ANNUAL REPORT 2013

BSL

ANNUAL REPORT 2013

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TO ACCOMPLISH
GREAT THINGS
WE MUST NOT
ONLY ACT BUT
ALSO DREAM,
NOT ONLY PLAN
BUT ALSO

BELIEVE.

CHAIRMAN'S LETTER

Ramsay
EL KHOURY
Chairman

2013 was another eventful year for Lebanon and the banking industry, with many challenges. Much was achieved at BSL: as planned, our growth policy was pursued and profits increased, while our conservative approach to credit and risks was rigorously implemented. The Bank made further progress in strengthening its capital structure: Capital adequacy ratio stood at 13.5%, well above the minimum capital requirements of 10% set by Basel III and the Central bank of Lebanon, and we laid the strategic foundations for future growth and profitability in a persistently difficult market environment and an overall local and regional unsecured conjunction.

In this context, BSL BANK achieved net profits of USD 6,725 millions, with a substantial increase of 24 % from 2012; total Assets exceeded the USD One Billion marks, with an annual deposits growth of 11% and an annual loans growth in excess of 18%.

In terms of corporate governance, we remain committed to comply with strict risk management policies, embracing corporate governance culture and enforcing discipline, ethics, and transparency rules across the organization. The Bank will focus on improving its framework of corporate governance and streamline the decision making process by bringing the necessary improvements to the current organizational structure and strengthening controls over operations, whilst simultaneously streamlining authorities of responsibility and segregation of duties at all levels. Implementing these measures rigorously will be a key goal for BSL BANK in the coming years.

Our aim is to enhance our ability to deliver superior and personalized performance by exceeding customers' expectations, as we continue to be recognized by our clients and in the business in general as a solid and reliable bank that provides friendly and well compiled banking services.

During 2013, we have laid the foundations for the development of our Asset Management and Private Banking Services as well as the development of our branch network, to provide stronger and more diversified delivery channels to enhance the Bank's competitiveness and better serve our customers.

We take this opportunity to extend our gratitude to our staff for their dedication and commitment. Their efforts in developing and growing the business and their drive for excellence have helped build a dynamic and successful Bank that makes its Board of Directors and shareholders proud of its achievements.

Ramsay A. El Khoury
Chairman

THE
CHALLENGE OF
HISTORY
IS TO RECOVER
THE PAST AND
INTRODUCE IT
TO THE PRESENT.

MANAGEMENT & DIRECTORS

BSL BANK SAL

BOARD OF DIRECTORS

Mr. Ramsay A. El Khoury – Chairman
Mrs. Mia El Khoury Ayoub
S.E. Joseph Chaoul
Me. Michel Tueini
Mr. Georges Hatem
Mr. Henri Nachawati
Mr. Riad Mansour
Mr. Youssef Ghosn
Mr. Roland Pringuey
Mr. Antoine Menhem

GENERAL MANAGER

Mr. Selim Stephan

LEGAL COUNSELOR

Mr. Joseph Naim

AUDITORS

Messrs KPMG
Messrs Ernst & Young

INTERNAL AUDIT

Mr. Allam Sleiman

COMPLIANCE AND CONTROL UNIT

Mr. Jean Kassab

MANAGERS

Mr. Antoine Menhem	Head of Operations Division
Mr. Camille Choueiry	Commercial Coordinator
Mrs. Rita Zein	Head of Administration Division
Mrs. Maya Azzi	Head of Treasury and Capital Markets Division
Mr. Fady Abou Diwan	Head of Credit & Risk Division
Mr. Antoine Daoud	Financial Coordinator
Mr. Kamal Abi Fadel	Head of Corporate Banking Department
Mrs. Huguette Rayess	Head of Commercial Banking Department
Mrs. Carol Awad Bachour*	Head of Human Resources Department
Mr. Mansour Saouma	Head of IT Department
Mrs. Nada Haddad *	Head of Marketing Department

*joined the Bank in 2012

EVERY MAN'S
ABILITY CAN BE
STRENGTHENED
OR INCREASED BY
CULTURE.

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

EY
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KPMG
cutting through complexity
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Beirut - Lebanon

INDEPENDENT AUDITOR'S REPORT

To the shareholders of BSL BANK S.A.L.

We have audited the accompanying consolidated financial statements of BSL BANK SAL ("the Bank") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Ernst & Young

KPMG

15 April 2014
Beirut, Lebanon

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

In millions of Lebanese Pounds	NOTES	2013	2012
ASSETS			
Cash and balances with the Central Bank	9	252,296	193,805
Due from banks and financial institutions	10	194,933	140,260
Investment securities at fair value through profit or loss	12	31,343	29,040
Loans and advances to customers at amortized cost	11	267,604	226,542
Loans and advances to related parties at amortized cost	11, 35	890	1,013
Debtors by acceptances		3,861	2,159
Investment securities at amortized cost	13	721,428	709,553
Investment securities at fair value through other comprehensive income	14	2,111	2,361
Investment property	15	21,036	22,334
Property and equipment	16	32,979	32,448
Intangible assets		65	79
Non-current assets classified as held for sale	17	2,684	3,585
Other assets	18	4,471	4,365
TOTAL ASSETS		**1,535,701**	**1,367,544**
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and financial institutions	19	39,429	38,729
Deposits from customers at amortized cost	20	1,273,419	1,143,582
Deposits from related parties at amortized cost	35	70,387	48,574
Engagement by acceptances		3,861	2,159
Current income tax liabilities	32	1,120	941
Other liabilities	21	7,241	3,360
Employee benefit obligations	22	4,215	4,060
Total liabilities		**1,399,672**	**1,241,405**
Equity			
Share capital	23	54,165	54,165
Non distributable reserves	24	51,124	48,974
Distributable reserves	24	14,067	8,824
Cumulative change in fair value of securities at fair value through other comprehensive income		535	785
Retained earnings		2,223	1,486
Profit for the year		10,092	8,130
Total equity attributable to equity holders of the Parent		**132,206**	**122,364**
Non controlling interests		**3,823**	**3,775**
Total equity		**136,029**	**126,139**
TOTAL EQUITY AND LIABILITIES		**1,535,701**	**1,367,544**

These consolidated financial statements were authorized for issuance by the Chairman of the Board of Directors on 15 April 2014.

Ramsay El Khoury
Chairman

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

In millions of Lebanese Pounds	NOTES	2013	2012
Interest and similar income	25	75,105	71,481
Interest and similar expense	25	(52,984)	(48,416)
Net interest and similar income		**22,121**	**23,065**
Fee and commission income	26	4,618	4,163
Fee and commission expense		(317)	(260)
Net fee and commission income		**4,301**	**3,903**
Net gain from investment securities at fair value through profit or loss	27	2,965	1,517
Revenues from investment securities at fair value through other comprehensive income and net gain from investment securities at amortized cost	13 & 14	1,373	408
Net release (charge) of impairment on loans and advances to customers		1,370	(301)
Other operating income	28	3,422	1,724
Net operating income		**35,552**	**30,316**
Personnel expenses	29	(12,332)	(10,737)
Depreciation and amortization charges	30	(2,294)	(2,288)
Other operating expenses	31	(8,887)	(7,257)
Total operating expenses		**(23,513)**	**(20,282)**
PROFIT BEFORE TAX		**12,039**	**10,034**
Income tax expense	32	(1,899)	(1,873)
PROFIT FOR THE YEAR		**10,140**	**8,161**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods:			
Net unrealized loss on investment securities at fair value through other comprehensive income	14	(250)	(135)
Total other comprehensive loss for the year		**(250)**	**(135)**
Total comprehensive income for the year		**9,890**	**8,026**
Profit attributable to:			
Equity holders of the Bank		10,092	8,130
Non-controlling interests		48	31
		10,140	8,161
Total comprehensive income attributable to:			
Equity holders of the Bank		9,842	7,995
Non-controlling interests		48	31
		9,890	8,026

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

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

In millions of Lebanese Pounds	Notes	Share capital	Non distributable reserves	Distributable reserves	Cumulative change in fair value of securities at fair value through other comprehensive income	Retained earnings	Profit for the year	Total equity	Non-controlling interest	Total
At 1 January 2013		54,165	48,974	8,824	785	1,486	8,130	122,364	3,775	126,139
Profit for the year		-	-	-	-	-	10,092	10,092	48	10,140
Unrealized loss on investment securities at fair value through other comprehensive income		-	-	-	(250)	-	-	(250)	-	(250)
Total comprehensive income		**-**	**-**	**-**	**(250)**	**-**	**10,092**	**9,842**	**48**	**9,890**
Transfer to retained earnings		-	-	299	-	7,831	(8,130)	-	-	-
Transfer from retained earnings		-	2,887	4,944	-	(7,831)	-	-	-	-
Release of reserve for assets classified as held for sale	17	-	(737)	-	-	737	-	--	-	
		-	2,150	5,243	-	737	(8,130)	-	-	-
Balance at 31 December 2013		**54,165**	**51,124**	**14,067**	**535**	**2,223**	**10,092**	**132,206**	**3,823**	**136,029**
Balance at 1 January 2012		46,920	45,850	11,739	920	1,486	7,598	114,513	3,744	118,257
Profit for the year		-	-	-	-	-	8,130	8,130	31	8,161
Unrealized loss on investment securities at fair value through other comprehensive income		-	-	-	(135)	-	-	(135)	-	(135)
Total comprehensive income		-	-	-	(135)	-	8,130	7,995	31	8,026
Transfer from reserves to capital		7,245	-	(7,245)	-	-	-	-	-	-
Transfer to retained earnings		-	-	325	-	7,273	(7,598)	-	-	-
Transfer from retained earnings		-	3,268	4,005	-	(7,273)	-	-	-	-
Release of reserve for assets classified as held for sale	17	-	(144)	-	-	-	-	(144)	-	(144)
		7,245	3,124	(2,915)	-	-	(7,598)	(144)	-	(144)
Balance at 31 December 2012		54,165	48,974	8,824	785	1,486	8,130	122,364	3,775	126,139

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

In millions of Lebanese Pounds	NOTES	2013	2012
OPERATING ACTIVITIES			
Profit for the year		**10,140**	8,161
Adjustment for:			
Depreciation and amortization charges	30	**2,294**	2,288
Net credit (gain) loss		**(1,370)**	301
Provision (release of provision) for employees benefit obligations, net	22	**294**	(56)
Net gain on sale of investment securities	27	**(1,695)**	(232)
Net loss on sale of property and equipment		**5**	2
Net gain on sale of assets classified as held for sale	28	**(2,371)**	(422)
Net interest income	25, 27	**(24,155)**	(24,291)
Income tax expense	32	**1,899**	1,873
		(14,959)	(12,376)
Change in:			
Balances with the Central Bank	9	**(31,962)**	(9,300)
Due from banks and financial institutions	10	**1,700**	1,300
Loans and advances to customers and related parties	11, 35	**(39,534)**	(74,175)
Other assets	18	**(182)**	(534)
Investment securities	12, 13, 14	**(11,870)**	(15,543)
Deposits from customers and related parties	20, 35	**150,607**	61,344
Other liabilities	21	**3,957**	(1,340)
		57,757	(50,624)
Interest received		**76,124**	72,035
Interest paid		**(51,940)**	(48,184)
Employee benefits obligations paid	22	**(139)**	(89)
Income tax paid	32	**(1,720)**	(1,727)
Net cash from (used in) operating activities		**80,082**	**(28,589)**
INVESTING ACTIVITIES			
Acquisition of property and equipment	16	**(1,534)**	(2,264)
Proceeds from sale of property and equipment		**16**	-
Proceeds from sale of assets classified as held for sale		**3,272**	1,047
Net cash from (used in) investing activities		**1,754**	(1,217)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**81,836**	**(29,806)**
Cash and cash equivalents at 1 January		**109,905**	139,711
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**33**	**191,741**	**109,905**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

(1) CORPORATE INFORMATION

BSL Bank SAL ("the Bank") is established in 1962 and domiciled in Lebanon. It is registered under No. 12510 in the Lebanese Commercial Register and listed under No. 68 at the Central Bank. The Bank is involved in corporate and retail Banking services through its head office located in the Bank's Street in Downtown Beirut and its network of 17 branches across Lebanon. The consolidated financial statements of the Bank comprise the Bank and its subsidiaries (together referred to as ("the Group"). The Group is involved in corporate and retail Banking services and real estate investment.

(2) ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except the following:

- Land and buildings acquired prior to 1993 are measured at their revalued amounts based on market prices prevailing during 1996, to compensate for the effect of the hyper-inflationary economy prevailing in the earlier years;
- Financial assets and liabilities at fair value through profit or loss are measured at fair value;
- Equity securities at fair value through other comprehensive income are measured at fair value;

The consolidated financial statements are presented in Lebanese Lira (LL) and all values are rounded to the nearest million, except when otherwise indicated. Besides, the consolidated financial statements provide comparative information in respect of the previous period.

Statement of compliance

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

Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the consolidated statement of financial position date (current) and more than one year after the consolidated statement of financial position date (non-current) is presented in the risk management notes.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of BSL Bank SAL and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group 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 parent of the Group 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
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where the Group loses control of a subsidiary, such that the former subsidiary becomes an associate accounted for under the equity method, the effect is that the Group's interest in the former subsidiary (associate) is reported:

- using the equity method from the date on which control is lost in the current reporting period; and
- using full consolidation for any earlier part of the current reporting period, and of any earlier reporting period, during which the associate was controlled.

(3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments. The nature and the impact of each new standards and amendments is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to the statement of comprehensive income at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.
An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the

defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, sensitivity disclosures. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

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

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Group does not have investments in joint ventures, IFRS 11 does not have an impact on the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. An entity is now required to disclose the judgements made to determine whether it controls another entity.

The Group disclosed more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard did not have any impact on the financial position or performance of the Group.

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

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

(4) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IAS 36 Impairment of Assets
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36.

In addition, these amendments require disclosure of the recoverable amounts for the assets or Cash Generating Units (CGUs) for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. This amendment is not expected to have an impact on the Group's financial performance or position and affects presentation only.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

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

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments will be considered for future novations.

(5) SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in note 3, the Group has consistently applied the following accounting policies to all years presented in these consolidated financial statements.

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of financial assets at fair value through other comprehensive income are recognised in other comprehensive income (except on impairment) in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(b) Interest
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

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

(c) Fees and commission

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees, are recognised as the related services are performed.

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

(d) Net gain from investment securities at fair value through profit or loss

Net gain form investment securities at fair value through profit or loss relates to non-trading derivatives. It includes all realized and unrealized fair value changes, interest, dividends and net from exchange differences.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income on investment securities at fair value through profit or loss or other revenue, based on the underlying classification of the equity investment.

(f) Lease payments - lessee

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(g) Income tax

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

(i) Current tax

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

The Group's taxable profit is subject to a tax rate of 15%. In accordance with article 51 of law number 497/2003, a 5% tax is withheld at source on interest received. The Group's tax charge is determined as the higher of corporate tax and tax on interest income withheld during the year.

(ii) Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made. The Group is subject to tax authority examination for the years 2009 till 2013.

(h) Financial assets and financial liabilities

(i) Recognition

The Group initially recognizes loans and advances and deposits on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

Financial assets

The Group classifies its financial assets as measured at amortised cost or fair value. See notes 5 (i), (j), (k) and (m). A financial asset qualifies for amortized cost measurement only if it meets both of the following conditions:

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

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

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

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

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

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

Financial liabilities

The Group classifies its financial liabilities other than financial guarantees and loan commitments, as measured at amortized cost. See accounting policies 5(k) and (r).

(iii) Derecognition

Financial assets

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

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

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

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

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

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

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

(vi) Fair value measurement

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

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

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

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

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

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

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

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

Policy applicable before 1 January 2013
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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

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

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

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

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

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

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

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

The Group writes off certain loans and advances and investment securities either partially or in full, and any related allowance for impairment losses when Group Non-Performing Loans Committee and ALCO determine that there is no realistic prospect of recovery.

(ix) Designation at fair value through profit of loss
The Group has designated financial assets at fair value through profit or loss in either of the following circumstances:
- The assets are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 8 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

The Group has made an election to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading – see accounting policies 5(m).

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

(i) Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances held with Central Bank and highly liquid financial assets and liabilities with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

(j) Trading assets and liabilities
Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss in "net gain from investment securities at fair value through profit or loss".

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

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequent measured at amortized cost using the effective interest method.

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

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

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

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

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

(m) Investment property
Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment properties comprise office buildings leased out under operating lease agreements.

Any gain or loss on disposal of an investment properly (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(n) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

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

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

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

The estimated useful lives of significant items of property and equipment are as follows:

• Buildings	50 years
• Leasehold improvements	12.5 - 16.5 years
• Computer equipment	5 years
• Office equipment	12.5 years
• Furniture and fixtures	12.5 years; and
• Vehicles	10 years

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

(o) Intangible assets

Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

(p) Assets classified as held for sale
Properties acquired through the enforcement of security over loans and advances to customers are accounted for in accordance with the directives issued by the Banking Regulators.

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

The accumulated reserve is classified under "Non-distributable reserves" in equity.

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

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

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

(r) Deposits
Deposits are the Group's sources of debt funding.

Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

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

(t) Financial guarantees and loan commitments
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

(u) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are declared by the Group's shareholders.

(6) FINANCIAL RISK MANAGEMENT

(a) Introduction and overview
The Group has exposure to the following risks:
- credit risk
- liquidity risk
- market risk and
- Operational risks

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

Risk management framework
The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Board Risk Committee and the Asset and Liability committee (ALCO) and the Credit committee which are directly responsible for developing and monitoring Group risk management policies.

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

The Group Audit and Risk Committees oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Risk Committees are assisted in its oversight role by Internal Audit and risk management. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

(i) Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

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

Each Branch Manager and Credit Officer are required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each Branch Manager and Credit Officer report on all credit related matters to management and the Credit department. Each Branch Manager and Corporate Credit officer are responsible for the quality and performance of his/her credit portfolio and for monitoring and controlling all credit risks in his/her portfolios, including those subject to central approval.
Regular audits of Group credit processes are undertaken by the Internal Audit Department.

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

- Normal – type of loan is expected to be repaid on a timely and consistent basis;
- Special mention and regularization – type of loan is expected to be repaid but with lack of current financial information about the client;
- Substandard – type of loan where the client is witnessing a difficult financial condition;
- Doubtful – type of loan where there is no movement in the clients' balance;
- Bad – type of loan where the probability of repayment is low and almost nil.

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

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

In millions of Lebanese Pounds	Notes	Loans and advances to customers and related parties		Due from Central Bank, banks and financial institutions		Investment securities (debt securities)		Lending commitments and financial guarantees	
		2013	2012	2013	2012	2013	2012	2013	2012
Maximum exposure to credit risk									
Carrying amount	9, 10, 11,12,13	268,494	227,555	434,661	322,638	752,771	738,593	-	-
Amount committed / guaranteed	36	-	-	-	-	-	-	85,599	81,206
At amortized cost									
Grade 1: low-fair risk – Normal		264,507	224,264	434,661	322,638	721,428	709,553	-	-
Grade 2: low-fair risk – Special mention		4,195	2,006	-	-	-	-	-	-
Grade 3: Substandard		628	2,246	-	-	-	-	-	-
Grade 4: Impaired – Doubtful		22,801	23,258	-	-	-	-	-	-
Grade 5: Impaired – Bad debts		18,224	18,100	-	-	-	-	-	-
Total gross amount		310,355	269,874	434,661	322,638	721,428	709,553	-	-
Allowance for impairment (individual and collective)		(41,861)	(42,319)	-	-	-	-	-	-
Net carrying amount	9, 10, 11, 13	268,494	227,555	434,661	322,638	721,428	709,553	-	-
At fair value through profit or loss									
Grade 1: low-fair risk – Normal		-	-	-	-	31,343	29,040	-	-
Total carrying amount	12	-	-	-	-	31,343	29,040	-	-
Off balance sheet – maximum exposure									
Lending commitments									
Grade 1-3: Low- fair risk	36	-	-	-	-	-	-	75,489	70,062
Financial guarantees									
Grade 1-3: Low –fair risk	36	-	-	-	-	-	-	10,110	10,964
Total exposure		268,494	227,555	434,661	322,638	752,771	738,593	85,599	81,026
Neither past due nor impaired									
Grade 1: low-fair risk – Normal		264,507	224,264	434,661	322,638	752,771	738,593	-	-
Grade 2: low-fair risk – Special mention		3,659	1,539	-	-	-	-	-	-
		268,166	225,803	434,661	322,638	752,771	738,593	-	-
Past due but not impaired									
30-60 days		233	183	-	-	-	-	-	-
60-90 days		106	103	-	-	-	-	-	-
90-180 days		109	146	-	-	-	-	-	-
>180 days		88	35	-	-				
		536	467	-	-	-	-	-	-
Individually impaired									
Grade 3: Substandard		628	2,246	-	-	-	-	-	-
Grade 4: Impaired – Doubtful		22,801	23,258	-	-	-	-	-	-
Grade 5: Impaired – Bad Debts		18,224	18,100	-	-	-	-	-	-
		41,653	43,604	-	-	-	-	-	-
Allowance for impairment									
Individual		39,790	41,151	-	-	-	-	-	-
Collective		2,071	1,168	-	-	-	-	-	-
Total allowance for impairment	11	41,861	42,319	-	-	-	-	-	-

(iv) Analysis of credit quality

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

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.
- A retail loan is overdue for 180 days or more.

The Group does not have any renegotiated loans.

Impaired loans and advances are graded 3, 4 and 5 in the Group's credit classification.

The impairment provision shown in the consolidated statement of financial position at year end is derived from each of the five internal rating grades. The table below shows the percentage of loans and advances and the associated impairment provision for each of the Group's credit classification:

Group's rating

	2013		2012	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Group's rating				
Grades 1-2 (Normal and special mention)	86.60%	0.80%	84.00%	0.50%
Grade 3 (Substandard)	0.20%	27.00%	1.00%	62.00%
Grades 4 – 5 (Doubtful and bad debts)	13.20%	96.60%	15.00%	96.00%
	100.00%		**100.00%**	

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the date of statement of financial position on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement, statistical analysis and impairment test.

Loans and advances to customers individually impaired classified by product
The breakdown of the gross amount of individually impaired loans and advances to customers by product, along with the fair value of related collateral held by the Group as a security, are as follows:

2013	Individual (retail customers)				Corporate Entities		Total
In millions of Lebanese Pounds	Overdrafts	Credit Card	Mortgages	Other	SMEs	Kafalat	
Gross amount	2,322	79	7,686	3,331	28,207	28	41,653
Carrying amount of individually impaired loans	7	-	342	-	1,514	-	1,863
Fair value of collateral	-	-	7,518	-	7,787	-	15,305

2012	Individual (retail customers)				Corporate Entities		Total
In millions of Lebanese Pounds	Overdrafts	Credit Card	Mortgages	Other	SMEs	Kafalat	
Gross amount	2,586	62	11,143	2,359	27,428	26	43,604
Carrying amount of individually impaired loans	7	-	588	-	1,858	-	2,453
Fair value of collateral	-	-	9,662	-	6,833	-	16,495

Write-Off policy
The Group writes-off a loan balance and any related allowances for impairment losses and suspended interest when Group's Non-Performing Loans Committee determines that the loans are uncollectible and this decision requires the final approval of the chairman of the Board of Directors. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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

	31 December 2013		31 December 2012	
	Net loans and advances to customers and related parties		Net loans and advances to customers and related parties	
In millions of Lebanese Pounds	Gross	Net	Gross	Net
Grade 3: Individually impaired – Substandard	628	458	2,246	857
Grade 4: Individually impaired – Doubtful	22,801	1,405	23,258	1,596
Grade 5: Individually impaired – Bad Debt	18,224	-	18,100	-
Total	**41,653**	**1,863**	43,604	2,453

Loans and advances to customers neither past due nor impaired
The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

	2013			2012		
In millions of Lebanese Pounds	Normal	Special Mention	Total	Normal	Special Mention	Total
Individual (retail customers)						
Overdraft	16,097	467	16,564	13,959	14	13,973
Credit cards	636	-	636	560	117	677
Mortgages	66,306	901	67,207	45,559	13	45,572
Other	53,019	123	53,142	50,823	-	50,823
Total	**136,058**	**1,491**	**137,549**	**110,901**	**144**	**111,045**
Corporate entities						
Large corporate customers	95,716	1,208	96,924	78,203	1,013	79,216
SMEs	31,180	736	31,916	33,395	382	33,777
Kafalat	1,553	224	1,777	1,765	-	1,765
Total	**128,449**	**2,168**	**130,617**	**113,363**	**1,395**	**114,758**
Grand total	**264,507**	**3,659**	**268,166**	**224,264**	**1,539**	**225,803**

Loans and advances to customers that are past due but not impaired

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

	2013			2012		
	Individual (retail customers)			Individual (retail customers)		
In millions of Lebanese Pounds	Overdrafts	Other	Total	Overdrafts	Other	Total
Past due 30-60 days	-	233	233	-	183	183
Past due 60-90 days	-	106	106	-	103	103
Past due > 90 days	-	190	190	-	180	180
Total	**-**	**529**	**529**	**-**	**466**	**466**

	2013			2012		
	Corporate entities			Corporate entities		
In millions of Lebanese Pounds	Large Customers	Other	Total	Large Customers	Other	Total
Past due > 90 days	-	7	7	-	1	1
Total	**-**	**7**	**7**	**-**	**1**	**1**
Grand total	**-**	**536**	**536**	**-**	**467**	**467**

Debt securities

Debt securities held by the Group consist of Lebanese treasury bills denominated in Lebanese Pounds and foreign currencies. These securities are rated B-based on Standard & Poor's rating.

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

The Group hold collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2013	2012	
Loans and advances to banks	**0.00%**	**0.00%**	
Loans and advances to customers:			
Loan and advances to individuals:			
Overdrafts	80.06%	67.23%	Cash / marketable securities
Credit Cards	0.00%	0.00%	None
Mortgages	100.00%	100.00%	Residential and commercial property
Other	8.72%	8.10%	Cash
Loans and advances to corporate entities:			
Large corporate customers	11.86%	4.78%	Cash / marketable securities / property
SMEs	38.65%	27.43%	Cash / marketable securities / property
Kafalat	90.83%	88.91%	Bank guarantees

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated on a regular basis and when a loan is individually assessed as impaired.

As estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

In millions of Lebanese Pounds	2013	2012
Against impaired		
Mortgaged property	**12,095**	12,136
Debt securities	**280**	280
Equities	**25**	26
Other	**3,683**	2,155
Against substandard		
Mortgaged property	**3,210**	2,234
Against regular loans and advances		
Mortgaged property	**238,678**	184,865
Debt securities	**3,175**	2,535
Equities	**425**	414
Other	**61,923**	64,248
Total	**323,494**	268,893

Residential mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan - to - value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan- or the amount committed for loan commitments- to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

In millions of Lebanese Pounds	2013	2012
Less than 50%	**895**	67
51% to 70%	**3,382**	475
71% to 90%	**6,822**	3,177
91% to 100%	**23,389**	14,491
More than 100%	**9,033**	10,173
	43,521	28,383

Loans and advance to corporate customers

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

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

(vi) Concentration with credit risk – Industry sector

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

In millions of Lebanese Pounds	Notes	Banks & Financials Institutions	Trading	Construction	Industrial	Agriculture	Consumer Loans	Other	Total
31 December 2013									
Financial assets									
Balances with the Central Bank	9	239,728	-	-	-	-	-	-	239,728
Due from banks and financial institutions	10	194,933	-	-	-	-	-	-	194,933
Loans and advances to customers and related parties	11, 35	1,227	76,815	20,407	18,435	3,158	111,138	37,314	268,494
Loans and advance to individuals:									
Overdrafts		61	2,364	631	129	458	12,577	351	16,571
Credit cards		-	-	-	-	-	636	-	636
Mortgages		816	2,720	7,465	783	1,141	53,142	1,482	67,549
Other		335	9,453	-	1,132	1,487	37,930	1,261	51,598
Total individual loans		**1,212**	**14,537**	**8,096**	**2,044**	**3,086**	**104,285**	**3,094**	**136,354**
Loans and advances to corporate entities:									
Large corporate customers		-	44,819	9,722	11,465	-	357	30,561	96,924
SMEs		15	17,048	2,589	3,783	72	6,496	3,436	33,439
Kafalat		-	411	-	1,143	-	-	223	1,777
Total corporate loans		**15**	**62,278**	**12,311**	**16,391**	**72**	**6,853**	**34,220**	**132,140**
Investment securities – at FVTPL and amortized cost	12, 13	752,771	-	-	-	-	-	-	752,771
		1,188,659	**76,815**	**20,407**	**18,435**	**3,158**	**111,138**	**37,314**	**1,455,926**
Financial guarantees	36	107	2,441	1,073	402	-	1,289	4,798	10,110
Loan commitments and other credit related obligations	36	63	35,914	2,332	5,165	880	19,433	11,702	75,489
31 December 2012									
Financial assets									
Balances with the Central Bank	9	182,378	-	-	-	-	-	-	182,378
Due from banks and financial institutions	10	140,260	-	-	-	-	-	-	140,260
Loans and advances to customers and related parties	11, 35	1,710	61,477	5,653	17,949	3,182	96,762	40,822	227,555
Loans and advance to individuals:									
Overdrafts		112	2,658	124	99	502	8,272	2,213	13,980
Credit cards		-	-	-	-	-	677	-	677
Mortgages		470	2,175	4,104	1,173	1,122	35,710	1,406	46,160
Other		57	3,764	-	224	1,509	44,566	-	50,120
Total individual loans		**639**	**8,597**	**4,228**	**1,496**	**3,133**	**89,225**	**3,619**	**110,937**
Loans and advances to corporate entities:									
Large corporate customers		-	37,217	-	8,537	-	282	33,180	79,216
SMEs		1,071	15,176	412	7,916	49	7,255	3,758	35,637
Kafalat		-	487	1,013	-	-	-	265	1,765
Total corporate loans		**1,071**	**52,880**	**1,425**	**16,453**	**49**	**7,537**	**37,203**	**116,618**
Investment securities – at FVTPL and amortized cost	12, 13	738,593	-	-	-	-	-	-	738,593
		1,062,941	**61,477**	**5,653**	**17,949**	**3,182**	**96,762**	**40,822**	**1,288,786**
Financial guarantees	36	189	2,082	736	363	-	2,526	5,068	10,964
Loan commitments and other credit related obligations	36	-	37,725	4,816	4,717	876	16,091	5,837	70,062

(vii) Concentration with credit risk – Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region as of 31 December 2013 based on the country of domicile of its counterparties.

In millions of Lebanese Pounds	Notes	Lebanon	Arab Countries	United Kingdom	Other European Countries	Other Countries	Total
31 December 2013							
Balances with the Central Bank	9	239,728	-	-	-	-	239,728
Due from banks and financial institutions	10	56,695	670	54,343	71,236	11,989	194,933
Loans and advances to customers and related parties	11, 35	268,494	-	-	-	-	268,494
Loans and advance to individuals:							
Overdrafts		16,571	-	-	-	-	16,571
Credit cards		636	-	-	-	-	636
Mortgages		67,549	-	-	-	-	67,549
Other		51,598	-	-	-	-	51,598
Total individual loans		**136,354**	**-**	**-**	**-**	**-**	**136,354**
Loans and advances to corporate entities:							
Large corporate customers		96,924	-	-	-	-	96,924
SMEs		33,439	-	-	-	-	33,439
Kafalat		1,777	-	-	-	-	1,777
Total corporate loans		**132,140**	**-**	**-**	**-**	**-**	**132,140**
Investment securities – at FVTPL and amortized cost	12, 13	752,771	-	-	-	-	752,771
		1,317,688	**670**	**54,343**	**71,236**	**11,989**	**1,455,926**
Financial guarantees	36	10,110	-	-	-	-	10,110
Loan commitments and other credit related obligations	36	75,489	-	-	-	-	75,489
31 December 2012							
Balances with the Central Bank	9	182,378	-	-	-	-	182,378
Due from banks and financial institutions	10	34,989	115	48,287	56,492	377	140,260
Loans and advances to customers and related parties	11, 35	227,555	-	-	-	-	227,555
Loans and advance to individuals:							
Overdrafts		13,980	-	-	-	-	13,980
Credit cards		677	-	-	-	-	677
Mortgages		46,160	-	-	-	-	46,160
Other		50,120	-	-	-	-	50,120
Total individual loans		**110,937**	**-**	**-**	**-**	**-**	**110,937**
Loans and advances to corporate entities:							
Large corporate customers		79,216	-	-	-	-	79,216
SMEs		35,637	-	-	-	-	35,637
Kafalat		1,765	-	-	-	-	1,765
Total corporate loans		**116,618**	**-**	**-**	**-**	**-**	**116,618**
Investment securities – at FVTPL and amortized cost	12, 13	738,593	-	-	-	-	738,593
		1,183,515	**115**	**48,287**	**56,492**	**377**	**1,288,786**
Financial guarantees	36	10,964	-	-	-	-	10,964
Loan commitments and other credit related obligations	36	70,062	-	-	-	-	70,062

Concentration by location for loans and advances and for lending commitments and financial guarantees is based on the customers' country of domicile.

Concentration by location for investments securities is based on the country of domicile of the issuer of the security.

(viii) Lending commitments classified by type

In millions of Lebanese Pounds	2013	2012
Loans and advances to individuals:		
Overdrafts	10,802	8,680
Credit cards	6,373	6,284
Mortgages	4,504	7,318
Total individual loans	**21,679**	**22,282**
Loans and advances to corporate entities:		
Large corporate customers	40,253	36,317
SMEs	13,222	11,393
Kafalat	335	70
Total corporate loans	**53,810**	**47,780**
	75,489	**70,062**

(iv) Settlement risk

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

(c) Liquidity risk

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

(i) Management of liquidity risk

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates the responsibility for oversight of the implementation of this policy to the Board Risk Committee and ALCO. ALCO approves the Group's liquidity policies and procedures. Central Treasury manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

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

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding;
- Carrying out stress testing of the Group's liquidity position.

In addition, the Group maintains statutory deposits with Central Banks. As per Lebanese banking regulations, the Group must retain non-interest bearing balances with the Central Bank of Lebanon equivalent to 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds. As for foreign currencies, the Group must retain with the Central Bank of Lebanon interest bearing statutory investments equivalent to 15% of all deposits regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration. The highly liquid net assets consist of cash and balance with Central Banks, balances with other banks and financial institutions less deposits from banks and financial institutions and deposits that mature within one year. Deposits and commitments are composed of total deposits from customers in addition to acceptances and loans that mature within one year.

(ii) Exposure to liquidity risk

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

	2013	2012
At 31 December	86.17%	86.46%
Average for the year	86.18%	89.95%
Maximum for the year	86.62%	91.58%
Minimum for the year	85.81%	86.46%

(iii) Maturity analysis for financial assets and financial liabilities

The table below set out the undiscounted cash flows on the Group's assets and liabilities on the basis of their earliest possible contractual maturity.

In millions of Lebanese Pounds	Notes	Carrying Amount	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
31 December 2013							
Financial assets							
Cash and balances with the Central Bank	9	252,296	150,137	-	-	82,159	20,000
Due from banks and financial institutions	10	194,933	174,345	7,588	1,400	8,500	3,100
Investment securities at fair value through profit or loss	12	31,343	-	-	6,811	-	24,532
Loans and advances to customers and related parties at amortized cost	11, 35	268,494	169,396	6,595	25,014	27,062	40,427
Debtors by acceptances		3,861	235	1,197	2,429	-	-
Investment securities at amortized cost	13	721,428	21,337	20,003	57,875	339,959	282,254
Investment securities at fair value through other comprehensive income	14	2,111	-	-	-	-	2,111
Total undiscounted financial assets		**1,474,466**	**515,450**	**35,383**	**93,529**	**457,680**	**372,424**
Financial liabilities							
Due to banks and financial institutions	19	(39,429)	(27,369)	(12,060)	-	-	-
Deposits from customers at amortized cost	20	(1,273,419)	(1,051,810)	(148,163)	(73,446)	-	-
Deposits from related parties at amortized cost	35	(70,387)	(70,387)	-	-	-	-
Engagement by acceptances		(3,861)	(235)	(1,197)	(2,429)	-	-
Total undiscounted liabilities		**(1,387,096)**	**(1,149,801)**	**(161,420)**	**(75,875)**	**-**	**-**
Net undiscounted financial assets / (liabilities)		**87,370**	**(634,351)**	**(126,037)**	**17,654**	**457,680**	**372,424**

In millions of Lebanese Pounds	Notes	Carrying Amount	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
31 December 2012							
Financial assets							
Cash and balances with the Central Bank	9	193,805	108,431	3,769	7,537	64,068	10,000
Due from banks and financial institutions	10	140,260	125,560	-	1,400	8,500	4,800
Investment securities at fair value through profit or loss	12	29,040	-	-	-	7,453	21,587
Loans and advances to customers and related parties	11, 35	227,555	172,774	4,931	20,712	28,962	176
Debtors by acceptances		2,159	569	859	731	-	-
Investment securities at amortized cost	13	709,553	15,694	9,371	33,504	324,662	326,322
Investment securities at fair value through other comprehensive income	14	2,361	-	-	-	-	2,361
Total undiscounted financial assets		**1,304,733**	**423,028**	**18,930**	**63,884**	**433,645**	**365,246**
Financial liabilities							
Due to banks and financial institutions	19	(38,729)	(26,670)	(12,059)	-	-	-
Deposits from customers at amortized cost	20	(1,143,582)	(945,533)	(129,037)	(69,012)	-	-
Deposits from related parties at amortized cost	35	(48,574)	(48,574)	-	-	-	-
Engagement by acceptances		(2,159)	(569)	(859)	(731)	-	-
Total undiscounted liabilities		**(1,233,044)**	**(1,021,346)**	**(141,955)**	**(69,743)**	**-**	**-**
Net undiscounted financial assets / (liabilities)		**71,689**	**(598,318)**	**(123,025)**	**(5,859)**	**433,645**	**365,246**

The Group's expected cash flows on some assets and liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

As part of the management of its liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities at fair value through profit or loss for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

The table below sets out the carrying amounts of non-derivative financial assets and liabilities expected to be recovered or settled more than 12 months after the reporting date.

In millions of Lebanese Pounds	2013	2012
Financial assets		
Loans and advances to customers at amortized cost	**67,489**	29,138
Investment securities at fair value through profit or loss	**24,532**	29,040
Investment securities at amortized cost	**622,214**	650,984
Investment securities at fair value through other comprehensive income	**2,111**	2,361

(d) Market risk

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

(i) Management of market risks

The Bank separates its exposure to market risks between trading and non- trading portfolios. Trading portfolios are managed on a fair value basis.

Overall authority for market risk is vested in Board Risk Committee and ALCO. Both set up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Group Risk Management is responsible for the development of detailed risk management policies (subject to review and approval by ALCO and the Board Risk Committee) and for the day-to-day review of their implementation.

The Group employs a range of tools to monitor and limit market risk exposures.

(ii) Market risk measurement techniques

Effective identification and monitoring of market risk is essential for maintaining stable profit. This is called out by the Group's Risk Management Unit. The Group's risk management, ALCO and Treasury are responsible for managing the Group's exposure within the risk exposure limits set out in the policies as approved by the Assets and Liabilities Committee and the Board of Directors. These policies set out the nature of the market risks that may be taken along with aggregate risk limits, and stipulates the procedures, instruments and controls to be used in managing market risk. The basic techniques used by the Risk Management Unit to assess and monitor market risk are set out below:

(a) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Group's Risk Management Unit include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by the Board Risk Committee, the Group Management and Assets and Liabilities Committee. The stress testing is tailored to the business and typically uses scenario analysis.

(b) Sensitivity analysis

Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. This technique is used within specific boundaries that will depend on one or more input variables, such as the effect that changes in interest rates will have on a bond's price. Sensitivity analysis is a way to predict the outcome of a decision if a situation turns out to be different compared to the key predictions.

The Group performs this analysis for each type of market risk to which the Group is exposed at each reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

(iii) Exposure to market risks – non – trading portfolios

The principal risk to which non – trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having limits and is assisted by the Risk Management, ALCO and Treasury in its day-to-day monitoring activities.

The Group complies with the requirements of the Central Bank of Lebanon in respect of the management of interest rate risk. The Risk Management and Assets and Liabilities Committee monitor these risks which are measured using the gap analysis. Gap analysis depends on the earnings approach and the economic value of equity approach which measures the effect of interest rate repricing of assets and liabilities on the income.

The tables below summarise the Group's exposure to interest rate risk. This table includes the assets and liabilities categorised by the earlier of contractual repricing:

In millions of Lebanese Pounds	Notes	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest bearing	Total
31 December 2013								
Financial assets								
Cash and balances with the Central Bank	9	106,681	61,808	-	-	-	83,807	252,296
Due from banks and financial institutions	10	157,570	12,488	6,300	-	-	18,575	194,933
Loans and advances to customers and related parties	11, 35	161,998	6,595	25,014	27,061	40,428	7,398	268,494
Investment securities at fair value through profit or loss	12	-	-	6,647	-	24,230	466	31,343
Investment securities at amortized cost	13	8,001	20,003	57,875	339,959	282,253	13,337	721,428
Total financial assets		**434,250**	**100,894**	**95,836**	**367,020**	**346,911**	**123,583**	**1,468,494**
Liabilities assets								
Due to banks and financial institutions	19	(26,004)	(12,060)	-	-	-	(1,365)	(39,429)
Deposits from customers and related parties	20, 35	(1,032,909)	(148,163)	(73,446)	-	-	(89,288)	(1,343,806)
Total liabilities		**(1,058,913)**	**(160,223)**	**(73,446)**	**-**	**-**	**(90,653)**	**(1,383,235)**
Total interest repricing gap		**(624,663)**	**(59,329)**	**22,390**	**367,020**	**346,911**	**32,930**	**85,259**
31 December 2012								
Financial assets								
Cash and balances with the Central Bank	9	68,038	61,808	-	-	-	63,959	193,805
Due from banks and financial institutions	10	113,907	5,600	7,000	-	-	13,753	140,260
Loans and advances to customers and related parties	11, 35	165,388	4,931	20,712	28,962	176	7,386	227,555
Investment securities at fair value through profit or loss	12	-	-	-	6,953	21,587	500	29,040
Investment securities at amortized cost	13	3,006	9,372	33,503	324,661	326,322	12,689	709,553
Total financial assets		**350,339**	**81,711**	**61,215**	**360,576**	**348,085**	**98,287**	**1,300,213**
Financial liabilities								
Due to banks and financial institutions	19	(23,382)	(12,060)	-	-	-	(3,287)	(38,729)
Deposits from customers and related parties	20, 35	(924,247)	(129,037)	(69,012)	-	-	(69,860)	(1,192,156)
Total liabilities		**(947,629)**	**(141,097)**	**(69,012)**	**-**	**-**	**(73,147)**	**(1,230,885)**
Total interest repricing gap		**(597,290)**	**(59,386)**	**(7,797)**	**360,576**	**348,085**	**25,140**	**69,328**

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates assuming no asymmetrical movement in yield curves and a constant financial position is as follows:

In millions of Lebanese Pounds	1% parallel increase	1% parallel decrease
At 31 December 2013	520	(520)
At 31 December 2012	325	(325)

(v) Exposure to foreign exchange risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Central Bank of Lebanon sets limits on the level of exposure to foreign exchange risk which should not exceed 1% of Tier 1 capital.

This exposure limit is related to and set out in compliance with the limits set by the BDL (basic circular number 32) as approved by the ALCO and Board of Directors and closely monitored by the Group's Risk Management and Treasury department on a daily basis.

The tables below summarize the Group's exposure to foreign currency exchange rate risk at 31 December 2013 and 2012. The table includes the Group's financial instruments at carrying amounts, categorized by currency.

In millions of Lebanese Pounds	Notes	LL	USD	EUR	GBP	Others	Total
31 December 2013							
Financial assets							
Cash and balances with the Central Bank	9	60,500	182,980	8,513	303	-	252,296
Due from banks and financial institutions	10	14,680	168,422	9,162	462	2,207	194,933
Loans and advances to customers at amortized cost	11, 35	73,244	175,121	16,103	-	4,026	268,494
Investment securities at fair value through profit or loss	12	19,530	11,813	-	-	-	31,343
Investment securities at amortized cost	13	449,295	253,712	18,421	-	-	721,428
Investment securities at fair value through other comprehensive income	14	865	1,246	-	-	-	2,111
Total financial assets		**618,114**	**793,294**	**52,199**	**765**	**6,233**	**1,470,605**
Financial liabilities							
Due to banks and financial institutions	19	(19,381)	(16,156)	(10)	(1)	(3,881)	(39,429)
Deposits from customers and related parties at amortized cost	20, 35	(519,415)	(769,446)	(52,157)	(765)	(2,023)	(1,343,806)
Total financial liabilities		**(538,796)**	**(785,602)**	**(52,167)**	**(766)**	**(5,904)**	**(1,383,235)**
Financial guarantees	36	1,008	8,958	144	-	-	10,110
Loans commitments and other credit related obligations	36	9,290	63,900	1,781	-	518	75,489

In millions of Lebanese Pounds	Notes	LL	USD	EUR	GBP	Others	Total
31 December 2012							
Financial assets							
Cash and balances with the Central Bank	9	54,565	138,086	898	256	-	193,805
Due from banks and financial institutions	10	16,365	122,255	841	456	343	140,260
Loans and advances to customers at amortized cost	11, 35	59,221	151,064	16,375	-	895	227,555
Investment securities at fair value through profit or loss	12	20,730	8,310	-	-	-	29,040
Investment securities at amortized cost	13	423,590	270,064	15,899	-	-	709,553
Investment securities at fair value through other comprehensive income	14	865	1,496	-	-	-	2,361
Total financial assets		**575,336**	**691,275**	**34,013**	**712**	**1,238**	**1,302,574**
Liabilities assets							
Due to banks and financial institutions	19	(4,302)	(18,780)	(14,575)	-	(1,072)	(38,729)
Deposits from customers and related parties at amortized cost	20, 35	(503,100)	(668,958)	(19,412)	(591)	(95)	(1,192,156)
Total financial liabilities		**(507,402)**	**(687,738)**	**(33,987)**	**(591)**	**(1,167)**	**(1,230,885)**
Financial guarantees	36	1,188	9,555	221	-	-	10,964
Loans commitments and other credit related obligations	36	6,043	60,765	1,215	-	2,039	70,062

	2013		2012	
In millions of Lebanese Pounds	Short	Long	Short	Long
Position in:				
USD	-	170	164	-
EUR	-	21	-	25
GBP	1	-	1	-
CAD	-	84	-	69
CHF	13	-	16	-
Other currencies	-	261	9	148
Total short / long position	**14**	**536**	**190**	**242**
Net foreign exchange position		522		52

(e) Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risks to management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by the Internal Audit department. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Besides that, the Risk Management Unit analyses all the operational incidents and submits a quarterly report to the Management Risk Committee for further discussion.

(f) Capital management

The Group's objectives when managing capital are:

- To comply with the capital requirements set by the regulators which are the Central Bank of Lebanon and the Banking Control Commission;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored bi-annually by the Group's management, employing techniques based on the guidelines developed by the Basel Committee for supervisory purposes. The required information is filed with the Authority on a monthly basis.

The Group's regulatory capital is managed by the Assets and Liabilities Committees and comprises two tiers:

- Tier I capital: share capital, cash contributions, retained earnings and reserves established by appropriations of retained earnings; and
- Tier II capital: revaluation surplus which is approved by the Central Bank of Lebanon, qualifying subordinated loan capital, unrealised gains arising on the fair valuation of financial instruments held as available for sale.

The Banking Regulators set and monitor capital requirements for the Banking sector, and require maintaining a prescribed ratio (minimum 10.5% for 2013 and 10% for 2012) of total capital to total risk-weighted assets (capital adequacy ratio). The Group's consolidated regulatory capital adequacy ratio is based on BCC memo 3/2014 for the year ended 31 December 2013 and BCC memo 4/2013 for the year ended 31 December 2012:

	2013	2012
Capital adequacy ratio	13.53%	13.50%

To monitor the adequacy of its capital, the Group uses ratios established by the Group for International Settlements (BIS). These ratios measure capital adequacy (minimum 8% as required by BIS and 10.5% as required by the Central Bank of Lebanon) by comparing the Group's eligible capital with its statement of financial position assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Several categories of risk weights (such as 0%, 20%, 35%, 50%, 75%, 100%, etc.) are applied; for example cash and placements in Lebanese pound with the Central Bank have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 10.5% for 2013 and 10% for 2012 of the carrying amount.

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

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

In millions of Lebanese Pounds	2013	2012
Tier 1 Capital		
Ordinary share capital		
Retained earnings – not available for distribution	**54,165**	54,165
Retained earnings – available for distribution	**1,219**	482
	1,004	1,004
Capital reserves:		
General banking risk reserve	**10,379**	8,962
Legal reserve	**9,115**	8,332
Reserve for capital increase	**1,901**	1,336
Free reserve	**14,067**	8,824
Total common equity	**91,850**	**91,235**
Deduct: net intangible fixed assets	**(65)**	(79)
Total Tier 1 capital	**91,785**	**91,156**
Tier 2 Capital		
Revaluation reserve accepted as supplementary capital	**15,167**	15,167
50% of fair value reserve of investment securities	**268**	392
	15,435	15,559
Total regulatory capital	**107,220**	**106,715**

(7) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and required varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation model

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements

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

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

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

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

(b) Financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which the fair value measurement is categorized:

In millions of Lebanese Pounds	Level 1	Level 2	Level 3	Total
31 December 2013				
Investment securities at fair value through profit or loss	11,813	19,530	-	31,343
Investment securities at fair value through other comprehensive income	1,246	-	865	2,111
	13,059	**19,530**	**865**	**33,454**
31 December 2012				
Investment securities at fair value through profit or loss	8,310	20,730	-	29,040
Investment securities at fair value through other comprehensive income	1,496	-	865	2,361
	9,806	**20,730**	**865**	**31,401**

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in fair value hierarchy into which each fair value measurements is categorized.

In millions of Lebanese Pounds	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2013					
Assets					
Cash and balances with the Central Bank	12,568	239,728	-	252,296	252,296
Due from banks and financial institutions	-	194,933	-	194,933	194,933
Loans and advances to customers and related parties at amortized cost	-	274,552	-	274,552	268,494
Investment securities at amortized cost:					
Lebanese government bonds	244,801	256,737	-	501,538	487,156
Certificates of deposits	53,526	175,484	-	229,010	222,990
Other debt securities	-	11,282	-	11,282	11,282
Total investments securities at amortized cost	**298,327**	**443,503**	**-**	**741,830**	**721,428**
Liabilities					
Due to banks and financial institutions	-	39,429	-	39,429	39,429
Deposits from customers and related parties at amortized cost	-	1,343,806	-	1,343,806	1,343,806

In millions of Lebanese Pounds	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2012					
Assets					
Cash and balances with the Central Bank	11,427	182,378	-	193,805	193,805
Due from banks and financial institutions	-	140,260	-	140,260	140,260
Loans and advances to customers and related parties at amortized cost	-	227,555	-	227,555	227,555
Investment securities at amortized cost:					
Lebanese government bonds	255,298	261,153	-	516,451	507,928
Certificates of deposits	151,692	60,135	-	211,827	199,640
Other debt securities	-	1,985	-	1,985	1,985
Total investments securities at amortized cost	**406,990**	**323,273**	**-**	**730,263**	**709,553**
Liabilities					
Due to banks and financial institutions	-	38,729	-	38,729	38,729
Deposits from customers and related parties at amortized cost	-	1,192,156	-	1,192,156	1,192,156

(8) CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

In millions of Lebanese Pounds	Fair value through profit or loss	Fair value through comprehensive income	Amortized cost	Total carrying amount
31 December 2013				
Cash and balances with the Central Bank	-	-	252,296	252,296
Due from banks and financial institutions	-	-	194,933	194,933
Loans and advances to customers and related parties	-	-	268,494	268,494
Investment securities	31,343	2,111	721,428	754,882
	31,343	**2,111**	**1,437,151**	**1,470,605**
Due to banks and financial institutions	-	-	39,429	39,429
Deposits from customers and related parties	-	-	1,343,806	1,343,806
	-	**-**	**1,383,235**	**1,383,235**
31 December 2012				
Cash and balances with the Central Bank	-	-	193,805	193,805
Due from banks and financial institutions	-	-	140,260	140,260
Loans and advances to customers and related parties	-	-	227,555	227,555
Investment securities	29,040	2,361	709,553	740,954
	29,040	**2,361**	**1,271,173**	**1,302,574**
Due to banks and financial institutions	-	-	38,729	38,729
Deposits from customers and related parties	-	-	1,192,156	1,192,156
	-	**-**	**1,230,885**	**1,230,885**

(9) CASH AND BALANCES WITH THE CENTRAL BANK

In millions of Lebanese Pounds	2013	2012
Cash on hand	12,568	11,427
Balances with the Central Bank	36,783	11,770
Included in cash and cash equivalents (note 33)	49,351	23,197
Terms deposits	45,969	25,675
Interest receivable	888	513
Cash and unrestricted balances with the Central bank	**96,208**	**49,385**
Compulsory reserve held with the Central Bank	**156,088**	**144,420**
Total cash and balances with the Central Bank	**252,296**	**193,805**

In accordance with the Central Bank's basic circular number 84, the Group is required to constitute a compulsory reserves in Lebanese Pounds calculated on the basis of 15% of the weekly average of term deposits and 25% of the weekly average of current accounts. The Group is also required to constitute a compulsory reserve in foreign currency calculated on the basis of 15% of foreign currency deposits.

Compulsory reserve requirements are not available for use in the Group's day-to-day operations.

The reserves comprise compulsory reserves in Lebanese Pounds amounting to LL 33,566 million (2012: LL 40,248 million) and in foreign currencies with a counter value of LL 122,522 million (2012: LL 104,172 million).

Term placements generate fixed interest. Current accounts with the Central Bank of Lebanon do not generate interest.

(10) DUE FROM BANKS AND FINANCIAL INSTITUTIONS

In millions of Lebanese Pounds	2013	2012
Current accounts	13,200	7,894
Checks for collection	5,261	5,787
Placements with banks (with original maturities for less than three months)	163,358	111,756
Included in cash and cash equivalents (note 33)	181,819	125,437
Placements with banks (with original maturities for more than three months)	13,000	14,700
Interest receivable	114	123
	194,933	**140,260**

(11) LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES AT AMORTIZED COST

In millions of Lebanese Pounds	2013	2012
Gross loans and advances to customers	309,465	268,861
Gross loans and advances to related parties	890	1,013
	310,355	269,874
Deduct:		
Individual impairment		
Unrealized interest	(32,400)	(33,458)
Specific provision	(7,390)	(7,693)
Provision based on collective assessment	(2,071)	(1,168)
	(41,861)	(42,319)
	268,494	**227,555**

Loans and advances to customers and related parties classified by product:

In millions of Lebanese Pounds	2013 Gross Amount	2013 Impairment allowance	2013 Carrying amount	2012 Gross Amount	2012 Impairment allowance	2012 Carrying amount
Retail customers:						
Lending secured by mortgage	74,488	(7,344)	67,144	56,715	(10,555)	46,160
Lending against cash collateral	18,297	-	18,297	14,860	-	14,860
Personal loans	48,243	(4,279)	43,964	50,476	(1,817)	48,659
Other retail lending	11,901	(2,880)	9,021	5,610	(3,183)	2,427
Collective impairment	-	(1,618)	(1,618)	-	(767)	(767)
	152,929	**(16,121)**	**136,808**	**127,661**	**(16,322)**	**111,339**
Corporate customers:						
Lending secured by mortgage	37,244	(16,932)	20,312	26,759	(16,590)	10,169
Lending against cash collateral	2,922	-	2,922	1,641	-	1,641
Other corporate lending	117,260	(8,355)	108,905	113,813	(9,006)	104,807
Collective impairment	-	(453)	(453)	-	(401)	(401)
	157,426	**(25,740)**	**131,686**	**142,213**	**(25,997)**	**116,216**
	310,355	**(41,861)**	**268,494**	**269,874**	**(42,319)**	**227,555**

Reconciliation of allowances account for losses on loans advances to customers is as follows:

In millions of Lebanese Pounds	2013	2012
Movement of unrealized interests:		
Balance at 1 January	**33,458**	**30,351**
Add / (deduct):		
Unrealized interest for the year	14,564	13,308
Amounts transferred to off-balance sheet	(9,649)	(8,626)
Recoveries	(2,475)	(310)
Amounts written-off	(3,498)	(1,265)
Balance at 31 December	**32,400**	**33,458**
Movement of specific provision:		
Balance at 1 January	**7,693**	**7,384**
Add / (deduct):		
Provision for the year	1,044	599
Amounts transferred from collective provision	-	550
Recoveries	(630)	(705)
Amounts written-off	(717)	(135)
Balance at 31 December	**7,390**	**7,693**
Movement of collective provision:		
Balance at 1 January	**1,168**	**858**
Add / (deduct):		
Provision for the year	903	860
Amounts transferred to specific provision	-	(550)
Balance at 31 December	**2,071**	**1,168**

Net (release) charge of impairment on loans and advances to customers recognized in the statement of comprehensive income was as follows during the year:

In millions of Lebanese Pounds	2013	2012
Specific provision during the year	1,044	599
Collective provision during the year	903	860
Specific provision released during the year	(704)	(848)
Recovery of unrealized interest	(2,613)	(310)
	(1,370)	**301**

Bad loans fully provided for and transferred to off-balance sheet amounted to LBP 79,049 million as of 31 December 2013 (2012: LBP 72,946 million).

(12) INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of Lebanese Pounds	2013	2012
Lebanese government treasury bills	30,877	28,369
Certificates of deposit issued by the Central Bank	-	171
Interest receivable	466	500
	31,343	**29,040**

Investment securities at fair value through profit or loss above comprise debt securities carried at fixed interest rates. The negative change in fair value of the investment securities at fair value through profit or loss in the amount of LL 176 million (2012: LL 168 million) is recorded under "net gain from investment securities at fair value through profit or loss" (note 27) in the consolidated statement of comprehensive income.

(13) INVESTMENT SECURITIES AT AMORTIZED COST

In millions of Lebanese Pounds	2013	2012
Lebanese government treasury bills	478,675	499,158
Certificates of deposit issued by the Central Bank	218,346	195,744
Other debt securities	11,070	1,962
Interest receivable	13,337	12,689
	721,428	**709,553**

The table below shows the movement of investment securities classified at amortized cost:

In millions of Lebanese Pounds	2013	2012
Balance at 1 January	**709,553**	**715,340**
Securities acquired	108,613	85,993
Securities sold	(20,251)	(5,250)
Securities exchanged	(35,000)	(7,537)
Securities matured	(40,727)	(77,555)
Change in net unamortized premium or discount	(2,194)	(1,618)
Change in interest receivable	734	(135)
Foreign exchange difference	700	315
Balance at 31 December	**721,428**	**709,553**

During 2013 and in order to maintain and enhance liquidity position, the Group sold Lebanese Government treasury bills and certificates of deposits with a nominal value of LL 7,236 million and LL 13,015 million respectively and recorded the resulting gain on sale amounting to LL 276 million under "revenue from investment securities at fair value through other comprehensive income and net gain from investment securities at amortised cost" in the consolidated statement of comprehensive income.

During 2013, the Group exchanged with the Central Bank of Lebanon certificates of deposits maturing in 2013 denominated in Lebanese Pounds with an aggregate nominal value of LL 35,000 million against certificates of deposit issued by the Central Bank of Lebanon maturing in 2023. The difference resulting from the exchange amounted to LL 1,034 million recorded under "revenue from investment securities at fair value through other comprehensive income and net gain from investment securities at amortised cost" in the consolidated statement of comprehensive income.

During 2012, gain from investment securities at amortized cost amounted to LBP 273 million recorded under "revenue from investment securities at fair value through other comprehensive income and net gain from investment securities at amortized cost" in the consolidated statement of comprehensive income.

(14) INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In millions of Lebanese Pounds	2013	2012
Equity securities with readily determinable fair value	1,246	1,496
Unquoted equity securities at cost	865	865
	2,111	**2,361**
Balance at 1 January	**2,361**	**2,467**
Securities acquired	-	29
Change in fair value	(250)	(135)
Balance at 31 December	**2,111**	**2,361**

During 2013, dividend income from investment securities at fair value through other comprehensive income amounted to LL 63 million (2012: LL 136 million) recorded under "net gain from investment securities at fair value through other comprehensive income and amortized cost" in the consolidated statement of comprehensive income.

(15) INVESTMENT PROPERTY

	Property	
In millions of Lebanese Pounds	2013	2012
Cost:		
Balance at 1 January	27,312	27,312
Transferred to property and equipment	(1,196)	-
Balance at 31 December	26,116	27,312
Depreciation:		
Balance at 1 January	4,978	4,533
Depreciation for the year (note 30)	420	445
Transferred to property and equipment	(318)	-
Balance at 31 December	5,080	4,978
Net carrying amount:		
At 31 December	**21,036**	**22,334**

The fair value of investment property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued amounted to LL 34,927 million. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

(16) PROPERTY AND EQUIPMENT

In millions of Lebanese Pounds	Land and buildings	Leasehold improvements	Computer and office equipment	Furniture and fixtures	Vehicles	Work in progress	Total
Cost:							
Balance at 1 January 2013	25,976	19,893	5,598	1,713	57	1,063	54,300
Additions	-	527	124	47	-	836	1,534
Disposals	-	-	(72)	-	-	-	(72)
Transfers	-	-	88	1	-	(89)	-
Transfer from investment property	1,196	-	-	-	-	-	1,196
At 31 December 2013	**27,172**	**20,420**	**5,738**	**1,761**	**57**	**1,810**	**56,958**
Depreciation:							
Balance at 1 January 2013	3,932	11,883	4,847	1,159	31	-	21,852
Depreciation for the year	434	945	356	119	6	-	1,860
Disposals	-	-	(51)	-	-	-	(51)
Transfer from investment property	318	-	-	-	-	-	318
At 31 December 2013	**4,684**	**12,828**	**5,152**	**1,278**	**37**	**-**	**23,979**
Nat carrying amount:							
At 31 December 2013	**22,488**	**7,592**	**586**	**483**	**20**	**1,810**	**32,979**
Cost							
Balance at 1 January 2012	25,976	18,975	5,333	1,617	57	104	52,062
Additions	-	918	216	49	-	1,081	2,264
Disposals	-	-	(2)	-	-	-	(2)
Transfers	-	-	51	47	-	(122)	(24)
At 31 December 2012	**25,976**	**19,893**	**5,598**	**1,713**	**57**	**1,063**	**54,300**
Depreciation							
Balance at 1 January 2012	3,519	10,979	4,459	1,040	26	-	20,023
Depreciation for the year	413	904	388	119	5	-	1,829
At 31 December 2012	**3,932**	**11,883**	**4,847**	**1,159**	**31**	**-**	**21,852**
Nat carrying amount:							
At 31 December 2012	**22,044**	**8,010**	**751**	**554**	**26**	**1,063**	**32,448**

During 1995, the Group revalued its land and buildings acquired before 1993 based on an independent expert's evaluation report. In conformity with Law No. 282 dated 30 December 2003, the Group paid 1.5% on the surplus from revaluation that amounted to LBP 15,205 million. An amount of LBP 15,167 million of the revaluation was accepted by the Central Bank of Lebanon and recognised within the property and equipment and under the caption "Revaluation reserve – part of Tier II capital" in equity.

(17) NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In millions of Lebanese Pounds	2013	2012
Balance at 1 January	3,585	4,354
Disposals during the year	(901)	(769)
Balance at 31 December	**2,684**	**3,585**

During 2013, the Group disposed of assets obtained in settlement of debt held for sale with carrying value of LL 901 million (2012: LL 769 million) and recognized a gain of LL 2,371 million (2012: LL 421 million), in addition to the release of reserve for non-current assets held for sale amounting to LL 737 million to retained earnings (2012: LL 144 million). This amount relates to appropriations previously booked on reserve for non-current assets held for sale and subsequently will be transferred to reserve for capital increase.

(18) OTHER ASSETS

In millions of Lebanese Pounds	2013	2012
Receivable from the ("NSSF") (i)	1,896	1,619
Impairment provision on receivable from NSSF	(398)	(368)
Advances related to property acquired in settlement of debt	1,488	1,488
Prepaid expenses	1,010	1,147
Other receivables	475	479
	4,471	**4,365**

(i) This amount represents medical expenses reimbursed by the Group to the employees which are recoverable later from NSSF.

(19) DUE TO BANKS AND FINANCIAL INSTITUTIONS

In millions of Lebanese Pounds	2013	2012
Current deposits	1,321	3,262
Term deposits	38,064	35,442
Interest payable	44	25
	39,429	**38,729**

Due to banks and financial institutions are current with maturities of less than three months.

(20) DEPOSITS FROM CUSTOMERS AT AMORTIZED COST

In millions of Lebanese Pounds	2013	2012
Term deposits	1,136,189	1,025,778
Sight deposits (i)	89,629	77,547
Net credit against debit accounts and margins	43,850	37,550
Interest payable	3,751	2,707
	1,273,419	**1,143,582**

(i) Sight deposits

In millions of Lebanese Pounds	2013	2012
Checking and current accounts	74,544	62,667
Saving accounts – demand	9,817	8,809
Debtors accidentally creditors	5,129	4,412
Payment orders	139	1,659
	89,629	**77,547**

All deposits carry fixed interest rates.

(21) OTHER LIABILITIES

In millions of Lebanese Pounds	2013	2012
Accrued expenses and other payables	1,509	875
Withholding taxes and due to NSSF	696	486
Transactions pending between branches	4,517	1,326
Provisions for risks and charges	45	45
Other liabilities	474	628
	7,241	**3,360**

Other liabilities are expected to be settled within 12 months of the date of the consolidated statement of financial position.

(22) EMPLOYEES BENEFIT OBLIGATIONS

The movement in provision for employee benefit obligations is summarized as follows:

In millions of Lebanese Pounds	2013	2012
Balance at 1 January	4,060	3,205
Charge for the year (note 29)	411	111
Transfer of provision for high cost of living	-	1,000
Release of provision (note 29)	(117)	(167)
Payments during the year	(139)	(89)
Balance at 31 December	**4,215**	**4,060**

(23) SHARE CAPITAL

At 31 December 2013, the authorised and issued share capital comprised 3,450,000 nominal shares (2012: 3,450,000) with a par value of LL 15,700 each (2012: LL 15,700 each). All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time. All shares rank equally with regard to the Group's residual assets.

On 19 December 2011, an extraordinary general assembly meeting was held and decided to increase the capital to LL 54,165 million by increasing the value of share to LL 15,700. The increase was done on 15 February 2012 after obtaining the acceptance of the Central Bank of Lebanon on 27 January 2012.

(24) RESERVES

In millions of Lebanese Pounds	2013	2012
General banking risk reserve (i)	10,379	8,962
Legal reserve (ii)	9,115	8,332
Reserve for capital increase	1,901	1,336
Reserve for assets classified as held for sale (iii)	1,049	1,664
Revaluation reserve for real estate	13,513	13,513
Revaluation reserve accepted as supplementary capital – part of Tier II capital	15,167	15,167
Non-distributable reserves	51,124	48,974
Free reserve – distributable	14,067	8,824
Total reserve	**65,191**	**57,798**

(i) General Banking risk reserve
In compliance with the requirements of the Central Bank of Lebanon basic circular number 50, the Group is required to set up a reserve for general banking risks at a minimum rate of 0.2% and a maximum of 0.3% of the risk weighted assets and off-balance sheet financial instruments in local and foreign currencies. This reserve should not be less than 1.25% and 2% by the end of the 10th and the 20th years, respectively. This reserve is not available for distribution.

(ii) Legal reserve
The Lebanese Code of Commerce and the Group's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve until it reaches one-third of the Group's capital. This reserve is not available for distribution.

(iii) Reserve for asset classified as held for sale
This reserve is related to properties held in settlement of debt and is not available for distribution.

(25) NET INTEREST AND SIMILAR INCOME

In millions of Lebanese Pounds	2013	2012
Loans and advances to customers and related parties	17,551	13,651
Balances with the Central Bank of Lebanon	2,700	2,041
Due from banks and financial institutions	932	820
Investment securities	53,922	54,969
	75,105	**71,481**
Interest and similar expense		
Deposits from customers and related parties	(52,220)	(47,773)
Due to banks and financial institutions	(764)	(643)
	(52,984)	**(48,416)**
Net interest and similar income	**22,121**	**23,065**

(26) FEE AND COMMISSION INCOME

In millions of Lebanese Pounds	2013	2012
Commissions on banking operations	3,318	2,139
Credit - related fees and commissions	552	1,278
Brokerage fees	285	278
Commissions on letters of credit and guarantees	463	468
	4,618	**4,163**

(27) NET GAIN FROM INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of Lebanese Pounds	2013	2012
Interest income	2,034	1,226
Gain on exchange	722	499
Gain (loss) on sale	385	(40)
Change in fair value	(176)	(168)
	2,965	**1,517**

(28) OTHER OPERATING INCOME

In millions of Lebanese Pounds	2013	2012
Rental income	841	627
Net gain on sale of asset classified as held for sale (note 17)	2,371	421
Other operating income	210	676
	3,422	**1,724**

(29) PERSONNEL EXPENSES

In millions of Lebanese Pounds	2013	2012
Salaries and related benefits	10,540	9,476
Social security costs	1,451	1,187
Provision for employee benefit obligations (note 22)	411	111
Release of provision for employee benefit obligations (note 22)	(117)	(167)
Other personnel expenses	47	130
	12,332	**10,737**

(30) DEPRECIATION AND AMORTIZATION CHARGES

In millions of Lebanese Pounds	2013	2012
Depreciation charge on investment property (note 15)	420	445
Depreciation charge on property and equipment (note 16)	1,860	1,829
Amortization charge on intangible assets	14	14
	2,294	**2,288**

(31) OTHER OPERATING EXPENSES

In millions of Lebanese Pounds	2013	2012
Repairs and maintenance	2,172	1,773
Rent	362	333
Professional fees	867	614
Insurance expense	735	661
Office supplies	315	276
Customer deposits insurance	597	567
Subscription fees	459	471
Travel expense	748	510
Custody fees	91	94
Utilities expense	477	417
Taxes	327	399
Software costs	13	16
Directors' attendance fees (note 35)	295	154
Other expenses	1,429	972
	8,887	**7,257**

(32) INCOME TAX EXPENSE

In millions of Lebanese Pounds		2013		2012
Profit for the year		10,140		8,161
Income tax expense		1,899		1,873
Profit before income tax		12,039		10,034
Income tax using domestic corporation tax rate	(15%)	1,726	(15%)	1,449
Effect of income subject to different tax rates		(6)		(71)
Effect of other non-deductible expenses		190		206
Real estate tax		(11)		46
Withholding tax on interest not reimbursable		-		243
Current income tax expense		**1,899**		**1,873**
Effective tax rate		**16.01%**		**16.39%**

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

The movement of current income tax liabilities was as following:

In millions of Lebanese Pounds	2013	2012
Balance at 1 January	941	795
Charges for the year	1,899	1,873
Paid during the year	(1,720)	(1,727)
Balance at 31 December	**1,120**	**941**

(33) CASH AND CASH EQUIVALENTS

In millions of Lebanese Pounds	2013	2012
Cash and balances with the Central Bank (note 9)	49,351	23,197
Due from banks and financial institutions (note 10)	181,819	125,437
Due to banks and financial institution (note 19)	(39,429)	(38,729)
	191,741	**109,905**

(34) CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal proceedings
There were a number of legal proceedings outstanding against the Group at 31 December 2013. No provision has been booked against these cases beyond the amounts provided for under provision for impairment of loans and advances to customers as professional advice indicates that it is unlikely that any significant loss will arise.

(b) Tax and other obligations
The Bank's books for the years 2009 till 2012 are currently under the review by the tax authorities. The outcome of this review has not been issued as of the date of this report and therefore any possible obligation cannot currently be determined.

The Bank's books have not been reviewed by the National Social Security Fund (NSSF) since 2012. The ultimate outcome of any review by the NSSF on the Bank's books for the year 2013 cannot be currently determined.

(35) RELATED PARTY TRANSACTIONS

(a) Key management compensation
Some of the board members hold positions in the subsidiaries that result in having control over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting year. The terms and conditions of the transactions with the key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

In millions of Lebanese Pounds	2013	2012
Directors' attendances fees (note 31)	295	154
Employees' benefits	1,075	922
	1,370	**1,076**

(b) Loans and advances to related parties at amortized cost

In millions of Lebanese Pounds	2013	2012
Ayoub Lebanese Industrial Company SAL ("ALICO")	686	800
Sleep Comfort Lebanon SAL	204	213
	890	**1,013**

Sleep Comfort Lebanon SAL and ALICO SAL share Board members with the Group: Interest rate charged on loans and advances to related parties average to 8.5% (2012: 9.5%) on US$ accounts.

(c) Deposits from related parties at amortized cost

In millions of Lebanese Pounds	2013	2012
Deposits from related parties	70,387	48,574

Average interest rates granted on deposits from related parties average to 6.75% (2012: 7%) on LL accounts and 4.25% (2012: 4.25%) on US$ accounts.

(36) OFF BALANCE SHEET ITEMS

In millions of Lebanese Pounds	2013	2012
Financing Commitments		
Financing commitments given to customers	75,489	70,062
Guarantees		
Guarantees given to banks and financials institutions	3,299	2,999
Guarantees received from banks and financial institutions	4,753	4,173
Guarantees given to customers	10,110	10,964
Guarantees received from customers	598,544	523,704
Operations in foreign currencies		
Foreign currencies to receive	-	393
Foreign currencies to deliver	-	398
Contingencies on legal disputes	**4,484**	**6,621**
Fiduciary deposits	**151**	**302**
Bad loans fully provided for	**79,049**	**72,946**

VISION

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NETWORK & ADDRESSES

HEAD OFFICE

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Zip Code: 2011 5209
P.O.Box: 11-957
Tel: 01-980080
Fax: 01-98099

Swift: SONBLBBE
Email: info@bsl.com.lb
Website: www.bsl.com.lb

BRANCHES - BEIRUT AND SUBURBS

ACHRAFIEH

Location: Achrafieh – Sioufi Street,
Beirut Khayat Bldg
Tel: 01-200121 | 01-337340
Fax: 01-337340

HAMRA

Location: Hamra – Makdessi Street ,
Abu El Hessen Bldg
Tel: 01-342750 | 01-353084 | 01-349711
Fax: 01-353084

BURJ HAMMOUD

Location: Burj Hammoud,
Arminia Street, Jamgotchian Bldg
Tel: 01-266992 | 01-262527
Fax: 01-262527

HAZMIEH

Location: Hazmieh – Damascus Road,
Baabda Mallat Center
Tel: 05-457640 /1 | 05-454686
Fax: 05-457641

DBAYEH

Location: Dbayeh – Naccache,
Dbayeh Highway, BSL Bldg
Tel: 04-402420 /2 | 04-417509
Fax: 04-415985

MAR ELIAS

Location: Mar Elias – Mar Elias Street,
Chehadeh Bldg
Tel: 01-818122 /3
Fax: 01-818122

DORA

Location: Dora – Dora Highway,
United Court Bldg
Tel: 01-262090 | 01-264785 | 01-268037
Fax: 01-264785 | 01-264656

RIAD SOLH

Location: Beirut Central District,
Riad Solh, Banks Street, BSL Bldg
Tel: 01-980071 /6
Fax: 01-980073

SAINT NICOLAS

Location: Saint Nicolas – Charles Malek Avenue,
Zen Bldg
Tel: 01-200340 /1 | 01-218751
Fax: 01-218751

SAMI SOLH

Location: Sami Solh – Sami Solh Avenue,
Joseph Chahine Bldg
Tel: 01-389398 | 01-387795
Fax: 01-389398

KESERWAN

JOUNIEH

Location: Jounieh – Haret Sakhr,
Athénée Center
Tel: 09-913880 /5 | 09-915517
Fax: 09-913885

NORTH

TRIPOLI

Location: Tripoli – Tell Square,
BSL Bldg
Tel: 06-430042 /3/4/5/6
Fax: 06-430044

ZGHORTA

Location: Zghorta – Sleiman Frangieh Boulevard,
BSL Bldg
Tel: 06-662667 /8
Fax: 06-660856

SOUTH

SAIDA

Location: Saida – Riad Solh Street,
BSL Bldg
Tel: 07-720402 /2/4
Fax: 07-720401

TYR

Location: Tyr – Principal Street,
Assawira Bldg
Tel: 07-740056 | 07-740294
Fax: 07-740056

BEKAA

BAALBECK

Location: Baalbeck – Khalil Moutran Square,
BSL Bldg
Tel: 08-370333 | 08-370447
Fax: 08-371876

ZAHLEH

Location: Zahleh – Zahleh Boulevard,
BSL Bldg
Tel: 08-823033/7 | 08-823287
Fax: 08-823033

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HERITAGE

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CORRESPONDENT BANKS

U.A.E

SHARJAH

Bank of Sharjah

NORTH AFRICA

EGYPT - CAIRO

National Bank of Egypt

FAR EAST

JAPAN - TOKYO

The Bank of New York Mellon

AUSTRALIA

SYDNEY

Westpac Banking Corporation

NORTH AMERICA

USA - NEW YORK

The Bank of New York Mellon

CANADA - TORONTO

Bank of Montreal

EUROPE

AUSTRIA - VIENNA

Unicredit Bank Austria AG

DENMARK - COPENHAGEN

Danske Bank

FRANCE - PARIS

Bank Audi Saradar France

BLOM Bank France SA

GERMANY - FRANKFURT

Commerzbank AG

ITALY - MILANO

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Skandinaviska Enskilda Banken AB

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CYPRUS - NICOSIA

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