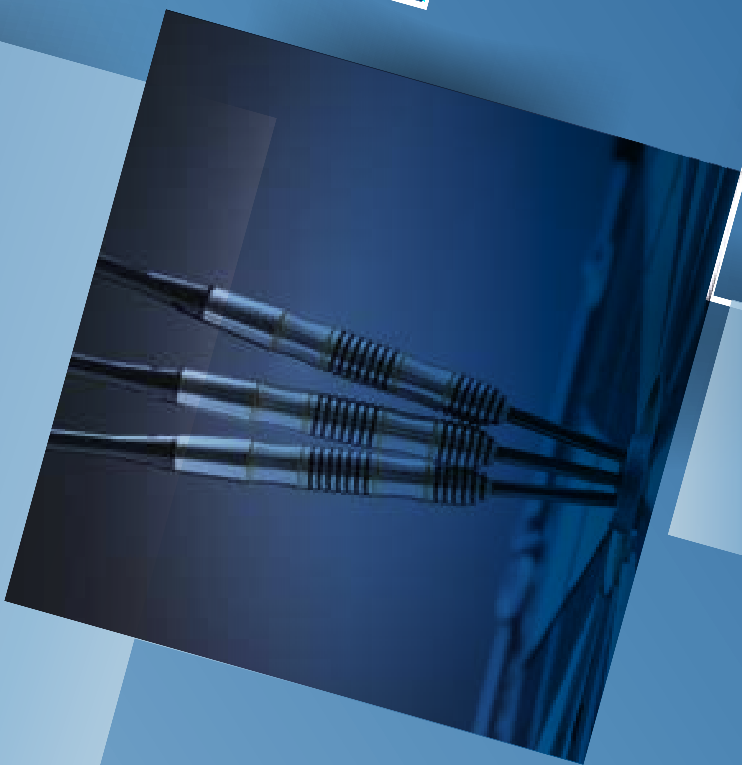
LGB BANK

بنك لبنان والخليج ش.م.ل



Annual Report 2013

A Success Story...

LGB BANK

Excellence through the years

Contents

LGB BANK
بنك لبنان والخليج

Financial Highlights

Steady Growth

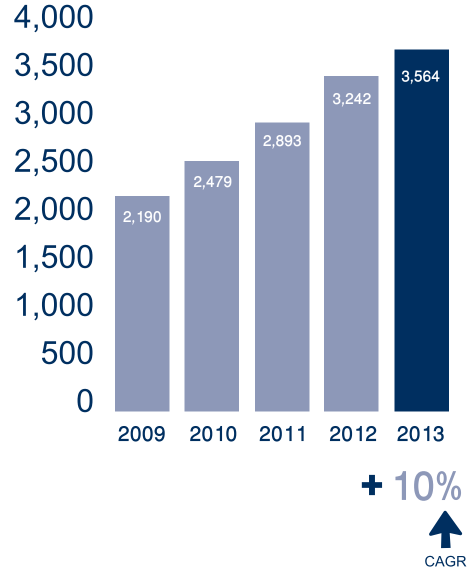
Total Assets CAGR*

18%

*5 Years

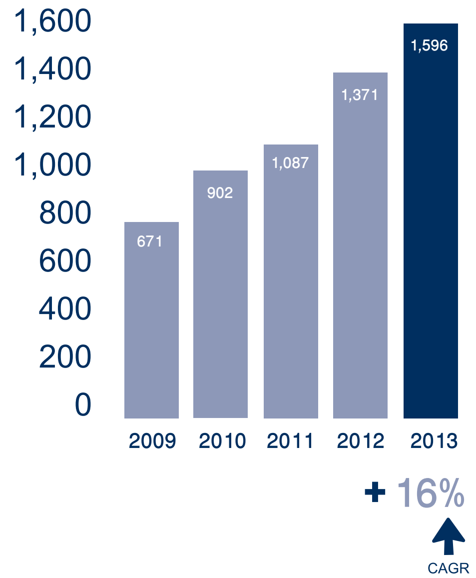
LGB BANK
بنك لبنان والخليج

Total Customers' Deposits
In billions of LBP



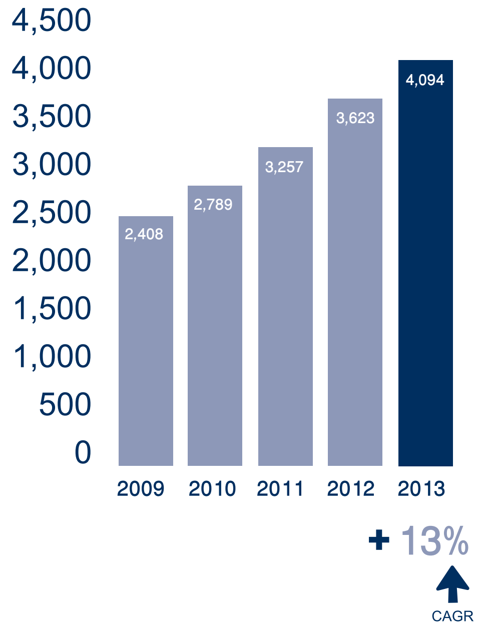
In millions of LBP				As at December 31
	2013	2012	2011	2010	2009
Balance Sheet					
Total Assets	4,093,660	3,622,979	3,257,439	2,789,052	2,408,058
Customers' Deposits	3,564,320	3,242,413	2,892,778	2,478,701	2,189,826
Loans & Advances	1,596,134	1,371,187	1,087,001	902,259	671,150
Equity	368,647	286,102	263,037	221,608	155,684
Financial Results					
Net Operating Income	81,274	67,874	61,263	59,591	50,420
Net Interest Income	63,766	44,751	28,867	29,331	19,849
Net Non-interest Income	31,383	27,758	36,947	43,814	33,669
Net Income	34,125	28,158	26,337	24,706	21,315

Total Loans & Advances
In billions of LBP

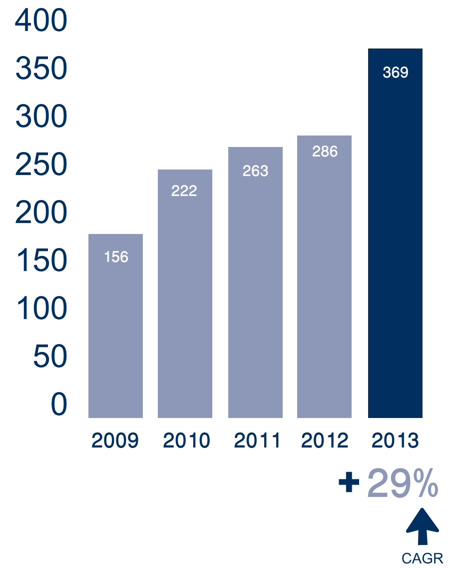


Net Income
In billions of LBP

Total Assets
In billions of LBP



Total Equity
In billions of LBP



CAGR: Compounded Annual Growth Rate

Chairman & Vice Chairman's Letter

Dear Valued Stakeholders,

It is with great pleasure that we present the Annual Report of LGB BANK reporting the closing accounts for the year ended December 2013 which was yet another prosperous year for the Bank. We ended the year having achieved remarkable and outstanding performance in our Bank and delivered strong and consistent returns, despite the slow financial economic growth and political instability in Lebanon and the region.

During 2013, we witnessed a solid profitability with consistent growth of 23% reaching LBP 34.1 billion, an increase from LBP 28.2 billion in 2012. This profit is a result of the significant growth in our Assets to reach LBP 4,094 billion, which represents an increase of 13% year-on-year and in our Customers' Deposits which increased to LBP 3,564 billion thus, representing an increase of 10% year-on-year. The Bank's Loan Portfolio amounted to LBP 1,596 billion growing by 16% in 2013.

In line with its strategy to continuously strengthen its equity base, the Shareholders' Equity increased by 29% amounting LBP 82 billion to reach LBP 369 billion by issuing common and preferred shares. Return on Average Asset (ROAA) and Return on Common Equity (ROCE) stood at 1% and 12% respectively. The Capital Adequacy Ratio stood at 13.26% in 2013, a percentage well above the minimum capital requirements of 10.5% set by the supervisory authorities.

Focusing on our customers every day to offer out of the box banking solutions, led the Bank to win 4 international awards, for its innovative banking products and excellence in delivering high quality services.

Innovative, one of a kind, and novel products were launched during the year targeting various segments and offering superior benefits to cater to the needs of the different business activities whether retail, corporate or investment.

"We have delivered strong & consistent returns, despite the slow financial economic growth & political instability in Lebanon & the region."

Our wide range of products and services is being accompanied with highly secured and advanced 24/7 e-channels such as mobile banking, e-banking, SMS banking, and the Call Center as well as offering late banking hours through our Allenby branch.

The Bank also initiated a top range of loyalty programs to reward its loyal clients through a unique rewarding scheme offering a variety of options such as cash back, miles, gifts, vouchers and donations.

We are proud to add that we have continued implementing our expansion strategy by increasing our branch network to 16 branches across Lebanon, with a branch soon to open in Kaslik in 2014 followed by another in Jal el Dib at a later date.

The local expansion strategy was also accompanied by consolidating our position in the region through a representative office in UAE. In doing so, we have become closer to our customers in the Gulf and able to better ensure that they receive the best banking services.

"Focusing on our customers every day to offer out of the box banking solutions, led the Bank to win 4 international awards."

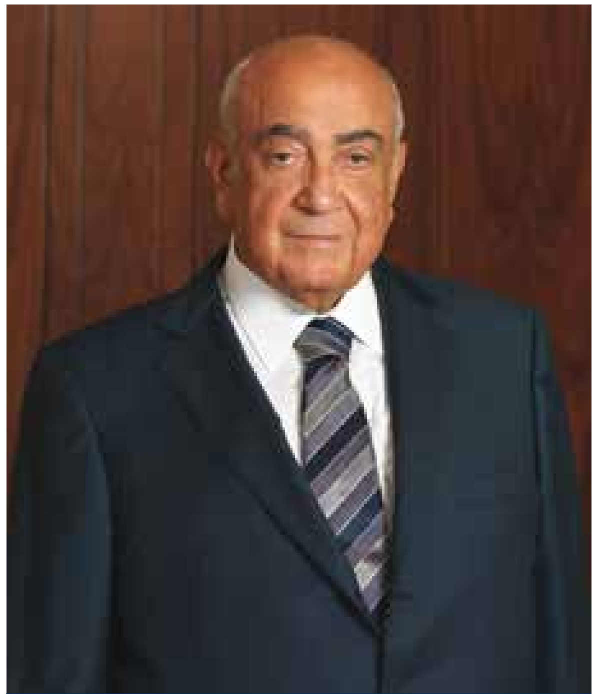
We are also planning to reinforce our presence in other regions of the country in addition to strengthening our international network in the Middle East and Africa. The Bank keeps relying on the development of its international trade activities and operations through its business collaboration with premium correspondent banks, all of which have served as reliable partners.

With the help of our control functions, asset quality remained at the center of our attention. We have continued being selective in building our asset book with a focus on striking a balance between growth and risk taking, which in turn was reflected in the reduction level of non-performing loans. We are always exerting efforts towards applying solid corporate governance standards to protect the interests and integrity of our stakeholders while continuing to reinforce our Compliance and Anti-Money Laundering controls and systems.

As we firmly believe that our human capital is an important pillar for growth and a key element for the Bank's success, we are constantly developing and training our people as well as attracting and retaining qualified new talents.

The Bank's social initiatives remain an important part of its efforts to build a more sustainable business environment. Throughout the year, we were involved in supporting many civic societies and empowerment projects.

Finally, on behalf of the Board of Directors, we express our sincere gratitude for the ongoing support and loyalty of our shareholders and clients. We are also grateful for the management and staff's professionalism and dedication whose commitment and contribution over the years have been the driving force behind our continued growth and success.



Abdul Hafiz M. Itani
Chairman-General Manager

Samer A.H Itani
Vice Chairman- Chief Executive Officer

Our Bank

Stability

Net Income
23
million USD

LGB BANK
بنك لبنان والخليج

■ Historical Foundation

With more than 50 years of banking tradition, trust and excellence in customer service, LGB BANK stands today as one of Lebanon's deeply rooted banks.

Established in 1963 under the name of Banque de Credit Agricole s.a.l., LGB BANK adopted its current name and shareholders' form in 1980 when a group of businessmen (led by the current Chairman) acquired the majority of its shares. The Bank currently operates from its head office located in Beirut Central District, backed by a powerful network of 17 branches spread across the country, a branch in Cyprus since 1986, and a representative office in Dubai, UAE.

Today, being one of the most evolving and vibrant institutions in the country, the Bank is committed to a systematic expansion strategy. In 2013, the latter has translated into an enhancement of the LGB BANK's operational and information technology infrastructure, a substantial growth in profits and deposits, and most importantly into a concentrated modernization and development of the human capital.

The Bank's expansion strategy runs simultaneously in Lebanon and the Middle East, as LGB BANK is tapping into potential markets. By early 2012, the Bank had embarked on a new branding effort that promises to propel it to new heights aligned with its business strategy.

With its dedication and clear vision, LGB BANK continues to build strong relationships with its clients through a personalized approach coupled with sophisticated services and "innovative products" that match the customers' financial aspirations.

■ Vision

Based on its ongoing pursuit of excellence and optimized customer satisfaction, LGB BANK aims to become the bank of choice for Lebanese and regional customers. Through a consolidated and growing network of branches and affiliates, we aim to establish lasting relationships with our customers and continuously improve our performance to gradually become a cornerstone in the banking industry.

■ Mission

At LGB BANK, we thrive to provide our customers with best in line products and services that meet their evolving short and long term needs. Our mission is to establish trustful and personalized relations with each and every one of our clients; while giving them access to a team of reliable professionals, who are committed to a high quality financial performance. We value excellence over quantity and settle for nothing less than outstanding results that surpass our clients' expectations.

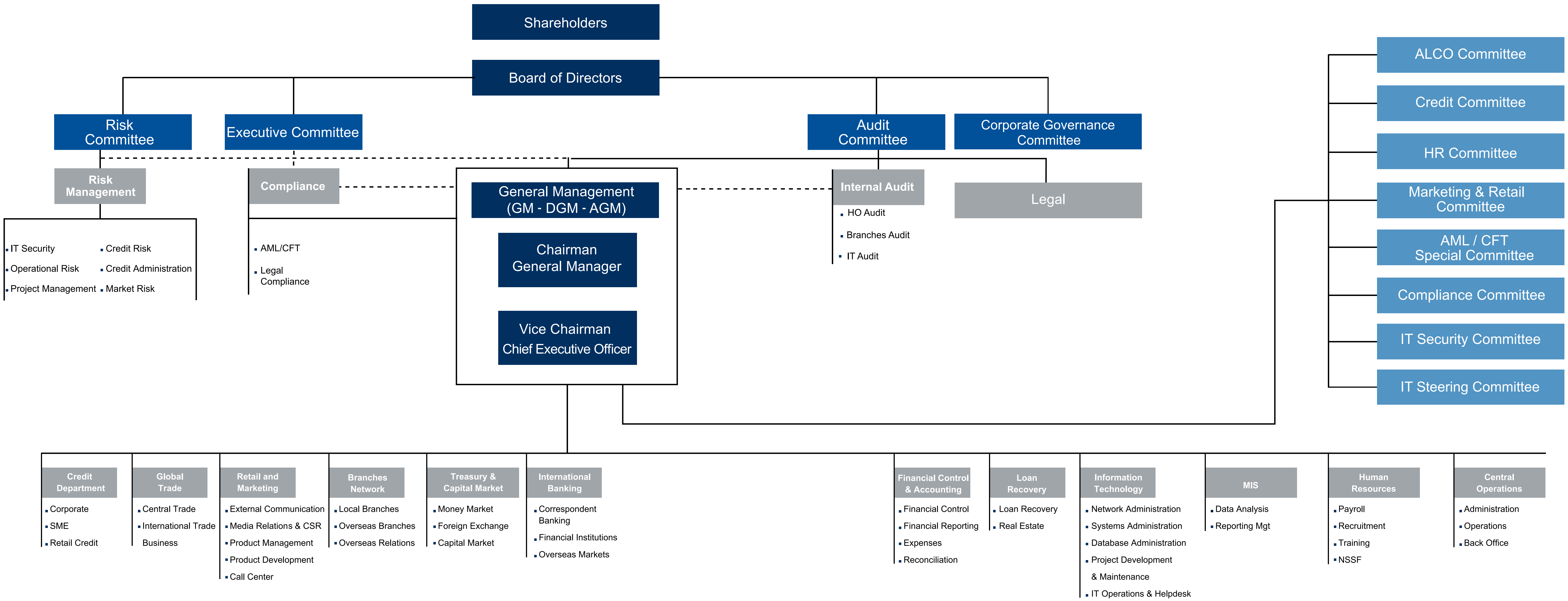
■ Values

Legacy
From one generation to another, the Bank has cumulated a valuable experience thus, building a successful and proven track record. LGB BANK firmly believes in the consistency and continuity that a valuable banking legacy can offer.

Integrity
At LGB BANK we put our customers' best interests at the forefront of our operations. We believe that delivering genuinely good services will undoubtedly lead us to achieve success. This is why we adopt a widely transparent strategy while dealing with our clients.

Quality
LGB BANK has a long and proven track record in the Lebanese market; one that is marked by the delivery of high quality products and services. Indeed, premium quality remains at the heart of our business strategy which aims at preserving high levels of customer satisfaction by offering impeccable services.

Accountability
LGB BANK is a reliable banking partner for Lebanese customers. We provide them with a diversified portfolio of offerings, based on thorough analysis of the market and the local customers' needs. We also put at the disposition of our clients the expertise of a pool of industry experts who offer professional advice and reliable solutions.


Shareholders
Board of Directors
Risk Committee
Executive Committee
Audit Committee
Corporate Governance Committee
Risk Management
IT Security
Operational Risk
Project Management
Credit Risk
Credit Administration
Market Risk
Compliance
AML/CFT
Legal Compliance
General Management (GM - DGM - AGM)
Chairman General Manager
Vice Chairman Chief Executive Officer
Internal Audit
HO Audit
Branches Audit
IT Audit
Legal
ALCO Committee
Credit Committee
HR Committee
Marketing & Retail Committee
AML / CFT Special Committee
Compliance Committee
IT Security Committee
IT Steering Committee
Credit Department
Corporate
SME
Retail Credit
Global Trade
Central Trade
International Trade Business
Retail and Marketing
External Communication
Media Relations & CSR
Product Management
Product Development
Call Center
Branches Network
Local Branches
Overseas Branches
Overseas Relations
Treasury & Capital Market
Money Market
Foreign Exchange
Capital Market
International Banking
Correspondent Banking
Financial Institutions
Overseas Markets
Financial Control & Accounting
Financial Control
Financial Reporting
Expenses
Reconciliation
Loan Recovery
Loan Recovery
Real Estate
Information Technology
Network Administration
Systems Administration
Database Administration
Project Development & Maintenance
IT Operations & Helpdesk
MIS
Data Analysis
Reporting Mgt
Human Resources
Payroll
Recruitment
Training
NSSF
Central Operations
Administration
Operations
Back Office

Corporate Governance

Human Capital

Experienced Management & Highly Educated Calibers

Governance

LGB BANK is keen on ensuring complete compliance with local and international governance practices. Armed with core values such as integrity, transparency, and accountability, the Bank's governance culture has been progressively evolving to encompass robust risk management and control practices that direct it in sustaining business performance and delivering long term value to stakeholders.

The Board's key governance responsibilities are to set the Bank's strategic objectives while relying on Management's relevant and timely controls to facilitate complex decision making. The board also sets the Bank's internal controls and risk appetite through a well-defined policy supported by proper oversight to ensure the accurate and comprehensive implementation of these controls.

LGB BANK recognizes its responsibility towards its stakeholders in ensuring safe, sound, and ethical financial operations. It is essential therefore, that our risk culture supports our risk profile and our adopted risk management practices.

LGB BANK acknowledges that long term success is achieved by having the right leaders in place. Thus, talent development and strategic succession planning are critical components of sustainable success at the Board and Executive Management levels.

Corporate Governance Framework

The Bank's Corporate Governance Policies, including the Code of Corporate Governance, Board Charter, Code of Conduct, and Code of Ethics, lay a solid foundation for transparent and accountable decision making. The Bank's Corporate Governance Framework is specifically designed to guide the Board in achieving the Bank's aims, led by the highest ethical standards and interests of its stakeholders. As part of the Bank's continuous commitment to sound Corporate Governance, Succession Planning was one of the Bank's key focuses this year. In addition, the Bank also fortified its Disclosure Policy to ensure that all required regulatory disclosures are done effectively and efficiently, taking into account due disclosure of conflict of interests.

Board Selection and Election

Board members are appointed on merit, based on the required diversity for effective decision making. Board members' selection relies on integrity, character, range of skills, professional experiences and background, and finally, willingness to commit adequate time and effort to the Bank in addition to putting forth value added material to the Board.
During 2013, the Board received a substantial boost after the appointment of three new directors.

Board Responsibilities

The Board sets strategic objectives and policies that are focused on delivering long-term value providing overall strategic direction within a framework of risk appetite and controls. It aims at ensuring that executive management is balanced between promoting long-term growth and delivering short-term objectives.
The Board is also responsible for ensuring that Management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In addition, the Board is responsible for guaranteeing that management maintains an effective Risk Management and oversight process at the highest level. In carrying out its responsibilities, the Board upholds the Bank's reputation and manages the materiality of financial risks and other threats inherent in the business thus, reaps the benefits of implementing specific controls.

Board Committees

Audit Committee

The Audit Committee's mission resides in assessing the integrity of the Bank's financial reporting, the effectiveness of internal controls in addition to the performance of the Bank's Internal Audit Unit and External Auditors with respect to the suitability and relevance of the submitted reports.
The Audit Committee supports the Board in protecting the interests of shareholders and other stakeholders by acting with the right level of diligence to assure that appropriate and prudent judgments have been made with respect to financial reporting given that the financial statements provide a realistic view of the Bank's financial position and that the auditors' independent analysis on behalf of shareholders is both objective and effective.

Risk Committee

The Risk Committee reviews and recommends the Bank's Risk Policies and Risk Appetite directly to the Board.
It is also responsible for identifying and monitoring the Bank's risk profile for all types of risks and ensuring that the overall risk profile and risk appetite remain appropriate, in addition to recognizing and assessing future potential risks. The Committee oversees the Risk Management Framework, assesses its effectiveness, and supervises the proper implementation of Risk Management policy in order to adapt to local needs and regulations.

Corporate Governance Committee

The Corporate Governance Committee is responsible for ensuring that the composition of the Board and its Committees are suitable and function efficiently by regularly examining the skills, experiences and diversity of the Board and of each Committee member.
The Committee is also responsible for identifying and recommending new Directors or recommending changes in Committee membership by assessing performance, in addition to succession planning suggestions for key Board and Executive Management positions.

The Committee also assesses the annual Board's effectiveness review process by remaining up-to-date with any corporate governance issues and developments to ensure that the Bank's practices are always in line with the highest corporate governance standards.

Mr. Abdul Hafiz M. Itani

Chairman – General Manager

Mr. Abdul Hafiz Itani was appointed to his current position in 1980 upon acquiring the majority of the Bank's shares along with a group of local and Gulf investors.
With more than 50 years of experience in the banking and finance industry, Mr.Itani's professional career crowned with his successful management of a long-lasting established family business, impelled him to lead LGB BANK through affluent and challenging times to be one of the leading banks in Lebanon.
During his career timeline, Mr. Itani has occupied several key positions in the Lebanese banking sector.

Mr. Joseph M. Hakim

Deputy General Manager - Board Member

Mr. Hakim joined LGB BANK in 1980 and assumed several key positions before being appointed as Deputy General Manager and Head of the International Banking Division.
Mr. Hakim enjoys more than 45 years of banking experience having formerly worked in different local commercial banks and holding several managerial positions. Mr. Hakim holds a degree in general commerce from the American University of Beirut.

Me. Antoine Chader

Board Member

Me. Chader is currently the Legal Advisor of LGB BANK and a member on the Board of Directors at CSC Bank s.a.l.
Me. Chader's professional career is marked with key positions being Chairman and General Manager of many local banks and President of Association of Banks in Lebanon. He was also elected as a Member of the Lebanese Parliament. Me. Chader is a prominent Lebanese lawyer holding a Law Degree from the Saint Joseph University's Law School.

Mr. Emile H. Baroud

Board Member

Mr. Baroud is a non-executive member on the Board of Directors since 2009.
Mr. Baroud's professional career is marked with more than 45 years of banking experience and a strong network of International and Arab relations having formerly worked abroad as General Manager at Qatar National Bank in Paris, Executive Vice President at the Saudi European Bank in Paris and Assistant Director at Banque du Benelux. Mr. Baroud holds a degree in Economics from the Université de Paris.

Mr. Rabih Noueiri

Board Member

Mr. Noueiri is a non-executive member on the Board of Directors since 2009.
Mr. Noueiri enjoys more than 25 years of American, European, and local banking experience. He was the Executive Manager at American Express Bank in London, Member of the Executive Management at Union Bancaire Privée in London, Senior Vice President at Chase Manhattan Bank and held a key position in a local commercial bank.
Mr. Noueiri holds a Business and Commerce degree from Beirut Arab University.

Mr. Samer A.H Itani

Vice Chairman - CEO

Mr. Samer Itani started his Banking career at LGB BANK by occupying several managerial positions in different divisions at the Bank prior to being selected in 1995 as a member of the Board of Directors.
Mr. Itani was appointed to his current position in 2007 and is currently responsible for leading the restructuring and expansion strategies of the Bank, thus positioning it as one of the best performing Lebanese banks.
Mr. Itani holds a degree in finance and international management from Georgetown University in Washington DC. He attended advanced management programs at both INSEAD and London Business School and intensive management training programs at Chemical Bank.

Mr. Mounib M. Hammoud

Board Member

Mr. Hammoud is a non-executive member on the Board of Directors since 2009.
Mr. Hammoud was recently appointed on the board of trustees in the Council on Tall Buildings & Urban Habitat (CTBUH).
He was appointed CEP of Jeddah Economic Company, the developer & Owner Company of Kingdom City & Kingdom Tower, in 2013.
Mr. Hammoud joined Solidere in 1995, where he occupied the post of Deputy General Manager until 2007 along with several other key positions. He still sits on the board of Solidere International and Al Zorah Real Estate Development Company in Ajman.
With a Master's degree in business administration from the American University of Beirut, Mr. Hammoud has over 30 years of experience in city making, land development, real estate development, retail and tourism projects development, strategic planning, corporate finance and financial architecture, as well as sales and marketing of real estate projects, in the Middle East, North Africa and Europe.

Dr. Ghaleb Mahmasani

Board Member

Dr. Mahmasani is a non-executive member on the Board of Directors since 2012.
Dr. Mahmasani currently holds the position of Acting President at the Beirut Stock Exchange Commission in addition to memberships in other prestigious local and international legal commissions and committees such as the Commission on Electoral Law – Lebanon, the Commission of modernization of Laws at the Lebanese Ministry of Justice, the Legal Commission at the Banker's Association of Lebanon, the International Court of Arbitration of the International Chamber of Commerce (ICC) in Paris and the National Committee of the Permanent Court of Arbitration at the Hague, the Netherlands.
Dr. Mahmasani holds a License in French and Lebanese Law from the Lebanese University, Ph.D. in Law from Lyon University in France and a B.A in Political Science from the American University of Beirut.

H.E. Dr. Saeb Jaroudi

Board Member

Dr. Jaroudi is a non-executive member on the Board of Directors since 2013.
Dr. Jaroudi was minister of national economy, tourism and industry in Lebanon. He is a senior economic consultant advising international public and private institutions on economic policy and project finance. Dr. Jaroudi is the founder of the Arab Fund for Economic development, and initiated the establishment of the Monetary Fund. He started his international career as a senior economist at the UN Center for development and programming in New York. He holds a Master's degree in Economics from the university of California.

Dr. Mohammed Cheaib

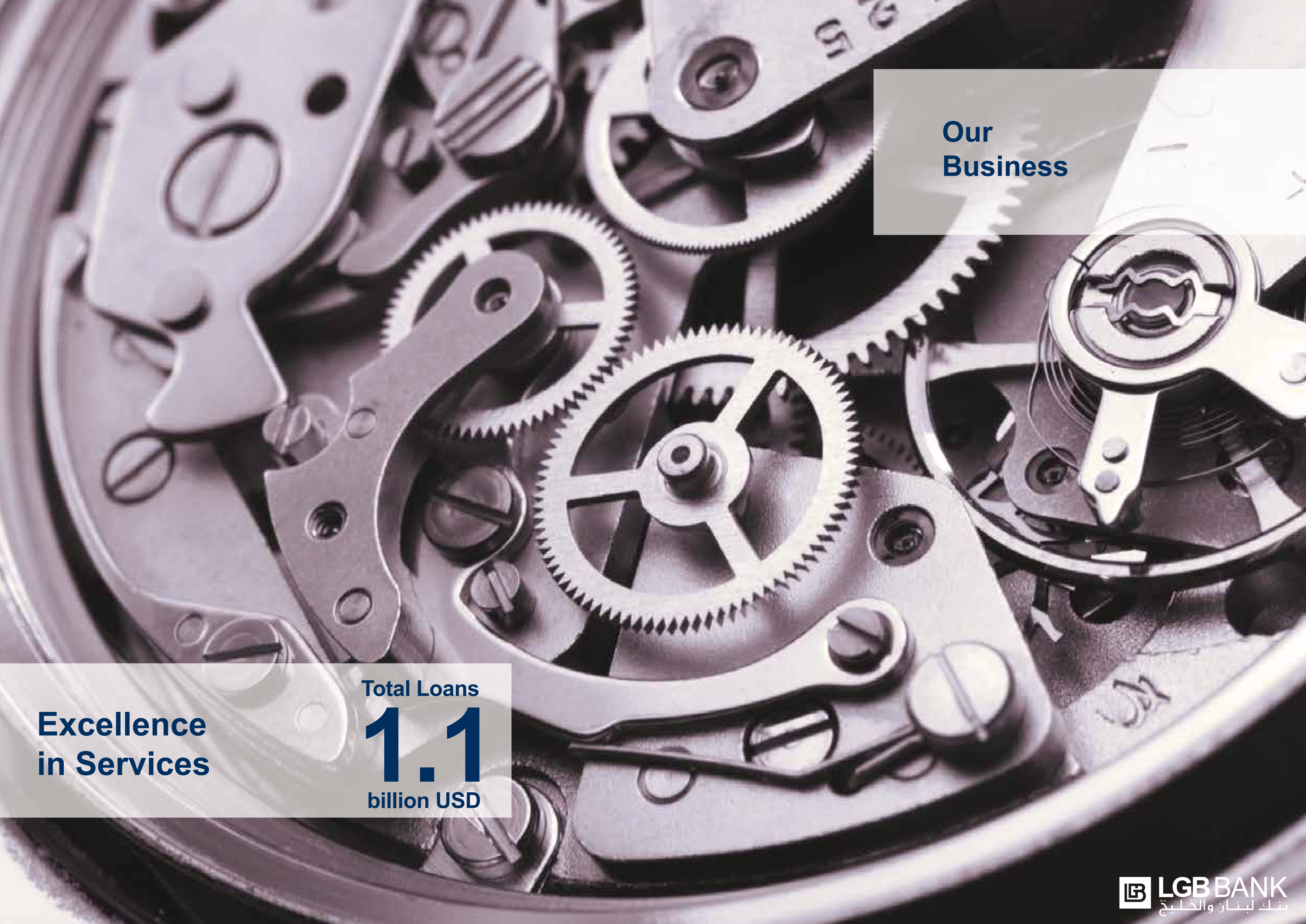
Board Member

Dr. Cheaib is a non-executive member on the Board of Directors since 2013.
Dr. Cheaib has been active in the banking industry in Lebanon since 1959; he is now Chairman and General Manager of INTRA Investment, and member of board at local commercial banks, Casino Du Liban and is member of the International Association of Arab Bankers, he has many studies published in Lebanese media outlets. Dr. Cheaib holds a Ph.D. in Finance and Banking from Marseille University in France.

Judge Saeed Mosbah Mirza

Board Member

General Prosecutor, Judge Mirza is a non-executive member on the Board of Directors since 2013.
Judge Mirza was appointed as a member of the Higher Judicial Council in Lebanon. Being a prominent judge with distinguished law career marked with key positions, Judge Mirza headed important national scales from General Prosecutor to Chief Judge in the Higher Judicial Council and several Lebanese tribunals. He played a major academic role through his participation in the documentation of legal texts and rulings and legal research and analysis.
Judge Mirza holds a law degree from the Lebanese University.



Our Business

Excellence in Services

Total Loans
1.1
billion USD

LGB BANK
بنك لبنان والخليج

■ Corporate & Commercial Banking

LGB BANK enjoys a well-established standing in the field of commercial lending with particular concentration on corporate banking services through a distinctive approach for quality planning and trustworthy financial consultancy. After years of success in the local financial market and with the unshakable reliability of its clientele, the Bank has been acknowledged as a highly reliable business partner rather than a service provider.

With the support of its skilled personnel, its solid financial and logistic resources, LGB BANK keeps a close track of its customers' businesses and projects granting them financial counseling and proper orientation, enabling them to achieve all their business goals.

Customer portfolio at LGB BANK comprises small, medium and large scaled enterprises all of which benefit from a variety of products and services tailored to meet their specific financial needs. Our offerings include the classical overdraft facilities, project financing, loan syndication and structured business solutions. This is in addition to the trade finance products such as Letters of Credit (LCs) and Letters of Guarantee (LGs).

Finally, it's worth mentioning that LGB BANK aims to expand its clientele portfolio of corporate and commercial business while maintaining adequate collateralized debt obligations and full compliance with the regulations of the Central Bank of Lebanon.

■ Investment & Private Banking

Backed by a solid track record and a proven know-how in customer handling and servicing, LGB BANK has established a robust private banking practice to provide customers with a premium range of financial advisory, brokerage and capital markets' services.

For this purpose, the Bank has taken steps to constitute a specialized cell of professionals trained in private banking, whose objective is to offer the Bank's clients with reliable consultancy and personalized solutions with access to a broad spectrum of markets.

Products and Services

The Bank offers its clients access to an array of personalized products engineered to meet their modern banking needs.
These offerings include:

- Equities, fixed income and foreign exchange
- Money markets
- Multi-asset class funds
- Alternative investment and hedge funds
- Structured products with various underlying instruments
- Capital protected products
- Brokerage services
- Safekeeping of all types of financial instruments

Private Banking

In a highly competitive market, LGB BANK has managed to accustom a niche segment of high net worth customers by offering them impeccable services. To maintain such strong bonds, the Bank's Private Banking teams have been able to provide their customers with investment products based on a clear understanding of their business objectives. Backed by a high sense of resourcefulness, in-depth business knowledge and solid commitment towards the Bank, the teams' performance has been commendable from all angles.

In parallel, the Bank's private banking services include the provision of investment consultancy in both domestic and international markets in equities, fixed income, mutual funds and foreign exchange. Skilled team members provide the Bank's clients with informed advices and an eclectic range of investment products including stocks, bonds, funds and structured products.

Treasury

The Treasury Department at LGB BANK is the clients' key to access World Money and Capital Markets, as well as Foreign Exchange. Whether the client's interest lies in investment banking, equities, fixed income or foreign exchange, LGB BANK has the global network and industry expertise to meet his expectations.

The Treasury Department also plays a strategic role in the management of the Bank's assets & liabilities.
It has the responsibility to recommend the financial engineering solutions that would secure optimum returns on investment and boost the Bank's profitability.

■ Retail Banking

LGB BANK has at all times, based its product development policy, around the client's ever-changing needs, and kept up with the evolving requirements of the markets. In parallel, the Bank was always keen to continuously improve the customer's banking experience, by providing a totally modern and transparent service, based on trust and knowledge of the client's aspirations whilst capitalizing on the role of new technologies.
Adopting this dynamic approach, the ultimate objective of LGB BANK is to go beyond its customers' presumptions, and retain their loyalty as their preferred Bank. During the last few years, the Bank has kept on developing its portfolio of targeted products and services, aligning its actions with its broad product strategy and succeeding in widening its clientele base, while remaining faithful to its quality standards.
The Retail Banking practice at LGB BANK is aligned with the Bank's corporate strategy, which aims at presenting personalized services through innovation. In fact, one of the Bank's main business objectives is to offer its customers unmatched services while giving them a choice between real value banking products.

Innovative services

In light of its wider corporate strategy, LGB BANK has been a leader in the field of retail banking.
It is to be remembered that the Bank was the first to introduce the SMS alert service. "Banking by Night" is another one of the Bank's pioneering initiatives; it provides customers with flexible banking hours. The Bank remains one of the very few financial institutions in Lebanon, that opens its doors for a second shift from 7:00PM to 10:00PM. With customer satisfaction in focus, LGB BANK is working on developing a series of new retail solutions and products. The Bank's objective works to stay ahead and to be the first to introduce premier products and services.

Payment Cards

Responding to evolving banking needs and modern lifestyles, LGB BANK proposes an extended line-up of MasterCard and Visa to choose from: Debit, Credit and Prepaid cards.
Each of these cards offers tailor-made solutions in line with clients' diverse requirements, allowing customers flexible payment solutions around the globe.
With an objective to introduce innovative payment solutions that offer value added benefits to cardholders, LGB BANK in association with MasterCard launched the First UAE Dirham Credit Card that has been specifically designed for UAE visitors and residents, offering its holders exclusive benefits and rewards sparing any inconvenient change rates.

A real pioneer in this field, LGB BANK was one of the first banks to issue MasterCard in Lebanon, back in 1992. Today, the Bank offers a wide range of utility cards from Titanium, Platinum, and Black under both brands MasterCard and Visa with different currencies from USD, LBP, Euro and UAE Dirham. LGB Cards are developed with appealing payment facilities, and flexible use limits constantly revised to meet the customers' increasing demand for cash.

In addition to the regular payment cards, that come handy anytime and anywhere, the Bank also offers a Debit MasterCard with an exclusive Pin Trigger, a feature through which customers can activate their cards via the Bank's ATMs or any other ATM related to CSC Bank s.a.l to avoid fraudulent attempts.

The Bank has also launched the LGB LBP Card, its first credit card in Lebanese Pounds which can be used locally, internationally and electronically as a regular credit card in the settlement of all due payments. The latter will spare customers – with an account in Lebanese Pounds – any inconvenient change rates as well as give them access to many additional benefits. The launching of the LGB LBP Card also reflects LGB BANK's commitment towards the consolidation of the Lebanese Pound encouraging customers to complete their transactions using their national currency.

Topping this range of retail offerings is the LGB Black Card. This card is considered as an exclusive "MasterCard World Card", the luxury of a global access to a group of internationals has now been exclusively offered to the most valued customers. Black Card holders can take advantage of the generous services, exclusive offers and luxurious experiences presented to the very few. Moreover, the Black Card comes with a special package for Yacht owners "The Yacht Concierge Card", a one of a kind concierge card, enabling Yacht owners to get the most of their Yachting experience; this card is designed to provide a genuine royal treatment, to sail into a world of luxurious concierge services.

Further in line with its customer centric strategy, the Bank initiated the "LGB Loyalty Program" under "Cash is the Gift". This loyalty concept allows LGB Credit Card holders, to collect the points and redeem them in Cash. As such LGB BANK reconfirms its intent to provide an unmatched banking experience by rewarding its customers for their loyalty as well as their frequent use of its payment cards.

Consumer Loans

With the ever rising demand on Loan Products, LGB BANK has developed services that aim to improve the quality of life of its customers, whether from a personal or a professional standpoint.
In addition to the usual common loans like the Home, Personal and Car loans, the Bank has launched the Public Sector Personal Loan allowing public employees to obtain a competent credit facility, against an attractive rate, and within favorable conditions. The loan also allows customers to transfer existing liabilities, and centralize their loans with LGB BANK while benefiting from additional funding with minimum formalities, along with the private offer for salary domiciliation, that allows private sector employees to benefit from a wide range of free services and offers.

Targeting a different customer segment, LGB BANK also offers the "Doctor's Package" a special product that satisfies both their professional and personal financial needs; In addition to the usual common loans like the Home, Personal and Car loans along with the salary domiciliation account and its free privileges.

Further in line with tailored consumer loans, LGB BANK has also developed the "Boat Loan", a unique product, providing those who like to break free in the open water, with the possibility of owning their own boat/yacht within appealing conditions and easy procedures.

Bancassurance Services

Bancassurance is a byproduct that has also been witnessing significant growth, since the beginning of this decade. In collaboration with SNA Allianz Insurance, the leading insurance partner, LGB BANK has been able to provide its customers with highly beneficial insurance programs covering personal accidents, health, fire, car and other matters. The Bank has designed even more customized programs for its customers, including "Maana Al Taaleem" and "Maana Al Takaoud", one being an educational saving plan and the other a retirement saving plan, both coupled with life insurance. In 2010, the Bank introduced the Income Compensation Plan providing customers, with a cost-effective plan B that allows them to sustain their income in case of accidents.

The e-LGB BANK platform

Over the past few years, the world has witnessed a real electronic revolution, pushing most businesses to leverage their operations through an online system. In this line, LGB BANK has launched a modern and upbeat version of its corporate website, www.lgbbank.com, with user friendly functions to meet its clients' contemporary needs and expectations, in a virtually controlled world. The website includes both corporate and retail banking products and services, thus creating a comprehensive interface to browse and explore.

Digital specialists have implemented the Online Banking platform, "LGB Online Banking", allowing the Bank's customers to benefit from a number of products and services from the comfort of their homes or offices. The Mobile Banking platform was made also available, on Apple store, Google play and Blackberry World providing LGB BANK customers with even more flexibility, giving them the opportunity to complete many of their daily banking transactions, in a swift and efficient manner at their own convenient time.

International & Correspondent Banking

The International Banking Division integrates the Bank's international operations; it stimulates the corporate expansion strategy for the development of its global trade activities and worldwide operations in which it significantly participates in enhancing the revenues of LGB BANK in Lebanon and the region. It plays a major role through effective communications with the Bank's correspondent banking network, careful risk assessment of business opportunities and close monitoring of the global market developments.

In 2013, the Bank broadened its income sources by generating revenues from the secondary market business through Risk Participation Agreements with selected major correspondent banks.

By maintaining, assisting and developing key relationships, LGB BANK will support its goals to build reliable partnerships with a well-organized business network, leading to succeed in accommodating its clients with special terms & conditions as well as pricing schemes in terms of payments, check clearing, trade finance, foreign exchange and other treasury services.

Through its branch presence in Cyprus and its representative office in Dubai, LGB BANK has spread its operations across Europe and the Gulf region to attract the growing community of Lebanese expatriates and local customers.

Despite the current region's turmoil, Capital Intelligence (CI) has maintained LGB BANK's Financial Strength at BB as well as Long & Short Term Foreign Currency Rating at B/B with a Stable Outlook for its solid position.

Marketing and Communication

While being recognized as a banking institution striving for excellence and ambitious growth, LGB BANK was able to win several international industry prizes that confirm its standing and business philosophy including the STP award from Commerz Bank and the most innovative banking product in Lebanon. Further leveraging its efforts to meet the latest banking trends and provide an optimised experience to its customers, LGB BANK has changed its brand identity by giving it a modern look and feel accordingly with its evolving values. This initiative aimed essentially at mirroring the Bank's core values and attributes including transparency, quality, integrity and professionalism. In addition, the rebranding operation which affected the Bank's corporate image, advertisements, premises and even ATMs, aimed at providing customers with a more welcoming and friendly atmosphere, where they would feel secure and comfortable. The Bank continues to improve its excellence practices, striving to provide a world class experience to its customers, which gained it several recognition awards from renowned financial authorities in the world commending its level of service.

Today, the Bank's main communication priority remains to highlight its customer centric strategy using a mix of conventional and out-of-the-box tools. Lately, LGB BANK has redesigned its corporate website to meet contemporary users' expectations and launched the "e-LGB BANK Newsletter" to keep its customer base in the loop of the Bank's news, activities and updates. As a result, LGB BANK has been able to make quite an entrance and impact on the Lebanese banking scene, gaining in communication penetration and market share.

A key element of LGB BANK's campaigns is to factually convey its corporate values. The Bank does not build its reputation on commercial promotions, but rather on actual servicing. This is how the Bank is managing to retain and sustain its customers' trust with a rightfully communicated and reliable performance.

Furthermore, LGB BANK has adopted an "open door" communication policy whether towards the customers or between employees, aiming at safeguarding its image from all possible angles: well thought internal communication activities that enhance the synergy between the employees and promote teamwork; corporate social responsibility communication that endorses community initiatives including the constant endorsement of "Ajialouna", a Lebanese non profitable association; and customer campaigns that highlight the competitive edge of the Bank's products and services.

Additionally, LGB BANK maximised its exposure by participating in the Beirut Boat Show edition where it showcased its pioneering "Boat Loan", reaping great praise and success amongst its own customers and other visitors of the event.

Human Resources

LGB BANK fully understands the importance of investing in the human capital perceived as a major component of its customer-centric strategy, aiming at delivering unmatched and highly personalized services.

In line with this, a harmonious and growing team of experts from various professional backgrounds is constantly being mustered; the team reflects the values and ethical principles of the Bank while trying to fulfill its longstanding legacy.

By better understanding the Bank's strategy and objectives, the employees are able to offer a better fitted product and a more personalized approach to customers. This is exactly why prior to the enrollment, many of the employees at LGB BANK are initiated to its culture through internships. Such trainings allow them to have an overview of the Bank, as well as at its products and services while getting acquainted with its code of conduct.

From the entry level, all employees are requested to comply with a clear corporate behavior that matches the Bank's image including adherence to high standards of confidentiality, professionalism, transparency and integrity.

Each and every employee needs to abide by the guidelines of the Employee Handbook and the Code of Ethics, thus reflecting a live image of the Bank's commitment towards its customers. Consequently, all are bound to act in an ethical, fair and transparent manner setting the example for the others to follow. In parallel, LGB BANK adopts an equal opportunity policy that ensures an objective selection and fair assessment of job candidates.
We perceive the human capital as the most valuable of assets offering every staff member an inspiring working environment to grow and prosper within. We give much importance to teamwork and cooperative efforts above all and look to retain talents by providing them with a challenging team spirited atmosphere, that triggers creativity and allows team members to assume higher responsibilities while being apt to multitasking.

LGB BANK also seeks to update and modernize its job requirements bearing in mind the changing nature of assigned tasks and activities. Not only that, but the Bank's employees are subject to talent reinforcement trainings to strengthen their skills and knowledge. These trainings include in-house and external seminars and workshops covering technical and non-technical areas; this will help employees acquire new abilities and advance their professional career while ensuring a more rewarding experience for the Bank's customers.

Information Technology

A technically advanced business platform provides an optimized customer experience, regardless of the line of business. In the banking sector, technology is enabling financial institutions with a competitive edge to reduce error margins, save time and speed up business procedures to ensure the highest levels of customer satisfaction.

To keep up with the fast changing business trends, banks need to integrate cutting edge technologies that guarantee more flexibility and practicality to their clients.

Consequently, LGB BANK has embraced the technological revolution to ride the wave of sustainable growth in a challenging world economy. In line with this, the Bank is enhancing the functionality of its core banking system and implementing new modules, coupled with a comprehensive reengineering, enhancement and improvement of its human and technological resources and processes.

A real pioneer in this field, LGB BANK was one of the very first banks in Lebanon to adopt such technological updates in the industry. In fact, the technological reform stipulated the upgrade of the infrastructure to introduce better risk and security controls and improve productivity. A new security system was also implemented in order to avoid hacking and fraudulent actions.

The IT interface deployed by LGB BANK allows great flexibility in terms of work flow and transactions' processing; in addition to allowing employees to share information internally, creating a solid synergy between departments. All units are linked together by a robust IT system and supported by highly qualified and skilled engineers who are ready to assist with any request.

Furthermore, the Bank adopted a new software known as "Trade Innovation Plus", which comes to replace the already existing IT software and displays highly flexible functions, delivering an optimized performance in quality and speed, as it facilitates transactions related to Transfers and Treasury.

Yet, integrating new technologies in its internal processes is not the only policy LGB BANK implemented to become a modern financial institution. The Bank has actually worked on developing innovative electronic banking solutions to deliver even higher performance, by providing employees with special online tools that could facilitate their daily chores; and by allowing customers to access a set of online services that simplify their banking transactions. The Bank has also boosted its IT platform by increasing the number of ATMs across the Lebanese territory getting strategically closer to the Lebanese customers.

Recently, and in line with its commitment to remain among the most advanced banks in Lebanon, LGB BANK has entirely redesigned and launched its corporate website to offer a comprehensive online experience to its clients. Thoroughly planned and executed, the new website offers an active and user friendly platform for customers wherever they are. This will enable the Bank to remain at the forefront of banking technology and support its business development strategy.

Today, the Bank is conducting a series of new projects to exploit technological advances and makes sure that the latest solutions are being implemented.

Management Discussion & Analysis

Achievements

4 International Awards

Management Discussion and Analysis

Basis of Presentation

Here below, the Management Discussion and Analysis section (MD&A) allows readers to evaluate LGB BANK's performance for the year ended December 31, 2013 in comparison with the year ended December 31, 2012. MD&A should be done in coordination with the Bank's Financial statements and related Notes for the year ended December 31, 2013. Amounts are expressed in Lebanese Pounds and are primarily derived from the Bank's Annual Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS).

Economic Environment

As a result of the continuous decline in investments and the weakening in the political situation in Lebanon, which affected tourism and direct foreign investment, economic growth in the country continues to witness a sluggish increase in 2013, where real GDP rose by just 1.5%. According to the Ministry of Finance, fiscal deficit increased by 7.6% to reach USD 4.2 billion, up from USD 3.9 billion.

Moreover, gross public debt increased by 10% to reach USD 63.5 billion, where LBP denominated debt rose by 9.5% and FC denominated debt increased by 7.1%. Gross debt to GDP stood at 140% in 2013.

Trade deficit expanded by 3% to account for USD 17.3 billion. Such an increase came as a result of the decrease in exports by 12.2% coupled with a slight fall in imports by 0.2%.

The net deficit in balance of payment faced an improvement, where the deficit narrowed by 27% to stand at USD 1,128 million. As a result, net foreign assets of banks and financial institutions rose by USD 667 million.

As for the monetary situation, the Lebanese banking sector proved its strong stability, even in hard times. The money aggregate M3 increased by 6.9% to reach USD 111.2 billion, where bank loans of the private sector remained the most important factor in money creation.

Major Economic Indicators in Lebanon

In USD millions

	2012	2013	Change
GDP	42,953	45,187	2,234
Real GDP growth	2.5%	1.5%	-1%
Imports	21,280	21,228	-52
Exports	4,483	3,936	-547
Trade deficit	(16,797)	(17,292)	-495
Balance of payments	(1,537)	(1,128)	409
Gross Public Debt	57,687	63,462	5,775
Gross Public Debt/GDP	134%	140%	4%
Deficit	3,925	4,222	297

Source: Central Bank of Lebanon & Ministry of Finance and Lebanese Customs.

Lebanese Banking Environment

Despite regional turmoil, confidence in the Lebanese banking sector still prevails, where banking activities witnessed a positive growth in 2013.

Standard and Poors rating agency revised the outlook of the Lebanese financial system to stable up from the negative outlook, as it is perceived that deposit inflows enable the government to meet its financing needs.

A significant expansion of total consolidated assets for commercial banks were noted in 2013 where they increased by 8.1% to account for LBP 248,468 billion – equivalent of USD 165 million up from LBP 228,963 billion – equivalent of USD 152 million in 2012.

An 8.9% increase in total deposits were recorded in 2013 compared to the 8.5% increase during 2012 where deposits reached LBP 205,329 billion – equivalent to USD 136 billion.

Loans to customers witnessed a growth of 9% to reach LBP 71,427 billion at the end of 2013; the equivalent of USD 47.4 billion. Moreover, loans to deposits ratio in 2013 maintained a ratio of around 34%.

The dollarization ratio of deposits slightly increased in December 2013 to reach 66.1% compared to a 64.8% ratio in December 2012. Moreover, the dollarization ratio of loans dropped from 77.6% in 2012 to reach 76.5% in 2013.

In billions of LBP			As at December 31	
				Growth
	2012	2013	Amount	%
Total assets	228,963	248,468	19,505	8.1
Total deposits	188,435	205,329	16,894	8.9
o/w in LBP	66,296	69,535	3,239	4.9
o/w in FC	122,139	135,794	13,655	11.2
Total loans	65,504	71,427	5,923	9
o/w in LBP	14,662	16,766	2,104	14.4
o/w in FC	50,842	54,661	3,819	7.5
Equity	19,058	21,410	2,352	12.4
Dollarization of deposits (%)	64.8%	66.1%	-	1.3
Dollarization of loans (%)	77.6%	76.5%	-	-1.1
Loans/Deposit Ratio (%)	34%	34.8%	-	0.8
Deposits/Assets (%)	83%	83%	-	
Equity/Assets Ratio (%)	8.3%	8.6%	-	0.3

Source: Central Bank of Lebanon

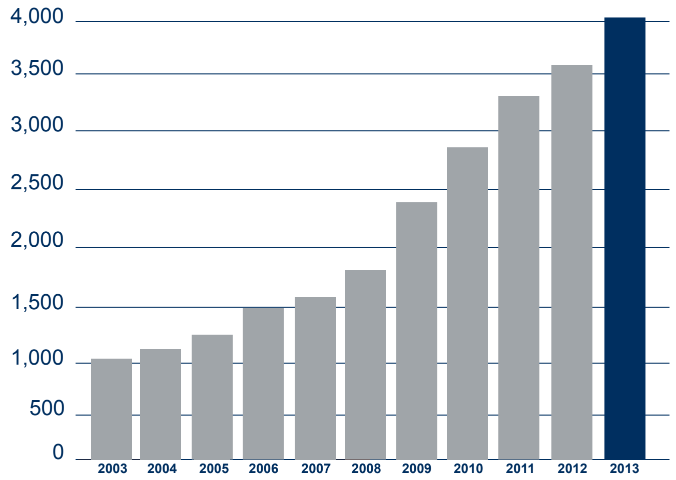
LGB BANK
بنك لبنان والخليج

The Bank's Growth

Between 2003 and 2013, LGB BANK managed to achieve a steady and continuous growth in all main financial indicators.

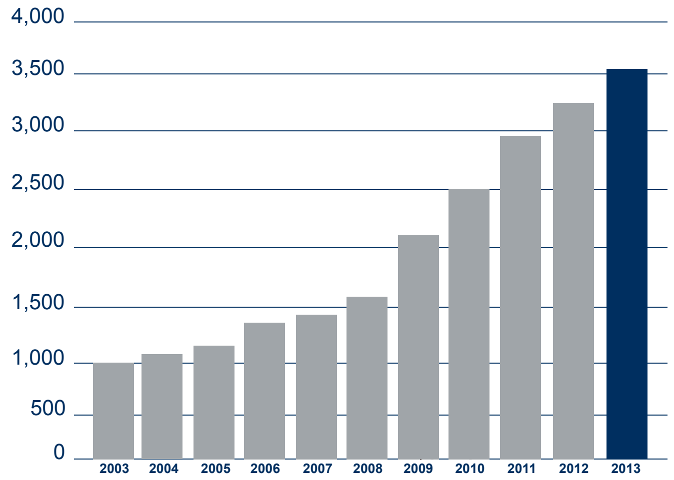
Total Assets in billion of LBP

During the period of 2003-2013, the total assets of the Bank increased from LBP 1,098 billion (USD 729 million) as of December 2003 to LBP 4,094 billion (USD 2,716 million) as of December 2013, reflecting a remarkable growth of 272%.



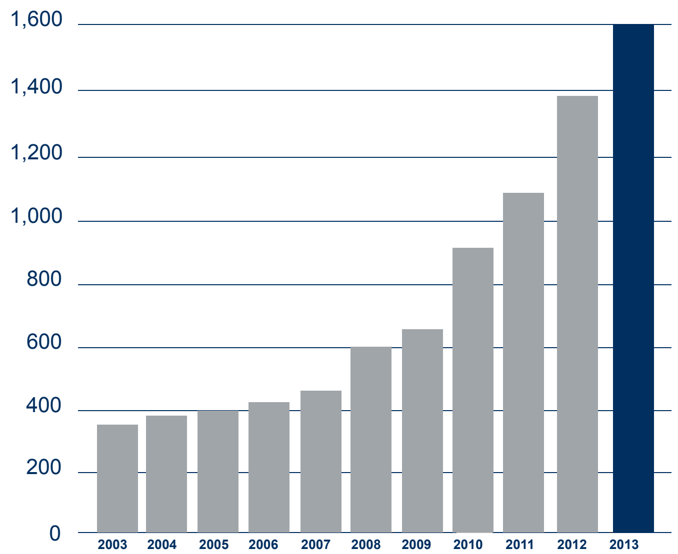
Customers' Deposits in billion of LBP

The growth in the Bank's assets during the period of 2003-2013 reflected a similar growth in Customers' Deposits, which increased by 276%; from LBP 948 billion (USD 629 million) as of December 2003 to LBP 3,564 billion (USD 2,364 million) as of December 2013.



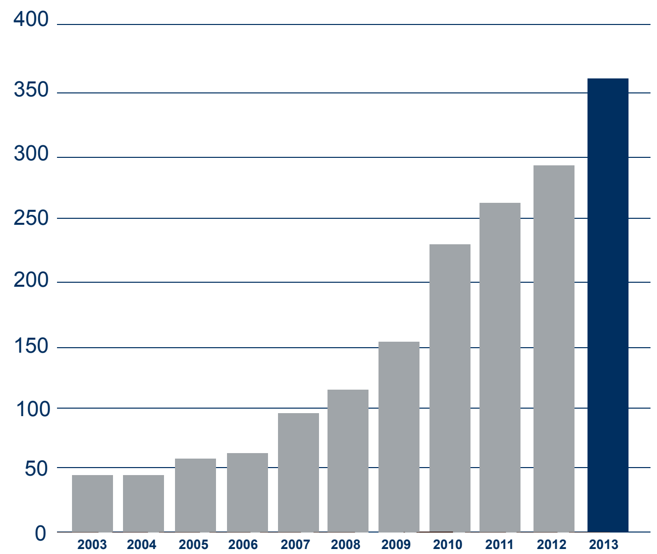
Loans & Advances in billion of LBP

The Bank successfully grew its commercial and retail lending portfolio. Accordingly, Loans & Advances to customers increased from LBP 324 billion in 2003 (USD 215 million) to reach LBP 1,596 billion (USD 1,059 million as of December 2013, reflecting a growth of 392%).



Equity in billion of LBP

The increase in Equity from LBP 36 billion in 2003 (USD 24 million) to LBP 369 billion in 2013 (USD 244 million) reflected a growth of 925%.



The Bank's Performance

Despite the difficult aftermath of the recent turmoil, 2013 was another successful year for LGB BANK. The Bank maintained strong performance where total assets increased by 13% to reach LBP 4,094 billion and Customers' Deposits rose by 9.9% to stand at LBP 3,564 billion.

The Bank's loan portfolio increased by 16.4% to reach LBP 1,596 billion in 2013. Moreover, shareholders' equity rose by 29% to stand at LBP 369 billion. Net Income witnessed an increase of 21.4% to reach LBP 34 billion with a stable ratio for Return on Average Assets (ROAA) accounting for 1% in 2012 & 2013 and a slight increase for Return on Average Equity (ROAE) from 10.3% in 2012 to 10.4% in 2013.

1. Profitability

Profitability for the period ending on December 31st, 2012 and 2013 was as follows:

In millions of LBP			As at December 31	
	2012	2013	Growth Amount	%
Net Income	28,159	34,125	5,966	21.19
Net Interest Income	44,751	63,766	19,015	42.49
Net Fees and Commission Income	12,474	13,828	1,354	10.85
Total Net Non-Interest Income	27,758	31,383	3,625	13.06
Net Operating Income	67,874	81,274	13,400	19.74
Total Operating Expenses	36,395	41,011	4,616	12.68

1.1 Net Interest Income

Net Interest Income increased by 42% between 2012 & 2013, from LBP 44.7 billion in 2012 to LBP 63.8 billion in 2013, due to an increase in interest income in 2013 by 16%, mainly from a balance sheet increase of 16% in loans (2012-2013) and other increase in balances with Central Bank and other banks.

Breakdown of Interest Received

In millions of LBP	As at December 31	
	2012	2013
Interest received from investments securities	87,964	92,930
Interest received from loans and advances	79,911	98,603
Interest received from banks and financial institutions	15,549	20,681
Interest received from related parties	67	42
TOTAL	183,491	212,256

Breakdown of Interest Paid

In millions of LBP	As at December 31	
	2012	2013
Interest paid on deposits from customers	(136,744)	(145,857)
Interest paid on banks and financial institutions	(1,902)	(2,551)
Interest paid on related parties' deposits	(94)	(82)
TOTAL	(138,740)	(148,490)

1.2 Net Fees and Commissions Income

An increase in loan services and Trade finance business during 2013 resulted in 11% increase in net fees and commission income, compared to 6% in 2012.

In millions of LBP	As at December 31	
	2012	2013
Fee and commission received		
Trade finance	2,921	3,965
General banking income	1,633	1,918
Credit related fees and commissions	7,952	7,449
Electronic banking	513	835
Other services	28	49
	13,047	14,216
Fee and commission paid		
Correspondents' accounts	(573)	(388)
NET FEE AND COMMISSION INCOME	12,474	13,828

1.3 Total Net Non Interest Income

Non-interest income increased by 13.1% in 2013 from LBP 27.8 billion in 2012 up to LBP 31.4 billion in 2013. This is mainly due to the increase in profit from financial investments

Even though the net trading income decreased by 54.7% in 2013 from LBP 10.5 billion in 2012 down to LBP 4.7 billion in 2013

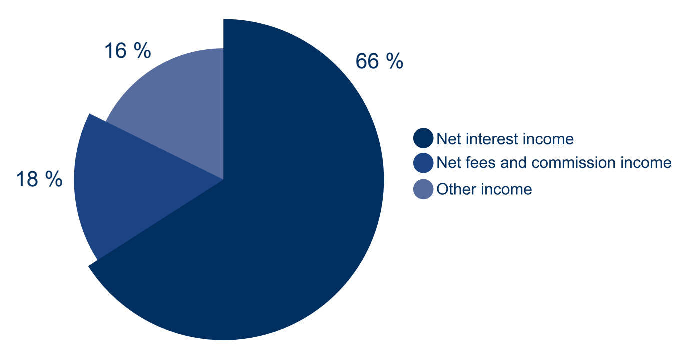
In millions of LBP	As at December 31	
	2012	2013
Net fees and commission	12,474	13,828
Net trading income	10,472	4,739
Net gain on financial investments	3,163	9,571
Other operating income	1,650	3,245
TOTAL	27,759	31,383

1.4 Net Operating Income

Net Operating Income registered an increase of 19.7% from LBP 67.9 billion in 2012, to LBP 81.3 billion in 2013, where the total operating expenses registered an increase of 12.7% going up from LBP 36.4 billion in 2012, to LBP 41 billion in 2013.

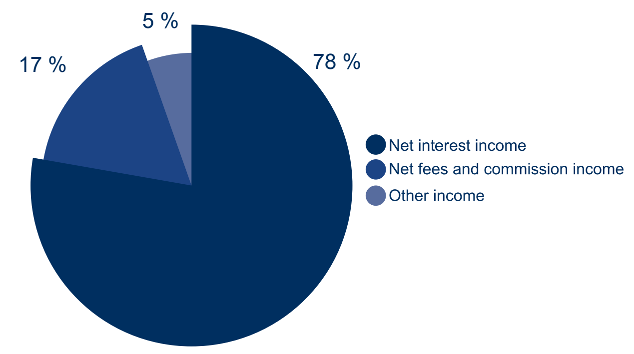
Breakdown of Total Net Operating Income

2012



Breakdown of Total Net Operating Income

2013



Breakdown of Total Operating Expenses

In millions of LBP	As at December 31	
	2012	2013
Personnel expenses	(21,847)	(22,768)
Depreciation of property and equipment	(3,251)	(3,554)
Other operating expenses	(11,297)	(14,689)
TOTAL	(36,395)	(41,011)

2. Sources and Uses of Funds

In millions of LBP	As at December 31			
				Growth
	2012	2013	Amount	%
Total assets	3,622,979	4,093,660	470,681	12.99
Customers' Deposits	3,242,413	3,564,320	321,906	9.93
Loans and advances to customers (net)	1,371,187	1,596,134	224,947	16.41
Security portfolio	1,303,803	1,400,565	96,762	7.42
Total equity	286,102	368,647	82,545	28.85
Net Income for the year	28,158	34,125	5,967	21.19
Dollarization of deposits	70.4%	70.0%	-	(0.4)
Dollarization of loans	82.3%	81.0%	-	(1.3)

2.1 Sources of funds

Similar to all Lebanese banks, LGB BANK's main source of funds is Customers' Deposits, which accounted for 87.4% of its overall funding sources in 2013 compared to 89.5% in 2012.

Shareholders' Equity accounted for 9% in 2013 compared to 7.9% during 2012.

Breakdown of Funding Sources

In millions of LBP					As at December 31	
					Growth	
	2012	%	2013	%	Amount	%
Customers' Deposits	3,242,413	89.5	3,564,320	87.4	321,906	9.9
Shareholders' Equity	286,102	7.9	368,647	9.0	82,545	28.9
Banks and Financial Institutions	55,831	1.5	89,446	2.2	33,615	60.2
Other Liabilities	38,632	1.1	58,629	1.4	19,997	51.8
TOTAL	3,622,978	100	4,081,042	100	458,063	12.6

2.1.1 Customers' Deposits

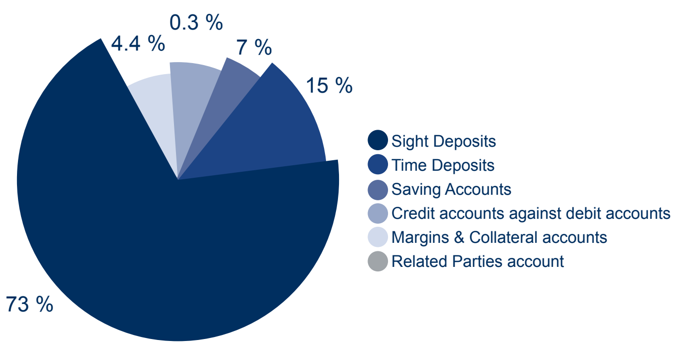
Constituting the main funding source, "Customers' Deposits" recorded a continuous growth over the years to reach LBP 3,564 billion as of December 31, 2013 representing an increase of 9.9% in comparison to LBP 3,242 billion in December 31, 2012.

Deposit Distribution by Type

In millions of LBP					As at December 31	
					Growth	
	2012	%	2013	%	Amount	%
Sight Deposits	228,165	7.0	277,305	7.8	49,140	21.5
Time Deposits	486,404	15.0	525,259	14.7	38,855	7.9
Saving Accounts	2,375,838	73.3	2,620,895	73.5	245,057	10.3
Credit accounts against debit accounts	144,091	4.4	128,184	3.6	(15,907)	(11.0)
Margins & Collateral accounts	7,702	0.3	10,873	0.3	3,171	41.2
Related Parties account	214	-	1,804	0.1	1,590	742.9
TOTAL	3,242,414	100	3,564,320	100	321,906	9.9

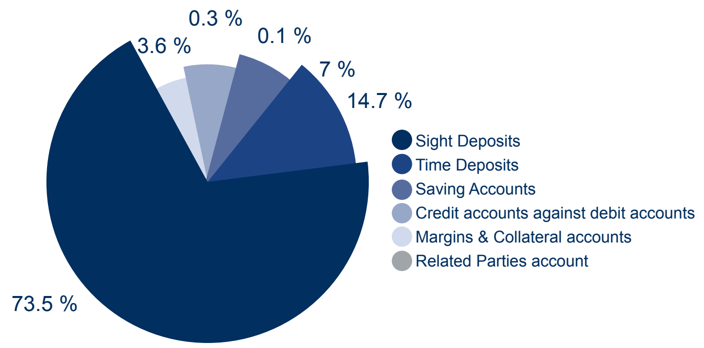
Deposits Distribution

2012



Deposits Distribution

2013



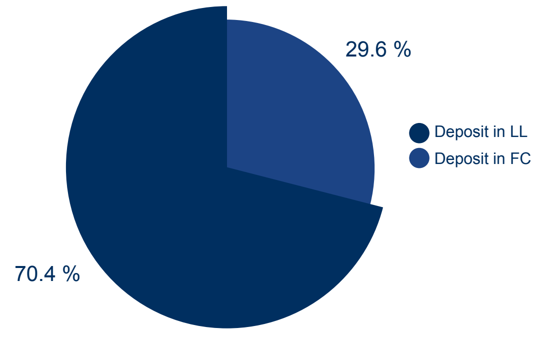
Deposit Distribution by Currency

The breakdown of deposits growth indicates that deposits denominated in LBP grew in 2013, by 11.2% compared to those denominated in foreign currencies which increased by 9.4%.

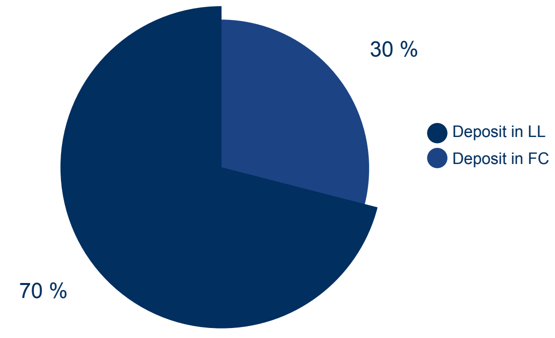
The "Deposits Dollarization Rate" (measured as deposits denominated in foreign currencies to total deposits) slightly decreased from 70.4% as of December 31st, 2012 (compared to 64.8% for the banking sector) to 70% at the end of 2013 (compared to 71.5% for the banking sector). This has led to a fall in dollarization by around 0.4%.

Deposit distribution by currency for the years 2012 and 2013 was as follows:

2012



2013



2.1.2 Capitalization

The Composition of the Bank's current equity is mainly of supportive core shareholders, where they helped in maintaining our policy of retaining full earnings. These served to reinforce the capital base over the last five years.

Total capital funds increased by 28.9% year on year to USD 244.54 million at the end of 2013, maintaining its contribution to total funds to nearly 9 % in 2013 and 2012.

Tier I capital alone increased by 29.5 % to USD 234.8 million at the end of 2013 compared to USD 181.3 million in 2012.
Tier I increase was mainly attributed to retained profits of the year 2013 amounting to USD 19.1 million after dividend distribution. This measure falls in line with the Bank's strategy of growing organically and at a steady pace.

2.2 Uses of Funds

Maintaining high asset quality and adequate liquidity remains one of the Bank's fundamental priorities.

Loans and Advances to customers accounted for 39% from total assets in 2013 in comparison to 37.6% in 2012, while Loans to Deposit ratio increased from 42.3% in 2012 to 44.8% in 2013, as per the Bank's lending policy.

The share of cash and balances with the Central Bank recorded a slight decrease from 15.6% in 2012 to 15.3% in 2013. The share of Security Portfolio decreased from 36% in 2012 to 34.2% in 2013. This has resulted in a slight decrease in the Bank's total exposure to the Lebanese Government from 48.8% in 2012 to 48.5% in 2013.

In millions of LBP — As at December 31

	2012	%	2013	%	Growth Amount	Growth %
Cash and Balances with Central Bank	567,690	15.6	627,965	15.4	60,275	10.6
Banks and Financial Institutions	268,352	7.4	347,609	8.5	79,257	29.5
Security Portfolio	1,303,803	36.0	1,400,565	34.2	96,762	7.4
Loans and Advances to Customers	1,371,187	37.9	1,596,134	38.9	224,947	16.4
Other Assets	111,947	3.1	121,387	3.0	9,440	8.4
TOTAL	3,622,979	100	4,093,660	100	470,681	12.9

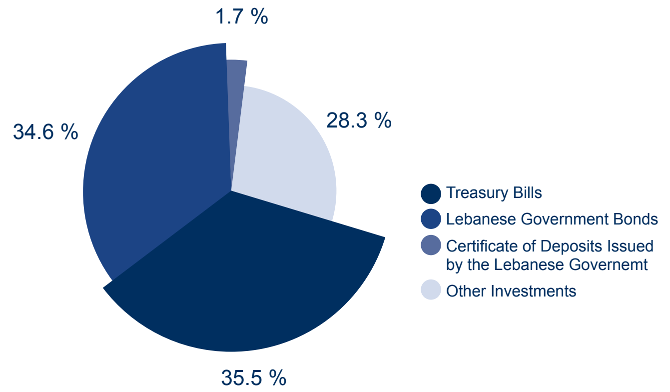
2.2.1 Security Portfolio

In millions of LBP — As at December 31

	2012	%	2013	%	Growth Amount	Growth %
Treasury Bills	368,498	28.3	639,683	45.7	271,185	73.6
Lebanese Government Bonds	462,393	35.5	519,944	37.1	57,551	12.5
Certificate of Deposits issued by the Lebanese Government	451,096	34.5	216,162	15.4	(234,934)	(52.1)
Other Investments	21,816	1.7	24,776	1.8	2,960	13.6
TOTAL	1,303,803	100	1,400,565	100	96,762	7.4

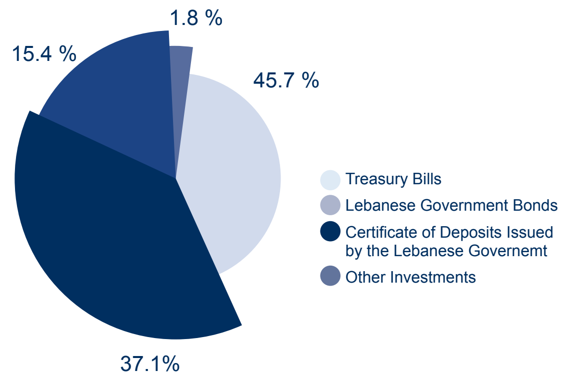
Distribution by Type

2012



Distribution by Type

2013



Distribution by Classification

In millions of LBP — As at December 31 — 2012

	FVTPL	%	FVTOCI	%	Amortized Cost	%	Total	%
Treasury Bills	45,880	64.9	-	-	322,618	26.4	368,498	28.3
Lebanese Government Bonds	22,933	32.5	-	-	439,460	36.0	462,393	35.4
Certificate of Deposits issued by the Lebanese Government	-	-	-	-	451,096	36.9	451,096	34.6
Others	1,799	2.6	10,936	100	9,081	0.7	21,816	1.7
TOTAL	70,612	100	10,936	100	1,222,255	100	1,303,803	100
Per Cent to Total		5.4		0.8		93.8		100

In millions of LBP — As at December 31 — 2013

	FVTPL	%	FVTOCI	%	Amortized Cost	%	Total	%
Treasury Bills	-	-	-	-	639,683	46.2	639,683	45.7
Lebanese Government Bonds	-	-	-	-	519,944	37.6	519,944	37.1
Certificate of Deposits issued by the Lebanese Government	-	-	-	-	216,162	15.6	216,162	15.4
Others	4,964	100	11,786	100	8,026	0.6	24,776	1.8
TOTAL	4,964	100	11,786	100	1,383,815	100	1,400,565	100
Per Cent to Total		0.4		0.8		98.8		100

2.2.2 Net Loans and Advances to Customers

The "Loans and Advances to Customers" portfolio witnessed an increase of 16.4% during the year 2013, reaching LBP 1,596 billion compared to LBP 1,371 billion in 2012.

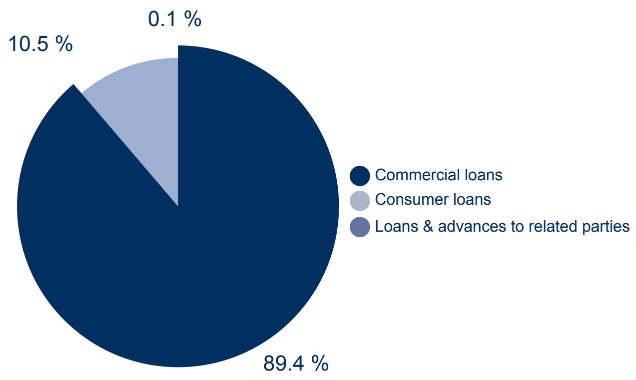
Following the Bank's lending policy, the Bank increased its "Loan to Deposit Ratio", which stood at 44.8% at the end of 2013 compared to 42.2% at the end of 2012.

In millions of LBP | As at December 31

	2012	%	2013	%	Growth Amount	Growth %
Commercial loans	1,226,101	89.4	1,427,152	89.4	201,051	16.4
Consumer loans	144,084	10.5	168,447	10.6	24,363	16.9
Loans & advances to related parties	1,002	0.1	535	-	(467)	(46.6)
TOTAL	**1,371,187**	**100**	**1,596,134**	**100**	**224,947**	**16.4**

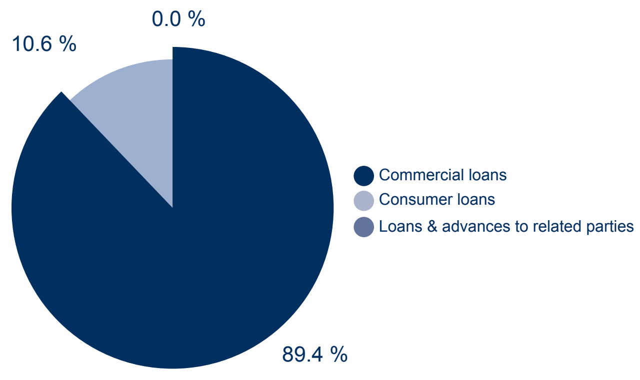
Loans & Advances Distribution

2012



Loans & Advances Distribution

2013



■ 3. Risk Management

LGB BANK Risk Management framework provides a robust and consistent approach to Risk Management across the Bank and is a core component of the Bank's Internal Governance framework. Throughout 2013, the integrated governance, risk, and control frameworks were further embedded while continuing the use of a consistent approach to risk appetite, delegated authorities and governance committee structures.

Effective Risk Management is fundamental to the success of the Bank, and is recognized as one of the Bank's strategic priorities. The primary goals of Risk Management are consistent with the Bank's strategies and risk appetite, and there is an appropriate balance between risk and reward in order to maximize shareholder returns.

The Bank's Risk Management framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the global markets in which the Bank operates, including regulatory standards and industry best practices. It consists of three key elements: Risk Governance, Risk Appetite, and Risk Management Techniques.

The Bank has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and a centralized Risk Management that is independent of business lines.

The Board of Directors, either directly or through related committees ensures that decision-making is aligned with the Bank's strategies and risk appetite. The Board receives regular updates on key risks of the Bank – including periodic comprehensive summary of the Bank's risk profile and performance of the portfolio against defined goals, which is also presented to the Board Risk Committee – and approves key risk policies, limits, strategies, and risk appetite.

The Chief Risk Officer (CRO), is responsible for Risk Management under the oversight of the Board Risk committee. The CRO, who oversees the Global Risk Management division of the Bank, has direct access to the Board Risk Committee.

Credit Risk

The Board of Directors reviews and approves the Bank's credit risk strategy and policy. The objective of the credit risk strategy is to ensure that target markets and products' offerings are well defined and the risk parameters for the portfolios are clearly specified.

Risk Management develops the credit risk management framework and policies that detail the delegation of authority for granting credit, the credit risk rating architecture and associated parameter estimates, and the calculation of the allowance for credit losses.

Credit Risk Management regularly reviews the various segments of the credit portfolio on an enterprise-wide basis to assess the impact of economic trends or specific events on the performance of the portfolio and to determine whether corrective action is required. These reviews include the examination of the risk factors for particular products, industries and countries. The results of these reviews are reported to the Risk Committee and, when significant, to the Board.

Stress testing is conducted regularly as a supplementary tool to assess resilience to adverse market conditions and to act upon if mitigating actions are deemed necessary. Stress testing framework helps ensure our portfolio is not overly exposed to extreme market events . Stress tests and their results are reviewed by the risk committee and potential Management actions are proposed if necessary.

Market Risk

The Board of Directors reviews and approves market risk policies and limits annually. The Bank's Asset and Liability Committee (ALCO) and Market Risk Management oversee the application of the framework set by the Board, and monitor the Bank's market risk exposures and activities.

Risk Management provides independent oversight of all significant market risks, supporting the ALCO with thorough analysis, quantification and recommendation regarding new investments and products.

The applied market risk measurement methodologies support risk quantification, scenario analysis and stress testing, for its market risks. Various scenarios are performed to take into account changes in the operating environment in Lebanon and the region where the methodologies are used in the stress testing range from single factor to multi-factor stress tests.

Liquidity Risk

The Bank defines its liquidity risk framework, strategy, and in particular its tolerance to liquidity risk by identifying, measuring and managing its liquidity risk position.

The Bank supports a strong liquidity risk management culture and ensures association to the Bank's strategic objectives taking into consideration all supervisory circulars and Basel requirements. The Risk Management division is responsible for the oversight and validation of the Bank's liquidity risk framework, limits, reporting and funding related issues.

Stress testing and scenario analysis play a central role in the Bank's liquidity Risk Management framework and is considered as part of its liquidity monitoring. A continuous update of its Contingency Funding Plan, which incorporates an assessment of asset liquidity under various stress scenarios. The purpose is to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions.

Operational Risk

Operational Risk Management is at the core of the Bank's operations - integrating Risk Management practices into processes, systems and cultures. As a pro-active partner to senior management, Risk Management value lies in supporting and challenging them to align the business control environment with the Bank's strategy by measuring and mitigating risk exposure contributing to optimal return for stakeholders.

The three lines of defense model help to ensure proper accountability and clearly define the roles and responsibilities for operational Risk Management. The first line of defense is the business unit, who owns the risks in their businesses and operations. The second line of defense is led by an Operational Risk department within the Risk Management division, with support from control functions across the Bank. The third line of defense is Internal Audit.

LGB BANK has implemented an operational risk umbrella that encompasses all aspects of potential risks - bank protection, fraud prevention, key risk indicators, capture of operational loss data, business line risk oversight and new products and initiatives for data security.

Information Security

The Information Security Department oversees the development, implementation, and enforcement of information systems security policies and related recommended guidelines, operating procedures, technical standards and ensures appropriate risk mitigation and control processes for security incidents as required.

The Department also provides direction and guidance to safeguarding the confidentiality, integrity and availability of LGB BANK information and computing assets, security awareness and training.
It ensures identification of vulnerabilities and threats to the information resources, recommends and implements countermeasures, in order to reduce risk to an acceptable level, based on the value of the information resource to the organization.

Other Risks

A good reputation and a positive public image is an invaluable asset to our Bank. Risk Management monitors all business activities, policies and procedures, to guarantee that they are in compliance with legal requirements.

Reputational Risk is managed and controlled throughout the Bank by codes of conduct, governance practices and Risk Management programs, policies, procedures and training. Many relevant checks and balances are undertaken by Risk Management procedures particularly operational risk, where reference is made to the Bank's well-established compliance program. All directors, officers and employees have a responsibility to conduct their activities in accordance with the LGB BANK Guidelines for Business Conduct.

Strategic Risk is also a vital component of Risk Management, where proper business decisions and appropriate business planning are addressed in all business units.

Capital funds as per Basel III

The Bank conducts an annual strategic planning process, which lays out the development of its future strategic direction for its business areas. The adequacy of capital is actively managed and monitored where the primary objective of the Bank's capital management, is to ensure that the Bank maintains a sufficient level of capital to exceed all regulatory requirements and to achieve a strong credit rating, while optimizing shareholders' value.

This is done through a greater focus on the Bank's own estimates of capital demand and targeted earnings through a more formalized assessment of key risks, risk bearing capacity and the use of enterprise stress testing to assess impact of capital demand, capital supply and liquidity, as a complement to economic and regulatory capital.

The targets are monitored on an ongoing basis in ALCO and Risk Committee meetings. Any projected shortfall from limits and targets is discussed together with potential mitigating strategies seeking to ensure that we remain on track. Amendments to the strategic and capital plan must be approved by the Board.

The Bank is fully compliant with Basel III, Capital Requirement and with the BCCL intermediate circular no.282, dated December 2011 and the updates in March 2014 intermediate circulars 258 and 259. The current Bank's adequate capital ratios are the result of its internal capital generation, management of the balance sheet and periodic cash injection by existing shareholders and issuance of preferred shares. Those ratios are calculated in accordance with the Standardized Approach for Credit Risk, the Basic Indicator Approach for Operational Risk and the Standardized Measurement for Market Risk.

Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP is becoming more and more of a corner stone in setting the Bank's strategy, which includes ongoing assessment of risks and updates of measurement techniques and controls set by the Bank for all its risks to reach the best mitigation and assessment of overall required capital to cover any unanticipated losses.

The Board and senior management are liable for incorporating capital planning and capital management into the Bank's overall management culture and approach. They ensure that the reliability of the Capital Planning Process is communicated, implemented and supported by sufficient authority and resources. Their main concern is to ensure that the Bank maintains an adequate level of near and longer term capital needs and capital expenditures required for the foreseeable future to exceed all regulatory requirements.

■ 4. Internal Audit

The Internal Audit Unit carries out independent risk-based audit and reviews of key business, support, and other control areas, and provides an independent assurance service to the Board Audit Committee and management, focusing on reviewing the level of effectiveness of the governance, Risk Management and control processes that the management has put into place.

■ 5. Compliance Management

As per its internal policies and in line with local regulations and international standards, LGB BANK continues improving and strengthening its internal controls.

This year witnessed the implementation of the Bank's decision to restructure the Compliance framework into a consolidated function that consists of two units: The AML/CFT Compliance Unit and the Legal Compliance Unit.

Through a synergy of collaboration with both the Risk and Audit functions, the Compliance function adopts a Risk Based Approach to handling non-compliance risks, which can be mainly listed as:

- Risks of non-complying with laws, rules and regulations in jurisdictions in which the Bank is present.
- Risks of non-complying with laws, rules and regulations in jurisdictions with which the Bank has financial or non-financial transactions.
- Risks of non-complying with the Bank's internal policies and procedures.
- Risks of non-complying with international standards.

AML/CFT Compliance

The Bank continues to further develop this particular compliance function capitalizing on its long experience in the field of insuring the Bank's compliance with AML/CFT laws, rules and regulations both locally and internationally.

The AML/CFT Compliance has been boosted with the introduction of new technologies, to enhance its on-boarding controls as well as the monitoring of suspicious transactions.

A new culture of having three lines of defense, has been enforced supported with sufficient training to all involved parties.

Legal Regulatory Compliance

Being newly introduced within the Bank's system, the legal regulatory compliance function has been planned and set to be operational in 2014.

This function will insure compliance with all areas of the Bank other than those dealt with in the AML/CFT compliance function.

■ 6. Transparency and Disclosures

In an endeavor to further strengthen its corporate governance standards and enhance transparency and disclosure in its financial reports, the Bank has adopted one of the strongest global standards of transparency in financial reporting, the International Financial Reporting Standards (IFRS) as certified by the International Accounting Standards Board.

The Board directs the process of disclosure and communication with stakeholders, to ensure that they are fair, transparent, comprehensive and timely. These disclosures include the Bank's profile, statements of its vision and mission, strategy and objectives as well as its financial statements.

The appropriate financial and practical information is disclosed through our main shareholders, annual report, website, brochures, newsletters as well as regular announcements in the media.

■ 7. Social Responsibilities Programs

The Bank plays an active role in supporting its local communities by contributing to a number of social responsibility programs that are aligned with its overall business strategy. These initiatives embody the Bank's commitment to ethical standards and its appreciation of the social, environmental and economic impact of its activities on the communities in which it operates.

Auditors' Report

Transparency

Information Disclosure & Financial Reporting

LGB BANK
بنك لبنان والخليج

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LEBANON & GULF BANK SAL

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

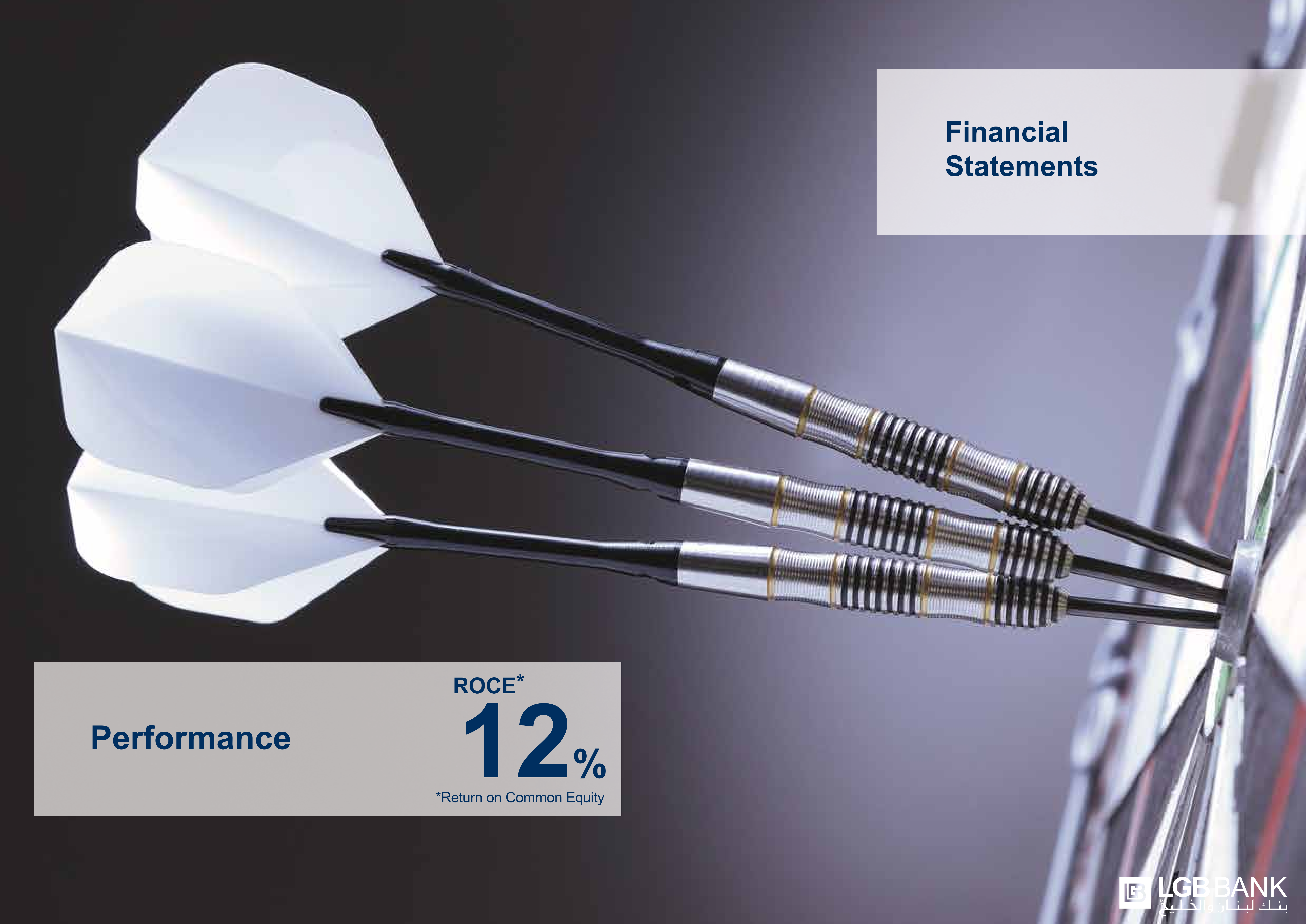
Other matter

The financial statements as at 31 December 2012 were audited by Semaan, Gholam and Co. and Ernst & Young whose audit report dated 25 April 2013 expressed an unqualified opinion. Accordingly, KPMG do not express any assurance thereon.

BDO, Semaan, Gholam & Co. — KPMG

BDO, Semaan, Gholam & Co. | KPMG

7 May 2014
Beirut, Lebanon



Financial Statements

Performance

ROCE*

12%

*Return on Common Equity

Income Statement

In millions of LBP — For the year ended 31 December 2013

	Notes	2013	2012
Interest and similar income	3	212,256	183,491
Interest and similar expense	4	(148,490)	(138,740)
NET INTEREST INCOME		**63,766**	44,751
Fee and commission income	5	14,216	13,047
Fee and commission expense	5	(388)	(573)
NET FEE AND COMMISSION INCOME		**13,828**	12,474
Net gain from financial assets at fair value through profit or loss	6	4,739	10,471
Net gain from financial assets at amortized cost	7	9,571	3,163
Other operating income	8	3,245	1,650
TOTAL OPERATING INCOME		**95,149**	72,509
Net Credit losses	9	(13,875)	(4,635)
NET OPERATING INCOME		**81,274**	67,874
Personnel expenses	10	(22,768)	(21,847)
Depreciation of property and equipment	20	(3,554)	(3,251)
Other operating expenses	11	(14,689)	(11,297)
TOTAL OPERATING EXPENSES		**(41,011)**	(36,395)
Share of profit of an associate under equity method	19	-	1,136
Net loss on disposal of property and equipment		(262)	(1)
PROFIT BEFORE TAX		**40,001**	32,614
Income tax expense	12	(5,876)	(4,456)
PROFIT FOR THE YEAR		34,125	28,158

The attached notes 1 to 36 form part of these financial statements.

Statement of Comprehensive Income

In millions of LBP — For the year ended 31 December 2013

	Notes	2013	2012
PROFIT FOR THE YEAR		**34,125**	**28,158**
Other comprehensive income:			
Net unrealized income from financial assets at fair value through other comprehensive income	19	-	198
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-	198
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		34,125	28,356

The attached notes 1 to 36 form part of these financial statements.

LGB BANK
بنك لبنان والخليج

Statement of Financial Position

In millions of LBP — For the year ended 31 December 2013

	Notes	2013	2012
ASSETS			
Cash and balances with Central Banks	13	627,965	567,690
Due from Banks and Financial Institutions	14	347,609	268,352
Financial assets at fair value through profit or loss	15	16,750	70,612
Loans to banks and financial institutions		8,026	9,081
Net loans and advances to customers at amortized cost	16	1,595,599	1,370,185
Net loans and advances to related parties at amortized cost	17	535	1,002
Debtors by acceptances		44,505	29,229
Financial assets at amortized cost	18	1,375,789	1,213,174
Financial assets at fair value through other comprehensive income	19	-	10,936
Property and equipment	20	42,611	49,579
Assets obtained in settlement of debt	21	27,137	24,847
Other assets	22	7,134	8,292
TOTAL ASSETS		**4,093,660**	3,622,979
LIABILITIES AND EQUITY			
Liabilities			
Due to Central Bank	23	12,618	-
Due to Banks and Financial Institutions	24	89,446	55,832
Customers' deposits at amortized cost	25	3,562,516	3,242,199
Related parties' deposits at amortized cost	17	1,804	214
Engagements by acceptances		44,505	29,229
Other liabilities	26	8,103	4,223
Provisions for risks and charges	27	6,021	5,180
TOTAL LIABILITIES		**3,725,013**	3,336,877
Equity			
Share capital - common shares	28	191,200	97,200
Share capital - preferred shares	28	13,400	8,800
Share premium - preferred shares	28	87,610	57,554
Non distributable reserves	29	40,460	65,615
Change in fair value of financial assets at fair value through other comprehensive income	19	-	198
Retained earnings		1,852	28,577
Net results of the financial period – Profit		34,125	28,158
TOTAL EQUITY		368,647	286,102
TOTAL LIABILITIES AND EQUITY		4,093,660	3,622,979

The attached notes 1 to 36 form part of these financial statements.

Statement of Cash Flows

In millions of LBP — For the year ended 31 December 2013

	Notes	2013	2012
OPERATING ACTIVITIES			
Profit for the year before tax		40,001	32,614
Adjustments for:			
Depreciation of property and equipment	20	3,554	3,251
Provision for employees' end of service benefits	27	865	1,182
Net credit losses	9	13,875	4,635
Net (gain) loss on disposal of assets obtained in settlement of debts	8 & 11	(1,447)	432
Net Loss on disposal of property and equipment		262	1
Net gain from financial assets at amortized cost	7	(9,571)	(3,163)
Share profit of associate under equity method		-	(1,136)
Unrealized (gain) losses on financial assets at fair value through profit or loss	6	(537)	1,806
Realized (gain) losses on financial assets at fair value through profit or loss	6	(674)	312
Provisions for structural exchange position	27	21	-
Change in fair value of financial assets at fair value through other comprehensive income reclassified to income statement	19	(198)	-
Operating profit before working capital changes		46,151	39,934
Changes in operating assets and liabilities			
Cash and balances with Central Bank		(39,549)	(47,653)
Financial assets at fair value through profit or loss		54,921	185,673
Net loans and advances to customers at amortized cost		(239,342)	(289,204)
Net loans and advances to related parties at amortized cost		467	383
Assets obtained in settlement of debt		(6,296)	(1,243)
Proceeds from disposal of assets obtained in settlement of debt		5,539	2,191
Other assets		1,158	(503)
Due to Banks and Financial Institutions		2,915	2,178
Customers' deposits at amortized cost		320,317	349,985
Related parties' deposits at amortized cost		1,590	(350)
Other liabilities		2,189	(3,753)
Cash from operations		150,060	237,638
Taxation paid		(4,185)	(4,315)
Retirement benefits paid	27	(97)	(268)
Refunded contributions	27	105	-
Net cash from operating activities		145,883	233,055
INVESTING ACTIVITIES			
Term deposits with Central Banks		(13,145)	(103,796)
Financial assets at amortized cost		(153,044)	(64,028)
Financial assets at fair value through other comprehensive income		10,936	105
Loans to Banks and Financial Institutions		1,055	352
Acquisition of property and equipment		(5,142)	(13,706)
Reimbursement of advances to acquire property and equipment		8,187	-
Proceeds from sale of property and equipment		121	193
Dividends received	6	152	126
Net cash used in investing activities		(150,880)	(180,754)
FINANCING ACTIVITIES			
Issuance of common shares	28	19,253	-
Issuance of preferred shares	28	34,656	-
Dividends paid	30	(5,291)	(5,291)
Due to Central Bank		12,618	-
Net cash from (used in) financing activities		61,236	(5,291)
Net effect of foreign exchange		(100)	5
INCREASE IN CASH AND CASH EQUIVALENTS		56,139	47,005
Cash and cash equivalents at 1 January		337,450	290,445
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31	393,589	337,450
Operational cash flow from interest and dividends			
Interest paid		148,502	136,613
Interest received		223,665	190,546
Dividends received		152	126

The attached notes 1 to 36 form part of these financial statements.

In millions of LBP

For the year ended 31 December 2013

	Share capital- common shares	Share capital- preferred shares	Share premium- preferred shares	Non distributable reserves	Change in fair value of financial assets at fair value through other comprehensive income	Retained earnings	Net Results of the financial period- Profit	Total equity
Balance at 1 January 2013	97,200	8,800	57,554	65,615	198	28,577	28,158	286,102
Appropriation of 2012 profits	-	-	-	12,491	-	15,667	(28,158)	-
Dividends distributions (note 30)	-	-	-	-	-	(5,291)	-	(5,291)
Increase of capital	94,000	4,600	30,056	(37,646)	-	(37,101)	-	53,909
Transfer to income statement	-	-	-	-	(198)	-	-	(198)
Total comprehensive income for the year 2013	-	-	-	-	-	-	34,125	34,125
Balance at 31 December 2013	**191,200**	**13,400**	**87,610**	**40,460**	-	**1,852**	**34,125**	**368,647**
Balance at 1 January 2012	97,200	8,800	57,554	40,453	-	32,693	26,337	263,037
Appropriation of 2011 profits	-	-	-	25,162	-	1,175	(26,337)	-
Dividends distributions (note 30)	-	-	-	-	-	(5,291)	-	(5,291)
Total comprehensive income for the year 2012	-	-	-	-	198	-	28,158	28,356
Balance at 31 December 2012	97,200	8,800	57,554	65,615	198	28,577	28,158	286,102

The attached notes 1 to 39 form part of these financial statements.

Notes to the Financial Statements

Solidity

Total Equity

245

million USD

LGB BANK

بنك لبنان والخليج

1- CORPORATE INFORMATION

Lebanon & Gulf Bank SAL (the "Bank") is a Lebanese joint stock company incorporated in 1963 under the name of Agricultural Credit Bank. The name of the Bank was changed to Lebanon & Gulf Bank SAL in year 1980. The Bank is registered under No. 43170 in the Beirut Register of Commerce and under No. 94 on the banks' list published by the Central Bank of Lebanon.

The Bank provides a full range of commercial banking activities through its Headquarters located in Beirut Central District, Allenby street, Beirut, Lebanon, and its branches in Lebanon and a foreign branch in Larnaca (Cyprus).

On 14 March 2013, the Central Bank of the United Arab Emirates granted the Bank a license to open a representative office in Dubai. This license is valid for 5 years. The representative office conducted its business starting from the said date.

2- ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the measurement at fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Functional and presentation currency
The financial statements are presented in Lebanese Lira (LBP) which is the functional and presentation currency of the Bank, and all amounts are rounded to the nearest million (LBP Million) except when otherwise indicated.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements
The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of the financial position date (non-current) is presented in the notes.

Financial assets and financial liabilities are offset and the net amount reported in the statement of the financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations
Except for the changes below, the Bank has consistently applied the accounting policies, as set out in note 2.4 to all years presented in these financial statements.

The Bank adopted certain standards and amendments to standards, with a date of initial application of 1 January 2013. The nature and the impact of each new standard and amendments are described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to the statement of income at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans, revaluation of land and buildings and net loss or gain on financial assets at fair value through other comprehensive income. The amendment affected presentation only and had no impact on the Bank's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

An opening statement of financial position (known as the 'third statement of financial position') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of a financial position at the beginning of the preceding period. The amendment clarifies that a third statement of a financial position does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Bank's financial position or performance.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)
The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have any impact on the Bank's financial statements.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Bank is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have any impact on the Bank's financial statements.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value, as 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 market or, in its absence, the most advantageous market to which the Bank has access at that date. As a result of the guidance in IFRS 13, the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Bank's assets. Additional disclosures, where required are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is also provided in the notes.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Bank.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Bank does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Bank has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

IAS 36 Impairment of Assets
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36.
In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Bank has early adopted these amendments to IAS 36 in the current period since the amended/additional disclosures provide useful information as intended by the IASB.

2.4 Summary of significant accounting policies

(1) Foreign currency translation
The financial statements are presented in Lebanese Lira which is the Bank's presentation currency.
Each foreign branch of the Bank determines its own functional currency and items included in the separate financial statements of each foreign branch are measured using that functional currency.

(i) Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the date of the statement of financial position. All differences are taken to "net gain from financial assets at fair value through profit or loss" in the income statement.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

(ii) Translation of foreign branches
At the reporting date, the assets and liabilities of overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the statement of the financial position date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign branch, the deferred cumulative amount recognized in equity relating to that particular foreign branch is recognized in the income statement.

(2) Financial instruments – classification and measurement

(i) Date of recognition
All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification and measurement of financial instruments

a. Financial assets
The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortized cost or at fair value.

An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis. An entity is required to disclose such financial assets separately from those mandatorily measured at fair value.

Financial assets at amortized cost
Financial assets that meet both of the following conditions are subsequently measured at amortized cost less any impairment loss (except for financial assets that are designated at fair value through profit or loss upon initial recognition):

- 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 instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these financial assets are measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in "Interest and similar income" in the income statement. The losses arising from impairment are recognized in the income statement in "Net credit losses".

Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus, an entity's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the entity's business model for managing those financial assets changes, the entity is required to reclassify financial assets.

Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net gain from financial assets at amortized cost" in the income statement.

Balances with Central Banks, due from banks and financial institutions, loans to banks and financial institutions and net loans and advances to customers and related parties – at amortized cost
After initial measurement, "Balances with Central Banks", "Due from banks and financial institutions", "Loans to banks and financial institutions" and "Net loans and advances to customers and related parties" are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment are recognized in the income statement in "Net credit losses".

Financial assets at fair value through profit or loss
Included in this category are those debt instruments that do not meet the conditions in "Financial assets at amortized cost" above, debt instruments designated at fair value through profit or loss upon initial recognition and equity instruments at fair value through profit or loss.

Debt instruments at fair value through profit or loss
These financial assets are recorded in the statement of financial position at fair value. Changes in fair value and interest income are recorded under "Net gain from financial assets at fair value through profit or loss" in the income statement showing separately, those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Gains and losses arising from the derecognition of debt instruments at fair value through profit or loss are also reflected under "Net gain from financial assets at fair value through profit or loss" in the income statement showing separately, those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss
Investments in equity instruments are classified at fair value through profit or loss, unless the Bank designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income.

These financial assets are recorded in the statement of financial position at fair value. Changes in fair value and dividend income are recorded under "Net gain from financial assets at fair value through profit or loss" in the income statement.

Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under "Net gain from financial assets at fair value through profit or loss" in the income statement.

b. Financial liabilities
Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

The Bank classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method.

Financial liabilities measured at amortized cost consist of due to Central Bank, due to banks and financial institutions, customers' and related parties' deposits.

"Due to Central Bank, due to banks and financial institutions, customers' and related parties' deposits"
After initial measurement, due to Central Bank, due to banks and financial institutions, customers' and related parties' deposits are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

(iii) Day 1 profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

(iv) Reclassification of financial assets
The Bank reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent. They are determined by the Bank's senior management as a result of external or internal changes when significant to the Bank's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Bank has transferred substantially all the risks and rewards of the asset, or
(b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the income statement.

(4) Fair value measurement
The Bank measures financial instruments designated at fair value through profit or loss at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in the notes.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability to which the Bank has access at that date.

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e., as prices) or indirectly (i.e., derived from prices) observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and has a significant effect on the instrument's valuation.

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

The 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 Bank 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 recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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.

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

The Bank's management determines the policies and procedures for recurring fair value measurement, such as unquoted financial assets.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.
For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(5) Impairment of financial assets
The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Net credit losses" in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the

Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

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

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

(6) Leasing
The determination of whether an arrangement is a lease or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee
Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement in the period in which they are incurred. Contingent rental payable are recognized as an expense in the period in which they are incurred.

(7) Recognition of income and expenses
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR) method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as "Interest and similar income" for financial assets and "Interest and similar expense" for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission
The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Other fees and commission expense relate mainly to transaction and service fees which are expensed as the services are received.

(iii) Dividend income
Dividend income is recognized when the Bank's right to receive the payment is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in "Net gain from financial assets at fair value through profit or loss".

(iv) Net gain from financial assets at fair value through profit or loss
Results arising from financial assets at fair value through profit or loss include all gains and losses from changes in fair value and related income or expenses, dividends for financial assets at fair value through profit or loss and foreign exchange differences.

(8) Cash and cash equivalents
Cash and cash equivalents as referred to in the cash flow statement comprise cash on hand, unrestricted balances with Central Banks and balances with original maturities of a period of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments including: cash and balances with Central Banks, due from banks and financial institutions and due to banks and financial institutions.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(9) Property and equipment
Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognized such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.
Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	40 years
• Vehicles	8.33 years
• General installations and improvements	4 years
• Furniture	13.33 years
• Office equipment	10 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in "Net (loss) gain on disposal of property and equipment" in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

(10) Intangible assets
An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. The Bank's intangible assets include the value of computer software and key money.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortized over the useful economic life. The recognized period and the recognized method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the recognized period or method, as appropriate, and treated as changes in accounting estimates. The recognized expense on intangible assets with finite lives is recognized in the income statement.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Computer software	5 to 6 years
• Key money	4 years
• Others	4 years

(11) Assets obtained in settlement of debt
The Bank occasionally acquires assets in settlement of certain loans and advances. The Bank accounts for repossessed assets in accordance with the Central Bank of Lebanon main circular 78 and the Banking Control Commission circulars 173 and 267.
Upon sale of repossessed assets, any gain or loss realized is recognized in the income statement under "Other operating income" or "Other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserves for assets in settlement of debts disposed off" in the following financial year. These reserves cannot be distributed as dividends.

(12) Impairment of non-financial assets
The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

(13) Financial guarantees and loan commitments
In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are contracts that require the Bank 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. Financial guarantees are initially recognized in the financial statements (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the income statement and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

Loan commitments are irrevocable commitments to provide credit under pre-specified terms and conditions.

Any increase in the liability relating to financial guarantees is recorded in the income statement in "Net credit losses".

(14) Provisions for risks and charges
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined based on Management best estimates. The expense relating to any provision is presented in the income statement net of any reimbursement.

(15) Employees' end-of-service benefits
For the Bank and its branches operating in Lebanon, end-of-service benefit subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final end-of-service benefits due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Bank is liable to pay to the NSSF the difference between the subscriptions paid and the final end-of-service benefits due to employees. The Bank provides for end-of-service benefits on that basis.

End-of-service benefits for employees at foreign branches are accrued for in accordance with the laws and regulations of the respective countries in which the branches are located.

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

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Bank and its branches operate.

Current tax for the current and prior years is measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date. Current tax also includes any tax arising from dividends.

The Bank's profits from operations in Lebanon are subject to a tax rate of 15% after deducting the 5% tax on interest received according to Law no. 497/2003 dated 30 January 2003.

Dividends are subject to a flat 10% tax, reducible to 5% provided that the entity is listed on a regulated stock exchange.

(17) Assets held in custody and under administration
The Bank provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in custody or under administration, are not treated as assets of the Bank and accordingly are recorded as off financial position items.

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

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

(19) Customers' acceptances
Customers' acceptances represent term documentary credits which the Bank has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

2.5 Summary of accounting estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.
Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

Business model
In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

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

Contractual cash flows of financial assets
The Bank exercises judgment in determining whether the contractual terms of financial assets, it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Bank considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more details in the notes.

Impairment losses on loans and advances
The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

3- Interest And Similar Income

In millions of LBP

	2013	2012
Financial assets at amortized cost	92,930	87,964
Deposits and similar accounts with banks and financial institutions	20,681	15,549
Net loans and advances to customers at amortized cost	98,603	79,911
Net loans and advances to related parties at amortized cost	42	67
	212,256	183,491

4- Interest And Similar Expense

In millions of LBP

	2013	2012
Deposits and similar accounts from banks and financial institutions	2,551	1,902
Customers' deposits at amortized cost	145,857	136,744
Related parties' deposits at amortized cost	82	94
	148,490	138,740

5- Net Fee And Commission Income

In millions of LBP

	2013	2012
Fee and commission income:		
Credit related fees and commission	7,449	7,952
Trade finance	3,965	2,921
General banking transactions	1,918	1,633
Electronic banking	835	513
Other services	49	28
	14,216	13,047
Fee and commission expense:		
Correspondents' accounts	(388)	(573)
Net fee and commission income	13,828	12,474

6- Net Gain From Financial Assets At Fair Value Through Profit Or Loss

In millions of LBP

	2013	2012
Net gain from debt instruments at fair value through profit or loss:		
Interest and similar income from debt instruments at fair value through profit or loss:		
- Governmental debt securities	1,127	10,101
- Corporate debt securities	-	252
	1,127	10,353
Net gain (loss) from debt instruments at fair value through profit or loss:		
- Unrealized loss from revaluation of governmental debt securities	(661)	(3,011)
- Realized gain (loss) from disposal of governmental debt securities	674	(748)
	13	(3,759)
Net gain from debt instruments at fair value through profit or loss	1,140	6,594
Net gain from equity instruments at fair value through profit or loss:		
- Realized gain from disposal	-	436
- Unrealized gain from revaluation	1,198	1,205
- Dividend income	152	126
- Other income	-	24
Net gain from equity instruments at fair value through profit or loss	1,350	1,791
Foreign exchange income	2,249	2,086
	4,739	10,471

7- Net Gain From Financial Assets At Amortized Cost

Derecognition of financial assets at amortized cost were made during the year due to liquidity gap and yield management.

The schedule below details the gains and losses arising from the derecognition of these financial assets:

In millions of LBP

			2013
	Gains	Losses	Net
Lebanese sovereign and Central Bank of Lebanon			
Central Bank's certificates of deposits	5,521	(72)	5,449
Treasury bills	1,975	(3)	1,972
Eurobonds	2,150	-	2,150
	9,646	(75)	9,571

In millions of LBP

			2012
	Gains	Losses	Net
Lebanese sovereign and Central Bank of Lebanon			
Eurobonds	3,163	-	3,163

Following the offer of the Central Bank of Lebanon, the Bank sold certificates of deposit issued by the Central Bank of Lebanon maturing in 2023 amounting to LBP Million 370,451 and bought a treasury bill for the same amount. The loss on this transaction amounted to LL 72 million.

Also, the Bank sold certificates of deposit issued by the Central Bank of Lebanon maturing during 2013 and 2014 amounting to LL 219,266 million and bought certificates of deposit amounting to LL 218,965 million. The gain on these transactions amounted to LL 5,521 million.

8- Other Operating Income

In millions of LBP

	2013	2012
Net gain from disposal of assets obtained in settlement of debt	1,447	-
Other income	1,798	1,650
	3,245	1,650

9- Net Credit Losses

In millions of LBP

	2013	2012
Charges for the year:		
Provision for doubtful loans and advances (note 16)	(16,958)	(5,975)
Bad debts directly written-off to income statement	(608)	-
Recoveries during the year:		
Write-back of provisions for loans and advances (note 16)	3,499	1,167
Un interest on loans and advances to customers (note 16)	139	173
Write-back of provisions for commitments by signature	53	-
	(13,875)	(4,635)

10- Personnel Expenses

In millions of LBP

	2013	2012
Salaries and related charges	16,061	15,154
Social security contributions	2,355	2,049
Provision for end of service indemnity (note 27)	865	1,182
Additional allowances paid	3,487	3,462
	22,768	21,847

11- Other Operating Expenses

In millions of LBP

	2013	2012
Fees for guarantee of deposits	1,337	1,186
Professional fees	1,220	1,173
Maintenance and repairs	1,388	1,123
Marketing and advertising	1,153	813
Postage and telecommunications	856	789
Travel expenses	850	615
Electricity and fuel	692	561
Rent and related charges	521	473
Board of directors' attendance fees	642	468
Net loss on disposal of assets obtained in settlement of debt	-	432
Stationery and printings	348	393
Donations	1,024	350
Taxes and fees	1,558	158
Insurance	320	181
Subscriptions and fees	603	740
Others	2,177	1,842
	14,689	11,297

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12- Income Tax Expenses

The components of income tax expense for the years ended 31 December 2013 and 2012 are detailed as follows:

In millions of LBP

	2013	2012
Lebanon branches	5,864	4,404
Cyprus branch	12	52
	5,876	4,456

A reconciliation between the tax expense and the accounting profit for the years ended 31 December 2013 and 2012 is as follows:

In millions of LBP

	2013	2012
Accounting profit before income tax – Lebanon branches	39,988	32,211
Add:		
Nondeductible collective provision	1,260	-
	41,248	
Less:		
Share of profit on financial assets under equity method	(1,198)	(1,186)
Dividends received and previously subject to income tax	(152)	(126)
Nontaxable income	-	(1,595)
Taxable profit	39,898	29,304
Effective income tax rate	15.00%	15.00%
Income tax due	5,985	4,396

The components of income tax due for the years ended 31 December 2013 and 2012 are detailed as follows:

In millions of LBP

	2013	2012
5% tax paid on interest revenue during the year	3,049	3,158
Income tax on profit for the year	2,936	1,238
5% tax on interest calculated in previous period	(121)	8
	5,864	4,404

13- Cash and Balances with Central Banks

In millions of LBP

	2013	2012
Cash on hand	19,019	14,821
Cash in transit	1,515	-
Current accounts with Central Banks	74,850	61,486
Deposits with the Central Banks	532,581	491,383
	627,965	567,690

Cash and balances with the Central Banks include balances with the Central Bank in coverage of the obligatory reserve requirements for all banks operating in Lebanon on deposits in Lebanese Lira as required by the Lebanese banking rules and regulations. This obligatory reserve is calculated on the basis of 25% of sight commitments and 15% of term commitments. Accordingly, the obligatory reserve amounted to LL 59,210 million at 31 December 2013 (2012: LL 50,584 million).

In addition to the above, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon placements equivalents to 15% of total deposits in foreign currencies regardless of their nature. These placements amounted to US$ 247,588 thousands (equivalent to LL 373,239 million) as at 31 December 2013 (2012: US$ 227,075 thousands equivalent to LL 342,316 million).

Foreign branches are also subject to obligatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are located.
Obligatory reserve at Cyprus branch amounted to LL 105 million at 31 December 2013 (2012: LL 1,090 million).

14- Due From Banks And Financial Institutions

In millions of LBP

	2013	2012
Checks for collection	27,665	21,272
Current accounts	140,053	100,727
Term accounts	179,869	146,353
Blocked accounts	22	-
	347,609	268,352

15- Financial Assets At Fair Value Through Profit Or Loss

In millions of LBP

	2013	2012
Governmental debt securities	-	68,813
Equity instruments	16,750	1,799
	16,750	70,612

16- Net Loans And Advances To Customers At Amortized Cost

In millions of LBP

	2013	2012
Commercial loans	1,501,293	1,298,182
Consumer loans	168,797	133,994
	1,670,090	1,432,176
Less:		
Allowance for impairment losses	(67,920)	(56,657)
Allowance for unrealized interest on impaired loans	(6,571)	(5,334)
	1,595,599	1,370,185

Impairment allowance for loans and advances to customers at amortized cost

The movement of the allowance for impairment losses for loans and advances to customers at amortized cost during the year was as follows:

In millions of LBP

	2013	2012
Balance at 1 January	56,657	53,941
Add:		
Charge for the year* (note 9)	16,958	5,975
Foreign exchange difference	117	15
	73,732	59,931
Less:		
Provisions written-off	(2,313)	(2,107)
Write-back of provisions (note 9)	(3,499)	(1,167)
Balance at 31 December	67,920	56,657
Individual impairment	58,860	48,857
Collective impairment	9,060	7,800
	67,920	56,657
Gross amount of loans individually determined to be impaired	89,981	82,650
Gross amount of loans classified as substandard	30,349	29,014

* The charge for the year is detailed as follows:

In millions of LBP

	2013	2012
Individual impairment	15,698	4,955
Collective impairment	1,260	1,020
	16,958	5,975

The movement of allowance for unrealized interest on impaired loans during the year was as follows:

In millions of LBP

	2013	2012
Balance at 1 January	5,334	2,142
Add:		
Unrealized interest for the year	1,336	3,455
Foreign exchange difference	71	17
	6,741	5,614
Less:		
Recoveries of unrealized interest (note 9)	(139)	(173)
Amounts written-off	(31)	(107)
	(170)	(280)
Balance at 31 December	6,571	5,334

In millions of LBP

	2013	2012
Unrealized interest on substandard loans	3,446	2,126
Unrealized interest on doubtful loans	2,204	2,206
Unrealized interest on bad loans	921	1,002
	6,571	5,334

17- Related Parties

Related parties of the Bank include Key Management Personnel of the Bank, close family members of Key Management Personnel and entities controlled or jointly controlled by Key Management Personnel or their close family members.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Directors of the Bank.

Entities under common directorships are defined as those entities for which members of the Bank's board or Key Management Personnel also serve as directors.

Terms and conditions of transactions with related parties
The Bank enters into transactions with major related parties in the ordinary course of business at normal commercial interest and commission rates.

The following table provides the total amount of transactions and the amount of outstanding balances (including commitments) with related parties for the relevant financial year.

In millions of LBP

	2013		2012	
	Outstanding balance	Income (expense)	Outstanding balance	Income (expense)
Key Management Personnel				
Net loans and advances	535	42	921	38
Deposits	373	(58)	133	(94)
Guarantees taken	75	-	-	-
Entities under common directorships				
Net loans and advances	-	-	81	29
Deposits	1,431	(24)	81	-
Guarantees given	-	-	657	-

Compensation of the Key Management Personnel of the Bank

In millions of LBP

	2013	2012
Short-term benefits[1]	979	991

[1] Short-term benefits comprise of salaries, bonuses, attendance fees and other short-term benefits to Key Management Personnel.

- During the year ended 31 December 2013, the Bank paid attendance fees to the members of the board of directors amounting to LBP 642 million (2012: LBP 468 million);
- During the year ended 31 December 2013, the Bank received dividends amounting to LBP 134 million (2012: LBP 126 million) from CSC Bank SAL.
- During the year ended 31 December 2013, the Bank received attendance fees amounting to LBP 20 million (2012: LBP 24 million) from CSC Bank SAL.

18- Financial Assets At Amortized Cost

In millions of LBP

	2013	2012
Quoted financial investments		
Governmental debt securities	519,944	439,460
Unquoted financial investments		
Central Bank's certificates of deposits	216,162	451,096
Governmental debt securities	639,683	322,618
	855,845	773,714
	1,375,789	1,213,174

19- Financial Assets At Fair Value Through Other Comprehensive Income

In millions of LBP

	2013	2012
Unquoted equity securities		
CSC Bank SAL	-	10,936

During 2012, the Bank lost significant influence of its investment in CSC Bank SAL due to a change in circumstances. Accordingly, the management reclassified its investment form an investment in an associate to financial assets at fair value through other comprehensive income.

At 31 December 2013, the Bank reclassified its investments in CSC Bank SAL from financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss. The unrealized revaluation gain amounting LBP 198 million at 31 December 2012 was transferred to the income statement.

On 28 April 2014, the Board of Directors of the Bank resolved to acquire an additional 40% of the share capital of CSC Bank SAL for an amount of USD 35 million which results in 49% in total.

20- Property And Equipment

In millions of LBP

	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on fixed assets	Total
Cost :					
At 1 January 2013	28,914	1,951	34,256	10,650	**75,771**
Additions	1,075	837	2,769	461	**5,142**
Disposals	-	(541)	-	-	**(541)**
Transfers	2,754	-	170	(2,924)	**-**
Write offs	-	(12)	-	-	**(12)**
Reimbursement of advances	-	-	-	(8,187)	**(8,187)**
Translation difference	7	5	30	-	**42**
At 31 December 2013	32,750	2,240	37,225	-	**72,215**
Depreciation:					
At 1 January 2013	3,975	796	21,421	-	**26,192**
Charge for the year	507	196	2,851	-	**3,554**
Relating to disposals	-	(158)	-	-	**(158)**
Relating to write offs	-	(12)	-	-	**(12)**
Translation difference	4	3	21	-	**28**
At 31 December 2013	4,486	825	24,293	-	**29,604**
Net carrying amount:					
At 31 December 2013	28,264	1,415	12,932	-	**42,611**

In millions of LBP

	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on fixed assets	Total
Cost :					
At 1 January 2012	28,913	1,984	31,182	-	62,079
Additions	-	19	3,033	10,650	13,702
Disposals	-	(45)	(64)	-	(109)
Transfers	-	-	201	-	201
Write offs	-	(9)	(110)	-	(119)
Translation difference	1	2	14	-	17
At 31 December 2012	28,914	1,951	34,256	10,650	75,771
Depreciation:					
At 1 January 2012	3,516	624	18,980	-	23,120
Charge for the year	456	189	2,606	-	3,251
Relating to disposals	-	(13)	(63)	-	(76)
Relating to write offs	-	(5)	(110)	-	(115)
Translation difference	3	1	8	-	12
At 31 December 2012	3,975	796	21,421	-	26,192
Net carrying amount:					
At 31 December 2012	24,939	1,155	12,835	10,650	49,579

21- Assets Obtained In Settlement Of Debt

In millions of LBP

	2013	2012
Net carrying amount:		
At 1 January	24,847	26,227
Acquisitions	4,733	-
Rehabilitation and formality fees	1,563	1,205
Disposals	(4,092)	(2,623)
Translation difference	86	38
At 31 December	27,137	24,847

22- Other Assests

In millions of LBP

	2013	2012
Deposits for auctions against assets to be obtained in settlement of debt	1,497	4,479
Prepayments	4,211	2,093
Due from National Social Security Fund	1,232	1,435
Others	194	285
	7,134	8,292

23- Due To Central Bank

Following the Central Bank of Lebanon Intermediate Circulars No.313 and 318 issued on 14 January 2013 and 25 February 2013 respectively, the Central Bank of Lebanon offered the commercial banks facilities up to a ceiling of LBP 2,200 billion and with a time limit ending on 31 December 2013. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2014. As of 31 December 2013, the Bank obtained facilities amounting to LBP 12,579 million. These facilities were given subject to granting housing loans back to clients at average interest rate of 5.2%.

24- Due To Banks And Financial Institutions

In millions of LBP

	2013	2012
Current accounts	20,791	3,825
Time deposits	68,655	52,007
	89,446	55,832

25- Customers' Deposits At Amortized Cost

In millions of LBP

	2013	2012
Sight deposits	277,305	228,165
Time deposits	525,259	486,403
Saving accounts	2,620,895	2,375,838
Credit accounts and deposits against debit accounts	128,184	144,091
Margins on letters of credit	10,873	7,702
	3,562,516	3,242,199

Customers' deposits include coded deposit accounts amounting to LBP 19,860 million as of 31 December 2013 (2012: LBP 19,710 million). These accounts were opened under the provisions of article 3 of the banking secrecy law dated 3 September 1956 governing banks in Lebanon. As per the terms of this article, the Bank is not permitted to disclose the identities of the coded deposit accounts to third parties including its auditors.

26- Other Liabilities

In millions of LBP

	2013	2012
National Institution for the Guarantee of Deposits	1,337	-
Sundry creditors	1,152	371
Due to National Social Security Fund	302	255
Accrued expenses and other regularization accounts	236	231
Taxes on profit	2,936	1,235
Other taxes	2,070	2,080
Other liabilities	70	51
	8,103	4,223

27- Provisions For Risks And Charges

In millions of LBP

	2013	2012
Provision for employees' end of service benefits *	5,875	5,002
Net trading foreign exchange position	75	75
Commitments by signature	-	53
Structural exchange position	71	50
	6,021	5,180

*The movement in the provision for employees' end of service benefits during the year is as follows:

In millions of LBP

	2013	2012
Balance at 1 January	5,002	4,088
Charge for the year (note 10)	865	1,182
Benefits paid	(97)	(268)
Refunded contributions	105	-
	6,021	5,180
Balance at 31 December	5,875	5,002

The provision for employees' end of service benefits amount recognized in the financial statements is not materially different from what could be required as per IAS 19 Employee Benefits.

28- Share Capital And Share Premium

In millions of LBP

	2013		2012	
	Share capital	Share premium	Share capital	Income (expense)
Common shares – Authorized, issued and fully paid 9,560,000 nominal shares at LBP 20,000 each (4,860,000 nominal shares at LBP 20,000 each as of 31 December 2012)	191,200	-	97,200	-
Preferred shares – Authorized, issued and fully paid				
140,000 preferred shares (2007: issue) of LBP 20,000 per share	2,800	18,309	2,800	18,309
300,000 preferred shares (2010: issue) of LBP 20,000 per share	6,000	39,245	6,000	39,245
230,000 preferred shares (2013: issue) of LBP 20,000 per share	4,600	30,056	-	-
	13,400	87,610	8,800	57,554

On 2 October 2013 and according to the resolution of the extraordinary general assembly of shareholders held on 26 June 2013 and the approval of the Central Bank of Lebanon on 20 August 2013, the Bank's capital was raised from LBP 106,000 million to LBP 200,000 million thus an increase of LBP 94,000 million through the issuance of 4,700,000 nominal shares of LBP 20,000 each, as follows:

In millions of LBP

Transfer from free reserves	37,646
Transfer from free retained earnings	37,101
In cash	19,253
	94,000

On 20 December 2013, the Bank's capital was raised from LBP 200,000 million to LBP 204,600 million thus an increase of LBP 4,600 million through the issuance of 230,000 preferred shares (2013 issue).

The table below summarizes all preferred shares series issued by the Bank and outstanding at 31 December 2013:

	2007 issue	2010 issue	2013 issue
Date of Extraordinary General Assembly Resolution	11 December 2007	1 September 2010	26 October 2013
Date of Central Bank of Lebanon approval	28 December 2007	25 October 2010	26 October 2013
Number of shares	140,000	300,000	230,000
Issue price	100 USD	100 USD	100 USD
Par value of issued shares (LBP 20,000 per share)	LBP 2,800 million	LBP 6,000 million	LBP 4,600 million
Premium calculated in USD as the difference between the issue price and the counter value of the nominal value per share based on the exchange rate at the subscription dates	(USD 12,145 thousands) LBP 18,309 million	(USD 26,033 thousands) LBP 39,245 million	(USD 19,938 thousands) LBP 30,056 million
Premium calculated in USD as the difference between the issue price and the counter value of the nominal value per share based on the exchange rate at the subscription dates	(USD 12,145 thousands) LBP 18,309 million	(USD 26,033 thousands) LBP 39,245 million	(USD 19,938 thousands) LBP 30,056 million
Distributions (non-cumulative, subject to the approval of the general assembly and the availability of distributable income) calculated on a pro rata basis in the year of issuance Call option redeemable, pursuant to the exercise of that option, 60 days after the annual general assembly dealing with the accounts for the years	9% 2012 and any of the following years	7.5% 2015 and any of the following years	7% 2018 and any of the following years
Redemption price per share (no entitlement to dividend in the year of redemption)	105 USD	104 USD	103.50 USD

In the event of any liquidation, dissolution or winding-up of the Bank, the holders of any series of preferred shares shall be entitled to be paid out of the assets of the Bank available for distribution to its shareholders on a pro rata basis, before any payment shall be made to common shareholders.

29- Non Distributable Reserves

In millions of LBP

	Reserve for general banking risks	Other reserves	Legal reserve	Reserve for assets in settlement of debts	Reserve for redemption of preferred shares	Total
At 1 January 2012	16,737	2,115	4,633	3,672	13,296	40,453
Appropriation of 2011 profits	4,700	569	4,348	1,706	13,839	25,162
At 31 December 2012	**21,437**	**2,684**	**8,981**	**5,378**	**27,135**	**65,615**
Appropriation of 2012 profits	**5,087**	**-**	**2,815**	**2,251**	**2,338**	**12,491**
Transfer	-	**22,494**	-	-	**(22,494)**	**-**
Increase of capital	-	**(23,274)**	**(11,796)**	**(2,576)**	-	**(37,646)**
At 31 December 2013	**26,524**	**1,904**	**-**	**5,053**	**6,979**	**40,460**

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

Legal reserve
According to the Lebanese Code of Commerce and to the Money and Credit Act, banks operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. This reserve cannot be distributed as dividends.

Reserve for redemption of preferred shares
In accordance with the resolutions of the Ordinary General Assembly of Shareholders of the Bank, held on 14 May 2013 (2012: 26 June 2012), an amount of LBP 2,338 million (2012: LBP 13,839 million) has been appropriated to the reserve for the redemption of preferred shares (issue 2007 and 2010).

30- Dividends Declared And Paid

According to the Ordinary General Assembly of Shareholders held on 14 May 2013 (2012: 26 June 2012), dividends amounting to LBP 5,291 million were declared and paid to the preferred shares holders (2012: LBP 5,291 million).

31- Cash and Cash Equivalents

In millions of LBP

	2013	2012
Cash and balances with Central Banks	107,246	99,665
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	347,609	268,352
	454,855	368,017
Less:		
Due to banks and financial institutions (whose original maturities are less than 3 months)	(61,266)	(30,567)
	393,589	337,450

32- Contingent Liabilities And Commitments

Credit-related commitments and contingent liabilities
To meet the financial needs of customers, the Bank enters into various commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

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The Bank has the following credit related commitments:

In millions of LBP

	2013	2012
Commitments issued to financial institutions	58,549	33,869
Commitments issued to customers	2,603	2,037
Guarantees issued to financial institutions	6,165	6,165
Guarantees issued to customers	98,416	88,054
Acceptances	44,505	29,229
Undrawn credit lines	52,249	90,159
Balance at 31 December	262,487	249,513

Commitments
Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Guarantees
Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities;
- Other guarantees are contracts that have similar features to the financial guarantees contracts. These include mainly performance and tender guarantees.

Undrawn credit lines and other commitments
Undrawn credit lines and other commitments to lend are agreements to lend a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had several unresolved legal claims.

Based on advice from legal counsel, management believes that legal claims will not result in any material financial loss to the Bank.

Lease arrangements
The Bank does not have material capital expenditures and operating lease payments that were not provided for as of the statement of financial position date (2012 : the same).

Other contingencies
The Bank’s books for the years 2009 till 2012 are currently being reviewed by the tax authorities.

The Bank’s books for the year 2013 are still subject to review by the tax authorities.

The ultimate outcome of such reviews cannot be presently determined.

The Bank’s books in Lebanon have not been reviewed by the National Social Security Fund (NSSF) since 1 November 2006. The ultimate outcome of any review by the NSSF on the Bank’s books in Lebanon cannot be presently determined.

■ 33- Fair Value Of The Financial Instruments

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Bank as a going concern.

The following table provides the fair value measurement hierarchy of the Bank’s assets and liabilities.

In millions of LBP

	2013			
	Valuation techniques			
	Quoted market price Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss:				
Quoted equity securities	325	-	-	325
Unquoted equity securities	-	-	16,425	16,425
Assets for which fair values are disclosed:			-	
Cash and balances with Central Bank	20,534	607,431	-	627,965
Due from banks and financial institutions	-	347,609	-	347,609
Net loans and advances to customers at amortized cost	-	1,595,599	-	1,595,599
Net loans and advances to related parties at amortized cost	-	535	-	535
Loans to banks and financial institutions	-	8,026	-	8,026
Financial assets at amortized cost:	519,616	864,736	-	1,384,352
Governmental debt securities	519,616	642,900	-	1,162,516
Certificate of deposits – Central Bank	-	221,836	-	221,836
Liabilities for which fair values are disclosed:				
Due to Central Bank	-	12,618	-	12,618
Due to banks and financial institutions	-	89,446	-	89,446
Customers’ deposits at amortized cost	-	3,562,516	-	3,562,516
Related parties’ deposits at amortized cost	-	1,804	-	1,804

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In millions of LBP

	2012			
		Valuation techniques		
	Quoted market price Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss:				
Quoted equity securities	329	-	-	329
Unquoted equity securities	-	-	1,470	1,470
Quoted governmental debt securities	22,933	-	-	22,933
Unquoted governmental debt securities	-	45,880	-	45,880
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	-	10,936	10,936
Assets for which fair values are disclosed:				
Cash and balances with Central Bank	14,821	552,869	-	567,690
Due from banks and financial institutions	-	268,352	-	268,352
Net loans and advances to customers at amortized cost	-	1,370,185	-	1,370,185
Net loans and advances to related parties at amortized cost	-	1,002	-	1,002
Loans to banks and financial institutions	-	9,081	-	9,081
Financial assets at amortized cost:	455,983	792,052	-	1,248,035
Governmental debt securities	455,983	325,964	-	781,947
Certificate of deposits – Central Bank	-	466,088	-	466,088
Liabilities for which fair values are disclosed:				
Due to banks and financial institutions	-	55,832	-	55,832
Customers' deposits at amortized cost	-	3,242,199	-	3,242,199
Related parties' deposits at amortized cost	-	214	-	214

There were no transfers between levels during 2013 (2012: same).

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1
Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets, where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

This category includes cash on hand and in transit, liquid governmental bonds actively traded through an exchange or clearing house, and actively traded listed equities.

Valuation technique using observable inputs – Level 2
Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such valuation techniques and models incorporate assumptions about factors observable in an active market that other market participants would use in their valuations, including interest rate yield curve, exchange rates, volatilities, and prepayment and defaults rates.

This category includes liquid governmental bonds and certificates of deposit, less actively traded through an exchange or clearing house, balances with Central Bank, due from banks and financial institutions, net loans and advances to customers and related parties, loans and advances to banks and financial institutions, due to Central Bank, due to banks and financial institutions, customers and related parties' deposits.

Valuation technique using significant unobservable inputs – Level 3
Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

This category includes unquoted equity securities.

Assets and liabilities measured at fair value using a valuation technique with significant observable inputs – Level 2

Derivatives
The Bank uses foreign exchange contracts to manage some of its transaction exposures. These contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months. Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Governmental bonds, certificates of deposits and other debt securities
The Bank values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities, credit spreads and broker statements.

Assets and liabilities for which fair value is disclosed using a valuation technique with significant observable inputs (Level 2) and / or significant unobservable inputs (Level 3)

Deposits with banks and loans and advances to banks
For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Governmental bonds, certificates of deposits and other debt securities
The Bank values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities, credit spreads and broker statements.

Deposits from banks and customers
In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:
The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described above relate only to the fair value of the Bank's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

In millions of LBP

	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances with Central Banks	627,965	627,965	567,690	567,690
Due from banks and financial institutions	347,609	347,609	268,352	268,352
Net loans and advances to customers at amortized cost	1,595,599	1,595,599	1,370,185	1,370,185
Net loans and advances to related parties at amortized cost	535	535	1,002	1,002
Loans to banks and financial institutions	8,026	8,026	9,081	9,081
Financial assets at amortized cost	1,375,789	1,384,352	1,213,174	1,248,035
Governmental debt securities	1,159,627	1,162,516	762,078	781,947
Certificate of deposits – Central Bank	216,162	221,836	451,096	466,088
Financial liabilities				
Due to Central Bank	12,618	12,618	-	-
Due to banks and financial institutions	89,446	89,446	55,832	55,832
Customers' deposits at amortized cost	3,562,516	3,562,516	3,242,199	3,242,199
Related parties' deposits at amortized cost	1,804	1,804	214	214

34- Maturity Analysis Of Assets And Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

The maturity profile of the Bank's assets and liabilities as at 31 December 2013 is as follows:

In millions of LBP

	Amounts without contractual maturity	Less than one year	More than one year	Total
ASSETS				
Cash and balances with Central Banks	20,534	172,258	435,173	627,965
Due from banks and financial institutions	-	347,609	-	347,609
Financial assets at fair value through profit or loss	16,750	-	-	16,750
Loans to banks and financial institutions	-	-	8,026	8,026
Net loans and advances to customers at amortized cost	-	950,395	645,204	1,595,599
Net loans and advances to related parties at amortized cost	-	535	-	535
Debtors by acceptances	-	44,505	-	44,505
Financial assets at amortized cost	-	-	1,375,789	1,375,789
Property and equipment	42,611	-	-	42,611
Assets obtained in settlement of debt	-	-	27,137	27,137
Other assets	7,134	-	-	7,134
	89,446	89,446	55,832	55,832
TOTAL ASSETS	87,029	1,515,302	2,491,329	4,093,660
	1,804	1,804	214	214
LIABILITIES				
Due to Central Bank	-	-	12,618	12,618
Due to banks and financial institutions	-	89,446	-	89,446
Customers' deposits at amortized cost	-	3,561,938	578	3,562,516
Related parties' deposits at amortized cost	-	1,804	-	1,804
Engagements by acceptances	-	44,505	-	44,505
Other liabilities	-	8,103	-	8,103
Provisions for risks and charges	6,021	-	-	6,021
TOTAL LIABILITIES	6,021	3,705,796	13,196	3,725,013
NET	81,008	(2,190,494)	2,478,133	368,647

The maturity profile of the Bank's assets and liabilities as at 31 December 2012 is as follows:

In millions of LBP

	Amounts without contractual maturity	Less than one year	More than one year	Total
ASSETS				
Cash and balances with Central Banks	14,821	193,601	359,268	567,690
Due from banks and financial institutions	-	268,352	-	268,352
Financial assets at fair value through profit or loss	1,799	8,763	60,050	70,612
Loans to banks and financial institutions	-	-	9,081	9,081
Net loans and advances to customers at amortized cost	-	862,895	507,290	1,370,185
Net loans and advances to related parties at amortized cost	-	1,002	-	1,002
Debtors by acceptances	-	29,229	-	29,229
Financial assets at amortized cost	-	86,686	1,126,488	1,213,174
Financial assets at fair value through other comprehensive income	10,936	-	-	10,936
Property and equipment	49,579	-	-	49,579
Assets obtained in settlement of debt	-	-	24,847	24,847
Other assets	8,292	-	-	8,292
	87,029	1,515,302	2,491,329	4,093,660
TOTAL ASSETS	85,427	1,450,528	2,087,024	3,622,979
LIABILITIES				
Due to banks and financial institutions	-	55,832	-	55,832
Customers' deposits at amortized cost	-	3,242,122	77	3,242,199
Related parties' deposits at amortized cost	-	214	-	214
Engagements by acceptances	-	29,229	-	29,229
Other liabilities	-	4,223	-	4,223
Provisions for risks and charges	5,180	-	-	5,180
TOTAL LIABILITIES	5,180	3,331,620	77	3,336,877
NET	80,247	(1,881,092)	2,086,947	286,102

35- Risk Management

The Bank manages its business activities within risk management guidelines as set by the Bank's "Risk Management Policy" approved by the board of directors (the "Board"). The Bank recognizes the role of the board of directors and executive management in the Risk Management process as set out in the Banking Control Commission circular 242. In particular, it is recognized that ultimate responsibility for establishment of effective Risk Management practices and culture lies with the board of directors as does the setting up of Bank's risk appetite and tolerance levels. The board of directors delegates through its Risk Management committee the day–to–day responsibility for establishment and monitoring of Risk Management process across the Bank to the head of Risk Management, who is directly appointed by the board of directors, in coordination with executive management at the Bank.

The Bank is exposed to credit risk, liquidity risk, market risk and operational risk.

The Board's Risk Management committee has the mission to periodically (1) review and assess the exchange rate risk, (2) review the adequacy of the Bank's capital and its allocation within the Bank, and (3) review risk limits and reports and make recommendations to the Board.

The Risk Manager undertakes his responsibilities through the "Risk Management Department" overseeing and monitoring risk management activities throughout the Bank. The Risk Manager is responsible for establishing the function of Risk Management and its employees across the Bank.

Lebanon & Gulf Bank's Risk Management department aids executive management in controlling and actively managing the Bank's overall risk. The department mainly ensures that:

• Risk policies and methodologies are consistent with the Bank's risk appetite.
• Limits and risk across banking activities are monitored throughout the Bank.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Bank's "Risk Management Policy". Discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

The major objective of Risk Management is the implementation of sound risk management practices and the Basel II framework as well as all related regulatory requirements within the Bank. Pillar I capital adequacy calculations have been generated since December 2004, while preparations for moving on to the more advanced approaches of pillar I have been initiated. Risk Management is progressively complying with the requirements of pillars II and III of the Basel framework.

Excessive risk concentration
Concentrations arise when the Bank has significant exposure to one borrower or a group of related borrowers or to a number of counter parties engaging in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance developments affecting a particular industry or geographic location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

35.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continuously assessing the creditworthiness of counter parties.

The Bank manages credit risk in line with the regulatory guidelines. The Bank has set a credit risk policy which lays down norms for credit risk governance, methodologies and procedures for credit risk management and measurement. It consists of the following:

• The permissible activities, segments, programs and services that the Bank intends to deliver and the acceptable limits;
• The mechanism of the approval on credit-facilities;
• The mechanism for managing and following up credit-facilities; and
• The required actions for analyzing and organizing credit files.

Credit initiation and approval
Credit granting comprises the identification of suitable business to include in the portfolio and the best approaches to capture it. The process begins at the Board level by developing the Bank strategy. Once the strategy is approved, the Senior Management executes it. The Board does not interfere with the execution process, but observes and monitors the execution of the strategy to ensure its proper implementation, as per its guidelines.
The Bank is essentially split into two parts: (1) the one that generates the business, and (2) the one that monitors and ensures that this business is in line with the strategy of the Bank. And accordingly, the credit processing stage is governed by three major steps, namely:

a) Business Origination Unit: This centralized Unit is the generator of the business and includes all the relationship officers and analysts that liaise with clients. The main function of this Unit is to identify, analyze and recommend potential clients and the suitable facilities to these clients.

In essence, the Business Origination Unit is the engine of the Bank that creates the requisite business and manages it in a manner to ensure that sufficient profitability is attained to compensate the Bank for the operating expenses and risks taken. The Business Origination Unit benefits directly from risk adjusted profits generated from clients, as such, has a vested interest in ensuring that credits are passed and processed quickly.

For internal fraud avoidance, the Client Relationship and the Transaction Processing sides of the Business Origination Unit are managed and controlled separately with sufficient Chinese walls to allow the Business Origination Unit head to function efficiently.

b) Credit Control and Review Unit: For each recommended credit, a separate independent Unit called the Control and Review Unit will examine it to ensure that the analysis and recommendations are in line with the Bank's Policies and Procedures Guidelines. This Unit acts on behalf of the Credit Committee to guarantee the sanctity of the credit granting process.

c) Credit Committee: The credit is finally passed on to the Credit Committee, which approves or disapproves the credit based on various parameters. Should the credit be approved, the Credit Administration Unit, which acts as a separate clerical control function and custodian of the credit requisite documentation and limits, enters the credit's characteristics and features into the Bank's core system.

Any amendments to the granted credits, renewals, or any excess to the approved limit need a special approval based on a predefined credit grid. The grid assigns approval levels based primarily on the riskiness of the credit, nature of credit and the credit's risk exposure. The delegation of authority involves the allocation of such limits to designated credit functionaries within the Bank. Such functionaries hold independent positions, but caution is exercised to ensure that a functionary cannot recommend, approve and/or process credits singularly.

Loans follow up and monitoring
The Bank's Risk Management is designed to identify and set appropriate risk limits and to monitor the risk adherence to these limits. Actual exposures against the limits are monitored daily, monthly and periodically. Bank Risk Management is responsible for monitoring the risk profile of the Bank's loan portfolio by producing internal reports highlighting any exposure of concern in commercial and consumer lending. The Bank examines the level of concentration whether by credit quality, client groupings or economic sector and collateral coverage. Further, the Bank monitors non-performing loans and takes the required provisions for these loans.

The Bank in the ordinary course of lending activities holds collaterals and guarantees as securities to mitigate credit risk from the loans and advances. These collaterals mostly include cash collateral, quoted shares and debt securities, real estate mortgages, personal guarantees and others. In addition, the recovery unit in the Bank dynamically manages and takes remedial actions for non-performing loans.

In compliance with credit best practices, and within the framework of the supervisory directives with regards to Basel implementation and more specifically the Central Bank of Lebanon Intermediary Circular 256 dated 27 April 2011, the Bank uses an Internal Risk Rating System to manage the credit risk of obligors in the Corporate and Middle market business.

For this purpose, and for the time being, the Bank will use two classification schemes; the first will be an internal rating system (that will be referred to as "The Internal Loan Grading System") purchased from Moody's and divided into ten grades, and the second will be a more subjective loan classification system (that will be referred to as "Supervisory Classification System"), divided into six grades, of which three grades relate to the performing portfolio (regular credit facilities: risk ratings "OA" and special mention – watch list: risk rating "B1" and "B2"), one grade relates to substandard loans (risk rating "OC") and two grades relate to non-performing loans (risk ratings "OD" and "OE").

Credit cards, personal loans, car loans and housing loans are classified as regular since they are performing loans and have timely repayments with no past dues. Each individual borrower is rated, based on an internally developed scoring model that evaluates risk based on financial and qualitative inputs. These scores are reviewed on an annual basis.

Non-performing loans are managed proactively by a dedicated collection unit. These loans are closely monitored and well provisioned, with appropriate corrective actions taken.

Impairment allowance
For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances
The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances and for debt investments at amortized cost that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Bank generally bases its analysis on historical experience. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether any provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident in the individual loans assessments. The collective assessment takes into account data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). This approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Analysis to maximum exposure to credit risk and collateral and other credit enhancements
The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total loans collateralized against financial and non-financial assets and the net exposure to credit risk.

In millions of LBP

						2013
		Amounts of loans collateralized against:				
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Net credit exposure
Balances with Central Banks	607,431	-	-	-	-	607,431
Due from banks and financial institutions	347,609	-	-	-	-	347,609
Loans to banks and financial institutions	8,026	-	-	-	-	8,026
Net loans and advances to customers at amortized cost:	1,595,599	224,311	16,865	2,268	856,344	495,811
Commercial loans	1,427,152	201,880	16,865	2,268	729,776	476,363
Consumer loans	168,447	22,431	-	-	126,568	19,448
Net loans and advances to related parties at amortized cost	535	-	-	-	-	535
Debtors by acceptances	44,505	5,722	-	-	-	38,783
Financial assets at amortized cost	1,375,789	-	-	-	-	1,375,789
–						
	3,979,494	230,033	16,865	2,268	856,344	2,873,984
Guarantees	104,581	23,660	-	-	-	80,921
Documentary credits	58,549	5,151	-	-	-	53,398
Undrawn credit lines	52,249	-	-	-	-	52,249
	4,194,873	258,844	16,865	2,268	856,344	3,060,552

In millions of LBP

						2012
		Amounts of loans collateralized against:				
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Net credit exposure
Balances with Central Banks	552,869	-	-	-	-	552,869
Due from banks and financial institutions	268,352	-	-	-	-	268,352
Financial assets at fair value through profit or loss	68,813	-	-	-	-	68,813
Loans to banks and financial institutions	9,081	-	-	-	-	9,081
Net loans and advances to customers at amortized cost:	1,370,185	247,499	17,691	2,556	390,685	711,754
Commercial loans	1,236,491	235,307	15,071	2,556	327,257	656,300
Consumer loans	133,694	12,192	2,620	-	63,428	55,454
Net loans and advances to related parties at amortized cost	1,002	-	-	-	-	1,002
Debtors by acceptances	29,229	3,553	-	-	-	25,676
Financial assets at amortized cost	1,213,174	-	-	-	-	1,213,174
	3,979,494	230,033	16,865	2,268	856,344	2,873,984
	3,512,705	251,052	17,691	2,556	390,685	2,850,721
Guarantees	94,219	25,934	-	-	-	68,285
Documentary credits	33,869	4,133	-	-	-	29,736
Undrawn credit lines	90,159	-	-	-	-	90,159
	3,730,952	281,119	17,691	2,556	390,685	3,038,901

Collateral and other credit enhancements:
The amount, type and valuation of collateral are based on guidelines specified in the risk management framework. The main types of collateral obtained include real estate, quoted shares, cash collateral and bank guarantees.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The main types of collateral obtained are as follows;

Securities:
The balances shown above represent the fair value of the securities.

Letters of credit / guarantees:
The Bank holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Bank.

Real estate (commercial and residential):
The Bank holds in some cases a first degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown above reflects the fair value of the property limited to the related mortgaged amount.

Other:
In addition to the above, the Bank also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals and assignments of insurance proceeds and revenues, which are not reflected in the above table.

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Bank using internal and external credit ratings. The table below shows the credit quality of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system and the relationship with external credit rating. The amounts presented are gross of impairment allowances.

In millions of LBP

					2013
	Neither past due nor impaired				
	High grade	**Standard grade**	**Past due but not impaired**	**Individually impaired Non performing**	**Total**
Balances with Central Banks	607,431	-	-	-	**607,431**
Due from banks and financial institutions	347,609	-	-	-	**347,609**
Loans to banks and financial institutions	8,026	-	-	-	**8,026**
Loans and advances to customers at amortized cost	922,512	622,101	5,147	120,330	**1,670,090**
Loans and advances to related parties at amortized cost	535	-	-	-	**535**
Debtors by acceptances	44,505	-	-	-	**44,505**
Financial assets at amortized cost	1,375,789	-	-	-	**1,375,789**
Total	3,306,407	622,101	5,147	120,330	**4,053,985**

In millions of LBP

					2012
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Individually impaired Non performing	Total
Balances with Central Banks	552,869	-	-	-	552,869
Due from banks and financial institutions	268,352	-	-	-	268,352
Financial assets at fair value through profit or loss	68,813	-	-	-	68,813
Loans to banks and financial institutions	9,081	-	-	-	9,081
Loans and advances to customers at amortized cost	919,256	397,141	4,115	111,664	1,432,176
Loans and advances to related parties at amortized cost	1,002	-	-	-	1,002
Debtors by acceptances	29,229	-	-	-	29,229
Financial assets at amortized cost	1,213,174	-	-	-	1,213,174
	3,306,407	622,101	5,147	120,330	4,053,985
Total	3,061,776	397,141	4,115	111,664	3,574,696

Aging analysis of past due but not impaired loans per class of financial assets:

In millions of LBP

				2013
	Less than 90 days	**91 to 180 days**	**More than 181 days**	**Total**
Loans and advances to customers at amortized cost:				
- Commercial loans	1,856	353	2,296	**4,505**
- Consumer loans	108	37	497	**642**
	1,964	390	2,793	**5,147**

In millions of LBP

				2012
	Less than 90 days	91 to 180 days	More than 181 days	Total
Loans and advances to customers at amortized cost:				
- Commercial loans	1,018	2,369	480	3,867
- Consumer loans	80	75	93	248
	1,098	2,444	573	4,115

The classification of loans and advances to customers and related parties at amortized cost as in accordance with the ratings of Central Bank of Lebanon circular 58 are as follows:

In millions of LBP

	Gross Balance	Unrealised interest	Impairment allowances	2013 Net balance
Regular	924,386	-	-	924,386
Follow up	529,539	-	-	529,539
Follow up and regularization	96,370	-	-	96,370
Substandard	30,349	(3,446)	-	26,903
Doubtful	79,536	(2,203)	(49,409)	27,924
Bad	10,445	(922)	(9,451)	72
	1,670,625	(6,571)	(58,860)	1,605,194
Collective impairment	(9,060)	-	-	(9,060)
	1,661,565	(6,571)	(58,860)	1,596,134

In millions of LBP

	Gross Balance	Unrealised interest	Impairment allowances	2012 Net balance
Regular	921,451	-	-	921,451
Follow up	366,030	-	-	366,030
Follow up and regularization	34,033	-	-	34,033
Substandard	29,014	(2,126)	-	26,888
Doubtful	72,097	(2,206)	(39,421)	30,470
Bad	10,553	(1,002)	(9,436)	115
	1,433,178	(5,334)	(48,857)	1,378,987
Collective impairment	(7,800)	-	-	(7,800)
	1,425,378	(5,334)	(48,857)	1,371,187

Renegotiated Loans

Restructuring activity aims to manage customer relationships, maximize collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue. The application of these policies varies according to the nature of the market and the type of the facility.

As of 31 December 2013, renegotiated loans amounted to LBP 10,894 million (2012: LBP 20,578 million).

Analysis of risk concentration

The Bank's concentrations of risk are managed on a client or counterparty basis, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2013 amounted to LBP 57,826 million (2012: LBP 50,479 million) before taking account of collateral or other credit enhancements and LBP 43,836 million (2012: LBP 46,870 million) net of such protection.

The following tables show the maximum exposure to credit risk for the components of the statement of financial position by geography of counterparty and by industry before the effect of mitigation through the use of netting and collateral agreements.

Industry analysis

An industry sector analysis of the Bank's financial assets, before taking into account any collateral held or other credit enhancements, is as follows:

In millions of LBP

	Commercial	Industrial	Agriculture	Services	Banks and other financial institutions	Construction	Retail	Governmental	Other	2013 Total
Balances with Central Banks	-	-	-	-	-	-	-	607,431	-	**607,431**
Due from banks and financial institutions	-	-	-	-	347,609	-	-	-	-	**347,609**
Current accounts	-	-	-	-	167,718	-	-	-	-	**167,718**
Time deposits	-	-	-	-	179,891	-	-	-	-	**179,891**
Loans to banks and financial institutions	-	-	-	-	8,026	-	-	-	-	**8,026**
Net loans and advances to customers at amortized cost	723,438	118,640	12,402	62,245	-	395,803	232,686	-	50,385	**1,595,599**
Commercial loans	717,044	117,089	12,279	52,358	-	391,615	91,088	-	45,679	**1,427,152**
Consumer loans	6,394	1,551	123	9,887	-	4,188	141,598	-	4,706	**168,447**
Net loans and advances to related parties at amortized cost	-	-	-	-	-	-	535	-	-	**535**
Debtors by acceptances	31,192	13,296	-	-	-	17	-	-	-	**44,505**
Financial assets at amortized cost:	-	-	-	-	-	-	-	1,375,789	-	**1,375,789**
Lebanese governmental bonds	-	-	-	-	-	-	-	1,159,627	-	**1,159,627**
Certificates of deposit issued by the Central Bank of Lebanon	-	-	-	-	-	-	-	216,162	-	**216,162**
	754,630	131,936	12,402	62,245	355,635	395,820	233,221	1,983,220	50,385	**3,979,494**

In millions of LBP

	Commercial	Industrial	Agriculture	Services	Banks and other financial institutions	Construction	Retail	Governmental	Other	2012 Total
Balances with Central Banks	-	-	-	-	-	-	-	552,869	-	552,869
Due from banks and financial institutions	-	-	-	-	268,352	-	-	-	-	268,352
Current accounts	-	-	-	-	121,999	-	-	-	-	121,999
Time deposits	-	-	-	-	146,353	-	-	-	-	146,353
Financial assets at fair value through profit or loss:	-	-	-	-	-	-	-	68,813	-	68,813
Lebanese governmental bonds	-	-	-	-	-	-	-	68,813	-	68,813
Loans to banks and financial institutions	-	-	-	-	9,081	-	-	-	-	9,081
Net loans and advances to customers at amortized cost	515,314	122,496	9,444	69,244	-	389,821	204,461	-	59,405	1,370,185
Commercial loans	513,344	122,240	9,356	58,764	-	389,560	86,192	-	57,035	1,236,491
Consumer loans	1,970	256	88	10,480	-	261	118,269	-	2,370	133,694
Net loans and advances to related parties at amortized cost	-	-	-	-	-	82	920	-	-	1,002
Debtors by acceptances	17,967	1,254	-	-	9,301	707	-	-	-	29,229
Financial assets at amortized cost:	-	-	-	-	-	-	-	1,213,174	-	1,213,174
Lebanese governmental bonds	-	-	-	-	-	-	-	762,078	-	762,078
Certificates of deposit issued by the Central Bank of Lebanon	-	-	-	-	-	-	-	451,096	-	451,096
	533,281	123,750	9,444	69,244	286,734	390,610	205,381	1,834,856	59,405	3,512,705

Geographic analysis
The following table shows the maximum exposure to credit risk for the components of the statement of financial position by geography of counterparty, before the effect of mitigation through the use of master netting agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could rise in the future as a result of changes in values.

In millions of LBP

	Domestic	Others	2013 Total
Financial assets			
Balances with Central Banks	607,387	44	607,431
Due from banks and financial institutions	124,328	223,281	347,609
Current accounts	42,568	125,150	167,718
Time deposits	81,760	98,131	179,891
Loans to banks and financial institutions	8,026	-	8,026
Net loans and advances to customers at amortized cost	1,511,014	84,585	1,595,599
Commercial loans	1,344,030	83,122	1,427,152
Consumer loans	166,984	1,463	168,447
Net loans and advances to related parties at amortized cost	535	-	535
Debtors by acceptances	31,017	13,488	44,505
Financial assets at amortized cost:	1,375,789	-	1,375,789
Lebanese governmental bonds	1,159,627	-	1,159,627
Certificates of deposit issued by the Central Bank of Lebanon	216,162	-	216,162
Total credit exposure	3,658,096	321,398	3,979,494

In millions of LBP

	Domestic	Others	2012 Total
Financial assets			
Balances with Central Banks	551,779	1,090	552,869
Due from banks and financial institutions	96,869	171,483	268,352
Current accounts	47,604	74,395	121,999
Time deposits	49,265	97,088	146,353
Financial assets at fair value through profit or loss:	68,813	-	68,813
Lebanese governmental bonds	68,813	-	68,813
Loans to banks and financial institutions	9,081	-	9,081
Net loans and advances to customers at amortized cost	1,269,889	100,296	1,370,185
Commercial loans	1,161,869	74,622	1,236,491
Consumer loans	108,020	25,674	133,694
Net loans and advances to related parties at amortized cost	1,002	-	1,002
Debtors by acceptances	18,048	11,181	29,229
Financial assets at amortized cost:	1,213,174	-	1,213,174
Lebanese governmental bonds	762,078	-	762,078
Certificates of deposit issued by the Central Bank of Lebanon	451,096	-	451,096
Total credit exposure	3,228,655	284,050	3,512,705

35.2 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains statutory deposits with Central Banks. As per Lebanese banking regulations, the Bank must retain obligatory reserves with the Central Bank of Lebanon calculated on the basis of 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds, in addition to interest bearing placements equivalent to 15% of all deposits in foreign currencies regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The Bank maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration.

Regulatory ratios and limits
In accordance with the Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits in foreign currencies should not be less than 10%. The net liquid assets consist of cash and all balances with the Central Bank of Lebanon (excluding reserve requirements), certificates of deposit issued by the Central Bank of Lebanon irrespective of their maturities and deposits due from other banks that mature within one year, less deposits due to the Central Bank of Lebanon and deposits due to banks that mature within one year. Deposits are composed of total customer deposits (excluding blocked accounts) and due from financial institutions irrespective of their maturities and all certificates of deposits and acceptances and other debt instruments issued by the Bank and loans from the public sector that mature within one year.

The Bank stresses the importance of customer deposits as source of funds to finance its lending activities. This is monitored by using the advances to deposits ratio, which compares loans and advances to customers and related parties as a percentage of client's deposits.

	Loans to deposits 2013	2012
	%	%
Year-end	44.78	42.29

35.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as of 31 December based on their contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were being given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay.

The table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

In millions of LBP

					2013
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Cash and balances with Central Banks	100,246	92,546	283,827	151,346	627,965
Due from banks and financial institutions	347,609	-	-	-	347,609
Loans to banks and financial institutions	-	-	203	7,823	8,026
Net loans and advances to customers at amortized cost	524,107	426,288	277,218	367,986	1,595,599
Net loans and advances to related parties at amortized cost	155	-	-	380	535
Debtors by acceptances	32,450	12,055	-	-	44,505
Financial assets at amortized cost	-	-	533,918	841,871	1,375,789
Total undiscounted financial assets	1,004,567	530,889	1,095,166	1,369,406	4,000,028
Financial liabilities					
Due to Central Bank	175	566	3,011	8,866	12,618
Due to banks and financial institutions	61,266	28,180	-	-	89,446
Customers' deposits at amortized cost	2,961,195	600,743	578	-	3,562,516
Related parties' deposits at amortized cost	1,804	-	-	-	1,804
Engagements by acceptances	32,450	12,055	-	-	44,505
Total undiscounted financial liabilities	3,056,890	641,544	3,589	8,866	3,710,889
Net undiscounted financial assets / (liabilities)	(2,052,323)	(110,655)	1,091,577	1,360,540	289,139

In millions of LBP

					2012
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Cash and balances with Central Banks	99,665	108,757	240,862	118,406	567,690
Due from banks and financial institutions	268,352	-	-	-	268,352
Financial assets at fair value through profit or loss	-	6,964	2,761	59,088	68,813
Loans to banks and financial institutions	-	-	304	8,777	9,081
Net loans and advances to customers at amortized cost	385,870	477,025	473,276	34,014	1,370,185
Net loans and advances to related parties at amortized cost	1,002	-	-	-	1,002
Debtors by acceptances	27,349	1,880	-	-	29,229
Financial assets at amortized cost	21,246	65,440	685,162	441,326	1,213,174
	1,004,567	530,889	1,095,166	1,369,406	4,000,028
Total undiscounted financial assets	803,484	660,066	1,402,365	661,611	3,527,526
Financial liabilities					
Due to banks and financial institutions	30,567	25,265	-	-	55,832
Customers' deposits at amortized cost	2,692,000	550,122	77	-	3,242,199
Related parties' deposits at amortized cost	214	-	-	-	214
Engagements by acceptances	27,349	1,880	-	-	29,229
Total undiscounted financial liabilities	2,750,130	577,267	77	-	3,327,474
Net undiscounted financial assets / (liabilities)	(1,946,646)	82,799	1,402,288	661,611	200,052

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

In millions of LBP

					2013
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial guarantees	47,696	48,995	7,890	-	104,581
Documentary credits	27,546	31,003	-	-	58,549
Undrawn credit lines	1,243	50,845	161	-	52,249
	-	6,964	2,761	59,088	68,813
	76,485	130,843	8,051	-	215,379

In millions of LBP

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	2012 Total
Financial guarantees	31,461	51,134	11,624	-	94,219
Documentary credits	21,933	11,936	-	-	33,869
Undrawn credit lines	2,984	77,213	9,962	-	90,159
	-	6,964	2,761	59,088	68,813
	56,378	140,283	21,586	-	218,247

The Bank expects that not all of the contingent liabilities or commitments will be demanded before maturity.

35.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in interest rate and currency rate, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

Risk Management is responsible for generating internal reports quantifying the Bank's earnings at risk due to extreme movements in interest rates, while daily monitoring the sensitivity of the Bank's trading portfolio of fixed income securities to changes in market prices and / or market parameters. Interest rate sensitivity gaps are reported to executive management on a monthly basis. The Bank's Asset and Liability Management policy assigns authority for its formulation, revision and administration to the Asset / Liability Management Committee (ALCO) of the Bank. Risk Management is responsible for monitoring compliance with all limits set in the policy ranging from core foreign currency liquidity to liquidity mismatch limits to interest sensitivity gap limits.

35.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities and off-financial position items that mature or reprice in a given period. The Bank manages this risk by matching the repricing of assets and liabilities through risk management strategies.

Interest rate sensitivity

The following table analyses the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at the year end, including the effect of hedging instruments.

In millions of LBP

Currency	Increase in basis points	2013 Sensitivity of net interest income
Lebanese Lira	**200**	**(11,600)**
United States Dollar	**100**	**(4,290)**
Euro	**50**	**(92)**

In millions of LBP

Currency	Increase in basis points	2012 Sensitivity of net interest income
Lebanese Lira	200	(9,238)
United States Dollar	100	(6,333)
Euro	50	(199)

A decrease in basis points will have an opposite effect on net interest income.

Interest sensitivity gap

The table below analyses the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

In millions of LBP

	Up to 1 month	1 to 3 months	3 months to 1 year	(1-2) years	(2-5) years	More than 5 years	Non-interest sensitive	2013 Total
ASSETS								
Cash and balances with Central Banks	-	16,584	80,650	46,732	236,678	147,075	100,246	627,965
Due from banks and financial institutions	-	179,637	-	-	-	-	167,972	347,609
Financial assets at fair value through profit or loss	-	-	-	-	-	-	16,750	16,750
Loans to banks and financial institutions	-	-	-	-	200	7,800	26	8,026
Net loans and advances to customers at amortized cost	352,762	400,403	636,374	117,329	31,967	1,866	54,898	1,595,599
Net loans and advances to related parties at amortized cost	535	-	-	-	-	-	-	535
Debtors by acceptances	-	-	-	-	-	-	44,505	44,505
Financial assets at amortized cost	-	-	-	138,807	386,088	832,136	18,758	1,375,789
TOTAL	353,297	596,624	717,024	302,868	654,933	988,877	403,155	4,016,778
LIABILITIES								
Due to Central Bank	121	54	565	851	2,161	8,866	-	12,618
Due to banks and financial institutions	33,109	21,079	13,725	-	-	-	21,533	89,446
Customers' deposits at amortized cost	1,959,843	733,100	598,733	497	-	-	270,343	3,562,516
Related parties' deposits at amortized cost	1,804	-	-	-	-	-	-	1,804
Engagements by acceptances	-	-	-	-	-	-	44,505	44,505
TOTAL	1,994,877	754,233	613,023	1,348	2,161	8,866	336,381	3,710,889
Total interest rate sensitivity gap	(1,641,580)	(157,609)	104,001	301,520	652,772	980,011	66,774	305,889

In millions of LBP

								2012
	Up to 1 month	1 to 3 months	3 months to 1 year	(1-2) years	(2-5) years	More than 5 years	Non-interest sensitive	Total
ASSETS								
Cash and balances with Central Banks	43,370	-	-	87,435	240,447	115,000	81,438	567,690
Due from banks and financial institutions	77,636	68,482	-	-	-	-	122,234	268,352
Financial assets at fair value through profit or loss	-	-	6,950	2,705	-	58,323	2,634	70,612
Loans to banks and financial institutions	-	-	-	-	300	8,750	31	9,081
Net loans and advances to customers at amortized cost	274,058	323,522	571,326	100,888	39,881	3,038	57,472	1,370,185
Net loans and advances to related parties at amortized cost	1,002	-	-	-	-	-	-	1,002
Debtors by acceptances	-	-	-	-	-	-	29,229	29,229
Financial assets at amortized cost	20,331	-	64,321	244,945	427,334	435,103	21,140	1,213,174
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	10,936	10,936
TOTAL	416,397	392,004	642,597	435,973	707,962	620,214	325,114	3,540,261
LIABILITIES								
Due to banks and financial institutions	25,708	14,158	11,420	-	-	-	4,546	55,832
Customers' deposits at amortized cost	1,791,521	673,683	552,219	570	-	-	224,206	3,242,199
Related parties deposits at amortized cost	214	-	-	-	-	-	-	214
Engagements by acceptances	-	-	-	-	-	-	29,229	29,229
	1,994,877	754,233	613,023	1,348	2,161	8,866	336,381	3,710,889
TOTAL	1,817,443	687,841	563,639	570	-	-	257,981	3,327,474
Total interest rate sensitivity gap	(1,401,046)	(295,837)	78,958	435,403	707,962	620,214	67,133	212,787

35.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate.

The Bank is allowed to maintain a net trading position not to exceed 1 percent of its net Tier 1 equity, as long as the global foreign position does not exceed, at the same time, 40 percent of net Tier 1 equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required capital adequacy ratio.

The tables below indicate the statement of financial position detailed in Lebanese Lira (LL) and foreign currencies, translated into LL.

In millions of LBP

31 December 2013

		Foreign currencies in Lebanese Lira				
		US Dollars in	Euro in	Other foreign currencies	Total foreign currencies	Total
ASSETS						
Cash and balances with Central Banks	211,529	412,366	3,392	678	416,436	627,965
Due from banks and financial institutions	4,941	317,197	8,255	17,216	342,668	347,609
Financial assets at fair value through profit or loss	13,410	3,340	-	-	3,340	16,750
Loans to banks and financial institutions	8,026	-	-	-	-	8,026
Net loans and advances to customers at amortized cost	303,716	1,219,507	64,678	7,698	1,291,883	1,595,599
Net loans and advances to related parties at amortized cost	381	154	-	-	154	535
Debtors by acceptances	-	40,918	3,302	285	44,505	44,505
Financial assets at amortized cost	742,308	611,000	22,481	-	633,481	1,375,789
Property and equipment	42,341	-	270	-	270	42,611
Assets obtained in settlement of debt	494	24,531	2,112	-	26,643	27,137
Other assets	4,353	2,768	13	-	2,781	7,134
TOTAL ASSETS	1,331,499	2,631,781	104,503	25,877	2,762,161	4,093,660
LIABILITIES						
Due to Central Bank	12,618	-	-	-	-	12,618
Due to banks and financial institutions	25,534	46,756	11,016	6,140	63,912	89,446
Customers' deposits at amortized cost	1,068,129	2,371,117	97,328	25,942	2,494,387	3,562,516
Related parties' deposits at amortized cost	21	1,769	3	11	1,783	1,804
Engagements by acceptances	-	40,918	3,302	285	44,505	44,505
Other liabilities	7,088	983	32	-	1,015	8,103
Provisions for risks and charges	6,021	-	-	-	-	6,021
Total liabilities	1,119,411	2,461,543	111,681	32,378	2,605,602	3,725,013
NET EXPOSURE	212,088	170,238	(7,178)	(6,501)	156,559	368,647

In millions of LBP | **31 December 2012**

		Foreign currencies in Lebanese Lira				
		US Dollars in	Euro in	Other foreign currencies	Total foreign currencies	Total
ASSETS						
Cash and balances with Central Banks	179,071	383,558	4,019	1,042	388,619	567,690
Due from banks and financial institutions	1,875	245,936	5,988	14,553	266,477	268,352
Financial assets at fair value through profit or loss	47,350	15,600	7,662	-	23,262	70,612
Loans to banks and financial institutions	9,081	-	-	-	-	9,081
Net loans and advances to customers at amortized cost	242,579	1,067,655	54,228	5,723	1,127,606	1,370,185
Net loans and advances to related parties at amortized cost	249	672	81	-	753	1,002
Debtors by acceptances	-	28,059	962	208	29,229	29,229
Financial assets at amortized cost	641,095	558,083	13,996	-	572,079	1,213,174
Financial assets at fair value through other comprehensive income	10,936	-	-	-	-	10,936
Property and equipment	49,262	-	317	-	317	49,579
Assets obtained in settlement of debt	392	22,482	1,973	-	24,455	24,847
Other assets	3,782	4,491	19	-	4,510	8,292
	1,331,499	2,631,781	104,503	25,877	2,762,161	4,093,660
TOTAL ASSETS	1,185,672	2,326,536	89,245	21,526	2,437,307	3,622,979
LIABILITIES						
Due to banks and financial institutions	18,991	35,516	996	329	36,841	55,832
Customers' deposits at amortized cost	960,234	2,174,338	86,836	20,791	2,281,965	3,242,199
Related parties' deposits at amortized cost	59	154	1	-	155	214
Engagements by acceptances	-	28,059	962	208	29,229	29,229
Other liabilities	3,294	871	58	-	929	4,223
Provisions for risks and charges	5,127	53	-	-	53	5,180
Total liabilities	987,705	2,238,991	88,853	21,328	2,349,172	3,336,877
NET EXPOSURE	197,967	87,545	392	198	88,135	286,102

Bank's sensitivity to currency exchange rates
The table below shows the currencies to which the Bank has significant exposure at 31 December 2013, and 2012 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Lebanese Pound, with all other variables held constant, on the income statement (due to the potential change in fair value of currency sensitive monetary assets and liabilities) . A negative amount reflects a potential net reduction in income while a positive amount reflects a net potential increase.

		2013	2012
Currency	**Change in currency rate %**	**Effect on profit before tax**	Effect on profit before tax
US Dollar	+5	**8,512**	4,377
Euro	+5	**(359)**	20
Other currencies	+5	**(325)**	10

Prepayment risk
Prepayment risk is the risk that the Bank incurs a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate housing loans when interest rates fall. The fixed rate assets of the Bank are not significant compared to the total assets. Moreover, other market conditions causing prepayment are not significant in the markets in which the Bank operates. Therefore, the Bank considers the effect of prepayment on net interest income as not material after taking into account the effect of any prepayment penalties.

35.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff awareness and assessment of processes, including the use of internal audit.

■ 36- CAPITAL MANAGEMENT

By maintaining an actively managed capital base, the Bank's objectives are to cover risks inherent in the business, to retain sufficient financial strength and flexibility to support new business growth, and to meet national and international regulatory capital requirements at all times. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon according to the provisions of Basic Circular No.44 and related amendments (latest in March 2014). These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and off-balance sheet commitments at a weighted amount to reflect their relative risk. To satisfy Basel III capital requirements, the Central Bank of Lebanon requires maintaining a ratio of total regulatory capital to risk-weighted assets at or above 12% to be achieved in 2015. The limit of the Common Equity tier 1 Ratio is expected to increase to 8%, the Tier 1 ratio to 10% and the Total Capital Ratio to 12% by the end of 2015.

In millions of LBP

	2013	2012
Risk weighted assets:		
Credit risk	**2,503,921**	2,368,815
Market risk	**51,188**	56,275
Operational risk	**128,322**	110,667
Total risk weighted assets	**2,683,429**	2,535,757

The capital base as per Basel III requirements as of 31 December is as follows:

In millions of LBP

	Excluding net income for the year		Including net income for the year less proposed dividends	
	2013	2012	2013	2012
Tier 1 Capital	**327,565**	252,748	**353,951**	273,364
Tier 2 Capital	**1,904**	2,003	**1,904**	2,003
Total Capital	**329,469**	254,751	**355,855**	275,367

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The capital adequacy ratio as of 31 December is as follows:

In millions of LBP

	Excluding net income for the year		Including net income for the year less proposed dividends	
	2013	2012	2013	2012
Capital adequacy – Tier 1	**12.21%**	9.97%	**13.19%**	10.78%
Capital adequacy – Total Capital	**12.28%**	10.05%	**13.26%**	10.86%

List of Major Correspondents

List of Major Correspondents

NORTH AMERICA

United States of America
. The Bank of New York Mellon
. Standard Chartered Bank

Canada
. Bank of Montreal

SOUTH AMERICA

Brazil
. Banco Safra SA
. Banco Santander (Brasil) SA

EUROPE

Austria
. Unicredit Bank Austria AG
. Raiffeisen Bank International AG

United Kingdom
. Barclays Bank PLC
. Standard Chartered Bank

Germany
. Commerzbank AG
. Deutsche Bank AG
. The Bank of New York Mellon

France
. Natixis
. BNP Paribas SA
. Banque Fédérative du Crédit Mutuel-CIC

Switzerland
. Banque de Commerce et de Placements SA
. Credit Suisse

Belgium
. KBC Bank N.V

Italy
. Intesa Sanpaolo SPA
. Unicredit SpA
. Banca UBAE SPA

Spain
. Banco de Sabadell S.A.
. CaixaBank

Denmark
. Danske Bank A/S
. Nordea Bank A/S

Sweden
. Skandinaviska Enskilda Banken AB
. Svenska Handelsbanken AB

Norway
. DNB NOR Bank ASA
. Skandinaviska Enskilda Banken

Finland
. Danske Bank PLC
. Skandinaviska Enskilda Banken AB (Publ)

Poland
. Bank Polska Kasa Opieki SA
. Powszechna Kasa Oszczednosci Bank Polski (SA)

Russian Federation
. VTB Bank (Open Joint-Stock Company)

Greece
. National Bank of Greece SA
. Piraeus Bank SA

Cyprus
. Bank of Cyprus Public Company Ltd
. National Bank of Greece SA

Turkey
. Turkiye Is Bankasi AS
. A&T Bank
. Turkiye Garanti Bankasi AS

AUSTRALIA

Australia
. Westpac Banking Corporation
. Bank of Sydney

ASIA

Japan
. Sumitomo Mitsui Banking Corporation
. Standard Chartered Bank

China
. Bank of China Limited
. Industrial & Commercial Bank of China Limited

Pakistan
. Habib Bank Limited

Philippines
. Philippines National Bank

Hong Kong
. Shinhan Bank
. Standard Chartered Bank (Hong Kong) Limited
. The Bank of New York Mellon

Indonesia
. PT Bank CIMB Niaga Tbk
. Deutsche Bank AG

India
. Indian Overseas Bank
. Mashreqbank PSC

Korea
. Korea Exchange Bank
. Hana Bank

Sri lanka
. Bank of Ceylon

Malaysia
. Malayan Banking Berhad

Taiwan
. Mega International Commercial Bank Co Ltd
. The Bank of New York Mellon

Thailand
. Export-Import Bank of Thailand
. Deutsche Bank AG

Vietnam
. Asia Commercial Joint Stock Bank
. Vietnam Export Import Commercial Joint Stock Bank

U.A.E.
. Mashreqbank PSC
. Emirates NBD
. National Bank of Abu Dhabi

Bahrain
. Ahli United Bank BSC
. Mashreqbank PSC

Jordan
. The Housing Bank for Trade & Finance

Kuwait
. Burgan Bank SAK
. The Gulf Bank K.S.C.

Qatar
. Doha Bank
. Qatar National Bank SAQ

Saudi Arabia
. The National Commercial Bank
. Al Rajhi Banking And Investment Corporation

AFRICA

Ethiopia
. Commercial Bank of Ethiopia
. Dashen Bank SC

Mauritius
. The Mauritius Commercial Bank Ltd

Morocco
. Banque Marocaine du Commerce Exterieur SA

South Africa
. Standard Bank of South Africa Ltd

Tunisia
. Banque de Tunisie SA
. Banque Internationale Arabe de Tunisie SA

Egypt
. Mashreqbank PSC
. National Bank of Egypt

Algeria
. Banque Extérieure d'Algérie

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Expansion **17** Branches

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- Société Financière du Liban S.A.L
- Banque de L'Habitat S.A.L
- Société de Garantie des Prêts aux Petites et Moyennes Entreprises S.A.L

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Cel : +961 71 511300, Fax : +961 5 956453

Dora Branch
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Cel : +961 3 316887, Fax : +961 1 259938

Ghobeiry Branch
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Cel : +961 3 316882, Fax : +961 1 826112

Kaslik Branch
Opening soon

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Tripoli Branch
Abdul Hamid Karame Square Center
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Cel : +961 3 316886, Fax : +961 6 628275

SOUTH

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