jan-26	5,000,000	406,382

IN THOUSANDS OF LEBANESE POUND **31-Dec-16**

Type of investment securities	Maturity	Nominal value	Net gain on sale
Certificates of deposits (LBP)	8-Jan-26	10,000,000	816,534
	15-Jan-26	25,000,000	2,026,104
	8-Jan-26	20,000,000	1,604,198
	8-Jan-26	3,000,000	237,930
	8-Jan-26	3,000,000	237,882
	8-Jan-26	4,000,000	317,112
	8-Jan-26	3,000,000	237,787
	8-Jan-26	10,000,000	785,441
	8-Jan-26	9,000,000	706,897
	8-Jan-26	3,000,000	237,739
	8-Jan-26	4,000,000	317,072
	22-Jan-26	2,000,000	104,564
	22-Jan-26	2,000,000	101,659
	5-Feb-26	1,000,000	78,705
	8-Jan-26	3,000,000	(9,215)
	8-Jan-26	3,000,000	(9,180)
	12-Apr-35	3,000,000	85,395
	1-Mar-46	20,000,000	1,005,549
	8-Mar-46	5,000,000	184,866
	1-Mar-46	50,000,000	2,513,937
	1-Mar-46	5,000,000	184,931
	7-Sep-45	50,000,000	2,727,589
	8-Mar-46	25,000,000	1,256,797
	10-Aug-45	40,000,000	2,183,866
	7-Dec-45	30,000,000	1,573,913
	30-Nov-45	30,000,000	1,573,062
	29-Jun-45	60,000,000	3,342,945
	22-Feb-46	30,000,000	1,542,353
	20-Jul-45	40,000,000	2,231,299
	16-Feb-45	50,000,000	2,942,040
	17-Aug-45	30,000,000	1,637,438
	21-Sep-45	10,000,000	545,460
	16-Nov-45	50,000,000	2,619,342
	24-Aug-45	30,000,000	1,637,060
	13-Apr-45	60,000,000	3,462,061
	1-Mar-46	5,000,000	184,957

IN THOUSANDS OF LEBANESE POUND **31-Dec-16**

Type of investment securities	Maturity	Nominal value	Net gain on sale
	5-Mar-26	5,000,000	233,527
	6-Aug-26	5,000,000	279,113
Certificates of deposits (LBP)	12-Apr-35	7,000,000	948,148
	5-Apr-46	8,000,000	518,074
	5-Apr-46	8,000,000	518,074
		1,007,000,000	**59,743,762**
		1,065,417,500	**61,284,643**

Below is a detailed listing of the sale transactions that occurred during the year 2015:

IN THOUSANDS OF LEBANESE POUND

Type of investment securities	Maturity	Nominal value	Net gain on sale
Lebanese Treasury Bills (LBP)	30-Oct-25	5,000,000	113,778
	11-Sep-25	5,000,000	131,755
		10,000,000	**245,533**
Lebanese Treasury Bills Liquidation (LBP)	29-Jan-15	2,000,000	(2,070)
Certificates of deposits (LBP)	19-Mar-26	15,000,000	269,285
	27-Apr-23	3,000,000	88,248
	2-Mar-17	1,000,000	21,035
	20-Aug-26	20,000,000	1,192,525
	25-Dec-25	5,000,000	161,669
	2-Jul-26	5,000,000	279,934
	5-Feb-26	15,000,000	683,008
	3-Dec-26	10,000,000	307,770
	4-Jun-26	5,000,000	156,203
	19-Jan-23	6,000,000	144,985
	16-Oct-25	1,000,000	34,415
	5-Mar-26	88,000,000	3,514,983
	13-Aug-26	10,000,000	618,502
	6-Aug-26	10,000,000	637,089
	22-Jan-26	6,000,000	284,355
		200,000,000	**8,394,006**
		212,000,000	**8,637,469**

(31) PERSONNEL CHARGES

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Wages and salaries		25,889,911	28,792,714
Social security contributions		4,249,109	4,194,971
Provision for employee benefits obligations	21	1,569,125	1,948,804
Representation fees		1,335,800	1,158,347
Exceptional indemnities		4,545,856	4,594,759
Scholarships		1,270,343	1,246,256
Transportation		1,149,081	1,063,403
Insurance and medical expenses		1,197,486	1,044,614
Chairman and vice chairman remunerations		2,252,403	1,863,193
Other benefits		3,845,314	3,912,216
		47,304,428	**49,819,277**

(32) ADMINISTRATIVE EXPENSES

IN THOUSANDS OF LEBANESE POUND	Note	2016	2015
Marketing and advertising		3,688,036	4,216,532
Professional fees		4,827,057	5,455,620
Taxes		2,324,337	3,376,091
Rental expenses		2,756,771	2,487,394
Maintenance and repair		2,691,433	3,239,811
Utilities		852,992	884,053
Board of Directors attendance allowance	36	1,027,950	960,450
Telecommunication and postage		1,039,286	1,221,461
Stationary and printings		759,119	675,884
Transportation expense		155,743	167,004
Premium of the guarantee of deposits		2,069,700	1,894,957
Other expenses		8,889,324	11,958,346
		31,081,748	**36,537,603**

(33) INCOME TAX EXPENSE

IN THOUSANDS OF LBP	2016		2015	
Profit before tax		**78,366,662**		**62,706,034**
Income tax using the enacted tax rate	14.90%	11,676,046	14.92%	9,354,936
Non-deductible taxes	0.20%	153,313	0.31%	192,956
Non-deductible provisions	11.03%	8,643,693	0.69%	431,981
Irrecoverable loans	0.09%	67,417	0.01%	8,180
Other non-deductible expenses	0.61%	474,302	1.41%	881,889
Dividends received	-0.06%	(46,722)	-0.07%	(42,948)
Write back of provision	0.00%	–	-0.04%	(23,284)
Collective provision written back	-0.12%	(93,025)	0.00%	–
Gain on reevaluation of financial assets at fair value	-1.72%	(1,344,401)	-2.05%	(1,288,293)
Foreign exchange gain / losses	0.00%	–	-0.06%	(37,998)
Derecognition of unused tax losses carried forward	0.00%	–	0.13%	80,139
Profit from associate	-0.69%	(542,700)	0.00%	–
	24.23%	**18,987,923**	**15.25%**	**9,557,558**

The Bank 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 books and records were reviewed by the Department of Income Tax for the years 2010 to 2013. The Bank's books and records remain subject to review by the Department of Income Tax for the years 2014, 2015 and 2016.

(34) CASH AND CASH EQUIVALENTS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Cash on hand	44,274,577	46,820,885
Unrestricted accounts with Central Banks	325,549,799	69,053,084
Banks and financial institutions	227,527,992	175,217,506
Due to banks and financial institutions	(17,140,951)	(48,618,666)
	580,211,417	**242,472,809**

(35) CONTINGENT LIABILITIES AND COMMITMENTS

IN THOUSANDS OF LEBANESE POUND	2016	2015
Guarantees		
Guarantees given to banks and financial institutions	29,974,293	41,581,393
Guarantees received from banks and financial institutions	16,747,851	16,748,312
Guarantees given to customers	131,822,226	110,624,119
Guarantees received from customers	5,545,684,074	5,075,034,555
Lending commitments	**195,098,465**	**215,798,569**
Operations in foreign currencies		
Foreign currencies to receive	74,754,617	71,923,092
Foreign currencies to deliver	74,412,184	73,036,626
Contingencies on legal disputes (a)	**35,777,883**	**34,255,761**
Fiduciary deposits	**12,229,400**	**64,099,388**
Bad loans fully provided for	**1,630,964**	**11,333,242**

(a) Contingencies on legal disputes
There were a number of legal proceedings involving claims by and against the Group at 31 December 2016, which arose in the ordinary course of business. The Group does not expect the ultimate resolution of any of the proceedings, to which the Group is party, to have a significantly adverse effect on its financial position.

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(36) RELATED PARTIES

(a) Transactions and balances with key management personnel

Key management personnel compensation
Key management personnel compensation comprised the following:

IN THOUSANDS OF LEBANESE POUND	2016	2015
Short-term employee benefits	11,146,905	12,176,601
Board of Directors attendance allowance	1,027,950	960,450

Key management personnel accounts
A number of the board members hold positions in other entities that result in having control over the financial or operation policies of these entities.

A number of these entities transacted with the Group in the reporting period. The aggregated value of transactions and outstanding balances related to key management personnel and entities over which they have control were as follows:

(b) Outstanding balances with subsidiaries

	Balance outstanding as at 31 December	
IN THOUSANDS OF LEBANESE POUND	2016	2015
Loans and advances	5,524,656	5,781,904
Deposits	10,783,648	14,321,099

(c) Transactions with related parties

	Transactions as at 31 December	
IN THOUSANDS OF LEBANESE POUND	2016	2015
Interest income from loans and advances	239,149	272,575
Interest expenses on deposits	(237,906)	(334,577)

(c) Investment in associate

IN THOUSANDS OF LEBANESE POUND	Country of incorporation	Number of shares	31 December 2016	31 December 2015
Anelik Bank CJSC	Armenia	273,926	40.32%	100.00%

(i) Equity investments at cost in unlisted associate

In application to the directions of the Central Bank of Armenia, which imposed a minimum for the capital of Armenian banks, the General Assembly of shareholders of Anelik Bank CJSC resolved on 12 August 2016 to increase the capital of the mentioned bank from AMD 13,696,300 thousand to AMD 33,971,850 thousand, thus an increase of AMD 20,275,550 thousand.

The capital increase was fully paid by new shareholders on 28 October 2016, following the approval of the Central Bank of Armenia, thus reducing the percentage of Creditbank S.A.L. share from 100% to 40.32%, resulting in the loss of control over this subsidiary and it's consideration as an associate, starting 30 October 2016.

The investment has been valued under equity method and the movement of the investment value is reflected in the books as follows:

IN THOUSANDS OF LEBANESE POUND	2016
Cost of investment as at 31 December 2015	80,308,174
Less: Difference of exchange incurred at 30 October 2016	(17,213,575)
Add:	
Share of Creditbank in the profit realised by Anelik CJSC from 30 October 2016 till 31 December 2016	3,618,000
- Share of Creditbank in the other comprehensive income of Anelik CJSC	2,317,565
	69,030,164

Cost of investment of the Group in Anelik Bank CJSC has amounted to LBP 80,308,174 thousand divided as follows as at 31 December 2015:

IN THOUSANDS OF LEBANESE POUND	2015
Cost of acquisition	60,862,088
Amount paid in excess	9,728,373
Capital increase	9,717,713
Cost of investment as at 31 December 2015	80,308,174

MANAGEMENT
& NETWORK

CREDITBANK S.A.L.

Board of Directors:
1. **Mr. Tarek Khalifé,** Chairman and General Manager
2. **Mr. Fadi Barbar,** representing Financial Profile s.a.l - Board Member
3. **Mrs. Maria Khalifé-Bazerji,** Board Member
4. **H.E. Mr. Dimyanos Kattar,** Independent Board Member
5. **Dr. Henri Chaoul,** Independent Board Member
6. **Me. Paul Harb,** representing Financial Trust Participation Holding s.a.l - Board Member
7. **Holfiban s.a.l Holding** - Board Member formerly represented by Mr. Freddy Zraick

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Dekwaneh, Freeway Center,
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Switchboard: (01) 501600 – (03) 188881
Fax: (01) 485245
Swift: CBCBLBBE
Customer Service: (04) 727555
Website: www.creditbank.com
E-Mail: info@creditbank.com

CREDEX S.A.L.

Board of Directors:
1. **Mr. Farid Zraick,** Former Chairman and General Manager
2. **Creditbank S.A.L.** - Board Member
3. **Mrs. Maria Bazerji** - Board Member
4. **Me. Paul Harb** - Board Member

General Manager:
Mr. Selim Beshara

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Parallel 232 Center, Sin el Fil Blvd.,
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Website: www.credex.com.lb
E-Mail: info@credex.com.lb

BEIRUT & SUBURBS

HEADQUARTERS

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Switchboard: (01) 501600 – (03) 188881
Fax: (01) 485245
Swift: CBCBLBBE
Customer Service: (04) 727555
Website: www.creditbank.com
E-Mail: info@creditbank.com

MAIN BRANCH

Dekwaneh Freeway Center, Sin El Fil Blvd., Dekwaneh
Switchboard: (01) 481966 / 481986 / 484833 - (03) 170012
Fax: (01) 481988
3 ATMs
Opened in: 2004
Manager: Ms. Maureen Tabet
E-Mail: dekwaneh@creditbank.com

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) 203432 / 218183 - (03) 584999
Fax: (01) 204325
ATM
Opened in: 1982
Manager: Mr. Charles Obeid
E-Mail: ashrafieh@creditbank.com

BADARO – SAMI EL SOLH

Sky development 5232 Bldg., Sami El Solh Avenue
Telefax: (01) 384528/9 - (76) 777967
ATM
Opened in: 2015
Manager: Mr. Bassam Haddad
E-Mail: badaro@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

NETWORK
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BRANCHES

CHIYAH

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

CORNICHE EL MAZRAA

Abdel Latif Bldg., Corniche el Mazraa, Moussaitbeh
Telefax: (01) 707294/5/6 - (81) 636461
ATM
Opened in: 2016
Manager: Mr. Youssef Salameh
E-Mail: cmazraa@creditbank.com

HAMRA (RAS BEIRUT)

Vision 1974 Bldg., Sourati Street.
Telefax: (01) 742877/8 - (03) 361836
ATM
Opened in: 1991
Manager: Ms. Noura Al Sardouk
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) 713424/6 - (03) 516051
ATM
Opened in: 2001
Manager: Mr. Nader Al Khoury
E-Mail: jaleldib@creditbank.com

JDEIDEH

Azure Center, New Jdeideh, Street 21
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, Ashrafieh.
Telefax: (01) 425818 - (76) 649992
3 ATMs
Opened in: 2014
Manager: Mr. Rafic Makzoume
E-Mail: sodeco@creditbank.com

VERDUN

Nour El Hayat Center, Rashid Karameh Avenue, Verdun.
Telefax: (01) 791345/6 – (76) 777965
ATM
Opened in: 2014
Manager: Mr. Mohamad Hachem
E-Mail: verdun@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

GHAZIR

Première Center, Jounieh Highway
Telefax: (09) 852930/1 - (03) 234721
ATM
Opened in: 1994
Manager: Mr. Maroun Chelala
E-Mail: ghazir@creditbank.com

JBEIL

Farhat Center, Voie 13
Telefax: (09) 543016/7 - (70) 996682
ATM
Opened in: 2014
Manager: Mr. Joe Khalifeh
E-Mail: jbeil@creditbank.com

JDIDET EL JOUMEH – HALBA

Toufic & Charles Saad Bldg., main road, Jdidet el Joumeh-Halba
Telefax: (06) 694078 - (81) 636462
ATM
Opened in: 2016
Manager: Mr. Samir Mourad
E-Mail: jjhalba@creditbank.com

JOUNIEH

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

KORNET CHEHWAN - ELISSAR

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

MANSOURIEH

New Highway.
Telefax: (04) 533871/2 - (70) 170008
ATM
Opened in: 2007
Manager: Mr. Tarek Saadé
E-Mail: mansourieh@creditbank.com

SAIDA

Sayah Bldg., Dekerman Area.
Telefax: (07) 727601/2 - (03) 662220
ATM
Opening in: 2004
Manager: Mr. Georges Al Sahyouni
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.
Telefax: (06) 428001/3 - (70) 949050
2 ATMs
Opened in: 2003
Manager: Mr. Selim Nassim
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