بنك بيروت
Bank of Beirut
Banking Beyond Borders

Annual Report 2013

ANNUAL REPORT 2013

Table of Contents

Chairman´s Message

CHAIRMAN'S MESSAGE

CHALLENGES MET, MILESTONES SET

I am pleased to report that once again Bank of Beirut demonstrated another year of profitable growth. In 2013, we celebrated the 50th anniversary of our bank's founding, extending our strong track record of creating exceptional shareholder value despite a challenging market environment. It is particularly noteworthy that we delivered profitable results in every quarter of 2013, overcoming significant economic and political volatility in Lebanon.

These solid results corroborate our Group's underlying strengths and ability to execute on our plan. Our expanded product and geographic scope contributed to an excellent overall performance. Ten years ago, more than 90% of our revenue and income was generated in Lebanon. At fiscal year-end 2013, 30.8% of our revenue and income was produced outside of Lebanon. Our consistent investments in people, technology, competitive product differentiation, geographical diversification and customer-focus continue to pay off.

There is however an additional factor behind our steady record of growth in earnings, and that is Bank of Beirut's fundamental value system. Our value system is centered on prudent lending and highly disciplined balance sheet and acquisition practices. The benefits of these factors are evident across our key performance metrics.

PERFORMANCE HIGHLIGHTS

NET PROFITS: increased 8.64% to LBP 219 billion. This increase was distributed across the Bank's geographic and product matrix. Bank of Beirut in Lebanon, up 17.70%; Bank of Sydney Ltd, 3.97%; Beirut Life, 29.07%; and BoB Finance 142.81%.

ASSETS: grew by 17.81% (LBP 3.104 trillion) to LBP 20.527 trillion, representing 7.72% of peer group market share.

DEPOSITS: rose 15.40% (LBP 2.075 trillion) to a new peak of LBP 15.545 trillion.

LENDING: The Bank generated LBP 5.722 trillion in loans, a growth of LBP 505 billion (9.68%) over the previous year. And still we were at the top of our peer group banks in loan portfolio quality ratios owing to rigorous risk management practices. Net non-performing loans over total assets shrunk to a low of 0.14% from 0.19% in the previous year, an important key performance indicator.

LIQUIDITY: In 2013 through diversified and stable funding, total liquid assets to total liabilities stood at 79.52%, up from 77.03% in 2012.

TRADE FINANCE: USD 5.562 billion in Letters of Credit were opened in 2013, comprising an enviable peer group market share of 29.57%, extending our #1 position in trade finance in Lebanon for an unparalleled sixth year in a row.

CAPITALIZATION: Bank of Beirut delivered the highest capitalization levels in its peer group, capturing the #1 spot among Alpha banks, while recording an equity-to-asset ratio of 11.19%. Under Basel III, our Capital Adequacy Ratio stood at 13.37%, exceeding the minimum requisite of 10.50%.

SHAREHOLDER VALUE HIGHLIGHTS

SHARE PRICE: closed at fiscal year-end LBP 28,643, reflecting a 10.80 Price to Earnings Ratio and a very healthy 7.04% price-to assets ratio, one of the lowest in the market.

EQUITY: consolidated equity up by LBP 164 billion to LBP 2.298 trillion, an increase of 7.68% compared to 2012 year-end.

DIVIDENDS: dividends per common share were LBP 859, eclipsing last year's figure by 19.97% with our dividend yield increasing to 3.00% vs. 2.50% in 2012.

ROACE: Return on Average Common Equity 15.84% (14.58% in 2012).

ROAA: Return on Average Assets 1.16% (1.24% in 2012).

EFFICIENCY RATIO: Cost-to-Income, one of the best within our peer group, at 47.33%, despite Bank of Beirut's strategic HR growth of 5.36% to 1,611 employees.

ADDITIONAL FINANCIAL YEAR HIGHLIGHTS

We launched a totally new, unprecedented loyalty program with a signature flexible Cash Back scheme. In addition to accumulating Bank of Beirut credit or debit card points, our customers will now earn rewards for opening accounts, activating mobile or online accounts, obtaining loans, domiciling salaries, signing or sending transfers, and subscribing to additional Bank of Beirut Group products. Point redemptions can translate into cash, but customers may also opt for mobile talk time, Lotto, even megabytes for phone data. Bank of Beirut's universal "Cashback on Everything" is a first in Lebanon.

Furthermore, the Bank introduced the next-generation of Automated Teller Machines, offering instant cash and check deposits. We launched our first virtual "B Smart" branch, at the Foch Head Office, fully equipped to welcome customers 24/7, providing a full array of conventional in-branch services. Bank of Beirut B Smart customers can now open accounts, receive on-the-spot deposit cards, and connect with our Call Center via live video conference at any time of the day.

Our online and mobile product suites were also enhanced. Bank of Beirut customers can now utilize Western Union's Account-Based Money Transfer (ABMT) online, an exceptional service within the entire Middle East. In corporate online banking, a pay card solution and electronic payroll services have been introduced offering value-added solutions for working capital management to our institutional and corporate clients.
While we are present through almost 1,000 Western Union outlets in Lebanon, we continue our progress in the digital economy, including the creation of Google Play and App Store digital bank profiles – once again, a first among Lebanese banks.

During 2013, Bank of Beirut took the lead in super-affluent net worth specific services in Lebanon; an honor recognized by the Euromoney Private Banking and Wealth Management Survey. Our Bank also received the Zawya Funds Ranking Award for superior achievement for two Bank of Beirut funds delivering the best performance over a period of three years.

CORPORATE SOCIAL RESPONSIBILITY

In 2013, we continued our commitment to Corporate Social Responsibility. Bank of Beirut was selected among 68 regional banks as the recipient of the "Best CSR Initiative" award by The Banker magazine, in recognition of our exemplary Young Achievers Program (YAP) and the new talents and creativity it helps to advocate.

ANTICIPATING 2014

While 2013 marked our 50th anniversary; we are now working towards the next significant milestone. We can take pride in our performance for 2013, but this does not mean that we will rest on our laurels. We are mindful that we must continuously work to improve our array of services, our market penetration and our operating efficiencies.

Bank of Beirut Group is on course to expand locally and regionally through more than 100 strategic business units on 4 continents. We recognize that our future success has to be backed by unique personal services, banking skills, local and international expertise, as well as consistent financial results in order to retain and attract long term customers.

Increasing trade relations between the Middle East and Australia, where we own Bank of Sydney, will be a key focus for our Group in the future. With a background of liberalization in the Middle East, Australia's leadership has shown a tangible commitment to building trade relations in that region. The projections for Foreign Direct Investments are also impressive.

As bankers, our success is a direct reflection of the quality of our loan portfolio. Quality lending opportunities are in fact increasing in this expanding sphere and Bank of Sydney is now one of the best capitalized banks in Australia, with a capital adequacy ratio in excess of 23%.

We can take pride in having successfully navigated the political and economic uncertainties burdening our country over the last years. Our mandate and our strategic plan prioritize the international markets where we do business. Our successes in 2013 are a testament to our core values and the trust that our customers have instilled in us – trust in our services, trust in our senior management, trust in our staff and trust in our value system.

In closing, I wish to sincerely thank all our employees for their dedication and hard work and to thank our shareholders and stakeholders for your trust and continued support. In the years ahead we are committed to remain worthy of your trust.

Salim G. Sfeir
Chairman of the Board - CEO

Bank of Beirut at a Glance

Brief History

With a well-targeted focus, Bank of Beirut has not only grown to become one of today's leading commercial banks in Lebanon but has also proved to be a pioneer in more than one field. In February 2013, Bank of Beirut took the lead in "Super Affluent Net-Worth Specific Services in Lebanon" according to Euromoney Private Banking and Wealth Management Survey; in May, it received Zawya Funds Ranking Award for its "Beirut Golden Income Fund II"; then, it was awarded "Best CSR Initiative" and "Fastest Growing Bank in Lebanon" by "Banker ME" magazine.

Bank of Beirut adopted its present name in 1970, 7 years after its establishment as a commercial bank. In 1993, the 5-branch Bank was acquired by a group of businessmen and bankers, headed by the current Chairman - CEO, Mr. Salim G. Sfeir. Its strategic alliances with regional Arab banking institutions and acquisitions have enhanced its market position and leveraged its expertise into local and regional markets. Bank of Beirut, 35th bank in Lebanon in 1993, and one of Lebanon's five banks listed on the Beirut Stock Exchange in 1997, has climbed up to reach the 6th position today by assets with 60 branches in Lebanon and 22 spanning 4 continents.

In 2005, Bank of Beirut established "BoB Finance s.a.l.", a wholly owned financial institution regulated by the Central Bank of Lebanon; in 2007, Bank of Beirut Invest s.a.l., an independent wholly owned specialized banking subsidiary, was created; in 2009, BoB Finance was appointed one of two exclusive Agents of Western Union in Lebanon; and in 2011, "Beirut Life Co.", an insurance company offering a full array of life insurance services, entered into existence. In 2012, the new (corporate identity and logo) reflecting the restyled brand image were adopted, and in 2013, B Smart, the first virtual branch, opened its doors.

The primary activities of Bank of Beirut include retail banking services; commercial, corporate and correspondent banking services; as well as trade finance services and asset management services targeting high net-worth customers in both domestic and regional markets. Acknowledged in the list of the "Fastest Movers" banks in the world, Bank of Beirut is the leading provider of cash management services to commercial clients in Lebanon.

On the international level, Bank of Beirut provides commercial banking services in the United Kingdom and throughout Europe through its wholly owned subsidiary, Bank of Beirut (U.K.) Ltd, regulated by the Financial Services Authority ("FSA"). The Bank also operates a branch in Germany (Frankfurt); a branch in Cyprus (Limassol) regulated by the Central Bank of Cyprus; three branches in the Sultanate of Oman (Muscat, Ghubrah and Sohar) regulated by the Central Bank of Oman; a representative office in the United Arab Emirates (Dubai) to service the Gulf region; a representative office in Nigeria (Lagos); a representative office in Iraq (Baghdad); a representative office in Libya (Tripoli); in addition to a subsidiary in Australia, Bank of Sydney LTD., previously Beirut Hellenic Bank Ltd. with a network of 16 branches located in Sydney, Melbourne, and Adelaide, regulated by the Australian Prudential Regulatory Authority ("APRA").

2013 was the digital year par excellence with the birth of the new generation of Automated Teller Machines, the CCDM (Cash and Cheque Deposit Machines), the opening of the B Smart virtual branch, the launching of the e-learning program, and iMobile and online banking apps. Bank of Beirut offers at present 24/7 banking services and is keeping pace with modernity and innovation.

Mission and Values

Integrity and Trust are our guiding values.
We abide by the highest ethical standards and the strictest confidence when conducting any kind of transaction.
We strive to build long-lasting relationships by satisfying the evolving needs of our customers.
We attempt to meet the requirements of our clients by developing first-class services and products.
We make every effort to upgrade our services to reach the highest level of excellence.
We offer our most valuable asset, our second-to-none dedicated staff, a congenial work environment and development opportunities.
We strive to be a leading participant in the regional economic development of the community wherever Bank of Beirut is present.

Corporate Governance Guidelines

Introduction

Given the vital role of banks in the Lebanese economy, as well as the impact of good governance on the successful standing of these institutions, the following guidelines were developed in adherence with the policies set forth by Banque du Liban, the Banking Control Commission and the Association of Banks in Lebanon.

Bank of Beirut Corporate Governance is driven by the Board of Directors' principal responsibility to act in good faith and with prudence while abiding by a set of values and standards that promote the stakeholders' interests.

Governance Framework

Bank of Beirut faithfully operates under corporate governance policies and practices designed to ensure that the Bank performance maximizes long-term shareholder value.

The Governance framework of the Bank is documented in the "Corporate Governance Guidelines" and the charters of the Board Audit Committee, the Board Risk Management Committees and the Board Credit Committee, all of which are subject to continuous review and fine-tuning when deemed necessary. These guidelines hinge on the evolving needs and expectations of depositors, regulators, investors and the market at large.

The Board of Directors has overall responsibility to Bank of Beirut; this responsibility is not limited to approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values but also includes enforcing adequate, effective, and independent controls. The Board authority is presently vested in eight individuals and one corporation, two of which comprise Managing Directors while the remaining seven are non-executive members.

The Board Audit Committee (BAC) promotes compliance with regulatory requisites as well as transparency of financial statements and reports. The main functions of BAC are to assist the Board in fulfilling oversight responsibilities for the:

- Proficiency, independence and objectivity of both external and internal auditors
- Financial reporting and disclosure processes
- Effectiveness of the internal control systems
- Review of audit reports issued by internal audit
- Ratification of recommended action plans

The Board Risk Management Committee (BRMC) evaluates and manages all key business risks by administering policies and procedures. Its tasks include:

- Formulating a strategy for the assumption of risk and the management of capital aligning with the business objectives of the Bank
- Reviewing and recommending to the Board, on a yearly basis, the Internal Capital Adequacy Assessment Process (ICAAP) document
- Developing an internal risk management framework
- Ensuring that the Bank conforms to Basel requirements

The Board Credit Committee (BCC) is the highest credit approval authority at the bank, and its main function is the Approval/Ratification of any commercial credit request exceeding USD 1,000,000.

Fifteen other management committees, each functioning according to its own charter, focus on specific day-to-day operations of the Bank:
1. Management Committee
2. Asset/Liability Management Committee
3. Credit Committee
4. Credit Committee for Financial Institutions
5. Anti-Money Laundering and Counter-Financing of Terrorism Committee
6. Asset Recovery Committee
7. Real Estate Committee
8. Foreign Affiliates Committee
9. Retail & Branch Committee
10. Marketing Committee
11. Human Resources Committee
12. Information Technology Committee
13. Investment Committee for Funds and Structured Products and Derivatives
14. Operational Risk management Sub-Committee
15. Information Security Sub-Committee

The Bank has established a Code of Conduct Policy divided into six major themes: General Principles, Business Ethics, Confidentiality, Conflicts of Interest, Business Relationships, and Protection of the Bank's Assets. It is the Board's prerogative to ensure these tenets are observed by directors, managers, and employees alike.

Corporate Governance and Business Principles

Bank of Beirut has consistently operated under corporate governance policies and practices that are designed to ensure that the performance of the Bank is always geared towards maximizing long-term shareholder value.

The Governance framework of the Bank is documented through the formally adopted “Corporate Governance Guidelines” and the Board and Management Committees’ Charters, which are subject to continual updating and refinement as the Board may deem necessary in view of adapting to its needs and to the expectations of depositors, regulators, investors and the markets generally.

The Board of Directors has overall responsibility to Bank of Beirut, including approving and overseeing the implementation of the Bank strategic objectives, risk strategy, corporate governance and corporate values; and ensuring that adequate, effective, and independent controls are in place.

In bearing his share of the collective responsibilities of the board, each board member has a “duty of care” and a “duty of loyalty” to the Bank.

Under the direction of the Board, the Senior Management ensures that the activities of the Bank are consistent with the business strategy, risk tolerance/appetite and policies approved by the Board.

In discharging its overall responsibilities, Bank of Beirut Board of Directors:

- Approves the overall business strategy of the Bank, taking into account its long-term financial interests and safety
- Approves and oversees the implementation of the Bank overall risk strategy and policy and approves the Bank risk management framework
- Approves the compliance policy and the internal control systems
- Approves significant corporate actions, and recommends the General Meeting of Shareholders to pass the appropriate resolutions in this respect whenever needed
- Reviews regularly major policies and processes and controls with Senior Management and/or internal control functions
- Ensures that the control functions are properly positioned, staffed and resourced and that they carry out their responsibilities independently and effectively
- Ensures that related party transactions are performed at arm’s length and approved by the Board and the shareholders in compliance with applicable laws and regulations
- Adopts a set of corporate values and a code of ethics
- Approves credit lines that exceed the internal lending limit

Composition of the Board of Directors

Members of the Board of Directors of Bank of Beirut s.a.l. were elected by the General Assembly of Shareholders held on April 23, 2014, for a term expiring in 2016.

The Board of Director currently comprises nine members.

The majority of the Board members are non-executive/independent Directors; the criteria for the selection of new Directors include unquestionable integrity and character, successful professional background, and the ability and willingness to commit adequate time to the Bank.

The Bank´s Committees

The Bank day-to-day activities are managed through various Committees that have been established with specific missions, authorities and responsibilities.

The Bank has 18 Committees including, among others, the Board Audit Committee, the Board Risk Committee, the Management Committee, ALCO and the Credit Committee as more fully described below. The Board is fully apprised of all important decisions governing the Bank’s overall operations as submitted and recommended by the various Committees.

Board Audit Committee

Main Functions

The Board Audit Committee ("BAC") is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the process for monitoring compliance with laws and regulations.

Members

The members of the Board Audit Committee are 4 Independent Non-Executive Board Members and the Head of Internal Audit.

Meetings

The Committee meets at least once per quarter and once a year with the external auditors.
The Board Audit Committee holds, at least once a year, a private meeting with the Head of Internal Auditor in the absence of Management members/executives.

Responsibilities

- Validates the Audit Charter developed by the Internal Audit Department, including the mission and scope of work, independence, responsibility and authority of Internal Audit function, as well as the reporting lines to the Board of Director
- Reviews and agrees on the annual Audit Plan (once a year)
- Agrees on the appointment and remuneration of the Head of Internal Audit
- Agrees on the Internal Audit budget and resources to support the necessary audit effort
- Assesses the findings and recommendations raised in by the Internal Audit Department
- Ensures the adequacy and the effectiveness of the internal control systems of the Bank
- Ensures that internal control policies and procedures (including Anti-Money Laundering procedures) have been developed and studies recommendations for their enhancement
- Assesses the reliability and accuracy of the financial information reported to management and external users
- Ensures that a proper follow up has been established to implement the decisions of the Board of Directors, and that Management is monitoring the effectiveness of the internal control system
- Reviews, on a regular basis, the relationship between Management and Internal and External Auditors.
- Discusses external auditors' findings as well as the conclusions and the recommendations raised in their reports
- Evaluates the external auditors' performance for the preceding fiscal year, and reviews their fees
- Reviews the Bank's compliance with legal and regulatory provisions

Board Risk Management Committee ("BRMC")

Main Functions

The Board Risk Management Committee oversees all risk management activities carried out throughout the Bank to identify, evaluate and manage all key business risks.
The Committee also ensures that systems, policies and procedures are in place to manage these risks and ensure that major risk issues are referred to the Board of Directors.

Members

The Board Risk Management Committee consists of a minimum of three Board members of which at least one is independent and non-executive, the other members being all non-executives:

- Chairman - Chief Executive Officer
- Deputy Chief Executive Officer
- 2 Non-executive Board Members
- Chief Risk Officer
- Head of Risk Management Department

Meetings

The Board Risk Management Committee meets at least every quarterly.

Responsibilities

- Formulates a strategy for the assumption of risk and the management of capital in order to be in line with the business objectives of the Bank
- Reviews and recommends to the Board, once a year at least, the Internal Capital Adequacy Assessment Process (ICAAP) document
- Develops an internal Risk Management Framework and ensures that sound policies are implemented for the management of the eight risk areas which are: credit, liquidity, market, operational, legal, strategic, business and reputation risks
- Manages the risks not covered by ALCO or by the Credit Committee such as country risk, credit portfolio risk, operational risk, legal risk, reputational risk and strategic risk
- Ensures that adequate procedures are set for all the bank activities as well as for the entire group and that they are strictly implemented
- Ensures that the bank is always in conformity with Basel requirements
- Reviews regularly the progress in the implementation of the risk strategy and submits recommendations for remedial action in case of weakness in the implementation
- Reviews the annual report set by the Head of the Risk Management Division and addressed to the Board

Board Credit Committee

Main Functions

The Board Credit Committee is the highest credit approval authority at the bank and its main function is to approve/ratify all the commercial credit requests exceeding USD 1,000,000.

Members

The Board Credit Committee comprises 5 members:

- Chairman – Chief Executive Officer
- Vice Chairman
- Deputy Chief Executive Officer and Board Member
- 2 Board Members

Meetings

The Committee meets on need basis.

Responsibilities

- Decides (for ratification) on all credit applications exceeding USD 1,000,000 based on a summary prepared by the Credit Division including the facilities existing v/s proposed, outstanding balances, conditions, securities, highlights on financials, account activity with BoB and briefing on customer's activity and need for facilities in addition to Guarantors net worth (where applicable)
- Forms and delegates all or a portion of its authorities to subcommittees (such as the Credit Committee)

Management Committee

Main Functions

The Management Committee is the highest executive body in charge of overseeing the day-to-day operations of the bank.

Members

The Management Committee comprises 8 members:

- Chairman - Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Commercial Banking Officer
- Chief Credit Officer
- Chief Administration Officer
- Chief Risk Officer
- Chief Financial Officer
- Chief Information Officer

Meetings
The Management Committee meets on quarterly basis and may also meet more frequently.

Responsibilities
- Sets the global strategic plan along with the corporate objectives of the Bank
- Follows up on the Action Plan of all the Bank Divisions and Departments
- Follows up on the progress of all IT projects
- Discusses any new project including but not limited to: Merger/Acquisition, Partnership Agreement, Investments in companies / financial institutions, establishment of banks abroad, opening of new branches, new activity at the Bank (leasing, factoring, etc.), …
- Follows up on the decisions of a number of other Committees established to provide the Senior Management with a more effective monitoring of specific areas of operations.

Asset/Liability Management Committee (ALCO)

Main Functions
The assets and liabilities of Bank of Beirut are managed to maximize shareholder value while protecting the institution from any financial consequences arising from adverse changes in exchange rates and interest rates.

Members
ALCO comprises 5 members:
- Chairman – Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Risk Officer
- Chief Financial Officer
- Director - Head of Global Markets Division

Meetings
The committee meets once a week and can meet more frequently.

Responsibilities
- Sets the financial objectives of the Bank and follows up on the overall performance as compared to budget and the Peer Group
- Reviews reports on liquidity risk, market risk and capital management
- Identifies balance sheet management issues like balance sheet gaps, interest rate gap/profiles etc. that lead to under-performance
- Determines funding strategy and reviews deposit-pricing for the local market
- Reviews the liquidity contingency plan for the bank
- Determines the Bank's investment strategy and the proprietary portfolio (trading, available-for-sale and investment)
- Monitors the compliance with approved regulatory ratios (mainly capital adequacy and liquidity)
- Manages the Bank's capital in terms of hedging (structural FX position), allocation, and risk level
- Approves the granting of limits to financial institutions whether in Lebanon or abroad (correspondents)

Investment Committee for Funds and Structured Products & Derivatives

The Investment Committee meets on a monthly basis.

Members
- Director - Global Markets
- Head of Asset Management
- Chief Risk Officer
- Chief Financial Officer

Main Functions

- Launching and marketing of:
  - Structured products (whether or not capital guaranteed) the return of which is usually linked to the evolution of a given index (interest rate, equity index, basket …) linked (or not) to a deposit program or any other type of financial products
  - Structured Products or products derived from any securitization operations
  - Certificates and Securities generating returns derived from commercial papers, capital gains on (or dividends received from) stocks or coupons received on bonds
  - Funds whether closed or open-ended
- Following up on the performance of the structured products and the funds and ensuring that the Investments are in line with the Fund's own Investment Policy in terms of products, concentration, leverage, and risk/return profile
- Ensuring full transparency to the investors, providing a full detailed description of the products and financial instruments, with expected returns and returns calculation and the risks that investors are exposed to presenting a detailed term sheet with terms and conditions to be signed by the potential investors.

Credit Committee

The Credit Committee meets on need basis; however, files are usually signed through circulation.

Members

- Chairman of the Board - CEO
- Deputy CEO
- Chief Commercial Banking Officer
- Chief Credit Officer

Main Functions

- Decides on credit applications up to an aggregate limit of USD 1,000,000 based on the analysis and recommendations of the Credit Division and approves any excess over limits related to any commercial file
- Decides on the classification and rating of loans and approves the transfer of problematic accounts to the Loan Recovery Department
- Forms and delegates all or a part of its authorities to subcommittees, subject to the Board's approval, and compiles regular reports to the Board summarizing the issues reviewed and actions taken during each Committee meeting
- Approves, whenever requested, any commercial file related to foreign branches
- Oversees the administration and effectiveness of the Bank's credit policies through the review of such processes, reports and other information as it deems appropriate
- Ensures that the Bank's lending policies are adequate and that lending activities are conducted in accordance with applicable laws and regulations
- Monitors the performance and quality of the Bank's credit portfolio through the review of selected measures of creditworthiness, trend, or any other information deemed appropriate
- Approves target market(s) based on industry concentration and risk acceptance criteria and allocates lending resources among diversified activities

Credit Committee for Financial Institutions

Main Functions

The CCFI is the sole credit approval authority for Banks and Financial Institutions at Bank of Beirut s.a.l.
Its main function is the approval of all limits on banks and other financial institutions up to an aggregate limit per bank not exceeding 10% of Bank of Beirut's shareholders' equity.

Members

The Credit Committee for Financial Institutions includes:

- Chairman – Chief Executive Officer all Bank of Beirut entities
- Deputy Chief Executive Officer all Bank of Beirut entities
- Chief Credit Officer all Bank of Beirut entities
- Chief Commercial Banking Officer only for Bank of Sydney
- Chief Executive Officer Bank of Sydney
- Director - Head of Global Markets Division Lebanon, Cyprus, Oman
- Managing Director and C.E.O. Bank of Beirut (UK) Ltd and its Frankfurt branch

Meetings

The Committee meets on ad hoc basis at the request of the Chairman-CEO.

Responsibilities

- Decides on credit applications based on the study prepared by the Financial Institutions Unit at the Credit Division at the request of the Correspondent Banking Department or the recommendation of the Credit Committee of Bank of Sydney or the recommendation of the Management Committee of BOB-U.K.
- Approves Bank and Financial Institution files presented by overseas branches
- Approves any excess over limits related to any bank limit, provided it is temporary and specific to a given transaction
- Ensures the compliance with the relevant lending policies to Financial Institutions
- Monitors the performance and quality of the Bank's correspondents and financial institution exposure through the review of selected measures of creditworthiness, trend or any other information deemed appropriate
- Approves target market(s) based on the potential to build business, business recurrence, geographic ties, culture, and risk acceptance criteria, and thus allocates lending capacity among diversified activities

Retail & Branch Banking Committee

Main Functions

The Retail Banking Committee assists the Retail Banking Division in developing its business whether in terms of products, clients, or performance.

Members

The Retail Banking Committee comprises 8 members:

- Chairman – Chief Executive Officer
- Deputy Chief Executive Officer
- Director - Head of Retail and Branch Division
- Chief Risk Officer
- Chief Financial Officer
- Head of Branch Network
- Head of Product Development & Customer Management
- Head of Electronic Cards Business

Meetings

The Committee meets at least twice a month and can also meet when necessary.

Responsibilities
- Discusses the Retail Banking Division annual business plan and ensures that it is in conformity with the financial objectives set by the Asset / Liability Management Committee and the strategic objectives set by the Management Committee
- Follows up on Retail Banking Performance as compared to the established budget and takes the necessary measures to improve this performance
- Approves the launching of any new product/activity or the amendment of an existing product
- Approves the pricing of products whether standard or special
- Approves the targeted clients with respect to corporate sales

Human Resources Committee

Main Functions
The Human Resources Committee is responsible for reviewing, assessing, and approving the Human Resources Strategy and ensuring that it is aligned with the overall Vision, Values and Strategy of the Bank.

Members
The Human Resources Committee comprises 4 members:
- Chairman - Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Administration Officer
- Head of Human Resources Department

Meetings
The Committee meets at least twice a month.

Responsibilities
- Follows up on the implementation of the Human Resources Strategic Plan as approved by the Management Committee
- Reviews and approves any modifications related to employee key policies including recruitment, training, education, time and attendance, dress code and conduct
- Reviews the key HR Systems of the Bank (Salary Scale, Grading system, Bonus Distribution Model, Performance Appraisal system, etc.) on regular basis
- Monitors the Talent Management and Succession Planning strategies of the Bank
- Monitors and orients the employee disciplining directives and policies of the Bank and makes the final decisions in employee separation cases
- Supports and facilitates the building of the Bank Culture and nurtures the sense of belonging at work

Information Technology Committee

Main Functions
The Information Technology Committee is responsible for the IT strategy, policies and procedures; it is in charge of ensuring that the decisions meet Central Bank of Lebanon (BDL), Banking Control Commission (BCC) and external regulatory standards.

Members
The Information Technology Committee consists of 6 members:
- Chairman Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Risk Officer
- Chief Financial Officer
- Chief Information Officer
- Chief Administration Officer

Meetings
The Committee meets at least once a month and when necessary.

Responsibilities
- Reviews, approves and monitors, at least once a year, the Bank Information Technology Strategy ensuring it is aligned with its Business Strategy
- Prioritizes all strategic projects according to a project investment dashboard that assesses each IT-related investment proposal based on business budget, outcomes and priorities
- Controls the preparation and implementation of the Master Plan
- Ensures that the transition of projects to operational status is properly planned and managed taking into account impacts on business and operational practices as well as existing IT systems and infrastructure
- Ensures that a culture of good governance of IT exists in the Bank by obtaining proof from the IT management of compliance with IT policies and procedures
- Monitors the performance of IT through appropriately developed Key Performance Indicators and Scorecards
- Ensures that Information Technology decisions conform with BDL, BCC and other external obligations including BASEL II, IFRS, Anti-Money Laundering and other legislations and laws
- Evaluates benefits and risks regarding emerging technologies
- Evaluates the technology risks through Key Risk Indicators, and makes recommendations pertaining to that area to the Bank Risk Committee
- Ensures adherence to, and when necessary, recommends modifications to information technology priorities, organization, and planning
- Ensures that IT policies and procedures are written, up-to-date and well implemented
- Ensures that complete support (human, technical and financial) is provided for the implementation of an Information Security Management System aligned with ISO 27001 and PCI DSS
- Ensures that business continuity and disaster recovery plans are implemented and followed in line with the Business Continuity Strategies and Recovery Objects approved by the Business Continuity Committee
- Approves and monitors the IT Department organization and decides on matters concerning the skills, deployment and advancement of technology specialists
- Approves any technology expenditure write-offs and any expenses in excess of US $100,000

Asset Recovery Committee

Main Functions
The Asset Recovery Committee assists the Loan Recovery Department in maximizing the recovery of value and minimizing the costs on the bank problematic loan portfolio.
The Committee evaluates workout solutions for loans (whether commercial or retail) and decides on the settlement method.

Members
The Asset Recovery Committee comprises 5 members:
- Chairman – Chief Executive Officer
- Vice Chairman
- Deputy Chief Executive Officer
- Chief Credit Officer
- Head of Loan Recovery Department

Meetings
The Committee meets on a monthly basis and more often when necessary.

Responsibilities

- Analyzes and decides upon the workout strategy on the problematic loans presented by the Loan Recovery Department
- Approves the transfer of files from the Loan Recovery Department to the Legal when intending legal actions
- Approves write-offs upon recommendations from the Loan Recovery Department
- Analyzes the statistical data of the Loan Recovery and follows up the evolution of the portfolio
- Approves waiving or reducing penalty interests, commissions and/or legal fees upon cash settlement of the loan
- Approves capital cancellation
- Approves rescheduling of Non-Performing Loans
- Approves the foreclosing of assets against debts provided no other feasible settlement proposal is forthcoming

Real Estate Committee

Main Functions

The Real Estate Committee assists the Real Estate Department in managing the portfolio of foreclosed properties.

Members

The Real Estate Committee consists of 5 members:
- Chairman – Chief Executive Officer
- Vice Chairman
- Deputy Chief Executive Officer
- Chief Credit Officer
- Head of Real Estate Department

Meetings

The Committee meets on monthly basis and may also meet when necessary.

Responsibilities
- Follows up on the foreclosed property database and administration
- Follows up on the registration of foreclosed properties in the Bank's name
- Follows up on the auction results for foreclosed properties
- Approves the sale of foreclosed properties in both terms of pricing and credit conditions

Foreign Affiliates Committee

The Foreign Affiliates Committee meets on a quarterly basis.

Members

- Chief Financial Officer
- Manager - Internal Audit
- Head of Branch Operations
- Head of Financial Control Unit
- Business Coordinator at Chairman's office

Main Functions

- Reviews and comments the business plans, budgets, financial statements and documents submitted by the affiliates
- Requests the affiliates to take the appropriate remedial measures, and to verify their proper implementation in case of sub-par performance or any risk issue
- Proposes, when needed, the dispatch of a team to the affiliates with the intention of on-site assessment of their strategy, performance, results and risks
- Provides the parent company Board with summaries of minutes of its meetings, accompanied with the quarterly report (business letter) to be submitted by each affiliate
- Ascertains that regulations are appropriate and implemented by the management of each affiliate

Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) Compliance Committee

Main Functions
The AML/CFT Compliance Committee ensures that Bank of Beirut Group (domestic and overseas branches, affiliates, subsidiaries and representative offices) complies with relevant AML/CFT laws and regulations, and their related internal policies and procedures.
The Committee is responsible for overseeing the Group's AML/CFT policies and procedures and their implementation, as well as the application of various AML/CFT laws and regulations pertaining to each jurisdiction where the Bank has direct presence in terms of banking practice.

Members
The AML/CFT Compliance Committee comprises:
- Nominee of the Chairman Chief Executive Officer to act in his stead – Chairman of the Committee
- Head of Compliance Department
- Chief Risk Officer
- Chief Administration Officer
- Head of Internal Audit Department
- Director - Head of Retail & Branch Division

Meetings
The AML/CFT Compliance Committee meets at least once a month.

Responsibilities
- Reviews/Approves the AML Manual on implementing the provisions of the Law on Fighting Money Laundering and other applicable BDL rules and regulations
- Reviews/Approves a KYC form for customer identification ensuring adequate financial and banking operational controls to avoid involvement in money laundering operations
- Ascertains the proper implementation and effectiveness of AML/CFT policies, procedures and regulations
- Reviews policies, procedures and regulations related to fighting money laundering and terrorism financing, and keeps up with modern methods and developments
- Reviews/Approves a staff training program on the methods of controlling financial and banking operations in accordance with the legal and regulatory texts
- Reviews the reports submitted by the Compliance Department and Internal Audit on suspicious/unusual operations and high-risk accounts, regarding cash deposits/withdrawals, transfers, and the link between these operations and economic activities
- Comments on the reports and takes the decision of reporting suspicious cases to the Special Investigation Commission
- Monitors, when the operation exceeds ten thousand US dollars or its equivalent, the adequacy of exemption procedures, and determines the exemption ceiling and modifies it according to developments in the client's economic situation.

Marketing and Communication Committee

Main Functions
The MARCOM Committee assists and evaluates the MARCOM function in developing its brand marketing and communication strategy, both externally and internally be it of corporate and/or retail nature.

Members
The Retail Banking Committee comprises 6 members:
- Chairman – Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Commercial Banking Officer
- Director – Head of Retail and Branch Division
- Head of Marketing and Communications
- Senior Communication Specialist

Meetings
The Committee meets at least once a month.

Responsibilities
- Discusses the MARCOM department annual business/ MARCOM plan and ensures that it is in conformity with the financial & strategic objectives set by the Management Committee
- Follows up on MARCOM Performance as compared to the established budget and takes the necessary measures to improve this performance
- Approves the launching of any new initiative or the amendment of an existing MARCOM campaign
- Approves the pricing of MARCOM campaigns that are related to the corporate brand and/or product or related to external and/or internal communication.

Operational Risk Management Committee

Main Functions
The Operational Risk Management Committee reviews, discusses and coordinates the various issues related to Operational Risk Management process to ensure better management and measurement of the various related operational risks.

Members
The Operational Risk Management Committee comprises:
- Chief Administration Officer - Chairperson
- Chief Information Officer
- Head of Head Office Operations
- Head of Branch Solution
- Chief Risk Officer
- Head of Internal Audit Department

Meetings
The Committee meets on quarterly basis and when needed.

Responsibilities
- Reviews and approves Operational Risk Management policies across Bank of Beirut's Group
- Puts in place a framework to identify, assess, monitor and mitigate operational risks
- Reviews and discusses Operational Risk Management incidents reports to coordinate the needed support to deal with risk events and implement needed control measures
- Supports the implementation of new systems in relation to Operational Risk Management with the purpose of improving the Operational Risk Management environment
- Coordinates major initiatives to enhance the Operational Risk Management environment while ensuring that all guidelines and procedures are properly implemented
- Reviews operational risk assessments of new products/services/banking activities as prepared by the Operational Risk Department and works with respective management to close all operational risk concerns before the project is initiated.

Corporate Information security Committee

Main Functions

The Corporate Information Security Committee discusses new issues and initiatives pertaining to Information Security that needs to be taken by the Bank and ensures that the Information Security strategy is continuously aligned with the overall Group Business Strategy.

Members

The Corporate Information Security Committee comprises:

- Chief Administration Officer (Committee Chairman)
- Chief Risk Officer
- Chief Information Officer (CIO)
- Head of the Information Security Department (Committee Secretary)
- Head of Group Internal Audit Department

Meetings

The Committee meets on quarterly basis, upon the request of any of its permanent members, whenever the need arises or in the event of security breaches.

Responsibilities

- Defines/reviews the scope of Information Security Management System (ISMS)
- Approves and thereafter supports the implementation of Information Security Management System (ISMS) throughout Bank of Beirut Group
- Reviews and approves Information Security policies across the Group
- Reviews and approves the Information Security strategy across the Group in alignment with the IT and IT Steering Committee strategy
- Ensures that the Information Security approach is aligned with the Business Strategy of the bank and makes recommendations on how to proceed where conflicts arise
- Monitors significant changes in the exposure of Information Assets to major threats
- Reviews and discusses Information Security incidents giving advice and guidance on how to deal with security breaches or control overrides
- Approves major initiatives to enhance the Information Security Environment
- Ratifies ISBC department expenditures after the approval on the ISBC department budget by the Chairman
- Ensures that all guidelines and procedures are properly executed
- Ensures that all contracts are compliant with Information Security requirements and are properly implemented

The Group

Organisational Structure

Bank of Beirut s.a.l.

Branches	Representative offices	Subsidiaries	
Cyprus Branch	Dubai (UAE)	Bank of Beirut Invest s.a.l.	100%
Muscat Branch Sultanate of Oman	Lagos (Nigeria)	BoB Finance s.a.l.	100%
Sohar Branch Sultanate of Oman	Baghdad (Iraq)	Beirut Brokers s.a.r.l.	100%
Ghubrah Branch Sultanate of Oman	Tripoli (Libya)	Bank of Sydney Ltd., Previously Beirut Hellenic Bank	100%
60 branches in Lebanon	Frankfurt Branch ◂ 100%	Bank of Beirut (UK) Ltd.	100%
	Beirut Life s.a.l. ◂ 90%	Cofida Holding s.a.l.	100%

Board of Directors

Mr. Salim G. Sfeir
Chairman of the Board and CEO

Mr. Adib S. Millet
Vice-Chairman

Mr. Fawaz H. Naboulsi
Deputy CEO

Mr. Antoine A. Abdel Massih
Member

Emirates Bank P.J.S.C.
Represented by Mrs. Loubna Kassem - Member

H.E. Mr. Anwar M. El-Khalil
Member

Architect Rashid Al-Rashid
Member

Mr. Antoine Wakim
Member

Mr. Krikor Sadikian
Member

Management Abroad

Subsidiaries

United Kingdom
Bank of Beirut (UK) Ltd.
Managing Director and CEO: Bob C. Dzeingeleski

Germany (UK subsidiary branch)
Bank of Beirut UK Ltd. – Frankfurt Branch
General Manager: Karl-Friedrich Rieger

Australia (16 branches in Sydney, Melbourne and Adelaide)
Bank of Sydney Ltd., (Previously Beirut Hellenic Bank Ltd.)
CEO: Julie Elliott

Branches

Cyprus
Bank of Beirut – Cyprus Branch
Manager: Walid K. Gholmieh

Sultanate of Oman
Bank of Beirut – Sultanate of Oman Branches
(Muscat, Ghubrah and Sohar)
Country Manager: Remy F. Zambarakji

Representative Offices

UAE
Bank of Beirut Dubai Representative Office
Chief Representative in UAE for the Gulf Region:
Balsam H. Al Khalil

Nigeria
Bank of Beirut Representative Office (Nigeria) Ltd.
Manager: Camille R. Chidiac

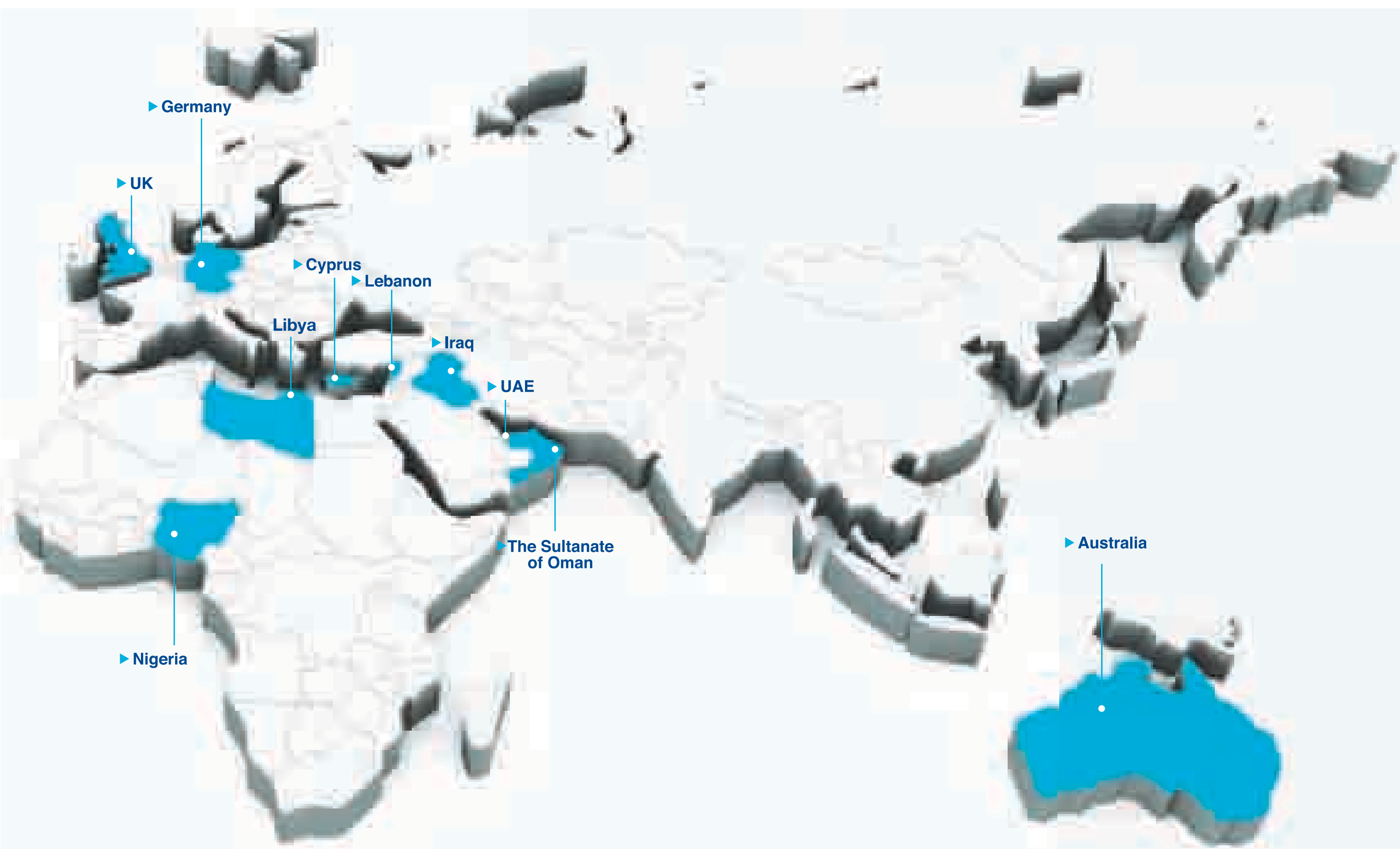
Iraq
Bank of Beirut Baghdad Representative Office
Representative: Ameer Kassem Abdel Hamid

Libya
Bank of Beirut Tripoli Representative Office
Representative: Mourad Belkassem Belhaj

The Subsidiaries

Bank of Beirut Group Entities and Subsidiaries:

- Bank of Beirut Invest s.a.l.
- BoB Finance s.a.l.
- Beirut Brokers s.a.r.l.
- Bank of Beirut (UK) Ltd.
- Bank of Sydney Ltd., previously Beirut Hellenic Bank.
- Cofida Holding s.a.l.
- Beirut Life s.a.l.



Bank of Beirut Invest s.a.l.

Established in 2007, Bank of Beirut Invest is the investment arm of the Group. It is fully owned by the Bank and subscribes to brokerage and capital market operations, asset and funds management, and lending the private sector on a long term basis; thereby increasing the role of the Bank as a major driver in the Lebanese economy. In addition to its long term investment strategy, Bank of Beirut is specialized in the housing loan business, making it a first of its kind private investment bank in Lebanon with a highly qualified team to serve the real estate growing needs of Lebanese residents and expatriates.
Address:
Beirut - Riyad El Solh Street - Bank of Beirut Bldg. - P.O.Box: 11-5522 Beirut – Lebanon - Tel: 961 1 980222 | 333

Beirut Brokers s.a.r.l.

Beirut Brokers s.a.r.l, a private insurance consultancy firm, represents the Bank's insurance arm that provides consultancy insurance services to corporate, institutional and individual customers by offering them a wide range of Bancassurance products in partnership with Bank of Beirut.
Address:
Jdeideh - Nahr el Mot Highway - Le Boulevard bldg - 9th & 10th floor – Tel: 961 1 900403 | 503 | 406 | 506

BoB Finance s.a.l.

BOB Finance s.a.l. is a financial institution governed by articles 178 to 182 of the Code of Money and Credit as well as by the regulations of the Central Bank of Lebanon. BOB Finance s.a.l. can engage in among other activities, lending, brokerage, as well as portfolio and asset management.
In 2009, BOB Finance was appointed as a Western Union Agent in Lebanon and has developed a network of over 700 sub-agents spread across Lebanon. In addition to the Money Transfer service, BoB Finance offers a variety of bill collection services, and has recently launched its C2B & B2C services, which target companies having receivables or payables. It is worth noting that Western Union Money Transfer service is available at all Bank of Beirut Branches.
Address:
Bauchrieh, Electricité du Liban Street - P.O. Box 11-7354 - Tel/fax: 961 1 879360 | 1 | 2

Beirut Life s.a.l.

Launched in April 2012, "Beirut Life" is Bank of Beirut's Life Insurance Company offering the best array of life insurance products and services. Beirut Life sal provides the Bank with key opportunities to access the under-exploited Lebanese insurance market in terms of distinctive Life insurance products. Beirut Life offers securities, such as retirement plans and life insurance plans, aimed at protecting Bank of Beirut Customers and their families against the financial impacts of life, death or disability.
Bank of Beirut is committed to innovation in products, services and technology. Beirut Life's software platform allows direct solutions at the Bank counters as well as the purchase of most of the insurance plans online. Beirut Life's objective is to build and sustain supreme financial capabilities to pay claims promptly, to accumulate healthy reserves and to generate benchmark profits for its shareholders. The company bears calculated risks, deals with renowned reliable reinsurers and prices its products fairly and competitively; but above all, it bonds with its customers through transparent products, providing value for their money and an outstanding service to better protect their own lives and those of their families.
Address:
Jdeideh - Nahr el Mot Highway - Le Boulevard bldg. - 9th & 10th floor – Tel: 961 1 900403 | 503 | 406 | 506

Bank of Beirut (UK) Ltd.

Bank of Beirut (UK) Ltd was incorporated in the United Kingdom in 2002 with a paid-up share capital of GBP 34.2 Million. It is the only Lebanese-owned bank with a full deposit taking license to operate in the UK. Bank of Beirut s.a.l. owns 100 % of the share capital of Bank of Beirut (UK) Ltd.

Bank of Beirut (UK) Ltd is authorized and regulated by the Financial Services Authority (FSA) under authorization number 219523. The Bank is a member of the Financial Services Compensation Scheme and is subject to the jurisdiction of the Financial Ombudsman Service.

Bank of Beirut (U.K.) Ltd commenced its operations on December 9, 2002, upon acquiring the business activities, assets and liabilities of the United Kingdom branch of Beirut Riyadh Bank S.A.L., established in London in 1981

In October 2009, a full service office was opened in Frankfurt. Operating as a branch of Bank of Beirut (UK) Ltd, Frankfurt office is the only branch of a Lebanese - owned bank in Germany. It holds a full banking license granted by the FSA in UK and the BaFin in Germany and primarily focuses on corporate trade finance and correspondent banking services.

Address:

17a Curzon Street - London W1J 5HS - Tel: +44 (0) 207 529 1852

Bank of Sydney Ltd.

Bank of Sydney, formerly known as Beirut Hellenic Bank, was launched on May 6, 2013. The Board rebranded it as Bank of Sydney to reflect the image of a bank of choice to multicultural Australia. The Bank has customers and distribution channels across Australia as well as 16 branches in Sydney, Melbourne and Adelaide, offering customers relationship banking based on personal, flexible and competitively-priced services. Our team works closely with its customers in an effort to understand and meet their individual needs.

Bank of Sydney maintains a healthy loan-to-deposit ratio, a strong capital position and an enviable track record of outstanding credit quality offering customers added assurance and peace of mind. As an Australian deposit taking institution, the Bank is eligible for the Australian Government Deposit Guarantee. It boasts a highly experienced Trade Finance Division with an in-depth understanding of the Middle East and Mediterranean regions.

Address:

Sydney City Branch, Laiki Bank House, Level 4, 219-223 Castlereagh Street, 2000 Australia, Sydney - Tel: +61 2 8262 9000


PUBLIC
UNDERGROUND

Management Discussion and Analysis

INTRODUCTION

Bank of Beirut SAL ("BOB") is a full-fledged bank offering universal banking products and services covering Corporate, Commercial, Individual and Private Banking services to a diversified client base. The Bank has operations in Lebanon, Europe, Australia, the Middle East and Africa regions. The Bank was incorporated as a commercial bank on August 19, 1963, under the name of "Realty Business Bank SAL". The Bank is registered in the Beirut Commercial Register under No. 13187 and on the Banks' List at the Central Bank of Lebanon, under No. 75. The Bank's head office is located on Foch Street, Bank of Beirut Building, Beirut Central District, Lebanon.

Bank of Beirut is one of the leading banks in Lebanon. At the end of 2013, the Bank ranked sixth among Lebanese banks as per major banking aggregates, namely in Assets, Deposits and Loans and fifth in Equity and Net profit.
The Bank, together with its banking and other subsidiaries, is engaged in a wide range of banking and financial activities in Lebanon and other Middle East countries, the United Kingdom, Germany, Cyprus, the United Arab Emirates, the Sultanate of Oman, Australia, Iraq, Nigeria and Libya. Through its operations in other countries, the Bank has been able to expand and diversify its income, assets and loan portfolio outside Lebanon and to widen the sources of its deposit base.

The Bank maintains one of the largest branch networks in Lebanon, with currently 60 branches, as well as one branch in Cyprus and three branches in the Sultanate of Oman ("Oman"). Bank of Beirut (U.K.) Ltd., the Bank's wholly owned subsidiary based in the United Kingdom, has one branch in London and another branch in Frankfurt. Bank of Sydney in Australia (previously Beirut Hellenic Bank), the Bank's fully owned subsidiary, was acquired in early 2011 and currently operates 16 branches. Bank of Beirut also operates a representative office located in Dubai, the United Arab Emirates, to service the Gulf region; a representative office located in Lagos, Nigeria to cater for West Africa; a representative office located in Baghdad, Iraq and a representative office in Tripoli, Libya. The Bank has currently four wholly owned subsidiaries in Lebanon, BOB Finance SAL, Bank of Beirut Invest SAL, Beirut Broker Company SARL, and Cofida Holding SAL, the latter which owns 90% of Beirut Life SAL.

BASIS OF PRESENTATION

The analysis that follows highlights the Bank of Beirut consolidated performance for the year ended 31st December 2013, as compared to year 2012.
Financial information included in this report has, unless otherwise indicated, been derived from the Bank's audited consolidated financial statements as at and for the year ended December 31st, 2013.
The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee and the regulations of the Central Bank of Lebanon ("CBL") and the Banking Control Commission ("BCC"), and include the results of the Bank and its consolidated subsidiaries. Deloitte & Touche and DFK Fiduciaire du Moyen-Orient have audited the bank's consolidated financial statements for the year ended December 31st, 2013.
The consolidated financial statements of Bank of Beirut SAL include the Bank's financial statements, its foreign branches (Oman & Cyprus) and enterprises controlled by the Bank (its subsidiaries).

The consolidated subsidiaries consist of the following:

Subsidiary	Country of incorporation	Year of acquisition or incorporation	Percentage of Ownership	Business Activity
Bank of Beirut (UK) Ltd	United Kingdom	2002	100.00%	Banking
Bank of Beirut invest SAL	Lebanon	2007	100.00%	Investment Banking
Beirut Brokers Co. SARL	Lebanon	1999	100.00%	Insurance brokerage
BOB Finance SAL	Lebanon	2006	100.00%	Financial institution
Cofida Holding SAL	Lebanon	2008	100.00%	Holding
Beirut Life SAL	Lebanon	2010	90.00%	Insurance
Bank of Sydney Ltd.	Australia	2011	100.00%	Banking

The new IFRS 10 changes the definition of control to focus on whether an investor (a) has the power over the investee, (b) is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns.
As a consequence, the Group has changed its control conclusion in respect of the mutual funds managed by the Group entities. The following mutual funds have been consolidated with the Group financial statements:

Mutual Fund	Country of incorporation	Year of incorporation
International Mix Fund	Lebanon	2005
Beirut Lira Fund II	Lebanon	2009
Beirut Golden Income II	Lebanon	2009
Beirut Opportunities Fund	Lebanon	2009
Beirut Investment Fund	Lebanon	2010
Excess Return Fund	Lebanon	2010
Beirut Preferred Fund	Lebanon	2006
Beirut Preferred Fund II	Lebanon	2013

Comparative amounts for 2012 and the related amounts as at January 1, 2012 have been restated.

Unless otherwise indicated, all figures are expressed in LBP.

References to the Bank's peer group are to the Alpha Bank Group consisting of the 14 banks with total deposits in excess of USD 2.0 billion each, as determined by Bankdata Financial Services WLL (publishers of Bilanbanques).

YEAR 2013 PERFORMANCE OVERVIEW

Despite the economic slowdown in Lebanon, Bank of Beirut has strengthened its franchise through above average growth in total assets and deposits underpinned by the good performance of its international business and sustained growth within the Lebanese market. Over the years, the Bank has built an international presence which supports its ability to be the leading trade finance bank in the country and to cater to Lebanese expatriate communities. The gross income and profit at both the operating and net levels increased at a faster rate relative to the peer group.

The achieved growth has been in line with the long-term strategy adopted by the Bank to diversify its business activities towards a universal banking model and to expand regionally and internationally in profitable and relatively low-risk countries. It is to be noted that the Bank's long-term strategy is to attain a balanced breakdown of profits through activities in Lebanon and abroad.
The performance was characterized by remarkable growth in all main financial indicators. Capitalizing on the large branch network and the diversified product range, the Bank has achieved gains in market shares in both commercial and retail businesses while maintaining its position as a leader in the Trade Finance line of business.

On consolidated basis, the Bank's total assets reached as at 31 December 2013 LBP 20,527 billion (USD 13.6 billion), growing by 17.81% year-on-year. The growth in size was mainly funded by the growth in deposits, interbank funding and equity.

	Balances		Growth	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%
Total Assets	17,424	20,527	3,104	17.81%
Customers' deposits	13,471	15,545	2,075	15.40%
Loans to Customers	5,217	5,722	505	9.68%
Shareholders' Equity	2,134	2,298	164	7.68%
Net profit	202	219	17	8.64%

PEER GROUP ANALYSIS

Bank of Beirut has been able to improve its peer group shares in most of the indicators and improved its ranking within the Alpha Group of Banks:

	Year 2013 Growth		BOB Group Share		BOB Ranking	
Description %	**BOB**	**Peer**	**2012**	**2013**	**2012**	**2013**
Total Assets	17.81%	10.13%	7.22%	7.72%	6	6
Customers' deposits	15.40%	9.87%	6.67%	7.01%	7	6
Loans to Customers	9.68%	15.61%	7.40%	7.02%	6	6
Shareholders' Equity	7.68%	8.19%	10.11%	10.06%	5	5
Net profit	8.64%	-0.13%	7.78%	8.47%	5	5

On the other hand, Bank of Beirut has been able to achieve the following outstanding rankings as at 31st December 2013 within the peer group:

- Ranking 1st in "Equity to Asset ratio", indicating the high level of capitalization
- Ranking 1st in loan portfolio quality ratios, namely "Gross doubtful loans to gross loans", "Gross NPLs to Gross Loans", "Net Doubtful Loans to Gross Loans", "Loan loss reserves on NPLs to NPLs", denoting the conservative management of the credit risk
- Ranking 1st in Letters of Credit exposure, with a peer group share of 29.57%, evidencing the leading position in the Trade Finance business in the market
- Ranked 2nd in Total Assets Growth in 2013
- Ranked 3rd in Total Deposits Growth in 2013
- Ranked 3rd in Return on Average Assets

A- BALANCE SHEET MANAGEMENT

The composition and size of the balance-sheet and contingent liabilities reflect the Board of Directors overall growth objectives and the risk appetite/tolerance for the group. The group strategy targets a sustainable growth, and good financial standing while adopting a conservative risk management framework and adequate corporate governance guidelines.

a- Sources and uses of funds

Sources of funds

	Balances		Growth		Breakdown	
Description (LBP billion)	**31-Dec-12**	**31-Dec-13**	**Amount**	**%**	**31-Dec-12**	**31-Dec-13**
Deposit from banks and financial inst.	1,043	1,681	637	61.09%	5.99%	8.19%
Customers' deposits	13,471	15,545	2,075	15.40%	77.31%	75.73%
Liabilities under acceptance	411	368	(42)	-10.32%	2.36%	1.79%
Other borrowings	52	298	246	470.32%	0.30%	1.45%
Certificates of deposit	47	30	(16)	-35.26%	0.27%	0.15%
Other liabilities & provisions	266	307	41	15.32%	1.53%	1.49%
Shareholders' equity	2,134	2,298	164	7.68%	12.25%	11.19%
Total	17,424	20,527	3,104	17.81%	100.00%	100.00%

The main source of funds was generated from customers' deposits which represented at the end of year 2013, 75.73% of the funding sources, as compared to 77.31% at the end of 2012.

The customers' deposit base grew by LBP 2,075 billion in 2013 (+15.40%) while the Equity caption increased by LBP 164 billion (+7.68%) and its share slightly declined to 11.19% at end of December 2013, as compared to 12.25% at year-end 2012. The increase in "Other borrowings" caption was mainly derived from facilities by central banks. The funding from banks and financial institutions increased during the year by LBP 637 billion.

Uses of funds

The Bank's strategy puts emphasis on maintaining high asset quality and a strong investment securities portfolio. While each entity of the group is abiding by the local regulations, and as part of the group risk management framework, the assets' structure is subject to internal limits in terms of business lines, financial instruments, counter-party concentration and geographical distribution.

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
Cash and deposits at central banks	3,405	4,088	683	20.07%	19.54%	19.92%
Deposit with banks and financial inst.*	1,728	2,409	681	39.41%	9.92%	11.73%
Loans and Advances	5,217	5,722	505	9.68%	29.94%	27.88%
Customers' acceptance liability	411	368	(42)	-10.32%	2.36%	1.79%
Investment securities	6,329	7,597	1,268	20.04%	36.32%	37.01%
Property and equipment	136	142	6	4.23%	0.78%	0.69%
Other assets	109	112	3	2.49%	0.63%	0.55%
Goodwill	89	89	0	0.05%	0.51%	0.43%
Total	17,424	20,527	3,104	17.81%	100.00%	100.00%

* including loans to banks

The main utilization of funds was:

Loans to customers
Growing by LBP 505 billion, a growth of 9.68%, the share of the loan portfolio, represented 27.88% of total assets as at 31 December 2013, as compared to 29.94% at the end of 2012.

Cash & Central Banks
Increasing during the year by LBP 683 billion (+20.07%) and representing 19.92% of total assets as at 31/12/2013, as compared to 19.54% at year-end 2012.

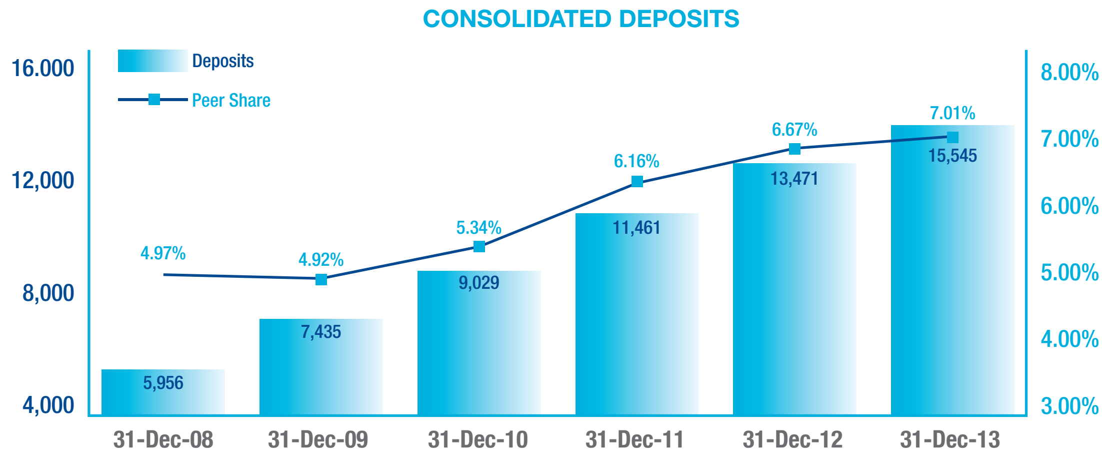
Due to banks and financial institutions
Increasing significantly during the year by LBP 681 billion (+39.41%) and representing 11.73% of total assets as at 31 December 2013 as compared to 9.92% at year-end 2012.

Investment Securities
Increasing by LBP 1,268 billion (+20.04%) and representing 37.01% of total assets as at 31 December 2013 as compared to 36.32% at year-end 2012.

b- Customers' Deposits

Constituting the main funding source, the consolidated deposits base increased during year 2013 by LBP 2,075 billion, a year-on-year growth of 15.40%.

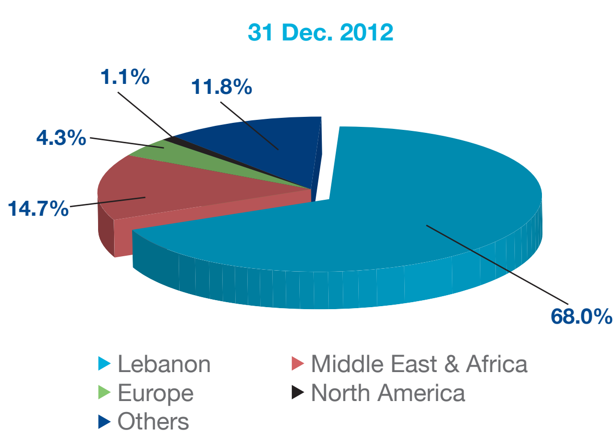
On consolidated basis, Bank of Beirut Group was ranked 3rd in total deposits' growth among peer group banks in 2013 and clearly outperformed the Alpha Group growth rate of 9.87%. Consequently, the Bank was able to increase its peer group share to 7.01% as at 31 December 2013 as compared to 6.67% as at 31 December 2012.

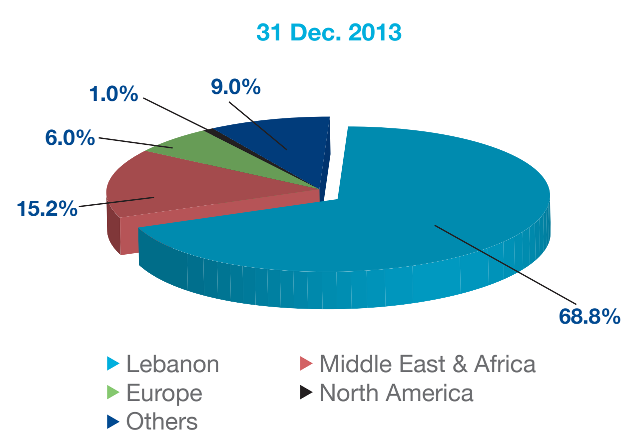


Geographical distribution of deposits

An analysis of customers' deposits by geographical area distribution reveals that the growth was largely contributed to Lebanon with a LBP 1,527 billion (+16.66%).

	Balances		Growth	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%
Lebanon	9,166	10,693	1,527	16.66%
Middle East & Africa	1,978	2,365	387	19.54%
Europe	582	928	346	59.47%
North America	153	158	5	3.05%
Australia	1,591	1,402	(190)	-11.92%
Total	13,471	15,545	2,075	15.40%





Distribution by type of deposits

The breakdown of deposits by type has been relatively stable in 2013, with term deposits continuing to reflect the lion's share of 81.41% of total deposits as at 31 December 2013:

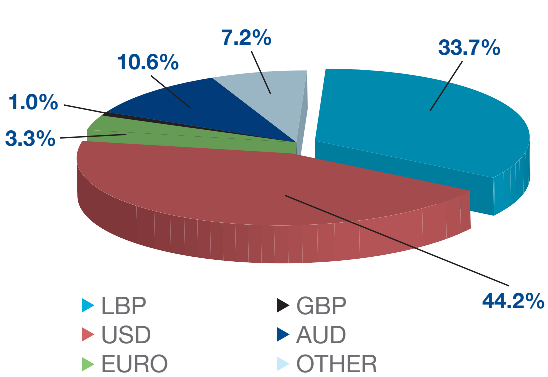
	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
Demand deposits	1,579	1,726	147	9.31%	11.72%	11.10%
Term deposits	10,989	12,656	1,667	15.17%	81.58%	81.41%
Collateral against loans	679	907	227	33.48%	5.04%	5.83%
Margins on LCs	70	68	(2)	-2.90%	0.52%	0.44%
Margins on LGs	49	53	4	7.24%	0.37%	0.34%
Other margins	36	47	11	28.95%	0.27%	0.30%
Accrued interest	68	90	21	31.20%	0.51%	0.58%
Total	13,471	15,545	2,075	15.40%	100.00%	100.00%

Deposits distribution by currency

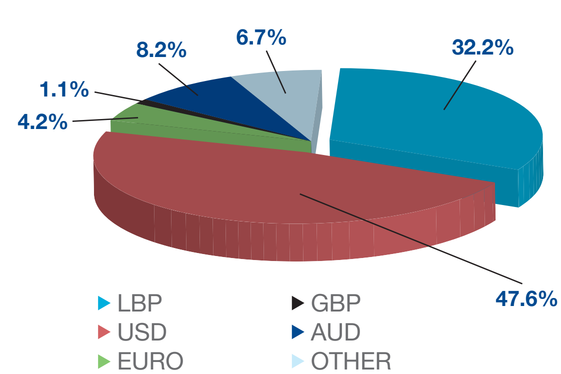
	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
LBP	4,542	5,010	468	10.32%	33.72%	32.23%
USD	5,948	7,398	1,450	24.38%	44.15%	47.59%
Euro	448	647	199	44.44%	3.32%	4.16%
GBP	140	174	33	23.68%	1.04%	1.12%
AUD	1,426	1,273	(153)	-10.73%	10.59%	8.19%
Other	967	1,043	77	7.94%	7.18%	6.71%
Total	13,471	15,545	2,075	15.40%	100.00%	100.00%

The LBP denominated deposits augmented by LBP 468 billion in 2013, recording an annual growth rate of 10.32%, as compared to 4.44% by the peer group for the same period. On the foreign currency side, the USD continued to hold the largest share and registered a significant growth during 2013 by 24.38%.
The dollarization rate stood at 67.77% at the end of year 2013, as compared to 66.28% at year-end 2012.

31 Dec. 2012



31 Dec. 2013



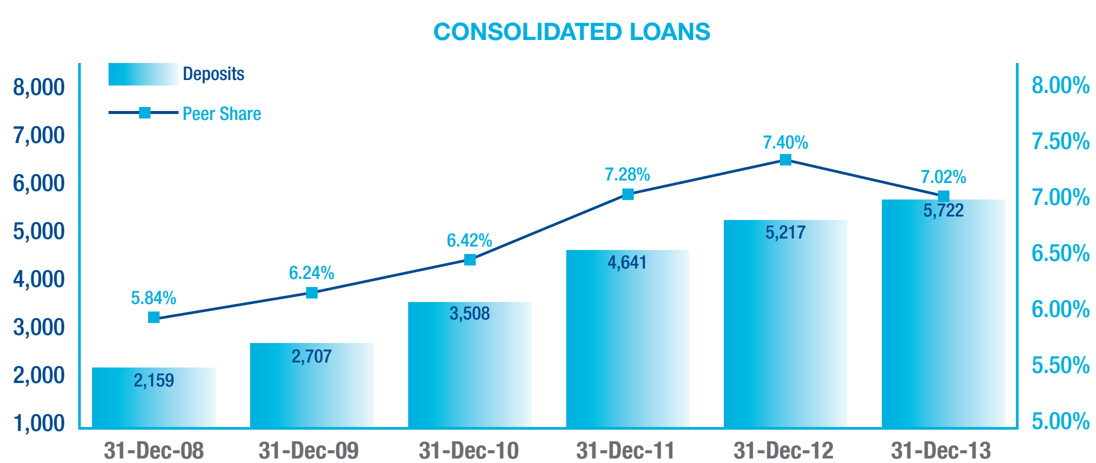
c- Loans to Customers

The loan to customers portfolio increased by LBP 505 billion in 2013, reaching LBP 5,722 billion, compared to LBP 5,217 billion at the end of year 2012.

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
Regular loans to customers	5,084	5,604	519	10.22%	97.46%	97.93%
Regular loans to related parties	123	129	6	4.51%	2.36%	2.25%
Substandard loans (net)	14	16	2	13.69%	0.26%	0.27%
Doubtful and bad loans (net)	19	13	(6)	-29.44%	0.36%	0.23%
Collective provisions	(23)	(39)	(16)	69.80%	-0.44%	-0.69%
Accrued interest	5,217	5,722	505	9.68%	100.00%	100.00%
Total	13,471	15,545	2,075	15.40%	100.00%	100.00%

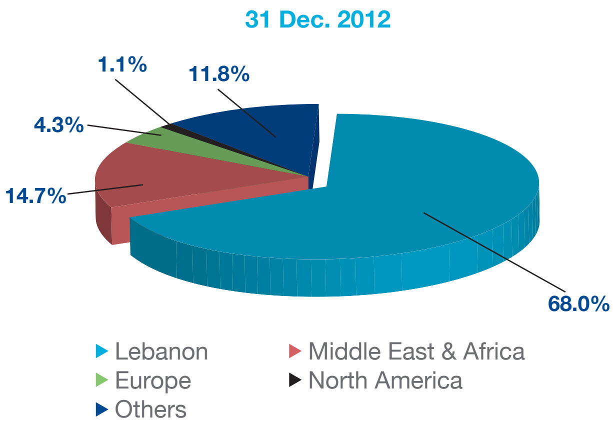
As clearly shown, the increase was mainly derived from the regular loans to customers.

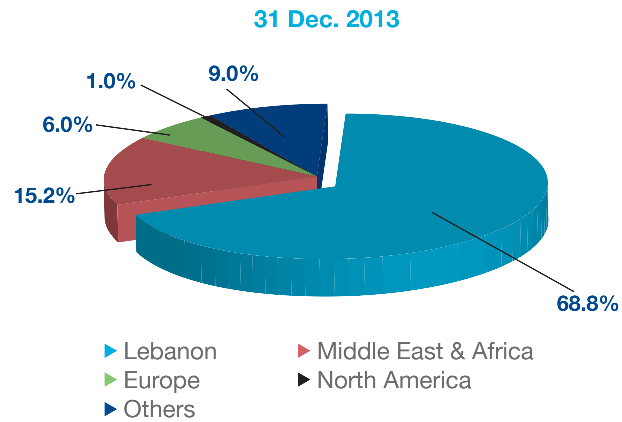
The Bank's year-on-year growth of 9.68% underperformed the 15.61% peer group growth rate achieved in 2013. Consequently, the peer group share has been declined from 7.40% in 2012 to 7.02% in 2013.



Distribution by geographical area

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
Lebanon	3,297	3,812	515	15.63%	63.19%	66.62%
Middle East & Africa	637	777	140	21.97%	12.21%	13.58%
Europe	80	112	31	39.30%	1.54%	1.95%
North America	0	0	(0)	-10.30%	0.00%	0.00%
Australia	1,203	1,021	(181)	-15.09%	23.06%	17.85%
Total	5,217	5,722	505	9.68%	100.00%	100.00%





Loans distribution by currency

The LBP denominated Loans augmented by LBP 221 billion in 2013, recording an annual growth rate of 25.17%, as compared to 14.25% by the peer group for the same period. On the foreign currency side, the USD continued to hold the largest share and registered a significant growth during 2013 by 12.91%.
The dollarization rate stood at 80.83% at the end of year 2013, as compared to 82.84% for the peer group.

	Balances		Growth		Breakdown	
Currency (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
LBP	876	1,097	221	25.17%	16.80%	19.17%
USD	2,540	2,868	328	12.91%	48.69%	50.12%
Euro	135	286	151	111.20%	2.59%	5.00%
GBP	67	32	(34)	-51.48%	1.28%	0.57%
AUD	1,161	967	(194)	-16.68%	22.25%	16.90%
Other	438	472	34	7.82%	8.39%	8.25%
Total	5,217	5,722	505	9.68%	100.00%	100.00%

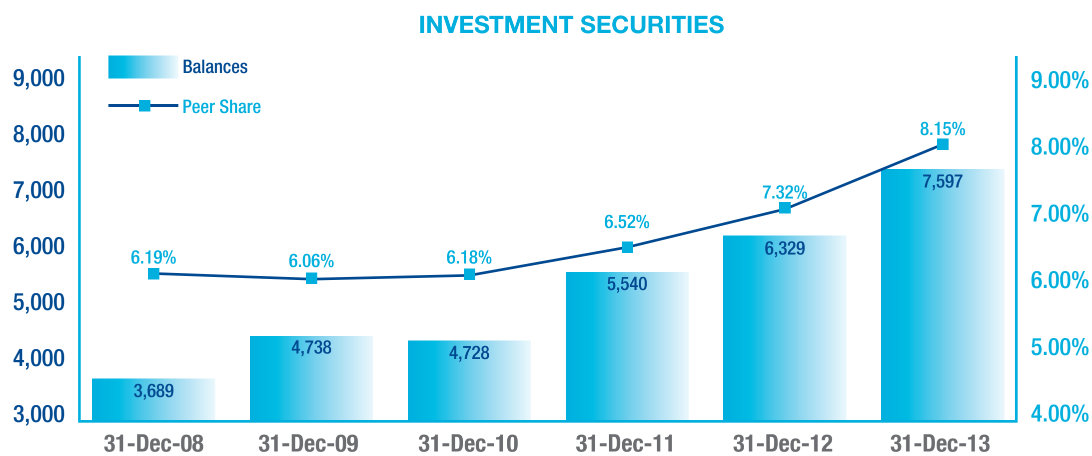
d- Investment Securities Portfolio

The Bank's securities portfolio, which consists of both fixed and variable income securities, increased by LBP 1,268 billion during 2013, an annual growth rate of 20.04%, to reach LBP 7.597 billion and representing 37.01% of total assets as at 31st December 2013.

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
Lebanese government bonds	1,870	2,628	757	40.48%	29.55%	34.58%
CDs issued by BDL	1,790	1,411	(379)	-21.18%	28.29%	18.57%
Lebanese treasury bills	1,740	2,633	893	51.34%	27.49%	34.66%
Private sector debt securities	820	820	(1)	-0.08%	12.96%	10.79%
Foreign Government treasury bonds	53	32	(21)	-39.78%	0.84%	0.42%
Unquoted equity securities	29	48	19	63.11%	0.47%	0.63%
Quoted equity securities and funds	9	11	3	29.55%	0.14%	0.15%
Accrued interest	16	14	(2)	-13.70%	0.26%	0.19%
Total	6,329	7,597	1,268	20.04%	100.00%	100.00%

As shown in the table above, the main growth was derived from the increase in Lebanese Treasury Bills and Eurobonds by LBP 1,650 billion, while the investment in Certificates of Deposits issued by the Central Bank of Lebanon decreased by LBP 379 billion.

The peer group share increased gradually during the year to reach 8.15% at the end of 2013.



Distribution by Classification

Following a conservative risk management approach, the share of Fair Value through Profit and Loss (FVTPL) investment securities' share decreased significantly to reach 10.67% as at 31st December 2013, as compared to 15.49% at year-end 2012. The low level of equity instruments' share out of the total investment securities' portfolio, registering a low level of 0.78% as at 31 December 2013 is also to be noted.

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%	31-Dec-12	31-Dec-13
Debt instruments at Amortized Cost	5,345	6,784	1,438	26.91%	84.46%	89.29%
Debt Instruments at FVTPL	945	754	(191)	-20.23%	14.94%	9.93%
Total Debt Instruments	6,291	7,538	1,247	19.82%	99.39%	99.22%
Equity instruments at FVTPL	35	56	21	61.04%	0.55%	0.74%
Equity instruments at FVTOCI	4	4	0	0.22%	0.06%	0.05%
Total Equity Instruments	38	60	21	55.38%	0.61%	0.78%
Total	6,329	7,597	1,268	20.04%	100.00%	100.00%

Fair Value of Debt instruments classified at Amortized Cost

	31-Dec-12			31-Dec-13		
Description (LBP billion)	Cost*	Fair Value	Unrealized	Cost*	Fair Value	Unrealized
Lebanese government bonds	1,693	1,736	42	2,487	2,521	34
CDs issued by BDL	1,495	1,549	55	1,109	1,119	10
Lebanese treasury bills	1,303	1,306	3	2,268	2,279	11
Private sector debt securities	713	713	(0)	770	771	1
CDs issued by private sector	64	66	2	43	48	5
Total	5,269	5,370	102	6,676	6,738	61

* including loans to banks

As shown in the table above, and due to the market conditions, the unrealized profit calculated as at 31 December 2013 amounted to LBP 61 billion as compared to LBP 102 billion as at 31 December 2012.

e- Property and Equipment

Description (LBP billion)	Balances		Growth	
	31-Dec-12	31-Dec-13	Amount	%
Buildings	84	89	5	6.31%
Furniture	9	11	2	21.34%
Equipment	11	10	(1)	-12.17%
Vehicles	0	0	(0)	-63.97%
Key Money	2	2	(0)	-0.01%
Installations and improvements	16	18	2	9.20%
Advance on Capital expenditures	14	12	(1)	-10.61%
Total	136	142	6	4.23%

As shown in the table above, the increase in “Properties and Equipment” (net of depreciation) was LBP 6 billion (+4.23%). It is to be noted that the share of “property and equipment” in total assets was around 0.69% as at 31/12/2013, as compared to 1.10% for the peer group.

B- PROFITABILITY

Overview

The consolidated total net income increased in 2013 by 8.64% to LBP 219 billion as compared to LBP 202 billion for the year 2012.

This growth in profitability was driven by the growth in the business activities, coupled with efficient management of interest rate margins, high commission base and effective cost containment policy, with a focus on consistently increasing the non-interest base revenues.

The positive growth in the net earnings was due to the increase in “operating income” LBP 44.8 billion (+9.14%) combined with the increase in total operating expenses by LBP 21.8 billion (+9.41%), increase in credit risk allowances by LBP 2.4 billion (+12.70%), and the increase of income tax provisions by LBP 3.2 billion (+16.79%).

Description (LBP billion)	Balances		Growth	
	2012	2013	Amount	%
Interest income*	836,174	932,248	96,074	11.49%
Interest expense*	(500,964)	(578,546)	(77,583)	15.49%
Net interest income	335,210	353,701	18,491	5.52%
Net fee & commission income	108,128	97,679	(10,449)	-9.66%
Other non-interest income	46,439	83,153	36,713	79.06%
Operating income	489,777	534,533	44,755	9.14%
Impairment losses	(18,617)	(20,982)	(2,365)	12.70%
Net operating income	471,160	513,550	42,390	9.00%
Operating expenses	(231,235)	(252,985)	(21,750)	9.41%
Profit before income taxes	239,925	260,566	20,640	8.60%
Income taxes	(38,109)	(41,321)	(3,212)	8.43%
Net profit after income taxes	201,817	219,245	17,428	8.64%
Non-controlling interest	(31,575)	(30,217)	1,358	-4.30%
Net profit (Equity holders)	170,241	189,028	18,787	11.04%

* including interest on financial assets & liabilities designated at FVTPL for better comparison

Net Interest income

Description (LBP billion)	Year 2012	Year 2013	Growth Amount	Growth %	Breakdown 2012	Breakdown 2013
Placements with central banks	64,615	93,055	28,440	44.01%	7.73%	9.98%
Placements with banks *	31,607	39,470	7,863	24.88%	3.78%	4.23%
Financial assets at amortized cost	319,219	386,257	67,037	21.00%	38.18%	41.43%
Financial assets at FVTPL	74,095	54,510	(19,585)	-26.43%	8.86%	5.85%
Loans to customers	346,637	358,956	12,319	3.55%	41.46%	38.50%
Interest income	836,174	932,248	96,074	11.49%	100.00%	100.00%
Banks and financial Institutions	7,877	17,950	10,072	127.86%	1.57%	3.10%
Customers' deposits	484,598	553,274	68,676	14.17%	96.73%	95.63%
Certificates of deposits	5,245	1,468	(3,778)	-72.02%	1.05%	0.25%
Other Borrowings	3,243	5,855	2,612	80.54%	0.65%	1.01%
Interest expense	500,964	578,546	77,583	15.49%	100.00%	100.00%
Net Interest Income*	335,210	353,701	18,491	5.52%		

* including loans to banks

As reflected in the table above, the net interest income increased by 5.52% in year 2013. This was mainly due to the increase in interest income (+11.49%), combined with an increase in interest expenses by 15.49%.

As a result, the main spreads indicators have witnessed a notable decrease due to continuous pressure on interest margins:

Ratio	2012	2013	Variance
Interest income / average assets	5.15%	4.91%	-0.24%
Interest expense / average assets	-3.08%	-3.05%	0.04%
Interest spread (net interest income / average assets)	2.06%	1.86%	-0.20%
Interest income / average interest earning assets	5.50%	5.21%	-0.29%
Interest expense / average interest bearing liabilities	-3.72%	-3.62%	0.10%
Interest differential	1.79%	1.59%	-0.19%
Yield on earning assets	5.50%	5.21%	-0.29%
Cost of earning assets	-3.30%	-3.23%	0.06%
Interest margin	2.21%	1.98%	-0.23%
Average interest earning assets / average assets	93.54%	94.29%	0.76%
Interest expense / Interest income	59.91%	62.06%	2.15%
Net interest income / Operating income	68.44%	66.17%	-2.27%

Non-interest income

Description (LBP billion)	Years		Growth	
	2012	2013	Amount	%
Net Fee and commission income	108,128	97,679	(10,449)	-9.66%
Dividends received	3,309	4,196	886	26.78%
Net Gain from investment securities	26,129	66,257	40,127	153.57%
Net Gain on sale of foreclosed assets	11,835	798	(11,037)	-93.26%
Share in profit of an associate	1,783	3,297	1,514	84.89%
Foreign exchange gain	8,127	14,535	6,409	78.86%
Charge on forward contract	(7,234)	(4,035)	3,199	-44.23%
Other non-interest income	2,489	(1,895)	(4,384)	-176.14%
Total	154,568	180,832	26,264	16.99%

The 16.99% positive annual growth rate was mainly derived from the increase in the net gain from investment securities by LBP 40.1 billion (mainly representing the gain from sale and swaps with BDL of financial assets measured at amortized cost), which contributed to compensate the decrease in the net fee income (-9.66%), and the net gain from sale of foreclosed assets (-93.26%).
The non-interest income ratios witnessed a relative stability during the year 2013 as compared to year 2012:

Ratio	2012	2013	Variance
Net non interest income/average assets	0.95%	0.95%	0.00%
Non interest income/operating income	31.56%	33.83%	2.27%
Non interest income/average deposits	1.24%	1.25%	0.01%
Net commissions received/average deposits	0.87%	0.67%	-0.19%

Other operating expenses

Description (LBP billion)	Years		Growth	
	2012	2013	Amount	%
Staff expenses	127,888	133,156	5,268	4.12%
General operating expenses	89,715	103,345	13,630	15.19%
Depreciations and amortizations	13,632	16,484	2,851	20.92%
Total	231,235	252,985	21,750	9.41%

The main drivers behind the 9.41% year-on-year increase in the operating expenses could be summarized by the following:

- Staff count grew by 82 during the year, mainly in Lebanon by 59 new staff.
- Increased IT investment (strategic new applications e.g. Core Banking, CRM, Online Banking, Mobile Banking, etc.) and the advertising cost (including re-branding and TV campaigns).

Operating Efficiency

On the operating efficiency level, cost to income ratio increased slightly to 47.33% in 2013 from 47.21% in 2012, significantly less than the peer group average of 49.86%.

Ratio	Unit	2012	2013	Variance
Cost ratios				
Staff expenses / operating income	%	26.11%	24.91%	-1.20%
General expenses / operating income	%	18.32%	19.33%	1.02%
Depreciation / operating income	%	2.78%	3.08%	0.30%
Cost to income ratio	%	47.21%	47.33%	0.12%
Cost to average assets	%	1.42%	1.33%	-0.09%
Effective tax rate	%	15.88%	15.86%	-0.03%
Operating efficiency				
Number of staff	Count	1,529	1,611	82
Number of branches and banking units	Count	80	81	1
Staff per branch	Count	19.1	19.9	0.8
Average assets per average staff	LBP million	11,038	12,086	1,048
Average deposits per average staff	LBP million	8,471	9,241	769
Staff expenses per average staff	LBP million	87	85	(2)
Operating income per average staff	LBP million	333	340	8
Net income per average staff	LBP million	137	140	2
Assets per branch	LBP million	217,794	253,425	35,631
Total deposits per branch	LBP million	168,384	191,920	23,535
Operating income per branch	LBP million	6,122	6,599	477
Net income per branch	LBP million	2,523	2,707	184

As signaled in the table above, the Bank has been able to preserve most of the operating efficiency indicators within good range.

Profitability indicators

Ratio	Year 2012	2013	Variance
Return on Average Assets (ROAA)	26.11%	26.11%	-1.20%
Return on Average Equity (ROAE)	26.11%	24.91%	-1.20%
Return on Average Common Equity (ROACE) *	18.32%	19.33%	1.02%
+ Yield on earning assets	2.78%	3.08%	0.30%
- Cost of earning assets	47.21%	47.33%	0.12%
= Interest margin	1.42%	1.33%	-0.09%
x Average interest earning assets / average assets	15.88%	15.86%	-0.03%
= Interest Spread	19.1	19.9	0.8
+ Net non interest income / average assets	11,038	12,086	1,048
= Asset Utilization Ratio	8,471	9,241	769
x Net operating margin	87	85	(2)
o.w. Cost to income	333	340	8
o.w. Credit Cost	137	140	2
o.w. Other provisions	217,794	253,425	35,631
o.w. Tax Cost	168,384	191,920	23,535
= Return on average assets (ROAA)	6,122	6,599	477
x Leverage (average assets/average equity)	2,523	2,707	184
= Return on average equity (ROAE)	2,523	2,707	184

* calculated as common earnings (group share) / average common equity excluding non-controlling interest

Return on Average Assets decreased in 2013 to 1.16% from 1.24% in 2012, due mainly to the higher increase in assets; however, Bank of Beirut has been able to rank 3rd among the peer group banks in this ratio as per Bankdata report as at 31 December 2013 noting that the Average ROAA for the Alpha Group stood at 1.02% for year 2013 as compared to 1.10% for 2012.

The return on average equity (ROAE) increased to 9.90%, while the return on average common equity stood at a comfortable level of 11.83%.

Peer Group comparison

Ratio	Year 2013 BOB	Peer	Variance	Ranking
Return on Average Assets (ROAA)	1.16%	1.02%	0.14%	3
Leverage (average assets/average equity)	8.56	11.55	(2.99)	1
Return on Average Equity (ROAE)	9.90%	11.79%	-1.89%	12
Interest Spread	1.86%	1.85%	0.01%	7
Net non interest income / average assets	0.95%	1.03%	-0.08%	7
Cost to income	47.33%	49.86%	-2.53%	7

Calculation of Common Earnings

Description (LBP billion)	Years		Growth	
	2012	2013	Amount	%
Consolidated net profit (Group share)	170,241	189,028	18,787	11.04%
Dividends on non-cumulative pref. shares	56,809	55,961	(848)	-1.49%
Preferred shares series "D"	13,568	-	(13,568)	-100.00%
Preferred shares series "E"	7,236	7,236	-	0.00%
Preferred shares series "F"	9,045	9,045	-	0.00%
Preferred shares series "G"	12,714	12,714	-	0.00%
Preferred shares series "H"	14,246	14,246	-	0.00%
Preferred shares series "I"	-	12,720	12,720	
Common Earnings (group share)	113,433	133,067	19,635	17.31%

The common earnings (net profit attributable to common shareholders) recorded a positive growth of 17.31% after accounting for the preferred shares dividends

Calculation of Earnings per common share

Description (LBP billion)		Years		Growth	
		2012	2013	Amount	%
Common earnings		**113,433**	**133,067**	**19,635**	**17.31%**
Weighted average number of common shares		50,190,089	50,151,838	(38,251)	-0.08%
Effect of dilutive potential common shares		-	-	-	
Total weighted average No. of common shares		**50,190,089**	**50,151,838**	**(38,251)**	**-0.08%**
Basic Earnings per share	**LBP**	**2,260**	**2,653**	**393**	**17.40%**
Diluted Earnings per share	**LBP**	**2,260**	**2,653**	**393**	**17.40%**

The Basic Earnings per Common Share (EPS) increased to LBP 2,653 in year 2013, from LBP 2,260 for the year 2012. The increase is mainly due to the growing common earnings (+17.31%) and a slightly lower weighted average number of common shares (-0.08%). The conversion effect of Series “G” preferred shares was excluded from the calculation of diluted earnings per share for 2013 and 2012 since they have anti-dilutive effect.

C- CAPITALIZATION

The Bank's consolidated equity grew by LBP 164 billion, reaching LBP 2.298 billion as at 31 December 2013, an increase of 7.68% compared to 2012 year-end.

	Balances		Growth	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%
Ordinary share capital	68,131	68,131	-	0.00%
Shareholders' cash contribution to capital	20,978	20,978	-	0.00%
Non-cumulative preferred shares	783,825	783,825	-	0.00%
Issue premium	232,108	232,108	-	0.00%
Legal reserve	80,205	94,603	14,398	17.95%
Reserve for general banking risks	107,590	135,135	27,545	25.60%
Regulatory reserves for doubtful debts	5,722	5,249	(473)	-8.27%
Other Reserves	22,949	34,791	11,842	51.60%
Retained Earnings	196,622	198,131	1,509	0.77%
Revaluation of change in FV of forward contracts (hedging)	-	(8,969)	(8,969)	
Cumulative Change in FV of currency positions (hedging instruments)	3,045	(18,517)	(21,562)	-708.13%
Owned buildings revaluation surplus	1,669	1,669	-	0.00%
Cumulative change in fair value of investment securities	348	351	2	0.62%
Regulatory reserves for assets acquired on satisfaction of debts	5,244	6,371	1,127	21.49%
Treasury Shares	(44,614)	(45,503)	(889)	1.99%
Currency translation adjustment	(1,653)	11,217	12,870	-778.50%
Non controlling interest	481,271	588,913	107,642	22.37%
Net Income of the year - Group Share	170,241	189,028	18,787	11.04%
Total	2,133,682	2,297,511	163,829	7.68%

The growth in Equity was mainly derived from the increase in reserves and retained earnings (LBP 56 billion), the increase in non-controlling interests by LBP 107.6 billion due to the consolidation of mutual funds, and the revaluation of hedging instruments related mainly to the investment in Bank of Sydney.

With the achieved level of equity, Bank of Beirut was the bank which reflected the highest capitalization levels in its peer group, realizing the 1st rank among the Alpha Group banks, with "equity to asset ratio" of 11.19% as at 31 December 2013 as compared to 8.59% for the peer group.

Capital Structure

The Bank's capital constitutes Common and Preferred Shares as follows:

	Number of Shares	
Share Type	31-Dec-12	31-Dec-13
Common shares	50,467,400	50,467,400
Preferred Shares Series "E"	2,400,000	2,400,000
Preferred Shares Series "F"	3,000,000	3,000,000
Preferred Shares Series "G"	3,570,000	3,570,000
Preferred Shares Series "H"	5,400,000	5,400,000
Preferred Shares Series "I"	5,000,000	5,000,000
Total	69,837,400	69,837,400

As shown in the table above, no change in the capital structure occurred during 2013.

Preferred shares overview

Currently, the total issue values of the outstanding preferred shares stood at around USD 519.95 million, representing 34.12% of total shareholders' equity. The main features of the outstanding preferred shares are as follows:

Description	Series "E"	Series "F"	Series "G"	Series "H"	Series "I"
Number of shares	2,400,000	3,000,000	3,570,000	5,400,000	5,000,000
Issue price per share	$25.00	$25.00	$35.00	$25.00	$25.00
Issue Size (USD 000's)	$60,000	$75,000	$124,950	$135,000	$125,000
Issue Size (C/V LBP million)	90,450	113,063	188,362	203,513	188,438
Dividend rate p.a.	8.00%	8.00%	6.75%	7.00%	6.75%
Non-Cumulative	Yes	Yes	Yes	Yes	Yes
Perpetual	Yes	Yes	Yes	Yes	Yes
Redeemable	Yes	Yes	Yes	Yes	Yes
Convertible to common shares	No	No	Yes	No	No
Redemption price per share	$25.00	$25.00	$35.00	$25.00	$25.00
Conversion exercise price			$35.00		
Redemption right holder	BOB	BOB	BOB	BOB	BOB
Conversion right holder			Holder		
Issue date	13-Nov-08	8-Jul-09	29-Sep-10	30-Jun-11	19-Nov-12
Closing date	30-Dec-08	18-Sep-09	29-Dec-10	28-Sep-11	28-Dec-12
First redemption exercise date	30-Dec-13	30-Dec-14	30-Dec-16	30-Dec-16	30-Dec-17
Second redemption exercise date	30-Dec-15				
Conversion right exercise date			30-Dec-15		

Capital Adequacy

Maintaining its position as the bank with highest capitalization level among the peer group banks, Bank of Beirut reflected a very healthy set of Capital ratios.

The high level of capital adequacy confirmed the Bank's strategy in strengthening the Capital base in order to fund its expansion strategy, in addition to complying comfortably with Basel III requirements, taking into consideration the increasing risk weights applied on the exposure to Lebanese sovereign risk.

Capital Adequacy Ratio under Basel III

Description (LBP billion)	Balances / Ratio		Variation	
	31-Dec-12	31-Dec-13	Amount	%
Common Equity (Net)	702,575	774,868	72,293	10.29%
Additional Tier 1 Capital (Net)	783,825	786,106	2,281	0.29%
Net Tier 2 Capital	1,779	6,933	5,154	289.74%
Total Regulatory Capital	1,488,179	1,567,908	79,729	5.36%
RWA - Credit Risk	9,445,552	10,808,772	1,363,220	14.43%
RWA - Market Risk	345,442	129,207	(216,235)	-62.60%
RWA - Operational Risk	683,438	787,090	103,652	15.17%
Total RWA	10,474,432	11,725,069	1,250,637	11.94%
Total Capital Ratio	14.21%	13.37%	-0.84%	
Common Equity Ratio Tier 1 Ratio	6.71%	6.61%	-0.10%	
Tier 1 Capital Ratio	14.19%	13.31%	-0.88%	
Tier 2 Capital Ratio	0.02%	0.06%	0.04%	

Under Basel III, the Capital Adequacy ratio stood at year-end 2013 at 13.37%, down from 14.21% as at 31st December 2012, as compared to the minimum required ratio of 10.50%.

Pursuant to Central Bank Decision No 11714 dated March 3rd, 2014, with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Ratio	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15
Common Equity Tier 1 Ratio	5.00%	6.00%	7.00%	8.00%
Tier 1 Capital Ratio	8.00%	8.50%	9.50%	10.00%
Total Capital Ratio	10.00%	10.50%	11.50%	12.00%

As shown in the tables below, Bank of Beirut is already compliant with Basel III capital requirements, more specifically, with a common equity ratio of 6.61% (as compared to 6.00% minimum required).

Minimum Regulatory Ratios (LBP billion)	Minimum Ratio		Excess Capital	
	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13
Common Equity Tier 1 Ratio	5.00%	6.00%	178,853	71,364
Tier 1 Capital Ratio	8.00%	8.50%	648,445	564,343
Capital Ratio	10.00%	10.50%	440,736	336,775

D- SHARE INFORMATION

Common Share performance

Indicator	Unit	31-Dec-12	31-Dec-13	Variance
Common share market price	LBP	28,643	28,643	-
Common equity book value (1)	LBP billion	812	869	57
Common share book value	LBP	16,085	17,215	1,130
Market Capitalization (end of period)	LBP billion	1,446	1,446	-
Market Value added	LBP billion	634	577	(57)
Market Value added/Market capitalization	%	43.84%	39.90%	-3.95%
Basic EPS / Common share market price	%	7.89%	9.26%	1.37%
Price to common earnings - P/E Ratio (2)	Times	12.67	10.80	(1.88)
Price to common book value - M/B Ratio	Times	1.78	1.66	(0.12)
Price to assets	%	8.30%	7.04%	-1.25%

(1) Including the common earnings of the year & Excluding non-controlling interest (2) Calculated as basic earnings per share / common share market price.

The common share market price has been stable during 2013. Consequently, the market capitalization stood at around LBP 1,446 billion (USD 959 million), and the "price to book value" decreased to 1.61 times as compared to 1.71 times at the end of year 2012. The "price to assets" ratio stood at a very healthy level of 7.04%, one of the lowest in the market.

E- DIVIDENDS

The Board of Directors has resolved, during its meeting held on 03 April 2014, a cash dividend per common share (DPS) at the level of LBP 859, which is higher by 19.97% over last year Dividend per Share. The year 2013 DPS upgraded the dividend yield to 3.00%, as compared to 2.50% in 2012.

Appropriation of Bank of Beirut (local and foreign branches) net profit 2013:

Description (LBP 000's)	Variance
Net profit Bank of Beirut SAL	161,791,255
Dividends on preferred shares	(55,960,850)
Legal Reserve	(16,179,126)
Reserve for General Banking Risk	(37,500,000)
Reserves on Foreclosed Assets	(1,445,631)
Total deductions	(111,085,606)
Net profit eligible for distribution	50,705,649
Number of outstanding common shares	50,467,400
Available dividend per common share	1,005
Suggested Dividend per common share	859
Total suggested dividends to common shareholders	43,351,497
Retained earnings	7,354,152

Consequently, the comparative dividend indicators on consolidated basis stood as follows:

Description (LBP billion)		Balances / Ratio 2012	Balances / Ratio 2013	Variation Amount	Variation %
Dividend per common share (DPS)	(LBP)	716	859	143	19.97%
Total Dividends on common shares		36,135	43,351	7,217	19.97%
Total Dividends on non-cumulative preferred shares		56,809	55,961	(848)	-1.49%
Total Dividends (common and non-cumulative preferred)		92,943	99,312	6,369	6.85%
Dividend yield per common share (DPS/Price)		2.50%	3.00%	0.50%	
Common Sh. dividend payout ratio (% on common earnings)		31.86%	32.58%	0.72%	
Common Sh. dividend payout ratio (% of net profit after tax)		21.23%	22.93%	1.71%	
Total dividends payout ratio (Net Profit)		54.60%	52.54%	-2.06%	

F- LIQUIDITY

The conservation of adequate liquidity has invariably been the Bank's policy to retain a high level of liquid assets and a diversified and stable funding base.
Monitored and controlled by the Asset Liability Committee (ALCO), the liquidity position of the Bank is managed on daily basis by the Treasury Department and liquidity risks are consistently measured, monitored, and scrutinized by the Risk Management Department.
Ensuring low liquidity risk is evidenced by the following factors:

- Sufficient high-quality liquid assets, including high level placements with well reputed and highly rated global banks
- Diversification in the securities portfolio
- Stability in customers' deposits
- Manageable cash flow mismatching gaps
- Non-reliance on whole-sale funding

The liquidity ratios, in both local and foreign currencies, maintained the healthy levels of 2012 while the loan to deposit ratio decreased slightly to the level of 36.81%.

Ratio	31-Dec-12	31-Dec-13	Variance
Loans in LBP to deposits in LBP ratio	19.30%	21.89%	2.60%
Loans in FCY to deposits in FCY ratio	48.61%	43.90%	-4.71%
Loans to deposits ratio	38.73%	36.81%	-1.92%
Deposits (LBP) / Assets (LBP)	84.23%	78.06%	-6.18%
Deposits (FCY) / Assets (FCY)	74.21%	74.67%	0.46%
Deposits / Assets	77.31%	75.73%	-1.58%
Investment securities portfolio/Total Assets	36.32%	37.01%	0.69%
Total Liquid Assets (LBP) / Total Liabilities (LBP)	99.60%	99.75%	0.15%
Total Liquid Assets (FCY) / Total Liabilities (FCY)	66.39%	70.37%	3.98%
Total Liquid Assets / Total Liabilities	77.03%	79.52%	2.49%

G- ASSET QUALITY

Assets composition

The Bank's assets comprise mainly liquid assets (primary liquidity and investment securities) which represented 68.66% of total assets as at 31 December 2013, as compared 65.78% at year-end 2012.
Loans to customers represented 30.64% as at December 31, 2013 as compared to 29.19% at the end of the previous year.

	BOB		Peer	
Description (LBP billion)	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13
Cash and deposits at central banks	19.54%	19.92%	19.92%	20.50%
Due to banks & Fis (incl. loans)	9.92%	11.73%	11.64%	10.44%
Loans and Advances	29.94%	27.88%	29.19%	30.64%
Customers' acceptance liability	2.36%	1.79%	0.75%	0.76%
Investment securities	36.32%	37.01%	35.83%	35.07%
Property and equipment	0.78%	0.69%	1.13%	1.10%
Other assets	0.63%	0.55%	1.20%	1.20%
Goodwill	0.51%	0.43%	0.35%	0.30%
Total	100.00%	100.00%	100.00%	100.00%

Liquid assets/Assets	65.78%	68.66%	67.39%	66.01%
Loans / Assets	29.94%	27.88%	29.19%	30.64%
Fixed Assets / Assets	0.78%	0.69%	1.13%	1.10%
Goodwill / Assets	0.51%	0.43%	0.35%	0.30%

Loan portfolio quality

The net "Non-Performing Loans" balances recorded a significant decrease in 2013 by LBP 4 billion (-11.21%) which was mainly derived from the decline of the gross balances

	Balances		Growth	
Description (LBP billion)	31-Dec-12	31-Dec-13	Amount	%
Gross NPLs	119	115	(4)	-3.31%
Unrealized Interest	(55)	(49)	5	-9.99%
Impairment allowances	(32)	(37)	(5)	16.23%
Net NPLs	33	29	(4)	-11.21%

Classification of Loans

Description (LBP billion)	Balances		Growth	
	31-Dec-12	31-Dec-13	Amount	%
Regular loans	5,208	5,732	525	10.08%
Substandard Loans	14	16	2	13.69%
Gross balances	18	22	3	18.06%
Unrealized interest	(5)	(6)	(1)	32.33%
Impairment allowances	(0)	(0)	0	
Doubtful Loans	19	13	(6)	-29.44%
Gross balances	101	93	(7)	-7.23%
Unrealized interest	(50)	(43)	7	-13.85%
Impairment allowances	(32)	(37)	(5)	16.37%
Collective Provisions	(23)	(39)	(16)	69.80%
Total Net Loans	**5,217**	**5,722**	**505**	**9.68%**

Fair Value of Collateral received against loans to customers

Description (LBP billion)	31-Dec-13		
	Regular	NPLs	Total
Gross Balances	5,732	115	5,848
Unrealized Interest	-	(49)	(49)
Allowance for Impairment	-	(37)	(37)
Collective Provisions	(39)		(39)
Net Loans Balances	5,693	29	5,722
Pledged Funds	209	1	210
1st Degree Mortgage	3,756	18	3,773
Debt securities	51	-	51
Bank Guarantees	56	-	56
Vehicles	148	1	149
Others	281	0	282
Fair Value of Collateral	4,501	20	4,521
Collateral Coverage Ratio	79.06%	68.54%	79.01%

As reflected in the table above, the fair value of collaterals received as at 31st December 2013 represented 79% of the net exposure.

Loan Portfolio quality ratios

Ratio	Bank of Beirut 31-Dec-11	Bank of Beirut 31-Dec-12	Bank of Beirut Variance	Peer Group 31-Dec-11	Peer Group 31-Dec-12
Regular Loans / Gross Loans	97.76%	98.03%	0.27%	93.27%	93.33%
Gross SLs / Gross Loans	0.35%	0.37%	0.03%	0.59%	0.82%
Gross DLs / Gross Loans	1.89%	1.60%	-0.29%	6.15%	5.86%
Gross NPLs / Gross Loans	2.24%	1.97%	-0.27%	6.73%	6.67%
Net SLs / Net Loans	0.26%	0.27%	0.01%	0.46%	0.71%
Net DLs / Net Loans	0.36%	0.23%	-0.13%	1.35%	1.37%
Net NPLs / Net Loans	0.63%	0.51%	-0.12%	1.80%	2.08%
Unrealized Interest on SLs / Gross SLs	25.11%	27.88%	2.77%	27.13%	17.64%
Specific LLRs on DLS /Gross DLs	81.25%	85.74%	4.49%	79.37%	78.00%
Specific LLRs on NPLs / Gross NPLs	72.55%	74.79%	2.24%	74.81%	70.61%
Total LLRs / Gross NPLS	91.98%	108.92%	16.93%	89.58%	86.50%
Net NPLs / Total Assets	0.19%	0.14%	-0.05%	0.53%	0.64%
Net NPLs / Total Shareholders' Equity	1.53%	1.26%	-0.27%	60.14%	74.13%
Collective provisions / Net Loans	0.44%	0.69%	0.24%	1.06%	1.12%

SLs: Substandard Loans, **DLs:** Doubtful Loans, **LLRs:** Loan Loss Reserves

As shown in the table above, BOB has clearly outperformed the Peer Group loan portfolio quality ratios.
It is to be noted that Bank of Beirut ranked 1st among peer group banks as at 31st December 2013 in the following ratios:
- Gross doubtful loans to gross loans
- Gross non-performing loans to gross loans
- Net doubtful loans to gross loans
- Loan loss reserves on NPLs to Gross NPLs

Sovereign Risk

The sovereign risk ratios registered a slight increase during year 2013. The total sovereign exposure (Treasury and Central Banks) to total assets reached 52.22% as at 31st December 2013 as compared to 50.32% as at 2012 year-end.

Description (LBP billion)	Balances 31-Dec-12	Balances 31-Dec-13	Variation Amount	Variation %	% of Total Assets 31-Dec-12	% of Total Assets 31-Dec-13
Compulsory Reserves at BDL	1,127	1,443	316	28.08%	6.47%	7.03%
Free placements at BDL	2,239	2,605	366	16.33%	12.85%	12.69%
CDs issued by BDL	1,790	1,411	(379)	-21.18%	10.28%	6.87%
Treasury bills	1,747	2,640	893	51.13%	10.03%	12.86%
Eurobonds	1,863	2,621	757	40.64%	10.69%	12.77%
Total	8,767	10,720	1,953	22.28%	50.32%	52.22%
Peer Group	121,334	133,481	12,147	10.01%	50.26%	50.20%

Sovereign Risk

Ratio	31-Dec-11	31-Dec-12	Variance
Lebanese Treasury bills (LBP) / Assets (LBP)	32.40%	41.13%	8.73%
Lebanese Government Eurobonds / Assets (FCY)	15.49%	18.57%	3.09%
Total Exposure to Lebanese Treasury / Assets	20.72%	25.63%	4.91%
Due from BDL (LBP) / Assets (LBP) (including CDs)	47.11%	37.53%	-9.57%
Due from BDL (FCY) / Assets (FCY) (including CDs)	21.75%	21.62%	-0.13%
Due from BDL / Assets (including placements & CDs)	29.60%	26.60%	-3.00%
Total Leb. Sovereign Exposure (LBP) / Assets (LBP)	79.50%	78.66%	-0.84%
Total Leb. Sovereign Exposure (FCY) / Assets (FCY)	37.24%	40.19%	2.96%
Total Leb. Sovereign Exposure / Assets	50.32%	52.22%	1.91%

2013 Achievements

Transaction Banking Services

Transaction Banking has evolved to become a key component in the overall banking industry. The deployment of tools and platforms that allow clients to effectively manage their cash flow has now developed into a necessity. Banks have made cash management one of their top priorities; as for commercial customers and financial institutions, they are seeking payments, collection and liquidity management services for their daily business banking needs.

Despite the challenging and unstable situation in our country, Bank of Beirut has expanded its business and pioneered the transaction banking services in Lebanon, which allowed the bank to position itself among local banks as the leading provider of cash management services and solutions bringing benefits to its clients with the wide range of products available.

Since its launch in June 2011, the Transaction Banking Services Department at Bank of Beirut has been developing innovative solutions and continuously enhancing its product offerings, which contribute to the increase of the total number of transactions and reflected growth in the deposit balances.

Our product suite comprises, in addition to the Business Online Banking platform, various payable and receivable solutions to facilitate the daily cash flow of the enrolled clients. Moreover, the management is committed to continuously developing business platforms to integrate new product features to serve different industries and government sectors. It is worth mentioning that Bank of Beirut is constantly aiming at further developing its cash management offerings and expanding its geographic footprints by launching Transaction Banking services in all its cross-border acquisitions.

Information Technology

In an ever-changing Banking environment, demands for a nimbler response to customer requirements, reduction of risk while lowering operating costs continue to impact the way we conduct business today.

The IT transformation plan is currently under way to help us as a Bank to differentiate ourselves within the markets we serve and achieve significant economies of scale through centralized resources. A new Core Banking system (Bank Fusion Universal Banking - BFUB) from Misys global software vendor provider will be rolled out both domestically over the next 2 to 3 years and through a worldwide implementation in the UK, Germany, Cyprus, Oman and Australia. Across many areas, our priorities have been reshuffled to focus on the BFUB strategic high-level project requiring a higher degree of skills, directions, discipline and organization. Currently, we are gearing up our dedicated seasoned professionals towards the successful implementation of the new Core Banking.

Reaching More Customers with Smart ATMs

We have upgraded our ATM network and features to become a fully functioned service with cash and check deposit solutions, including phone bill payment for mobile line providers... a strategic move aiming at optimizing our customers' time.

iMobile & Online Banking

As of the first month of the year, Bank of Beirut started innovating and going deeper into the digital world, it launched iMobile, its mobile application available on Apple and Android phones as well.
iMobile is an advanced Mobile Banking solution allowing Bank of Beirut customers to perform various operations, such as balance checking and transfer of funds, through their mobile.

One Click Is All you Need to Bank!

As of May 2013, a new milestone was added to our Online Banking; a service was launched with BoB Finance and Western Union: the Western Union - ABMT (Account Based Money Transfer) through Bank of Beirut's Consumer Online Banking. This service allows all our Consumer Online Banking customers to send/ receive money transfers from/into their accounts through Western Union. This service is exclusively available at Bank of Beirut and we are the first bank in the Middle East to offer this solution.

With our Business Online Banking, you have immediate and nonstop access to your business accounts, you can perform your urgent banking transactions in no time, you can delegate authorities to subordinates/staff and still maintain full control over transaction authorization/ approval, you can transfer money between accounts, you can wire money locally or internationally... in just a click.

Smart Branch

Bank of Beirut, with its "B Smart", is going Beyond Borders in Banking; the Bank's global focus is on 'Digitization'. Through its offerings, state-of-the-art equipment and smart devices, "B Smart" is placing Bank of Beirut in the leading position in this area.
Aiming at providing the best to our customers and working mainly on optimizing their time, we have multiplied our online services within a protected and safe platform. We are heading towards the smart branches, a self-service branch featuring most banking operations.
Our first virtual branch "B Smart", located at FOCH head office, opened its doors on December 16th, 2013.

Digital Walls in Prime Locations

To better enhance our physical presence in prime areas and share our news and novel products and services with our customers, we have recently equipped several prime branch locations with high-tech HD digital walls and screens with a 24/7 broadcast span. The digital walls are set to show to the public our latest innovations in terms of state of the art products and services and other relevant digital videos that add value to our image.

Automating and Accelerating Business by Going Paperless

Keeping the bank relevant, modern and competitive can mean investing into up-to-the-minute digital solutions: LaserFiche (Electronic Content Management System) solution at Bank of Beirut aims to make paper information for the management of corporate and branches easier through simplifying storage, security, version control, process routing, and retention. The benefits include improved efficiency, better control, and reduced costs through accessing and sharing customers' paperwork electronically while providing a faster service and enhanced customer experience.

IT Maturity Assessment Study

Within the IT Maturity assessment study conducted between CapGemini and the Association of Banks in Lebanon, Information Technology at Bank of Beirut was highly rated among the 7 Alpha Banks. This assessment validates that our IT turnaround strategy is tracking well in achieving international standards and the service excellence of our innovative implementation of this application was more than significant to the Bank

We, at Bank of Beirut, know that time is money and is therefore the essence of our business.

Staff Education and Training

Throughout 2013, we, at BoB, stayed true to our focus on quality human capital and its crucial role in the Bank's continuous success.

Main achievements of The Academy for 2013:

2013 saw the introduction of e-learning at Bank of Beirut via one of the main regional providers of e-learning solutions. The objective in building an e-learning culture is to increase return on investment in training the Bank's workforce while at the same time minimizing time consumption.

The first milestone in that direction was the launching of the E-Academy portal with a link to it on the Intranet page of Bank of Beirut.

- The e-learning program targeted front-desk employees in branches and sales staff in the retail back office.
  The following courses were offered:
  - Sales interview best practices – PBRs and retail direct sales force
  - Handling clients' interactions – Service staff (Tellers)
  - Leadership courses – branch managers, assistants and head tellers
  - Communication skills –call center staff
- Upon the suggestion of reducing training time, The Academy launched the full mandatory Anti Money Laundering course, together with tests, on its e-learning portal.
- The e-learning portal became a means to assess training needs, and to evaluate the benefits of e-learning via online surveys.
- Within a year, Bank of Beirut was able to position itself solidly in that domain and won the "IQUAD –e-learning Startup of the year Award for 2013", proving once again to be a leader and pioneer in the Lebanese banking industry.

Other successful initiatives in 2013:

- Extending training further to include back office employees with "The Backbone of Wowing Customer Service," a workshop offered by regional providers specialized in soft skills and executive coaching.
- Analyzing the impact of training regarding "Selling the Right Product to the Right Client" by recording their performance using teller booked sales referrals, based on the following testimonials:

  - **Cash Management Department:**
    "We have witnessed a surge in incoming applications in March / April / May. Whilst our overall numbers increased by only 20%, the incoming application proportion of the total business was almost 80%; but after the workshop the leads from branches constituted the biggest part of our business."

  - **Bob Finance:**
    "The good thing to remember about this training is that all branches got acquainted with our services and were properly guided in terms of lead quality and type of business. It is worth noting that we received in 2013 (till date) a total of 70 leads, out of which 45 were booked and are now operational as part of our network; thus, 64% success rate. In 2012, 250 leads were received, 60 of which were booked. This is only 24% success rate".

Retail and Branch Division

For 50 years, Bank of Beirut focused on exceeding its customers' expectations and strived to be a "Bank of Choice" for all citizens. Today, these efforts towards providing high-end products and unique customer service continue to flourish, bringing the Bank's suite of services to a whole new level.

A New University Partnership

After successful partnerships with five prime Lebanese universities LAU, NDU, USJ, USEK, AUST, and abiding by its strategy in supporting education in Lebanon, Bank of Beirut signed in 2013 an additional Memorandum of Understanding with the Antonine University.

CSR Award

2013 witnessed another achievement for Bank of Beirut which, out of 68 regional banks, received the Middle East's "Best CSR Initiative" Award from the "Banker Middle East", the leading banking industry magazine in recognition of its outstanding CSR achievement, the Young Achievers Program (YAP).
Built on the longstanding mission to empower the Lebanese youth, the Young Achievers Program (YAP), Bank of Beirut's awarded CSR initiative, is a socially responsible competition designed in partnership with Lebanon's major universities and educational institutions and aimed at recognizing and rewarding the achievements of young talented individuals.

Embracing Segmentation

In 2013, Bank of Beirut tried to develop its segmentation strategy and meet the highest number of customer categories thanks to the deep understanding of its customers' needs. A range of competitive packages was developed targeting different segments of the society among which:

- The **"U for Youth"** that offers young university students aged between 18 and 25 a special package including flexible university and post-graduation loans tailored to their needs and capabilities, a University Account with its debit Card, an Affinity Credit Card, in addition to a multitude of discounts and free tailored trainings provided by Bank of Beirut in collaboration with AMIDEAST.

- The **"Gold Club"** that offers individuals wishing to upgrade their lifestyle the opportunity to benefit from preferential rates on lending, discounted rates on transfers, free for life Gold Club debit and credit cards, assistance from a dedicated Gold relationship representative, in addition to unlimited free utility bill domiciliation, draws to win cash prizes, free statements of accounts, a loyalty program and free cheque books.

- The **"Premium Club"**, a new service line that offers our most distinguished clients preferential treatment, carefully selected benefits and high level of priority through a vast range of offers and investment opportunities.

Supporting Businesses

Help the local businesses develop and grow by offering them specific support is one major aim of Bank of Beirut.
The year 2013 witnessed the launch of Bank of Beirut **Visa Business Credit and Debit Cards**, an efficient and convenient payment solution for businesses looking for a better way to manage their expenditures and allow their employees to make business-related purchases.

2013 was a busy year for Bank of Beirut at the level of business lending as well. After having launched **Al-Raed Loan** and **The Caritas Micro Credit Loan**, the Bank has developed the **Small Business Loan**, adding it to its existing SME offering, thus funding up to USD 100,000 for start–ups, self-employed and small businesses.

March towards Network Expansion

In 2013, Bank of Beirut optimized its branch footprint, further expanding its presence across Lebanon. After opening branches in key Lebanese cities, the year 2013 witnessed a special ribbon cutting ceremony in Bayada, where the Bank opened its state of-the-art contemporary branch, designed to reflect Bank of Beirut modern and innovative spirit, keep pace with technology and offer customers a unique enriched experience. The inauguration, held on Bank of Beirut 50th anniversary, was an occasion for the Chairman to announce the Bank's determination to put the 50 coming years at the service of Lebanon and the Lebanese.

Next Generation Banking

- B Smart Launch

Aiming at creating a new interaction model that is more aligned with its customers' lifestyle and time constraints, Bank of Beirut has redefined the whole banking experience by launching its first virtual branch "B-Smart" in the vibrant heart of Beirut, at the Foch Head Office. Fully equipped to welcome customers 24/7 and carefully designed to offer a special interactive, self-serve and on-the-go banking experience, Bank of Beirut new Smart branch offers a fully-digitized space enabling customers to perform all their banking transactions and connect with Bank of Beirut Call Center via video call and simulation to get the support needed.
Through our trailblazing "B-Smart" branch, Clients also enjoy the ability of opening an account, transferring funds, paying bills, receiving on the spot deposit cards and obtaining expert assistance on a real time basis via video chat.

- iMobile

2013 is the year that marked the development of the Smart Banking Solutions at Bank of Beirut. The business of payment services having evolved rapidly with advanced technology, trending towards more use of electronic payments, Bank of Beirut launched iMobile, an advanced Mobile Banking solution available in phone-based applications: IPhone, Android and Blackberry, allowing customers to perform various operations through their mobile, such as balance checking, inter account transfers, statement of account inquiry, cheque book request and more. Another important feature of the iMobile application is the geographical data locator displaying all Bank of Beirut branches and ATM locations on the map. Most important, the iMobile is built on an enhanced security architecture that safeguards data and prevents any misuse of both the physical data and the application.

- Online Banking

As technological innovations continue to advance and customers always look for comfort and the power to quickly perform their transactions wherever and whenever they want, Bank of Beirut offers its customers user-friendly Online Banking platforms, allowing them to have immediate online access to their personal or business accounts, perform urgent banking transactions in no time, and maintain complete control over their finances. With Bank of Beirut Online Banking, customers can perform financial transactions any time of the day, transfer money between their accounts or to other Bank of Beirut customers' accounts, wire money locally and internationally, request cheque books and enjoy many more features.

- ATMs with Cash and Cheque Deposit Modules

In 2013, Bank of Beirut went beyond borders through the services promoting customers' convenience, one of which was to roll out a series of instant cash and cheque deposit ATM machines (CCDM) in strategic locations, to offer customers flexibility in depositing their cash or cheques and paying their fees any time of the day. Another unique feature of these next generation ATMs is the tuition fee payment option, which allows students to pay their tuition fee in no time through the machines installed on campuses.

"CashBack": the Extra Mile in Customer Reward

As a token of appreciation for customers who vested their trust in us, Bank of Beirut has launched an unprecedented loyalty scheme: the CashBack. This totally new program on the market rewards customers for all their banking transactions and offers them an array of

rewards according to their need and preference.
Points are generously offered to customers upon using their cards, obtaining a loan, opening a winner account, domiciliating a salary, receiving or sending transfers, activating Online/Mobile banking, making online outgoing transfers, and subscribing to additional Bank of Beirut products. Best of all, customers have the opportunity to choose among four systematically redeemable reward options: Cash, Talk time, Lotto and Megabytes.

Digital Media

2013 witnessed the birth of the Digital Media Department at Bank of Beirut. In today's world, an institution can wield its own marketing and reach out to its customers through the channels of social media—Facebook, Twitter, LinkedIn, YouTube. Indeed, the platforms are innumerable. And to keep pace with modernity, Bank of Beirut expanded its presence on nearly all these fronts, even foraying into the blogosphere with its own dedicated blog.

Being a young and dynamic institution means adopting up-and-coming trends and maintaining stride with today's tech-savvy generation. In so doing, Bank of Beirut does not only foster transparency and round-the-clock assistance vis-à-vis customers existent and prospective, but it also reigns over the image it wants imparted to the public. After all, perception is key.

Here are a few of the major accomplishments of the Digital Media group over 2013.

Building Bank of Beirut App

To mark its 50th anniversary, Bank of Beirut launched an app called Building Bank of Beirut, which reconstructs the Bank feat by feat from its inaugural year, 1963. The app, available on the Apple Store and Google Play, is replete with historical facts, interesting tidbits, and a rich collage of pictures piecing together our heritage and progress. It is the first digital profile of a financial institution in Lebanon, and it is a tribute to the 50 years that have passed and the 50 years whose threshold we stand upon.

Checkin & Win App

This was another app created to foster awareness of Bank of Beirut's 60 branches scattered across the country. Users could check in every time they visited or passed by a branch, and each check-in donned them the opportunity to win an instantaneous cash prize. For 20 days, the app ranked first in Apple Store's entertainment category, achieving 15,000 downloads and 150,000 check-ins. 200 participants walked away as lucky winners.

Blog

Slowly but surely, Bank of Beirut has been sailing toward the future, toward the paperless office, and into new waters that suit our time-strapped customers. The Bank has launched its Blog to connect more personally with its clients, to create a window of transparency into our operations and business, and to heighten awareness about the Bank's product suite. All of these initiatives reinforce our pillars of integrity and customer satisfaction, and we are excited about the new adventures that await us.

Consolidated Financial Statements and Independent Auditor's Report

Table of Contents

Deloitte.

Deloitte & Touche
Arabia House
131 Phoenicia Street
Ain Mreisseh, Beirut
P.O. Box 961
Lebanon

Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

DFK FIDUCIAIRE DU MOYEN-ORIENT
A member firm of DFK International

BT 4222/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Bank of Beirut S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of **Bank of Beirut S.A.L. (the "Bank") and its Subsidiaries (collectively "the Group")**, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 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, within the framework of local banking laws. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, all in material respects, the consolidated financial position of **Bank of Beirut S.A.L. and its Subsidiaries** as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with international financial reporting standards.

Beirut, Lebanon
April 4, 2014

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

Consolidated statement of financial position

ASSETS

As at December 31st - LBP'000	Notes	2013	(Restated) 2012	(Restated) 2011
Cash and deposits at central banks	5	4,088,481,847	3,405,046,629	2,352,430,632
Deposits with banks and financial institutions	6	1,875,967,997	1,267,179,018	1,387,803,731
Trading assets at fair value through profit or loss	7	810,040,567	980,013,039	1,072,532,323
Loans to banks	8	532,621,123	460,523,121	365,626,387
Loans and advances to customers	9	5,593,500,602	5,093,927,188	4,485,904,932
Loans and advances to related parties	10	128,732,858	123,175,116	154,980,954
Investment securities	11	6,787,356,388	5,349,061,121	4,467,793,331
Customers' liability under acceptances	12	368,260,084	410,635,482	457,406,326
Investment in an associate	13	34,038,008	31,297,419	35,768,858
Assets acquired in satisfaction of loans	14	20,396,848	21,355,189	27,618,905
Property and equipment	15	141,587,371	135,844,668	117,889,505
Goodwill	16	88,900,170	88,856,890	88,736,427
Other assets	17	57,546,288	56,606,427	47,886,753
Total Assets		20,527,430,151	17,423,521,307	15,062,379,064

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

As at December 31st - LBP'000	Notes	2013	2012	2011
Letters of guarantee and standby letters of credit	43	1,034,643,207	1,196,268,977	964,619,686
Documentary and commercial letters of credit	43	948,283,522	893,501,068	725,661,289
Notional amount of interest rate swap	43	59,867,120	83,131,905	83,477,432
Forward exchange contracts	43	893,551,431	1,442,454,369	1,020,000,639
Notional amount of options	43	234,027,500	-	-
Fiduciary accounts	44	188,414,171	166,107,533	299,024,396

LIABILITIES

As at December 31st - LBP'000	Notes	2013	2012	2011
Deposits from banks and financial institutions	18	1,680,842,935	1,043,392,577	732,303,647
Customers' and related parties' deposits designated at fair value through profit or loss		-	-	2,955,538
Customers' and related parties' deposits at amortized cost	19	15,545,481,360	13,470,757,103	11,423,647,743
Liabilities under acceptance	12	368,260,084	410,635,482	457,406,326
Other borrowings	20	298,335,163	52,309,733	60,711,595
Certificates of deposit	21	30,296,399	46,793,527	226,726,442
Other liabilities	22	274,029,297	223,875,818	155,313,423
Provisions	23	32,674,145	42,074,867	34,636,319
Total liabilities		18,229,919,383	15,289,839,107	13,093,701,033

SHAREHOLDERS´ EQUITY

As at December 31st - LBP'000	Notes	2013	2012	2011
Common stock	24	68,130,990	68,130,990	63,588,924
Shareholders' cash contribution to capital	26	20,978,370	20,978,370	20,978,370
Non-cumulative preferred shares	25	783,824,625	783,824,625	744,328,125
Retained earnings		198,131,106	196,622,102	176,341,624
Reserves	27	501,886,141	448,574,109	396,725,839
Owned buildings' revaluation surplus		1,668,934	1,668,934	1,668,934
Cumulative change in fair value of financial instruments designated as hedging instruments	43	(8,968,778)	-	-
Cumulative change in fair value of fixed currency positions designated as hedging instruments	24	(18,517,020)	3,044,934	(1,439,706)
Cumulative change in fair value of investment securities at fair value through other comprehensive income		350,574	348,406	298,873
Regulatory reserve for assets acquired in satisfaction of loans	14 & 27	6,371,166	5,244,293	5,196,381
Treasury shares	28	(45,503,033)	(44,613,749)	(29,378,913)
Profit for the year		189,027,908	170,241,353	157,615,497
Currency translation adjustment		11,216,683	(1,653,147)	(716,091)
Equity attributable to the equity holders of the Group		1,708,597,666	1,652,411,220	1,535,207,857
Non-controlling interests	29	588,913,102	481,270,980	433,470,174
Total equity		2,297,510,768	2,133,682,200	1,968,678,031
Total Liabilities and Equity		20,527,430,151	17,423,521,307	15,062,379,064

The accompanying notes 1 to 54 form an integral part of the consolidated financial statements

Consolidated statement profit or loss

As at December 31st - LBP'000	Notes	2013	(Restated) 2012
Interest income	31	877,737,282	762,078,199
Interest expense	32	(578,546,486)	(500,889,344)
Net interest income		299,190,796	261,188,855
Fee and commission income	33	117,449,191	123,687,742
Fee and commission expense	34	(19,770,422)	(15,559,556)
Net fee and commission income		97,678,769	108,128,186
Net interest and other gains on trading assets at fair value through profit or loss	35	60,891,287	80,940,813
Net interest and gain on financial liability designated at fair value through profit or loss		-	(74,470)
Gain from derecognition of financial assets measured at amortized cost	11	64,071,146	21,227,757
Other operating income (net)	36	12,700,718	18,366,181
Net financial revenues		534,532,716	489,777,322
Provision for credit losses (net)	37	(17,955,459)	(11,863,550)
Provision for impairment of investment in an associate	13	-	(5,213,980)
Other provisions (net)	38	(3,243,868)	(1,773,974)
Write-back of allowance for impairment for a brokerage account (net)	6	114,461	193,932
Net financial revenues after impairment		513,447,850	471,119,750
Staff costs	39	(133,156,087)	(127,887,845)
General and administrative expenses	40	(103,344,929)	(89,714,655)
Depreciation and amortization	41	(16,483,506)	(13,632,266)
Write-back of provision for impairment of assets acquired in satisfaction of loans	14	102,479	40,357
Profit before income tax		260,565,807	239,925,341
Income tax expense		(39,442,493)	(36,467,563)
Profit for the year before withholding tax on profits from subsidiaries		221,123,314	203,457,778
Deferred tax on undistributed profit	22	(1,878,282)	(1,641,230)
Profit for the year		219,245,032	201,816,548
Attributable to:			
Non-controlling interests	29	30,217,124	31,575,195
Equity holders of the Group		189,027,908	170,241,353
Basic earnings per share in LBP	42	LBP 2,653	LBP 2,260
Diluted earnings per share in LBP	42	LBP 2,653	LBP 2,260

The accompanying notes 1 to 54 form an integral part of the consolidated financial statements

Consolidated statement profit or loss and other comprehensive income

As at December 31st - LBP'000	2013	(Restated) 2012
Profit for the year	219,245,032	201,816,548
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of investment securities at fair value through other comprehensive income	2,168	49,533
	2,168	49,533
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment related to foreign operations	12,869,831	1,024,640
Change in fair value of cash flow hedge	(552,632)	(415,948)
Change in fair value of derivatives designated to hedge an investment in a foreign entity – Note 22	(8,968,778)	-
Revaluation of fixed and special currency positions to hedge investments in foreign entities – Note 24	(21,561,955)	4,484,640
	(18,213,534)	5,093,332
Net other comprehensive (loss)/income for the year	(18,211,366)	5,142,865
Total comprehensive income for the year	201,033,666	206,959,413
Attributable to:		
Equity holders of the Bank	170,816,542	175,416,117
Non-controlling interests	30,217,124	31,543,296
	201,033,666	206,959,413

The accompanying notes 1 to 54 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

LBP'000	Common Stock	Shareholders' Cash Contribution to Capital	Non-Cumulative Preferred Shares	Reserves and Retained Earnings	Owned Building Revaluation Surplus
Balance Jan 1,2012 before Funds restatement	63,588,924	20,978,370	744,328,125	571,473,346	1,668,934
Impact of IFRS 10 implementation	-	-	-	1,594,117	-
Balance Jan 1,2012, Restated	63,588,924	20,978,370	744,328,125	573,067,463	1,668,934
Allocation of 2011 profit	-	-	904,500	155,275,998	-
Dividends paid on preferred shares (Note 30)	-	-	-	(46,270,774)	-
Dividends paid on common shares (Note 30)	-	-	-	(32,803,810)	-
Dividends paid to non-controlling interest	-	-	-	-	-
Dividends on treasury shares	-	-	-	165,136	-
Transfer from free reserve to series D shares	-	-	904,500	(904,500)	-
Redemption of series "D"	-	-	(150,750,000)	-	-
Increase and reconstitution of capital	4,542,066	-	-	(4,542,066)	-
Issuance of series I preferred shares	-	-	188,437,500	-	-
Reclassification to free reserves (Note 14)	-	-	-	1,366,057	-
Disposal of assets acquired in satisfaction of loans (Note 14)	-	-	-	58,485	-
Write off loans special reserves	-	-	-	(33,515)	-
Effect of exchange difference	-	-	-	2,356,171	-
Write off for assets acquired in satisfaction of loans regulatory reserve	-	-	-	-	-
Change in treasury shares	-	-	-	-	-
Change in net asset value of funds	-	-	-	-	-
Effect of transactions with Funds	-	-	-	(2,153,681)	-
Total comprehensive income for the period	-	-	-	(384,753)	-
Balance Dec 31,2012	68,130,990	20,978,370	783,824,625	645,196,211	1,668,934
Allocation of 2012 profit	-	-	-	168,727,100	-
Dividends paid on preferred shares (Note 30)	-	-	-	(56,808,818)	-
Dividends paid on common shares (Note 30)	-	-	-	(36,134,658)	-
Dividends paid to non-controlling interests	-	-	-	-	-
Dividends on treasury shares	-	-	-	206,926	-
Redemption of treasury shares (Beirut Preferred fund)	-	-	-	-	-
Liquidation of Beirut Preferred Fund	-	-	-	(991,087)	-
Liquidation of Excess Return Fund	-	-	-	-	-
Liquidation of International Mix Fund	-	-	-	-	-
Establishment of Beirut Preferred Fund II	-	-	-	-	-
Purchase of non-controlling interest (Note 29)	-	-	-	(12,343,859)	-
Reclassification from free reserves (Note 14)	-	-	-	387,380	-
Share in profit of Beirut Preferred Fund II	-	-	-	(179,339)	-
Write off loans special reserves	-	-	-	(3,335)	-
Effect of exchange difference	-	-	-	(6,390,623)	-
Disposal of assets acquired in satisfaction of loans (Note 14)	-	-	-	734	-
Change in treasury shares	-	-	-	-	-
Change in net asset value of funds	-	-	-	-	-
Effect of transactions with Funds	-	-	-	(1,096,753)	-
Total comprehensive income for the year	-	-	-	(552,632)	-
Balance December 31,2013	68,130,990	20,978,370	783,824,625	700,017,247	1,668,934

The accompanying notes 1 to 54 form an integral part of the consolidated financial statements

Cumulative Change in Fair value of Investment Securities at Fair Value through Other Comprehensive Income	Reserve for Assets Acquired in in Satisfaction of Loans	Cumulative Change in Fair value of Financial Instruments Designated as Hedging Instruments	Cumulative Change in Fair value of Fixed Currency Positions Designated as Hedging Instruments	Treasure Shares	Currency Translation Adjustment	Profit for the year	Equity Attributable to the Equity Holders of the Group	Non-Controling Interest	Total
298,873	5,196,381	-	(1,439,706)	(9,303,821)	(716,091)	155,715,141	1,551,788,476	24,159,866	1,575,948,342
-	-	-	-	(20,075,092)	-	1,900,356	(16,580,619)	409,310,308	392,729,689
298,873	5,196,381	-	(1,439,706)	(29,378,913)	(716,091)	157,615,497	1,535,207,857	433,470,174	1,968,678,031
-	1,434,999	-	-	-	-	(157,615,497)	-	-	-
-	-	-	-	-	-	-	(46,270,774)	-	(46,270,774)
-	-	-	-	-	-	-	(32,803,810)	-	(32,803,810)
-	-	-	-	-	-	-	-	(33,756,109)	(33,756,109)
-	-	-	-	-	-	-	165,136	-	165,136
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(150,750,000)	-	(150,750,000)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	188,437,500	-	188,437,500
-	(1,366,057)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	58,485	-	58,485
-	-	-	-	-	-	-	(33,515)	-	(33,515)
-	-	-	-	-	(1,962,400)	-	393,771	528,866	922,637
-	(21,030)	-	-	-	-	-	(21,030)	-	(21,030)
-	-	-	-	(15,234,836)	-	-	(15,234,836)	-	(15,234,836)
-	-	-	-	-	-	-	-	47,696,824	47,696,824
-	-	-	-	-	-	-	(2,153,681)	1,787,929	(365,752)
49,533	-	-	4,484,640	-	1,025,344	170,241,353	175,416,117	31,543,296	206,959,413
348,406	5,244,293	-	3,044,934	(44,613,749)	(1,653,147)	170,241,353	1,652,411,220	481,270,980	2,133,682,200
-	1,514,253	-	-	-	-	(170,241,353)	-	-	-
-	-	-	-	-	-	-	(56,808,818)	-	(56,808,818)
-	-	-	-	-	-	-	(36,134,658)	-	(36,134,658)
-	-	-	-	-	-	-	-	(39,038,152)	(39,038,152)
-	-	-	-	-	-	-	206,926	-	206,926
-	-	-	-	2,919,078	-	-	2,919,078	-	2,919,078
-	-	-	-	-	-	-	(991,087)	(30,855,701)	(31,846,788)
-	-	-	-	-	-	-	-	(21,124,334)	(21,124,334)
-	-	-	-	-	-	-	-	(49,364,981)	(49,364,981)
-	-	-	-	-	-	-	-	144,785,271	144,785,271
-	-	-	-	-	-	-	(12,343,859)	(24,612,129)	(36,955,988)
-	(387,380)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(179,339)	-	(179,339)
-	-	-	-	-	-	-	(3,335)	-	(3,335)
-	-	-	-	-	-	-	(6,390,623)	-	(6,390,623)
-	-	-	-	-	-	-	734	-	734
-	-	-	-	(3,808,362)	-	-	(3,808,362)	-	(3,808,362)
-	-	-	-	-	-	-	-	92,517,480	92,517,480
-	-	-	-	-	-	-	(1,096,753)	5,117,544	4,020,791
2,168	-	(8,968,778)	(21,561,954)	-	12,869,830	189,027,908	170,816,542	30,217,124	201,033,666
350,574	6,371,166	(8,968,778)	(18,517,020)	(45,503,033)	11,216,683	189,027,908	1,708,597,666	588,913,102	2,297,510,768

Consolidated statement of cash flows

As at December 31st - LBP'000	Notes	2013	2012
Cash flows from operating activities:			
Profit for the year		219,245,032	201,816,548
Adjustments for:			
Write-back of provision for impairment of assets acquired in satisfaction of loans (net)	14	(102,479)	(40,357)
Write-back of provision for impairment for a brokerage account	6	(114,461)	(193,932)
Depreciation and amortization	41	16,483,506	13,632,266
Provision for credit losses (net of write back)	37	17,955,459	11,863,550
Provision for impairment of investment in an associate	13	-	5,213,980
Deferred tax on profits for distribution	22	1,878,282	1,641,230
Accretion of treasury bills discount	22	-	(2,339,000)
Unrealized loss on trading assets at fair value through profit or loss	35	8,728,090	16,000,471
Gain on sale of assets acquired in satisfaction of loans	36	(797,733)	(11,835,079)
(Gain)/loss on sale on property and equipment	36	(509,992)	4,415
Share in profits of an associate	36	(3,297,287)	(1,783,373)
Provision for end of service indemnity for employees	23	3,215,309	8,644,605
Other adjustments and effect of difference on exchange		7,397,910	1,196,736
		270,081,636	243,822,060
Net decrease in trading assets at fair value through profit or loss		161,244,382	76,518,813
Net (decrease)increase in loans to banks		(72,098,002)	(94,896,734)
Net increase in loans and advances to customers	46	(517,569,356)	(619,994,853)
Net (increase)/decrease in loans and advances to related parties		(5,557,742)	31,805,838
Net increase in cash and deposits at central banks		(218,875,524)	(688,952,484)
Net increase in deposits with banks and financial institutions		(106,975,913)	(249,573,870)
Net increase in other assets	46	(1,478,003)	(9,767,879)
Net increase in deposits from banks		30,377,606	162,065,345
Net increase / (decrease) in other liabilities	46	2,350,431	69,260,165
Net increase in provision for contingencies		3,309,527	2,450,752
Net decrease in customers' and related parties' accounts at fair value through profit or loss		-	(2,955,538)
Net increase in customers' and related parties' accounts at amortized cost		2,074,724,257	2,047,109,360
Change in fair value of cash flow hedge		(552,632)	(415,948)
Change in fair value of fixed currency positions designated as hedging instruments	24	(21,561,954)	4,484,640
Settlement of end-of-service indemnity		(15,925,558)	(3,656,809)
Net cash provided by operating activities		1,581,493,155	967,302,858
Cash flows from investing activities:			
Property and equipment		(23,234,385)	(30,311,206)
Proceeds from sale of assets acquired in satisfaction of loans		1,896,435	18,273,169
Proceeds from sale of property and equipment		914,982	10,869
Dividends from investment in an associate	13	556,698	1,040,832
Increase in investment securities		(1,438,293,093)	(881,218,264)
Net cash used in investing activities		(1,458,159,363)	(892,204,600)
Cash flows from financing activities:			
Dividends paid		(131,774,702)	(112,665,557)
Issuance of Series "I" preferred shares		-	188,437,500
Redemption of series "D" preferred shares		-	(150,750,000)
Increase in other borrowings		246,025,430	(8,401,862)
Decrease in certificates of deposit		(16,497,128)	(179,932,915)
Non controlling interest		138,987,439	47,696,824
Change in treasury shares		(889,284)	(15,234,836)
Net cash provided / (used in) by financing activities		235,851,755	(230,850,846)
Net increase/(decrease) in cash and cash equivalents		359,185,547	(155,752,588)
Cash and cash equivalents - Beginning of year	46	1,606,326,830	1,762,079,418
Cash and cash equivalents - End of year	46	1,965,512,377	1,606,326,830

The accompanying notes 1 to 54 form an integral part of the consolidated financial statements

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Bank of Beirut S.A.L. (the "Bank") is a Lebanese joint stock company listed on the Beirut stock exchange, registered under number 13187 in the Lebanese commercial register and under number 75 in the list of banks published by the Central Bank of Lebanon. The Bank was established in Lebanon in 1963 and provides a full range of banking services and operates through a network of 59 branches throughout Lebanon with a focus in the city of Beirut and its suburbs. The Bank has a branch in Cyprus and 3 branches in the Sultanate of Oman and representative offices in Dubai in the United Arab Emirates, in Iraq and in Nigeria. The Bank has a subsidiary bank in the UK acquired in 2002 and this subsidiary opened a branch in Frankfurt during 2010. The Bank established during 2007 a new investment subsidiary bank under the name of Bank of Beirut Invest S.A.L. The Bank acquired a subsidiary bank in Sydney – Australia named "Laiki Bank" and changed its name to Beirut Hellenic Bank and in 2013 changed the name to Bank of Sydney Ltd. Further information on the Group's structure is provided in Note 3(A). Information on other related party transactions of the Group is provided in Note 46.

The headquarters of Bank of Beirut S.A.L. are located in Fosh Street, Down Town Beirut, Lebanon.

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

2.1 Standards and Interpretations effective for the current period

In the current year, the Group has applied the following new and revised Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective with a date of initial application of January 1, 2013 and that are applicable to the Group:

Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. IFRS 13 is applicable for both financial and non-financial items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements, except in specified circumstances. IFRS 13 requires prospective application from January 1, 2013.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments require to Group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Income tax on items of other comprehensive income is required to be allocated on the same basis.

Amendments to IAS19 *Employee benefits*

The amendments eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.

Parts of the Annual Improvements to IFRSs 2009 – 2011 Cycle

Amendments to IAS 32 Financial Instruments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

Notes to the consolidated financial statements

Amendments to IAS 1 Presentation of Financial Statements specify that related notes are not required to accompany the third statement of financial position (as at the beginning of the preceding period) when presented. A third statement of financial position is required to be presented when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the third statement of financial position.

Except for the effect of the application of the new and revised standards as described below, the application of the above new and revised Standards did not have a material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements:

(a) Impact of the application of IFRS 10 (2011)

IFRS 10 changes the definition of control to focus on whether an investor a) has the power over the investee, (b) is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. The three criteria must be met for an investor to have control over an investee.

As a consequence, the Group has changed its control conclusion in respect of the mutual funds managed by the Group entities as it has over the funds as the Group represents directly or indirectly the fund holders in the general assemblies, is exposed to variable returns as a result of transactions entered into with the funds and the Group has the power to affect the returns it receives from the funds.

Comparative amounts for 2012 and the related amounts as at January 1, 2012 have been restated in accordance with the transitional provisions of IFRS 10 (2011). The quantitative impact of the change is set out in Note 53.

(b) Impact of the application of IFRS 13

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (Note 51). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in these financial statements.

(c) Impact of amendments to IAS 1 - Presentation of items of Other Comprehensive Income (OCI)

The Group has modified the presentation of items of OCI in its statement of profit or loss and other comprehensive income (including comparative information), to present separately items that would be reclassified to profit or loss from those that would never be.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but not yet effective:

• Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets modify the disclosure requirements in IAS 36 Impairment of Assets regarding the measurement of the recoverable amount of impaired assets and require additional disclosures about the measurement of impaired assets (or group of impaired assets) with a recoverable amount based on fair value less costs of disposal. Effective for annual periods beginning on or after January 1, 2014.

• Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Effective for annual periods beginning on or after January 1, 2014.

• Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments clarify the requirements relating to the offset of financial assets and financial liabilities. Effective for annual periods beginning on or after January 1, 2014.

• Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting allow the continuations of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. Effective for annual periods beginning on or after January 1, 2014.

Notes to the consolidated financial statements

- IFRS 9 Financial Instruments (2013) – General Hedge Accounting. On November 19, 2013 a new version of IFRS 9 was issued which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments.

- IFRS 9 Financial Instruments. IFRS 9 is to replace IAS 39 Financial Instruments: Recognition and Measurement and was split into a number of phases. Currently some of these phases have been completed and available for early adoption. The mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments.

- IFRIC 21 Levies defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. Effective for annual periods beginning on or after January 1, 2014.

The Directors of the Group do not anticipate that the application of these amendments will have a significant effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

- Land and building acquired prior to 1993 are measured at their revalued amounts based at market prices prevailing in 1996, to compensate for the effect of the Upper – inflationary economy prevailing in the earlier years.
- Financial assets and liabilities held for trading.
- Financial instruments designated at fair value through profit or loss ("FVTPL").
- Investments in equity securities designated at fair value through other comprehensive income ("OCI").
- Derivative financial instruments measured at fair value.

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

Certain 2012 figures were reclassified to conform with current year's presentation.

The principal accounting policies applied are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Bank of Beirut S.A.L. incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries.

Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are

Notes to the consolidated financial statements

sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Consolidated Subsidiaries consist of the following:

	Country of Incorporation	Year of Acquisition or Incorporation	Percentage of Ownership		Business Activity
Bank of Beirut UK LTD	United Kingdom	2002	100	100	Banking
Bank of Beirut Invest S.A.L.	Lebanon	2007	100	100	Investment Banking
Beirut Broker Company S.A.R.L.	Lebanon	1999	100	100	Insurance brokerage
BOB Finance S.A.L.	Lebanon	2006	100	100	Financial Institution
Cofida Holding S.A.L.	Lebanon	2008	100	100	Holding
Beirut Life S.A.L.	Lebanon	2010	90	90	Insurance
Bank of Sydney Ltd (Formerly Beirut Hellenic Bank)	Australia	2011	100	92.5	Banking
International Mix Fund	Lebanon	2005	-	-	Mutual Fund
Beirut Lira Fund II	Lebanon	2009	-	-	Mutual Fund
Beirut Golden Income II	Lebanon	2009	-	-	Mutual Fund
Beirut Opportunities Fund	Lebanon	2009	-	-	Mutual Fund
Beirut Investment Fund	Lebanon	2010	-	-	Mutual Fund
Excess Return Fund	Lebanon	2010	-	-	Mutual Fund
Beirut Preferred Fund	Lebanon	2006	-	38.77	Mutual Fund
Beirut Preferred Fund II	Lebanon	2013	3.03	-	Mutual Fund

Notes to the consolidated financial statements

During 2013, International Mix Fund, Excess Return Fund and Beirut Preferred Fund were liquidated.

B. Business Combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries and associates are identified separately from the Group's equity therein.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

C. Goodwill:

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

Notes to the consolidated financial statements

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates and other instruments".

D. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds ("LBP"), which is the Group's reporting currency. However, the primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar ("USD"). The exchange rate of the USD against the LBP has been constant for over 10 years.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

E. Financial Assets and Liabilities:

Recognition and Derecognition of Financial Assets and Liabilities:

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or

Notes to the consolidated financial statements

issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Group derecognizes a financial asset (or a part of a financial asset, or a part of a group of similar financial assets), when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

Upon derecognition of a financial asset that is classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting:

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

Fair Value Measurement:

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

The principal or the most advantageous market must be accessible by the Group. 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.

The Group 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 measurement as a whole:

Notes to the consolidated financial statements

- 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 or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group 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.

For the purpose of fair value disclosures, the Group 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.

Impairment of Financial Assets:

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets which impacted the estimated future cash flows of the investment.

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

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

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

F. Classification of Financial Assets:

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

Debt Instruments:

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

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

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

Notes to the consolidated financial statements

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

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

Equity Instruments:

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

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

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (“FVTOCI”). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments are recognized in other comprehensive income, accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Reclassification:

Financial assets are reclassified between FVTPL and amortized cost or vice versa, if and only if, the Group’s business model objective for its financial assets changes so its previous model assessment would no longer apply. When reclassification is appropriate, it is done prospectively from the reclassification date.

Reclassification is not allowed where:
- the ‘other comprehensive income’ option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

Designation at Fair Value through Profit and Loss:

The Group designates financial assets and liabilities at fair value through profit or loss when either:
- The assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

G. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

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

Notes to the consolidated financial statements

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

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Bank's own equity instruments.

Financial Liabilities:

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

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

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

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

Financial Liabilities Subsequently Measured at Amortised Cost:

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

Financial Guarantee Contract Liabilities:

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

Notes to the consolidated financial statements

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

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

H. Derivative Financial Instruments:

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, (both written and purchased) are initially measured at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. The resulting gain or loss is recognized in the income statement immediately unless the derivative is designated and effective as a hedge instrument in which event the timing of the recognition in the statement of profit or loss depends on the hedge relationship. The Group designates certain derivatives as either hedges of the fair value recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models or pricing models as appropriate as indicated under Note 3E.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

• is not measured at fair value with changes in fair value recognized in profit or loss.
• is not an asset within the scope of IFRS 9.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated statement of profit or loss in “Net results on financial instruments at fair value through profit or loss”. For situations where that hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of profit or loss.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Notes to the consolidated financial statements

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investments in foreign operations:

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the foreign operation.

I. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not held for trading. Loans and advances are measured at amortized cost net of unearned interest and provision for credit losses where applicable. Non-performing debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

J. Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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

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

Notes to the consolidated financial statements

amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The financial statements of the associates are prepared for the same reporting period of the Group.

K. Property and Equipment:

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1993 are stated at their revalued amounts based on market prices prevailing during 1996 less accumulated depreciation and impairment loss, if any. Resulting revaluation surplus is reflected under "Equity".

Depreciation is recognized so as to write off the cost or valuation of property and equipment (other than advance payments on capital expenditures) less their residual values, if any, over their useful lives, using the straight-line method as follows:

	Rate	Years
Buildings	2%	50
Furniture and equipment	8%	12.5
Computer equipment	20%	5
Vehicles	10%	10

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

L. Intangible Assets Other than Goodwill:

Intangible assets other than goodwill, are amortized on a straight-line basis at the rate of 20%. Intangible assets are subject to impairment testing. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates all other expenditure is expressed when incurred.

Notes to the consolidated financial statements

M. Assets acquired in satisfaction of loans:

Policy applicable to Lebanese Group entities: Real estate properties acquired through the enforcement of collateral over loans and advances are stated at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities which require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated statement of profit or loss under "Other operating income" or "Other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserves for assets acquired in satisfaction of loans" starting in the following financial year.

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

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

Recoverable amount is defined as the higher of:

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

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

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

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

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

The impairment loss is charged to the consolidated income statement.

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

Employees' End-of-service Indemnities:

(Under the Lebanese Jurisdiction):

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

Notes to the consolidated financial statements

Defined benefit plans:

(Under other Jurisdictions):

The Group contributes to a defined contribution scheme which is open to all members of staff over the age of 18. Contributions are charged to the statement of profit or loss when they become in accordance with the scheme.

P. Provisions:

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

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

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

Q. Revenue and Expense Recognition:

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

Interest income and expense presented in the income statement include:
- Interest on financial assets and liabilities at amortized cost.
- Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

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

Net trading income presented in the income statement includes:

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

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

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

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

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability (e.g. commissions and fees earned on loans) are included under interest income and expense.

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

Notes to the consolidated financial statements

R. Income Tax:

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. Income tax expense for the insurance subsidiary is based on deemed profits which are set up by the Ministry of Finance of Lebanon as 5% of revenues. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

S. Fiduciary Accounts:

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

T. Operating lease agreements:

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the consolidated income statement on a straight line basis over the lease term.

U. Cash and Cash Equivalents:

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

V. Earnings per Share:

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

W. Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the General Assembly of 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.

Notes to the consolidated financial statements

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Going Concern:

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore the consolidated financial statements continue to be prepared on the going concern basis.

Classification of Financial Assets:

Business Model:

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

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

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

Characteristics of the Financial Asset:

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

Features considered by the Group that would be consistent with amortized cost measurement include:
- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

Notes to the consolidated financial statements

Features considered by the Group that would be inconsistent with amortized cost measurement include:
- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

Qualifying Hedge Relationships:

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

B. Key Sources of Estimation Uncertainty:

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

The Group based their assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Allowances for Credit Losses:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.

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, economic data and the performance of different individual groups.

Impairment of Goodwill:

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3E. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of market participants. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data.

Notes to the consolidated financial statements

5. CASH AND DEPOSITS AT CENTRAL BANKS

As at December 31st - LBP'000	2013	2012
Cash on hand	39,986,936	38,703,549
Non-interest earning accounts:		
- Compulsory reserves with the Central Bank of Lebanon	182,046,463	122,327,418
Interest earning accounts:		
- Current accounts with the Central Bank of Lebanon	10,647,389	283,267,156
- Current accounts with other central banks	757,268,452	631,797,729
- Term placements with the Central Bank of Lebanon	3,063,909,187	2,306,263,035
- Term placements with other central banks	3,021,495	1,833,644
Accrued interest receivable	31,601,925	20,854,098
	4,088,481,847	3,405,046,629

The non-interest earning cash compulsory reserves with the Central Bank of Lebanon ("BDL") represent deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with local banking regulations.

Compulsory deposits with BDL are not available for use in the Group's day-to-day operations.

The term placements with the Central Bank of Lebanon include as of December 31, 2013 and 2012, the equivalent in foreign currencies of LBP1,261billion and LBP1,005billion, respectively deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposit in foreign currencies, certificates of deposits and loans acquired from non-resident financial institutions.

Term placements with other central banks also include the equivalent in Euro of LBP1billion as at December 31, 2013 (LBP1.7billion as at December 31, 2012) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2012) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

At December 31, 2013, term placements with other central banks also include the equivalent in Omani Riyal (OMR) of LBP1.96billion (LBP1.96billion as at December 31, 2012) as minimum reserve requirements at Central Bank of Oman.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

As at December 31st - LBP'000	2013	(Restated) 2012
Checks in course of collection	53,366,475	79,548,355
Current accounts	591,564,389	243,160,258
Current accounts with an associate	1,627,885	29,181,656
Term placements	1,124,561,799	848,344,804
Pledged deposits	104,303,864	66,114,142
Provision for impairment of a brokerage account	-	(484,442)
Accrued interest receivable	543,585	1,314,245
	1,875,967,997	**1,267,179,018**

Current accounts as at December 31, 2012 include a doubtful brokerage account with a balance of LBP1.62billion. During 2013, the Group entered into a settlement agreement and as a result the account balance was partially recovered.

The movement of provision for impairment of a brokerage account during 2013 and 2012 was as follows:

As at December 31st - LBP'000	2013	2012
Opening balance	484,442	678,374
Write-off	(369,981)	-
Write-back	(114,461)	(193,932)
Ending balance	-	484,442

Notes to the consolidated financial statements

The Group has deposits pledged against facilities obtained. Refer to Note 48.

Furthermore, the Group has as of December 31, 2013 and 2012, term placements with banks amounting to LBP31.7billion and LBP46.8billion, respectively, subject to right of set-off against trade finance exposures related to financial institutions in the form of letters of credit and acceptances in the amount of LBP20.2billion and LBP1.2billion respectively as at December 31, 2013 (LBP25.6billion and LBP11.2billion respectively as at December 31, 2012).

Term placements as at December 31, 2013 include balances with local banks in the aggregate amount of LBP224billion (C/V of LBP150billion in USD and C/V of LBP74.48billion in GBP) against short term deposits from the same banks in the aggregate amount of LBP228billion (LBP150billion in LBP and C/V LBP 77.78billion in USD) with similar terms and conditions recorded under “Deposits from banks and financial institutions” (Note 18).

7. TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at December 31st, 2013 - LBP’000	LBP	C/V of F/Cy	Total
Quoted equity securities	-	11,446,373	11,446,373
Unquoted equity securities	-	44,531,252	44,531,252
Lebanese treasury bills	323,713,967	-	323,713,967
Lebanese Government bonds	7,000,000	99,413,949	106,413,949
Foreign government treasury bills	-	32,124,914	32,124,914
Certificates of deposit issued by the Central Bank of Lebanon	167,118,535	108,915,542	276,034,077
Certificates of deposit issued by financial private sector	-	1,558,376	1,558,376
Accrued interest receivable	11,040,738	3,176,921	14,217,659
	508,873,240	301,167,327	810,040,567

As at December 31st, 2013 - LBP’000 (Restated)	LBP	C/V of F/Cy	Total
Quoted equity securities	-	8,835,513	8,835,513
Unquoted equity securities	-	25,925,029	25,925,029
Lebanese treasury bills	415,500,280	-	415,500,280
Lebanese Government bonds	7,000,000	146,190,620	153,190,620
Foreign Government treasury bills	-	53,347,277	53,347,277
Certificates of deposit issued by the Central Bank of Lebanon	207,905,463	61,278,516	269,183,979
Certificates of deposit issued by financial private sector	-	1,594,602	1,594,602
Bonds issued by financial private sector	-	35,961,152	35,961,152
Accrued interest receivable	12,028,404	4,446,183	16,474,587
	642,434,147	337,578,892	980,013,039

Net interest income, gains and losses on trading assets’ portfolio are detailed under Note 35

8. LOANS TO BANKS

As at December 31st, 2013 - LBP’000	2013	2012
Loans to a resident housing bank	31,200,800	36,125,200
Discounted acceptances	435,942,886	398,811,369
Discounted acceptances with an associate	68,421,151	25,252,221
Accrued interest receivable	591,078	2,679,166
less: Unearned interest	(3,534,792)	(2,344,835)
	532,621,123	460,523,121

Notes to the consolidated financial statements

Loans to a resident housing bank represent 12 year LBP loans granted to this bank. Interest is paid semi-annually and reset every 3 years. The loans are payable after a grace period of 2 years from the withdrawal date in 10 annual equal installments.

As a guarantee for these loans, the borrower has pledged in favour of the Group bills related to the housing loans granted to its customers.

Discounted acceptances represent facilities derived from trade finance activity (discounted letters of credit) mainly granted to Middle Eastern, African and Gulf banks. These balances are denominated in foreign currencies.

9. LOANS AND ADVANCES TO CUSTOMERS

	2013				2012 (Restated)			
As at December 31st - LBP'000	Balance net of unearned interest	Unrealized Interest	Impairment Allowance	Carrying Amount	Balance net of unearned interest	Unrealized Interest	Impairment Allowance	Carrying Amount
Performing Retail Loans:								
Retail loans	2,010,315,457	-	-	2,010,315,457	2,578,373,252	-	-	2,578,373,252
Unearned interest	(63,024,931)	-	-	(63,024,931)	(56,856,922)	-	-	(56,856,922)
Performing Corporate Customers' Loans:								
Rescheduled loans	655,763	-	-	655,763	2,988,286	-	-	2,988,286
Corporate loans	3,649,099,324	-	-	3,649,099,324	2,554,231,109	-	-	2,554,231,109
Unearned interest	(1,340,249)	-	-	(1,340,249)	(1,075,845)	-	-	(1,075,845)
Non-Performing Retail Loans:								
Rescheduled substandard loans	316,999	(98,954)	-	218,045	245,732	(75,795)	-	169,937
Substandard loans	8,825,034	(1,222,675)	(50,902)	7,551,457	6,857,538	(941,732)	-	5,915,806
Rescheduled doubtful and bad loans	36,906	(17,380)	(19,526)	-	174,471	(17,326)	(14,001)	143,144
Doubtful and bad loans	5,779,262	(1,857,257)	(2,137,887)	1,784,118	7,985,455	(1,613,503)	(1,777,210)	4,594,742
Non-Performing Corporate Customers' Loans:								
Rescheduled substandard loans	5,595,026	(3,202,188)	-	2,392,838	5,123,932	(2,038,570)	-	3,085,362
Substandard loans	7,041,857	(1,496,399)	-	5,545,458	6,220,187	(1,493,241)	(82,227)	4,644,719
Rescheduled doubtful and bad loans	1,473,545	(535,791)	(199,035)	738,719	10,102,492	(5,274,526)	(1,612,163)	3,215,803
Doubtful and bad loans	86,064,350	(40,648,619)	(34,626,301)	10,789,430	82,364,292	(43,073,774)	(28,377,461)	10,913,057
Allowance for impairment of collectively assessed loans	-	-	(39,285,311)	(39,285,311)	-	-	(23,135,627)	(23,135,627)
Accrued interest receivable	8,060,484	-	-	8,060,484	6,720,365	-	-	6,720,365
	5,718,898,827	(49,079,263)	(76,318,962)	5,593,500,602	5,203,454,344	(54,528,467)	(54,998,689)	5,093,927,188

Performing loans and advances to customers as at December 31, 2013, include loan balances in US Dollar aggregating to LBP173billion granted to customers against credit balances in Lebanese Pounds aggregating LBP101billion and margins in US Dollar aggregating LBP98billion reflected under "Customers' and related parties' deposits" in the statement of financial position as at December 31, 2013, (loans balances in US Dollar aggregating LBP126billion granted to customers against credit balances in Lebanese Pounds aggregating LBP134billion and margins in US Dollar aggregating LBP18billion reflected under "Customers and related parties' deposits" as at December 31, 2012). Furthermore, performing loans and advances to customers as at December 31, 2013, include loan balances in US Dollar aggregating to LBP178billion granted against matching credit balances in US Dollar reflected under "Customers' and related parties' deposits" in the statement of financial position (LBP298billion as at December 31, 2012) (Note 19).

Loans and advances to customers include creditors accidentally debtors balances aggregating to LBP10.34billion as at December 31, 2013 (LBP4billion in 2012).

Notes to the consolidated financial statements

Loans and advances to customers also include as at December 31, 2013 and 2012 multicurrency trading exposures amounting to LBP983million and LBP504million respectively net of corresponding credit balances in the amount of LBP30billion and LBP31billion respectively.

Rescheduled loans represent loans with renegotiated terms.

The movement of substandard loans (including restructured substandard loans) and related unrealized interest during 2013 and 2012 is summarized as follows:

	2013			
LBP'000	Substandard Loans	Unrealized Interest	Impairment Allowance	Net Book Value
Balance, January 1	18,447,389	(4,549,338)	(82,227)	13,815,824
Settlements of loans	(13,802,092)	27,257	-	(13,774,835)
Additions to unrealized interest	2,542,425	(2,542,425)	-	-
Write-back of unrealized interest to statement of profit or loss	(1,241,312)	1,241,312	-	-
Write-off	(42,821)	30,035	-	(12,786)
Transfer from/to other classifications (net)	15,413,242	(230,751)	31,325	15,213,816
Additions to substandard loans from legal expenses	460,183	-	-	460,183
Effect of exchange rates changes	1,902	3,694	-	5,596
Balance, December 31	**21,778,916**	**(6,020,216)**	**(50,902)**	**15,707,798**

	2012			
LBP'000	Substandard Loans	Unrealized Interest	Impairment Allowance	Net Book Value
Balance, January 1	20,970,387	(6,242,103)	-	14,728,284
Settlements of loans	(7,138,358)	-	-	(7,138,358)
Additions to unrealized interest	1,827,648	(1,827,648)	-	-
Additional provision – Note 37	-	-	(25,521)	(25,521)
Write-back of provision – Note 37	-	-	23,762	23,762
Write-back of unrealized interest to statement of profit or loss	(488,830)	488,830	-	-
Write-off	(1,349,281)	1,333,391	-	(15,890)
Transfer from/to other classifications (net)	4,441,940	1,696,237	(80,794)	6,057,383
Additions to substandard loans from legal expenses	171,142	-	-	171,142
Effect of exchange rates changes	12,741	1,955	326	15,022
Balance, December 31	**18,447,389**	**(4,549,338)**	**(82,227)**	**13,815,824**

Notes to the consolidated financial statements

The movement of doubtful and bad loans (including restructured loans) and related unrealized interest and allowance for impairment during 2013 and 2012 is summarized as follows:

	2013			
LBP'000	**Bad and Doubtful**	**Unrealized Interest**	**Allowance for Impairment**	**Net Book Value**
Balance, January 1	107,488,209	(49,979,129)	(38,642,334)	18,866,746
Settlements of loans	(6,328,947)	172,217	-	(6,156,730)
Additions from unrealized interest	6,973,317	(6,973,317)	-	-
Additional provision – Note 37	-	-	(4,657,054)	(4,657,054)
Write back of provision – Note 37	-	-	2,260,949	2,260,949
Write back of unrealized interest to statement of profit or loss	(648,612)	648,612	-	-
Write-off	(15,516,605)	12,699,950	2,759,498	(57,157)
Write-off to equity	(3,335)	-	-	(3,335)
Transfer to/from unclassified loans	1,379,043	-	-	1,379,043
Transfer to/from substandard loans	1,210,000	151,155	49,978	1,411,133
Transfer to/from off-balance sheet	174,785	-	(174,785)	-
Transfer to collective provision	-	-	755,143	755,143
Transfer to sundry creditors	-	60,411	-	60,411
Effect of exchange rates changes	(721,976)	161,054	14,040	(546,882)
Balance December 31	94,005,879	(43,059,047)	(37,634,565)	13,312,267
Contractual write-off on restructured debts	(651,816)	-	651,816	-
Balance, December 31	**93,354,063**	**(43,059,047)**	**(36,982,749)**	**13,312,267**

	2012			
LBP'000	**Bad and Doubtful**	**Unrealized Interest**	**Allowance for Impairment**	**Net Book Value**
Balance, January 1	105,189,498	(53,907,156)	(36,710,007)	14,572,335
Settlements of loans	(7,351,149)	-	-	(7,351,149)
Additions from unrealized interest	7,585,432	(7,585,432)	-	-
Additional provision – Note 37	-	-	(6,107,385)	(6,107,385)
Write back of provision – Note 37	-	-	1,267,813	1,267,813
Write back of unrealized interest to statement of profit or loss	(12,780)	812,705	-	799,925
Write-off	(15,129,040)	12,343,281	2,921,850	136,091
Write-off to equity	(33,515)	-	-	(33,515)
Transfer to/from unclassified loans	9,330,275	-	-	9,330,275
Transfer to/from substandard loans	7,435,438	(1,696,237)	(5,348)	5,733,853
Transfer to/from off-balance sheet	580,077	-	(580,077)	-
Transfer to collective provision	-	-	121,313	121,313
Transfer to sundry creditors	-	-	414,055	414,055
Effect of exchange rates changes	(106,027)	53,710	35,452	(16,865)
Balance December 31	107,488,209	(49,979,129)	(38,642,334)	18,866,746
Contractual write-off on restructured debts	(6,861,499)	-	6,861,499	-
Balance, December 31	**100,626,710**	**(49,979,129)**	**(31,780,835)**	**18,866,746**

Notes to the consolidated financial statements

The movement of the allowance for impairment of collectively assessed loans during 2013 and 2012 is as follows:

LBP'000	2013	2012
Balance, January 1	23,135,627	16,003,856
Additions (Note 37)	15,482,501	7,006,785
Write-back (Note 37)	(51,994)	-
Transfer from specific provision	755,143	121,313
Difference on exchange	(35,966)	3,673
Balance, December 31	39,285,311	23,135,627

10. LOANS AND ADVANCES TO RELATED PARTIES

As at December 31st, 2013 - LBP'000	2013	2012
Performing Retail Accounts:		
Mortgage loans	8,518,791	9,809,010
Personal loans	1,207,224	1,269,013
Car loans	284,262	208,103
Credit cards	408,781	334,279
Other	18,996	164,887
Performing Corporate Accounts:		
Small and medium enterprises	118,222,374	111,341,052
Accrued interest receivable	72,430	48,772
	128,732,858	123,175,116

Loans and advances to related parties are partially covered by collaterals. Refer to Note 45.

Performing corporate accounts include as at December 31, 2013 and 2012 multicurrency trading exposures amounting to LBP20million and LBP19.8million respectively net of corresponding credit balances in the amount of LBP4.7billion and LBP7.6billion respectively.

11. INVESTMENT SECURITIES

	Fair Value through Other Comprehensive Income			Amortized Cost			
As at December 31st, 2013 - LBP'000	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total	Grand Total
Unquoted equity securities	3,391,575	184,862	3,576,437	-	-	-	3,576,437
Lebanese treasury bills	-	-	-	2,268,245,200	-	2,268,245,200	2,268,245,200
Lebanese government bonds	-	-	-	-	2,487,208,396	2,487,208,396	2,487,208,396
Certificates of deposit issued by the Central Bank of Lebanon	-	-	-	1,077,342,142	31,159,965	1,108,502,107	1,108,502,107
Certificates of deposit issued by financial private sector	-	-	-	-	42,511,538	42,511,538	42,511,538
Bonds issued by financial private sector	-	-	-	-	769,835,597	769,835,597	769,835,597
	3,391,575	184,862	3,576,437	3,345,587,342	3,330,715,496	6,676,302,838	6,679,879,275
Accrued interest receivable	-	-	-	67,208,974	40,268,139	107,477,113	107,477,113
	3,391,575	184,862	3,576,437	3,412,796,316	3,370,983,635	6,783,779,951	6,787,356,388

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000	Fair Value through Other Comprehensive Income			Amortized Cost			
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total	Grand Total
Unquoted equity securities	3,391,575	177,112	3,568,687	-	-	-	3,568,687
Lebanese treasury bills	-	-	-	1,303,079,793	-	1,303,079,793	1,303,079,793
Lebanese government bonds	-	-	-	-	1,693,486,004	1,693,486,004	1,693,486,004
Certificates of deposit issued by the Central Bank of Lebanon	-	-	-	1,440,131,118	54,409,976	1,494,541,094	1,494,541,094
Certificates of deposit issued by financial private sector	-	-	-	-	64,316,654	64,316,654	64,316,654
Bonds issued by financial private sector	-	-	-	-	713,211,627	713,211,627	713,211,627
	3,391,575	177,112	3,568,687	2,743,210,911	2,525,424,261	5,268,635,172	5,272,203,859
Accrued interest receivable	-	-	-	46,479,422	30,377,840	76,857,262	76,857,262
	3,391,575	177,112	3,568,687	2,789,690,333	2,555,802,101	5,345,492,434	5,349,061,121

Financial Assets at amortized cost:

As at December 31st, 2013 - LBP'000	LBP			F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
Lebanese treasury bills	2,268,245,200	41,060,851	2,279,389,564	-	-	-
Lebanese Government bonds	-	-	-	2,487,208,396	33,890,475	2,456,104,544
Certificates of deposit issued by the Central Bank of Lebanon	1,077,342,142	26,148,123	1,087,289,011	31,159,965	522,678	31,334,228
Certificates of deposit issued by financial private sector	-	-	-	42,511,538	5,010,810	42,369,978
Bonds issued by financial private sector	-	-	-	769,835,597	844,176	789,976,294
	3,345,587,342	67,208,974	3,366,678,575	3,330,715,496	40,268,139	3,319,785,044

As at December 31st, 2012 (Restated) - LBP'000	LBP			F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
Lebanese treasury bills	1,303,079,793	21,219,992	1,306,135,538	-	-	-
Lebanese Government bonds	-	-	-	1,693,486,004	23,660,186	1,735,665,260
Certificates of deposit issued by the Central Bank of Lebanon	1,440,131,118	25,259,430	1,490,088,763	54,409,976	1,370,957	59,382,654
Certificates of deposit issued by financial private sector	-	-	-	64,316,654	3,035,823	66,246,440
Bonds issued by financial private sector	-	-	-	713,211,627	2,310,874	712,798,151
	2,743,210,911	46,479,422	2,796,224,301	2,525,424,261	30,377,840	2,574,092,505

During 2013, the Group sold investment securities at amortized cost in Lebanese Pounds and foreign currencies with an aggregate nominal value of LBP107billion and LBP397billion, respectively. As a result of this transaction, the Group recognized gains on sale in the amount of LBP25.18billion recorded under "Gain from derecognition of financial assets at amortized cost" in the consolidated statement of profit or loss.

During 2013, the Group exchanged certificates of deposits in Lebanese Pounds and foreign currencies with an aggregate carrying value of LBP837billion and LBP32billion, respectively against Lebanese treasury bills with an aggregate carrying value LBP590billion and Lebanese government bonds with an aggregate carrying value of LBP36billion and certificates of deposit issued by the Central Bank

Notes to the consolidated financial statements

of Lebanon with an aggregate carrying value of LBP520billion. Moreover, the Group exchanged Lebanese government bonds with an aggregate carrying value of LBP70.3billion against Lebanese government bonds of longer maturities with an aggregate carrying value of LBP71billion.

These transactions resulted in gains in the amount of LBP38.89billion recorded under "Gain from derecognition of financial assets measured at amortized cost" in the consolidated statement of profit or loss.

The Group entered into the above transactions in 2013 for the purpose of liquidity and maturity gap and yield management.

During 2012, the Group sold investment securities at amortized cost with an aggregate nominal value of LBP254billion. The sale was triggered by withdrawal of deposits in matching currencies. As a result of this transaction, the Group recognized gains on sale in the amount of LBP21billion recorded under "Gain from derecognition of financial assets at amortized cost" in the consolidated statement of profit or loss.

During 2012, the Group exchanged Lebanese bonds with aggregating carrying value of LBP20.7billion maturing in March 2013 and LBP67.1billion maturing in June 2013 against Lebanese government bonds maturing on November 2018 and January 2023.

Certain investment securities at amortized cost are pledged against facilities (Refer to Note 48).

12. CUSTOMERS´ LIABILITY UNDER ACCEPTANCES

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

13. INVESTMENT IN AN ASSOCIATE

The following tables illustrate summarized financial information of the Group's investment in an African bank:

As at December 31st, 2012 - LBP'000	Total Assets	Total Liabilities	Net Assets	Net Profit	Share in Ownership %	Group's share of net Assets	Group's share of net Profit
	658,058,180	497,566,910	160,491,270	16,486,435	20	32,098,254	3,297,287

As at December 31st, 2012 - LBP'000	Total Assets	Total Liabilities	Net Assets	Net Profit	Share in Ownership %	Group's share of net Assets	Group's share of net Profit
	639,037,468	529,234,905	109,802,563	8,916,903	20	21,960,513	1,783,373

The movement of the investment balance during 2013 and 2012 is as follows:

	2013		2012	
	USD	C/V in LBP'000	USD	C/V in LBP'000
Balance January 1,	20,740,695	31,297,419	23,706,824	35,768,858
Share in net profit (Note 36)	2,187,255	3,297,287	1,183,000	1,783,373
Distribution of dividends	(369,286)	(556,698)	(690,436)	(1,040,832)
Provision for impairment	-	-	(3,458,693)	(5,213,980)
Balance December 31,	22,558,664	34,038,008	20,740,695	31,297,419

Notes to the consolidated financial statements

During 2012, the Group provided for impairment of the investment in the associate in the amount of LBP5.2billion recorded under the consolidated statement of profit or loss.

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through extinguishment and/or restructuring of debt.

The movement of assets acquired in satisfaction of loans was as follows:

LBP'000	Real Estate
Gross Amount:	
Balance January 1, 2012	34,569,547
Additions	75,532
Disposals	(12,131,480)
Balance December 31, 2012	22,513,599
Additions	37,148
Disposals	(1,098,702)
Balance December 31, 2013	21,452,045
Allowance for impairment:	
Balance January 1, 2012	(6,950,642)
Disposals	5,693,390
Write-back to statement of profit or loss	40,357
Write-back to reserves	58,485
Balance December 31, 2012	(1,158,410)
Additions	-
Write-back to statement of profit or loss	102,479
Write-back to reserves	734
Balance December 31, 2013	(1,055,197)
Carrying Amount:	
December 31, 2013	20,396,848
December 31, 2012	21,355,189

During 2013, the Group sold assets that were previously acquired in satisfaction of loans with an aggregate cost of LBP1.1billion (LBP12.1billion during 2012). The sales resulted in a gain in the amount of LBP797million during 2013 (LBP11.84billion during 2012) recorded in the consolidated statement of profit or loss under "Other operating income" (Note 36).

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non-performing loans are met. In this connection, an amount of LBP1.5billion was appropriated in 2013 (LBP1.4billion in 2012). An amount of LBP387million was transferred during 2013 to retained earnings upon the sale of the related foreclosed assets (LBP1.37billion in 2012).

Notes to the consolidated financial statements

15. PROPERTY AND EQUIPMENT

The movement of property and equipment during 2013 and 2012 was as follows:

2013 - LBP'000	Buildings and Real Estate	Furniture	Equipment
Gross Amount:			
Balance January 1, 2013	102,135,515	23,730,098	40,843,128
Additions	1,828,174	2,312,513	2,365,667
Disposals	-	(214,063)	(307,730)
Transfers between categories	5,529,143	1,216,891	(80,487)
Transfer to intangible assets	-	-	-
Write off to general and administrative expenses	-	-	-
Exchange difference	-	(65,581)	(989,783)
Balance December 31, 2013	109,492,832	26,979,858	41,830,795
Accumulated Depreciation:			
Balance January 1, 2013	(17,732,427)	(14,891,916)	(29,878,575)
Additions – Note 41	(2,047,560)	(1,569,297)	(3,283,338)
Disposals	-	208,067	314,005
Transfers between categories	(200)	(37,203)	19,934
Exchange difference	-	34,316	627,081
Balance December 31, 2013	(19,780,187)	(16,256,033)	(32,200,893)
Impairment allowance			
Balance December 31, 2013	(300,000)	-	-
Carrying Amount:			
December 31, 2013	89,412,645	10,723,825	9,629,902

Notes to the consolidated financial statements

	Vehicles	Key Money	Installations and Improvement	Advances on Capital Expenditure	Total
	633,026	3,712,425	49,506,370	13,601,479	234,162,041
	-	-	1,921,706	15,003,384	23,431,444
	(161,082)	(2,053,472)	(1,989,639)	-	(4,725,986)
	(24)	-	7,595,204	(14,260,727)	-
	-	-	-	(1,988,589)	(1,988,589)
	-	-	-	(197,059)	(197,059)
	(27,345)	-	(1,382,776)	-	(2,465,485)
	444,575	1,658,953	55,650,865	12,158,488	248,216,366
	(347,122)	(2,053,747)	(33,113,586)	-	(98,017,373)
	(86,922)	(166)	(6,969,498)	-	(13,956,781)
	86,990	2,053,472	1,658,462	-	4,320,996
	10	-	17,459	-	-
	5,481	-	657,285	-	1,324,163
	(341,563)	(441)	(37,749,878)	-	(106,328,995)
	-	-	-	-	(300,000)
	103,012	1,658,512	17,900,987	12,158,488	141,587,371

Notes to the consolidated financial statements

2012 - LBP'000	Buildings and Real Estate	Furniture	Equipment
Gross Amount:			
Balance January 1, 2012	91,481,526	20,793,232	35,280,004
Additions	7,137,654	2,767,143	3,897,206
Disposals	-	(134,922)	(267,704)
Transfers between categories	3,516,335	242,278	1,614,940
Transfers to adjust opening balance	-	1,606	84,561
Transfers to intangible assets	-	-	-
Write off to general and administrative expenses	-	-	-
Exchange difference	-	60,761	234,121
Balance December 31, 2012	102,135,515	23,730,098	40,843,128
Accumulated depreciation:			
Balance January 1, 2012	(15,876,162)	(13,798,569)	(27,114,598)
Additions – Note 41	(1,856,265)	(1,175,201)	(2,863,207)
Disposals	-	122,199	265,143
Transfers to adjust opening balance	-	(18)	-
Exchange difference	-	(40,327)	(165,913)
Balance December 31, 2012	(17,732,427)	(14,891,916)	(29,878,575)
Impairment allowance:			
Balance January 1, 2012	(346,429)	-	-
Write-offs/write backs	46,429	-	-
Balance December 31, 2012	(300,000)	-	-
Carrying amount:			
December 31, 2012	84,103,088	8,838,182	10,964,553

Notes to the consolidated financial statements

	Vehicles	Key Money	Installations and Improvement	Advances on Capital Expenditure	Total
	609,272	3,712,425	45,390,538	7,618,395	204,885,392
	19,578	-	1,662,487	15,301,031	30,785,099
	-	-	(85,432)	-	(488,058)
	-	-	2,320,870	(7,694,423)	-
	-	-	(86,167)	-	-
	-	-	-	(1,105,604)	(1,105,604)
	-	-	-	(520,437)	(520,437)
	4,176	-	304,074	2,517	605,649
	633,026	3,712,425	49,506,370	13,601,479	234,162,041
	(246,046)	(2,053,582)	(27,560,501)	-	(86,649,458)
	(100,375)	(165)	(5,483,942)	-	(11,479,155)
	-	-	85,432	-	472,774
	(1)	-	19	-	-
	(700)	-	(154,594)	-	(361,534)
	(347,122)	(2,053,747)	(33,113,586)	-	(98,017,373)
	-	-	-	-	(346,429)
	-	-	-	-	46,429
	-	-	-	-	(300,000)
	285,904	1,658,678	16,392,784	13,601,479	135,844,668

Notes to the consolidated financial statements

16. GOODWILL

As at December 31st - LBP'000	2013 LBP	2013 C/V of F/Cy	2013 Total	2012 LBP	2012 C/V of F/Cy	2012 Total
Beirut Life S.A.L.	452,265	-	452,265	452,265	-	452,265
Bank of Sydney Ltd	-	86,582,170	86,582,170	-	86,582,170	86,582,170
Bank of Beirut (UK) Ltd	-	1,865,735	1,865,735	-	1,822,455	1,822,455
	452,265	88,447,905	88,900,170	452,265	88,404,625	88,856,890

The goodwill resulting from Beirut Life SAL in the amount of LBP452million as at December 31, 2013 and 2012 represents the Group's share in the sum of all licenses and discounted future income on existing insurance policies portfolio of the subsidiary acquired in 2010 whereby 90% of its shares were acquired by the Group.

The goodwill from Bank of Sydney Ltd represents the excess acquisition cost over the fair value of the Group's share in the net assets of the subsidiary bank acquired in 2011.

The goodwill was determined as follows:

	AUD	C/V of LBP'000
Net book value of the subsidiary at acquisition date	102,507,173	156,801,122
Percentage of ownership	85%	85%
	87,131,097	133,280,954
Less: Acquisition cost	(142,876,072)	(218,551,812)
Excess of acquisition cost over net asset value	55,744,975	85,270,858

The goodwill from Bank of Beirut (UK) Ltd represents the excess of the acquisition cost of a private banking unit of a foreign bank by the Group's subsidiary in the United Kingdom. Goodwill arising on the acquisition is attributable to the anticipated additional profitability that will be contributed to the Group in the future.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The Group has determined that each subsidiary constitutes a single cash generating unit and tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash generating unit is determined from value in use calculations or market comparability approach, as applicable. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to net interest margin during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Business. The growth rates are based on industry growth forecasts. Changes in net interest margin are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the subsidiary and extrapolates cash flows for the review period based on the assumption that the cash flows will remain relatively stable throughout the period under review.

Notes to the consolidated financial statements

17. OTHER ASSETS

As at December 31st - LBP'000	2013	(Restated) 2012
Advances on employees medical bills	6,272,817	4,870,487
Intangible assets	11,374,899	8,176,154
Fair value of derivative assets	7,273,434	3,030,803
Deferred tax asset	2,008,339	2,530,535
Prepayments	14,489,445	20,908,698
Regulatory blocked deposit	4,500,000	4,500,000
Sundry accounts receivable	10,434,433	10,465,220
Other	1,192,921	2,124,530
	57,546,288	56,606,427

Intangible assets represent the cost of software and include advance payments on the acquisition and implementation of the new core banking software in the amount of LBP4.47billion as at December 31, 2013. Amortization of intangible assets amounted to LBP2.5billion for the year 2013 (LBP2.15billion in 2012) (Note 41).

The regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the inception of investment banks in accordance with Article 132 of the Lebanese Code of Money and Credit, and is refundable in case of cease of operations.

The fair value of derivative assets consists of the following:

As at December 31st - LBP'000	2013	2012
Interest rate swap	11,577	199,889
Forward contracts	7,261,857	2,830,914
	7,273,434	3,030,803

Deferred tax asset consists of deferred tax on the following:

As at December 31st - LBP'000	2013	2012
Depreciation of property and equipment	341,242	423,237
Provisions	1,207,280	1,380,485
Other	459,817	726,813
	2,008,339	2,530,535

Notes to the consolidated financial statements

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

As at December 31st - LBP'000	2013	2012
Current accounts from banks and financial institutions	252,319,975	231,615,873
Current accounts – associate bank	260,357	5,025,737
Short term deposits	1,418,373,090	796,849,974
Short term deposits - associate	6,262,596	5,985,280
Accrued interest payable	3,626,917	3,915,713
	1,680,842,935	1,043,392,577

Short term deposits include withdrawals from the Arab Trade Finance Program facility. The balance amounted to USD9,268,810 as of December 31, 2013 (USD8,879,648 in 2012). This facility was granted to the Group to finance imports and exports among Arab countries.

Short term deposits include deposits in the amount of LBP157billion secured by pledged securities amounting to LBP167billion as at December 31, 2013 (Note 48).

Short term deposits as at December 31, 2013 include deposits in the amount of LBP228billion with local banks against placements with same banks for the amount of LBP224billion and with approximately matching terms.

19. CUSTOMERS´ AND RELATED PARTIES´ DEPOSITS AT AMORTIZED COST

As at December 31st, 2013 - LBP'000	LBP	F/Cy	Total
Deposits from customers:			
Current and demand deposits	219,632,486	1,478,402,038	1,698,034,524
Term deposits – Note 9	4,361,723,151	8,122,968,070	12,484,691,221
Credit accounts against loans and advances – Note 9	294,330,840	610,975,347	905,306,187
Margins for irrevocable import letters of credit	36,615,993	24,434,805	61,050,798
Margins on letters of guarantee	10,643,718	42,106,363	52,750,081
Other margins	6,106,253	40,777,954	46,884,207
Accrued interest payable	42,519,436	46,563,663	89,083,099
Total third party customers' deposits	4,971,571,877	10,366,228,240	15,337,800,117
Deposits from related parties:			
Current and demand deposits	616,927	27,193,722	27,810,649
Term deposits	31,524,125	139,661,670	171,185,795
Credit accounts against loans and advances	370,372	838,540	1,208,912
Margins for irrevocable import letters of credit	6,157,662	727,207	6,884,869
Other margins	-	129,298	129,298
Accrued interest payable	62,235	399,485	461,720
Total related parties' deposits	38,731,321	168,949,922	207,681,243
Total deposits	5,010,303,198	10,535,178,162	15,545,481,360

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000 (Restated)	LBP	F/Cy	Total
Deposits from customers:			
Current and demand deposits	177,584,954	1,324,921,150	1,502,506,104
Term deposits – Note 9	3,977,118,899	6,884,333,291	10,861,452,190
Credit accounts against loans and advances – Note 9	260,166,502	415,630,399	675,796,901
Margins for irrevocable import letters of credit	50,324,282	19,639,559	69,963,841
Margins on letters of guarantee	7,536,803	39,406,762	46,943,565
Other margins	5,998,606	29,870,791	35,869,397
Accrued interest payable	32,045,698	35,705,319	67,751,017
Total third party customers' deposits	4,510,775,744	8,749,507,271	13,260,283,015
Deposits from related parties:			
Current and demand deposits	821,436	75,502,476	76,323,912
Term deposits	28,047,136	99,402,910	127,450,046
Credit accounts against loans and advances	469,625	2,897,052	3,366,677
Margins for irrevocable import letters of credit	1,557,190	687,339	2,244,529
Other margins	-	588,442	588,442
Accrued interest payable	133,536	366,946	500,482
Total related parties' deposits	31,028,923	179,445,165	210,474,088
Total Deposits	4,541,804,667	8,928,952,436	13,470,757,103

Customers' and related parties' deposits at amortized cost are allocated by brackets of deposits as follows (excluding accrued interest payable):

As at December 31st, 2013 - LBP'000	LBP Total Deposits	F/Cy Total Deposits	% of Customers	% of Deposits
Deposits from customers:				
Less than LBP500 million	2,180,656,520	2,506,513,734	97	24.29
From LBP500 million to LBP1.5billion	838,518,898	1,573,174,061	1	15.24
From LBP1.5 billion to LBP5billion	629,564,332	1,558,189,339	1	15.10
Over LBP5billion	1,280,312,691	4,681,787,443	1	45.37
	4,929,052,441	10,319,664,577	100	100.00
Deposits from related parties:				
Less than LBP500 million	2,232,997	3,722,875	83	2.87
From LBP500 million to LBP1.5 billion	1,294,827	4,644,143	5	2.87
From LBP1.5 billion to LBP5billion	11,210,113	14,221,596	8	12.27
Over LBP5billion	23,931,149	145,961,823	4	81.99
	38,669,086	168,550,437	100.00	100.00
	4,967,721,527	10,488,215,014		

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000 (Restated)	LBP Total Deposits	F/Cy Total Deposits	% of Customers	% of Deposits
Deposits from customers:				
Less than LBP500million	1,999,965,174	2,411,352,655	96	27.67
From LBP500million to LBP1.5billion	732,125,776	1,400,493,636	2	16.07
From LBP1.5billion to LBP5billion	600,642,253	1,484,872,078	1	17.04
Over LBP5billion	1,145,996,843	3,417,083,583	1	39.22
	4,478,730,046	8,713,801,952	100	100.00
Deposits from related parties:				
Less than LBP500million	2,531,544	5,121,761	83	3.65
From LBP500million to LBP1.5billion	4,291,048	7,864,286	8	5.79
From LBP1.5billion to LBP5billion	5,755,187	19,826,778	6	12.18
Over LBP5billion	18,317,608	146,265,394	3	78.38
	30,895,387	179,078,219	100	100.00
	4,509,625,433	8,892,880,171		

Deposits from customers include at December 31, 2013 coded deposit accounts in the aggregate of LBP146.69billion (LBP68billion as at December 31, 2012). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include as at December 31, 2013 deposits of fiduciary nature received from resident and non-resident banks for a total amount of LBP125billion and LBP397billion respectively (LBP50billion and LBP364billion in 2012).

The average balance of customers' deposits and related cost of funds over the last 3 years are as follows:

Year	Average Balance of Deposits LBP'000	Allocation of Deposits LBP %	Allocation of Deposits F/Cy %	Cost of Funds LBP'000	Average Cost of Funds %
Year 2013	13,161,806,337	36	64	544,475,386	4.15
Year 2012	11,329,342,493	36	64	475,751,575	4.21
Year 2011	9,846,089,776	35	65	424,385,971	4.30

The average balance of related parties' deposits and related cost of funds over the last 3 years are as follows:

Year	Average Balance of Deposits LBP'000	Allocation of Deposits LBP %	Allocation of Deposits F/Cy %	Cost of Funds LBP'000	Average Cost of Funds %
Year 2013	180,144,054	20	80	8,798,363	4.88
Year 2012	203,835,473	21	79	8,771,862	4.30
Year 2011	166,006,486	14	86	3,750,298	2.26

Notes to the consolidated financial statements

20. OTHER BORROWINGS

As at December 31st - LBP'000	2013	2012
Borrowings from Central Bank of Lebanon	86,747,336	-
Borrowings from other central banks	165,179,054	-
Borrowings from the European Investment Bank	46,038,565	52,190,470
Accrued interest payable	370,208	119,263
	298,335,163	52,309,733

Borrowings from Central Bank of Lebanon represent facilities in accordance with Central Bank of Lebanon Basic Decision No.6116 of March 7, 1996 and its amendments by which the Group benefited from credit facilities granted against loans that the Group granted at its own risk to customers pursuant to certain conditions, rules and mechanism.

Borrowings from European Investment Bank are summarized as follows:

December 31, 2013	December 31, 2012	Final Maturity Year	Average interest Rate
C/V LBP'000	C/V LBP'000		%
-	194,108	2013	5.87
29,581,136	31,496,756	2014	4.07
440,607	645,327	2015	4.93
4,316,932	5,755,909	2016	4.73
4,163,546	5,346,395	2017	4.16
2,942,586	3,511,243	2018	4.13
1,712,032	1,991,186	2019	3.34
2,881,726	3,249,546	2020	4.93
46,038,565	52,190,470		

Borrowings from the European Investment Bank were obtained to finance loans granted to customers in the manufacturing sector.

The Group did not have any defaults of principal, interest or other breaches with respect to its borrowings during 2013 and 2012.

21. CERTIFICATES OF DEPOSIT

	2013		(Restated) 2012	
As at December 31st - LBP'000	C/V of F/Cy	Average Interest Rate %	C/V of F/Cy	Average Interest Rate %
Certificates of deposit	29,949,012	4.17	46,349,278	4.17
Accrued interest payable	347,387		444,249	
	30,296,399		46,793,527	

The Group did not have any defaults of principal, interest or other breaches with respect to its certificates of deposit during 2013 and 2012.

Notes to the consolidated financial statements

22. OTHER LIABILITIES

As at December 31st - LBP'000	2013	(Restated) 2012
Checks and incoming payment orders in course of settlement	25,926,757	36,761,830
Fair value of derivative financial liabilities (a)	10,168,289	1,735,705
Payable on acquisition of non-controlling interest in a subsidiary (Note 29)	36,855,988	-
Dividends payable	2,388,968	2,007,673
Suspense account	335,434	2,205,104
Accrued expenses (c)	27,057,587	21,591,651
Deferred income	8,315,522	7,636,915
Discount on forward deals	122,513	-
Income tax payable (c)	21,533,263	16,412,080
Deferred tax liability (b)	2,857,421	2,249,139
Withheld taxes	9,556,393	8,597,382
Fair value of financial guarantees	1,709,722	1,406,443
Margins on letters of credit - banks	70,214,323	94,199,091
Margins on letters of credit - associate bank	31,322,722	8,270,545
Sundry accounts payable	25,488,562	20,626,427
Unfavorable exchange difference on fixed currency position (Note 24)	175,833	175,833
	274,029,297	223,875,818

(a) Fair value of derivative financial liabilities consists of the following:

As at December 31st - LBP'000	2013	(Restated) 2012
Fair value of interest rate swap (Note 43)	685,331	1,716,083
Fair value of forward contracts	514,181	19,622
Fair value of currency options (Note 43)	8,968,777	-
	10,168,289	1,735,705

The Group uses interest rate swaps, forward contracts and currency options for hedging purposes only. These represent commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates.

(b) The movement of deferred tax liability which relates to undistributed profits from subsidiaries during 2013 and 2012 was as follows:

As at December 31st - LBP'000	2013	(Restated) 2012
Opening balance	2,249,139	1,859,879
Additions	1,878,282	1,641,230
Settlements	(1,270,000)	(1,250,000)
Previous year adjustment	-	(1,970)
Ending balance	2,857,421	2,249,139

Notes to the consolidated financial statements

During 2013, two of the Group's subsidiaries paid cash dividends in the amount of LBP12.7billion (LBP12.5billion during 2012). The related distribution tax amount of LBP1.27billion (LBP1.25billion during 2012) was settled from the deferred tax liability which was settled in 2013.

At December 31, 2013, a deferred tax liability for temporary differences of LBP9billion related to the undistributed profits of subsidiaries was not recognized on the grounds that management has committed to retain the profits in one of the subsidiaries for purpose of permanent capitalization of profits.

(c) The regrouping of reconciliations between average effective tax rate and enacted tax rates is summarized as follows:

As at December 31st - LBP'000	2013	(Restated) 2012
Gross profit	260,565,807	239,925,341
Less: Non-taxable revenues	(11,732,954)	(14,571,624)
Add: Non-deductible expenses/losses	28,732,747	21,407,250
Less: Income from an associate bank	(2,740,589)	(1,783,373)
Less: Income from managed fund	(30,215,972)	(31,560,662)
Less: Income of foreign branches and of subsidiaries	(46,956,615)	(45,658,793)
Bank's net taxable profit	197,652,424	167,758,139
Tax at the domestic income tax rate of 15%	29,647,864	25,163,721
Add: Income tax provision - foreign branches and subsidiaries	9,794,629	11,303,842
Tax expense for the year	39,442,493	36,467,563
Less: Tax paid during the year in the form of withholding tax	(11,096,883)	(12,618,174)
Less: Subsidiaries income tax paid	(6,812,347)	(7,437,309)
Income tax payables as at December 31,	**21,533,263**	**16,412,080**

During 2013, Bank of Beirut S.A.L. and two of its subsidiaries were subject to tax examination for the fiscal years 2008 until 2011 (inclusive). The result of this assessment was received in the period subsequent to year end where an amount of LBP4.8billion was paid and which was fully provided for.

During 2012, the tax department issued its tax assessment report in respect of Bank of Beirut S.A.L. for fiscal years 2006 and 2007 which started in 2009. As a result of this tax review, the Group paid LBP2.9billion and claimed LBP1.2billion which was collected in December 2012. The net effect of this settlement in the amount of LBP1.7billion was accrued for under "Accrued expenses" as at December 31, 2012.

The tax returns of Bank of Beirut S.A.L. and most of its subsidiaries for the years 2012 and 2013 remain subject to examination and final tax assessment by the tax authorities. Any additional liability depends on the result of these reviews.

23. PROVISIONS

As at December 31st - LBP'000	2013	(Restated) 2012
Provision for staff, and executive management termination indemnity	21,170,902	33,881,151
Provision for loss on foreign currency position	194,000	194,000
Provision for contingencies	6,541,784	5,260,409
Provision for insurance contracts liabilities	4,632,987	2,607,638
Other	134,472	131,669
	32,674,145	**42,074,867**

Notes to the consolidated financial statements

The movement of provision for staff, and executive management termination indemnity is as follows:

As at December 31st - LBP'000	2013	(Restated) 2012
Balance January 1	33,881,151	28,893,355
Additions – Note 39	3,215,309	8,644,605
Settlements	(15,925,558)	(3,656,809)
Balance December 31	**21,170,902**	**33,881,151**

The movement of provision for contingencies during 2013 and 2012 was as follows:

As at December 31st - LBP'000	2013	(Restated) 2012
Balance January 1	5,260,409	4,715,288
Additions – Note 38	1,281,375	-
Transfer from accrued expenses	-	545,121
Balance December 31	**6,541,784**	**5,260,409**

24. SHARE CAPITAL

At December 31, 2013 and 2012, the authorized ordinary share capital of the Bank was LBP68.13billion consisting of 50,467,400 fully paid shares of LBP1,350 par value each. The increase in the nominal value of the share in the amount of LBP90 per share during 2012 resulted from a transfer from reserves restricted for capital increase following a decision by the general assembly to reconstitute the capital which decreased by an amount of LBP3.64billion as a result of the redemption of all Series "D" preferred shares and partly for rounding the nominal value of the share by an aggregate amount of LBP900million.

As of December 31, 2013 and 2012, the Bank's capital was partly hedged by maintaining a fixed foreign currency position to the extent of USD47.17million. The revaluation resulted in unfavorable exchange difference in the amount of LBP176million recorded under "other liabilities" (Note 22).

As of December 31, 2013 and 2012, the Group had a fixed foreign currency position for an amount of GBP13.6million to partially hedge its investment in a foreign subsidiary in the United Kingdom. The revaluation of this position resulted in a favorable variance of LBP1.18billion (favorable of LBP484million in 2012) recorded in "cumulative change in fair value of fixed currency position designated as hedging instruments" under equity.

Moreover, as of December 31, 2013 and 2012, the Group had a fixed spot position for an amount of AUD98million to partially hedge its investment in a foreign Australian subsidiary bank. The revaluation of this position as of December 31, 2013 resulted in an unfavorable variance of LBP19.69billion (favorable variance of LBP2.56billion in 2012) recorded in "cumulative change in fair value of fixed currency position designated as hedging instruments" under equity.

25. NON-CUMULATIVE PREFERRED SHARES

On July 30, 2007 the Extraordinary General Assembly of shareholders approved the issuance of 4,000,000 non cumulative, redeemable preferred shares (Series "D"), at an issue price of USD25 per share with the minimum subscription set at USD2,500. These shares earn an annual dividend of 9% of the issue price annually provided there are enough declared net profits to allow the payment of such dividend. Holders of Series "D" preferred shares were entitled to an upfront payment equal to 3% of the issue price. This upfront payment in the amount of USD3million was deducted from the proceeds of issuance the Series "D" Preferred shares and was being reconstituted by appropriation of net income over the life of the Series "D" preferred shares. On December 28, 2012, the Extraordinary General Assembly of shareholders allowed holders of Series "D" preferred shares to redeem their shares and to subscribe to Series "I" preferred shares.

Notes to the consolidated financial statements

On November 13, 2008, the Group offered non-cumulative perpetual redeemable Series “E” preferred shares, with an aggregate amount of USD60,000,000, distributed over 2,400,000 preferred shares, at an issue price of USD25 per preferred share each. These preferred shares earn an annual dividend equal to 8% per year of the issue price. These preferred shares are listed on the Beirut Stock Exchange.

On July 8, 2009, the Group issued 3,000,000 non-cumulative perpetual redeemable Series “F” preferred shares with an aggregate amount of USD75,000,000 distributed over 3,000,000 preferred shares at an issue price of USD25. These preferred shares earn an annual dividend equal to 8% per year of the issue price.

On September 29, 2010, the Extraordinary General Assembly of shareholders approved the issuance of 3,570,000 non cumulative convertible redeemable Series “G“ preferred shares at an issue price of USD35 with an aggregate amount of USD124,950,000. These preferred shares earn an annual dividend of 6.75% of the issue price.

On June 30, 2011, the Group issued 5,400,000 of series “H” non cumulative perpetual redeemable preferred shares, at an issue price of USD25 with an aggregate amount of USD135,000,000. The preferred shares earn annual dividends of 7% of the issue price. These preferred shares are listed on the Beirut Stock Exchange.

On November 19, 2012, the Group issued 5,000,000 non cumulative perpetual redeemable Series “I” preferred shares with an aggregate amount of USD125,000,000 at an issue price of USD25. These preferred shares earn an annual dividend of 6.75% of the issue price. These preferred shares will be listed on the Beirut Stock Exchange.

The Group has the right, at its sole discretion, to redeem on each redemption date all or part of the Series “E”, “F”, “G”, “H” and “I” preferred shares (but not less than 25%). Redemption date means for the first time the financial year during which falls the 5th anniversary of the Extraordinary General Meeting of the Group’s shareholders which ascertains the validity and payment of the capital increase by virtue of which the Preferred Shares are issued; and every consecutive 2 years thereafter.

In the event of liquidation of the Bank, holders of preferred shares Series “E”, “F”, “G”, “H” and “I” rank senior to the holders of common shares.

26. SHAREHOLDERS´ CASH CONTRIBUTION TO CAPITAL

The shareholders’ cash contribution to capital is for a total amount of LBP20.98billion (USD13,916,000) as at December 31, 2013 and 2012 and it is non-interest bearing.

This sort of instrument is accounted for in foreign currency and therefore allows hedging against national currency exchange fluctuation. According to local banking regulations, cash contribution to capital is considered as Tier I capital.

27. RESERVES

As at December 31st - LBP’000	2013	(Restated) 2012
Legal reserves	94,603,406	80,205,214
Reserve for general banking risks	135,134,766	107,589,766
Special reserves setup from net release of provision for credit losses	5,248,974	5,721,892
Reserves restricted for capital increase	34,790,601	22,948,843
Issue premiums on common shares	232,108,394	232,108,394
	501,886,141	448,574,109

The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of net profit. This reserve is not available for distribution.

The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group’s total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

Notes to the consolidated financial statements

During 2013, the Group appropriated an amount of LBP11.8billion (LBP16.8billion in 2012) representing gains from disposals of assets acquired in satisfaction of debts from net income of the previous year to reserves restricted for capital increase.

28. TREASURY SHARES

The Group is authorized to buy back up to one third of its listed shares on the Beirut Stock Exchange from its free reserves.

The movement of treasury shares for the years ended December 31, 2013 and 2012 was as follows:

	2013		(Restated) 2012	
	No. of Shares	Value in USD	No. of Shares	Value in USD
Common shares:				
Opening balance	1,031,889	29,594,526	757,799	19,488,500
Purchases of treasury shares	86,972	589,906	279,190	10,200,026
Sales of treasury shares	-	-	(5,100)	(94,000)
Ending balance	1,118,861	30,184,432	1,031,889	29,594,526
Counter value in LBP'000		45,503,033		44,613,748

29. NON-CONTROLLING INTERESTS

As at December 31st, 2013 - LBP'000	Beirut Life SAL	Managed Funds	Total
Share in capital	225,000	578,823,610	579,048,610
Retained earnings	487,794	(20,840,426)	(20,352,632)
Profit for the year	313,045	29,904,079	30,217,124
	1,025,839	587,887,263	588,913,102

As at December 31st, 2012 - LBP'000 (Restated)	Bank of Sydney Ltd	Beirut Life SAL	Managed Funds	Total
Share in capital	18,355,920	225,000	439,162,254	457,743,174
Retained earnings	5,333,698	245,244	(14,123,301)	(8,544,359)
Profit for the year	425,545	242,548	30,907,102	31,575,195
Other comprehensive income	(31,196)	-	-	(31,196)
Currency translation adjustment	(703)	-	-	(703)
Effect of exchange rate	528,869	-	-	528,869
	24,612,133	712,792	455,946,055	481,270,980

During the first half of 2013, and in accordance with the option agreement related to the share purchase agreement dated January 26, 2011, Marfin Popular Bank Public Co. Limited, former owner of Bank of Sydney (formerly Laiki Bank Australia), exercised its put option to sell the remaining share of 7.5% of the subsidiary bank's equity stake at a strike price of AUD27.56million (LBP36.85billion) recorded under "Payables on acquisition of non-controlling interest in a subsidiary" under "Other liabilities" (Note 22) as at December 31, 2013. As a result, the Bank's equity share in the subsidiary bank increased to 100%.

Notes to the consolidated financial statements

30. DIVIDENDS PAID

The following dividends were declared and paid in 2013 and 2012 by the Group in respect to 2012 and 2011 respectively:

As at December 31st - LBP'000	2013	(Restated) 2012
LBP716 (LBP650 for 2012) per ordinary share	36,134,658	32,803,810
LBP3,391.88 (LBP3,391.88 for 2012) per preferred share Series "D"	13,567,500	13,567,500
LBP3,015 (LBP3,015 for 2012) per preferred share Series "E"	7,236,000	7,236,000
LBP3,015 (LBP3,015 for 2012) per preferred share Series "F"	9,045,000	9,045,000
LBP3,561.47 (LBP3,561.47 for 2012 per preferred share Series "G"	12,714,443	12,714,443
LBP2,638.13 (LBP659.5 for 2012) per preferred share Series "H"	14,245,875	3,707,830
	92,943,476	79,074,583

Subsequent to the date of the consolidated statement of financial position, the following dividends were proposed by the board of directors in respect of 2013. These dividends have not been provided for in the consolidated financial statements for the year ended December 31, 2013.

LBP'000	
LBP859 per ordinary share	43,351,497
LBP3,015 per preferred share Series "E"	7,236,000
LBP3,015 per preferred share Series "F"	9,045,000
LBP3,561.47 per preferred share Series "G"	12,714,443
LBP2,638.13 per preferred share Series "H"	14,245,875
LBP2,543.91 per preferred share Series "I"	12,719,531
	99,312,346

31. INTEREST INCOME

LBP'000	2013	(Restated) 2012
Interest income from:		
Deposits with central banks	93,054,571	64,614,970
Deposits with banks and financial institutions	22,608,124	15,664,326
Loans to banks	16,861,984	15,942,638
Financial assets at amortized cost	386,256,775	319,219,398
Loans and advances to customers	350,488,361	337,848,295
Loans and advances to related parties	6,021,607	6,823,254
Interest recognized on non-performing loans and advances to customers	2,445,860	1,965,318
	877,737,282	762,078,199

Interest income realized on non-performing loans and advances to customers represent recoveries of interest.

Interest income on trading assets at fair value through profit or loss is included under "Net interest and other gains on trading securities" (Note 35).

Notes to the consolidated financial statements

32. INTEREST EXPENSE

LBP'000	2013	(Restated) 2012
Interest expense on:		
Other borrowings	5,855,344	2,521,170
Deposits from banks and financial institutions	17,949,653	7,877,354
Customers' accounts at amortized cost	544,475,386	475,751,575
Related parties' accounts at amortized cost	8,798,363	8,771,862
Subordinated loans from shareholders	-	722,134
Certificates of deposit issued by the Group	1,467,740	5,245,249
	578,546,486	500,889,344

33. FEE AND COMMISSION INCOME

LBP'000	2013	(Restated) 2012
Commissions on documentary credits	42,687,554	47,785,312
Commissions on letters of guarantee	8,355,572	7,766,852
Commissions on money transfers' transactions	5,247,084	4,667,449
Insurance brokerage and service fees	19,668,931	18,798,949
Commissions on fiduciary accounts	2,114,618	1,258,177
Commissions on banking services	22,602,549	17,865,567
Commissions on credit cards	8,947,625	7,940,522
Commissions on capital market transactions	1,734,217	13,912,490
Other	6,091,041	3,692,424
	117,449,191	123,687,742

34. FEE AND COMMISSION EXPENSE

LBP'000	2013	(Restated) 2012
Commissions on transactions with banks and financial institutions	879,719	927,787
Commissions on credit card	4,210,180	3,179,541
Commissions on fiduciary deposits	2,240,553	1,342,775
Commissions on loans	4,430,532	3,899,687
Commissions on money transfers' transactions	1,552,493	1,326,593
Commissions on insurance transactions	3,811,071	3,137,709
Other	2,645,874	1,745,464
	19,770,422	15,559,556

Notes to the consolidated financial statements

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

This caption consists of the following:

LBP'000	2013	(Restated) 2012
Interest income	54,510,389	74,018,613
Commissions (net)	-	76,779
Change in fair value (net)	(8,728,090)	(16,000,471)
Gain on sale	10,913,445	20,902,037
Dividends received	4,195,543	1,943,855
	60,891,287	80,940,813

36. OTHER OPERATING INCOME (NET)

LBP'000	2013	(Restated) 2012
Share in profits of an associate (Note 13)	3,297,287	1,783,373
Foreign exchange gain	14,535,367	8,126,790
Loss on forward contracts	(4,034,526)	(7,233,647)
Other operating income (net)	(2,405,135)	2,493,558
Gain on sale of assets acquired in satisfaction of loans (Note 14)	797,733	11,835,079
Gain/(loss) on sale of property and equipment	509,992	(4,415)
Dividends on other investments	-	1,365,443
	12,700,718	18,366,181

37. PROVISION FOR CREDIT LOSSES

This caption consists of the following:

LBP'000	2013	(Restated) 2012
Provision charged during the year – Note 9	20,139,555	13,139,691
Write-back of provision during the year – Note 9	(2,312,943)	(1,291,575)
Direct write-off of loans	128,847	15,434
	17,955,459	11,863,550

38. OTHER PROVISION (NET)

This caption consists of the following:

LBP'000	2013	(Restated) 2012
Provision for contingencies – Note 23	1,281,375	-
Provision for insurance liabilities – Note 23	2,025,349	1,865,916
Write-back of miscellaneous provision	(62,856)	(91,942)
	3,243,868	1,773,974

Notes to the consolidated financial statements

39. STAFF COSTS

This caption consists of the following:

LBP'000	2013	(Restated) 2012
Salaries	86,588,518	83,620,351
Social Security contributions	9,814,752	8,524,724
Executive board members remunerations	14,196,296	13,331,365
Catch up provision for end-of-service indemnities staff (Lebanese jurisdiction) – Note 23	1,542,526	3,433,926
Catch up provision for end-of-service indemnities lawyers and executive management (Lebanese jurisdiction) – Note 23	85,283	3,667,209
Pension costs – Note 23	1,587,500	1,543,470
Other staff benefits	19,341,212	13,766,800
	133,156,087	127,887,845

40. GENERAL AND ADMINISTRATIVE EXPENSES

This caption is composed of the following:

LBP'000	2013	(Restated) 2012
Rent expense under operating leases	9,631,108	8,529,257
Cleaning	1,520,788	1,158,637
Electricity, water and fuel	3,121,662	3,024,421
Telephone, mail and other communication expenses	7,256,659	6,725,398
Maintenance and repair fees	9,691,450	8,539,937
Subscription fees	1,659,462	1,700,901
Office supplies	3,802,202	3,611,516
Advertising and marketing expenses	13,597,790	12,221,096
Reception and entertainment	1,664,636	1,844,091
Travel and related expenses	2,922,332	3,751,259
Professional fees	5,396,857	3,769,201
Regulatory charges	4,038,931	3,471,554
Taxes and fiscal charges	6,526,325	5,814,226
Insurance expenses	3,870,558	3,461,352
Donation and gifts	4,872,770	657,290
Centrale des risques	675,076	207,811
Management fees	12,044,925	11,674,977
Training, research and development expenses	1,344,489	875,420
Miscellaneous expenses	9,706,909	8,676,311
	103,344,929	89,714,655

Notes to the consolidated financial statements

41. DEPRECIATION AND AMORTIZATION

This caption is composed of the following:

LBP'000	2013	(Restated) 2012
Depreciation property and equipment – Note 15	13,956,781	11,479,155
Amortization of deferred software charges – Note 17	2,526,725	2,153,111
	16,483,506	13,632,266

42. EARNINGS PER SHARE

The computation of the basic earnings per share is based on the Group's net income before non-recurring income and the weighted average number of outstanding shares during each year, net of treasury shares held by the Group.

As at December 31st - LBP'000	2013	(Restated) 2012
Earnings:		
Earnings for the purpose of basic earnings per share (net income for the year)	189,027,908	170,241,353
Less: Dividends proposed to non-cumulative preferred shares	(55,960,850)	(56,808,818)
Net income after distribution to non-cumulative preferred shares	133,067,058	113,432,535
Number of Shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	50,151,838	50,190,859
Effect of dilutive potential ordinary shares, preferred shares	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	50,151,838	50,190,859
Basic Earnings per share	LBP 2,653	LBP 2,260
Diluted Earnings per share	LBP 2,653	LBP 2,260

The conversion effect of Series "G" preferred shares was excluded from the calculation of diluted earnings per share for 2013 and 2012 since they have anti-dilutive effect.

43. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the balance sheet. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

Notes to the consolidated financial statements

Forward exchange contracts outstanding as of December 31, 2013 and 2012 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.

As of December 31, 2013, the Group had European Knock-in currency options outstanding detailed as follows:

	Notional Amount AUD	Knock-in Price	Strike Price	Fair Value (USD)	C/V LBP
	100,000,000	0.7950	1.0525	(3,580,212)	(5,387,170)
	75,000,000	0.7975	1.0465	(2,369,226)	(3,571,608)
	175,000,000			(5,949,438)	(8,958,778)
C/V LBP	234,027,500				

The above options mature on June 30, 2014.

As of December 31, 2013 and 2012, the Group had an interest rate swap outstanding to hedge cash flows detailed as follows:

	2013		(Restated) 2012	
	Original Currency AUD	C/V LBP'000	Original Currency AUD	C/V LBP'000
Principal amount	44,767,457	59,867,120	53,142,179	83,131,905
Fair value (Note 22)	512,473	685,331	1,109,552	1,716,083

44. FIDUCIARY ACCOUNTS

Fiduciary accounts are invested as follows:

As at December 31st - LBP'000	2013	(Restated) 2012
Back-to-back lending	52,971,235	35,301,591
Equity securities (long position)	102,960,551	90,206,308
Derivatives	(10,068,148)	(1,532,031)
Debt leverage	42,550,533	42,131,665
	188,414,171	166,107,533

Notes to the consolidated financial statements

45. BALANCES / TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, subsidiaries and associates. Balances with related parties consist of the following:

As at December 31st - LBP'000	2013	(Restated) 2012
Shareholders, directors and other key management personnel and close family members and their related companies:		
Direct facilities and credit balances:		
Secured loans and advances	92,585,650	101,767,273
Unsecured loans and advances	36,074,778	21,359,071
Deposits	(207,219,523)	(209,973,606)
Accrued interest receivable	72,430	48,772
Accrued interest payable	(461,720)	(500,482)
Other credit balances	(3,490)	-
Indirect facilities:		
Letters of guarantees	2,593,509	2,457,096
Performance bonds	83,446	78,587
Associates		
Direct facilities and credit balances:		
Financial loans (discounted acceptances) – Note 8	68,421,151	25,252,221
Current accounts – Note 6	1,627,885	29,181,656
Deposits from associate – Note 18	(6,522,953)	(11,010,017)
Acceptances	4,209,685	1,262,489
Margins on letters of credit – Note 22	(31,322,722)	(8,270,545)
Indirect facilities:		
Letters of credit	8,294,517	9,230,225

Interest rates applied on related parties' balances outstanding are the same rates that would be charged in an arm's length transaction.

Secured loans and advances are covered as of December 31, 2013 by real estate mortgages to the extent of LBP11.9billion (LBP24.6billion as of December 31, 2012), pledged deposits of the respective borrowers to the extent of LBP54.9billion (LBP65.4billion as of December 31, 2012), pledged securities to the extent of LBP1.9billion (LBP2.2billion as of December 31, 2012) and car mortgages to the extent of LBP205million (LBP239million as of December 31, 2012).

The remuneration of executive management amounted to LBP1.39billion during 2013 (LBP1.39million during 2012) in addition to incentives linked to performance representing 6% of profit before tax.

General and administrative expenses for the year ended December 31, 2013 included rent expenses to related parties for USD150,000 and AED102,240 (USD150,000 and AED87,240 for the year ended December 31, 2012) and management expenses to related parties for USD900,000 (USD900,000 for the year ended December 31, 2012).

Notes to the consolidated financial statements

46. CASH AND CASH EQUIVALENTS

A. Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flows statement consist of the following:

As at December 31st - LBP'000	2013	(Restated) 2012
Cash	39,986,936	38,703,549
Current accounts with central banks	767,915,841	915,064,885
Time deposits with central banks	1,185,471,495	575,046,144
Checks for collection	53,366,475	79,548,355
Demand deposits with banks and financial institutions	593,192,274	272,341,914
Time deposits with banks and financial institutions	768,149,492	561,119,367
Demand deposits from banks	(252,580,332)	(236,641,610)
Time deposits from banks	(1,189,989,804)	(598,855,774)
	1,965,512,377	1,606,326,830

Time deposits with and from central banks and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

B. Non-cash transactions

The statement of cash flow is prepared after excluding the effect of the following material non-cash transactions:

As at December 31st - LBP'000	2013	(Restated) 2012
Operating Activities:		
Loans and advances for the effect of assets acquired in satisfaction of loans and transfer from provisions for contingencies	37,148	75,532
Other assets	1,988,589	1,105,604
Other liabilities	45,924,766	-
Investing Activities:		
Effect of assets acquired in satisfaction of loans	37,148	75,532
Financing Activities:		
Property and equipment	1,988,589	1,105,604
Non-controlling interest	36,955,988	-
Cumulative change in fair value of financial instruments designated as hedging instruments	8,968,778	-

47. CONTINGENCIES

As of the date of the statement of financial position, there are lawsuits and litigations, whereby the Group is either plaintiff or defendant, pending before the competent courts and the outcome of which cannot be determined at present. One of these litigations might be sensitive with risk relatively low and not based on valid grounds according to the Group's legal advisor.

Notes to the consolidated financial statements

48. COLLATERAL GIVEN

The carrying values of financial assets given as collateral are as follows:

As at December 31st, 2013 - LBP'000	Pledged Amount	Corresponding Facilities			
		Nature of Facility	Amount of Facility	Nature of Facility	Amount of Facility
Pledged deposits with banks	41,450,443	Risk participation	28,758,939	-	-
Pledged deposits with banks	611,950	Trade Finance	2,657,081	Performance bonds	7,586,107
Pledged deposits with banks	61,571,401	Foreign currency (Bought)	421,069,214	Foreign currency (Sold)	415,411,583
Pledged deposits with banks	670,070	Notional amount of interest rate swap	59,867,120	-	-
Lebanese government bonds at amortized cost	914,566	Letter of guarantee	1,200,000	-	-
Lebanese treasury bills	70,000,000	Short term deposits	60,000,000	-	-
Bonds issued by financial private sector	97,221,710	Short term deposits	97,233,750	-	-
Securities sold under repurchase agreement	178,930,740	Borrowings from other central banks	165,179,054	-	-

As at December 31st, 2012 - LBP'000	Pledged Amount	Corresponding Facilities			
		Nature of Facility	Amount of Facility	Nature of Facility	Amount of Facility
Pledged deposits with banks	18,918,756	Risk participation	23,192,271	-	-
Pledged deposits with banks	888,425	Trade Finance	4,865,569	Letters of guarantee	11,373,280
Pledged deposits with banks	44,988,585	Foreign currency (Bought)	671,785,337	Foreign currency (Sold)	668,116,031
Lebanese government bonds at amortized cost	914,566	Letter of guarantee	1,200,000	-	-

49. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator, and retain an economic capital enough to meet the Group's medium term expansion plan.

Furthermore, the Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad in addition to the minimum regulatory capital required by the host country.

Pursuant to Central Bank of Lebanon decisions adopted with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Ratio	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
	%	%	%	%
Common Equity Tier 1 ratio	5.00	6.00	7.00	8.00
Tier 1 ratio	8.00	8.50	9.50	10.00
Total Capital ratio	10.00	10.50	11.50	12.00

Notes to the consolidated financial statements

The Group's capital is split as follows:

Tier I capital: Comprises share capital (after deduction of treasury shares), shareholders' cash contribution to capital, eligible non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits and retained earnings (inclusive of current year's net profit after deduction of proposed dividends). Goodwill and cumulative unfavorable change in fair value of securities at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II capital: Comprises qualifying subordinated liabilities, 50% of cumulative favorable change in fair value of securities at fair value through other comprehensive income and revaluation surplus of owned properties and ineligible non-cumulative perpetual preferred shares.

Investments in associates are deducted from Tier I and Tier II capital.

The Group has complied with the regulatory capital requirement throughout the period.

The Group's capital adequacy ratio according to Basle II as of December 31, 2013 and 2012, is as follows:

As at December 31st - LBP'000	2013	(For Consistency Purposes) 2012
Common equity (net)	774,868,000	702,575,000
Additional Tier 1 capital (net)	786,106,000	783,825,000
	1,560,974,000	1,486,400,000
Net Tier 2 capital	6,933,000	1,779,000
Total regulatory capital (including remaining net profit after distribution of dividends)	**1,567,907,000**	**1,488,179,000**
Credit risk	10,808,772,000	9,445,552,000
Market risk	129,207,000	345,442,000
Operational risk	787,090,000	683,438,000
Risk weighted assets and risk weighted off-balance sheet items	**11,725,069,000**	**10,474,432,000**
Common equity Tier I ratio	6.61%	6.71%
Tier I ratio	13.31%	14.19%
Risk based capital ratio – Tier I and Tier II capital	13.37%	14.21%

The Group's capital strategy is based on the following constraints:

- Comply with regulatory ratios, on individual and consolidated basis, primarily in respect of the Capital Adequacy Ratio under Basle III.
- Ensure a high return on equity for the common shareholders.
- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

The Group's strategy is to maintain a satisfactory economic capital beyond the regulatory threshold.

Notes to the consolidated financial statements

50. SEGMENT INFORMATION

The Group classifies its operating segments by geographical location and by activity.

Measurement of segment assets, liabilities, income and expenses is based on the Group's accounting policies.

Segment income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made, if any.
The Group has three reportable business segments which reflect the basis on which senior management reviews operating activities, allocates capital and assesses performance.

The Group's operating segment information by geographical location as follows:

	2013				2012 (Restated)			
As at December 31st - LBP'000	**Lebanon & Middle East**	**Europe**	**Australia**	**Inter-segment**	**Lebanon & Middle East**	**Europe**	**Australia**	**Inter-segment**
Total Assets	18,959,432,504	1,078,177,321	1,893,537,888	(1,403,717,562)	16,076,829,071	895,521,421	1,930,501,843	(1,479,331,028)
Total Liabilities	16,509,631,328	887,490,528	1,637,038,992	(804,241,465)	13,797,254,459	724,537,745	1,637,440,566	(869,393,663)
Total Equity	2,447,060,587	190,686,793	256,498,896	(596,735,508)	2,269,863,520	170,983,676	293,061,277	(600,226,273)
Profit for the year	214,156,299	15,028,547	5,899,144	(46,056,082)	198,775,588	16,218,050	5,673,935	(50,426,220)
ASSETS								
Trading assets at fair value through profit or loss	819,202,250	31,528,711	-	(40,690,394)	952,330,841	53,347,277	30,119,462	(55,784,541)
Loans and advances to customers	4,369,350,272	227,687,986	996,462,344	-	3,823,839,741	94,616,839	1,175,470,608	-
Loans and advances to related parties	222,979,046	-	9,585,527	(103,831,715)	205,368,804	-	11,603,368	(93,797,056)
Investment securities	6,095,343,166	6,115,781	685,897,441	-	4,806,094,921	18,691,228	524,274,972	-
LIABILITIES								
Customers' deposits at amortized cost	13,770,844,200	268,139,791	1,298,816,126	-	11,601,003,838	198,899,464	1,460,379,713	-
Related parties' deposits at amortized cost	299,878,740	-	3,886,326	(96,083,823)	332,735,733	-	5,106,506	(127,368,151)

As at December 31st - LBP'000	2013				2012 (Restated)			
	Lebanon & Middle East	Europe	Australia	Inter-segment	Lebanon & Middle East	Europe	Australia	Inter-segment
Interest income	780,313,701	23,526,848	98,894,200	(24,997,467)	650,372,101	20,066,353	114,367,424	(22,727,679)
Interest expense	(530,939,916)	(9,814,178)	(62,789,859)	24,997,467	(446,974,871)	(4,205,817)	(72,436,335)	22,727,679
Net interest income	249,373,785	13,712,670	36,104,341	-	203,397,230	15,860,536	41,931,089	-
Fee and commission income	96,227,785	21,045,891	5,701,611	(5,526,096)	105,172,355	17,482,909	6,042,479	(5,010,001)
Fee and commission expense	(19,048,525)	(617,357)	(104,540)	-	(15,377,075)	-	(182,481)	-
Net fee and commission income	77,179,260	20,428,534	5,597,071	(5,526,096)	89,795,280	17,482,909	5,859,998	(5,010,001)
Net interest and other gains on trading securities	61,189,561	324,951	2,828,780	(3,452,005)	81,501,947	76,779	1,606,197	(2,244,110)
Net interest and gain on financial liability designated at fair value through profit or loss	-	-	-	-	(74,470)	-	-	-
Gain from derecognition of financial assets measured at amortized cost	64,071,146	-	-	-	21,227,757	-	-	-
Other operating income	21,763,994	1,067,182	2,569,542	(12,700,000)	32,844,769	1,436,518	(4,157,647)	(11,757,459)
Net financial revenues	473,577,746	35,533,337	47,099,734	(21,678,101)	428,692,513	34,856,742	45,239,637	(19,011,570)
Provision for credit losses (net)	(17,810,826)	-	(144,633)	-	(11,768,446)	-	(95,104)	-
Provision for impairment of investment in associate	-	-	-	-	(5,213,980)	-	-	-
Other allowance for impairment (net)	(3,243,868)	-	-	-	(2,070,312)	296,338	-	-
Allowance for impairment for a brokerage account (net)	114,461	-	-	-	193,932	-	-	-
Net Financial revenues after impairment charge for credit losses	452,637,513	35,533,337	46,955,101	(21,678,101)	409,833,707	35,153,080	45,144,533	(19,011,570)
Staff Costs	(100,557,048)	(10,369,413)	(22,229,626)	-	(97,578,850)	(8,907,081)	(21,401,914)	-
General and administrative expenses	(91,281,327)	(5,435,585)	(13,424,113)	6,796,096	(79,453,342)	(4,419,995)	(12,704,480)	6,863,162
Depreciation and amortization	(13,267,980)	(402,024)	(2,813,502)	-	(10,399,179)	(362,274)	(2,870,813)	-
Write back of provisions for contingencies	-	-	-	-	-	-	-	-
Write-off of property and equipment	-	-	-	-	-	-	-	-
Write back of provision for impairment of assets acquired in satisfaction of loans	102,479	-	-	-	40,357	-	-	-
Profit before income tax	247,633,637	19,326,315	8,487,860	(14,882,005)	222,442,693	21,463,730	8,167,326	(12,148,408)
Income tax expense	(32,556,010)	(4,297,767)	(2,588,716)	-	(28,728,493)	(5,245,680)	(2,493,390)	-
Profit for the year before withholding tax on profits from subsidiaries	215,077,627	15,028,548	5,899,144	(14,882,005)	193,714,200	16,218,050	5,673,936	(12,148,408)
Deferred tax on undistributed profit	(1,878,282)	-	-	-	(1,641,230)	-	-	-
Profit for the year	213,199,345	15,028,548	5,899,144	(14,882,005)	192,072,970	16,218,050	5,673,936	(12,148,408)

The Group's operating segment information by activity during 2013 and 2012 was as follows:

As at December 31st, 2013 - LBP'000	Banking & Financial Institution	Insurance & Brokerage	Managed Funds	Inter-segment
Total Assets	21,188,776,546	40,930,306	701,440,861	(1,403,717,562)
Total Liabilities	18,903,552,378	21,574,617	109,033,853	(804,241,465)
Total Equity	2,282,483,579	19,355,689	592,407,008	(596,735,508)
Profit for the year	197,038,996	4,377,019	33,667,977	(46,056,084)
Non- controlling interest	-	313,045	29,904,079	-

As at December 31st, 2012 - LBP'000 (Restated)	Banking & Financial Institution	Insurance & Brokerage	Managed Funds	Inter-segment
Total Assets	18,293,826,962	33,588,851	575,436,522	(1,479,331,028
Total Liabilities	16,043,898,866	17,497,271	97,836,633	(869,393,663)
Total Equity	2,240,217,004	16,091,580	477,599,889	(600,226,273)
Profit for the year	175,992,196	10,871,205	33,804,772	(50,426,820)
Non- controlling interest	425,545	242,548	30,907,102	-

51. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group holds and issues financial instruments for three main purposes:
- to earn an interest margin or a fee;
- to finance its operations; and
- to manage the interest rate and currency risks arising from its operations and from its sources of finance.

The main risks arising from the Group's financial instruments are:

- Credit risk
- Liquidity risk
- Interest rate risk; and
- Foreign currency risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various Committees at Group and each entity's level to develop and monitor the Group's risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its management standards and procedures, aims to develop a disciplined control environment, in which employees understand their roles and obligations.

Notes to the consolidated financial statements

A – Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks, loans and advances to customers and other banks and investment securities. Credit risk also arises from off-balance sheet financial instruments such as letters of credit and letters of guarantee.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance affecting a particular industry or geographical location.

1- Management of credit risk

Credit risk is the risk of loss resulting from the failure of an obligor or counterparty to meet its contractual obligations. It is a part of many of the Group's business activities and exists in the different banking products (for example loans, letters of credit, derivative contracts….) provided to customers of all sizes, from large corporate clients to individual consumers.

The risk is controlled through monitoring and enforcing compliance with the risk principles and with policies, limits and regulatory requirements, whereby the Group has developed policies and practices to preserve the independence and integrity of decision-making and ensure credit exposure beyond normal risk are identified promptly, assessed accurately, approved properly, reviewed in light of market and external developments, monitored regularly and managed actively.

The Group assesses the creditworthiness of new contracting parties before entering into any transaction giving rise to credit exposure and continuously monitors creditworthiness and exposures thereafter. It applies a well-defined system for assessing the creditworthiness of its clients on the basis of many criteria related to the borrower mainly the nature of activity, financial performance and structure, credit history, cash flows, projected financials and management quality (e.g. purpose, amount, tenor, collateral presented as a second way out).

The Group sets limits on the credit exposure to both individual and groups and applies limits in a variety of forms to portfolios or sectors where it considers appropriate to restrict credit concentrations or areas of high risk. In addition credit concentration is subject to regulatory authority constraints whereby the credit concentration to one individual or Group (a Group is defined as a group of clients that are linked to one another by any of a number of criteria established, including capital ownership, voting rights, effective control and other indications) does not exceed a maximum of 20% of regulatory equity.

In order to meet credit risk management objectives, the Group seeks to maintain a risk profile that is diverse in terms of borrower, product type, industry and geographic concentration.

Through the risk reporting, credit risk trends and limit exceptions are provided regularly and discussed with concerned committees. In this connection, the Group works continuously towards enhancing its credit risk management tools and adopting more advanced approaches.

2- Measurement of credit risk

a) Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools. The Group's rating scale reflects the range of default probabilities defined for each rating class as explained below:

- Watch List: Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring.

- Past due but not impaired: Loans past due but not impaired are loans where contractual interest or principal are past due but management believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.

Notes to the consolidated financial statements

• Rescheduled loans: Rescheduled loans are loans that have been restructured after they have been rated as substandard or doubtful and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in its original category.

• Substandard loans: Substandard loans are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Group will sustain some loss if the deficiencies are not corrected.

• Doubtful loans: Doubtful loans have all the weaknesses inherent in those classified as substandard, with the added characteristic that existing facts, conditions, and values make collection or liquidation in full highly improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until a more exact status may be determined. Pending factors include merger, acquisition, liquidation procedures, capital injection, additional collateral, new financing sources, or additional guarantors.

• Loss: Loans classified as a loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value. Rather, the amount of loss is difficult to measure and its is not practical or desirable to defer writing off this basically worthless asset even if partial recovery may be obtained in the future. Loans are charged off in the period in which they are deemed uncollectible.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main component of its allowance is the specific loss component that relates to individually significant exposures, and a minor part of a collective loan loss allowance established for retail and Small and Medium Enterprises (SME's) where there is objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

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

3- Risk mitigation policies

Collateral:

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees
- Financial instruments (equities and debt securities)
- Business other assets (such as inventories and accounts receivable)

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

Notes to the consolidated financial statements

Other specific risk mitigation policies include:

Netting arrangements:

The Group further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

a) Exposure to credit risk and concentration by counterparty:

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

As at December 31st - LBP'000	2013	(Restated) 2012
	Gross Maximum Exposure	Gross Maximum Exposure
Deposits at central banks	4,048,494,911	3,366,343,080
Deposits with banks and financial institutions	1,875,967,997	1,267,179,018
Trading assets at fair value through profit or loss	810,040,567	980,013,039
Loans to banks	532,621,123	460,523,121
Loans and advances to customers	5,593,500,602	5,093,927,188
Loans and advances to related parties	128,732,858	123,175,116
Financial assets measured at amortized cost	6,783,779,951	5,345,492,434
Financial assets at fair value through other comprehensive income	3,576,437	3,568,687
Customers' acceptances liabilities	368,260,084	410,635,482
Other assets	17,707,867	13,496,023
Total	20,162,682,397	17,064,353,188
Financial instruments with off-balance sheet risk	3,170,372,780	3,615,356,319
Fiduciary deposits and assets under management	188,414,171	166,107,533
Total	3,358,786,951	3,781,463,852
Total credit risk exposure	23,521,469,348	20,845,817,040

Notes to the consolidated financial statements

b) Concentration of loans by industry or sector:

As at December 31st, 2013 - LBP'000	Agriculture	Manufacturing & Industry	Financial Services	Real Estate & Construction	Trade & Services	Others	Total
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	532,621,123	-	-	-	532,621,123
Loans and advances to customers	115,073,140	978,447,667	158,286,606	1,111,024,356	1,979,900,892	1,250,767,941	5,593,500,602
Loans and advances to related parties	-	3,217,504	7,950,680	-	98,279,250	19,285,424	128,732,858
Total	115,073,140	981,665,171	698,858,409	1,111,024,356	2,078,180,142	1,270,053,365	6,254,854,583

(Restated) As at December 31st, 2012 - LBP'000	Agriculture	Manufacturing & Industry	Financial Services	Real Estate & Construction	Trade & Services	Others	Total
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	460,523,121	-	-	-	460,523,121
Loans and advances to customers	92,466,767	916,021,887	136,270,953	1,042,208,086	1,648,242,725	1,258,716,770	5,093,927,188
Loans and advances to related parties	-	1,502,149	-	3,602,778	94,046,799	24,023,390	123,175,116
Total	92,466,767	917,524,036	596,794,074	1,045,810,864	1,742,289,524	1,282,740,160	5,677,625,425

Notes to the consolidated financial statements

Below are the details of the Group's exposure to Credit risk with respect to loans and advances to customers:

As at December 31st, 2013 - LBP'000	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure
Performing loans	5,603,765,848	-	5,603,765,848
Substandard loans	15,758,700	(50,902)	15,707,798
Doubtful loans	50,295,016	(36,982,749)	13,312,267
Collective provision	-	(39,285,311)	(39,285,311)
Total	5,669,819,564	(76,318,962)	5,593,500,602

As at December 31st, 2012 - LBP'000 (Restated)	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure
Performing loans	5,084,380,245	-	5,084,380,245
Substandard loans	13,898,051	(82,227)	13,815,824
Doubtful loans	50,647,581	(31,780,835)	18,866,746
Collective provision	-	(23,135,627)	(23,135,627)
Total	5,148,925,877	(54,998,689)	5,093,927,188

Estimates of fair value for properties held as collateral are based on the value of collateral assessed at the time of borrowing discounted for the effect of illiquidity in the range of 5% to 20% applied based on geographical distribution of mortgages held.

Notes to the consolidated financial statements

	Fair Value of Collateral Received						
	Pledged Funds	First Degree Mortgage on Property	Dept Securities	Bank Guarantees	Vehicles	Other	Total
	209,045,540	3,755,641,946	51,358,610	56,169,765	147,636,918	281,411,830	4,501,264,609
	852,089	8,873,278	-	-	1,283,437	93,470	11,102,274
	7,682	8,640,492	-	-	138,827	-	8,787,001
	-	-	-	-	-	-	-
	209,905,311	3,773,155,716	51,358,610	56,169,765	149,059,182	281,505,300	4,521,153,884

	Fair Value of Collateral Received						
	Pledged Funds	First Degree Mortgage on Property	Dept Securities	Bank Guarantees	Vehicles	Other	Total
	320,222,842	3,768,084,372	5,440,004	57,853,229	157,643,824	364,998,915	4,674,243,186
	49,355	7,566,558	-	-	1,504,829	1,483,672	10,604,414
	-	8,992,401	-	-	170,302	1,179,585	10,342,288
	-	-	-	-	-	-	-
	320,272,197	3,784,643,331	5,440,004	57,853,229	159,318,955	367,662,172	4,695,189,888

Notes to the consolidated financial statements

c) Concentration of financial assets and liabilities by geographical location:

As at December 31st, 2013 - LBP'000	Lebanon	Middle East & Africa	Europe	North America	Australia	Total
FINANCIAL ASSETS						
Cash and deposits at central banks	3,358,713,271	714,040,409	1,014,263	-	14,713,904	4,088,481,847
Deposits with banks and financial institutions	681,730,446	134,289,724	289,638,552	638,398,340	131,910,935	1,875,967,997
Trading assets at fair value through profit or loss	807,916,130	2,124,437	-	-	-	810,040,567
Loans to Banks	68,144,070	382,359,081	1,508,993	-	80,608,979	532,621,123
Loans and advances to customers	3,693,434,335	776,613,785	111,592,182	76,239	1,011,784,061	5,593,500,602
Loans and advances to related parties	118,595,473	551,858	-	-	9,585,527	128,732,858
Investment securities	5,987,654,737	-	7,537,500	-	792,164,151	6,787,356,388
Customers' liability under acceptances	144,212,624	187,392,203	23,653,494	3,720,214	9,281,549	368,260,084
Other assets	11,555,167	-	1,060,406	-	5,092,294	17,707,867
	14,871,956,253	2,197,371,497	436,005,390	642,194,793	2,055,141,400	20,202,669,333
FINANCIAL LIABILITIES						
Deposits from banks and financial institutions	946,748,330	396,777,767	189,179,613	2,823,467	145,313,758	1,680,842,935
Customers' and related parties' deposits at amortized cost	10,692,952,868	2,364,788,594	928,121,641	158,034,367	1,401,583,890	15,545,481,360
Liabilities under acceptances	55,505,853	43,161,538	115,689,779	1,543,087	152,359,827	368,260,084
Other borrowings	65,420,164	-	37,735,340	-	195,179,659	298,335,163
Certificates of deposit	11,603,399	17,185,500	-	-	1,507,500	30,296,399
Other liabilities	198,008,928	1,577,506	555,204	-	4,269,127	204,410,765
	11,970,239,542	2,823,490,905	1,271,281,577	162,400,921	1,900,213,761	18,127,626,706
Net financial assets	2,901,716,711	(626,119,408)	(835,276,187)	479,793,872	154,927,639	2,075,042,627

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000 (Restated)	Lebanon	Middle East & Africa	Europe	North America	Australia	Total
FINANCIAL ASSETS						
Cash and deposits at central banks	2,795,723,655	585,621,354	1,908,509	-	21,793,111	3,405,046,629
Deposits with banks and financial institutions	400,913,055	157,387,078	403,546,148	81,448,472	223,884,265	1,267,179,018
Trading assets at fair value through profit or loss	888,355,639	6,683,163	53,347,277	-	31,626,960	980,013,039
Loans to banks	55,305,047	264,296,361	(8,405,659)	-	149,327,372	460,523,121
Loans and advances to customers	3,185,940,013	636,562,331	80,109,263	84,989	1,191,230,592	5,093,927,188
Loans and advances to related parties	110,936,498	635,250	-	-	11,603,368	123,175,116
Investment securities	4,598,885,754	-	28,812,990	-	721,362,377	5,349,061,121
Customers' liability under acceptances	186,003,334	200,450,129	9,765,133	987,481	13,429,405	410,635,482
Other assets	11,014,306	-	640,075	-	1,841,642	13,496,023
	12,233,077,301	1,851,635,666	569,723,736	82,520,942	2,366,099,092	17,103,056,737
FINANCIAL LIABILITIES						
Deposits from banks and financial institutions	357,287,507	293,317,874	152,451,928	3,062,819	237,272,449	1,043,392,577
Customers' and related parties' deposits at amortized cost	9,165,973,146	1,978,206,526	581,989,070	153,356,965	1,591,231,396	13,470,757,103
Liabilities under acceptances	57,108,666	56,631,992	197,897,042	1,776,289	97,221,493	410,635,482
Other borrowings	(20,093,728)	-	72,403,461	-	-	52,309,733
Certificates of deposit	27,123,684	17,487,000	675,343	-	1,507,500	46,793,527
Other liabilities	158,208,266	1,156,527	696,492	-	7,151,533	167,212,818
	9,745,607,541	2,346,799,919	1,006,113,336	158,196,073	1,934,384,371	15,191,101,240
Net financial assets	2,487,469,760	(495,164,253)	(436,389,600)	(75,675,131)	431,714,721	1,911,955,497

Notes to the consolidated financial statements

B – Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

1- Management of liquidity risk

Liquidity is the "Group's ability to ensure the availability of funds to meet commitments (including off-balance sheet commitments) at a reasonable price at all times." In 'business as usual' circumstances the day-to-day cash management of a bank should not lead to any threats to its solvency.

Liquidity risk is defined as the risk of the Group's ability to meet its current and future payment obligations in full or on time.

Liquidity risk arises when, in the case of a liquidity crisis, refinancing may only be raised at higher market rates (funding risk) or assets may only be liquidated at a discount to the market rates (market liquidity risk). It also results from the mismatches in the maturity pattern of assets and liabilities.

Liquidity Measurement

Liquidity is measured on a "business as usual basis" using:

- Balance Sheet Liquidity Ratios (purchased and stored liquidity ratios): such as immediate liquidity, loans / deposits, liquid assets ratio, interbank ratio, medium-term funding ratio, wholesale borrowing capacity, etc
- The liquidity relationship between the sub-components of the balance sheet at a particular point in time: Cash Flow Gap Scheduling which is the Gap between cash inflows and outflows determined within a series of time buckets.
- Stress testing: by stress testing "the business as usual" assumptions via standardized scenarios, the potential shortage of liquidity can be measured. This shortage needs to be covered by the Liquidity Buffer, which consists of unencumbered assets that can be reported or used as collateral at a Central Bank to generate cash.

The Bank's objectives are to comply with the Central Bank instructions for liquidity risk monitoring and set other internal prudential limits as described hereafter. Some of the internal limits are:

- Liquidity gap ratios for Lebanese Pounds and foreign currencies (special focus on the foreign currencies): One month GAP/Tier One Capital
- Liquid assets in foreign currencies (including Placement with the Central Bank) / Total Deposits in foreign currencies.
- Placements with Non Resident Banks in foreign currencies/Total Deposits in foreign currencies
- Long-term foreign currency Funds (including equity)/Long-term Loans (above one year)

Notes to the consolidated financial statements

The Contingency Funding Plan

Liquidity problems will usually arise only when the Group encounters a crisis. In this case, there is a need to put in place a Contingency Funding Plan that both quantifies the adequacy of the Bank's resources (Liquidity Buffer) to withstand a set of potential liquidity crises and sets out an Action Plan to be activated in the event of a liquidity crisis.

A mechanism to identify stress situations ahead of time, and to plan dealing with such unusual situations in a timely and effective manner should be in existence. The Contingency Plan is reviewed regularly and tested.

The responsibilities and authorities of overseeing efficient implementation of liquidity risk mitigation is distributed in the best way to achieve proficient handling of the problems facing the Group and thus ensuring a smooth continuation of the activity without jeopardizing the business. Accordingly, officials and committees of the Group (namely ALCO, Treasury Department, Finance Department) assess the situation, decide on the activation of the contingency plan and act as follows:

- ALCO Committee is informed immediately, and quickly makes its assessment as to whether the plan should be activated.
- ALCO Committee takes all major decisions on loans or deposits, investment purchases, borrowing, whether to stop making additional loans, etc.
- ALCO Committee provides general, ongoing guidance on communicating with major depositors and other sources of funding, internal staff, and the press.
- The Treasury Department is responsible for maintaining sufficient liquidity to meet the Bank's obligations and to meet the specific liquidity requirements of the supervisory authorities. The key measure used by the Bank for managing liquidity risk is the ratio of behaviorally adjusted net liquid assets (maturing in less than one month) to total deposits.
- In the unlikely event of a liquidity crisis, the Treasury Department would immediately endeavour to sell the Group's liquid assets, or if more expedient, seek additional funds from the shareholders or borrow in the market to alleviate the shortfall.

Notes to the consolidated financial statements

Residual Contractual maturities of Financial Assets and Liabilities

The tables below show the Group's Financial Assets and Liabilities in Lebanese Pounds and Foreign Currencies base accounts segregated by maturity:

	LBP Base Accounts		
As at December 31st, 2013 - LBP'000	With No Maturity	Up to 3 Months	3 Months to 1 Year
FINANCIAL ASSETS			
Cash and deposits at central banks	212,359,309	490,386,411	-
Deposits with banks and financial institutions	40,025,717	34,949,573	202,075
Trading assets at fair value through profit or loss	7,967,898	8,576,270	20,058,792
Loans to banks	147,242	131,453	7,000,000
Loans and advances to customers	17,810,378	175,566,924	322,952,850
Loans and advances to related parties	32,497	12,029,143	1,294,543
Investment securities	112,023,750	67,551,150	159,310,000
Other assets	2,663,034	-	-
	393,029,825	789,190,924	510,818,260
FINANCIAL LIABILITIES			
Deposits from banks and financial institutions	-	307,704,482	23,229,275
Customers' and related parties' deposits at amortized cost	330,675,002	3,893,952,128	702,891,508
Other borrowings	269,667	86,747,336	-
Other liabilities	13,712,745	-	-
	344,657,414	4,288,403,946	726,120,783
Maturity gap	48,372,411	(3,499,213,022)	(215,302,523)

	F/Cy Base Accounts		
As at December 31st, 2013 - LBP'000	With No Maturity	Up to 3 Months	3 Months to 1 Year
FINANCIAL ASSETS			
Cash and deposits at Central Bank	757,430,220	754,533,357	113,062,500
Deposits with banks and financial institutions	802,808,694	970,312,396	9,093,244
Trading assets at fair value through profit or loss	59,159,533	21,536,365	1,959,748
Loans to banks	-	421,617,218	77,798,256
Loans and advances to customers	243,315,169	2,294,421,528	570,774,619
Loans and advances to related parties	501,843	77,056,293	27,122,549
Investment securities	118,424,155	71,319,728	141,749,210
Customers' liability under acceptances	-	360,198,258	5,663,678
Other assets	9,952,539	5,056,242	24,475
	1,991,592,153	4,976,051,385	947,248,279
FINANCIAL LIABILITIES			
Deposits from banks and financial institutions	158,290,880	980,825,445	161,141,473
Customers' deposits at amortized cost	1,214,469,527	7,845,283,234	1,151,742,768
Liabilities under acceptance	-	360,198,258	5,663,678
Other borrowings	344,213	185,928,964	8,333,270
Certificates of deposit	343,874	29,245,500	707,025
Other liabilities	85,214,011	104,789,688	51,957
	1,458,662,505	9,506,271,089	1,327,640,171
Maturity Gap	532,929,648	(4,530,219,704)	(380,391,892)

Notes to the consolidated financial statements

LBP Base Accounts

	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
		-	450,000,000	-	1,152,745,720
	-	-	-	-	75,177,365
	18,566,870	143,945,640	180,048,726	130,174,247	509,338,443
	10,817,600	-	13,383,200	-	31,479,495
	183,817,984	131,698,094	188,610,649	62,709,115	1,083,165,994
	164,752	115,389	165,371	-	13,801,695
	768,829,270	1,137,586,650	989,887,070	181,000,000	3,416,187,890
	-	-	-		2,663,034
	982,196,476	1,413,345,773	1,822,095,016	373,883,362	6,284,559,636
	1,000,000	-	-	-	331,933,757
	54,900,155	196,971	6,363,889	21,323,545	5,010,303,198
	-	-	-	-	87,017,003
	-	-	-	-	13,712,745
	55,900,155	196,971	6,363,889	21,323,545	5,442,966,703
	926,296,321	**1,413,148,802**	**1,815,731,127**	**352,559,817**	**841,592,933**

F/Cy Base Accounts

	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	307,172,700	242,171,550	376,875,000	384,490,800	2,935,736,127
	18,576,298	-	-	-	1,800,790,632
	39,925,229	18,595,690	142,627,991	16,897,568	300,702,124
	1,726,154	-	-	-	501,141,628
	536,792,552	168,605,986	80,578,030	615,846,724	4,510,334,608
	2,477,347	344,041	1,434,977	5,994,113	114,931,163
	464,704,257	795,190,952	1,380,406,243	399,373,953	3,371,168,498
	2,398,148	-	-	-	368,260,084
	11,577	-	-	-	15,044,833
	1,373,784,262	1,224,908,219	1,981,922,241	1,422,603,158	13,918,109,697
	48,651,380	-	-	-	1,348,909,178
	294,956,720	25,233,462	1,757,322	1,735,129	10,535,178,162
	2,398,148	-	-	-	368,260,084
	4,757,539	7,360,417	4,593,757	-	211,318,160
	-	-	-	-	30,296,399
	320,010	322,354	-	-	190,698,020
	351,083,797	32,916,233	6,351,079	1,735,129	12,684,660,003
	1,022,700,465	**1,191,991,986**	**1,975,571,162**	**1,420,868,029**	**1,233,449,694**

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000 (Restated)	LBP Base Accounts With No Maturity	LBP Base Accounts Up to 3 Months	LBP Base Accounts 3 Months to 1 Year
FINANCIAL ASSETS			
Cash and deposits at central banks	195,232,159	233,300,000	-
Deposits with banks and financial institutions	14,125,211	17,058,635	-
Trading assets at fair value through profit or loss	14,697,003	315,027,534	4,007,850
Loans to banks	172,836	79,023	-
Loans and advances to customers	17,160,801	115,507,265	222,657,771
Loans and advances to related parties	-	6,025,211	600,526
Investment securities	89,624,058	121,600,000	322,750,000
Other assets	633,635	-	-
	331,645,703	808,597,668	550,016,147
FINANCIAL LIABILITIES			
Deposits from banks and financial institutions	1,214,457	46,164,581	17,839,609
Customers' and related parties' deposits at amortized cost	305,087,324	3,415,995,577	648,556,221
Other liabilities	8,084,649	-	-
	314,386,430	3,462,160,158	666,395,830
Maturity Gap	17,259,273	(2,653,562,490)	(116,379,683)

As at December 31st, 2012 - LBP'000 (Restated)	F/Cy Base Accounts With No Maturity	F/Cy Base Accounts Up to 3 Months	F/Cy Base Accounts 3 Months to 1 Year
FINANCIAL ASSETS			
Cash and deposits at central banks	851,054,244	698,319,826	-
Deposits with banks and financial institutions	280,510,570	955,454,055	30,547
Trading assets at fair value through profit or loss	14,280,577	190,720,593	6,952,175
Loans to banks	-	308,106,876	112,200,474
Loans and advances to customers	106,068,300	2,133,653,849	577,709,895
Loans and advances to related parties	590,974	86,233,877	19,055,013
Investment securities	100,962,230	103,724,973	89,066,449
Customers' liability under acceptances	-	-	410,635,482
Other assets	12,862,388	-	-
	1,366,329,283	4,476,214,049	1,215,650,035
FINANCIAL LIABILITIES			
Deposits from banks and financial institutions	224,275,396	620,606,286	72,992,248
Customers' and related parties' deposits at amortized cost	956,619,993	6,641,034,681	980,211,924
Liabilities under acceptance	-	-	410,635,482
Other borrowings	119,264	22,147,797	9,543,066
Certificates of deposit	440,934	-	17,107,093
Other liabilities	56,658,534	102,469,635	-
	1,238,114,121	7,386,258,399	1,490,489,813
Maturity Gap	128,215,162	(2,910,044,350)	(274,839,778)

Notes to the consolidated financial statements

LBP Base Accounts				
1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
-	-	450,000,000	-	878,532,159
-	-	-	-	31,183,846
50,971,030	23,250,000	243,039,770	-	650,993,187
18,144,800	2,700,000	15,280,400	-	36,377,059
161,508,585	116,796,125	67,874,009	167,772,061	869,276,617
188,387	140,272	121,287	-	7,075,683
844,817,400	1,038,139,050	376,151,400	-	2,793,081,908
-	-	-	-	633,635
1,075,630,202	1,181,025,447	1,152,466,866	167,772,061	5,267,154,094
-	-	-	-	65,218,647
154,615,878	148,298	2,610,540	14,790,829	4,541,804,667
-	-	-	-	8,084,649
154,615,878	148,298	2,610,540	14,790,829	4,615,107,963
921,014,324	**1,180,877,149**	**1,149,856,326**	**152,981,232**	**652,046,131**

F/Cy Base Accounts				
1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
188,437,500	411,827,900	226,125,000	150,750,000	2,526,514,470
-	-	-	-	1,235,995,172
30,338,165	46,492,274	22,461,136	17,774,932	329,019,852
3,838,712	-	-	-	424,146,062
465,229,405	150,493,858	85,164,702	706,330,562	4,224,650,571
361,546	706,939	409,951	8,741,133	116,099,433
563,117,376	426,227,077	1,049,564,581	223,316,527	2,555,979,213
-	-	-	-	410,635,482
-	-	-	-	12,862,388
1,251,322,704	1,035,748,048	1,383,725,370	1,106,913,154	11,835,902,643
60,300,000	-	-	-	978,173,930
268,766,417	82,319,418	-	-	8,928,952,433
-	-	-	-	410,635,482
645,327	11,102,304	8,751,975	-	52,309,733
29,245,500	-	-	-	46,793,527
-	-	-	-	159,128,169
358,957,244	93,421,722	8,751,975	-	10,575,993,274
892,365,460	**942,326,326**	**1,374,973,395**	**1,106,913,154**	**1,259,909,369**

Notes to the consolidated financial statements

C – Market Risks

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

1. Management of market risks

Interest Rate Risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on Group's net interest income, while a long term impact is on Group's net worth since the economic value of Group's assets, liabilities and off-balance sheet exposures are affected.

Interest Rate Risk Measurement

Major concern is to be given to interest rates movements both in the local and international markets whenever hedging against rates rise should be undertaken as part of the Group's strategy.

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings group of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising the return on risk.

Interest rate risk originating from banking activities arises partly from the employment of non-interest bearing liabilities such as shareholders' funds and customer current accounts, but also from the gaps that arise from the normal course of business.

The policy of the Group is to price all placements / exposures at floating rates or at fixed rates for fixed periods on appropriate rollover dates that allow for matching in the market.

INTEREST SENSITIVITY ANALYSIS FOR ACCOUNTS IN LEBANESE POUNDS AS AT DECEMBER 31, 2013:

		Floating					
Interest Rate Sensitivity Balance Sheet LBP'000	**Non-Interest Generating**	**Up to 3 Months**	**3 Months to 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Year**	**Total**
FINANCIAL ASSETS							
Cash and deposits at central banks	212,359,309	-	-	-	-	-	-
Deposits with banks and financial institutions	30,254,693	-	-	-	-	-	-
Trading assets at fair value through profit or loss	7,967,898	-	-	-	-	-	-
Loans to banks	147,242	-	-	-	-	-	-
Loans and advances to customers	17,810,380	99,904,900	-	-	104,846	-	100,009,746
Loans and advances to related parties	32,497	-	-	-	-	-	-
Investment securities	112,023,750	-	-	-	-	-	-
Other assets	2,663,034	-	-	-	-	-	-
	383,258,803	99,904,900	-	-	104,846	-	100,009,746
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	(7,508,173)	7,685	-	-	-	-	7,685
Customers' and related parties' deposits at amortized cost	330,675,001	955	-	-	-	-	955
Other borrowings	269,667	-	-	-	-	-	-
Other liabilities	13,712,745	-	-	-	-	-	-
	337,149,240	8,640	-	-	-	-	8,640
Interest rate Gap	46,109,563	99,896,260	-	-	104,846	-	100,001,106

Notes to the consolidated financial statements

Fixed						
Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
490,386,411	-	-	-	450,000,000	940,386,411	1,152,745,720
44,720,597	202,075	-	-	-	44,922,672	75,177,365
8,576,270	20,058,792	18,566,870	143,945,640	310,222,973	501,370,545	509,338,443
131,453	7,000,000	10,817,600	-	13,383,200	31,332,253	31,479,495
418,185,449	1,048,645	26,060,365	39,305,990	480,745,419	965,345,868	1,083,165,994
13,769,198	-	-	-	-	13,769,198	13,801,695
67,551,150	159,310,000	768,829,270	1,137,586,650	1,170,887,070	3,304,164,140	3,416,187,890
-	-	-	-	-	-	2,663,034
1,043,320,528	187,619,512	824,274,105	1,320,838,280	2,425,238,662	5,801,291,087	6,284,559,636
315,204,970	23,229,275	1,000,000	-	-	339,434,245	331,933,757
3,894,465,077	702,890,208	54,387,552	196,971	27,687,434	4,679,627,242	5,010,303,198
86,747,336	-	-	-	-	86,747,336	87,017,003
-	-	-	-	-	-	13,712,745
4,296,417,383	726,119,483	55,387,552	196,971	27,687,434	5,105,808,823	5,442,966,703
(3,253,096,855)	(538,499,971)	768,886,553	1,320,641,309	2,397,551,228	695,482,264	841,592,933

INTEREST SENSITIVITY ANALYSIS FOR ACCOUNTS IN FOREIGN CURRENCY AS AT DECEMBER 31, 2013:

Interest Rate Sensitivity Balance Sheet LBP'000	Non-Interest Generating	Floating Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Year	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	757,430,220	51,761,636	-	-	-	-	51,761,636
Deposits with banks and financial institutions	796,649,965	542,980,774	1,710,949	-	-	-	544,691,723
Trading assets at fair value through profit or loss	59,159,533	21,527,571	-	-	-	10,001,140	31,528,711
Loans to Banks	(2,073,388)	224,600,067	77,798,256	1,726,154	-	-	304,124,477
Loans and advances to customers	243,315,171	2,048,897,908	90,122,463	111,780,510	8,299,809	648,630,608	2,907,731,298
Loans and advances to related parties	501,844	34,051,957	-	1,987,144	171,676	7,426,707	43,637,484
investment securities	118,424,155	120,410,788	176,897,270	242,002,892	222,825,854	34,635,628	796,772,432
Customers' liability under acceptances	343,578,866	16,619,392	5,663,678	2,398,148	-	-	24,681,218
Other Financial Assets (Derivatives+Sundry)	15,044,833	-	-	-	-	-	-
	2,332,031,199	3,060,850,093	352,192,616	359,894,848	231,297,339	700,694,083	4,704,928,979
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	151,693,343	367,704,972	76,168,105	-	-	-	443,873,077
Customers' deposits at amortized cost	1,214,469,526	1,281,325,667	238,874,356	137,623	980,778	-	1,521,318,424
Liabilities under acceptance	343,578,866	16,619,392	5,663,678	2,398,148	-	-	24,681,218
Other borrowings	344,213	216,333,248	-	-	-	-	216,333,248
Certificates of deposit	343,874	-	707,025	-	-	-	707,025
Other Financial Liabilities (Derivatives+Sundry+Checks)	89,160,970	-	-	-	-	-	-
	1,799,590,792	1,881,983,279	321,413,164	2,535,771	980,778	-	2,206,912,992
Interest rate Gap	532,440,407	1,178,866,814	30,779,452	357,359,077	230,316,561	700,694,083	2,498,015,987

Fixed						
Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
702,771,721	113,062,500	307,172,700	242,171,550	761,365,800	2,126,544,271	2,935,736,127
452,066,649	7,382,295	-	-	-	459,448,944	1,800,790,632
8,794	1,959,748	39,925,229	18,595,690	149,524,419	210,013,880	300,702,124
199,090,539	-	-	-	-	199,090,539	501,141,628
1,079,065,439	35,224,562	28,986,965	132,454,356	83,556,817	1,359,288,139	4,510,334,608
70,255,904	-	68,923	467,008	-	70,791,835	114,931,163
1,507,500	19,012,590	188,819,055	501,488,198	1,745,144,568	2,455,971,911	3,371,168,498
-	-	-	-	-	-	368,260,084
-	-	-	-	-	-	15,044,833
2,504,766,546	176,641,695	564,972,872	895,176,802	2,739,591,604	6,881,149,519	13,918,109,697
619,718,010	84,973,368	48,651,380	-	-	753,342,758	1,348,909,178
6,677,543,171	809,454,465	284,647,441	24,252,684	3,492,451	7,799,390,212	10,535,178,162
-	-	-	-	-	-	368,260,084
-	8,333,270	4,757,539	(23,043,867)	4,593,757	(5,359,301)	211,318,160
29,245,500	-	-	-	-	29,245,500	30,296,399
-	101,537,050	-	-	-	101,537,050	190,698,020
7,326,506,681	1,004,298,153	338,056,360	1,208,817	8,086,208	8,678,156,219	12,684,660,003
(4,821,740,135)	(827,656,458)	226,916,512	893,967,985	2,731,505,396	(1,797,006,700)	1,233,449,694

Notes to the consolidated financial statements

INTEREST SENSITIVITY ANALYSIS FOR ACCOUNTS IN LEBANESE POUNDS AS AT DECEMBER 31, 2012 (Restated):

Interest Rate Sensitivity Balance Sheet LBP'000	Non-Interest Generating	Floating Up to 3 Months	Floating 3 Months to 1 Year	Floating 1 to 3 Years	Floating 3 to 5 Years	Floating Over 5 Year	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	195,232,159	-	-	-	-	-	-
Deposits with banks and financial institutions	14,125,211	-	-	-	-	-	-
Trading assets at fair value through profit or loss	14,697,003	315,027,534	-	-	-	-	315,027,534
Loans to banks	172,836	-	-	36,125,200	-	-	36,125,200
Loans and advances to customers	17,160,802	49,797,043	668,345,179	-	-	-	718,142,222
Loans and advances to related parties	-	5,722,177	-	-	-	-	5,722,177
Investment securities	89,624,058	-	-	-	-	-	-
Other assets	633,635	-	-	-	-	-	-
	331,645,704	370,546,754	668,345,179	36,125,200	-	-	1,075,017,133
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	1,214,456	304,592	-	-	-	-	304,592
Customers' and related parties' deposits at amortized cost	305,087,325	8,377	-	-	-	-	8,377
Other liabilities	8,084,649	-	-	-	-	-	-
	314,386,430	312,969	-	-	-	-	312,969
Interest rate gap	17,259,274	370,233,785	668,345,179	36,125,200	-	-	1,074,704,164

Notes to the consolidated financial statements

Fixed						
Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
233,300,000	-	-	-	450,000,000	683,300,000	878,532,159
17,058,635	-	-	-	-	17,058,635	31,183,846
-	4,007,850	50,971,030	23,250,000	243,039,770	321,268,650	650,993,187
79,023	-	-	-	-	79,023	36,377,059
127,337,260	973,833	-	5,662,500	-	133,973,593	869,276,617
1,353,506	-	-	-	-	1,353,506	7,075,683
121,600,000	322,750,000	844,817,400	1,038,139,050	376,151,400	2,703,457,850	2,793,081,908
-	-	-	-	-	-	633,635
500,728,424	327,731,683	895,788,430	1,067,051,550	1,069,191,170	3,860,491,257	5,267,154,094
45,859,990	17,839,609	-	-	-	63,699,599	65,218,647
3,415,937,156	648,606,263	154,615,878	148,298	17,401,370	4,236,708,965	4,541,804,667
-	-	-	-	-	-	8,084,649
3,461,797,146	666,445,872	154,615,878	148,298	17,401,370	4,300,408,564	4,615,107,963
(2,961,068,722)	(338,714,189)	741,172,552	1,066,903,252	1,051,789,800	(439,917,307)	652,046,131

Notes to the consolidated financial statements

INTEREST SENSITIVITY ANALYSIS FOR ACCOUNTS IN FOREIGN CURRENCY AS AT DECEMBER 31, 2012 (Restated):

Interest Rate Sensitivity Balance Sheet LBP'000	Non-Interest Generating	Floating: Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Year	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	855,817,301	49,044,375	-	-	-	-	49,044,375
Deposits with banks and financial institutions	229,493,060	679,572,457	30,562	-	-	-	679,603,019
Trading assets at fair value through profit or loss	14,285,873	220,558,890	2,424,960	6,638,605	20,082,161	-	249,704,616
Loans to Banks	-	208,534,005	112,200,474	3,838,712	-	-	324,573,191
Loans and advances to customers	106,068,297	2,911,502,417	29,992,881	70,114,566	5,341,221	14,983,759	3,031,934,844
Loans and advances to related parties	590,055	108,119,874	4,652,784	1,634,906	-	-	114,407,564
Investment securities	100,961,865	586,997,145	-	-	-	6,103,624	593,100,769
Customers' liability under acceptances	410,635,482	-	-	-	-	-	-
Other assets	12,862,388	-	-	-	-	-	-
	1,730,714,321	4,764,329,163	149,301,661	82,226,789	25,423,382	21,087,383	5,042,368,378
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	226,341,520	374,365,428	-	-	-	-	374,365,428
Customers' and related parties' deposits at amortized cost	1,002,276,474	1,437,500,342	222,335,435	39,709,610	-	-	1,699,545,387
liabilities under acceptance	410,635,482	-	-	-	-	-	-
Other borrowings	119,264	-	-	-	-	-	-
Certificate of deposit	442,138	-	-	-	-	-	-
Other liabilities	56,658,534	-	-	-	-	-	-
	1,696,473,412	1,811,865,770	222,335,435	39,709,610	-	-	2,073,910,815
Interest rate gap	34,240,909	2,952,463,393	(73,033,774)	42,517,179	25,623,382	21,087,383	2,968,457,563

Notes to the consolidated financial statements

Fixed						
Up to 3 Months	3 Months to 1 Year	Between 1 Year & 3 Years	Between 3 Year & 5 Years	Over 5 Years	Total	Grand Total
644,512,394	-	188,437,500	411,827,900	376,875,000	1,621,652,794	2,526,514,470
326,899,093	-	-	-	-	326,899,093	1,235,995,172
76,632	-	7,884,950	16,831,712	40,236,069	65,029,363	329,019,852
99,572,871	-	-	-	-	99,572,871	424,146,062
837,064,682	68,718,897	34,765,038	46,230,095	99,868,718	1,086,647,430	4,224,650,571
474,716	-	44,705	581,393	-	1,100,814	116,099,433
45,806,895	45,977,243	219,247,172	284,107,784	1,266,777,485	1,861,816,579	2,555,979,213
-	-	-	-	-	-	410,635,482
-	-	-	-	-	-	12,862,388
1,954,407,283	114,696,140	450,379,365	759,578,884	1,783,757,272	5,062,718,944	11,835,801,643
244,174,734	72,992,248	60,300,000	-	-	377,466,982	978,173,930
5,159,013,145	756,741,205	229,056,807	82,319,418	-	6,227,130,575	8,928,952,436
-	-	-	-	-	-	410,635,482
22,147,797	9,543,066	645,327	11,102,304	8,751,975	52,190,469	52,309,733
-	17,105,889	29,245,500	-	-	46,351,389	46,793,527
102,469,635	-	-	-	-	102,469,635	159,128,169
5,527,805,311	856,382,408	319,247,634	93,421,722	8,751,975	6,805,609,050	10,575,993,277
(3,573,398,028)	(741,686,268)	131,131,731	666,157,162	1,775,005,297	(1,747,790,106)	1,254,908,366

Notes to the consolidated financial statements

Foreign Exchange Risk

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The Group does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures.

The table shown below gives details of the Group´s exposure to currency risk:

As at December 31st, 2013 - LBP'000	LBP	USD	Euro
FINANCIAL ASSETS			
Cash and deposits at central banks	1,152,745,720	2,026,394,069	237,394,541
Deposits with banks and financial institutions	75,177,365	1,198,432,996	253,357,088
Trading assets at fair value through profit or loss	509,338,443	259,077,876	10,075,906
Loans to Banks	31,479,495	283,150,662	181,981,122
Loans and advances to customers	1,083,165,994	2,784,015,830	277,331,283
Loans and advances to related parties	13,801,695	83,836,069	8,559,127
Investment securities	3,416,187,890	2,531,449,779	54,512,630
Customers' liability under acceptances	-	232,908,098	67,687,930
Investment in an associate	-	34,038,008	-
Assets acquired in satisfaction of loans	750,016	19,646,832	-
Property and equipment	112,260,249	1,708,140	122,726
Goodwill	452,265	-	-
Other Assets	23,820,011	(56,241,876)	(26,842,501)
	6,419,179,143	9,398,416,483	1,064,179,852
FINANCIAL LIABILITIES			
Deposits from banks and financial institutions	331,933,757	976,171,764	318,396,012
Customers' and related parties' deposits at amortized cost	5,010,303,198	7,398,042,928	646,934,746
Liabilities under acceptance	-	232,908,098	67,687,930
Other borrowings	87,017,003	211,318,160	-
Certificates of deposit	-	29,589,374	-
Other liabilities	61,871,768	80,752,808	58,288,289
Provisions	21,785,212	10,010,296	543,921
	5,512,910,938	8,938,793,428	1,091,850,898
Currencies to be delivered	-	(264,632,406)	(57,133,979)
Currencies to be received	-	620,281,972	38,947,582
	-	355,649,566	(18,186,397)
Net exchange position	906,268,205	815,272,621	(45,857,443)

Notes to the consolidated financial statements

Any foreign exchange forward swap transaction is either immediately covered or incorporated into the respective loan and deposit book (the banking book).

At the outset the Group's overall currency risk exposures is split into:

- Operational FX positions: The management of these risks is done via Trading books under the responsibility of the Global Markets Division.

- Structural FX positions: ALCO Committee decides on the level of the Structural FX positions to be held against the LBP denominated equity and foreign investment, to ensure proper hedging.

Treasury Department is responsible to monitor the compliance to the regulatory rations set by the regulatory authorities. ALCO Committee is notified by the Finance department of any breach.

GBP	AUD	Other	Total
483,104	13,643,258	657,821,155	4,088,481,847
226,300,612	50,381,178	72,318,758	1,875,967,997
31,528,711	-	19,631	810,040,567
25,050,762	-	10,959,082	532,621,123
32,291,801	957,539,492	459,156,202	5,593,500,602
174,130	9,585,527	12,776,310	128,732,858
-	785,206,089	-	6,787,356,388
943,360	-	66,720,696	368,260,084
-	-	-	34,038,008
-	-	-	20,396,848
844,126	6,606,225	20,045,905	141,587,371
1,865,736	86,582,169	-	88,900,170
59,951,259	11,555,022	41,650,245	53,892,160
379,433,601	1,921,098,960	1,341,467,984	20,523,776,023
28,231,358	2,959,433	23,150,611	1,680,842,935
173,527,428	1,273,279,696	1,043,393,364	15,545,481,360
943,360	-	66,720,696	368,260,084
-	-	-	298,335,163
707,025	-	-	30,296,399
2,850,050	37,606,251	32,660,131	274,029,297
-	-	334,716	32,674,145
206,259,221	1,313,845,380	1,166,259,518	18,229,919,383
(44,367,016)	(334,940,158)	(188,823,744)	(889,897,303)
7,199,395	181,593,369	45,529,113	893,551,431
(37,167,621)	(153,346,789)	(143,294,631)	3,654,128
136,006,759	**453,906,791**	**31,913,835**	**2,297,510,768**

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000 (Restated)	LBP	USD	Euro
FINANCIAL ASSETS			
Cash and deposits at central banks	878,532,159	1,846,755,105	72,179,827
Deposits with banks and financial institutions	31,183,846	695,352,831	159,639,786
Trading assets at fair value through profit or loss	650,993,187	235,672,453	9,867,756
Loans to banks	36,377,059	282,574,909	99,314,268
Loans and advances to customers	869,276,617	2,464,031,895	128,113,716
Loans and advances to related parties	7,075,683	76,019,375	7,248,334
Investment securities	2,793,081,908	1,915,523,907	52,250,725
Customers' acceptance liability	-	226,803,753	151,704,544
Investment in an associate	-	31,297,419	-
Assets acquired in satisfaction of loans	779,944	20,575,245	-
Property and equipment	107,186,119	172,604	162,797
Goodwill	407,025	45,240	-
Other assets	25,600,663	14,848,257	255,804
	5,400,494,210	7,809,672,993	680,737,557
FINANCIAL LIABILITIES			
Deposits from banks and financial institutions	65,218,647	615,643,429	280,630,171
Customers' and related parties' deposits at amortized cost	4,541,804,667	5,947,715,927	447,895,443
Liabilities under acceptance	-	226,803,753	151,704,544
Other borrowings	-	52,309,733	-
Certificates of deposit	-	46,118,184	-
Other liabilities	52,419,766	83,809,799	54,707,433
Provisions	14,007,180	25,119,811	503,176
	4,673,450,260	6,997,520,636	935,440,767
Currencies to be delivered	-	(657,980,957)	(131,840,172)
Currencies to be received	-	678,889,754	347,086,024
	-	20,908,797	215,245,852
Net exchange position	727,043,950	833,061,154	(39,457,358)

Notes to the consolidated financial statements

	GBP	AUD	Other	Total
	17,495,431	20,725,050	569,359,057	3,405,046,629
	151,521,557	119,884,635	109,596,363	1,267,179,018
	53,347,277	30,119,462	12,904	980,013,039
	15,741,414	-	26,515,471	460,523,121
	62,445,259	1,149,141,123	420,918,578	5,093,927,188
	4,462,446	11,603,368	16,765,910	123,175,116
	12,588,255	575,616,332	-	5,349,061,127
	1,087,144	-	31,040,041	410,635,482
	-	-	-	31,297,419
	-	-	-	21,355,189
	1,016,106	8,532,053	18,774,989	135,844,668
	1,822,455	86,582,170	-	88,856,890
	2,898,578	11,011,754	(285,938)	54,329,118
	324,425,922	2,013,215,947	1,192,697,375	17,421,244,004
	41,747,027	2,477,166	37,676,137	1,043,392,577
	140,301,126	1,426,381,585	966,658,355	13,470,757,103
	1,087,144	-	31,040,041	410,635,482
	-	-	-	52,309,733
	675,343	-	-	46,793,527
	3,516,709	11,386,934	18,035,177	223,875,818
	-	2,248,984	195,716	42,074,867
	187,327,349	1,442,494,669	1,053,605,426	15,289,839,107
	(2,250,363)	(291,993,911)	(356,111,663)	(1,440,177,066)
	25,614,852	151,216,046	239,647,693	1,442,454,369
	23,364,489	(140,777,865)	(116,463,970)	2,277,303
	160,463,062	**429,943,413**	**22,627,979**	**2,133,682,200**

52. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The summary of the Group's classification of each class of financial assets and liabilities covered by IFRS 9 and their fair values are as follows:

As at December 31st, 2013 - LBP'000	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at:					
Fair value through profit or loss:					
Lebanese treasury bills	323,713,967	-	323,713,967	-	323,713,967
Lebanese Government bonds	106,413,949	106,413,949	-	-	106,413,949
Foreign Government treasury bills	32,124,914	32,124,914	-	-	32,124,914
Certificates of deposit issued by the Central Bank of Lebanon	276,034,077	-	276,034,077	-	276,034,077
Certificates of deposit issued by financial private sector	1,558,376	1,558,376	-	-	1,558,376
Quoted equity securities	11,446,373	11,446,373	-	-	11,446,373
Unquoted equity securities	44,531,252	-	-	44,531,252	44,531,252
	795,822,908	151,543,612	599,748,044	44,531,252	795,822,908
Financial assets at fair value through other comprehensive income					
Unquoted equity securities	3,576,437	-	3,576,437	-	3,576,437
	3,576,437	-	3,576,437	-	3,576,437
Amortized cost:					
Deposits with central banks	4,088,481,847	-	4,071,186,399	-	4,071,186,399
Deposits with banks and financial institutions	1,875,967,997	-	1,880,435,388	-	1,880,435,388
Loans to banks	532,621,123	-	532,621,123	-	532,621,123
Loans and advances to customers	5,593,500,602	-	5,578,832,968	-	5,578,832,968
Loans and advances to related parties	128,732,858	-	134,374,113	-	134,374,113
Lebanese treasury bills	2,268,245,200	-	2,279,389,564	-	2,279,389,564
Lebanese Government bonds	2,487,208,396	2,456,104,544	-	-	2,456,104,544
Certificates of deposit issued by the Central Bank of Lebanon	1,108,502,107	-	1,118,623,239	-	1,118,623,239
Certificates of deposit issued by financial private sector	42,511,538	42,369,978	-	-	42,369,978
Bonds issued by financial private sector	769,835,597	789,976,294	-	-	789,976,294
Customers' liabilities under acceptances	368,260,084	-	368,260,084	-	368,260,084
Other assets	17,707,867	-	17,707,867	-	17,707,867
	19,281,575,216	3,288,450,816	15,981,430,745	-	19,269,881,561
Financial liabilities measured at:					
Amortized cost:					
Deposits from banks and financial institutions	1,680,842,935	-	1,688,085,080	-	1,688,085,080
Customers' and related parties' deposits at amortized cost	15,545,481,360	-	15,616,930,682	-	15,616,930,682
Liabilities under acceptance	368,260,084	-	368,260,084	-	368,260,084
Other borrowings	298,335,163	-	299,921,959	-	299,921,959
Certificates of deposit	30,296,399	-	31,016,763	-	31,016,763
Other liabilities	204,410,765	-	204,410,765	-	204,410,765
	18,086,336,594	-	18,208,625,333	-	18,208,625,333

Notes to the consolidated financial statements

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

As at December 31st, 2013	Date of Valuation	Valuation Technique and key Inputs
FINANCIAL ASSETS		
At fair value through profit or loss:		
Certificates of deposit issued by the Central Bank of Lebanon	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Debt securities issued by financial private sector	December 31, 2013	DCF based on respective market yield rates for same currency securities
Unquoted equity securities	December 31, 2013	Management estimates based on unobservable input related to market volatility and liquidity
At fair value through other comprehensive income:		
Unquoted equity securities	December 31, 2013	Not valued
At amortized cost:		
Deposits with central banks	December 31, 2013	DCF at a discount rate determined based the yield curve of Central Bank of placements for maturities greater that one year and Libor based interbank for maturities less than one year by currency
Deposits with banks and financial institutions	December 31, 2013	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Loans and advances to customers	December 31, 2013	DCF at a discount rate extrapolated across the maturity spectrum and in line with Beirut reference rates
Lebanese Government bonds	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposit issued by the Central Bank of Lebanon	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
FINANCIAL LIABILITIES		
At amortized cost:		
Deposits from banks and financial institutions	December 31, 2013	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Customers' deposits at amortized cost	December 31, 2013	DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon.
Borrowings from banks and financial institutions	December 31, 2013	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Certificates of deposit	December 31, 2013	DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon

Notes to the consolidated financial statements

There have been no transfers between Level 1 and Level 2 during the period.

The directors consider that the carrying amounts of loans to banks, loans and advances to related parties, customers' acceptance liability, other assets, related parties' deposits at amortized cost, acceptances payable and other liabilities approximate their fair values due to the short-term maturities of these instruments.

53. RESTATEMENT OF PRIOR YEAR FIGURES

Effective January 1, 2013, the Group applied IFRS 10, which introduced a new definition of control for the purpose of determining whether an entity should be consolidated. Based on the requirement of this standard, the Group is required to consolidate mutual funds that were established in prior years and that are managed by it and over which the group exercise control as per the definition of IFRS 10. As a result, the Group restated its prior year financial statements as IFRS 10 requires retrospective adjustment of the immediate preceding period when IFRS 10 conclusion is different from IAS 27, as follows:

As at December 31st, 2012 - LBP'000	Before Restatement	Restatement	Restated
ASSETS			
Cash and deposits at central banks	3,405,046,629	-	3,405,046,629
Deposits with banks and financial institutions	1,250,120,397	17,058,621	1,267,179,018
Trading assets at fair value through profit or loss	529,990,312	450,022,727	980,013,039
Loans to Banks	460,523,121	-	460,523,121
Loans and advances to customers	5,186,795,880	(92,868,692)	5,093,927,188
Loans and advances to related parties	123,175,116	-	123,175,116
Investment securities	5,349,061,121	-	5,349,061,121
Customers' liability under acceptances	410,635,482	-	410,635,482
Investment in an associate	31,297,419	-	31,297,419
Assets acquired in satisfaction of loans	21,355,189	-	21,355,189
Property and equipment	135,844,668	-	135,844,668
Goodwill	90,819,289	(1,962,399)	88,856,890
Other Assets	49,964,174	6,642,253	56,606,427
Total assets	17,044,628,797	378,892,510	17,423,521,307
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS			
Letters of guarantee and stand by letters of credit	1,196,268,977	-	1,196,268,977
Documentary and commercial letters of credit	893,501,068	-	893,501,068
Interest rate swap	83,131,905	-	83,131,905
Forward exchange contracts	1,442,454,369	-	1,442,454,369
Fiduciary accounts	643,707,423	(477,599,890)	166,107,533

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000	Before Restatement	Restatement	Restated
LIABILITIES			
Deposits from banks and financial institutions	1,043,392,575	2	1,043,392,577
Customers' and related parties' deposits at amortized cost	13,518,475,568	(47,718,465)	13,470,757,103
Liabilities under acceptance	410,635,482	-	410,635,482
Other borrowings	52,309,733	-	52,309,733
Certificates of deposit	46,793,527	-	46,793,527
Other liabilities	219,020,777	4,855,041	223,875,818
Provisions	36,860,887	5,213,980	42,074,867
Total liabilities	15,327,488,549	(37,649,442)	15,289,839,107
EQUITY			
Common stock	68,130,990	-	68,130,990
Shareholders' cash contribution to capital	20,978,370	-	20,978,370
Non-cumulative preferred shares	783,824,625	-	783,824,625
Reserves and retained earnings	643,855,419	1,340,792	645,196,211
Owned buildings' revaluation surplus	1,668,934	-	1,668,934
Change in fair value of fixed positions designated as hedging instruments	3,044,934	-	3,044,934
Cumulative change in fair value of investment securities at fair value through other comprehensive income	348,406	-	348,406
Regulatory reserve for assets acquired on satisfaction of loans	5,244,293	-	5,244,293
Treasury shares	(11,407,769)	(33,205,980)	(44,613,749)
Profit for the period/year	175,704,969	(5,463,616)	170,241,353
Currency translation adjustment	309,254	(1,962,401)	(1,653,147)
Equity attributable to the equity holders of the Group	1,691,702,425	(39,291,205)	1,652,411,220
Non-controlling interests	25,437,823	455,833,157	481,270,980
Total equity	1,717,140,248	416,541,952	2,133,682,200
Total Liabilities and Equity	**17,044,628,797**	**378,892,510**	**17,423,521,307**

Notes to the consolidated financial statements

As at December 31st, 2012 - LBP'000	Before Restatement	Restatement	Restated
Interest income	764,280,196	(2,201,997)	762,078,199
Interest expense	(502,193,874)	1,304,530	(500,889,344)
Net interest income	262,086,322	(897,467)	261,188,855
Fee and commission income	126,831,828	(3,144,086)	123,687,742
Fee and commission expense	(14,430,562)	(1,128,994)	(15,559,556)
Net fee and commission income	112,401,266	(4,273,080)	108,128,186
Net interest and other gains on trading securities	41,006,686	39,934,127	80,940,813
Net interest and other gain on financial liability designated at fair value through profit or loss	(74,470)	-	(74,470)
Gain from derecognition of financial assets measured at amortized cost	21,227,757	-	21,227,757
Other operating income	18,366,181	-	18,366,181
Net financial revenues	455,013,742	34,763,580	489,777,322
Provision for credit losses (net)	(11,863,550)	-	(11,863,550)
Provision for impairment in associate	(5,213,980)	-	(5,213,980)
Other allowance for impairment (net)	91,941	(1,865,915)	(1,773,974)
Allowance for impairment for a brokerage account (net)	193,932	-	193,932
Net financial revenues after impairment charge for credit losses	438,222,085	32,897,665	471,119,750
Staff costs	(127,887,845)	-	(127,887,845)
General and administrative expenses	(86,650,883)	(3,063,772)	(89,714,655)
Depreciation and amortization	(13,626,880)	(5,386)	(13,632,266)
Write-back of provision for contingencies	4,610,819	(4,610,819)	-
Write back of provision for impairment of assets acquired in satisfaction of loans	40,357	-	40,357
Profit before income tax	214,707,653	25,217,688	239,925,341
Income tax expense	(36,467,563)	-	(36,467,563)
Deferred tax on undistributed profits of subsidiaries	(1,754,129)	112,899	(1,641,230)
Net profit for the period	**176,485,961**	**25,330,587**	**201,816,548**
Attributable to:			
Equity holders of the Bank	175,704,969	(5,463,616)	170,241,353
Non-controlling interests	780,992	30,794,203	31,575,195
	176,485,961	25,330,587	201,816,548

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2013 were approved by the Board of Directors in its meeting held on April 3, 2014.

Directory

Local Directory

Headquarters

Foch Street - Beirut Central District
Bank of Beirut s.a.l. Bldg.
Tel/Fax: 961 1 972972 - 983999
P.O. Box: 11-7354 Beirut - Lebanon
Telex: 23640 LE - 48203 LE
Forex: 961 1 970232 | 3 | 4 | 5 | 7 | 8 | 9 | 40 | 41
Fax: 961 1 970236
Reuters Dealing Code: BBDL
Reuters Page Code: BoB 01-05
Cable: BANBETMAL - Swift: BABELBBE

Head Offices

Gefinor
Hamra, Clemenceau Street,
Gefinor Center,
Block A, 1st Floor
P.O.Box: 11-7354 Beirut - Lebanon
Tel: 961 1 750888 - 350723
Fax: 961 1 744634

Jdeideh
Baouchrieh (Jdeideh), Serail Street,
Bank of Beirut s.a.l. Bldg.
P.O.Box: 11-7354 Beirut - Lebanon
Tel: 961 1 888630 - 897706
Fax: 961 1 897705

Riyad El Solh
Beirut, Riyad El Solh Street,
Bank of Beirut Bldg.
P.O.Box: 11-7354 Beirut - Lebanon
Tel: 961 1 980222 | 333

Local Branches

Achrafieh, Saydeh
AchrafiehSaydeh - Facing Saydeh Church
Tel/Fax: 961 1 204668 | 1 204669 | 1 204671 |
1 323536 | 1 323537 | 1 328772
Premium Lounge: 961 1 218126 | 7 | 1 218134 | 5

Achrafieh, Sioufi
Ghazalieh Street, Samaha Bldg.
Tel/Fax: 961 1 204606 | 7 | 8

Ain El-Remmaneh
Camille Chamoun Blvd.,
Ghannoum Street, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 385342 | 3 | 4
Fax: 961 1 385341

Al- Nahr
Al-Nahr Street, Mar Mikhael Area,
Khatchadourian Bldg.
Tel/Fax: 961 1 562342 | 3 | 4 – 587226

Aley
Aley Main Road, Mahmoud Bldg.
Tel: 961 5 556125 | 6
Fax: 961 5 555924

Amchit
President Sleiman Street,
Tony Michel Issa Bldg.
Tel/Fax: 961 9 622734 | 5 | 6 | 8 | 9

Antelias
Antelias Square, Antelias Main Road,
Tohme Bldg.
Tel/Fax: 961 4 525637 | 8 | 9

Ballouneh
Ballouneh Main Internal Road,
Adel Geryes El-Haddad Bldg.,
Kesrouan, Mount Lebanon
Temporary Mobile: 961 3 278646 - 345983 - 70 186386

Baouchrieh
Electricité du Liban Street,
Yazbek & Madi Bldg.
Tel: 961 1 871415 | 6 | 7
Fax: 961 1 871417

Baouchrieh, Jdeideh
Serail Street, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 897750 | 1 | 2
Fax: 961 1 897753

Baskinta
Baskinta Main Road, Georges Hobeika Bldg.
Tel/Fax: 961 4 250881 | 2 | 3 | 4

Bayada – Cornet Chahwan
Bayada - Cornet ChahwanMain Road
Near Resurrection Church, North Metn,
Mount Lebanon
Tel/Fax: 961 4 914958 I 4 915239 I 4 915248
Fax: 961 76 174908

Beit El Chaar - Aoukar
Champville Roundabout, Tony Khoury Bldg.
Tel/Fax: 961 4 923181 | 2 | 3 | 4 | 5

Bourj Hammoud
Dora Blvd., Tchaghlassian Bldg.
Tel: 961 1 262480 - 263599
Fax: 961 1 269401

Broumana
Broumana Main Road, Lodge Bldg.
Tel: 961 4 960806 | 949 - 963029
Fax: 961 4 960806 – 963029

Chehabieh
Darb El Souk - Mtoll,
Chehabieh Main Road,
Khalil & Kassem Rkein Bldg.
Tel/Fax: 961 7 412022 | 3 | 4 | 5 | 6

Chiyah
Mar Mikhael Blvd., Tohme & Barrage Bldg.
Tel/Fax: 961 1 274555 – 276042

Chtaura
Chtaura - Masnaa' Main Road
Tel/Fax: 961 8 540421 | 431 | 438

Corniche El Mazraa
Saeb Salam Avenue, Moumneh Bldg.
Tel/Fax: 961 1 318801 | 806 | 810 | 812 | 814

Deir El Zahrani
Deir El Zahrani Highway, Ashraf Ahmad Jamoul Bldg.
Nabatiyeh, South Lebanon
Tel/Fax: 961 7 531094 | 529

Dekwaneh
Slaf Street, Jean Mikhael Bldg.
Tel: 961 1 694510 | 20 | 30 | 40 | 60
Fax: 961 1 694570

Dhour El Choueir
Dhour El Choueir Main Street,
Elie Kassir Bldg.
Tel/Fax: 961 4 391051 | 2 | 3 | 4 | 6

Dora
Dora Square, Bank of Beirut s.a.l. Bldg.
Tel: 961 1 256020 | 1
Fax: 961 1 256022

Foch, Main Branch
Foch Street, Beirut Central District,
Bank of Beirut s.a.l. Bldg.
Tel/Fax: 961 1 985327 - 985418 | 9

Ghazir
Ghazir Square, near Convent St Francis
Tel/Fax: 961 9 925740 | 840 - 926240 | 340 | 540

Ghobeiry
Ghobeiry Main Road, Bdeir & Co. Bldg.
Tel: 961 1 278717 | 9 - 552480 | 1
Fax: 961 1 543874

Hamra, Gefinor
Clemenceau Street,
Gefinor Center, Block A, Ground Floor
Tel: 961 1 738767
Fax: 961 1 746563

Hamra, Ras Beirut
Mme. Curie Street, Minkara Center, near Bristol Hotel
Tel: 961 1 350168 | 9 - 354458
Fax: 961 1 349935

Hamra, Saroulla
Hamra Main Road, facing Saroulla
Tel: 961 1 352992 - 740570 - 742182 - 750683
Fax: 961 1 342840

Hamra, Sidani
138 Sidani Street, near AUH entrance,
Nawfal Bldg., Ground Floor
Tel/Fax: 961 1 746724 | 8

Hazmieh
Hazmieh Main Road, Accaoui Center
Tel: 961 5 459221 - 951168 | 9
Fax: 961 5 457272

Jal El-Dib
Jal El-Dib Main Road,
Abou Jaoude & Hachem Bldg.
Tel: 961 4 711399 - 711517 | 8 | 9
Fax: 961 4 711396 – 711399

Jal El-Dib Square
Jal El-Dib Main Road,
Bank of Beirut s.a.l. Bldg.
Tel: 961 4 523624 | 626
Fax: 961 4 523625

Jbeil
Jbeil Main Road, Cordahi & Matta Center
Tel: 961 9 546530 | 534
Fax: 961 9 546534

Jounieh
Jounieh Square, A. & F. Al-Adem Bldg.
Tel: 961 9 637586 | 913955 | 990
Fax: 961 9 637586 | 913990

Jounieh, Ghadir
Bkerkeh Main Road, Boueri Bldg.
Tel: 961 9 639006 | 7 | 8 | 9
Fax: 961 9 639010

Kaslik
Kaslik, University Saint Esprit Bldg.,
Ground Floor
Tel: 961 9 911302 | 306 | 308 | 336
Fax: 961 9 911302 | 306

Kfardebian
Kfardebian Main Street,
facing municipality,
Mehanna bldg.
Tel/Fax: 961 9 711301 | 2 | 3 | 4 | 5

Kfarsaroun
Koura, Bank of Beirut s.a.l. Bldg.
Tel: 961 6 651516 | 7 - 952727 | 8 | 9
Fax: 961 6 651517

Koraytem
Takieddine Solh Street,
Hicham Nour Eldine Itani Bldg.
Tel/Fax: 961 1 797140 | 1 | 2 | 3

Mansourieh
Mansourieh Main Road, Salamil Bldg.
Tel: 961 4 409693 | 4 | 5
Fax: 961 4 409695

Mar Elias
Mar Elias Street, Kanafani Bldg.
Tel/Fax: 961 1 305571 – 818148

Mazraa, Saeb Salam Boulevard
Corniche El-Mazraa, Saeb Salam Blvd.,
Sharikat El-Maskan Bldg.
Tel: 961 1 313276 - 318852
Fax: 961 1 312340

Mazraat Yachouh - Elyssar
Mazraat Yachouh, Bikfaya Main Road,
Bank of Beirut s.a.l. Bldg.
Tel: 961 4 920106 | 8 - 928190 | 1 | 2
Fax: 961 4 920105

Palais de Justice
Adlieh Cross Point,
Al-Ghazal Development Bldg.,
facing The House of Lawyers
Tel: 961 1 425842 - 426201 - 612922 | 3
Fax: 961 1 425842

Port of Beirut
Saifi Area, Compagnie de Gestion
et d'Exploitation du Port de Beyrouth Bldg.
Tel/Fax: 961 1 563514 | 537 | 570 | 577

Rabieh
Rabiya Center,
Chucri Chammas Street, Zone 1
Tel/Fax: 961 4 521739 | 40 | 41 | 42 | 43

Riyad El-Solh
Riyad El-Solh Street,
Bank of Beirut s.a.l. Bldg.
Tel: 961 1 980222 | 333
Fax: 961 1 980350

Sadat
Beirut, Hamra district, Sadat street,
Sadat tower building
Tel: 361 1 811913|4|5|6|7

Sidon
Riyad El-Solh Street,
Rizkallah Bldg., Ground Floor
Tel/Fax: 961 7 752502 | 3 | 4 | 5

Sin El-Fil, Horsh Tabet
Marc 1 Center, Emile Gerges Lahoud Square
Tel: 961 1 481773 | 874
Fax: 961 1 500352

Sin El-Fil, Saydeh
Saydeh Street, Joseph & Michel Kahaleh Bldg.
Tel/Fax: 961 1 480616 – 482324

Tariq El-Jdideh
Mufti Khaled Street,
Jamal Al Hariri & Fouad Toufik El Khawli Bldg.,
Ground Floor, Mazraa
Tel/Fax: 961 1 843605 | 49 | 52 | 54 | 57

Tripoli, Abou Samra
Al-Haddadine Area, near Al-Kalaa,
Jamal Eddine Bldg., Ground Floor
Tel/Fax: 961 6 429500 | 1 | 2 | 3 | 4

Tripoli, Banks' Street
Abdel Hamid Karameh Street,
Abdel Rahman Alameddine Bldg.
Tel: 961 6 445209 | 210
Fax: 961 6 445210

Tyre, Al-Ramel
Hay Al-Ramel, Bank of Beirut s.a.l. Bldg.
Tel: 961 7 740051 - 742149
Fax: 961 7 740051

Tyre, Sour
Tyre Main Road, Jal El-Bahr,
Bank of Beirut s.a.l. Bldg.
Tel: 961 7 348232 | 3 | 4
Fax: 961 7 348235

Zouk Mikael
Zouk Mikael Main Road, Bsoussi Bldg.
Tel/Fax: 961 9 224812 | 3 – 225813 | 4 | 6

Zouk Mosbeh
Jeita Highway
Tel/Fax: 961 9 223012 | 3 | 4

Smart Branch
Foch Street, Beirut Central District,
Bank of Beirut s.a.l. Bldg.

International Directory

Subsidiaries

United Kingdom
Bank of Beirut (UK) Ltd.
17 A Curzon Street,
London (West End) W1J 5HS, England (UK)
Tel: +44 20 74938342 | 6 - Fax: +44 20 74080053
www.bankofbeirut.co.uk

Germany (UK subsidiary branch)
Bank of Beirut (UK) Ltd. - Frankfurt Branch
Grueneburgweg 2, 60322 Frankfurt
Tel: +49 69 9150677 10
Fax: +49 69 915067799
www.bankofbeirut.de

Australia (16 branches)
Bank of Sydney Ltd.
Australian Head Office,
Sydney City Branch, Laiki Bank House,
Level 4, 219-223 Castlereagh Street,
2000 Australia, Sydney
Tel: +61 2 8262 9000 - Fax: +61 2 9283 7723
www.banksyd.com.au

Branches

Cyprus
Bank of Beirut - Cyprus Branch
Griva Digheni Street, Maximos Plaza,
Block E, 3rd Floor, Office No.3
P.O. Box: 59662 - 4011, Limassol, Cyprus
Tel: +357 25 814202 | 3 | 4 | 5 | 6 | 7 | 8
Fax: +357 25 814209

Sultanate of Oman - Ghubrah
Bank of Beirut - Ghubrah Branch
and Head Office Sultanate of Oman Head Office,
North Ghubrah, Way No.3819,
Bank of Beirut Bldg. No.A10251, 1st Floor
Muscat, Sultanate of Oman
Tel: +968 24492380 - 24493818
Fax: +968 24495086

Sultanate of Oman - Muscat
Bank of Beirut - Muscat Branch
Way No. 3009, Shatti Al Qurum,
Al Jawhara Bldg. 578, Block 3,
P.O. Box: 221, Postal Code 114,
Muscat, Sultanate of Oman
Tel: +968 24696281 - 24696294
Fax: +968 24698769

Sultanate of Oman - Sohar
Bank of Beirut - Sohar Branch
Falaj Al Qabail
P.O. Box: 487, Postal Code: 322, Sohar,
Sultanate of Oman
Tel: + 968 26750636 | 86
Fax: + 968 26750676

Representative Offices

United Arab Emirates
Bank of Beirut Dubai Representative Office
Emirates NBD premises
Al Wasl Road, Jumeirah
Learning & Development Entrance, 1st Floor
P.O. Box: 93800 Dubai, United Arab Emirates
Tel: +971 4 4053292 | 3 | 4 | 5
Fax: +971 4 3445976

Nigeria
Bank of Beirut Representative Office (Nigeria) Ltd.
5 Alfred Rewane Street (formerly Kingsway Road)
Ikoyi, Lagos, Nigeria
Tel: +234 1 4612688 | 9 , +234 1 4622589
Mobile: +234 803 3671134
Fax: + 234 1 4612689

Iraq
Bank of Beirut Baghdad Representative Office
Baghdad, Iraq
P.O. Box: 3284

Qatar
MOU Office
Doha Bank
Grand Hamad Avenue
Tel/Fax: + 974 44257584
Mobile (office): + 974 55767136

Libya
Bank of Beirut Tripoli Representative Office
Tripoli Tower
Tower No.2, Floor No.10, Office No. 108
Tripoli - Libya
Tel: +218 21 3351314| 15
Fax: +218 21 3351316

www.bankofbeirut.com

Lebanon | UK | Germany | Sultanate of Oman | Cyprus | UAE | Nigeria | Iraq | Australia