ANNUAL Report 2012

BANQUE BEMO

TABLE OF Contents

Our
Word

1. Vision, Mission, Values

Our Vision

"To be the Reference in
Private and Corporate Banking
in Lebanon and Syria"

Mission Statement

"Live our Values while achieving
high return on equity and offering
our customers outstanding Quality"

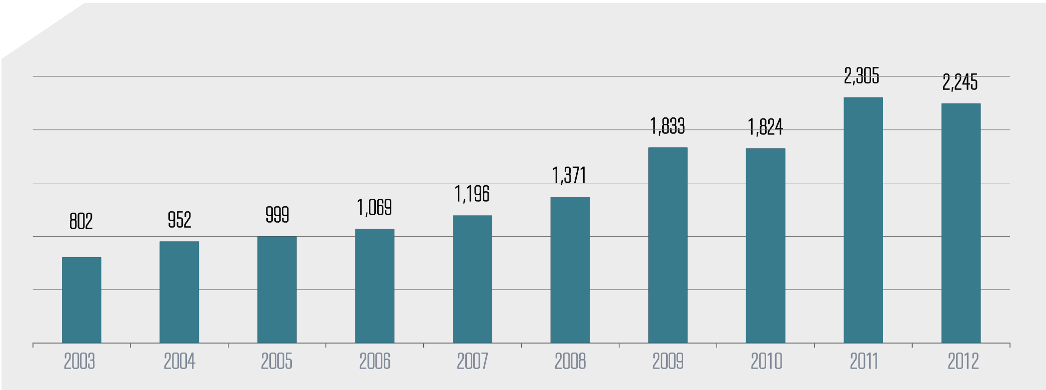
Values

"Family Spirit
Professionalism
Conservatism
Honesty"

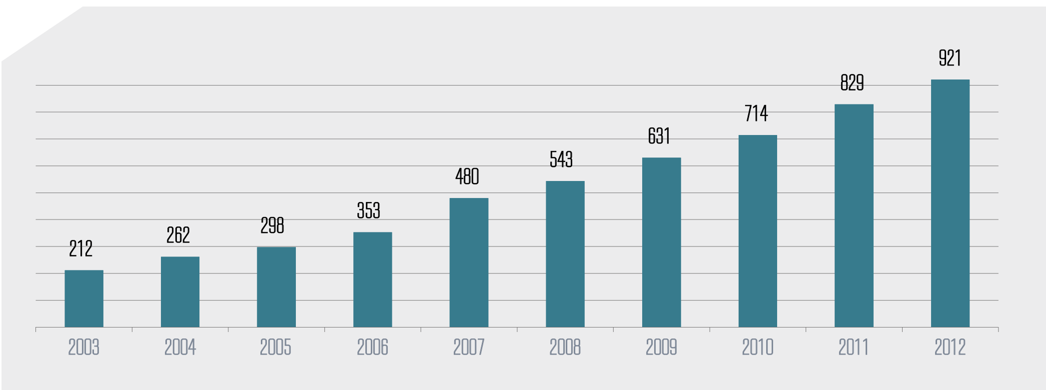
MOVING
Forward

2. 2012 Financial Highlights

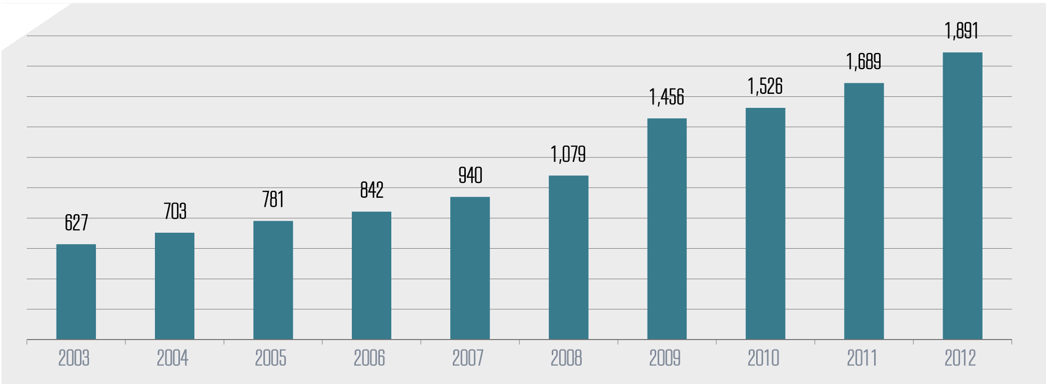
Evolution of Total Assets (LBP Billion)



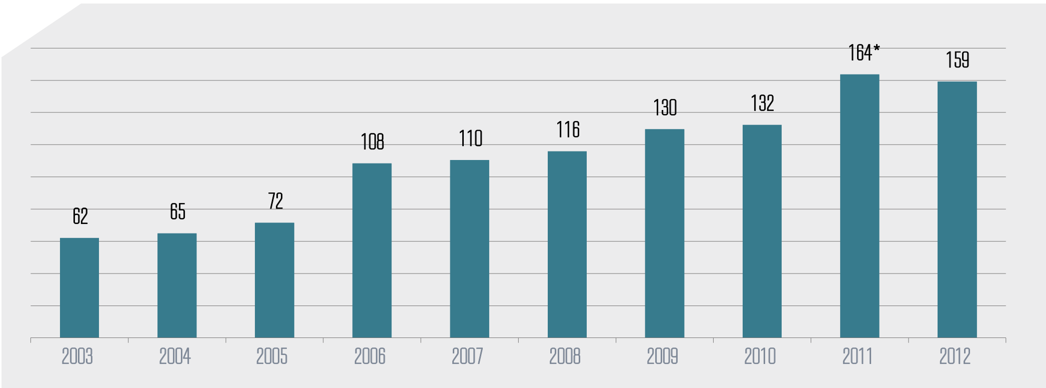
Evolution of Total Loans (LBP Billion)



Evolution of Total Deposits (LBP Billion)

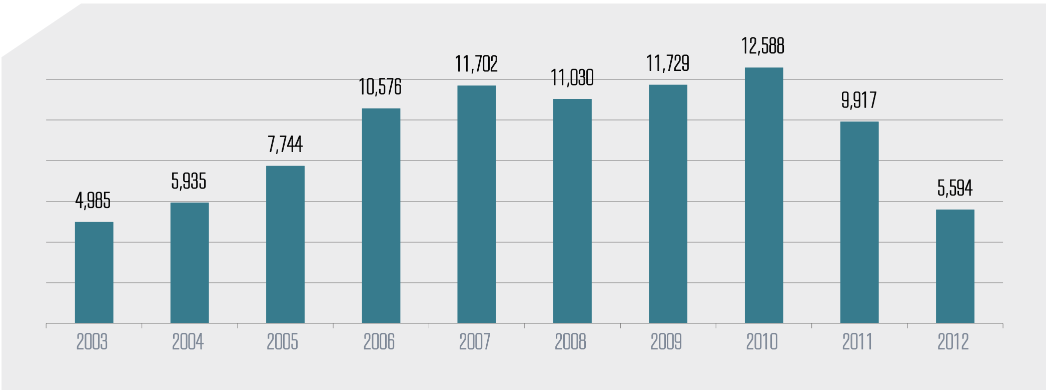


Evolution of Shareholders' Equity (LBP Billion)

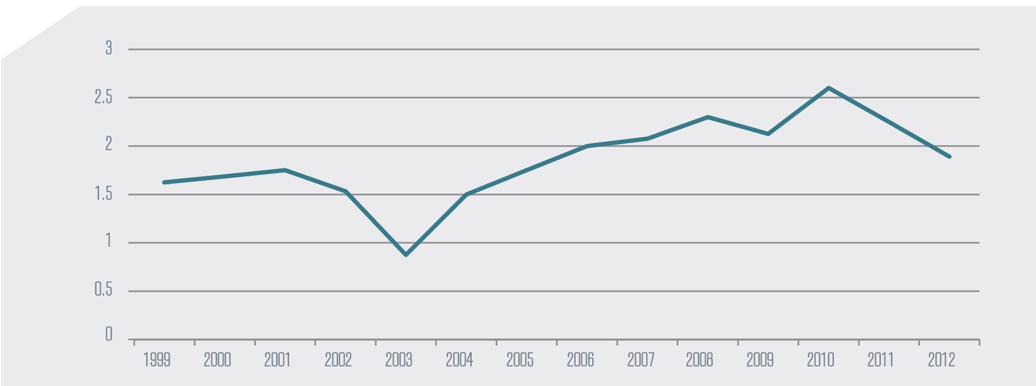


* Restated

Evolution of Net Profit (LBP Million)



Historical Stock Price in USD (since inception)



Our Commitment

3. Chairman's Message

Riad B. Obegi
Chairman - General Manager

Dear Clients and Shareholders,

2012 was undeniably a challenging and tumultuous year. The region's political environment continues to be highly volatile, affecting significantly the economic activity.

Throughout this turmoil, Banque Bemo continued to deploy efforts to strengthen its Client Centric approach in order to maintain sustainable growth, in line with its vision "To be the reference in Private and Corporate Banking"

For the year ahead, it remains difficult to predict how the economic climate will be, when this uncertainty will end and how far it will affect the banking sector. However, we remain confident and optimistic about our ability to weather the storm. Armed by a conservative approach combined with an efficient operational structure, we can look with confidence to the future with our aim of offering our customers outstanding quality service while achieving high return on equity.

I take special pride in expressing my deepest gratitude to our Customers and Shareholders for their support and trust, to our Board of Directors and especially to Mr Henry Obegi our Honorary Chairman for their valued guidance.

I would like to say a particular thank you to all Banque Bemo staff members in token of appreciation for their dedication and loyalty, for the great teamwork, the collective efforts and the family spirit shown especially during and after the Ashrafieh tragic explosion where the Recovery Business Plan was successfully implemented following the Ashrafieh Head Office quasi destruction.

Finally I would like to express to the Banque Bemo family, to late Georgette Sarkissian's family and to all who knew her ever-smiling face, our deepest sorrow for her tragic loss .

Yours Sincerely,

Riad B. Obegi
Chairman - General Manager

Overcoming *Challenges*

4. Managing Director's Letter

Samih H. Saadeh
Managing Director - Board Member

The year 2012 has been yet another year of weak economic growth for the global economy as the sovereign debt crisis in Europe and policy uncertainties in the US continue to impact investment and business sentiment. Moreover, and at the local level, tumultuous events marked this year. Tremors were felt at all levels, especially by us at Banque Bemo SAL. The Arab Spring rhetoric continues to tread throughout various countries, affecting economies and the established means of business dealings. The nature of the regimes that will emerge in these countries remains unknown with an uncertain status, which poses a great challenge to strategists and planners.

Unfortunately, and due to the vertical split of Lebanese factions, we have not only missed golden economic opportunities locally, but, rather led ourselves into political impasses. This resulted in an unprecedented void in key administrative and security posts putting the country at a relative stalemate pending the outcome of the regional crisis, mainly in Syria. Instead of making the best out of our long-established democracy, we seem as if we are dismantling what we have always cherished by not reaching consensus. Consequently, we have to deal with limited economic growth and negatively-affected investment opportunities, leading to a decline in most indicators. The general outlook remains negative and the various sectors are going through an impasse reflecting serious signs for concern.

On the other hand, the financial and monetary authorities are exerting extensive efforts to maintain growth and avoid adverse implications. The Central Bank of Lebanon (BDL) continues to build its foreign reserves that exceeded USD 36 billion not to account for the value of the long established gold reserves. Even the Lebanization of the economy continues to gain ground and Lebanon "Credit Default Swap" (CDS), was relatively stable hovering around 450bp with an excellent stand if compared to other developed or higher-rated countries. All this reflects the continued confidence all investors vest in our country and the prudent and solid monetary policy pursued by BDL.

In Lebanon, and despite the buildup in our offerings and positive restructuring, the Bank suffered greatly from the dreadful October 19, 2012 blast adjacent to its Head Office in Ashrafieh. The shocking attack reaped the life of our colleague, Georgette Kmeid Sarkissian, left fourteen injured and resulted in the total destruction of the building. But, we proudly claim that we witnessed a relentless portrayal of efficiency, commitment and loyalty by our staff, whose members moved collectively to ensure resumption of activities within forty-eight hours, without any delay, neither in service nor in response. The Business Continuity Plan (BCP) was efficiently implemented, reflecting an effective organization and highlighting the value of collective efforts and synergy for one goal: the interest of the bank and its stakeholders.

Despite the general slowdown, the Bank was able to preserve its market share, maintain its service quality and live up to the strategic vision of **being a Reference in Private and Corporate Banking**. In line with our Chairman's guidance, we are focusing our efforts into building a Client-Centric modus operandi. Thus, our Private Banking Department was reorganized and separated from Financial Markets while the Relationship Management Model was put effectively in place to ensure prompt and personalized services. Our challenge is to have a perfect synergy between servicing our clients and perceiving the organization from the eyes of the customer.

Our ultimate aim has always been, and will remain, to have a content customer and an efficient organization. We believe that by living our values, we can achieve a win-win relationship with our clients while enhancing our family spirit at the Bank, which creates a satisfying work environment that will reflect on the quality and genuinely serve the interests of our clients. Therefore, our success is measured by uncompromising ethical standards and by building solid partnerships with our clients through excellent quality services, attitude and professionalism.

All these objectives require knowledgeable managers who offer value-added services and guide the business. We are committed to high standards and expect our staff to experience them in their activities. This is why we continue to invest in our training programs and promote client-oriented teams in a decentralized process whereby initiative and customer familiarity are the basis for success. The reorganization and competency-building are dynamic concepts that will be revisited regularly to ensure that our clients' needs are met and that our services remain up to their expectations.

In addition, and as the strategy defines the structure, special attention continues to be dedicated to our internal control structure. After the buildup of the Risk Management Department and its positive role in the identification and evaluation of all types of risks across the Bank and in keeping the risk profile within the predefined limits and management directives, a Compliance Department has also been established and is playing a key role in directing our activities to address any sanctions imposed by the international community and ensuring the proper application of laws and other regulatory issues. We pursue reviewing and monitoring our control mechanism and activities for better efficiency, optimal risks exposures and sound operations.

Within this framework, the Board of Directors continues to perfectly assume its fiduciary duties and set the strategic objectives with a close watch on Corporate Governance. Application of the Corporate Governance Charter is being observed and regularly reviewed by the Board as part of its responsibilities. Our Board comprises a mixture of executive, non-executive and independent directors, who exercise oversight through committees as per the regulatory standards.

As for Banque Bemo SAL, the Consolidated 2012 Financial Achievements were as follows:

LBP Billion	2011	2012	Variation
Assets	2,300	2,245	-2.4%
Deposits	1,689	1,891	+12%
Loans	829	921	+11%
Equity	164	159	-3%
Net Income (1)	9.9	5.6	-43%
Basel III Solvency	9.80%	10.30%	
Problem Loans/Loans (2)	1.8%	0.15%	

(1) The decrease is mostly due to losses in shares of our associate bank BBSF as well as collective provisioning earmarked during 2012.

(2) The ratio of problem loans to loans largely retreated during 2012 as a result of settlements made by clients during the period. As of end of December 2012, the Bank has maintained one of the lowest default ratios in the local banking sector.

Finally, I would like to reiterate our commitment to our "Mission Statement" in line with our imperative cultural values. This, along with living our Family Spirit, will allow us to continue building on our Client-Centric operation and will be up to our mission of achieving high return on equity. Nevertheless, we know that we have our shortcomings, which will be certainly tackled. We will continue fostering our collaboration with our BEMO sister offices, namely BEMO Europe and BSEC to provide a comprehensive full range of products and services. Regarding Corporate Social Responsibility, and similarly to last year, our commitment will continue to be persistent.

I would like to pay a special tribute to our Honorary Chairman, Mr. Henry Obegi and thank our Board of Directors and, in particular, our Chairman Dr. Riad Obegi as well as our Senior Management and staff members for all their support and dedication. Our joint efforts and synergy will continue to better serve the interests of our clients and support the welfare of our stakeholders.

Samih H. Saadeh
Managing Director - Board Member

A solid *Backbone*

5. Profile

Established in 1994, Banque Bemo sal is a Lebanese joint-stock company registered under number 93 on the List of Banks at the Central Bank of Lebanon and listed on the Beirut Stock Exchange since 1999.

Banque Bemo's capital as at December 31, 2012 is equivalent to LBP 62.2 billion (USD 41.3 million) consisting of 62,000,000 shares of Common stock (Ordinary shares) and 200,000 preferred shares. Out of the total shares, 5,400,000 are publicly held and listed at the BSE .

Core Business Lines

Banque Bemo sal is active on two pillars: **Private and Corporate Banking**, and is committed to offering outstanding services to leading corporations and high-net worth individuals based on a deep understanding of their needs.

Banque Bemo Private Banking emphasizes one-to-one services that are essential for high net worth individuals and their families. The private banking division adopts a client driven approach that aims at taking a comprehensive view of the clients' needs and offering informed advice and creative solutions. Within the framework of the Client Centricity approach, we strive to make efficient use of customer profiling and business processes in order to provide value-added services leading to a higher level of customer satisfaction and loyal customer base.

Banque Bemo prides itself with a family office philosophy aiming to help our customers strengthen and grow their business for the next generations while managing risk and maintaining personal wealth.

Corporate values

The Bank's Board of Directors and Senior Management are entirely committed to apply the Bank's core values of **Professionalism, Conservatism, Honesty** and **Family Spirit** which constitute their driven force aiming at achieving the Bank's long term success while maintaining the highest standards of responsibility in partnering with all its stakeholders.

History Timeline

1961

Inception by the Obegi Family of Credit Libanais sal

1973

Launching of BEMO Europe in Brussels

1976

Opening of BEMO Europe in Paris

1982

Opening of BEMO Europe in Luxembourg

2003

Joint venture between Banque Bemo sal in Lebanon and Banque Saudi Fransi /KSA for establishing the first privately owned commercial bank in Syria "Banque Bemo Saudi Fransi sa" (BBSF)

Bank Saudi Fransi acquired 10% of Banque Bemo sal shares and became a member of Banque Bemo's Board of Directors

2006

Incorporation of a new joint venture between BEMO group and Oddo et cie for the launching of BEMO ODDO INVESTMENT FIRM LTD - Dubai

June 1st : Issuance of USD 20 million preferred shares Five years callable Annual interest rate of 8% on a non-cumulative basis

2008

May 28: Moody's Investors Service Limited has assigned Aa2.lb/ LB-1 National Scale Ratings (NSRs) to Banque Bemo SAL

2009

May 30: Issuance of USD 40 million Subordinated Bonds of five years Tenor bearing Fixed Annual rate of 7% payable semi annually.

“1985

The Obegi Group sold its shares in Credit Libanais sal and maintained their banking presence through BEMO Europe activities in Paris, Brussels, Luxembourg, and Cyprus

“1993

Establishment of the "Etablissement Financier Bemo SAL" in Lebanon which became Bemo Securitisation sa (BSEC) in 2002. Currently 96% of BSEC shares are owned by Banque Bemo sal

“1994

Acquisition of a medium-size Lebanese commercial banking institution and changing its denomination to BEMO- Banque Européenne Pour le Moyen- Orient Sal (currently Banque Bemo Sal)

“1999

Listing of Banque Bemo sal shares on the Beirut Stock Exchange

Banque de l'Europe Meridionale ceases its activities in Brussels and concentrates its European activities in Paris and Luxembourg emphasizing on offering its clients customized Private Banking Services

“2011

April: Capital increased by LBP 46 Billion to reach LBP 62.2 Billion out of which LBP 30 Billion from cash injection

November 26: Banque Saudi Fransi /KSA is no more member in Banque Bemo's Board of Directors

A sound *Structure*

6. Corporate Governance

Statement of Corporate Governance Practices

Corporate Governance is the process and structure used to direct and manage the business and affairs of a company with the objective of ensuring its safety and soundness, and enhancing shareholder value.

At Banque Bemo SAL, we believe that effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole.

At the micro level, the Bank operates with the main concern being to meet its shareholders' expectations, to protect the interests of its depositors and to continuously earn the trust of all its stakeholders, guaranteeing the successful achievement of its long term strategy and objectives.

As such, Banque Bemo SAL is committed through the dedication of its Board of Directors and Senior Management, to ensuring strict corporate governance practices in line with the local regulators requirements and international corporate governance standards, inclusive of but not limited to those stipulated in the following documents:

- BDL basic circular no.106 - Corporate Governance in conventional banks (2006, updated in 2011 with the intermediary circular no. 255)
- BDL basic circular no.118 - Board practices and board committees
- BDL basic circular no. 77 - Internal controls
- BCC circular no. 271 - Guidelines for the implementation of internal control systems
- Corporate Governance Principles of the Organization for Economic Co-operation and Development (OECD)
- Basel Committee publications and consultative document: « Enhancing corporate governance of banking organizations » - published in 2010.
- The principles for sound compensation practices of the Financial Stability Forum
- The publications of the International Accounting Standard's Board (IAS and IFRS).

The Board of Directors believes that solid corporate governance is an enterprise-wide culture set for by a strong tone at the top. Accordingly the corporate governance manual of the bank as approved and adopted by the Board since December 2011, outlines the expected conduct of all parties at every business level and with all activities.

The corporate governance framework at the bank encompasses the abidance by the following internal policies, ethical standards and deontology principles:

The Board Governance Principles, that define the board's mission, the selection of directors, their duties and functions as well as the board's meetings and decision making process. Through these principles, the Board of Directors is fully committed to attaining and sustaining the highest standards of corporate governance. This is ensured through the implementation of policies, procedures and practices which encompass the fundamental principles of good governance, mainly:

- Independent functioning of the Board
- Clear separation of responsibilities of the Board and Management
- Strategic Planning by the Board
- Management of risk
- Integrity of Internal Control and Management Information System
- Integrity in conducting banking operations
- Monitoring of Senior Management

The Deontology Principles, code of professional ethics that sets the standards of business conduct and ethical behavior to be adopted throughout the Bank.

The Anti-Bribery and Corruption Policy, which draws together the Bank's principles on fighting corruption in all its variants.

Whistle-Blowing Policy, designed to promote a culture of open communication that enables staff members to voice their concerns at the earliest opportunity.

The Compliance Charter, which aims to strengthening, monitoring and controlling the observation of laws, regulations, and internal rules and principles that are relevant to the integrity and to the reputation of the Bank.

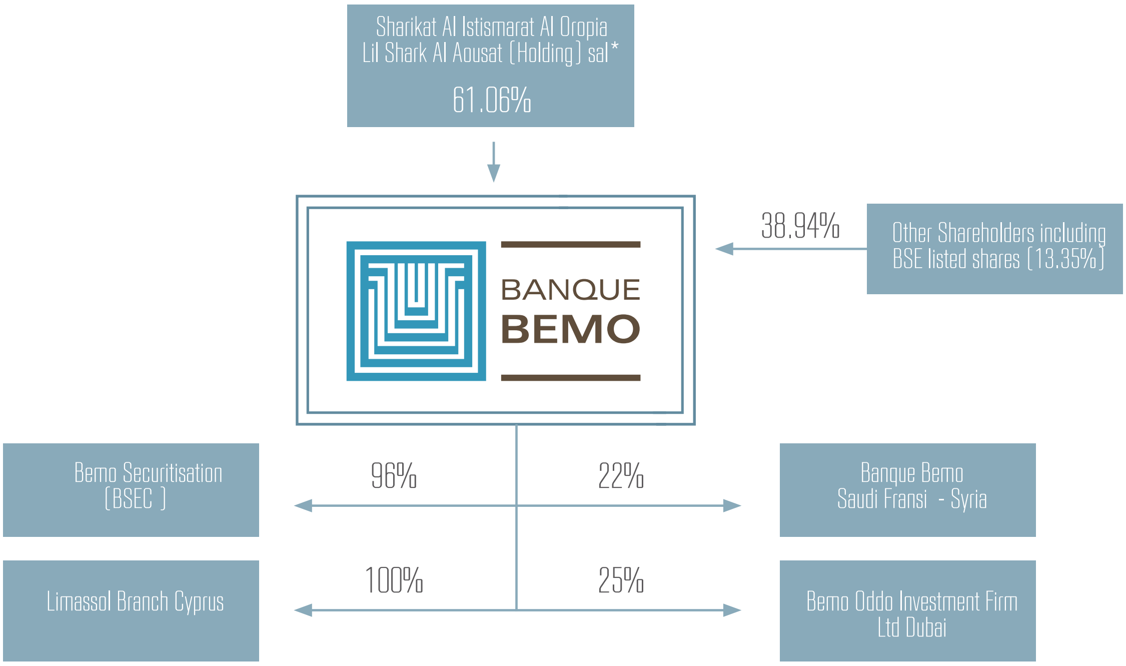
The Disclosure Policy, the Bank ensures to communicate to the public all relevant information in a timely and accurate manner, and in accordance with applicable legal, regulatory, and stock exchange requirements. Disclosure is completed through the Bank's website, published annual and quarterly financial reports as well as daily summary reports available in both Arabic and English languages.

In addition to the principles and guidelines stated in the above documents, the proper implementation of the corporate governance framework is guaranteed through:

- The ownership structure of the Bank
- The composition of its Board of Directors
- The defined corporate values of the Bank
- The management organization and structure

Lastly, the acknowledged business standards, ethics and values and their implementation are assessed through the Board of Directors' self assessment checklists and the monitoring of customers' complaints.

Ownership structure (31.12.2012)



* Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal counts among its main founding shareholders, the Obegi Group and prominent industrialists.

Shareholders

SHAREHOLDERS (As at 31/12/2012)	Country of Origin	Shares in Capital	
		Number of Shares	%
Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal	Lebanon	37,855,788	61.06%
Banque Saudi Fransi	Saudi Arabia	6,403,263	10.33%
Mr. Maroun Antanos Semaan	Lebanon	6,462,566	10.42%
Sheikh Issam Mohamad Kheiri Kabbani	Saudi Arabia	1,900,873	3.07%
Mr. Samih Halim Saadeh	Lebanon	890,059	1.44%
Mr. Henry Yordan Obegi	Lebanon	37,447	0.06%
Late Pierre Georges Khoury	Lebanon	14,416	0.02%
Mr. Georges Bechara Obegi	Lebanon	37,447	0.06%
Dr. Ara Ohannes Hrechdakian	Lebanon	19,709	0.03%
Sheikh Hassan Isam Mohamad Kabbani	Saudi Arabia	20,151	0.03%
Dr. Riad Bechara Obegi	Lebanon	19,709	0.03%
Mr. Jean Victor Hajjar	Lebanon	19,709	0.03%
Emir Karim Samir Abillama	Lebanon	19,709	0.03%
Mr. Antoine Youssef Mansour Wakim	Lebanon	19,709	0.03%
Mrs. Tatiana Khoury Naayem	Lebanon	4,805	0.01%
Other Shareholders		8,274,640	13.35%
Total Common Shares		62,000,000	
Preferred Shares (Par Value Representation)		200,000	
Total		**62,200,000**	

Board of Directors

(31.12.2012)

		Executive	Non Executive	Independent	Audit Committee	Credit Committee	Nominating, Remuneration & Corporate Governance Committee	Board Risk & Compliance Committee	Executive Committee
Mr Henry Yordan Obegi	**Honorary Chairman**					•	•		
Dr. Riad Bechara Obegi	Chairman-General Manager	•				•	•	•	•
Mr. Samih Halim Saadeh	Managing Director-General Manager *	•			Attendee	•	•		•
Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal	Member		•						
Dr. Ara Ohannes Hrechdakian	Member			•					
Mr. Jean Victor Hajjar	Member		•		Attendee	•	•	•	
Mr. Antoine Youssef Mansour Wakim	Member			•	•			•	
Sheikh Hassan Isam Mohamad Kabbani	Member			•	•				
Mr. Georges Bechara Obegi	Member		•			•	•	•	
Emir Karim Samir Abillama	Member		•		•	•	•		

Number of meetings held in 2012: 5

* Mr Samih Saadeh has been nominated for the position of Vice Chairman & General Manager during the Board of Directors' meeting held on June 7th, 2013.

SECRETARY TO THE BOARD

Mr. Farid D. Meshakka

LEGAL ADVISORS

Dr. Nasri A. Diab

Me Adel J. Macaron

AUDITORS

Deloitte & Touche

DFK Fiduciaire du Moyen Orient

Mr. Henry Yordan Obegi

- Honorary Chairman
- Member of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee

Nationality: Lebanese

Date of Birth: 1926

Professional Experience

Starting in 1945 with Maison Yordan Obegi, Mr. Henry Obegi's experience spans over 67 years and covers a range of leading positions in the Commercial, Industrial and Banking sectors.

Current Appointments include

- Honorary Chairman of the Board of Directors of Banque Bemo sal (since 31.05.2010).
- Chairman and General Manager of Obegi Group Holding sal
- Chairman and General Manager of Henkel Lebanon sal
- Chairman and General Manager of Obegi Group SA-Luxembourg
- Board Member of Unifert Holding sal

Former Appointments include:

- Chairman-General Manager Banque Bemo sal (1994 – May 2010)
- Chairman of Banque de l'Europe Meridionale (Brussels) (1973-1984)
- President of European Arab Bank AG (Frankfurt) (1978-1985)
- Co-founder and Board Member of Credit Libanais sal (1961-1985)

Dr. Riad Bechara Obegi

- Chairman of the Board of Directors
- Chairperson of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee
- Member of the Board Risk and Compliance Committee
- Chairperson of the Executive Committee/Strategy Committee
- Chairperson of Senior Executive Management Committee (SEMC)

Nationality: Lebanese

Date of Birth: 1958

Education

- PHD degree in Economics from Université Lyon Lumière.
- Masters degree in Business Administration from Université Paris IX Dauphine.
- Masters degree from IEP-Paris,

Current Appointments include

- Chairman-General Manager of Banque Bemo sal (since 31.05.2010)
- Chairman of Banque de l'Europe Meridionale (Luxembourg-Paris) (1995-Present)
- Chairman of Banque Bemo Saudi Fransi SA - Syria
- Chairman of Obegi Chemicals Group SA - Luxembourg
- Chairman of Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal
- Board Member and General Manager of Obegi Group Holding sal
- Represents Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal in Banque Bemo Board of Directors.

Former Appointments include

- General Manager Banque Bemo sal (2001 - 2003)
- Vice Chairman of the Board of Directors and CEO of Banque Bemo Saudi Fransi - Syria (2007 - 2009)

Mr. Samih Halim Saadeh

- Vice Chairman-General Manager (Since June 7th, 2013)
- Attendee member in the Audit Committee
- Member of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee

Nationality: Lebanese

Date of Birth: 1952

Education

- Masters degree in Business Administration from the American University of Beirut,
- Degree in Law from Lebanese University.

Professional Experience

Mr. Saadeh's experience started with American Express Bank Ltd New York and Beirut followed by ABN Amro Bank - Beirut, whereby he managed and led many departments starting from Corporate and Financial Institutions to Corporate and Private Banking.
Mr. Saadeh joined Banque Bemo sal in January 2003 as General Manager and was appointed Managing Director-General Manager in 2010.

Current Appointments include

- Vice Chairman - General Manager Banque Bemo sal (June 7th, 2013)
- Member of the Board of Directors of Bemo Securitization (BSEC)
- Represents Banque Bemo sal in the Board of Directors of Banque Bemo Saudi Fransi-SA Syria (BBSF)
- Chairperson of various specialized committees in Banque Bemo sal.

Former Appointments include

- Managing Director - General Manager Banque Bemo Sal

Dr. Ara Ohannes Hrechdakian

- Member of the Board of Directors

Nationality: Lebanese

Date of Birth: 1924

Education

PHD in Economics and Political Sciences from Hiedelberg University/Germany

Professional Experience

Dr. Ara Hrechdakian started his professional career in 1948 as a founder and General Manager of ARA & Co established in Lebanon and Syria acting as exclusive representatives and distributors of many European big companies in many fields.
In 1962 , Dr. A. Hrechdakian founded S.L.I.D SAL based in Lebanon for the trade of cosmetics and chemicals, where he acted as CEO until 2010.

Dr Hrechdakian held several leading positions acting as founder and Board Member and sometimes as CEO in several holdings in Europe and Lebanon such as:

- In Luxembourg :
  Fertitrust
  EMIC S.A.
- In Belgium
  Western Chemicals
- In Lebanon
  Hoechst Middle East SAL
  Hostapharma SARL,
  Unifert SAL
  Unifert Holding SAL
  Uniterminals SAL
  UNILEC SAL
  Societé des Entrepots Industriels & Commerciaux SARL,
  Societé Anonyme de Frigos & Entrepots SAL

Mr. Jean Victor Hajjar

- Member of the Board of Directors
- Attendee member in the Audit Committee
- Member of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee
- Member of the Board Risk and Compliance Committee

Nationality: Lebanese

Date of Birth: 1930

Professional Experience

Mr. Jean Hajjar started his Banking career in Aleppo-Syria. He assumed the position of Deputy General Manager at Credit Libanais sal until 1985. In 1986 Mr. Hajjar joined Banque de L'Europe Meridionale in Paris, Brussels and Luxembourg as General Manager and he acted as General Manager of Banque Bemo sal - Lebanon from 1994 to 2001.

Current Appointments include

- Member of the Board of Directors of Banque Bemo sal

Former Appointments include

- General Manager of Banque Bemo sal - Lebanon
- General Manager of Banque de L'Europe Meridionale Paris, Brussels and Luxembourg
- Advisor to the Chairman Banque Bemo sal

Mr. Antoine Mansour Wakim

- Member of the Board of Directors
- Member of the Audit Committee
- Chairperson of the Board Risk and Compliance Committee

Nationality: Lebanese

Date of Birth: 1945

Education

- AMP from INSEAD (1978)
- Actuary studies in University of Lausanne, Switzerland (1967)

Professional Experience

Mr. Antoine Wakim, Former Chairman and CEO of Allianz SNA, developed the business of SNA in the Arab world, established in 1978" la Marocaine - Vie in Morocco" , Maghrebia - Tunisia 1976, Jordan Eagle- Jordan1977, Allianz Egypt 2005, Allianz Saudi Arabia 2005 and Allianz Takaful in Bahrein 2008.
Mr.A. Wakim served as University lecturer for over 12 years in various universities in Lebanon.

Current Appointments include

- Board member of Allianz SNA,
- Board member of Hotel Dieu de France,
- Member of the Board Governors of the American Hospital of Paris.
- Member of the Swiss Association of Actuaries (SAA)
- Member of the International Association of Actuaries (IAA) (1969)
- Board member of the National Social Security Fund in Lebanon
- Member of the Advisory Board of the Family Business Institute at LAU

Former Appointments include

- Chairman and CEO of Allianz SNA
- Member of the Advisory Board of the Business School at AUB

Sheikh Hassan Isam Mohamad Kabbani

- Member of the Board of Directors
- Member of the Audit Committee

Nationality: Saudi

Date of Birth: 1966

Education

- Pepperdine University, U.C.L.A

Professional Experience

Sheikh Kabbani started his professional career in 1992 when he joined the BMC & UNITECH Company as their Business Development Manager. In 1998, he was appointed Director of Administration and Credit Control of the IKK Group of Companies, a leading business group of Saudi Arabia which encompasses many companies in the MENA Region.

In 1999, Sheikh Kabbani was assigned the post of Vice Chairman of the IKK Group of companies, and was promoted in October 2010 to that of Acting Chairman, a position that he continues to hold at present, which involves the management of all aspects related to this business group, in and out of Saudi Arabia.

Current Appointments include

- Sits on the Board of many companies of the IKK Groups and on that of the Saudi United Cooperative Insurance (Walaa)
- Member of the American Businessmen of Jeddah.

Mr. Georges Bechara Obegi

- Member of the Board of Directors
- Member of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee
- Member of the Board Risk and Compliance Committee

Nationality: Lebanese

Date of Birth: 1965

Education

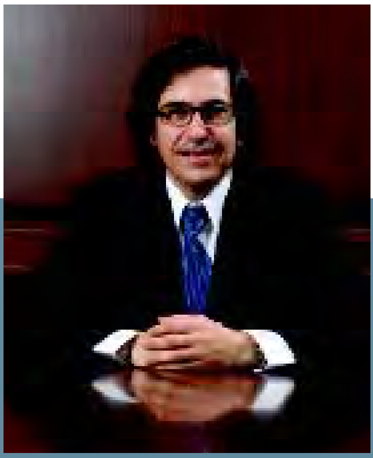
- MBA degree from INSEAD in Fontainebleau, France
- Degree in Economics from Université Paris IX Dauphine
- Degree in Business Administration from Ecole des Hautes Etudes Commerciales (HEC Paris).

Professional Experience

Mr Obegi holds several leading positions within the Obegi group of companies.

Current Appointments include

- Chairman-CEO Obegi Consumer Products Holding
- Chairman-CEO Unifert Holding sal
- Board Member Obegi Chemicals Group SA-Luxembourg.



Emir Karim Samir Abillama

- Member of the Board of Directors
- Chairperson of the Audit Committee
- Member of the Board Credit Committee
- Member of the Nominating, Remuneration and Corporate Governance Committee

Nationality: Lebanese

Date of Birth: 1966

Education

- MBA degree from INSEAD in Fontainebleau, France
- A Master of Engineering degree in Industrial Engineering from the Ecole Polytechnique in Montreal, Canada
- Bachelor of Science degree in Mechanical Engineering from Boston University, USA

Current Appointments include

- Managing Director of Mitsulift Holding S.A.L
- Chairman of Mitsulift and Equipment S.A.L
- Chairman of Mitsulift Levant (Offshore) SAL
- Chairman of Mitsulift Africa (Offshore) SAL
- Chairman of Prinz Investment Ltd
- Chairman of KA Holding S.A.L
- Member of the Board of Directors of Mitsulift Mediterranean Ltd
- Member of the Board of Directors of Cylift and Equipment Ltd
- Member of the Board of Directors of Mitsulift Hellas SA
- Member of the Board of Directors of Mitsulift and Equipment Syria Ltd
- Member of the Board of Directors of Mitsulift Invest N (Offshore) SAL
- Member of the Board of Directors of Mitsulift Industries Ltd
- Founding Member of 22°C

Senior Management

SENIOR MANAGEMENT (31.12.2012)

Dr. Riad B. Obegi	Chairman - General Manager
Mr. Samih H. Saadeh	Managing Director - Board Member
Mr. Georges Y Matloub	Assistant General Manager - Corporate Banking
Mr. Joseph H.Raffoul	Assistant General Manager - Banking Abroad
Mr. Jean M. Rebeiz	Assistant General Manager - Corporate Business Support

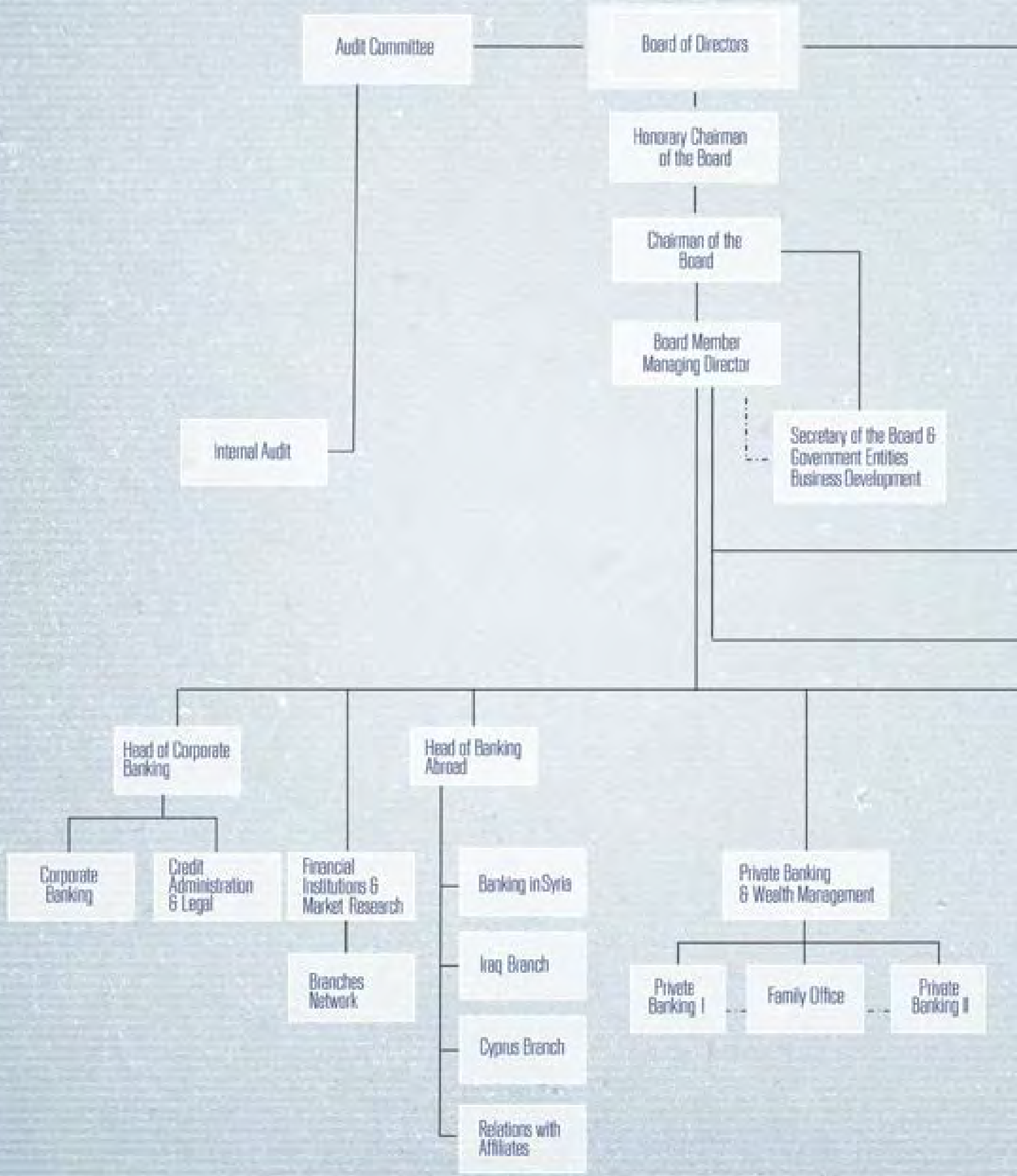
Senior Executive Management

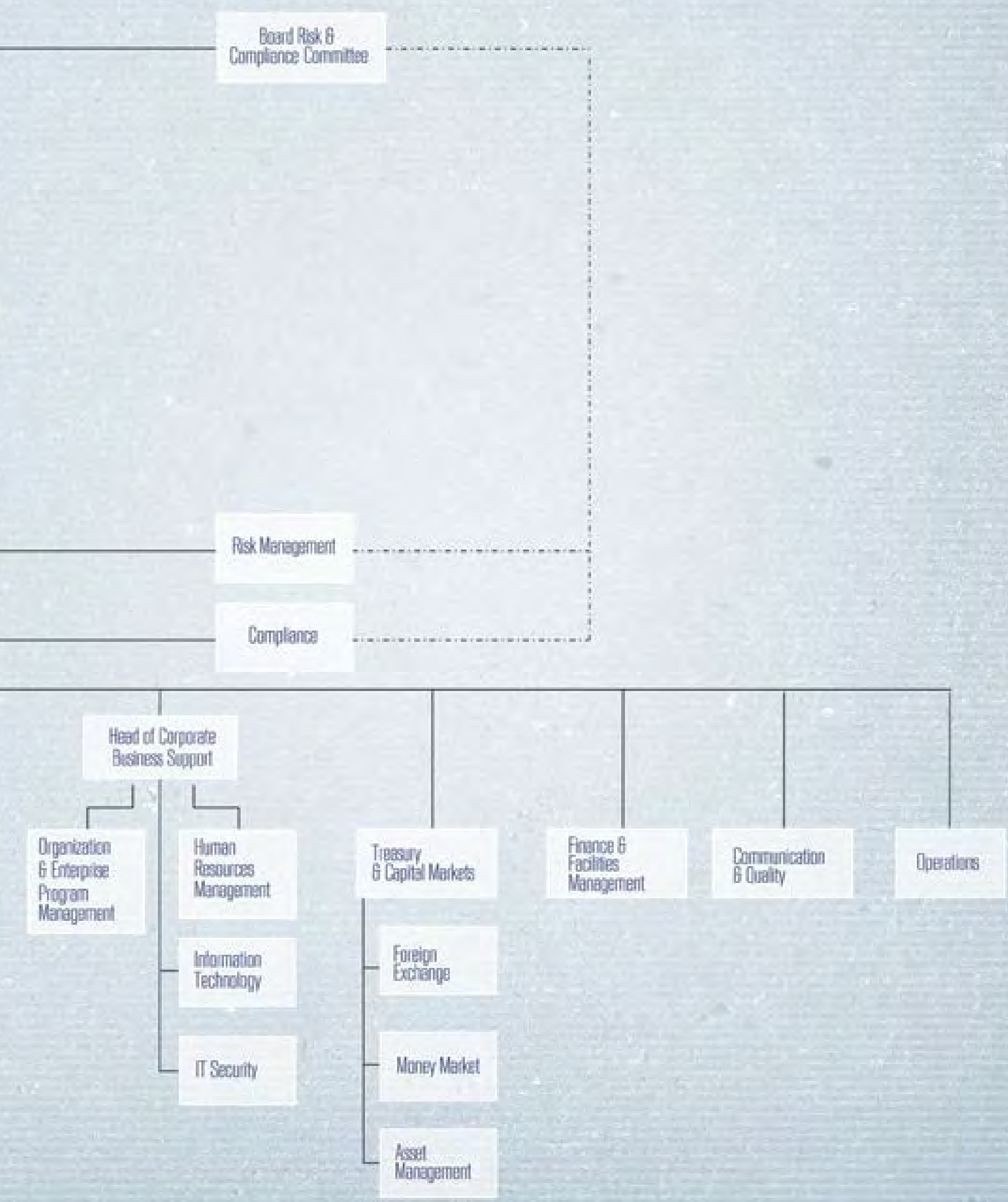
SENIOR EXECUTIVE MANAGEMENT (31.12.2012)

Mr. Antoine T. Chamandi	Chief Financial Officer
Ms. Claudine M. Feghaly	Director - Organization & Enterprise Program Management
Mr. Gaby S. Frangieh	Chief Risk Officer
Ms. Lina E. Ghantous	Director - Corporate Banking
Dr. Rebel Y. Hanna	Director - Branches Network, Financial Institutions & Market Research
Mr. Farid D. Meshakka	Director - Government Entities Business Development
Mr. Joseph F. Mikhael	Acting Director - Treasury and Capital Markets
Mr. Antoine Z. Miskawi	Director - Banking Abroad
Mr. Kamal A. Nader	Director - Corporate Banking
Ms Hala M. Nasr	Director - Human Resources Management
Mr. Fares G. Sawaya	Director - Private Banking & Wealth Management
Mr. Talal F. Shaykha	Director - Corporate Banking
Ms. Myrna Z. Soufan	Chief Operating Officer
Ms. Claude M. Tabet	Director - Communication & Quality
Ms. Annie S. Tchouboukjian	Compliance Officer
Mr. Sami M. Ziadé	Director - Private Banking I

Organization Chart

January 1st, 2013





Board Risk & Compliance Committee
Risk Management
Compliance
Head of Corporate Business Support
Organization & Enterprise Program Management
Human Resources Management
Information Technology
IT Security
Treasury & Capital Markets
Foreign Exchange
Money Market
Asset Management
Finance & Facilities Management
Communication & Quality
Operations

Committees
(Latest approved version)

Committees requested by regulators

Board Committees

Board Committees	Members	Chairperson
Audit Committee	Members: Karim ABILLAMA - Board Member Hassan KABBANI - Board Member Antoine WAKIM - Board Member Attendees: Jean HAJJAR - Board Member Samih SAADEH - Board Member & Managing Director Constantin HADDAD - Attendee Board Audit Committee Karine ASSO - Acting Internal Audit Manager Meetings held in 2012: 4	Karim ABILLAMA
Credit Committee	Members: Henry OBEGI - Honorary Chairman Riad OBEGI - Chairman of the Board Jean HAJJAR - Board Member Georges OBEGI - Board Member Karim ABILLAMA - Board Member Samih SAADEH - Board Member & Managing Director	Riad OBEGI
Nominating, Remuneration & Corporate Governance Committee	Members: Henry OBEGI - Honorary Chairman Riad OBEGI - Chairman of the Board Jean HAJJAR - Board Member Georges OBEGI - Board Member Karim ABILLAMA - Board Member Samih SAADEH - Board Member & Managing Director Meetings held in 2012: 2	Henry OBEGI

Board Committees	Members	Chairperson
Board Risk & Compliance Committee	Members: Riad OBEGI - Chairman of the Board Jean HAJJAR - Board Member Antoine WAKIM - Board Member Georges OBEGI - Board Member Attendees: Gaby Frangieh - Chief Risk Officer Annie Tchouboukjian - Compliance Officer Meetings held in 2012: 4	Antoine WAKIM

Management Committees

Management Committees	Members	Chairperson
Executive Committee/ Strategy Committee	Members: Riad OBEGI - Chairman of the Board Samih SAADEH - Board Member & Managing Director Georges MATLOUB - Assistant General Manager, Head of Corporate Banking Joseph RAFFOUL - Assistant General Manager, Head of Banking Abroad Gaby FRANGIEH - Chief Risk Officer Claudine FEGHALY - Director, Organization & EPM Fares SAWAYA - Director, Private Banking & Wealth Management Talal SHAYKHA - Director, Corporate Banking Myrna SOUFAN - Chief Operating Officer Claude TABET - Director, Communication & Quality	Riad OBEGI

Management Committees

Management Committees	Members	Chairperson
Assets & Liabilities Committee (ALCO)	Members: Samih SAADEH - Board Member & Managing Director Joseph RAFFOUL - Assistant General Manager, Head of Banking Abroad. Georges MATLOUB - Assistant General Manager, Head of Corporate Banking Antoine CHAMANDI - Chief Financial Officer Gaby FRANGIEH - Chief Risk Officer Fares SAWAYA - Director Private Banking & Wealth Management Joseph MIKHAEL - Acting Director, Treasury & Capital Markets	Samih SAADEH
BDL 110 Steering Committee	Members: Joseph RAFFOUL - Assistant General Manager, Head of Banking Abroad Antoine CHAMANDI - Chief Financial Officer Gaby FRANGIEH - Chief Risk Officer Attendees: Samih SAADEH - Board Member & Managing Director	Joseph RAFFOUL
AML/CFT Committee	Members: Samih SAADEH - Board Member & Managing Director Gaby FRANGIEH - Chief Risk Officer (Representing BRCC Chairman) Rebel HANNA -Director, FIs, Branches Network & Market Research Myrna SOUFAN - Chief Operating Officer Annie TCHOUBOUKJIAN - Compliance Officer Karine ASSO - Acting Internal Audit Manager Attendee: Zeina MOUAWAD - AML/CFT Officer	Samih SAADEH
Credit Committee	Members: Samih SAADEH- Board Member & Managing Director Georges MATLOUB -Assistant General Manager, Head of Corporate Banking Joseph RAFFOUL -Assistant General Manager, Head of Banking Abroad	Samih SAADEH

Management Committees	Members	Chairperson
IT Security Committee	Members: Jean REBEIZ - Assistant General Manager, Head of Corporate Business Support Claudine FEGHALY - Director, Organization & EPM Henri HAYEK - IT Manager Emile KHOURY - IT Security Officer Nada ASSAKER - Senior Business Analyst Maya DEBS - Senior Business Analyst Serge GHAWITIAN - Systems & Network Administrator	Jean REBEIZ
Real Estate Investments, Purchase & Renting Committee	Members: Georges MATLOUB- Assistant General Manager, Head of Corporate Banking Joseph RAFFOUL - Assistant General Manager, Head of Banking Abroad Rebel HANNA - Director, FIs, Branches Network & Market Research	Georges MATLOUB

Committees not requested by regulators

Management Committees	Members	Chairperson
Asset Management & New Product Approval Committee	Members: Salim CHAHINE - Private Banking/Asset Management Consultant Gaby FRANGIEH - Chief Risk Officer Rebel HANNA - Director, FIs, Branches Network & Market Research Fares SAWAYA - Director , Private Banking & Wealth Management Joseph MIKHAEL - Acting Director, Treasury & Capital Markets	Fares SAWAYA
Senior Executive Management Committee (SEMC)	Members: Chairman of the Board Board Member & Managing Director Assistant General Managers Heads of Key Units and Divisions Attendee: Karine ASSO - Acting Internal Audit Manager	Riad OBEGI

Shared
Values

7. Bemo Group Structure

Bemo Securitization sal - BSEC

Bemo Securitisation SAL (BSEC) is a financial institution that covers all the services of an investment bank and is mainly specialized in structured finance. The business activity is set to provide financing solutions to middle market companies in Lebanon and MENA countries. BSEC enjoys an image of know-how and professionalism as well as a solid track-record in providing financing to diversified business sectors such as automotive, industry, retail, real estate and others.

In line with growing market needs, BSEC offers a broad range of services to clients with sophisticated funding requirements. These services cover 3 main areas of finance: the debt and structured finance (securitization and asset based financing, syndications and structured lending, bonds and Sukuk issuance, and project finance), the M&A (buy-side/sell-side, joint-ventures) and capital raising, the administration and agency services, (calculation and paying agency, fund administration agency).

In 2012, BSEC successfully closed an innovative short term Auto Loans Asset-Backed Securities and launched the largest Asset-Backed Issuance in the history of the Lebanese Capital Markets with a size of USD 185.000.000. BSEC is proud of its achievements and remains the sole active Securitisation solutions provider to the local companies.

These transactions offer alternative sources of financing to our clients, confirm the success of BSEC structuring capabilities, and validate the trust of both the clients and the investors. BSEC is very pleased to be up to their expectations and will always strive to offer the market and the corporates locally and regionally innovative financial solutions.

BSEC has been rewarded on many occasions by international industry (ISR, Euromoney etc.) for its innovative structures in both conventional and Islamic finance areas.

BSEC is regulated by the Central Bank of Lebanon and the Banking Control Commission and is member of the Association of Financial Institutions in Lebanon.

BSEC S.A
Structured Finance

BSEC Head Office is located at:

3rd Floor, Two Park Avenue Building, Park Avenue
Beirut Central District, Minet El Hosn
Beirut, Lebanon
Tel: +961 1 997998
Fax: +961 1 994801
www.bsec-sa.com

Bemo Europe - Banque Privée

(Fully owned by EMIC S.A. - Luxembourg)

BEMO Europe was founded in 1976 as a generalist bank. It subsequently developed its European activities, specializing in Private Banking and Wealth Management.

Since the 1st of April 2013 the Head Office was transferred to Luxembourg, whereby Paris became its full branch.

The Bank is regulated by the Commission de Surveillance du Secteur Financier (CSSF), Luxembourg and the Paris branch by the French Banking Commission (BDF) and the French Financial Market Authority (AMF).

With the skills of a highly qualified team of professionals and bankers, it provides customized solutions in Wealth and Portfolio Management.
The Bank prides itself for a comprehensive approach and the personalized relationship management it offers its clients, within an extensive range of quality products and services.

Main Activities:

- Wealth Management, Financial Estate Planning, Family Office Services
- Asset Allocation, Portfolio Advisory and Management, Cash Management
- Credit and Loan Accounts (Lombard, property, personal)
- Treasury and Foreign Exchange
- Fiduciary operations, Wealth structuring, domiciliation and management.

BEMO EUROPE
BANQUE PRIVÉE

Luxembourg:
18 Boulevard Royal, L- 2449 Luxembourg,
Tel: +352 226 321-1,
Fax: +352 226 533

France:
63, Avenue Marceau – 75116 Paris,
Tel: +33 1 44 43 49 49,
Fax: +33 1 47 23 94 19

PRIVATE BANKING PRACTICES

In Luxembourg for more than 25 Years, Banque Bemo Europe is specialized in Private Banking and Wealth Management.

With the skills of a highly qualified team of professionals and bankers, it provides customized solutions in Wealth and Portfolio Management

Our private bank prides itself for the personalized approach it offers its clients, within a range of quality products and services.

BEMO EUROPE
BANQUE PRIVÉE

Bemo Oddo Investment Firm Ltd - Dubai

Bemo Oddo Investment Firm Ltd. operates as a financial intermediary since 2007 at the DIFC in Dubai and is the exclusive representative office of Oddo et Cie in the MENA / GCC.

Bemo Oddo's main business activity is to promote Oddo et Cie expertise in Asset Management and Security Brokerage / Research to top institutional investors in the MENA / GCC: mainly investment authorities, pension funds, banks, insurance companies, financial Institutions, and family offices.

Oddo et Cie is an independent leading financial partnership in France with more than 100 years of history. The company is active in investment banking (brokerage and corporate banking) and capital management (asset management and custody/account services). Oddo et Cie manages assets of more than Euro 21 billion.

Bemo Oddo Investment Firm's main focus and strategy are to promote third party financial products, and to work in close collaboration with Bemo Securitisation – BSEC in the Origination and Placement programs in the MENA/GCC markets.

BEMO ODDO INVESTMENT FIRM LTD
Gate Village, Bldg 1, Level 1, Unit 109, DIFC
P.O. Box 506671 Dubai, UAE
Tel: +971 4 323 0565
Fax: +971 4 323 0585
www.oddo.eu

Banque Bemo Saudi Fransi SA - Syria

BBSF is the trading name for Banque Bemo Saudi Fransi, a Syrian privately owned joint stock company operating in accordance with world-class standards.

Established in 2004 as Syria's first private bank, BBSF, in less than 9 years, has grown in size and stature to become a front-line financial institution, a key player in financing corporate and commercial, industrial, and contracting activities, hence largely contributing to the development of these sectors and the overall economy of Syria.

BBSF's retail banking strives to provide its customers with a broad spectrum of products and services including loans, deposits, payments and cash management services .

Banque Bemo Saudi Fransi aims to maintain its leadership in the banking sector in Syria, with a strong focus on retail and commercial banking. BBSF services as well multinational and financial institutions.

The competitive advantage lies on the wide coverage of BBSF branches in Syria, being the only privately-owned bank with a network that encompasses all Syrian Governorates, on its expansive correspondent network in the world, and on a very high standard of quality services.

OWNERSHIP STRUCTURE

Shareholders	Country of origin	Shares in Capital
Banque Saudi Fransi (BSF)	Saudi Arabia	27%
Banque Bemo Sal	Lebanon	22%
Obegi Family	Syria	7.18%
Other shareholders	Syria	43.82%

بنك
بيمو
السعودي
الفرنسي
Banque
Bemo
Saudi
Fransi

Head Office:
29 Ayyar Street
P.O.Box 31117 Damascus
Tel: +963 11 231 77 78,
Fax: +963 11 231 87 78,
www.bbsfbank.com

Paving the *Way*

8. Management Analysis

Central Banks and Global Risks

In 2012, Central bankers emerged as the key-decision makers of the planet, shifting their focus from inflation to growth. Bernanke and Draghi led the ball in the US and Europe and were followed by several central bankers throughout the world. The multiple quantitative easing rounds injected a significant amount of liquidity in global economies and helped counter the global slowdown. Economies around the world have benefited from this support at different speeds. Emerging economies maintained their high growth while simultaneously trying to develop their internal demand to become less dependent on developed economies. The US economy continued to show signs of improvement that helped decrease the credit spread, bottom out the real-estate market, and support job market recovery. The extraordinary support provided by the ECB, Euro ministers, and other international organizations supported peripheral countries and the euro currency. Other countries such as the UK, China, or Japan also used monetary policies to manage their economic growth.

As such, risk-taking has increased within the current low interest rates and high liquidity environment. Demand for risky assets pushed the US stock markets to high records, leaving apart the European stock markets still affected by the public debt crisis. Investors have also continued to acquire bonds, thus pushing yields to low levels. Concerns were raised regarding the reduction of the spread difference between investment and speculative grades.

Tail risks were indeed reduced, but they have not disappeared because the situation remains fragile. Global economies are still threatened by some major weaknesses. Public debt ratios are still high, and fiscal austerity measures implemented in developed countries are likely to hurt consumer spending. Consequently, unemployment rates will increase, remaining close to record levels. Structural reforms are needed in many countries to enhance growth potential in a sustainable manner.

Unfortunately, geopolitical risks growing in the Middle-East continued to hurt the Lebanese economy. Although the country benefits from an intact financial solidity, it has suffered from a severe economic slowdown, a political stalemate, and a deepening conflict in Syria. While BDL has actively pursued its various stimulus actions to kick-start the economy, political tensions and occasional security incidents harmed investor and consumer confidence. Despite the resilience of domestic banks and the large foreign exchange liquidity in the banking system, the decline in the construction sector, in exports, and in tourism adversely affected the Lebanese outlook and brought down the annual real GDP growth rate to 2%. The lebanese economy remains the hostage of regional political settlements.

Salim Chahine, Ph.D.
Professor of Finance
MBA Program Director
The Olayan School of Business
American University of Beirut

2012 Business Review

Private Banking and Wealth Management

Private Banking

Banque Bemo Private Banking is keen to build long term relationships with its clients based on the fundamental values of professional commitment, integrity and reliability that constitute the foundation of our Client Centric business approach.

The interests of our clients, being at the center of our priorities, our team of confirmed financial advisors identifies and structures our clients' personal financial objectives, understands their constraints and always aims at designing strategies that assist our clients in enhancing and improving their asset allocation in accordance with their risk tolerance, financial goals, time horizon and unique circumstances.
Our commitment is to foster relationships based on trust through insightful and impartial advice to our clients that assist in making informed investment decisions according to defined priorities.

Banque Bemo Network in Lebanon and Cyprus, equipped with the necessary sophisticated tools, guided by the rigorous policies and procedures, and inspired by the Client Centric approach, offers a diverse array of personalized and superlative products and services covering the core personal banking areas.

Family Office

In 2012, Banque Bemo initiated the set up of the "Family Office" department which constitutes a part of the Private Banking and Wealth Management activities. The Family Office at Banque Bemo is structured as a Multi-Family Office aiming at assisting clients in preserving their wealth by offering support with wealth protection, growth, and succession planning which will enable clients to handle issues pertaining to generational planning, implementing broader succession, leadership, and governance plans. It provides efficient means of monitoring and managing families' wealth and investments and will provide legal structures that help smooth the transfer of wealth between generations while at the same time securing a steady income for a decent lifestyle during their retirement.

Banque Bemo - Family Office seeks as well to provide clients with a reliable and stable assistance in every aspect of their daily lives through a diverse array of services that simplify their matters.

The Family Office will escort the client through his major life events and evaluate his objectives and the changes of his needs at each stage.

Along with our services and investment advice, our clients will benefit from the services of a team of specialists with legal, fiscal and financial technical skills to safeguard the present and to build for the future.

Corporate Banking

The Corporate Banking Division, after its continuous success throughout the past 10 years, escalated its strategic vision level "To be the Reference in Corporate Banking".

To achieve this new vision level, Corporate Banking Division had to revisit and update its "Relationship Management Model", and adopt the "Client Centric" approach.

The Relationship Management aimed to strengthen the relationship with the client, to stay closer to them, to better plan their business, and to attain maximum level of client satisfaction.

Client Centricity led to a better understanding of our customers' needs, and respecting their interest. This necessitated a continuous review of our business processes to further improve our services and to reach higher competitive advantage. Client Centricity, enhanced profitability per customer through exploiting cross selling with the other services offered by the Bank.

Given the above, and while preserving our transparency, conservatism, and risk awareness policy, year 2012 results for Corporate Banking Division were encouraging, despite the tough competition and the negative economical indicators. Advances (including acceptances) witnessed notable growth of 14.5%. In Trade Finance, a remarkable and significant 38.7% increase in volume of opened letters of credit, and a 219% marked growth in volume of letters of guarantees issued. Good lending policy is still manifested in doubtful and substandard amounts for less than 1% provisioned at 90%.

Besides increasing activities and business volume, our success relies within a loyal and satisfied growing clientele.

We at the Corporate Division believe that our satisfied customers are the main connection between profits earned yesterday and those to be generated in the future.

Analysis of Financial Results and Position

Overview

Due to the regional and local turmoil, the financial sector faced heavy pressures resulting in less optimistic expectations.

The following section has been prepared by the Bank's management using for comparison purposes the audited consolidated financial statements of the Bank as at December 31, 2011 and 2012.

The Bank's consolidated financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and general accounting plan for banks in Lebanon and the regulations of the Central Bank and the Banking Control Commission, and include the results of the Bank and its consolidated subsidiaries BEMO Securitization SAL, Ferticed Limited Holding and Depository & Custody Company S.A.L. Where appropriate in the context, references to the Bank include the Bank and such consolidated subsidiaries.

The Bank maintains its accounts in Lebanese Pounds. Accordingly, U.S. Dollar amounts stated in this section have been translated from Lebanese Pounds at the rate of exchange prevailing at the relevant balance sheet date, in the case of balance sheet data, and at the average rate of exchange for the relevant period, in the case of income statement data, and are provided for convenience only. In each case, the relevant rate for both balance sheet data and income statement data was LBP 1,507.5 per USD 1.00, as, throughout the periods covered, the Central Bank has maintained its policy of pegging the value of the Lebanese Pound to the U.S. Dollar at a fixed rate of LBP 1,507.5 per USD 1.00.

Unless otherwise stated, reference in this section to the Bank's customers' deposits and loans and advances (other than such references in the audited consolidated financial statements of the Bank and its consolidated subsidiaries included elsewhere herein) shall be deemed to include deposits of, loans and advances to, related parties.

Analysis of Financial Position

Major Balance Sheet Items

LBP Million	2011	2012	Variation 2012/11
Cash, compulsory reserve and central banks	430,402	299,446	-30.43%
Deposits with banks and financial institutions	484,848	413,701	-14.67%
Loans to banks	8,506	25,676	201.86%
Loans and advances to customers	828,911	920,730	11.08%
Investment securities and financial assets at F.V.T.P.L	444,219	501,574	12.91%
Bank acceptances	26,932	23,866	-11.38%
Other assets and investment in associates	75,791	60,261	-20.49%
Total Assets	**2,299,609**	**2,245,254**	**-2.36%**
Customers Deposits	1,688,653	1,891,499	12.01%
Engagement by acceptances	26,932	23,866	-11.38%
Deposits from banks and institutions	344,364	93,934	-72.72%
Subordinated Bonds	60,249	62,398	3.56%
Other Liabilities	15,750	14,354	-8.86%
Total Liabilities	**2,135,948**	**2,086,051**	**-2.34%**
Total Shareholders' Equity	**163,661**	**159,203**	**-2.72%**
Total Liabilities & Equity	**2,299,609**	**2,245,254**	**-2.36%**
Net Income for the year	**9,917**	**5,594**	**-43.59%**

Sources of Funds

LBP Million	2011	%	2012	%
Customers Deposits	1,688,653	73.43%	1,891,499	84.25%
Equity (Tier I and Tier II)	223,909	9.74%	221,601	9.87%
Other Liabilities	42,683	1.86%	38,220	1.70%
Deposits from banks and financial institutions	344,364	14.97%	93,934	4.18%
Total Sources of Funds	**2,299,609**	**100.00%**	**2,245,254**	**100.00%**

Uses of Funds

LBP Million	2011	%	2012	%
Cash, compulsory reserve and central banks	430,402	18.72%	299,446	13.34%
Deposits with banks and financial institutions	484,848	21.08%	413,701	18.42%
Loans to banks	8,506	0.37%	25,676	1.14%
Loans and advances to customers	828,911	36.05%	920,730	41.01%
Investment securities	444,219	19.32%	501,574	22.34%
Other assets, investment in associates & Acceptances	102,723	4.46%	84,127	3.75%
Total Uses of Funds	**2,299,609**	**100.00%**	**2,245,254**	**100.00%**

The Bank's main sources of funds in 2012 remained its Customers' Deposits, which consisted of 84.25% of total sources of funds growing by LBP 203bln compared to 73.43% in 2011. Deposits from banks reached 4.18% compared to 14.97% in 2011 while, Tier I and Tier II equity accounted for 9.87% of total sources of funds.

With respect to the uses of funds, the Bank maintained its traditional conservative approach in terms of maintaining high asset quality and suitable and sustainable liquidity. Loans and advances to customers reached 41.01% of total uses in 2012 increasing by LBP 92bln compared to 36.05% in 2011. As for immediate liquidity, the share of deposits with banks and financial institutions and placements with central banks remained at a satisfactory level whereby it constituted 31.76% of total uses of funds.

Total Assets reached LBP 2,245,254 million (US$ 1,489 million) as at December 31, 2012, compared to LBP 2,299,609 million (US$ 1,525 million) as at December 31, 2011. Loans to customers reached LBP 920,730 million (US$ 610.77 million) as at December 31, 2012 as compared to LBP 828,911 million (US$ 549.86 million) in 2011 reflecting a year-on-year increase of 11.08%.

Deposits with banks and financial institutions and cash, compulsory reserve and central banks represented altogether 31.76% of total assets in 2012. The Bank maintains a consideration portion of its assets as deposits with foreign banks for the purpose of securing its correspondent banking needs that are directly related to the documentary credit and other trade related facilities as well as maintaining high liquidity. Careful consideration and thorough financial risk assessment is applied when selecting correspondents where the bank applies BDL requirements regarding maintaining relationships only with banks rated BBB or above.

Evolution of Main Balance Sheet Items

Banque Bemo SAL has been able to maintain a sustained performance since its establishment. Ongoing well contemplated growth based on a conservative approach allowed the Bank to position itself amongst the top achievers within its peer group and the banking sector as a whole.

Selected Financial Ratios and Statistics

	2011	2012
Asset and Liability Management		
Interest earning assets to total assets	90.55%	91.85%
Interest bearing liabilities to total liabilities	97.75%	97.81%
Profitability and Efficiency		
Net interest margin	22.36%	26.23%
Return on interest earning assets	0.48%	0.27%
Return on earning assets	0.45%	0.26%
Return on Assets	0.43%	0.25%
Return on Average Assets (ROAA)	0.48%	0.25%
Return on Equity	6.45%	3.64%
Return on Average Equity (ROAE)	7.25%	3.64%
Cost-to-income	72.09%	79.16%
Staff expenses to total operating expenses	61.14%	64.98%
Capital Adequacy, Liquidity and Solvency		
BIS Capital Adequacy Ratio (Basel II)	9.80%	10.30%
Equity to assets	7.12%	7.09%
Loans to deposits	49.09%	48.68%
Loans to total assets	36.05%	41.01%
Net liquid assets to deposits	60.11%	59.25%
Net liquid assets to total assets	44.14%	49.92%
Doubtful loans to gross loans	2.42%	0.54%
Loan loss provisions to doubtful loans	27.11%	95.68%
Loan loss provisions to gross loans	0.66%	0.52%
Net doubtful loans to equity	9.58%	0.14%

The Bank maintained its satisfactory rankings as compared to its peer group – BETA Group*:

Banque Bemo SAL Rankings	2009	2010	2011
Ranking by total assets	4	5	4
Ranking by total loans and advances	4	4	5
Ranking by shareholders' equity	4	6	4
Ranking by total LC Openings of the year	3	4	3
Ranking by doubtful & substandard loans to gross loans	1**	1**	2**

*BETA Group as defined by Bilanbanques – Bank Data Publication consists of local banks with deposits between USD 500 million and USD 2 billion – BETA Group presently includes 10 banks – 2012 figures not yet published

Ranking by doubtful & substandard loans to gross loans: prime ranking indicates **lowest ratio amongst peer group and the banking sector as a whole.

Loan Portfolio

The Bank's loans and advances to customers reached LBP 920,730mln (US$ 610.77 million) as at December 2012 as compared to LBP 828,911 million (US$ 549.86 million) as at December 31,2011 reflecting a year-on-year increase of 11.08%.

Loans and advances to related parties were equivalent to LBP 3,848 million (US$2.55 million) compared to LBP 5,116 million (US$ 3.39 million) as at December 31, 2011.

Analysis of the Loan Portfolio by type of Borrower and Loan Classification including related parties

LBP Million	2011	2012	Variation 2012/11
Regular Loans	812,654	920,446	13.26%
Substandard Loans	1,395	1,601	14.76%
Doubtful Loans	19,660	3,585	-81.76%
Bad Loans	542	1,466	170.48%
Accrued Interest receivable	900	826	-8.22%
Total gross loans	**835,151**	**927,924**	**11.11%**
Unrealized Interest on Substandard Loans	-763	-402	-47.31%
Unrealized Interest on Doubtful Loans	-1,290	-1,504	16.59%
Unrealized Interest on Bad Loans	-192	-283	47.39%
Provision Allowance on Doubtful Loans	-3,645	-1,863	-48.89%
Provision Allowance on Bad Loans	-350	-1,182	237.71%
Collective Provision		-1,960	N/A
Total net loans	**828,911**	**920,730**	**11.31%**
Unrealized interest /substandard loans (%)	54.70	25.11	
Unrealized interest & Prov/ doubtful and bad loans (%)	27.11	95.66	
Net Doubtful & Bad Loans / Total loans (%)	1.78	0.02	

The Bank's doubtful and bad loans amounted to LBP 5,051 million (US$ 3.35 million) as at December 31, 2012 compared to LBP 20,202 million (US$ 13.40 million) as at December 31, 2011 reflecting a decrease by LBP 15,151 million (of which LBP 14,321 million were settled in early 2012). Unrealized interest and provisions on doubtful and bad debts reached LBP 4,832 million (US$ 3.21 million) as at December 31, 2012 as compared to LBP 5,477 million (US$ 3.63 million) as at December 31, 2011 reflecting a decrease by LBP 645 million. Substandard Loans, net of unrealized interest, reached LBP 1,199 million (US$ 0.79 million) as at December 31, 2012 as compared to LBP 632 million (US$ 0.42 million) at the end of 2011, reflecting a year-on-year increase of LBP 567 million.

Analysis of the Loan Portfolio by Counterparty type

LBP Million	Carrying amount net of unrealized interest & impairment allowance		Variation	Share of Total Loans	
Counterparty type	2011	2012	2012/11	2011	2012
Regular retail customer	**85,497**	**102,472**	**19.85%**	**10.32%**	**11.12%**
- Mortgage loans	33,613	47,481	41.26%	4.06%	5.16%
- Personal loans	9,604	10,422	8.50%	1.16%	1.13%
- Credit cards	-	-	-		
- Overdrafts	19,888	15,919	-19.96%	2.40%	1.73%
- Other	22,392	28,650	27.95%	2.70%	3.11%
Regular corporate customers	**727,157**	**817,975**	**12.49%**	**87.72%**	**88.84%**
- Corporate	563,949	643,765	14.15%	68.03%	69.92%
- Small and medium enterprises	163,208	174,210	6.74%	19.69%	18.92%
Classified retail customers	**3,723**	**5**	**N/A**	**0.45%**	**0.00%**
- Substandard	-	-			
- Doubtful	3,723	5	N/A	0.45%	0.00%
- Bad	-	-			
Classified corporate customers	**11,634**	**1,412**	**-87.86%**	**1.40%**	**0.15%**
- Substandard	632	1,199	89.72%	0.08%	0.13%
- Doubtful	11,002	213	-98.06%	1.33%	0.02%
- Bad	-	-			
- Collective provision	-	-1.960	N/A	-	-0.20
Accrued interest receivable	**900**	**826**	**-8.22%**	**0.11%**	**0.09%**
Total	**828,911**	**920,730**	**11.07%**	**100%**	**100%**

Investment Securities Portfolio

The Bank's portfolio consists of both fixed and variable income and is classified into two categories: 'Fair Value Through Profit and Loss' and 'Amortized cost', following the early implementation of IFRS 9 in 2011.

LBP Million	2011 F.V.T.P.L	Share	2012 F.V.T.P.L	Share
Quoted equity securities	6,656	1.50%	5,385	1.07%
Unquoted equity securities	-	-	-	-
Lebanese treasury bills	18,888	4.25%	21,893	4.36%
Foreign treasury bills	465	0.10%	-	-
Lebanese government bonds	310	0.07%	-	-
Cert. of deposit issued by Central Bank	48,630	10.95%	26,969	5.38%
Cert. of deposit issued by commercial Banks	10,663	2.40%	2,249	0.45%
Corporate Bonds	7,837	1.76%	6,672	1.33%
Accrued interest	2,144	0.48%	1,208	0.24%
Subtotal	**95,593**	**21.52%**	**64,376**	**12.83%**

LBP Million	2011 Amortized cost	Share	2012 Amortized cost	Share
Foreign treasury bills				
Lebanese treasury bills	92,484	20.82%	124,801	24.88%
Lebanese government bonds	73,302	16.50%	83,436	16.63%
Cert. of deposit issued by Central Bank	132,550	29.84%	191,266	38.13%
Cert. of deposit issued by Commercial Banks	31,743	7.15%	15,075	3.01%
Corporate Bonds	11,473	2.58%	15,111	3.01%
Accrued interest	6,430	1.45%	6,865	1.37%
Subtotal	**347,982**	**78.34%**	**436,554**	**87.04%**
Financial assets at fair value through other comprehensive income	644	0.14%	644	0.13%
Total	**644**	**0.14%**	**644**	**0.13%**
	444,219	**100.00%**	**501,574**	**100.00%**

Customers' Deposits

The Bank's customers' deposits were equivalent to LBP 1,891,499 million (US$ 1,255 million) as at December 31, 2012 compared to LBP 1,688,653 million (US$ 1,120 million) as at December 31, 2011, reflecting a year-on-year increase of LBP 202,846 million (USD 135million) representing about 12%

Currency Composition and Cost of Funds

In 2011 and 2012, the Bank's Customers' Deposits represented respectively 73.43% and 84.25% of total liabilities. Time Deposits represent the largest portion of the Bank's deposits, owing to the private/selective banking nature of the operations.

December 31, 2011 (C/V in LBP mln)	LBP	USD	EUR	GBP	Others
Customers' Accounts at amortized cost	220,071	1,215,494	204,244	32,821	16,023
in%	13.03%	71.98%	12.10%	1.94%	0.95%
Total Customers' Deposits (in LBP Million)			**1,688,653**		

December 31, 2012 (C/V in LBP mln)	LBP	USD	EUR	GBP	Others
Customers' Accounts at amortized cost	282,755	1,336,307	222,145	30,179	20,113
in%	14.95%	70.65%	11.74%	1.60%	1.06%
Total Customers' Deposits (in LBP Million)			**1,891,499**		

Customers' Deposits in Lebanese Pounds that accounted for only 13.03% of total deposits as of December 31, 2011, have increased to read 14.95% in 2012. On the other hand, foreign currency deposits that accounted for 86.97% of total deposits in 2011 have decreased by 1.92% to read 85.05% as of December 31, 2012 in accordance with the year-to-year increase of the total deposits by 12.01%.

Analysis of Performance Indications

As indicated in the table below, the interest income recorded a 15.94% increase compared to 2011, reaching LBP 96.4 billion while interest expense increased only by 11.92% to reach 64.63 billion leading to an increase in net interest (after provision) by 36.06% reaching LBP 31.03 billion. Other fee based income decreased by 11.15% to reach LBP 6.7 billion compared to 2011 LBP 7.5 billion. While gain on exchange and other operating income also decreased by 86.88% reaching 1.41 billion compared to LBP 10.77 billion in 2011.

LBP Million	2011	2012	Variation 2012/11
Interest income (including interest on trading assets)	83,191	96,456	15.94%
Interest expense	57,745	64,632	11.92%
Net interest income (after provisions)	22,805	31,029	36.06%
Other fee based income	7,485	6,650	-11.15%
Gain on exchange and other operating income*	6,878	5,312	-22.77%
Salaries	16,325	18,806	15.20%
General operating expenses	10,375	10,134	-2.32%
Other expenses (including tax expenses)	4,442	4,558	2.61%
Net Income Excluding Associates	6,026	9,493	57.5%
Income from Associates (Loss)	3,891	(3,899)	-
Net Income(consolidated)	**9,917**	**5,594**	**-43.59%**

* Includes gains/loss on securities and exchange transactions.

Interest and Similar Income

LBP Million	2011	2012	Variation 2012/11
From loans and advances to customers	50,625	56,100	10.81%
From deposits with banks, financial institutions and Central Bank	5,676	6,404	12.83%
From investment securities	26,655	33,223	24.64%
Other	235	729	210.21%
Total	**83,191**	**96,456**	**15.94%**

This increase of 15.94% in interest received was primarily due to the following:

- An increase in the interest received from loans and advances to customers which reached LBP 56,100 million (US$ 37.21 million) in 2012 and constituted 58.16% of total interest and similar income as compared to LBP 50,625 million (US$ 33.58 million) and 60.85% in 2011. This increase was mainly due to the growth witnessed in average loans and advances to customers.

- An increase in interest received from investment securities which reached LBP 33,223 million (US$ 22.04 million) in 2012 and constituted 34.44% of total interest and similar income compared to LBP 26,655 million (US$ 17.68 million) that constituted 32.05% of total interest and similar income in 2011.

Interest received from deposits with banks, financial institutions and Central Bank reached LBP6,404 million (US$ 4.25 million) in 2012 and constituted 6.64% of total interest and similar income as compared to LBP 5,676 million (US$ 3.76 million) in 2011 that constituted 6.82% of total interest and similar income.

Interest and Similar Charges

The following table sets forth a breakdown of the Bank's interests and similar charges for the years ending December 31, 2011 and 2012:

Interest and Similar Charges (LBP Million)	2011	2012	Variation 2012/11
Banks and financial institutions	1,687	2,360	39.89%
Customers' deposits	51,817	58,018	11.97%
Subordinated bonds	4,242	4,254	0.28%
Total	**57,746**	**64,632**	**11.92%**

Interest and similar charges reached LBP 64,632 million (US$ 42.87 million) in 2012 as compared to LBP 57,746 million (US$ 38.31 million) in 2011 reflecting a year-on-year increase of 11.92%. The increase is mainly due to the augmentation witnessed in interest paid on customers' deposits which rose from LBP 51,817 million (US$ 34.37 million) in 2011 to LBP 58,018 million (US$ 38.48 million) in 2012 constituting 89.77% of total interest and similar charges supported by an increase in deposits of 12.01%. However, an increase in interest paid on banks and financial institutions was recorded scoring LBP 2,360 million (US$ 1.57 million) in 2012 as compared to LBP 1,687 million (US$ 1.12 million) in 2011 reflecting a year-on-year increase of 39.89%.

Interest Sensitive Assets and Liabilities

The Bank maintains a satisfactory level of interest sensitive funds on both sides of its balance sheet. The table below shows the composition of assets and liabilities as at December 31, 2011 and 2012:

In percentage	2011	2012
Interest earning assets to total assets	90.55%	91.85%
Interest bearing liabilities to total liabilities	97.75%	97.81%

The major components of interest earning assets are cash held at the Central Bank, Lebanese T-Bills, bonds and financial instruments with fixed income, deposits at other banks and financial institutions and loans and advances to customers. As to interest bearing liabilities, customers deposits and engagements constitute the largest component.

Capitalization

As at December 31, 2012, the Bank's consolidated shareholders' equity (including Tier I & Tier II) reached LBP 221.6 billion (US$ 147 million).

LBP Thousand	2011	2012
Subordinated bonds	60,248,632	62,397,734
Equity		
Share capital	62,000,000	62,000,000
Treasury shares	-1,614,350	-2,197,625
Preferred shares	30,150,000	30,150,000
Shareholders' cash contribution to capital	29,104,984	29,104,984
Reserves	21,451,441	25,052,144
Retained earnings	18,004,106	22,503,411
Currency translation adjustment	-5,352,789	-13,003,565
Income for the year	9,917,361	5,593,850
Equity attributable to the Group	163,660,753	159,203,199
Minority interest	41	88
Total Equity	**163,660,794**	**159,203,287**
Tier I and Tier II Equity	**223,909,426**	**221,601,021**

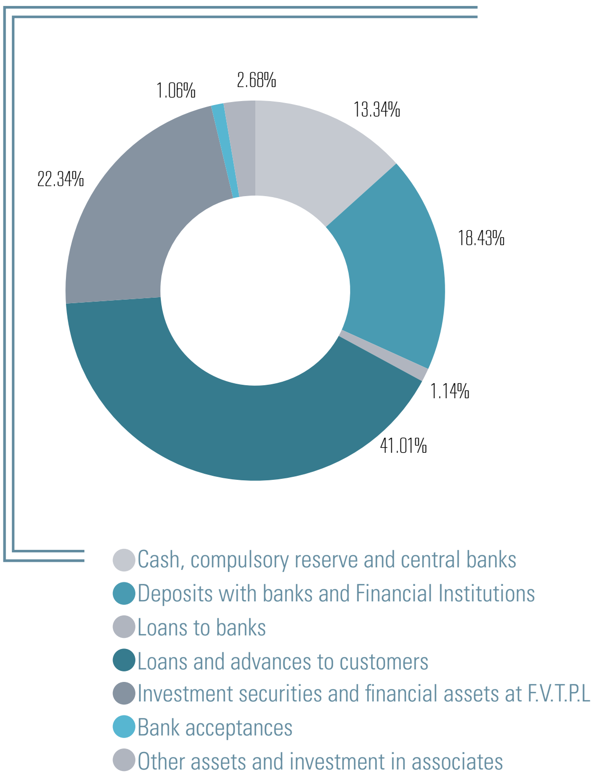
Distribution by nature

LBP Thousand	2011 Balance	2011 %	2012 Balance	2012 %
Common Equity*	133,510,794	59.63	129,053,287	58.24
Preferred Equity	30,150,000	13.46	30,150,000	13.60
Subordinated Bonds	60,248,632	26.91	62,397,734	28.16
Total	**223,909,426**	**100**	**221,601,021**	**100**

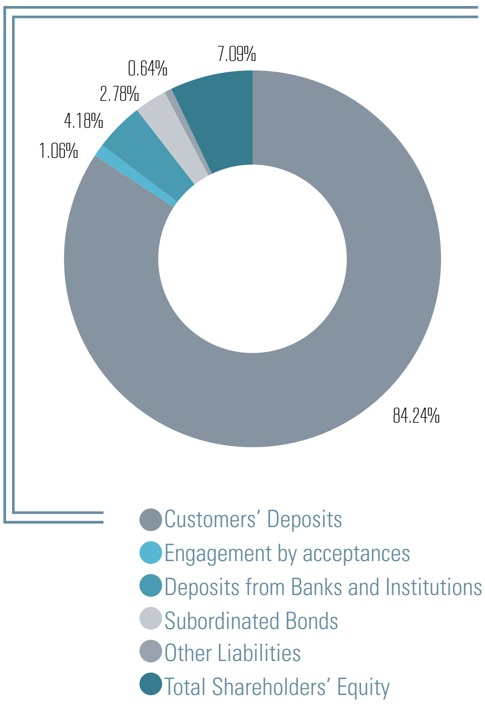
* Including net income

- In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purposes of computation of the Risk Based Capital Ratio. They are to be decreased on a 20% a year basis. Subordinated bonds will mature on June 2014. Total Tier I equity represents 71.84% of the total capitalization.

Breakdown of Total Assets 2012 (%)



Breakdown of Total Liabilities 2012 (%)



Risk Management

Overview

Banque Bemo SAL recognizes that effective risk management is fundamental to good banking practice. Accordingly, the Bank has established guidelines for managing risk in each area of its business to ensure that it has effective risk management mechanisms in place. Over the past few years, the Bank has continuously analyzed major risk factors which could affect its financial operations and reshaped its organizational structure and risk management processes. This is to ensure that its risk management system is in line with international standards and is in accordance with the guidelines under the principles of Basel II.

The Bank's Board Risk & Compliance Committee plays a significant role in prescribing the risk management policy, reviewing the sufficiency of the risk management policy and system, defining the strategy for risk management, and monitoring the Bank's risk to an appropriate level, in compliance with the Bank's risk management policy which has been approved by the Board of Directors. The objectives are to manage the relevant risks within designated boundaries and limits, in particular the maintenance of capital in accordance with the revised capital adequacy requirements under the Basel III guidelines as set forth by the Central Bank of Lebanon in December 2011.

Important processes in the risk management system comprise the identification of significant risks which may potentially impact the Bank's business operations, the assessment of each type of risk, the monitoring of risks to an appropriate level under the Bank's policy, and the reporting of the status of each type of risk to relevant parties so as to enable them to manage and/or handle the risks in a timely manner.

The key principle of the risk management system is that business units shall be responsible for continuously managing their risk exposures in order to ensure that the risk is within the specified limits and in compliance with the overall risk management policy approved by the Board of Directors, while the Risk Management Unit is responsible for monitoring and controlling the risks on a regular and ongoing basis.

Basel III Capital Adequacy Ratios

The Bank is subject to the capital adequacy requirements and guidelines as defined by the Central Bank of Lebanon which are based on the guidelines of the Basel Committee on Banking Supervision.

In April 2006, the Central Bank of Lebanon (BDL) issued a circular (BDL Circular No 104) requiring banks in Lebanon to report their capital requirements according to the Basel II guidelines. On December 7th, 2011, BDL issued an intermediary circular No 282 related to solvency calculation in Lebanese commercial banks. The new requirements are a reflection of the amendments introduced by the Basel Committee following the financial crisis (namely Basel III) and cover the following (solely to be used for solvency calculation purposes):

1. Definition and components of equity

Total equity includes the following:

- Core Capital Funds (Tier 1 Capital) consisting of the following:
  - Common Equity Tier 1
  - Additional Tier 1 Capital
- Tier II Capital

Risk Weighted Assets: consist of total assets and off balance sheet items weighted by their corresponding credit, market and operational risk weights

Solvency definition now consists of the following:

- Common Equity Tier 1 Ratio = Common Equity Tier 1 divided by Risk Weighted Assets
- Core Capital Funds (Tier 1) Ratio = Tier 1 divided by Risk Weighted Assets
- Total Equity Ratio = Total (eligible) Equity divided by Risk Weighted Assets

2. Minimum capital requirements:

After conducting the necessary deductions as directed by BDL and BCC requirements, the new minimum solvency requirements will be as follows:

- Common Equity Tier 1 Ratio = Minimum of 8%
- Core Capital Funds (Tier 1) Ratio = Minimum of 10%
- Total Capital Ratio = Minimum of 12%

The above is to be achieved based on a phased in approach ensuring that full abidance will be observed by the end of 2015:

Description	31/12/2012	31/12/2013	31/12/2014	31/12/2015
Common Equity Tier 1 Ratio	5%	6%	7%	8%(*)
Tier 1 Ratio	8%	8.5%	9.5%	10%(*)
Total Capital Ratio	10%	10.5%	11.5%	12% (*)

(*) including the Capital Conservation Buffer required by Basel Committee equivalent to 2.5%

SCOPE OF APPLICATION

The name of the top corporate entity in the group, to which these regulations apply, is Banque Bemo SAL. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The following entities of the group are fully consolidated with the results of Banque Bemo SAL for regulatory purposes:

1. BEMO Securitization SAL (BSEC): This entity is 96% owned by the Bank. It is regulated by the Central Bank of Lebanon and Banking Control Commission and undertakes securitization transactions locally and structured finance deals.
2. Ferticed Limited Holding (Luxembourg): This entity is 100% owned by the Bank and is mainly involved in providing insurance services.
3. Depository and Custody Company SAL: This entity is majority owned by the Bank and its subsidiary BEMO Securitization SAL and it undertakes depository and custody of securities activities.

Investments in the following entities associated with the group are deducted from Common Equity Tier 1 for regulatory purposes:

1. Banque BEMO Saudi Fransi (BBSF): BBSF is incorporated in Syria as a commercial bank. The Bank owns 22% of the ordinary share capital of BBSF
2. BEMO Oddo Investment Firm – Dubai, where the bank owns 25% of its ordinary share capital.
   There are no other group entities for regulatory purposes that are neither consolidated nor deducted.

CAPITAL STRUCTURE

The capital as at December 31, 2012 is represented by 62,000,000 nominative shares authorized with a par value of LBP 1,000 per share issued and fully paid, divided as follows:

- Listed Shares : 51,400,000
- Unlisted Shares: 10,600,000

The Bank has not issued any capital instruments of innovative, complex or hybrid nature.

Components of Capital

LBP million	2011	2012
Common Equity Tier 1		
Common stock – Paid in Capital	62,000	62,000
Cash Contribution to Capital	29,105	29,105
Eligible Reserves	21,040	24,499
Retained Earnings	18,004	10,989
Common Equity Tier 1	130,149	126,593
Less: Deductions/Regulatory Adjustments		
Less: Treasury Shares	(1,614)	(2,198)
Less: Intangible assets	(922)	(700)
Less: participations	(47,142)	(30,694)
NET Common Equity Tier 1	80,471	93,001
Additional Tier 1		
Perpetual, Non-Cumulative Preferred Shares	30,150	30,150
TOTAL Tier 1 (A)	110,621	123,151
Supplementary Capital – Tier 2		
Subordinated Bonds	36,180	24,120
TOTAL Tier 2 (B)	36,180	24,120
Total Eligible Capital (A+B)	146,801	147,271

The approaches adopted by the Bank for measuring minimum capital requirements under Pillar 1 of the Basel Accord are described in the following sections.

Credit Risk: Pursuant to the Central Bank requirements, the Bank has adopted the "Standardized Approach" for measuring minimum capital requirement for credit risk. Under this approach, exposures are spread into portfolio segments based on the type of counterparty. The major portfolios defined as per Central Bank directives (BDL Basic Circular No 115) are sovereigns, banks, corporate, SME, Commercial Real Estate, Other retail (including securities lending), residential financing, equity, and others. Depending on the ratings assigned by qualified external credit rating agencies, a counterparty risk weight ranging from 0% to 150% is set for each portfolio segment. After application of specific provisions (if any) and / or acceptable credit risk mitigations, initial funded and non-funded exposures are multiplied by the specified risk weight of the counterparty to arrive at the corresponding Risk Weighted Asset (RWA). Using product type specified Credit Conversion Factors (CCFs), off-balance sheet exposures are adjusted before determining the RWAs.

Market Risk: The "Standard Measurement Approach" is used by the Bank to calculate the regulatory capital requirements relating to market risk (covering interest rate risk in the trading book, equity price risk, foreign exchange risk and commodity prices risk). As indicated by the Basel Committee, the resulting measure of capital charge is multiplied by 12.5 (reciprocal of 8%) to provide a comparable risk weighted exposure number for market risks.

Operational Risk: The Bank presently uses the "Basic Indicator Approach" for calculation of regulatory capital requirements in terms of operational risk. This approach applies a beta coefficient of 15% to the average gross income of the Bank for the preceding three financial years. Similarly to market risk capital charge, the resulting measure of capital charge for operational risk is multiplied by 12.5 (reciprocal of 8%) to provide a comparable risk weighted exposure number for operational risks.

Risk Weighted Assets composition:

The Capital Adequacy measurement after application of corresponding risk weights based on the aforementioned approaches is detailed in the following table:

Capital Adequacy	2011		2012	
LBP million	Amount	Share	Amount	Share
Credit Risk Weighted Assets – Standardized Approach	1,381,787	92.2%	1,338,142	92.6%
Sovereign Risk	512,181	37.1%	429,197	29.9%
Banks Risk	154,696	11.2%	140,346	9.8%
Public Sector Entities	3		3	
Loans to Corporate Clients	395,602	28.6%	466,419	32.6%
Loans to SMEs	127,635	9.2%	98,045	6.8%
Other Retail Loans	22,716	1.6%	18,213	1.3%
Residential Loans	10,932	0.8%	17,713	1.2%
Commercial Real Estate Loans	107,194	7.8%	123,894	8.6%
Securitization	4,096	0.3%	3,221	0.2%
Non-Performing Loans	16,970	1.2%	1,791	0.1%
Other Assets	29,764	2.1%	26,979	1.9%
Market Risk Weighted Assets – Standard Measurement Approach	56,125	3.7%	38,963*	2.7%
Interest Rate Risk (Trading Book)	44,325		26,350	
Equity Price Risk (Trading Book)	6,300		4,750	
FX Risk	5,500		7,862.5	
Commodities Risk (Not applicable)				
Operational Risk Weighted Assets – Basic Indicator Approach	60,671	4.1%	67,562	4.7%
Total Risk Weighted Assets	1,498,583		1,444,667	
Total Capital Ratio	9.80%		10.30%	
Tier 1 Capital Ratio	7.38%		8.63%	
Net Common Equity Tier 1	5.37%		6.50%	

* Supervisory authorities in Lebanon decided to apply market risk capital charges on the financial instruments classified as FVTPL noting that the majority of these instruments are held by the Bank for liquidity purposes and not for trading intent.

Risk Management Framework

Major risks that may affect the operations of the Bank include credit risk, market risk, liquidity risk, capital adequacy risk and operational risk. The Bank's guidelines for the management of each type of risk are as follows:

Credit Risk Management Process

Credit Risk is the risk that arises from the inability of the borrowers or counterparties to perform their obligations under contractual agreements in relation to the Bank's lending, investment and other contractual commitments, for example the borrowers' failure to repay principal and/or interest as agreed with the Bank.

Credit Risk Factors are those which may affect the ability of borrowers to fully repay loans and include factors which may affect the Bank's ability to resolve non-performing loans. The primary credit risk factor remains the global financial crisis in 2007-2009 which began from the losses incurred by non-performing assets of financial institutions in the United States, and then spread across the real economic sector and eventually caused economic recession to the global economy. In addition, the political and economic consequences stemming from the tragic events occurring in Syria and Lebanon continue to weigh in on the overall performance accentuating credit risk sources.

As a result, the Bank continues to take cautious steps in granting credit extensions and closely monitors its customers' businesses as well as industry trends in line with its policy. At the same time, the Bank continues to offer financial advisory services to its clients in order to prevent or reduce non-performing loans and promptly manage the potential problem loans.

Credit Risk Management: In managing credit risk, the Bank has specified the processes for credit approval which include the formulation of credit policy, the credit risk rating for customers, and the establishment of different levels of delegation of authority for credit approval depending upon the type of business and/or the size of the credit line. In considering the approval of loans in general, the Bank considers the purpose of the loan and assesses the repayment ability of the applicant, taking into account the applicant's operating cash flows, business feasibility and the capability of management, as well as collateral coverage. The Bank also performs credit reviews which include reviewing credit risk rating levels on a regular basis.

Credit Risk Stress Testing: The Bank's stress-testing framework supports the regular execution of stress tests at the business unit and legal entity levels. The Bank's overall stress-testing program is a key management tool within the organization and facilitates a forward-looking perspective on risk tendency and business performance. Stress testing involves identifying possible events or future changes in economic conditions that could have an impact on the Bank.

During 2012, the Bank performed stress tests on scenarios defined by the Banking Control Commission (BCC) in addition to internal group defined scenarios. Portfolio-specific stress tests are also conducted within business lines and economic sectors facilitating proactive management at a business line level.

RISK MANAGEMENT STRUCTURE

The management of risks for the Bank is centralized under the Risk Management Unit. Through approved policies directly emanating from the business strategy of the Bank, management of risks is conducted in a proactive approach with direct interactions and presentation of matters to the Managing Director and Board Risk Committee.

Credit Risk

Since 2005, the Bank uses an internal rating methodology for classification of counterparty risk and in the management of the underlying exposures appropriately. The Bank also follows the supervisory guidelines for asset classification, particularly those relating to past due and non-performing loans.

The Bank uses external credit ratings as published from Standard & Poors, Moody's and Fitch for the purpose of determining counterparty risk weights. These ratings are mainly applicable to the sovereigns, banks, and financial institutions/investments assets classes. A majority of the Corporate, SME and Retail clients is Lebanese i.e. not externally rated and hence falling in the 100% risk weight category.

The Bank uses a wide range of collaterals in the process of managing its counterparty risks. With respect to credit risk mitigation, the applicable financial collateral is restricted to pledge of cash margins, deposits held with the Bank and acceptable credit deposits held in cover of debit balances under acceptable netting arrangements.

A breakup of gross credit risk exposures i.e. exposures after offsetting provisions but before application of credit risk mitigations (including non-funded exposures and after applying credit conversion factors) is presented below with the respective risk weights:

Assets Segments (LBP million)	Risk Weight Buckets	2011	2012
Sovereign Risk o.w.		724,209	694,804
Placements in LBP with Banque du Liban	0%	114,690	140,810
Placements in FC with Banque du Liban	100%	434,539	338,979
Placements in FC with other Central banks	50%	6,235	-
Placements in FC with other Central banks	150%	-	3,436
Lebanese Treasury Bills in LBP	0%	94,221	126,515
Lebanese Eurobonds in FC	100%	74,524	85,064
Other government bills	0%	-	-
Banks Risk o.w.		510,366	467,795
Long and short term placements	20%	384,482	386,214
Long and short term placements	50%	93,532	27,655
Long and short term placements	100%	32,352	53,528
Long and short term placements	150%	-	398
Public Sector Entities		1,297	1,665
Public Sector Entities in LBP	0%	1,294	1,662
Public Sector Entities in FC	100%	3	3
Loan Portfolio Risk o.w.		907,802	998,222
Loans to Corporate Clients	20%	1,728	460
Loans to Corporate Clients	50%	1,027	-
Loans to Corporate Clients	100%	482,921	565,160
Loans to Corporate Clients	150%	-	8,013
Loans to SME Clients	100%	178,139	141,890
Loans to Other Retail	100%	41,994	45,905
Residential Loans	35%	35,418	57,314
Claims secured by Commercial Real Estate	100%	144,559	172,571
Securitization	50%	3,052	3,051
Securitization	75%	3,426	2,260
Non-performing	100%	15,538	1,598
Other Assets o.w.		61,259	55,350
Other Assets (Cash, Regularization Accounts)	0%	17,368	13,918
Other Assets (Checks Purchased)	20%	17,905	17,443
Other Assets (Receivables)	50%	894	998
Other Assets (Fixed, Investments, Assets acquired in satisfaction of loans)	100%	24,663	22,991
Participations not deducted from common equity	250%	429	-

Market Risk

Market Risk is the risk of losses in on- and off-balance sheet positions arising from movements in market prices such as interest rates, foreign exchange rates, equity prices, and commodity prices.

Interest Rate Risk: Interest rates are major factors in determining the Bank's interest income and interest expenses. Additionally, the Bank is exposed to interest rate risk when its assets and liabilities are repriced or matured at different times, or when movements of the reference interest rates on assets and liabilities are not correlated.

Foreign Exchange Rate Risk: Foreign exchange rate risk arises when the Bank deals in foreign currency transactions which lead to overbought and oversold foreign exchange positions such as foreign exchange transactions, investments, loans, borrowings, contractual commitments, and the use of foreign exchange related derivatives. The Bank may incur gains or losses as a result of changes in foreign exchange rates.

For the measurement of minimum capital requirement for market risks under Pillar 1, the Bank uses the Standard Measurement Approach as per the table below:

LBP million	2011		2012	
Traded Interest Rate Risk	3,546	79%	2,108	68%
Traded Equity Price Risk	504	11%	380	12%
Foreign Exchange Risk	440	10%	629	20%
Commodity Price Risk	-	-	-	-
Total Capital Charge for Market Risks	4,490		3,117	
MRWA (X 12.5)	56,125		38,962.5	
Share of Market RWA out of Total RWA		3.74%		2.7%

Market Risk Management: The Bank aims to manage market risk to be in line with the overall risk management policy of the Bank. In general, the Bank's policy is to manage assets and liabilities denominated in both Lebanese Pounds and foreign currencies through the use of risk measurement and limits to optimize interest rate risk and foreign exchange rate risk. The Asset-Liability Management Committee, the Treasury & Capital Markets Division and the Market Risk Management Unit are responsible for managing and monitoring the risk, as well as proposing the enhancement of the risk management policy and/or the risk measurement and limits appropriate for the prevailing market conditions.

Interest Rate Risk in the banking book: Interest rate risk in the banking book refers to any opportunity loss to the Bank's income and/or economic value to changes in interest rate, which may arise from both on and off-balance sheet positions in the banking book. Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. Excessive interest rate risk can pose a significant threat to the Bank's earnings and capital. Changes in interest rates may affect the Bank's earnings in terms of the net interest/profit income and economic value of equity.

The Bank has established the Interest Rate Risk Management Policy which provides for the governance of interest rate whereby sensitivity triggers are applied on earnings for the Bank. Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate in an environment of rapid financial market changes.

Liquidity

Liquidity Risk is the risk that the Bank is not able to meet financial obligations when they fall due. The purpose of the Bank's liquidity risk management is to maintain a sufficient amount of funds to meet present and future financial obligations while managing the use of the funds to generate an appropriate return in light of prevailing market conditions.

Liquidity Risk Management: The Bank diversifies its sources of funds and manages its liquidity through domestic money and capital markets, and through international money and capital markets in currencies such as the US dollar and Euro. The Bank seeks to minimize its liquidity costs and risks in line with market conditions by closely managing its liquidity position on a short-term and long-term basis. The Bank also plans to raise long-term funding as market conditions permit. It is the policy of the Bank to maintain liquidity at a high level; this policy is expected to prevail so long as the current economic weakness continues in the Lebanese Republic and the surrounding region.

The Bank's management strives to maintain a satisfactory liquidity level at the Bank in line with approved policy guidelines and regulatory requirements. The management's efforts with regards to the maturities of funding sources and uses are reflected in the Bank's satisfactory liquidity position.

In addition, the Bank has been performing regular stress tests since 2012 guided by the regulatory authorities to calculate the newly proposed liquidity ratio by the Basel Committee under the new capital standard (Basel III) namely the Liquidity Coverage Ratio (LCR).

Capital Adequacy Risk Management

Capital Adequacy Risk is the risk that the Bank may not have sufficient capital reserves to operate its business or to absorb unexpected losses arising from credit, market and operational risks.

Capital Adequacy Risk Factors are the quantity and quality of risk weighted assets of the Bank as well as the Bank's earning capability. In times of severe economic and financial difficulties, the quality of the Bank's assets may deteriorate and the value of the collateral may decline, thus increasing the risk weighted assets of the Bank. The Bank's earnings may also be affected, resulting in a decrease of capital which will therefore lower the capital adequacy ratio.

Capital Adequacy Risk Management: The objective of the Bank's capital management policy is to maintain an adequate level of capital to support growth strategies under an acceptable risk framework, and to meet regulatory requirements and market expectations.
The Bank's capital management process involves a careful analysis of the capital requirement to support business growth,

including potential crisis scenarios, and the source of capital, both from financial performance as well as external funding sources, if necessary. The Bank regularly assesses its capital adequacy under various scenarios on a forward-looking perspective for the purpose of capital planning and management to ensure that the capital is at the level suitable for the prevailing business conditions.

Operational Risk

Operational Risk is the risk of loss from failed or inadequate internal processes, people and systems, or from external events. This includes legal risks, but does not include strategic risks and reputation risks.

Operational Risk Factors: Significant operational risk factors include internal factors and external factors.

Internal factors are:

- The efficiency of internal processes and internal control systems, including operational processes supporting business operations and processes for taking care of personnel.
- The Bank's personnel, including appropriate staffing levels, staff qualifications and efficiency.
- The Bank's operating systems, including the capability to support business operations, the complexity of systems which may cause risks, the issue of data security, the accuracy of data processing, and the development of and changes in technologies.

External factors are:

- Actions by outsiders such as theft or embezzlement of assets or data.
- Catastrophe and natural disasters that damage the Bank's assets.

The Bank understands that good operational risk management is vital to sustainable business success, particularly in the current environment of uncertainty, both domestic and international. The Bank therefore places great importance on effective operational risk management with sufficient coverage of all aspects of operations, and is prepared to deal promptly with any unpredictable event.

Operational Risk Management: The Bank's operational risk management includes defining, assessing, monitoring, mitigating and controlling risk. Every unit in the Bank is directly responsible for managing its operational risk and for establishing measures to mitigate and control risk to the designated level by allocating appropriate resources and establishing an organizational culture for managing operational risk.

A key principle underlying the Bank's operational risk management is to educate staff throughout the Bank by providing them with a consistent understanding of operational risk, so that they are able to accurately and completely identify the operational risks, assess the significance of each potential risk, analyze details to find appropriate solutions to mitigate risks, and implement the selected solutions to minimize risks. This is followed by the systematic monitoring of progress, the measurement of potential risk, as well as regular reviews of the entire process.

The Bank has a dedicated unit for operational risk management under its Risk Management Unit which has taken steps to enhance its operational risk management system to be in line with international standards. The enhancements include monitoring and supporting every unit in implementing the operational risk management framework at the unit level, managing operational risk at the organization level, reviewing operational risk management in product and service development, calculating the capital required for operational risk in line with the Basel II framework, and maintaining and analyzing data of the operational risk loss data system as well as Key Risk indicators for the critical activities.

Business resilience (including business continuity management and crisis management)
Business resilience is defined as the ability of the Bank's business operations to rapidly adapt and respond to internal or external dynamic changes – opportunities, demands, disruptions or threats – and continue operations with limited impact to the business through pro-active management and resilient infrastructure. Business resilience is primarily focused on developing and maintaining a pro-active and holistic response. Crisis management is based on a streamlined command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises, including business crises, at the discretion of Senior Management.

The Bank has implemented business continuity management to help minimize the impact of operational risk loss events from external factors. The Bank has adopted the business continuity management policy and has developed the business continuity plan which has been mainly tested successfully following the explosion next to the Bank's headquarters whereby and despite the large losses sustained and destruction witnessed, the Bank was able to resume activities and operations within 24 hours from its disaster recovery site.

The Bank currently uses the Basic Indicator Approach for assessment of minimum capital requirement for operational risk under Pillar 1 of the Accord.

LBP million	2011		2012
Average Gross Income (2009-2011)	32,357	Average Gross Income (2008-2010)	35,634
Coefficient	15%	Coefficient	15%
Operational Risk Capital Charge	4,854	Operational Risk Capital Charge	5,345
Operational Risk Weighted Assets	60,671	Operational Risk Weighted Assets	67,562
Share of Total Risk Weighted Assets	4.05%	Share of Total Risk Weighted Assets	4.7%

Compliance and Anti Money Laundering

Definition of Money Laundering/Terrorist Financing

Money laundering is the process by which proceeds from a criminal activity are disguised to cancel their illicit origin.

Terrorist financing, on the other hand, is the provision or collection of funds for the support, advancement or perpetration of acts of terrorism.

The Bank is strongly committed to preventing the use of its products or services for the legalization of revenue from criminal activity and for terrorism financing. Our objective is to protect the Bank's status and reputation.

Anti- Money Laundering and Combating Terrorist Financing Regulations

The Bank abides strictly with all BDL and SIC directives relating to AML/CFT activities and to international sanctions. In case the applicable anti-money laundering laws and regulations for its overseas Cypriot branch require higher standards, the Bank conforms also to these standards for its Cypriot branch so as to keep its operations on a clean and reliable path.

The principal Lebanese legislation can be summarized as follows:

- The Lebanese parliament has adopted and the President of the Republic promulgated the text of Law 318 on April 20, 2001 – Fighting Money Laundering. Recently, the Lebanese bank regulatory authority proposed amendments to Anti Money Laundering Law 318 by adding the offense of terrorism financing, in addition to other amendments.

- BDL has issued over the years circulars and put measures to fight money laundering and combat terrorism financing. On May 18, 2001 BDL issued circular No 83, and amended it several times after its issuance.

- Many circulars have been also issued by the Special Investigation Commission "SIC".
  All these circulars are in accordance and comply with the FATF 40 recommendations.

Anti-Money Laundering/ Combating Terrorist Financing Policies and Procedures

The Bank is constantly increasing its tools, including systems and procedures, for fighting money laundering and terrorist financing.

The "know your customer KYC" procedures have been improved, all customers names are screened against local and international watch-list ex: SIC, OFAC, EU CBC and UN. All of our customers are required to identify the "source of their funds", "beneficial right owner" and their financial status, in addition to other information. No account is to be opened without obtaining all the required information and the approval of the "Customer Acceptance Committee CAC". Noting that, the Compliance Officer is a member in this committee.

Continuous monitoring of transactions are also conducted by branches and compliance staff, and transactions suspected for hiding illegal activities are reported to SIC.

FATCA implementation

The compliance department has already started to set- up efforts to comply with the new challenge concerning the new US Tax regulation.

Training and awareness

All staff attend internal training sessions covering the awareness of due diligence and money laundering and terrorist financing fighting method.

Compliance department staff and branches AML/CFT Officers attend also training organized outdoor to stay updated with the international sanction and new tools used to launder money and to finance terrorism.

Finally, Banque Bemo sal is in compliance with all applicable sanctions laws, rules and regulations. The Bank is committed to the highest standards of integrity and regulatory compliance in all its businesses.

All precautions and necessary measures are taken to ensure full compliance with all AML laws and regulations, FATF recommendations and international standards of Basel Committee regarding "know your customer KYC" procedures in order to prevent the Bank for being used for illegal or criminal operations.

Internal Audit

Internal Audit Function

The Internal Audit Function provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes, areas in which supervisory authorities have a keen interest, thereby helping the Board and Senior Management protect the Bank and its reputation.

The Internal Audit Function has sufficient standing and authority within the Bank which is translated in the direct reporting to the Board of Directors, through the Audit Committee, and the independence from the audited activities, enabling consequently internal auditors to carry out their assignments with objectivity.

Audit Committee

The mission of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with regard to:

- The adequacy of accounting and financial reporting policies, internal control and the compliance system;
- The integrity of financial statements and reliabilities of disclosures;
- The appointment, remunerations qualification, independence and effectiveness of the external auditors;
- The independence and effectiveness of the Internal Audit Function.

Audit Charters

The purpose, scope and authority of the Audit Committee and the Internal Audit Function are articulated in their charters and manuals which are periodically reviewed and submitted to the Board of Directors for ratification.

The Internal Audit Charter empowers the Internal Audit Function, whenever relevant to the performance of its assignments, to initiate direct communication with any member of staff, to examine any activity or entity of the Bank, and to have full and unconditional access to any records, files, data and physical properties of the Bank. This includes access to Management Information Systems and records and the minutes of all consultative and decision-making bodies.

Audit Plan

The Head of Internal Audit is responsible for establishing an annual internal Audit Plan within a two-year period, based on a robust assessment of the Bank's entire activities, including its subsidiaries and branches. It is regularly updated, at least annually, giving due consideration of regulatory interest matters.

Professional Competence

The Head of Internal Audit is responsible for acquiring human resources with sufficient qualifications and skills to effectively deliver on the mandate for professional competence, and to efficiently carry out audit engagements using the suitable methodologies and tools and sufficient knowledge of auditing techniques.

Moreover, the Head of Internal Audit makes sure that the staff is acquiring proper ongoing training in order to meet the increasing diversity of tasks stemming from the release of new products and processes and other developments in the financial sector.

Operations

Operations mobilize 16.5% of the Bank's total workforce covering a broad panel of competencies. Operations staff members enjoy an extensive set of background and experience in banking activities in addition to being supported by an infrastructure that ensures a high level of accuracy, speed and quality of services while maintaining adequate levels of flexibility to tailor the Bank's response to clients' needs.

The mission of Operations is to build and maintain an appropriate set of infrastructure and processes to support the Bank's Strategic Objectives, the current and future Organizational needs, and to ensure the delivery of an outstanding Quality customer focused service.

Being at the execution end of clients' transactions, Operations are at the final stage of the Bank's value creation chain. Due to this situation, Operations plays an important role in ensuring that the Bank is capable of effectively processing its clients' requests in compliance with the required due diligence, speed and high quality standards.

The increased instability in the region added a new layer of complexity to the required due diligence in executing clients' transactions. Since it deals with clients operations at the execution level, Operations plays a key role in ensuring that required controls are effective and that ultimately, transactions processed are in line with the requirements of a professional Bank. During 2012, Operations modified its workflow to ensure that all relevant transactions are being screened, reviewed and assessed prior to their execution.

In addition, Operations also plays a pro-active role in ensuring that our Bank puts its customers at the center of its activity by enhancing our clients' experience, through developing the required resources and services upon which other units can build to meet our clients' needs and ultimately to improve on the Bank's added value products.

Operations objectives are reflected in the enhancements that were set up during year 2012, which include, amongst other:

- Increased automation levels to improve efficiency and accuracy: The changes, combined with staff's dedication and expertise, proved to be very effective in achieving an excellent quality of service and in shortening the required time to achieve transactions. Bearing witness to this, our correspondents' latest awards on STP processes (amongst which Deutsche Bank 2012 STP quality award for the "Exceptional Quality of Payment Messages" on Euro and USD STP and Commerzbank STP Award for" Excellence in delivery of Commercial Payment and Financial Transfers"), which showed that the Quality of Service of our Bank is excellent.

- The enhancement of Operations process reliability: Special care has been put in identifying incidents and flaws in existing processes, in analyzing the origin of errors and setting up adequate mitigation measures. This has become an ongoing effort at Operations', to ensure that our Bank is constantly learning from its mistakes and improving on its output. Our objective is to achieve a zero error rate: this was actually almost reached, as confirmed by our incidents / errors rate measurement system, in which each incident was analyzed, errors were classified and mitigation action was set up on case by case basis to ensure that the identified causes of process failure were systematically eradicated.

- The enhancement of Operations' resilience: this has been put to the test during the unfortunate Ashrafieh Bomb explosion which occurred in October 2012. The explosion charged a heavy toll on the Bank and on Operations in particular, as its premises were destroyed and many Operations staff members were wounded by the blast. Despite all that, and thanks to the robust Backup and Recovery Plan laid out in collaboration with other departments involved in the Bank's Business Continuity Plan, the event went totally unnoticed from a workflow point of view as no interruption occurred on our clients' transactions which resumed normally and in time from our alternate site.

- The alignment of Operations efforts with the Bank's strategic objectives, including a strong focus on putting our clients at the center of our value chain: this objective required enhancing the flexibility of our infrastructure, so it can reach even closer to our clients' expectations, in addition to ensuring the availability of adequate channels for information feedback to management and commercial divisions. Such information channels have proven to be essential to ensure that our Bank's efforts are focused on the right direction, which is to be fully aware of clients' needs and to provide them with a tailor made service.

Government Entities Business Development

In line with Banque Bemo's strategy in establishing a brand name in the Local Governments' Business Segment, the Bank signed a partnership with The World Bank, to explore the financial capacities and needs of Municipalities in Lebanon. It was one of the first times that the Private Banking Sector showed some interest in financing capital expenditures projects at the local level.

A rational approach of Municipalities' "Creditworthiness Assessment" through the Rating process was adopted in order to cover comprehensively all aspects pertaining to their situation. A report was prepared by an Independent Rating Agent. The financing was split evenly between Banque Bemo and The World Bank, each one of them having financially sponsored a specific Municipality: However the review of the report was jointly conducted and commonly challenged with the Rating Agent by the two Banks.

Mediation

Over the last decade, Mediation has remarkably received growing attention and recognition as an alternate dispute resolution approach around the world. Mediation is a voluntary and confidential process that allows two or more disputing parties to prevent or to resolve their conflict in a mutually agreeable way, with the help of mutually selected impartial and neutral third party, a Mediator.

Mediation spirit has always constituted one of Banque Bemo SAL's fundamentals to preserve smooth business relationships based on trust.

The Banking Mediation Unit established in 2010 at Banque Bemo SAL offers an independent, impartial, informal and confidential conflict resolution service. The Banking Mediation Unit's purpose is to prevent or resolve the potential conflicts between Banque Bemo SAL and its clients or suppliers.

The Mediation process is materialized through the Mediation Chart which aims to define the context in which Mediation takes place, and to inform clients and suppliers of their respective rights and obligations and the role of the Mediator.

Mediation offers parties the opportunity to exercise greater control over the way their dispute would be resolved than would be the case in court litigation. Mediation's confidentiality allows the parties to negotiate more freely and productively, without fear of publicity, especially in the banking field where commercial reputations and trade secrets are involved.

The Mediator, with his independent and impartial support, helps the parties to explore options and find their own satisfactory, workable solutions by being an effective facilitator and by providing structure, focus and assistance with communication.

Through Mediation, the parties can agree to resolve in a short time frame process a dispute, avoiding the complexity of multi-jurisdictional litigation, the risk of inconsistent results and all related expenses.

Parties who have reached their "own-customized" agreements are generally more likely to follow through and comply with its terms than those whose agreements has been imposed by a third party decision-maker. Mediation agreements, which are the result of negotiated and future oriented solutions, are able to preserve present and future relationships.

The Banking Mediation Unit works continuously in close relationship with the Professional Center for Mediation of Saint Joseph University on integrating mediation into its organization through informative seminars and trainings that raises awareness on the benefits of Mediation for potential disputes. The Banking Mediation Unit will always spread the mediation culture in order to establish, restore and preserve a relationship of dialogue, mutual understanding and trust between the Bank and its clients and suppliers.

Human Resources Management

Our Human Resources motto

"Putting People First"

Our mission statement

"*Happy* Employees = *Happy* Clients"

We aim at investing in our people, optimizing their satisfaction that in turn will lead to client satisfaction

Our Human Resources Principles

HR Management continuously strives to achieve fairness and equity and to treat people with respect and dignity.

Banque Bemo's Human Resources team is a cooperative group of professionals dedicated to creating partnerships with different business lines.
We are committed to support, guide and maintain requirements to provide our employees with a healthy, stable and positive working environment.

We are keen in promoting equal opportunities for learning and personal growth, as well in assisting and coaching our colleagues in accomplishing their individual objectives as well as the overall objectives of the Bank.

Above all, employees are provided the same attention, concern, respect and caring attitude within the organization that they share externally with every client.

Throughout 2012, HR Management main focus was on activities that serve client centricity:

Recruitment

Successful filling of open vacancies took place by hiring the best suitable candidates who possess a client centric mindset and have the ability to evolve within the Bank.

Induction Program

New recruits induction program was launched during 2012, providing new recruits with needed information enabling them to integrate into the organization smoothly and hence allowing them to become efficient and effective quicker.

Throughout the induction period, new employees are ingrained with Bank culture, organizational structure, as well as the Bank orientation and strategic goals.

Induction is the first step towards achieving a client centric organization.

Internal Mobility

During the year, 9.5% of staff were internally transferred from one department to another. At Banque Bemo, internal mobility is considered as a motivating factor for our employees that fosters a learning environment and provides staff with development and growth opportunities.

Training & Development

Our training program for 2012 focused on the development of staff needed skills and competencies that help them in being more knowledgeable and better equipped to respond to and exceed clients' needs.

Our training program focused mainly on Achieving Relationship Management Mastery.

Banque Bemo was awarded in June 2012 by l' Ecole Supérieure des Affaires – ESA the "Securities Outstanding Success Rate" certificate as First Bank among all banks and financial institutions operating in Lebanon.

This great achievement was possible through the commitment and dedication of our staff members.

We do believe that our qualified staff are the ones who can drive the Bank towards excellence.

Summer Internship

Our relationship with our clients goes beyond business relationship.

Our summer internship program is dedicated to the children or the relatives of a large number of our clients. It provides them with the needed learning and hands on experience that serves as an orientation towards their future educational and career plans.

Staff Children Internship Program

Delighted employees lead to delighted clients. In this respect, this program was developed in order to provide the employees with the opportunity to allow their children to undergo an internship program during their graduate studies.

This helps them link their theoretical learning to the practical professional life.

Employee Engagement & Satisfaction Survey

During 2012, HR Management designed and launched an "Employee Engagement & Satisfaction Survey".

The purpose of the survey was to promote open communication and allow employees to speak up their opinion without fear. Also, it was intended to listen to staff concerns and ideas. Also, it aimed at helping the Management in obtaining information about general atmosphere of the Bank and in taking appropriate actions in the areas that need improvement.

In this respect, HR Management collected the information and produced a report that was presented to the Senior Executive Management Committee.

Furthermore, each manager received a part of the report related to his business line, and was requested to come up with suggestions for improvement and draw an action plan in order to close the gaps of the identified weak areas.

Organization Management

Integration of the Relationship Management Model Project

The Board of Directors has endorsed the project of "Integration of Relationship Management Model" in line with the new strategic plan. The following phases were covered in close collaboration of CDS consultants:

Phase I: Design of Banque Bemo Relationship Management Model (RMM)

Phase II: Development of the organization, operations and management systems to support the relationship management function

Phase III: Putting into execution the RMM global implementation plan.

With the assistance of CDS consultants, Banque Bemo Management developed factual information and recommended optimum solutions with a special emphasis on:

- Being a trusted advisor of the clients with regard to their corporate and private concerns
- Building a long-term profitable relationships with clients
- Fostering client-centricity and operational excellence.

FATCA Impact Assessment Project

FATCA was enacted into law in March 2010 as a part of the HIRE Act in the United States. With this Act, the USA aims to strengthen US information reporting and compliance with respect to accounts held by US persons outside the USA; and to compel the financial institutions to support its fight against tax evasion.

Banque Bemo signed an agreement with Deloitte LLP experts to conduct a high level assessment of FATCA legislations and regulations to cover:

- Initial review of the business and potential impact on the organization, the clients, investors, counterparties and service providers
- Identification of key requirements at group level and within the Bank
- Development of compliance roadmap
- Delivering training sessions to increase overall awareness.

For that purpose, a project team was established to execute this project, take actions, and set working plans for addressing FATCA business challenges and preparing for entering into Foreign Financial Institutions agreement.

The primary goal of Enterprise Program Management (EPM) is to have a center of excellence that will add Value and ensure Business Success.

EPM Governance and oversight.

The EPM Committee is composed of the Chairman of the Board, the Managing Director, the AGM - Head of Corporate Business Support and the Director Organization & EPM.

The committee convenes on a quarterly basis to ensure efficiency and effectiveness of projects during their lifecycle in alignment with the strategic planning.

Code of Deontology

Family Spirit, Professionalism, Conservatism and Honesty represent Banque Bemo's core values and the cornerstone of its policies. All employees are expected to demonstrate the highest level of professional and ethical conduct in the performance of their duties.
Banque Bemo Code of Professional Ethics, Code of Conduct and the Employee Handbook set forth the standards and guidelines that all employees are bound by and expected to adhere to at all times.

Spreading the transparency culture over the organization is promoted by Banque Bemo's Management. Furthermore, the "Whistle Blowing policy" has been tailored to promote a culture of open communication that enables staff members to voice their concerns at the earliest opportunity, while preserving the confidentiality of the staff member disclosing the malpractice.

The Managing Director fully endorse the Code of Business Conduct and submits a yearly report to the Board of Directors to confirm its full understanding and abidance at all levels of the Bank's Management and staff members.

The Managing Director strives to promote the finest ethical standards and reiterates at every occasion the importance of staff involvement to apply and live the Bank's core values, and to act in accordance to the highest professional norms.

The "Code of Business Conduct" coupled with "The Anti-Bribery and Corruption policy" aim to reduce the risk of the Bank from offering, receiving or extorting bribes, or conducting an act of corruption thus to mitigate the risk of the Bank being subject to legal or regulatory sanctions and reputational damage.

Anti-Bribery and Corruption Policy

Banque Bemo is committed to compliance with Anti-Bribery and Corruption principles and provisions and to ensure that bribery and corruption are prevented in all parts of its business.

Internal policies and procedures are in place to secure that aim. Also Anti-Bribery and Corruption training for all staff members are designed to enhance awareness and ensure their strict abidance.

The Bank expects its staff members to demonstrate honesty, integrity in all aspects of their business dealings and exercise appropriate standards of professionalism and ethical conduct in all their activities. The Bank also expects the same approach to doing business from its business partners, contractors and suppliers.

The Bank applies a "Zero Tolerance" approach to any breach of the Anti-Bribery and Corruption Policy.

The Bank does not allow charitable donations, sponsorships and direct or indirect contributions to political parties or organizations to be used as a subterfuge for bribery.

This Policy and all related policies and procedures are kept under regular review to ensure their effectiveness.

The application of this Policy and all related policies and procedures is the responsibility of the Managing Director and the Senior Executive Management.

Communication and Quality

The Communication and Quality Department strives to enhance Banque Bemo's Corporate image, reflecting its vision "to be the Reference in Private & Corporate Banking" and fostering the Client Centric approach while aiming to reach the highest levels of Customers' satisfaction.

Providing our customers with outstanding quality services remains our main concern; thus monitoring the clients' satisfaction level and following on any complaint or incident that we are informed of, constitute our first priority in order to take adequate action and to avoid its reoccurrence.

Quality is reflected as well by the attention provided to the limited number of internships welcomed for a summer internship where the adequate rotation plan elaborated by the HR Management in accordance with the student educational program, coupled with a close supervision of the Communication and Quality department ensure that proper support by the dedicated mentors is implemented, leading to fulfilling the interns expectations.

"

I appreciate all the time and endeavors put in order to help me learn and attain the requisite information and valuable experience that would be an accessory in opening up the horizons of my future career opportunities.

Cynthia

"

I consider the Bemo team as my second family because we have been through a lot of things together and they not only helped me expand my mind, providing me with a valuable professional experience, but they also made me feel welcome every day.

Amr

Corporate Social Responsability

Banque Bemo is committed to operating its business in a socially responsible way. This reflects the Bank's will to contribute to the welfare of its customers, shareholders, employees and the entire society guided by Corporate Social Responsibility.

Through its collaboration with devoted NGOs, Banque Bemo strives to support Children, Youth and Elderly. Initiatives related to healthcare, drug addiction rehabilitation, dysfunctional families and environment have been adopted in addition to awareness activities.

The Bank promotes the importance of reducing waste and the benefits of recycling. In light of this, Banque Bemo supported the E-Waste Awareness Campaign conducted by "Beeatoona" who is specialized in collecting the electronic waste for a healthier environment.

Banque Bemo demonstrates its firm commitment to a healthy environment through its partnership with Tobacco Free Initiative (TFI) who is conducting campaigns in schools to fight against tobacco consumption, in order to help improving the quality of life by fostering the culture of a smoke-free environment.

Education, Culture and Sports constitute another main concern; Banque Bemo pursues its sponsorship activities to sports and cultural events: in 2012 Banque Bemo sponsored for the 4th year in a row the "Arab Semi Final and Final Tennis Tournament Games" which took place at the Brummana High School courts as well as the Cultural activities of the "Centre Sportif, Culturel et Social" of College Notre-Dame de Jamhour, which were sponsored by banque Bemo for the seventh consecutive year.

Banque Bemo's employees participated as usual in the "Beirut Marathon 2012" with the Lebanese NGO "Oum el Nour" who is committed to serving individuals by helping them overcome addiction in order for them to reintegrate into a healthy society.

At the end of 2012, which proved to be difficult, corporate gifts and year end celebration festivities were replaced by donations to NGOs and particularly to "Offre Joie", who made it its mission to work on the restoration of Al Mounzer Street at Achrafieh, following the October tragic explosion.

Sound *Results*

9. Consolidated Financial Statements

BANQUE BEMO S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2012

Table of Contents

Deloitte

DFK FIDUCIAIRE DU MOYEN-ORIENT

A member firm of DFK International

BT 9115/DTT

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Banque Bemo S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of BANQUE BEMO S.A.L. AND ITS SUBSIDIARIES (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Banque Bemo S.A.L. Group as of December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
April 27, 2013

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	notes	December 31, 2012	December 31, 2011 (Restated)
		LBP'000	LBP'000
Cash and Central Banks	6	299,446,044	430,401,780
Deposits with banks and financial institutions	7	413,701,379	484,847,457
Trading assets at fair value through profit or loss	8	64,375,917	95,593,280
Loans to banks and financial institutions	9	25,676,016	8,506,235
Loans and advances to customers	10	916,880,834	823,794,632
Loans and advances to related parties	11	3,848,770	5,116,058
Investment securities	12	437,198,159	348,626,050
Customers' liability under acceptances	13	23,865,731	26,932,190
Investments in associates	14	30,693,799	42,218,248
Assets acquired in satisfaction of loans	15	2,831,019	2,831,019
Property and equipment	16	15,492,186	17,062,091
Intangible assets	17	699,742	922,023
Other assets	18	10,544,789	12,757,950
Total Assets		**2,245,254,385**	**2,299,609,013**
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:			
Documentary and commercial letters of credit	40	38,274,650	50,690,531
Guarantees and standby letters of credit		67,580,258	56,334,119
Forward contracts		720,754,919	231,528,659
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	41	8,469,905	11,015,988

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities	notes	December 31, 2012	December 31, 2011 (Restated)
		LBP'000	LBP'000
Deposits and borrowings from banks	19	93,934,270	344,363,518
Customers' accounts at amortized cost	20	1,837,531,533	1,630,117,624
Related parties' accounts at amortized cost	21	53,967,424	58,535,831
Acceptance liability	13	23,865,731	26,932,190
Other liabilities	22	8,311,948	9,889,771
Provisions	23	6,042,458	5,860,653
		2,023,653,364	2,075,699,587
Subordinated bonds	24	62,397,734	60,248,632
Total Liabilities		**2,086,051,098**	**2,135,948,219**

EQUITY	notes	2012	2011
Share capital	25	62,000,000	62,000,000
Treasury shares	25	(2,197,625)	(1,614,350)
Preferred shares	26	30,150,000	30,150,000
Shareholders' cash contribution to capital	27	29,104,984	29,104,984
Reserves	28	25,052,144	21,451,441
Retained earnings		22,503,411	18,004,106
Currency translation adjustment	14	(13,003,565)	(5,352,789)
Profit for the year	30	5,593,850	9,917,361
Equity attributable to the Group		159,203,199	163,660,753
Non-controlling interests	29	88	41
Total equity		**159,203,287**	**163,660,794**
Total Liabilities and Equity		**2,245,254,385**	**2,299,609,013**

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED INCOME STATEMENT

	notes	Year Ended I December 31, 2012 LBP'000	2011 LBP'000
Interest income	32	87,609,374	74,377,827
Interest expense	33	(64,631,845)	(57,745,501)
Net interest income		22,977,529	16,632,326
Fee and commission income	34	7,238,270	8,127,308
Fee and commission expense	35	(588,711)	(642,023)
Net fee and commission income		6,649,559	7,485,285
Net interest and other gain on trading assets at fair value through profit or loss	36	9,129,762	10,491,316
Gain on exchange		1,724,693	2,399,784
Other operating income	37	(628,184)	6,637,020
Net financial revenues		39,853,359	43,645,731
Allowance for impairment of loans and advances and other receivables	10, 18	(6,278)	(3,009,545)
Collective provision for loan impairment	10	(1,959,750)	-
Write-back of impairment loss on loans and advances	10	930,988	368,902
Loans recoveries		240,004	-
Net financial revenues after net impairment charge		39,058,323	41,005,088
Staff costs	38	(18,806,172)	(16,325,080)
Administrative expenses		(10,134,436)	(10,375,054)
Depreciation and amortization	16, 17	(2,329,791)	(2,424,729)
Write-back of provision for foreign currency fluctuation		33,949	54,097
Write-back of provision/(provision for contingencies)	23	591,270	(489,729)
Impairment of property and equipment	16	(275,000)	-
		(30,920,180)	(29,560,495)
Profit before income tax		8,138,143	11,444,593
Income tax expense	22	(2,544,235)	(1,527,221)
Profit for the year	30	5,593,908	9,917,372
Attributable to:			
Equity holders of the Group		5,593,850	9,917,361
Non-controlling interests		58	11
		5,593,908	9,917,372
Basic and diluted earnings per share	39	51/64	121/78

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	notes	Year Ended December 31, 2012	2011 (Restated)
		LBP'000	LBP'000
Profit for the year		5,593,908	9,917,372
Other comprehensive income ("OCI"):			
Loss arising from currency translation adjustment	14	(7,650,776)	(5,352,789)
Net other comprehensive loss for the year		(7,650,776)	(5,352,789)
Total comprehensive (loss)/income for the year		(2,056,868)	4,564,583
Attributable to:			
Equity holders of the Group		(2,056,984)	4,564,572
Non-controlling interests		58	11
		(2,056,868)	**4,564,583**

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to the Group					
	Capital	Treasury Shares	Preferred Shares	Shareholders' Cash Contribution to Capital	Legal Reserve	Reserve for General Banking Risks
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at December 31, 2010	16,000,000	(1,547,330)	30,150,000	29,104,984	7,323,802	11,922,607
Prior years currency translation adjustment	-	-	-	-	-	-
Impact of IFRS 9 early adoption	-	-	-	-	-	-
Balance at December 31, 2010 (Restated)	16,000,000	(1,547,330)	30,150,000	29,104,984	7,323,802	11,922,607
Total comprehensive income for the year 2011	-	-	-	-	-	-
Allocation of income for the year 2010	-	-	-	-	735,900	2,404,718
Dividends paid - Note 32	-	-	-	-	-	-
Acquisition of treasury shares	-	(67,020)	-	-	-	-
Increase of share capital - Note 25	46,000,000	-	-	-	(6,866,000)	-
Transfer from retained earnings to reserves	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-
Other movement	-	-	-	-	-	-
Balance at December 31, 2011	62,000,000	(1,614,350)	30,150,000	29,104,984	1,193,702	14,327,325
Prior years currency translation adjustment	-	-	-	-	-	-
Balance at December 31, 2011 (Restated)	62,000,000	(1,614,350)	30,150,000	29,104,984	1,193,702	14,327,325
Prior years adjustment	-	(569,104)	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-
Allocation of income for the year 2011	-	-	-	-	601,429	2,857,723
Dividends paid - Note 32	-	-	-	-	-	-
Acquisition of treasury shares	-	(14,171)	-	-	-	-
Non-controlling interest	-	-	-	-	-	-
Other movement	-	-	-	-	-	-
Balance at December 31, 2012	**62,000,000**	**(2,197,625)**	**30,150,000**	**29,104,984**	**1,795,131**	**17,185,048**

Equity Attributable to the Group								
Other Reserves	Reserve for Assets Acquired in Satisfaction of Loans	Currency Translation Adjustment	Retained Earnings	Cumulative Change in Fair Value of Investment Securities	Income for the year	Total	Non-Controlling Interests	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
12,718,363	270,500	-	13,718,210	22,937	12,686,412	132,370,485	(39,982)	132,330,503
-	-	1,835,036	-	-	-	1,835,036	-	1,835,036
-	-	-	(754,014)	(22,937)	-	(776,951)	-	(776,951)
12,718,363	270,500	1,835,036	12,964,196	-	12,686,412	133,428,570	(39,982)	133,388,588
-	-	-	-	-	9,917,361	9,917,361	11	9,917,372
-	141,551	-	9,404,243	-	(12,686,412)	-	-	-
-	-	-	(2,412,000)	-	-	(2,412,000)	-	(2,412,000)
-	-	-	-	-	-	(67,020)	-	(67,020)
(8,860,000)	-	-	(274,000)	-	-	30,000,000	-	30,000,000
1,660,000	-	-	(1,660,000)	-	-	-	-	-
-	-	-	(18,978)	-	-	(18,978)	40,012	21,034
-	-	-	645	-	-	645	-	645
5,518,363	412,051	1,835,036	18,004,106	-	9,917,361	170,848,578	41	170,848,619
-	-	(7,187,825)	-	-	-	(7,187,825)	-	(7,187,825)
5,518,363	412,051	(5,352,789)	18,004,106	-	9,917,361	163,660,753	41	163,660,794
-	-	-	594,635	-	-	25,531	-	25,531
-	-	(7,650,776)	-	-	5,593,850	(2,056,926)	58	(2,056,868)
-	141,551	-	6,316,658	-	(9,917,361)	-	-	-
-	-	-	(2,412,000)	-	-	(2,412,000)	-	(2,412,000)
-	-	-	-	-	-	(14,171)	-	(14,171)
-	-	-	-	-	-	-	(11)	(11)
-	-	-	12	-	-	12	-	12
5,518,363	**553,602**	**(13,003,565)**	**22,503,411**	**-**	**5,593,850**	**159,203,199**	**88**	**159,203,287**

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF CASH FLOWS

	notes	Year Ended	December 31, 2012	2011 (Restated)
		LBP'000	LBP'000
Cash flows from operating activities:			
Profit before tax		8,138,143	11,444,593
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Depreciation and amortization	16, 17	2,329,791	2,424,729
Provision for credit losses	10	(930,988)	2,637,226
(Write-back of provision)/provision for loss on foreign currency position		(33,949)	16,827
(Write-back of provision)/provision for collective loan impairment	10	1,959,750	-
Provision for other receivables	18	6,278	3,417
Non-controlling interest		(11)	21,034
Provision for end-of-service indemnities (net)	23	812,242	174,202
(Write-back of provision)/provision for risk and charges	23	(591,270)	489,729
Impairment of property and equipment		275,000	-
Unrealized loss on financial assets at fair value through profit or loss/trading securities	36	958,062	1,698,939
Equity loss/(income) from investment in associates	37	3,899,204	(3,891,588)
(Gain)/loss from sale of property and equipment		277	(3,769)
Settlement of end-of-service indemnity	23	(12,667)	(46,567)
Decrease/(increase) in deposits with banks and financial institutions		134,210,495	(128,439,193)
Trading assets at fair value through profit or loss		30,215,647	(94,254,855)
Increase in loans and advances		(111,288,602)	(122,787,933)
Net decrease/(increase) in other assets		5,028,118	(8,304,457)
Increase in customers' and related parties' deposits at amortized cost		206,954,298	165,821,146
(Increase)/decrease in non-interest earning compulsory reserve		(620,705)	8,718,770
Increase in due to banks and financial institutions		(253,714,093)	329,587,961
Net decrease in other liabilities		(4,363,887)	(248,931)
Taxes paid		(2,544,235)	(1,086,487)
Others (including effect of exchange rate changes)		(108,215)	116,760
Net cash provided by /(used in) operating activities		20,578,683	(164,091,553)
Cash flows from investing activities:			
Investment securities		(88,845,242)	34,521,595
Treasury shares		(14,171)	(67,020)
Property and equipment		(719,029)	(637,118)
Proceeds from sale of property and equipment		41,004	3,769
Investments in associates	14	-	(9,134,129)
Intangible assets		(134,857)	(467,155)
Net cash used in investing activities		(89,672,295)	24,219,942

	notes	Year Ended I December 31, 2012	2011 (Restated)
Cash flows from financing activities:			
Dividends paid	31	(2,412,000)	(2,412,000)
Subordinated bonds		2,149,102	(2,106,591)
Increase of share capital	25	-	30,000,000
Net cash provided by/(used in) financing activities		(262,898)	25,481,409
Effect of exchange rates changes on cash and cash equivalents - Beginning of year		969,753	(551,779)
Net (decrease)/increase in cash and cash equivalents		(68,386,757)	213,241,125
Cash and cash equivalents - Beginning of year		413,928,520	200,687,395
Cash and cash equivalents - End of year	**43**	**345,541,763**	**413,928,520**

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. GENERAL INFORMATION

Banque Bemo S.A.L. is a Lebanese joint-stock company listed on the Beirut Stock Exchange and registered in the Commercial Register under Number 17837 and on the list of banks published by the Central Bank of Lebanon under Number 93. The Bank's headquarters are located in Beirut.

The Bank provides a full range of commercial, corporate and private banking activities through a network of 9 branches in Lebanon in addition to a branch in Limassol, Cyprus. The Bank is in the process of opening two branches in Iraq.

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

2.1 New and revised Standards and Interpretations effective for the current period

There are no new Standards, amendments to Standards and Interpretations that are effective for the first time for the financial year beginning on January 1, 2012 that had a material impact on the Group's financial statements.

2.2 New and revised IFRS(s) in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012 and have not been applied in preparing these consolidated financial statements, except for IFRS 9 *Financial Instruments* which was early applied by the Group during 2011 with date of initial application January 1, 2011.

Those new and amended standards and interpretations which are applicable to the Group's operations or might have an effect on the consolidated financial statements of the Group in the period of initial application are set out below:

- IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee and includes a new definition of control. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. IAS 27 *Consolidated and Separate Financial Statements* and IAS 28 *Associates and Joint Ventures* have been amended for the issuance of IFRS 10 and SIC-12 *Consolidation Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10 (Annual periods beginning on or after January 1, 2013).

- IFRS 11 Joint Arrangements establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of the parties to the joint arrangement, rather than its legal form. Joint control involves the contractual agreed sharing of control, and arrangements subject to joint control are classified as either a joint venture or a joint operation. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenues and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11 and SIC-13 *Jointly Control Entities* will be withdrawn upon the effective date of IFRS 11 (Annual periods beginning on or after January 1, 2013).

- IFRS 12 *Disclosure of Interests in Other Entities* is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

• Amendment to IFRSs 10, 11 and 12 on transition guidance: These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. Effective for annual periods beginning on or after 1 January 2013.

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

• Amendments to IAS 32 *Financial Instruments Presentation:* relating to application guidance on the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, with retrospective application needed.

• Amendments to IFRS 7 *Financial Instruments Disclosures:* enhancing disclosures about offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2013, and disclosures should be provided retrospectively for all comparative periods.

• IAS 27 *Separate Financial Statements* (revised 2011) includes the requirements relating to separate financial statements and outlines the accounting requirements for dividends and contains numerous disclosure requirements. IAS 27 (revised 2011) is effective for annual periods beginning on or after January 1, 2013.

• IAS 28 *Associates and Joint Ventures* (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. IAS 28 (revised 2011) is effective for annual periods beginning on or after January 1, 2013.

• Annual improvements to IFRSs 2009 – 2011 Cycle. These include:

- Amendment to IAS 1 *Presentation of Items of Other Comprehensive Income.* The amendment requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Income tax on items of other comprehensive income is required to be allocated on the same basis. Amendment is effective for annual periods beginning on or after July 1, 2012.

- Amendments to IAS 32 *Financial Instruments,* clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes.* (Effective for annual periods beginning on or after January 1, 2013).

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement

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

- Financial instruments at fair value through profit or loss.
- Investments in equities.
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.
- Derivative financial instruments.

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

The principal accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Banque Bemo S.A.L. Group incorporate the financial statements of the Banque Bemo S.A.L. (the "Bank") and enterprises controlled by the Bank (its subsidiaries). Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated subsidiaries consist of:

Company	Country of Incorporation	Date of Acquisition or Incorporation	Percentage of Ownership	Business Activities
			%	
Bemo Securitisation S.A.L.	Lebanon	1998	96.00	Securitization & Structured Finance
Ferticed Limited Holding	Luxembourg	1995	100.00	Holding Company
Depository & Custody Company S.A.L.	Lebanon	2007	99.90	Depository and custody of securities

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

B. Business Combinations:

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

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

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

C. Goodwill:

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

D. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the reporting currency of the Group. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollars. The Lebanese Pound is constant to the U.S. Dollar since many years.

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

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

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

E. Recognition and Derecognition of Financial Assets and Liabilities:

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

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

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

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

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

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

F. Classification of Financial Assets:

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

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

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

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

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

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

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

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

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

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

A financial asset is held for trading if:

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

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

Reclassification is not allowed where:

- the "other comprehensive income" option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

G. Financial Liabilities and Equity Instruments:

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

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

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

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

Financial Liabilities:

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

H. Offsetting:

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

I. Fair Value Measurement of Financial Instruments:

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction.

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

If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument, adjusted for any other factors such as liquidity risk.

J. Impairment of Financial Assets:

Financial assets carried at amortized cost are assessed for indicators of impairment at the reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collaterals and guarantees.

The Group considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts.

Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

K. Derivative Financial Instruments:

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded Derivatives:

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

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

Hedge Accounting:

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

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

Fair Value Hedge:

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

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

Cash Flow Hedge:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

L. Loans and Advances:

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

M. Financial Guarantees:

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

Financial guarantee liabilities are initially measured at their fair value, and subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

N. Investments in Associates:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

The currency translation effect of investment in associates is recorded to currency translation adjustment as reflected in the statement of comprehensive income and shareholders' equity.

Restatement of Prior Year Financial Statements:

Comparable financial statements for the year ended December 31, 2011 were restated in respect of a currency translation adjustment related to investment in an associate incorporated in Syria, where the carrying value of the investment was not previously adjusted for the effect of prolonged decline in exchange of the Syrian Pound against the U.S. Dollar and resulting in currency translation adjustment amounting to LBP5.35billion up to December 31, 2011.

O. Property and Equipment:

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any.

Depreciation is recognized so as to write off the cost or valuation of property and equipment, other than land and advance payments on capital expenditures, less their residual values, if any, over the estimated useful lives of the related assets. Depreciation is calculated systematically using the straight-line method on the basis of the following annual rates:

	Rate
	%
Property	2.5
Furniture and fixtures	7.5 to 8
Equipment	10 to 12
Computer hardware	20
Installations	15 to 20
Vehicles	12 to 20

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives estimated at five years.

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

P. Intangible Assets:

Intangible assets are stated at cost less any accumulated impairment loss. Intangible assets, other than goodwill consist of computer software and are amortized over a period of 5 years and are subject to impairment testing.

Q. Assets acquired in satisfaction of loans:

Non-financial assets acquired in satisfaction of loans are reported separately in the statement of financial position as their acquisition is regulated by the local banking authorities and do not meet the definition of investment properties nor the definition of non-current assets held for sale.

These assets are recorded at the lower of their fair value and the carrying amount of the loan at the date of exchange and are subsequently carried at cost less any impairment loss. Assets acquired in satisfaction of loans are subject to a regulatory reserve appropriated from profit for the year in case these assets are not liquidated within 2 years from acquisition.

R. Impairment of Tangible and Intangible Assets:

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date less cost to sell, if any. To determine fair value of properties, the Bank adopts the market comparability approach as indicated later in this note.

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

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

The fair value of the Group's owned properties and of properties acquired in satisfaction of debts, is the estimated market value, as determined by real estate appraisers on the basis of market comparability; that is, by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale and after applying a haircut percentage.

The impairment loss is recognized in the income statement.

S. Employees' Benefits:

Obligations for contributions to defined employees' benefits are recognized as an expense on a current basis.

Employees' End-of-Service Indemnities:

(Under the Lebanese Jurisdiction)

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

Defined benefit plans:

(Under other jurisdictions)

Obligations in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted.

T. Provisions:

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation at the statement of financial position date. Provisions are discounted where the impact is material.

U. Revenue and Expense Recognition:

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

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

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities.
- Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Interest income, dividend income, realized and unrealized fair value changes and foreign exchange differences on financial assets designated at fair value through profit or loss and on trading assets at fair value through profit or loss are presented separately in the income statement.

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income in accordance with IFRS 9 are presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income. Prior to January 1, 2011 dividends on available-for-sale securities were presented in other revenue.

Revenue from securitization contracts is recognized based on the following:

Where the outcome of a securitization contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

V. Treasury Shares:

Treasury shares are stated at cost. Any gain or loss on sale is reflected as an adjustment to retained earnings.

W. Fiduciary Deposits:

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

X. Income Tax:

Income tax expense is the sum of the tax currently payable and deferred tax. Income tax is determined and provided for in accordance with the tax prevailing laws in the jurisdictions of the respective entities of the Group.

Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income (OCI), in which case it is recognized in OCI.

Current Tax:
Current tax payable is calculated based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible, (other than temporary timing differences). The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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

Deferred Tax:
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt within other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Y. Earnings Per Share:

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

Z. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Classification of Financial Assets:

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

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

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

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

Features considered by the Group that would be consistent with amortized cost measurement include:

- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

Features considered by the Group that would be inconsistent with amortized cost measurement include:

- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

B. Key Sources of Estimation Uncertainty:

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

Allowances for Credit Losses - Loans and Advances to Customers:
Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession. Loans collectively assessed for impairment are determined based on losses incurred by loans portfolios with similar characteristics.

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

Where available, management has used market indicators in its mark to model approach for the valuation of the Lebanese government debt securities and Central Bank of Lebanon certificates of deposit at fair value. The IFRS fair value hierarchy allocates the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The fair value hierarchy used in the determination of fair value consists of three levels of input data for determining the fair value of an asset or liability.

Level 1 - quoted prices for identical items in active, liquid and visible markets such as stock exchanges,
Level 2 - observable information for similar items in active or inactive markets,
Level 3 - unobservable inputs used in situations where markets either do not exist or are illiquid.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data. Where practical, the discount rate used in the mark to model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the Lebanese Government debt securities and Central Bank of Lebanon certificates of deposit.

5. CLASSIFICATION OF FINANCIAL ASSETS ON THE DATE OF INITIAL APPLICATION OF IFRS 9

Effective January 1, 2011 the Group has early adopted IFRS 9 Financial Instruments. Below is a summary of impact on the opening retained earnings and cumulative change in fair value of financial assets as at January 2011:

	Retained Earnings	Cumulative Change in Fair Value (Under Equity)
	LBP'000	LBP'000
Balance, December 31, 2010	13,718,210	22,937
Transfer to retained earnings of cumulative change in fair value of available-for-sale and held-to-maturity securities reclassified to financial assets at fair value through profit or loss (net of deferred tax	(754,014)	884,478
Offset of cumulative change in fair value of available-for-sale securities reclassified to financial assets at amortized cost (net of deferred tax)	-	(907,415)
	12,964,196	**-**

6. CASH AND CENTRAL BANKS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Cash on hand	10,615,168	10,349,533
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP30.55billion in 2012 and LBP23.82billion in 2011)	35,911,118	41,346,519
Compulsory deposits with other central banks	3,430,728	6,230,114
Term placements with Central Bank of Lebanon	249,022,885	371,738,700
Accrued interest receivable	466,145	736,914
	299,446,044	**430,401,780**

Compulsory deposits with central banks are not available for use in the Group's day-to-day operations and are reflected at amortized cost.

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

Term placements with Central Bank of Lebanon include an amount of LBP220billion as at December 31, 2012 (LBP234billion as at December 31, 2011) representing the equivalent in foreign currencies of amounts deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non-resident financial institutions.

Current accounts with other central banks include an amount of LBP3.4billion as at December 31, 2012 (LBP6.2billion in 2011) representing the equivalent of compulsory deposits in Euro placed with the Central Bank of Cyprus in accordance with Cypriot banking regulations. These compulsory deposits are interest earning.

7. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Checks in course of collection	17,443,420	17,904,683
Current accounts	212,728,314	174,838,657
Current accounts - related parties	8,341,990	1,109,969
Term placements	111,689,902	242,834,732
Term placements - related parties	753,750	5,421,750
Pledged deposits - related parties	8,274,994	8,233,455
Margin accounts	54,341,963	34,280,062
Accrued interest receivable	127,046	224,149
	413,701,379	**484,847,457**

Deposits with banks and financial institutions include deposits in the amount of LBP14.62billion subject to right of setoff by the related correspondents against trade finance and other facilities at 2012 year end (LBP15.76billion against trade finance and other facilities as at December 31, 2011).

Margin accounts and pledged deposits are blocked against trade finance and treasury transactions and banking facilities (Refer to Note 44).

8. TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading assets at fair value through profit or loss consist of the following:

	December 31, 2012			December 31, 2011		
	LBP Base Accounts	Foreign Currency Base Accounts	Total	LBP Base Accounts	Foreign Currency Base Accounts	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	5,385,159	5,385,159	-	6,656,267	6,656,267
Lebanese treasury bills	21,892,877	-	21,892,877	18,887,850	-	18,887,850
Foreign treasury bills	-	-	-	-	464,823	464,823
Lebanese Government bonds	-	-	-	-	309,851	309,851
Certificates of deposit issued by the Central Bank of Lebanon	26,968,468	-	26,968,468	37,693,543	10,936,912	48,630,455
Certificates of deposit issued by banks	-	2,249,039	2,249,039	-	10,663,308	10,663,308
Corporate bonds	-	6,672,160	6,672,160	-	7,836,787	7,836,787
Accrued interest receivable	1,063,802	144,412	1,208,214	1,695,390	448,549	2,143,939
	49,925,147	**14,450,770**	**64,375,917**	**58,276,783**	**37,316,497**	**95,593,280**

9. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

Loans to banks are reflected at amortized cost and represent letters of credit and acceptances discounted by customers and maturing subsequent to the statement of financial position date.

During December 2012, the Bank granted a 1 year term loan to a resident financial institution in the amount of USD10,000,000 (LBP15billion) against a pledged deposit in Lebanese Pounds amounting to LBP15million.

10. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are reflected at amortized cost and consist of the following:

	December 31, 2012				December 31, 2011			
	Gross Amount Net of Unearned Interest	Unrealized Interest	Impairment Allowance	Carrying Amount	Gross Amount Net of Unearned Interest	Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular Retail Customers:								
- Mortgage loans	47,480,397	-	-	47,480,397	33,612,612	-	-	33,612,612
- Personal loans	9,701,207	-	-	9,701,207	9,603,754	-	-	9,603,754
- Overdrafts	15,919,257	-	-	15,919,257	18,054,630	-	-	18,054,630
- Other	28,650,346	-	-	28,650,346	21,955,133	-	-	21,955,133
Regular Corporate Customers:								
- Large enterprises	640,657,380	-	-	640,657,380	561,120,065	-	-	561,120,065
- Small and medium enterprises	174,209,506	-	-	174,209,506	163,208,071	-	-	163,208,071
Classified Retail Customers:								
- Doubtful	46,323	(3,920)	(37,687)	4,716	4,034,270	-	(310,545)	3,723,725
- Bad	244,289	(115,717)	(128,572)	-	295,248	(141,192)	(154,056)	-
Classified Corporate Customers:								
- Substandard	1,600,957	(402,250)	-	1,198,707	1,395,149	(763,142)	-	632,007
- Doubtful	3,538,305	(1,499,684)	(1,825,196)	213,425	15,625,833	(1,289,847)	(3,334,276)	11,001,710
- Bad	1,221,747	(168,473)	(1,053,220)	54	246,957	(50,982)	(195,975)	-
Collective provision for loan Impairment	-	-	(1,959,750)	(1,959,750)	-	-	-	-
Accrued interest receivable	805,589	-	-	805,589	882,925	-	-	882,925
	924,075,303	**(2,190,044)**	**(5,004,425)**	**916,880,834**	**830,034,647**	**(2,245,163)**	**(3,994,852)**	**823,794,632**

The movement of substandard loans with related unrealized interest during 2012 and 2011 is summarized as follows:

	2012		
	Substandard Loans	Unrealized Interest	Net Book Value
	LBP'000	LBP'000	LBP'000
Balance January 1	1,395,149	(763,142)	632,007
Reclassified loans	1,001,876	-	1,001,876
Additions to unrealized interest	311,546	(311,546)	-
Settlements	(1,042,330)	-	(1,042,330)
Write-back of unrealized interest	-	616,034	616,034
Transfer to doubtful and bad loans	(65,284)	56,404	(8,880)
Balance December 31	**1,600,957**	**(402,250)**	**1,198,707**

	2011		
	Substandard Loans	Unrealized Interest	Net Book Value
	LBP'000	LBP'000	LBP'000
Balance January 1	1,399,774	(724,527)	675,247
Reclassified loans	9,372	-	9,372
Additions to unrealized interest	136,548	(136,548)	-
Settlements	(132,741)	-	(132,741)
Write-back of unrealized interest	-	80,050	80,050
Write-off	(15,740)	15,740	-
Effect of exchange rate changes	(2,064)	2,143	79
Balance December 31	**1,395,149**	**(763,142)**	**632,007**

The movement of doubtful, bad and rescheduled loans and related unrealized interest and allowance for impairment during 2012 and 2011 is summarized as follows:

	2012				2011			
	Rescheduled and Doubtful and Bad Loans	Unrealized Interest	Allowance for impairment	Net Book Value	Rescheduled and Doubtful and Bad Loans	Unrealized Interest	Allowance for impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	20,202,308	(1,482,021)	(3,994,852)	14,725,435	3,339,509	(1,439,532)	(1,509,587)	390,390
New doubtful loans	-	-	-	-	17,370,933	-	-	17,370,933
Withdrawals on existing doubtful loans	7,312	-	-	7,312	5,885	-	-	5,885
Settlement of loans	(15,652,070)	-	-	(15,652,070)	(558,159)	-	-	(558,159)
Additions to unrealized interest and allowance for impairment	434,674	(434,674)	-	-	307,639	(307,639)	(3,006,129)	(3,006,129)
Write-back	-	112,714	930,988	1,043,702	-	155,082	368,902	523,984
Write-off	(162,012)	91,290	70,722	-	(244,234)	95,778	148,456	-
Transfer from substandard loans	65,284	(56,404)	-	8,880	-	-	-	-
Effect of exchange rate changes	155,168	(18,699)	(51,533)	84,936	(19,265)	14,290	3,506	(1,469)
Balance December 31	**5,050,664**	**(1,787,794)**	**(3,044,675)**	**218,195**	**20,202,308**	**(1,482,021)**	**(3,994,852)**	**14,725,435**

Furthermore, and as a result of the outbreak of hostilities in Syria during the last couple of years and its adverse effect on the loan portfolio of Syrian customers, the Group set up a provision for collective impairment in the amount of USD1,300,000 (LBP1,960million) against probable losses in the loan portfolio based on the recommendations of the Banking Control Commission.

11. LOANS AND ADVANCES TO RELATED PARTIES

	December 31,	
	2012	2011
	LBP'000	LBP'000
Regular retail loans	721,039	2,269,801
Large enterprises	3,108,170	2,829,256
Accrued interest receivable	19,561	17,001
	3,848,770	**5,116,058**

12. INVESTMENT SECURITIES

	December 31, 2012			December 31, 2011		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets at fair value through other comprehensive income	615,120	29,071	644,191	615,120	28,498	643,618
	615,120	29,071	644,191	615,120	28,498	643,618
Financial assets at amortized cost	229,904,661	199,783,966	429,688,627	181,773,353	159,778,338	341,551,691
Accrued interest receivable	2,868,884	3,996,457	6,865,341	3,312,186	3,118,555	6,430,741
	232,773,545	203,780,423	436,553,968	185,085,539	162,896,893	347,982,432
	233,388,665	**203,809,494**	**437,198,159**	**185,700,659**	**162,925,391**	**348,626,050**

Financial assets at amortized cost are broken down as follows :

	December 31, 2012					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accrued Interest Receivable	Amortized Cost	Fair Value	Accrued Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	124,800,677	126,262,184	1,714,818	-	-	-
Lebanese Government bonds	-	-	-	83,436,597	80,684,653	1,627,456
Certificates of deposit issued by the Central Bank of Lebanon	105,103,984	105,301,222	1,154,066	86,161,733	85,175,939	1,973,723
Certificates of deposit issued by banks	-	-	-	15,075,000	15,075,000	10,138
Corporate bonds	-	-	-	15,110,636	15,175,586	385,140
	229,904,661	**231,563,406**	**2,868,884**	**199,783,966**	**196,111,178**	**3,996,457**

	December 31, 2011					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accrued Interest Receivable	Amortized Cost	Fair Value	Accrued Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	92,483,812	92,991,754	1,736,783	-	-	-
Lebanese Government bonds	-	-	-	73,302,085	70,014,743	1,221,865
Certificates of deposit issued by the Central Bank of Lebanon	89,289,541	91,054,852	1,575,403	43,260,398	43,308,365	1,285,764
Certificates of deposit issued by banks	-	-	-	31,742,862	31,589,980	281,532
Corporate bonds	-	-	-	11,472,993	11,501,510	329,394
	181,773,353	**184,046,606**	**3,312,186**	**159,778,338**	**156,414,598**	**3,118,555**

The remaining periods to maturity of financial assets at amortized cost, denominated in *Lebanese Pounds* excluding accrued interest, are as follows:

	December 31, 2012			
	LBP Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
- Up to one year	14,000,000	14,023,561	14,031,606	5.58
- 1 year to 3 years	16,632,000	17,125,422	17,150,884	7.77
- 3 years to 5 years	44,955,000	47,073,805	48,905,076	7.54
- Beyond 5 years	44,975,000	46,577,889	46,174,618	7.53
	120,562,000	**124,800,677**	**126,262,184**	
Certificates of Deposit issued by the Central Bank of Lebanon:				
- Up to one year	25,000,000	25,743,398	25,849,336	10.86
- 1 year to 3 years	37,000,000	38,103,340	38,521,551	8.53
- 3 years to 5 years	39,000,000	41,257,246	40,930,335	7.90
	101,000,000	**105,103,984**	**105,301,222**	
	221,562,000	**229,904,661**	**231,563,406**	

	December 31, 2011			
	LBP Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
- Up to one year	56,000,000	56,644,574	57,514,849	8.76
- 1 year to 3 years	10,782,000	11,139,229	11,261,049	7.65
- 3 years to 5 years	800,000	800,000	827,481	7.50
- Beyond 5 years	22,975,000	23,900,009	23,388,375	7.51
	90,557,000	**92,483,812**	**92,991,754**	
Certificates of Deposit issued by the Central Bank of Lebanon:				
- 1 year to 3 years	68,000,000	71,263,432	72,940,257	9.18
- 3 years to 5 years	8,000,000	8,607,211	8,678,693	7.90
- 5 years to 10 years	9,000,000	9,418,898	9,435,902	7.55
	85,000,000	**89,289,541**	**91,054,852**	
	175,557,000	**181,773,353**	**184,046,606**	

The remaining periods to maturity of financial assets at amortized cost, denominated in *Foreign Currencies* excluding accrued interest, are as follows:

	December 31, 2012			
	F/Cy Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
- 1 year to 3 years	45,518,963	47,995,968	46,647,603	7.25
- 3 years to 5 years	30,247,988	32,259,719	30,933,568	6.26
- 5 years to 10 years	3,195,900	3,180,910	3,103,482	5.71
	78,962,851	**83,436,597**	**80,684,653**	
Certificates of Deposit issued by the Central Bank of Lebanon:				
- Up to one year	31,778,100	31,974,453	32,158,219	8.94
- 1 year to 3 years	49,747,500	54,187,280	53,017,720	7.34
	81,525,600	**86,161,733**	**85,175,939**	
Certificates of Deposit issued by banks:				
- Up to one year	15,075,000	15,075,000	15,075,000	
	15,075,000	**15,075,000**	**15,075,000**	
Corporate bonds:				
- Up to one year	8,059,850	8,131,069	8,172,933	5.07
- 5 years to 10 years	7,002,653	6,979,567	7,002,653	3.32
	15,062,503	**15,110,636**	**15,175,586**	
	190,625,954	**199,783,966**	**196,111,178**	

Contractual Maturity	December 31, 2011 F/Cy Base Accounts Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
- 1 year to 3 years	50,929,380	54,627,835	52,369,625	7.83
- 3 years to 5 years	15,821,213	17,571,429	16,558,700	7.20
- Beyond 10 years	1,130,625	1,102,821	1,086,418	6.25
	67,881,218	**73,302,085**	**70,014,743**	
Certificates of Deposit issued by the Central Bank of Lebanon:				
- 1 year to 3 years	39,315,600	39,953,072	39,993,975	7.50
- 3 years to 5 years	3,015,000	3,307,326	3,314,390	9.12
	42,330,600	**43,260,398**	**43,308,365**	
Certificates of Deposit issued by banks:				
- Up to one year	23,851,184	23,994,390	23,927,689	2.39
- 1 year to 3 years	7,509,600	7,748,472	7,662,291	4.97
	31,360,784	31,742,862	31,589,980	
Corporate bonds:				
- Up to one year	2,853,090	2,884,357	2,881,994	6.05
- 1 year to 3 years	452,250	468,075	472,013	4.64
- 5 years to 10 years	8,147,503	8,120,561	8,147,503	7.05
	11,452,843	**11,472,993**	**11,501,510**	
	153,025,445	**159,778,338**	**156,414,598**	

The movement of financial assets at amortized cost, denominated in *Lebanese Pounds* excluding accrued interest, is summarized as follows:

	2012 Lebanese Treasury Bills	Certificates of Deposit Issued by The Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	92,483,812	89,289,541	181,773,353
Additions	102,050,000	34,000,000	136,050,000
Redemptions	(56,000,000)	-	(56,000,000)
Swap and sales	(16,045,000)	(18,000,000)	(34,045,000)
Net variation in premium	2,311,865	(185,557)	2,126,308
Balance December 31	**124,800,677**	**105,103,984**	**229,904,661**

	2011 Lebanese Treasury Bills	Certificates of Deposit Issued by The Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	-	-	-
Reclassification as per IFRS 9 (Net) (Note 5)	99,931,220	40,628,780	140,560,000
Additions	29,975,000	46,000,000	75,975,000
Redemptions	(37,500,000)	-	(37,500,000)
Net variation in premium	77,592	2,660,761	2,738,353
Balance December 31	**92,483,812**	**89,289,541**	**181,773,353**

The movement of financial assets at amortized cost, denominated in *Foreign Currencies* excluding accrued interest, is summarized as follows:

	2012			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	73,302,085	43,260,398	43,215,855	159,778,338
Reclassification	18,919,125	-	-	18,919,125
Additions	19,974,376	39,195,000	39,195,000	98,364,376
Redemptions	(226,125)	-	(52,131,803)	(52,357,928)
Swap and sales	(27,585,743)	-	-	(27,585,743)
Net variation in premium	(947,121)	3,706,335	(360,046)	2,399,168
Effect of exchange rates changes	-	-	266,630	266,630
Balance December 31	**83,436,597**	**86,161,733**	**30,185,636**	**199,783,966**

	2011			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	-	-	-	-
Reclassification as per IFRS 9 (Net) (Note 5)	49,263,979	20,098,293	29,828,112	99,190,384
Additions	36,903,211	22,612,500	21,860,503	81,376,214
Redemptions	(12,527,325)	-	(7,654,871)	(20,182,196)
Net variation in premium	(337,780)	549,605	(485,580)	(273,755)
Effect of exchange rates changes	-	-	(332,309)	(332,309)
Balance December 31	**73,302,085**	**43,260,398**	**43,215,855**	**159,778,338**

13. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

14. INVESTMENTS IN ASSOCIATES

Investments in associates, which are unlisted, are as follows:

		December 31,		
	Country of Incorporation	Interest Held	2012 Carrying Value	2011 (Restated) Carrying Value
		%	LBP'000	LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	30,272,329	41,789,002
BEMO Oddo Investment Firm Ltd.	UAE	25	421,270	429,246
			30,693,799	**42,218,248**

The movement of investments in associates is as follows:

	2012	2011 (Restated)
	LBP'000	LBP'000
Balance January 1	42,218,248	36,380,356
Share in net (loss)/profit of associates (Note 37)	(3,899,204)	3,891,588
Share in capital increase of associate bank	-	9,134,129
Currency translation adjustment	(7,650,776)	(7,187,825)
Prior years adjustment	25,531	-
Balance December 31	**30,693,799**	**42,218,248**

15. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through foreclosure of security over loans and advances

16. PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture	Computer Equipment	Vehicles	Installations and Improvment	Advances on Capital Expenditure	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Gross amount:								
Balance, January 1, 2011	7,222,927	5,600,788	2,226,808	4,967,016	667,174	9,655,361	753,298	31,093,372
Additions	-	-	24,678	482,545	42,707	78,724	6,633	635,287
Transfers between categories	-	-	-	74,924	-	678,375	(753,299)	-
Balance, December 31, 2011	**7,222,927**	**5,600,788**	**2,251,486**	**5,524,485**	**709,881**	**10,412,460**	**6,632**	**31,728,659**
Additions	-	665,204	9,669	211,056	23,140	48,389	-	957,458
Disposals	-	-	(53,588)	(211,803)	(117,246)	-	-	(382,637)
Write-off	-	-	-	-	-	(2,689,490)	-	(2,689,490)
Balance, December 31, 2012	**7,222,927**	**6,265,992**	**2,207,567**	**5,523,738**	**615,775**	**7,771,359**	**6,632**	**29,613,990**
Accumulated depreciation:								
Balance, January 1, 2011	-	787,440	1,394,919	3,454,495	298,458	6,682,944	-	12,618,256
Additions	-	143,772	137,248	500,709	126,888	1,139,695	-	2,048,312
Balance, December 31, 2011	-	931,212	1,532,167	3,955,204	425,346	7,822,639	-	14,666,568
Additions	-	157,961	158,645	479,199	128,469	1,048,379	-	1,972,653
Disposals	-	-	(43,424)	(201,983)	(82,073)	-	-	(327,480)
Write-off	-	-	-	-	-	(2,189,937)	-	(2,189,937)
Balance, December 31, 2012	**-**	**1,089,173**	**1,647,388**	**4,232,420**	**471,742**	**6,681,081**	**-**	**14,121,804**
Carrying amount:								
December 31, 2012	**7,222,927**	**5,176,819**	**560,179**	**1,291,318**	**144,033**	**1,090,278**	**6,632**	**15,492,186**
December 31, 2011	**7,222,927**	**4,669,576**	**719,319**	**1,569,281**	**284,535**	**2,589,821**	**6,632**	**17,062,091**

During 2012, the Group wrote-off damaged property and equipment with net carrying value of LBP500million against impairment in the amount of LBP275million recorded under "Impairment of property and equipment" in the accompanying consolidated income statement and against receivables from insurer for the remaining balance recorded under "Other assets" (Note 18).

17. INTANGIBLE ASSETS

This caption consists of purchased software summarized as follows:

	Purchased Software
	LBP'000
Cost:	
Balance, January 1, 2011	2,736,937
Acquisitions	467,155
Balance, December 31, 2011	3,204,092
Acquisition	134,857
Balance, December 31, 2012	**3,338,949**
Amortization:	
Balance, January 1, 2011	1,905,652
Amortization for the year	376,417
Balance, December 31, 2011	2,282,069
Amortization for the year	357,138
Balance, December 31, 2012	**2,639,207**
Carrying amounts:	
December 31, 2012	**699,742**
December 31, 2011	**922,023**

18. OTHER ASSETS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Forward exchange contracts	2,160,182	5,691,897
Exchange difference on fixed exchange position	302,578	302,578
Stamps	70,748	61,980
Deferred charges	58,307	70,804
Receivables from securitization operations	1,819,801	730,615
Receivables from an associate bank and financial institution	689,554	540,309
Accrued income	-	226,125
Prepayments	1,279,204	1,402,699
Sundry accounts receivable (Net of provision)	4,164,415	3,730,943
	10,544,789	**12,757,950**

A provision for doubtful receivables of LBP6.3million was set up during 2012 against receivables from the National Social Security Fund recorded under "Allowance for impairment of loans and advances and other receivables" in the consolidated income statement (LBP3.4million in 2011).

Receivables from an associate bank and financial institution represent amounts paid by the Group on behalf of these related entities

19. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

Deposits and borrowings from banks and financial institutions are reflected at amortized cost and consist of the following:

	December 31, 2012			December 31, 2011		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Current deposits of banks and financial institutions	1,702	32,377,682	32,379,384	1,000	32,621,599	32,622,599
Current deposits - related parties	-	13,747,128	13,747,128	-	90,652,276	90,652,276
Money market deposits	9,925,000	-	9,925,000	34,184,576	3,938,506	38,123,082
Money market deposits - related parties	-	22,562,489	22,562,489	-	182,722,483	182,722,483
Pledged deposits	15,000,000	-	15,000,000	-	-	-
Accrued interest payable	318,961	1,308	320,269	212,229	30,849	243,078
	25,245,663	**68,688,607**	**93,934,270**	**34,397,805**	**309,965,713**	**344,363,518**

20. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2012		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current and demand deposits	25,816,265	333,335,753	359,152,018
- Term deposits	225,669,819	1,023,168,646	1,248,838,465
- Collateral against loans and advances	22,510,202	192,104,643	214,614,845
Margins and other accounts:			
- Margins for irrevocable import letters of credit	-	3,391,882	3,391,882
- Margins on letters of guarantee	492,511	1,506,422	1,998,933
- Other margins	713,247	2,246,171	2,959,418
Accrued interest payable	3,527,147	3,048,825	6,575,972
Total	**278,729,191**	**1,558,802,342**	**1,837,531,533**

	December 31, 2011		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current and demand deposits	22,055,451	325,969,273	348,024,724
- Term deposits	172,146,913	971,170,686	1,143,317,599
- Collateral against loans and advances	20,252,173	108,465,175	128,717,348
Margins and other accounts:			
- Margins for irrevocable import letters of credit	-	3,113,524	3,113,524
- Margins on letters of guarantee	515,811	1,738,659	2,254,470
- Other margins	22,750	838,974	861,724
Accrued interest payable	1,361,915	2,466,320	3,828,235
Total	**216,355,013**	**1,413,762,611**	**1,630,117,624**

Deposits from customers are allocated by brackets of deposits as follows:

	December 31, 2012		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
- Less than LBP200million	163,662,418	8.91	77.74
- From LBP200million to LBP1.5billion	610,838,043	33.24	17.84
- Over LBP1.5billion	1,063,031,072	57.85	4.42
	1,837,531,533	**100.00**	**100.00**

	December 31, 2011		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
- Less than LBP200million	150,638,177	9.24	78.15
- From LBP200million to LBP1.5billion	585,510,864	35.92	17.75
- Over LBP1.5billion	893,968,583	54.84	4.1
	1,630,117,624	**100.00**	**100.00**

Term deposits include fiduciary deposits received from a non-resident related bank in the amount of LBP 27.68billion (USD18,362,748). (LBP39.18billion (USD25,990,957) for 2011).

Customers' deposits include coded number deposit accounts (secret accounts) stated at Nil as of December 31, 2012 (LBP3.7billion as of December 31, 2011). These accounts were opened under the provisions of Article 3 of the Lebanese Banking Secrecy Law dated September 3, 1956. Under the provisions of this Article, the Group's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

The average balances of customers' deposits at amortized cost, including related party deposits, and related cost of funds over the last 3 years were as follows:

	LBP Base Accounts		F/Cy Base Accounts		
	Average Balance of Deposits	Average Interest Rate	Average Balance of Deposits	Average Interest Rate	Cost of Funds
	LBP'000	%	LBP'000	%	LBP'000
2012	265,376,388	6.01	1,497,312,700	2.76	58,017,816
2011	205,321,519	5.93	1,409,419,281	2.77	51,816,773
2010	206,849,033	6.20	1,238,383,424	2.90	49,261,802

21. RELATED PARTIES' ACCOUNTS AT AMORTIZED COST

	December 31, 2012		
	LBP'000	Counter Value in LBP'000 of F/Cy	Grand Total LBP'000
Current and demand deposits	748,369	21,689,009	22,437,378
Term deposits	3,182,212	26,240,872	29,423,084
Collaterals against loans and advances	76,910	-	76,910
Margins on letters of guarantee	12,000	-	12,000
Other margins	-	1,987,790	1,987,790
Accrued interest payable	6,631	23,631	30,262
	4,026,122	**49,941,302**	**53,967,424**

	December 31, 2011		
	LBP'000	Counter Value in LBP'000 of F/Cy	Grand Total LBP'000
Current and demand deposits	951,571	37,211,911	38,163,482
Term deposits	2,750,613	17,585,278	20,335,891
Margins on letters of guarantee	12,000	-	12,000
Accrued interest payable	1,990	22,468	24,458
	3,716,174	**54,819,657**	**58,535,831**

Deposits from related parties at amortized cost are allocated by brackets of deposits as follows

	December 31, 2012	
	Total Deposits	% to Total Deposits
	LBP'000	%
- Less than LBP500million	4,524,253	8.38
- From LBP500million to LBP1.5billion	4,340,120	8.04
- Over LBP1.5billion	45,103,051	83.58
	53,967,424	**100.00**

	December 31, 2011	
- Less than LBP500million	3,723,701	6.36
- From LBP500million to LBP1.5billion	6,420,302	10.97
- Over LBP1.5billion	48,391,828	82.67
	58,535,831	**100.00**

22. OTHER LIABILITIES

	December 31	
	2012	2011
	LBP'000	LBP'000
Current tax liability	1,119,277	516,309
Deferred tax on gain from investment in associates - Note 14	501,838	501,838
Tax on salaries	345,073	296,598
Tax on interest paid to customers' accounts	308,452	365,646
Other taxes	(6,393)	1,223,971
Due to the National Social Security Fund	316,998	214,539
Checks and incoming payment orders in course of settlement	1,690,207	3,259,669
Accrued expenses	2,877,105	2,671,761
Sundry accounts payable	1,032,302	782,834
Unearned income	127,089	56,606
	8,311,948	**9,889,771**

The Bank's tax returns since fiscal 2010 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

The Bank's accounts for the years 2006 to 2009 were reviewed by the tax authorities during the year 2011. As a result, additional tax liability in the amount of LBP1.11billion was settled in the subsequent period against accrued charges. The bank has filed an objection to the tax assessment with the tax department. Subsequent to the financial statements date, the Bank collected LBP252million.

The determination of income tax of the Bank is presented as follows:

	2012	2011
	LBP'000	LBP'000
Income before income tax (before elimination of inter-company transactions)	11,904,642	7,759,338
Add: Non-deductible expenses/losses	5,184,873	1,953,588
Less:		
- Non-taxable revenues/gains	(457,500)	(339,568)
- Loss/(income) of Cyprus branch and subsidiaries	(358,654)	656,197
Taxable income for the year	16,273,361	10,029,555
Enacted tax rate in Lebanon	15%	15%
	2,441,004	**1,504,434**
Add: Income tax provision - branches and subsidiaries	103,231	22,787
Income tax expense	2,544,235	1,527,221
Less: Tax paid during the year in the form of withholding tax	(1,404,394)	(1,068,268)
Less: Cyprus income tax paid during the year	(99,704)	(18,219)
	1,040,137	**440,734**
Brought forward balance from non-resident branch	79,786	76,264
Exchange difference on brought forward balance	(646)	(689)
Current tax liability	**1,119,277**	**516,309**

23. PROVISIONS

Provisions consist of the following:

	December 31	
	2012	2011
	LBP'000	LBP'000
Provision for staff end-of-service indemnity	3,578,591	2,771,566
Provision for contingencies	2,107,281	2,698,551
Provision for loss on foreign currency position	356,586	390,536
	6,042,458	**5,860,653**

The movement of provision for staff end-of-service indemnity is as follows:

	2012	2011
	LBP'000	LBP'000
Balance January 1	2,771,566	2,653,784
Additions	812,242	191,476
Settlements	(12,667)	(46,567)
Write-back	-	(17,274)
Exchange difference	7,450	(9,853)
Balance December 31	**3,578,591**	**2,771,566**

The movement of the provision for contingencies was as follows:

	2012	2011
	LBP'000	LBP'000
Balance January 1	2,698,551	2,208,822
Additions	674	534,979
Write-back	(591,944)	(45,250)
Balance December 31	**2,107,281**	**2,698,551**

24. SUBORDINATED BONDS

This caption consists of the following:

	December 31	
	2012	2011
	LBP'000	LBP'000
Subordinated bonds	60,269,888	60,248,632
Accrued interest payable	2,127,846	-
	62,397,734	**60,248,632**

Subordinated bonds in the amount of USD40million (divided into 4,000 bonds of USD10,000 each) were issued on May 30, 2009 and mature on June 30, 2014, and are subject to an annual interest of 7% payable on December 31 and June 30 of each year.

The Group maintains enough liquid funds within its liquidity to redeem these bonds at maturity.

Interest expense on the subordinated bonds amounted to LBP4.25billion (LBP4.24billion for 2011) (Note 33).

In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purposes of computation of Risk Based Capital Ratio, to be decreased by 20% on a yearly basis.

25. SHARE CAPITAL

As at December 31, 2012 and 2011, the Bank's capital is composed of 62,000,000 issued shares of LBP1,000 per share, authorized and fully paid and divided as follows:

- Listed Shares : 51,400,000
- Unlisted Shares : 10,600,000

The movement of treasury shares during 2012 and 2011 was as follows:

	2012		2011	
	№ of Shares	Amount	№ of Shares	Amount
		LBP'000		LBP'000
Balance - January 1	375,814	1,614,350	360,995	1,547,330
Acquisition/disposal, net	4,000	14,171	14,819	67,020
Prior years adjustment	-	569,104	-	-
Balance - December 31	**379,814**	**2,197,625**	**375,814**	**1,614,350**

Prior years adjustment represents realized gain on sale of treasury shares not booked by the Group for the years 2006 till 2009 inclusive.

26. PREFERRED SHARES

On June 1, 2006, the Group issued preferred shares in the amount of USD20million (LBP30billion) on the basis of 200,000 shares at USD100.

The preferred shares are callable five years from the issuance date on June 1, 2011 and bear interest on a non-cumulative basis at an annual rate of 8%. The Group did not exercise the call option.

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

This caption represents capital injection of USD19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Bank's equity.

Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital.

This sort of equity instrument consists of non-refundable capital injection which could be converted into share capital and it has the advantage of being booked and maintained in foreign currencies which allows for hedging against national currency fluctuation.

28. RESERVES

Reserves consist of the following as at December 31, 2012 and 2011:

	December 31	
	2012	2011
	LBP'000	LBP'000
Legal reserve	1,795,131	1,193,702
Reserve for general banking risks	17,185,048	14,327,325
Reserve for assets acquired in satisfaction of loans - Note 15	553,602	412,051
Other reserves	5,518,363	5,518,363
	25,052,144	**21,451,441**

In accordance with the requirements of the Lebanese Money and Credit Law, the Group transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution.

The reserve for general banking risks is constituted according to local banking regulations from income on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP2billion and LBP15.19billion, respectively, in proportion to the composition of the Bank's total risk-weighted assets and off-balance sheet items. This reserve is not available for distribution.

29. NON-CONTROLLING INTERESTS

	December 31	
	2012	2011
	LBP'000	LBP'000
Capital	30	30
Profit for the year	58	11
	88	**41**

30. PROFIT FOR THE YEAR

The consolidated profit for the year is allocated as follows between the Bank and its subsidiaries:

	Year Ended December 31, 2012		
	Bank's share	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Income of the Bank	6,505,695	-	6,505,695
Income of subsidiaries:			
Bemo Securitization S.A.L.	(969,533)	-	(969,533)
Depository and Custody Company S.A.L.	57,688	58	57,746
Total	**5,593,850**	**58**	**5,593,908**

	Year Ended December 31, 2011		
	Bank's share	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Income of the Bank	11,103,959	-	11,103,959
Income of subsidiaries:			
Bemo Securitization S.A.L.	(1,198,084)	-	(1,198,084)
Depository and Custody Company S.A.L.	11,486	11	11,497
Total	**9,917,361**	**11**	**9,917,372**

31. DIVIDENDS PAID

The following dividends were declared and paid by the Group:

	2012	2011
	LBP'000	LBP'000
USD8 per preferred share paid by the Bank in 2012 and 2011	2,412,000	2,412,000
	2,412,000	**2,412,000**

32. INTEREST INCOME

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Interest income from:		
Term deposits with Central Banks	4,815,713	4,163,697
Deposits with banks and financial institutions	1,207,796	1,164,808
Deposits with related party banks and financial institutions	380,799	347,503
Financial assets at amortized cost	24,375,737	17,841,293
Loans and advances to customers	55,910,571	50,428,020
Loans and advances to related parties	190,010	197,374
Interest realized on impaired loans and advances to Customers - Note 10	728,748	235,132
	87,609,374	**74,377,827**

Interest income on the Group's trading portfolio is included under "net interest and other gains/(losses) on trading assets at fair value through profit or loss" (Note 36).

33. INTEREST EXPENSE

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	2,122,469	1,243,569
Deposits and borrowings from related party banks and financial institutions	237,740	442,903
Customers' accounts at amortized cost	57,371,480	51,341,797
Related parties' accounts at amortized cost	646,336	474,976
Subordinated bonds - Note 24	4,253,820	4,242,256
	64,631,845	**57,745,501**

34. FEE AND COMMISSION INCOME

This caption consists of the following:

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Commission on documentary credits	1,349,686	2,118,196
Commission on letters of guarantee	977,888	756,541
Service fees on customers' transactions	4,538,316	4,932,088
Other	372,380	320,483
	7,238,270	**8,127,308**

35. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Commission on transactions with banks	227,767	395,586
Commission on transactions with related party banks	16,461	22,665
Other	344,483	223,772
	588,711	**642,023**

36. NET INTEREST AND OTHER GAINS / (LOSSES) ON TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption consists of the following:

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Dividends received on equity securities	318,915	358,885
Interest received on debt securities	8,846,982	8,813,346
Unrealized loss (net) - Note 8	(958,062)	(1,698,939)
Realized gain	921,927	3,018,024
	9,129,762	**10,491,316**

37. OTHER OPERATING INCOME

This caption consists of the following:

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Dividends on financial assets at fair value through other comprehensive income	44,669	44,669
Share in (losses)/profits of associates - Note 14	(3,899,204)	3,891,588
Revenues from securitization operations	2,197,771	1,711,374
Other	1,028,580	989,389
	(628,184)	**6,637,020**

38. STAFF COSTS

This caption consists of the following:

	Year Ended December 31	
	2012	2011
	LBP'000	LBP'000
Salaries and related charges	16,236,699	14,597,547
Social Security contributions	1,757,231	1,553,331
Provision for end-of-service indemnities (net)	812,242	174,202
	18,806,172	**16,325,080**

39. EARNINGS PER SHARE

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

The weighted average number of shares to compute basic earnings per share is 61,620,590 shares in 2012 (61,633,035 shares in 2011).

40. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

Forward exchange contracts outstanding as of December 31, 2012 and 2011 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.

41. FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT

	December 31	
	2012 Resident Customers	2011 Resident Customers
	LBP'000	LBP'000
Fiduciary deposits invested in certificates of deposit issued by the Central Bank of Lebanon	1,623,804	2,965,479
Fiduciary deposits from related parties invested in loans granted to related party companies	5,427,000	6,633,000
Shares in trust	1,419,101	1,417,509
	8,469,905	**11,015,988**

42. BALANCES / TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, subsidiaries and associates. Balances with related parties excluding accrued interest and balances eliminated on consolidation consist of the following:

	December 31	
	2012	2011
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
- Secured loans and advances	326,291	295,991
- Unsecured loans and advances	7,724	1,832,352
- Deposits	10,106,169	15,591,575
Associated companies:		
Direct facilities and credit balances:		
- Secured loans and advances	2,667,485	2,534,081
- Unsecured loans and advances	827,709	436,634
- Deposits	43,830,993	42,954,811
Indirect facilities:		
- Letters of guarantee	9,914	165,571

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP302million and by pledged deposits of the respective borrowers to the extent of LBP2.67billion as at December 31, 2012 (LBP372.82million and LBP2.54billion respectively as at December 31, 2011).

The remuneration of executive management amounted to LBP2.94billion during 2012 (LBP2.42billion during 2011) in addition to incentives linked to performance.

43. CASH AND CASH EQUIVALENTS

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

	December 31	
	2012	2011
	LBP'000	LBP'000
Cash	10,615,168	10,349,533
Current accounts with Central Bank of Lebanon (excluding compulsory reserve)	5,362,076	17,522,965
Time deposits with Central Bank of Lebanon	6,783,750	-
Checks for collection and current accounts with banks and financial institutions	238,513,724	193,853,309
Time deposits with banks and financial institutions	84,267,045	192,202,713
	345,541,763	**413,928,520**

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

44. COLLATERAL GIVEN

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

	December 31, 2012		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institution	54,341,963	Forward contracts	392,518,377
		Options and swaps transactions	24,642,366
		Acceptances less than one year	11,416,158
Pledged deposits with related parties	8,274,994	Letters of credit and letters of guarantee	NIL
	62,616,957		

	December 31, 2011		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	34,280,062	Forward contracts	209,508,606
		Options and swaps transactions	24,990,757
		Acceptances less than one year	8,010,373
		Forward contracts	10,246,078
Pledged deposits with related parties	8,233,455	Letters of credit and letters of guarantees	NIL
	42,513,517		

45. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator.

Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad. Furthermore, the minimum capital adequacy ratio set by the regulator is 10% (Basel II Ratio).

The Group's capital is split as follows:

Tier I Capital: Comprises share capital, after deduction of treasury shares, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of current year's net profit) and minority interest.

Goodwill, intangible assets and unfavorable change in fair value of investments at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II Capital: Comprises qualifying subordinated liabilities, collective impairment allowance, cumulative favorable change in fair value of available-for-sale securities and revaluation surplus of owned properties.

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

Furthermore, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

The Group has complied with imposed capital requirements throughout the period.

The Group's risk based capital ratio according to Basle II as of December 31, 2012 and 2011, is as follows:

	December 31	
	2012	2011
	LBP'000	LBP'000
Risk-weighted assets	1,444,667	1,498,583
Credit risk	1,338,142	1,381,787
Market risk	38,963	56,125
Operational risk	67,562	60,671
Tier I capital (including net income less proposed dividends and Reserves for assets acquired in satisfaction of loans)	124,728	110,621
Tier II capital	24,120	36,180
Total capital	**148,848**	**146,801**
Capital adequacy ratio - Tier I	8.63%	7.38%
Capital adequacy ratio - Tier I and Tier II	10.3%	9.80%

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

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

	Balances December 31,		Variation	
	2012	2011 (Restated)	Amount	%
	LBP'000	LBP'000	LBP'000	
Equity allotted to common shares	129,053,199	133,510,753	(4,457,554)	(3.34)
Preferred shares	30,150,000	30,150,000	-	-
Subordinated bonds	62,397,734	60,248,632	2,149,102	3.57
Total equity	221,600,933	223,909,385	(2,308,452)	

46. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's operating segments are organized as follows: Lebanon and subsidiaries.

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

Segment income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made, if any.

The Group has two reportable business segments which reflect the basis on which senior management reviews operations:

	December 31, 2012			December 31, 2011		
	Lebanon and Subsidiaries	Cyprus	Inter-Segment	Lebanon	Cyprus	Inter-Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Total Assets	2,037,244,969	354,607,386	(146,597,970)	2,080,629,676	333,280,725	(114,301,388)
Total Liabilities	1,879,341,469	338,232,599	(131,522,970)	1,917,476,486	317,698,121	(99,226,388)
Total Equity	157,903,500	16,374,787	(15,075,000)	163,153,190	15,582,604	(15,075,000)
Profit for the year	4,294,121	1,299,787	-	9,409,768	507,604	-
ASSETS						
Cash and Central Banks	296,005,786	3,440,258	-	424,163,485	6,238,295	-
Deposits with banks and financial institutions	353,585,835	206,713,514	(146,597,970)	395,202,980	203,945,865	(114,301,388)
Trading assets at fair value through profit or loss	61,075,821	3,300,096	-	90,555,833	5,037,447	-
Loans and advances to customers	859,682,885	57,197,949	-	765,837,853	57,956,779	-
Loans and advances to related parties	3,841,046	7,724	-	4,946,184	169,874	-
Investment securities	354,307,651	82,890,508	-	296,203,742	52,422,308	-
Investment in associate	30,693,799	-	-	42,218,248	-	-
Other	78,052,146	1,057,337	-	61,501,351	7,510,157	-
LIABILITIES						
Deposits and borrowings from banks	205,440,891	19,634,069	(131,140,690)	432,580,115	10,463,679	(98,680,276)
Customers' accounts at amortized cost	1,527,230,599	310,683,214	(382,280)	1,337,428,362	293,235,374	(546,112)
Related parties' accounts at amortized cost	49,240,109	4,727,315	-	54,315,991	4,219,840	-
Other	35,032,136	3,188,001	-	32,903,386	9,779,228	-
Subordinated bonds	62,397,734	-	-	60,248,632	-	-

	December 31, 2012			December 31, 2011		
	Lebanon	Cyprus	Inter-Segment	Lebanon	Cyprus	Inter-Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	83,055,570	10,382,620	(5,828,816)	70,358,867	10,173,436	(6,154,476)
Interest expense	(60,052,854)	(10,407,807)	5,828,816	(53,355,797)	(10,544,180)	6,154,476
Net interest income	23,002,716	(25,187)	-	17,003,070	(370,744)	-
Fee and commission income	6,845,400	392,870	-	7,074,464	1,052,844	-
Fee and commission expense	(527,541)	(61,170)	-	(591,997)	(50,026)	-
Net fee and commission income	6,317,859	331,700	-	6,482,467	1,002,818	-
Net interest and other gain on trading assets at fair value through profit or loss	6,127,252	3,002,510	-	8,944,242	1,547,074	-
Gain on exchange	1,662,363	62,330	-	2,038,907	360,877	-
Other operating income	(846,441)	218,257	-	6,319,063	317,957	-
Net financial revenues	36,263,749	3,589,610	-	40,787,749	2,857,982	-
Allowance for impairment of loans and advances and other receivables	(6,278)	-	-	(3,009,545)	-	-
Write-back of impairment loss on loans and advances	690,985	240,003	-	363,896	5,006	-
Loans recoveries	240,004	-	-	-	-	-
Collective provision for loan impairment	(1,959,750)	-	-	-	-	-
Net financial revenues after net impairment charge	35,228,710	3,829,613	-	38,142,100	2,862,988	-
Staff costs	(18,115,060)	(691,112)	-	(15,583,633)	(741,447)	-
Administrative expenses	(8,464,872)	(1,669,564)	-	(8,859,051)	(1,516,003)	-
Depreciation and amortization	(2,253,809)	(75,982)	-	(2,347,645)	(77,084)	-
Write back of provision for foreign currency fluctuation	33,949	-	-	54,097	-	-
Write-back of provision/ (provision for contingencies)	591,270	-	-	(489,729)	-	-
Impairment of Property and Equipment	(275,000)	-	-	-	-	-
	(28,483,522)	**(2,436,658)**	**-**	**(27,225,961)**	**(2,334,534)**	**-**
Profit before income tax	6,745,188	1,392,955	-	10,916,139	528,454	-
Income tax expense	(2,451,067)	(93,168)	-	(1,506,371)	(20,850)	-
Profit for the year	4,294,121	1,299,787	-	9,409,768	507,604	-

Subsequent to the statement of financial position date, Cyprus has been exposed to a severe restructuring of its banking system led by the Troika as a condition precedent to provide the state of Cyprus a financial bailout to support servicing its foreign debts. In light of the above, there could be adverse economic consequences that may arise from the prevailing situation, a matter of uncertainty that cannot be determined at present. Management is of the opinion that considering the Bank's size and business model of international banking operations with little exposure to the domestic market, it will not be materially affected by the current crisis.

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a credit and market risk management department and various committees to develop and monitor the Group's risk management policies and their implementation.

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

A. Credit Risk

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

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

1. Management of credit risk

The Group manages credit risk by developing policies and procedures that are regularly reviewed to ensure continuous effective credit risk management in light of changes in business strategy.

Credit risk management policies and practices define lending limits, credit approval authorization matrices, and risk identification and monitoring systems. The Group applies an internal rating system that takes into account criteria related to the borrower (e.g. nature of the activity, financial performance and structure, credit history, cash flows, projected financials and management) and to the credit quality (e.g. purpose, amount, tenor, collateral presented as a second way out). The Group also sets lending limits to a single obligor or a related group of obligors.

2. Measurement of credit risk

(a) Loans and advances

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

The Group manages credit risk by developing policies and procedures that are regularly reviewed to ensure continuous effective credit risk management in light of changes.

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

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

- Substandard loans:
  Substandard loans are loans that are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged in favor of the group. Exposures where an indication of the possibility that the Group will sustain a loss if certain irregularities and deficiencies are not addressed exists are classified under this category.

- Doubtful loans:
  Doubtful loans have, in addition to the weaknesses existing in substandard loans, characteristics indicating that current existing facts and figures make the collection in full highly improbable. The probability of loss is high but certain reasonable and specific pending factors which if addressed could strengthen the probability of collection, result in the deferral of the exposure as an estimated loss until a more exact status is determined.

- Loss:
  Loans classified as loss are considered as uncollectible and of such minimal value that their classification as assets is not warranted. This does not mean that the loan is absolutely unrecoverable or has no salvage value. However, the amount of loss is difficult to measure and the Group does not wish to defer the writing of the loan even partial recovery might occur in the future. Loans are charged off in the period in which they are deemed uncollectible and therefore classified as loss.

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

3. Risk mitigation policies

Collateral:

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

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

4. Financial assets with credit risk exposure and related concentrations

(a) Exposure to credit risk and concentration by counterparty:

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

(a.1) Deposits with banks and financial institutions (excluding accrued interest):

	December 31, 2012	
Bracket	Total Amount	%Toal Deposits
	LBP'000	%
Less than LBP5billion	28,253,257	6.83
From LBP5billion to LBP15billion	81,551,158	19.71
Over LBP15billion	303,769,918	73.46
	413,574,333	**100.00**

	December 31, 2011	
Bracket	Total Amount	%Toal Deposits
	LBP'000	%
Less than LBP5billion	26,028,213	5.37
From LBP5billion to LBP15billion	68,986,435	14.24
Over LBP15billion	389,608,660	80.39
	484,623,308	**100.00**

(a.2) Loans and advances to customers (excluding accrued interest and unearned interest and collective provision):

	December 31, 2012		
Bracket	No. of Counter Parties	Total Amount	%Toal Deposits
		LBP'000	%
Less than LBP500million	1,068	55,372,131	6.03
From LBP500million to LBP5billion	254	455,585,584	49.63
Over LBP5billion	43	407,077,280	44.34
	1,365	**918,034,995**	**100.00**

		December 31, 2011	
Bracket	No. of Counter Parties	Total Amount	%Toal Deposits
		LBP'000	%
Less than LBP500million	1,026	61,980,047	7.53
From LBP500million to LBP5billion	236	410,872,405	49.93
Over LBP5billion	40	350,059,255	42.54
	1,302	**822,911,707**	**100.00**

(a.3) Loans and advances to related parties (excluding accrued interest):

Bracket	December 31, 2012 Total Amount	%Total Deposits
	LBP'000	%
Less than LBP500million	1,161,723	30.34
Over LBP1.5billion	2,667,486	69.66
	3,829,209	**100.00**

Bracket	December 31, 2011 Total Amount	%Total Deposits
	LBP'000	%
Less than LBP500million	729,935	14.32
Over LBP1.5billion	4,369,122	85.68
	5,099,057	**100.00**

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

	December 31, 2012			Fair Value of Collateral Held			
Bracket	Gross Loans Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular Accounts	**912,899,003**	**-**	**912,899,003**	**200,576,014**	**114,624,983**	**16,915,843**	**332,116,840**
Past due but not impaired:							
Between 30-60 days	380,192	-	380,192	-	-	-	-
Between 60-90 days	903,624	-	903,624	-	-	-	-
Between 90-180 days	1,160,594	-	1,160,594	-	-	-	-
Beyond 180 days	2,080,269	-	2,080,269	-	-	-	-
Collective provision for loan impairment	-	1,959,750	1,959,750	-	-	-	-
Impaired:							
Substandard	1,198,707	-	1,198,707	-	-	-	-
Doubtful and bad	3,262,870	3,044,675	218,195	-	4,793,850	-	4,793,850
	921,885,259	5,004,425	916,880,834	200,576,014	119,418,833	16,915,843	336,910,690

	December 31, 2011			Fair Value of Collateral Held			
Regular accounts	**806,320,290**	**-**	**806,320,290**	**187,783,190**	**100,575,310**	**21,611,834**	**309,970,334**
Past due but not impaired:							
Between 30-60 days	1,734,823	-	1,734,823	-	7,538	-	7,538
Between 60-90 days	61,272	-	61,272	-	-	-	-
Between 90-180 days	152,074	-	152,074	-	-	-	-
Beyond 180 days	168,730	-	168,730	-	-	-	-
Impaired:							
Substandard	632,007	-	632,007	-	723,600	169,059	892,659
Doubtful	18,720,288	3,994,852	14,725,436	603,000	4,672,750	-	5,275,750
	827,789,484	3,994,852	823,794,632	188,386,190	105,979,198	21,780,893	316,146,281

(b) Concentration of financial assets by industry or sector (excluding the collective provision for loan impairment):

	December 31, 2012		
	Sovereign	Financial Services	Real Estate Development
	LBP'000	LBP'000	LBP'000
Balance sheet Exposure:			
Cash and central banks	298,714,001	-	-
Deposits with banks and financial institutions	-	413,540,668	-
Trading assets at fair value through profit or loss	48,747,571	5,525,233	3,160,023
Loans to banks and financial institutions	-	25,676,016	-
Loans and advances to customers	-	26,734,544	163,241,606
Loans and advances to related parties	-	-	2,228
Investments at amortized cost	400,456,010	24,697,690	-
Financial assets at fair value through other comprehensive income	-	490,120	-
Customers' Liability under acceptances	-	-	654,133
Other assets	-	-	-
	747,917,582	496,664,271	167,057,990
Off-Balance Sheet Risks:			
Documentary and commercial letters of credit	-	-	927,025
Guarantees and standby letters of credit	-	10,191,736	21,128,089
Forward contracts	-	713,437,702	-

	December 31, 2011		
Balance sheet Exposure:			
Cash and central banks	429,664,866	-	-
Deposits with banks and financial institutions	403,330,472	81,128,114	-
Trading assets at fair value through profit or loss	68,292,980	17,096,533	2,371,475
Loans to banks and financial institutions	-	8,506,235	-
Loans and advances to customers	-	10,725,279	125,330,421
Loans and advances to related parties	-	-	21
Investments at amortized cost	298,335,837	34,172,323	-
Financial assets at fair value through other comprehensive income	-	490,120	-
Customers' Liability under acceptances	-	-	-
Other assets	-	-	-
	1,199,624,155	152,118,604	127,701,917
Off-Balance sheet Risks:			
Documentary and commercial letters of credit	-	-	237,953
Guarantees and standby letters of credit	-	8,195,325	16,099,235
Forward contracts	-	221,162,515	-

December 31, 2012

Manufacturing	Consumer Goods Trading	Services	Private Individuals	Other	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	-	-	-	732,043	299,446,044
-	-	-	-	160,711	413,701,379
-	5,680,225	-	-	1,262,865	64,375,917
-	-	-	-	-	25,676,016
149,799,857	432,161,906	49,164,351	96,932,731	805,589	918,840,584
439,674	2,707,050	8,774	671,483	19,561	3,848,770
460,121	5,245,943	-	-	5,694,204	436,553,968
-	-	154,071	-	-	644,191
3,979,783	18,019,521	1,212,294	-	-	23,865,731
-	-	-	-	6,673,770	6,673,770
154,679,435	463,814,645	50,539,490	97,604,214	15,348,743	2,193,626,370
9,639,719	27,252,922	454,984	-	-	38,274,650
13,808,021	16,669,470	3,638,109	2,144,833	-	67,580,258
1,507,500	5,653,284	-	156,433	-	720,754,919

December 31, 2011

Manufacturing	Consumer Goods Trading	Services	Private Individuals	Other	Total
-	-	-	-	736,914	430,401,780
-	-	-	-	388,871	484,847,457
-	5,236,103	452,250	-	2,143,939	95,593,280
-	-	-	-	-	8,506,235
142,251,943	397,831,537	56,365,458	90,407,069	882,925	823,794,632
287,669	2,541,568	-	2,269,799	17,001	5,116,058
2,656,594	6,386,937	-	-	6,430,741	347,982,432
-	-	153,498	-	-	643,618
7,138,915	19,793,275	-	-	-	26,932,190
-	-	-	-	5,001,867	5,001,867
152,335,121	431,789,420	56,971,206	92,676,868	15,602,258	2,228,819,549
15,257,533	34,952,079	151,941	91,025	-	50,690,531
14,129,246	11,899,201	3,596,634	2,414,478	-	56,334,119
175,374	6,857,732	-	3,333,038	-	231,528,659

(c) concentration of assets and liabilities by geographical areas:

	December 31, 2011					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and central banks	296,005,787	-	-	3,440,257	-	299,446,044
Deposits with banks and financial institutions	22,727,445	3,534,224	54,117,486	331,922,110	1,400,114	413,701,379
Trading assets at fair value through profit or loss	63,632,075	-	141,396	602,446	-	64,375,917
Loans to banks and financial institutions	24,588,898	-	-	1,087,118	-	25,676,016
Loans and advances to customers	865,089,966	38,693,274	1,255,039	11,780,925	61,630	916,880,834
Loans and advances to related parties	3,841,046	7,724	-	-	-	3,848,770
Financial assets at fair value through other comprehensive income	615,120	-	-	29,071	-	644,191
Investments at amortized cost	413,129,782	-	3,831,986	4,507,063	15,085,137	436,553,968
Customers' liability under acceptances	22,076,657	1,789,074	-	-	-	23,865,731
Investments in associates	7,793,532	22,824,892	-	-	75,375	30,693,799
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	2,831,019
Property and equipment	14,878,124	-	-	614,062	-	15,492,186
Intangible assets	687,320	-	-	12,422	-	699,742
Other assets	10,313,069	-	-	231,720	-	10,544,789
Total Assets	1,748,209,840	44,024,296	59,345,907	354,227,194	16,622,256	2,245,254,385
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	27,676,767	8,784,866	-	1,813,017	-	38,274,650
Guarantees and standby letters of credit	63,241,785	4,287,050	1,131	50,292	-	67,580,258
Forward contracts	15,921,993	312,314,549	-	392,518,377	-	720,754,919
LIABILITIES						
Deposits and borrowings from banks	32,005,504	34,493,721	-	27,435,045	-	93,934,270
Customers' accounts at amortized cost	1,230,976,130	459,792,419	29,393,200	104,616,313	12,753,471	1,837,531,533
Related parties' accounts at amortized cost	24,149,251	25,367,068	-	4,451,105	-	53,967,424
Customers' acceptance liability	771,714	1,624,465	5,209,351	11,449,356	4,810,845	23,865,731
Other liabilities	6,860,848	501,831	-	949,269	-	8,311,948
Provisions	3,709,239	1,976,332	-	356,887	-	6,042,458
Subordinated bonds	62,397,734	-	-	-	-	62,397,734
Total liabilities	1,360,870,420	523,755,836	34,602,551	149,257,975	17,564,316	2,086,051,098

	December 31, 2011					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and central banks	424,163,485	-	-	6,238,295	-	430,401,780
Deposits with banks and financial institutions	40,451,629	25,891,000	80,150,013	337,606,626	748,189	484,847,457
Trading assets at fair value through profit or loss	83,539,063	475,256	7,272,489	3,089,319	1,217,153	95,593,280
Loans to banks and financial institutions	8,506,235	-	-	-	-	8,506,235
Loans and advances to customers	760,567,589	61,739,198	102,869	1,382,465	2,511	823,794,632
Loans and advances to related parties	3,282,938	1,833,120	-	-	-	5,116,058
Financial assets at fair value through other comprehensive income	615,120	-	-	28,498	-	643,618
Investments at amortized cost	313,203,468	-	7,842,206	11,854,874	15,081,884	347,982,432
Customers' liability under acceptances	18,396,905	8,356,646	-	178,639	-	26,932,190
Investments in associates	-	42,218,248	-	-	-	42,218,248
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	2,831,019
Property and equipment	16,421,925	640,166	-	-	-	17,062,091
Intangible assets	897,105	-	-	24,918	-	922,023
Other assets	12,666,607	-	-	91,343	-	12,757,950
Total Assets	1,685,543,088	141,153,634	95,367,577	360,494,977	17,049,737	2,299,609,013
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	23,711,894	24,880,704	-	2,097,933	-	50,690,531
Guarantees and standby letters of credit	50,337,322	5,883,060	1,131	112,606	-	56,334,119
Forward contracts	6,288,308	2,201,405	-	223,038,946	-	231,528,659
LIABILITIES						
Deposits and borrowings from banks	41,649,798	273,770,016	17,878,341	11,065,363	-	344,363,518
Customers' accounts at amortized cost	1,118,567,034	369,774,061	14,838,063	91,949,798	34,988,668	1,630,117,624
Related parties' accounts at amortized cost	29,831,292	26,373,560	-	2,330,979	-	58,535,831
Customers' acceptance liability	691,538	3,024,803	143,212	13,711,855	9,360,782	26,932,190
Other liabilities	8,033,029	1,027,284	-	829,458	-	9,889,771
Provisions	3,572,124	1,976,333	-	312,196	-	5,860,653
Subordinated bonds	60,248,632	-	-	-	-	60,248,632
Total liabilities	1,262,593,447	675,946,057	32,859,616	120,199,649	44,349,450	2,135,948,219

B. Liquidity Risk

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

1. Management of liquidity risk

Liquidity risk is the Group's ability to ensure the availability of funding to meet commitments, both on-balance and off-balance sheet commitments, at a reasonable cost on time. The management of liquidity should not lead to threats to the Group's solvency.

Liquidity risk arises when in case of crisis, refinancing may only be raised at higher market rates (funding risk), or assets may only be liquidated at a discount to market rates (market liquidity risk).

Liquidity risk is also caused by mismatches in the maturities of assets and liabilities (uses and sources of funds).

Residual contractual maturities of financial assets and liabilities:

The tables below show the Group's assets and liabilities in Lebanese Pounds base accounts segregated by maturity:

	December 31, 2012						
	LBP Base Accounts						
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash and Central Banks	33,790,248	4,000,000	-	-	-	-	37,790,248
Deposits with banks and financial institutions	1,704,425	-	-	-	-	-	1,704,425
Trading assets designated at fair value through profit or loss	1,063,803	4,026,147	17,484,419	13,971,673	-	13,379,105	49,925,147
Loans and advances to customers	11,499,574	12,198,912	900	4,873	-	-	23,704,259
Financial assets designated at fair value through other comprehensive income	615,120	-	-	-	-	-	615,120
Financial assets designated at amortized cost	2,868,884	15,014,578	24,752,381	55,228,762	88,331,051	46,577,889	232,773,545
Property and equipment	14,871,491	-	-	-	-	-	14,871,491
Intangible assets	687,321	-	-	-	-	-	687,321
Other assets	6,811,737	-	-	-	-	-	6,811,737
Total Assets	73,912,603	35,239,637	42,237,700	69,205,308	88,331,051	59,956,994	368,883,293
LIABILITIES							
Deposits and borrowings from banks	320,663	6,725,000	18,200,000	-	-	-	25,245,663
Customers' accounts at amortized cost	30,549,169	212,216,925	31,109,397	4,853,700	-	-	278,729,191
Related parties' accounts at amortized cost	767,000	3,259,122	-	-	-	-	4,026,122
Other liabilities	4,457,597	-	-	-	-	-	4,457,597
Provisions	3,701,702	-	-	-	-	-	3,701,702
Total Liabilities	39,796,131	222,201,047	49,309,397	4,853,700	-	-	316,160,275
Maturity Gap	34,116,471	(186,961,410)	(7,071,697)	64,351,608	88,331,052	59,956,994	52,723,018

The tables below show the Group's assets and liabilities in Foreign Currencies base accounts segregated by maturity:

	December 31, 2012							
	F/Cy Base Accounts							
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	13,197,214	24,714,212	20,251,305	148,362,430	55,130,635	-	-	261,655,796
Deposits with banks and financial institutions	239,180,987	162,383,978	10,431,989	-	-	-	-	411,996,954
Trading assets designated at fair value through profit or loss	5,972,171	-	-	-	2,249,039	5,680,225	549,335	14,450,770
Loans to banks and financial institutions	10,601,016	-	-	15,075,000	-	-	-	25,676,016
Loans and advances to customers	654,880,625	216,791,056	18,870,710	2,627,947	6,237	-	-	893,176,575
Loans and advances to related parties	577,827	450,040	2,721,755	99,148	-	-	-	3,848,770
Financial assets designated at fair value through other comprehensive income	29,071	-	-	-	-	-	-	29,071
Financial assets designated at amortized cost	3,996,457	42,083,380	13,097,142	102,183,248	32,259,719	10,160,477	-	203,780,423
Customers' liability under acceptances	-	21,790,859	2,074,872	-	-	-	-	23,865,731
Investments in associates	30,693,799	-	-	-	-	-	-	30,693,799
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-	-	2,831,019
Property and equipment	620,695	-	-	-	-	-	-	620,695
Intangible assets	12,421	-	-	-	-	-	-	12,421
Other assets	3,733,052	-	-	-	-	-	-	3,733,052
Total Assets	966,326,354	468,213,525	67,447,773	268,347,773	89,645,630	15,840,702	549,335	1,876,371,092
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-	-	2,831,019
Property and equipment	620,695	-	-	-	-	-	-	620,695
Intangible assets	12,421	-	-	-	-	-	-	12,421
Other assets	3,733,052	-	-	-	-	-	-	3,733,052
Total Assets	966,326,354	468,213,525	67,447,773	268,347,773	89,645,630	15,840,702	549,335	1,876,371,092
LIABILITIES								
Deposits and borrowings from banks	46,126,118	22,562,489	-	-	-	-	-	68,688,607
Customers' accounts at amortized cost	343,528,926	1,120,301,325	92,218,615	2,753,476	-	-	-	1,558,802,342
Related parties' accounts at amortized cost	23,700,430	26,240,872	-	-	-	-	-	49,941,302
Acceptance liability	-	21,790,859	2,074,872	-	-	-	-	23,865,731
Other liabilities	3,854,351	-	-	-	-	-	-	3,854,351
Provisions	2,340,756	-	-	-	-	-	-	2,340,756
Subordinated Bonds	-	-	-	62,397,734	-	-	-	62,397,734
Total Liabilities	419,550,581	1,190,895,545	94,293,487	65,151,210	-	-	-	1,769,890,823
Maturity Gap	546,775,773	(722,682,020)	(26,845,714)	203,196,563	89,645,630	15,840,702	549,335	106,480,269

The tables below show the Group's assets and liabilities in Lebanese Pounds base accounts segregated by maturity:

	December 31, 2012						
	LBP Base Accounts						
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash and Central Banks	27,026,171	-	-	-	-	-	27,026,171
Deposits with banks and financial institutions	1,475,089	-	-	-	-	-	1,475,089
Trading assets at fair value through profit or loss	1,695,390	-	3,149,866	39,584,750	11,058,389	2,788,388	58,276,783
Loans and advances to customers	9,974,080	9,136,008	25,500	-	-	-	19,135,588
Loans and advances to related parties	34	-	-	-	-	-	34
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	615,120
Financial assets at amortized cost	3,312,186	8,031,207	48,613,367	82,402,661	9,407,211	33,318,907	185,085,539
Property and equipment	16,415,291	-	-	-	-	-	16,415,291
Intangible assets	897,105	-	-	-	-	-	897,105
Other assets	8,937,734	-	-	-	-	-	8,937,734
Total Assets	70,348,200	17,167,215	51,788,733	121,987,411	20,465,600	36,107,295	317,864,454
LIABILITIES							
Deposits and borrowings from banks	213,229	13,000,000	21,184,576	-	-	-	34,397,805
Customers' accounts at amortized cost	23,955,925	164,520,790	25,850,037	2,028,261	-	-	216,355,013
Related parties' accounts at amortized cost	965,561	2,750,613	-	-	-	-	3,716,174
Other liabilities	3,380,407	-	-	-	-	-	3,380,407
Provisions	3,225,401	-	-	-	-	-	3,225,401
Total Liabilities	31,740,523	180,271,403	47,034,613	2,028,261	-	-	261,074,800
Maturity Gap	38,607,677	(163,104,188)	4,754,120	119,959,150	20,465,600	36,107,295	56,789,654

The tables below show the Group's assets and liabilities in Foreign Currencies base accounts segregated by maturity:

	December 31, 2011							
	F/Cy Base Accounts							
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	31,636,909	28,274,040	137,950,425	122,216,445	83,297,790	-	-	403,375,609
Deposits with banks and financial institutions	171,687,709	280,771,726	30,912,933	-	-	-	-	483,372,368
Trading assets at fair value through profit or loss	7,104,816	6,783,750	1,703,442	13,268,039	1,023,215	6,743,604	689,631	37,316,497
Loans to banks and financial institutions	8,506,235	-	-	-	-	-	-	8,506,235
Loans and advances to customers	561,652,726	216,544,487	25,231,771	1,207,737	22,323	-	-	804,659,044
Loans and advances to related parties	194,901	2,129,834	2,621,415	-	169,874	-	-	5,116,024
Financial assets at fair value through other comprehensive income	28,498	-	-	-	-	-	-	28,498
Financial assets at amortized cost	3,118,556	1,733,249	25,145,498	102,797,452	20,878,756	8,120,562	1,102,820	162,896,893
Customers' liability under Acceptances	20,404,584	6,115,516	412,090	-	-	-	-	26,932,190
Investments in associates	42,218,248	-	-	-	-	-	-	42,218,248
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-	-	2,831,019
Property and equipment	646,800	-	-	-	-	-	-	646,800
Intangible assets	24,918	-	-	-	-	-	-	24,918
Other assets	3,820,216	-	-	-	-	-	-	3,820,216
Total Assets	853,876,135	542,352,602	223,977,574	239,489,673	105,391,958	14,864,166	1,792,451	1,981,744,559
LIABILITIES								
Deposits and borrowings from banks	123,304,724	186,068,541	592,448	-	-	-	-	309,965,713
Customers' accounts at amortized cost	334,126,749	1,005,550,787	60,292,515	13,792,560	-	-	-	1,413,762,611
Related parties' accounts at amortized cost	37,234,379	17,585,278	-	-	-	-	-	54,819,657
Acceptance liability	20,404,584	6,115,516	412,090	-	-	-	-	26,932,190
Other liabilities	6,509,362	-	-	-	-	-	-	6,509,362
Provisions	2,635,254	-	-	-	-	-	-	2,635,254
Subordinated Bonds	-	-	-	60,248,632	-	-	-	60,248,632
Total Liabilities	524,215,052	1,215,320,122	61,297,053	74,041,192	-	-	-	1,874,873,419
Maturity Gap	329,661,083	(672,967,520)	162,680,521	165,448,481	105,391,958	14,864,166	1,792,451	106,871,140

Concentration of Liabilities by counterparty:

Information regarding the concentration of liabilities by counterparty is disclosed under the respective notes to the financial statements.

C. Market Risks

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

1. Management of market risks:

Market risks include interest rate risk and exchange risk.

The Group has established an Assets and Liabilities Management Committee (ALCO) to manage market risks. ALCO's primary objective is to maximize interest income spread and trading income while maintaining market risks at an appropriate level through regular management and measurement of these risks.

The Group has developed policies and procedures to manage market risks and ensure compliance with regulatory requirements and limits in addition to internal risk strategies and limits.

2. Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The treasury department is responsible for monitoring the compliance with the regulatory ratios set by the Regulatory Authorities. ALCO is supported by the finance department by reports of any breach of these ratios.

Below is the carrying value of assets and liabilities segregated by major currencies to reflect the Group's exposure to foreign currency exchange risk at year end:

	December 31, 2012					
	LBP	USD C/V in LBP	EURO C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Banks	37,790,248	192,717,954	68,721,942	203,800	12,100	299,446,044
Deposits with banks and financial institutions	1,704,425	316,934,861	27,680,054	25,461,110	41,920,929	413,701,379
Trading assets at fair value through profit or loss	49,925,147	14,450,770	-	-	-	64,375,917
Loans to banks and financial institutions	-	24,588,898	1,087,118	-	-	25,676,016
Loans and advances to customers	23,704,259	758,471,040	77,484,954	3,052,602	54,167,979	916,880,834
Loans and advances to related parties	-	3,635,379	213,391	-	-	3,848,770
Financial assets at fair value through other comprehensive income	615,120	-	29,071	-	-	644,191
Investments at amortized cost	232,773,545	198,584,067	5,196,356	-	-	436,553,968
Customers' liability under acceptances	-	16,894,636	6,707,306	-	263,789	23,865,731
Investments in associates	-	30,693,799	-	-	-	30,693,799
Assets acquired in satisfaction of loans	-	2,831,019	-	-	-	2,831,019
Property and equipment	14,871,491	620,695	-	-	-	15,492,186
Intangible assets	687,321	12,421	-	-	-	699,742
Other assets	6,811,737	12,869,889	66,402,238	484,499	(73,863,392)	12,704,971
Total Assets	368,883,293	1,573,305,428	253,522,430	29,202,011	22,501,405	2,247,414,567
LIABILITIES						
Deposits and borrowings from banks	25,245,663	38,260,549	25,627,377	266,411	4,534,270	93,934,270
Customers' accounts at amortized cost	278,729,191	1,297,472,790	215,988,528	29,528,049	15,812,975	1,837,531,533
Related parties' accounts at amortized cost	4,026,122	38,834,136	6,156,590	650,708	4,299,868	53,967,424
Acceptance liability	-	16,894,636	6,707,307	-	263,788	23,865,731
Other liabilities	4,457,597	3,290,915	546,797	12,213	4,426	8,311,948
Provisions	3,701,702	1,983,871	356,885	-	-	6,042,458
Subordinated Bonds	-	62,397,734	-	-	-	62,397,734
Total Liabilities	316,160,275	1,459,134,631	255,383,484	30,457,381	24,915,327	2,086,051,098
Currencies to be delivered	-	(330,867,083)	(376,169,308)	(848,736)	(12,869,792)	(720,754,919)
Currencies to be received	-	321,424,716	310,105,130	363,744	86,701,147	718,594,737
	-	(9,442,367)	(66,064,178)	(484,992)	73,831,355	(2,160,182)
Net on-balance sheet financial position	52,723,018	104,728,430	(67,925,232)	(1,740,362)	71,417,433	159,203,287

	December 31, 2011					
	LBP	USD C/V in LBP	EURO C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Banks	27,026,171	283,424,475	119,737,080	195,947	18,107	430,401,780
Deposits with banks and financial institutions	1,475,089	319,671,030	106,693,843	30,766,058	26,241,437	484,847,457
Trading assets at fair value through profit or loss	58,276,783	33,959,123	2,169,981	1,187,393	-	95,593,280
Loans to banks and financial institutions	-	8,506,235	-	-	-	8,506,235
Loans and advances to customers	19,135,588	694,060,038	62,830,701	719,341	47,048,964	823,794,632
Loans and advances to related parties	34	5,071,057	44,487	-	480	5,116,058
Financial assets at fair value through other comprehensive income	615,120	-	28,498	-	-	643,618
Investments at amortized cost	185,085,539	149,348,264	13,548,629	-	-	347,982,432
Customers' liability under acceptances	-	12,951,120	12,183,023	155,706	1,642,341	26,932,190
Investments in associates	-	42,218,248	-	-	-	42,218,248
Assets acquired in satisfaction of loans	-	2,831,019	-	-	-	2,831,019
Property and equipment	16,415,291	646,800	-	-	-	17,062,091
Intangible assets	897,105	24,918	-	-	-	922,023
Other assets	8,937,734	154,639,396	(80,942,366)	(150,075)	(64,034,839)	18,449,850
Total Assets	317,864,454	1,707,351,723	236,293,876	32,874,370	10,916,490	2,305,300,913
LIABILITIES						
Deposits and borrowings from banks	34,397,805	295,238,969	8,711,762	3,277,740	2,737,242	344,363,518
Customers' accounts at amortized cost	216,355,013	1,161,483,087	204,028,561	32,227,425	16,023,539	1,630,117,625
Related parties' accounts at amortized cost	3,716,174	54,011,289	215,278	593,090	-	58,535,831
Acceptance liability	-	12,951,120	12,183,023	155,706	1,642,341	26,932,190
Other liabilities	3,380,407	5,361,100	1,072,652	43,578	32,034	9,889,771
Provisions	3,225,401	2,323,059	312,195	-	-	5,860,655
Subordinated bonds	-	60,248,632	-	-	-	60,248,632
Total Liabilities	261,074,800	1,591,617,256	226,523,471	36,297,539	20,435,156	2,135,948,222
Currencies to be delivered	-	(176,732,967)	(41,872,131)	(2,673,600)	(10,249,961)	(231,528,659)
Currencies to be received	-	25,594,043	123,133,243	150,966	76,958,510	225,836,762
	-	(151,138,924)	81,261,112	(2,522,634)	66,708,549	(5,691,897)
Net on-balance sheet exchange position	56,789,654	(35,404,457)	91,031,514	(5,945,803)	57,189,883	163,660,794

3. Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on the Group's net interest income, while a long term impact is on Group's net worth since the economic value of Group's assets, liabilities and off-balance sheet exposures are affected.

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimizing the return on risk.

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Lebanese Pound base accounts:

		December 31, 2012								
		Lebanese Pounds Base Accounts								
		Floating Interest Rate		Fixed Interest Rate						
	Non-Interest Bearing	Up to Three Months	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS									
Cash and Central Banks	33,790,248	4,000,000	4,000,000	-	-	-	-	-	37,790,248
Deposits with banks and financial institutions	1,451,840	252,585	252,585	-	-	-	-	-	1,704,425
Trading assets designated at fair value through profit or loss	1,063,802	4,026,148	4,026,148	17,484,419	13,971,673	-	13,379,105	44,835,197	49,925,147
Loans and advances to customers	29,042	23,669,444	23,669,444	900	4,873	-	-	5,773	23,704,259
Financial assets designated at fair value through other comprehensive income	615,120	-	-	-	-	-	-	-	615,120
Financial assets at amortized cost	2,868,883	15,014,578	15,014,578	24,752,381	55,228,762	88,331,052	46,577,889	214,890,084	232,773,545
Property and equipment	14,871,491	-	-	-	-	-	-	-	14,871,491
Intangible assets	687,321	-	-	-	-	-	-	-	687,321
Other assets	6,811,737	-	-	-	-	-	-	-	6,811,737
Total Assets	62,189,484	46,962,755	46,962,755	42,237,700	69,205,308	88,331,052	59,956,994	259,731,054	368,883,293
LIABILITIES									
Deposits and borrowings from banks	812,018	6,233,645	6,233,645	18,200,000	-	-	-	18,200,000	25,245,663
Customers' accounts at amortized cost	3,527,143	239,238,951	239,238,951	31,109,397	4,853,700	-	-	35,963,097	278,729,191
Related parties' accounts at amortized cost	6,631	4,019,491	4,019,491	-	-	-	-	-	4,026,122
Other liabilities	4,457,597	-	-	-	-	-	-	-	4,457,597
Provisions	3,701,702	-	-	-	-	-	-	-	3,701,702
Total Liabilities	12,505,091	249,492,087	249,492,087	49,309,397	4,853,700	-	-	54,163,097	316,160,275
Interest rate gap position	49,684,393	(202,529,332)	(202,529,332)	(7,071,697)	64,351,608	88,331,052	59,956,994	205,567,957	52,723,018

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Foreign Currencies base accounts:

	December 31, 2012				
		Floating Interest Rate			
	Non-Interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS					
Cash and Central banks	7,835,138	30,076,288	20,251,305	148,362,430	55,130,635
Deposits with banks and financial institutions	31,284,907	365,642,731	-	-	-
Trading assets designated at fair value through profit or loss	5,972,172	-	-	-	2,249,039
Loans to banks and financial institutions	10,601,016	-	-	-	-
Loans and advances to customers	(758,078)	872,429,759	-	-	-
Loans and advances to related parties	19,562	1,008,305	-	-	-
Financial assets designated at fair value through other comprehensive income	29,071	-	-	-	-
Financial assets at amortized cost	3,996,457	42,083,380	-	-	-
Customers' liability under acceptances	23,865,731	-	-	-	-
Investments in associates	30,693,799	-	-	-	-
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-
Property and equipment	620,695	-	-	-	-
Intangible assets	12,421	-	-	-	-
Other assets	3,733,052	-	-	-	-
Total Assets	120,736,962	1,311,240,463	20,251,305	148,362,430	57,379,674
LIABILITIES					
Deposits and borrowings from banks	1,450	63,689,435	-	-	-
Customers' accounts at amortized cost	3,048,825	1,460,781,426	-	-	-
Related parties' accounts at amortized cost	23,630	49,917,672	-	-	-
Acceptance liability	23,865,731	-	-	-	-
Other liabilities	3,854,351	-	-	-	-
Provisions	2,340,756	-	-	-	-
Subordinated bonds	-	-	-	-	-
Total Liabilities	33,134,743	1,574,388,533	-	-	-
Interest rate gap position	87,602,219	(263,148,070)	20,251,305	148,362,430	57,379,674

December 31, 2012

			Fixed Interest Rate					
	Over 5 Years	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
	-	253,820,658	-	-	-	-	-	261,655,796
	-	365,642,731	15,069,316	-	-	-	15,069,316	411,996,954
	549,334	2,798,373	-	-	-	5,680,225	5,680,225	14,450,770
	-	-	-	15,075,000	-	-	15,075,000	25,676,016
	-	872,429,759	18,870,710	2,627,947	6,237	-	21,504,894	893,176,575
	-	1,008,305	2,721,755	99,148	-	-	2,820,903	3,848,770
	-	-	-	-	-	-	-	29,071
	-	42,083,380	13,097,142	102,183,248	32,259,719	10,160,477	157,700,586	203,780,423
	-	-	-	-	-	-	-	23,865,731
	-	-	-	-	-	-	-	30,693,799
	-	-	-	-	-	-	-	2,831,019
	-	-	-	-	-	-	-	620,695
	-	-	-	-	-	-	-	12,421
	-	-	-	-	-	-	-	3,733,052
	549,334	1,537,783,206	49,758,923	119,985,343	32,265,956	15,840,702	217,850,924	1,876,371,092
	-	63,689,435	4,997,722	-	-	-	4,997,722	68,688,607
	-	1,460,781,426	92,218,615	2,753,476	-	-	94,972,091	1,558,802,342
	-	49,917,672	-	-	-	-	-	49,941,302
	-	-	-	-	-	-	-	23,865,731
	-	-	-	-	-	-	-	3,854,351
	-	-	-	-	-	-	-	2,340,756
	-	-	-	62,397,734	-	-	62,397,734	62,397,734
	-	1,574,388,533	97,216,337	65,151,210	-	-	162,367,547	1,769,890,823
	549,334	(36,605,327)	(47,457,414)	54,834,133	32,265,956	15,840,702	55,483,377	106,480,269

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Lebanese Pound base accounts:

	December 31, 2011		
	Lebanese Pounds Base Accounts		
		Floating Interest Rate	
	Non-Interest Bearing	Up to 3 Months	Total
	LBP'000	LBP'000	LBP'000
ASSETS			
Cash and Central Banks	27,026,171	-	-
Deposits with banks and financial institutions	1,161,036	314,053	314,053
Trading assets at fair value through profit or loss	1,695,390	-	-
Loans and advances to customers	432,572	18,677,516	18,677,516
Loans and advances to related parties	-	34	34
Financial assets at fair value through other comprehensive income	615,120	-	-
Financial assets at amortized cost	3,312,186	8,031,207	8,031,207
Property and equipment	16,415,291	-	-
Intangible assets	897,105	-	-
Other assets	8,937,734	-	-
Total Assets	60,492,605	27,022,810	27,022,810
LIABILITIES			
Deposits and borrowings from banks	575,852	12,637,377	12,637,377
Customers' accounts at amortized cost	1,361,914	187,114,801	187,114,801
Related parties' accounts at amortized cost	1,990	3,714,184	3,714,184
Other liabilities	3,380,407	-	-
Provisions	3,225,399	-	-
Total Liabilities	8,545,562	203,466,362	203,466,362
Interest rate gap position	51,947,043	(176,443,552)	(176,443,552)

December 31, 2011					
Lebanese Pounds Base Accounts					
Fixed Interest Rate					
Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total	Grand Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	-	-	-	-	27,026,171
-	-	-	-	-	1,475,089
3,149,866	39,584,750	11,058,389	2,788,388	56,581,393	58,276,783
25,500	-	-	-	25,500	19,135,588
-	-	-	-	-	34
-	-	-	-	-	615,120
48,613,367	82,402,661	9,407,211	33,318,907	173,742,146	185,085,539
-	-	-	-	-	16,415,291
-	-	-	-	-	897,105
-	-	-	-	-	8,937,734
51,788,733	121,987,411	20,465,600	36,107,295	230,349,039	317,864,454
21,184,576	-	-	-	21,184,576	34,397,805
25,850,037	2,028,261	-	-	27,878,298	216,355,013
-	-	-	-	-	3,716,174
-	-	-	-	-	3,380,407
-	-	-	-	-	3,225,399
47,034,613	2,028,261	-	-	49,062,874	261,074,798
4,754,120	119,959,150	20,465,600	36,107,295	181,286,165	56,789,656

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Foreign Currencies base accounts:

	December 31, 2011					
		Floating Interest Rate				
	Non-Interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Banks	7,889,330	52,021,619	137,950,425	122,216,445	83,297,790	-
Deposits with banks and financial institutions	53,322,996	399,136,417	25,893,947	-	-	-
Trading assets at fair value through profit or loss	7,104,816	6,783,750	1,162,549	1,826,125	-	-
Loans to banks and financial institutions	8,506,235	-	-	-	-	-
Loans and advances to customers	404,210	777,793,003	718,111	-	-	-
Loans and advances to related parties	17,001	2,307,735	-	-	169,873	-
Financial assets at fair value through other comprehensive income	28,498	-	-	-	-	-
Financial assets at amortized cost	3,118,556	1,733,217	-	-	-	-
Customers' liability under acceptances	26,932,190	-	-	-	-	-
Investments in associates	42,218,248	-	-	-	-	-
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-
Property and equipment	646,800	-	-	-	-	-
Intangible assets	24,918	-	-	-	-	-
Other assets	3,820,216	-	-	-	-	-
Total Assets	156,865,033	1,239,775,741	165,725,032	124,042,570	83,467,663	-
LIABILITIES						
Deposits and borrowings from banks	857,181	308,516,084	-	-	-	-
customers' accounts at amortized cost	1,810,845	1,337,866,691	-	-	-	-
Related parties' accounts at amortized cost	677,944	54,141,713	-	-	-	-
Acceptance liability	26,932,190	-	-	-	-	-
Other liabilities	6,509,364	-	-	-	-	-
Provisions	2,635,254	-	-	-	-	-
Subordinated bonds	-	-	-	-	-	-
Total Liabilities	39,422,778	1,700,524,488	-	-	-	-
Interest rate gap position	117,442,255	(460,748,747)	165,725,032	124,042,570	83,467,663	-

The effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Group for the subsequent fiscal year is LBP3.35billion increase/decrease.

December 31, 2011								
		Fixed Interest Rate						
Over 10 Years	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	Grand Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	395,486,279	-	-	-	-	-	-	403,375,609
-	425,030,364	5,019,008	-	-	-	-	5,019,008	483,372,368
548,303	10,320,727	540,893	11,441,914	1,023,215	6,743,604	141,328	19,890,954	37,316,497
-	-	-	-	-	-	-	-	8,506,235
-	778,511,114	24,513,660	1,207,737	22,323	-	-	25,743,720	804,659,044
-	2,477,608	2,621,415	-	-	-	-	2,621,415	5,116,024
-	-	-	-	-	-	-	-	28,498
-	1,733,217	25,145,498	102,797,484	20,878,756	8,120,562	1,102,820	158,045,120	162,896,893
-	-	-	-	-	-	-	-	26,932,190
-	-	-	-	-	-	-	-	42,218,248
-	-	-	-	-	-	-	-	2,831,019
-	-	-	-	-	-	-	-	646,800
-	-	-	-	-	-	-	-	24,918
-	-	-	-	-	-	-	-	3,820,216
548,303	1,613,559,309	57,840,474	115,447,135	21,924,294	14,864,166	1,244,148	211,320,217	1,981,744,559
-	308,516,084	592,448	-	-	-	-	592,448	309,965,713
-	1,337,866,691	60,292,515	13,792,560	-	-	-	74,085,075	1,413,762,611
-	54,141,713	-	-	-	-	-	-	54,819,657
-	-	-	-	-	-	-	-	26,932,190
-	-	-	-	-	-	-	-	6,509,364
-	-	-	-	-	-	-	-	2,635,254
-	-	-	60,248,632	-	-	-	60,248,632	60,248,632
-	1,700,524,488	60,884,963	74,041,192	-	-	-	134,926,155	1,874,873,421
548,303	(86,965,179)	(3,044,489)	41,405,943	21,924,294	14,864,166	1,244,148	76,394,062	106,871,138

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The summary of the Group's classification of each class of financial assets and liabilities covered by IFRS 9, and their fair values as at December 31, 2012, are as follows:

	December 31, 2012				
	At Fair Value Through Profit and Loss	At Fair Value Through other Comprehensive Icome	Amortized Cost	Total Carrying Value	Total Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS					
Cash and Central banks	-	-	299,446,044	299,446,044	299,446,044
Deposits with banks and financial institutions	-	-	413,701,379	413,701,379	413,701,379
Trading assets at fair value through profit or loss	64,375,917	-	-	64,375,917	64,375,917
Loans to banks and financial institutions	-	-	25,676,016	25,676,016	25,676,016
Loans and advances to customers	-	-	916,880,834	916,880,834	916,880,834
Loans and advances to related parties	-	-	3,848,770	3,848,770	3,848,770
Financial assets at fair value through other comprehensive income	-	644,191	-	644,191	644,191
Financial assets at amortized cost	-	-	436,553,968	436,553,968	434,539,926
Customers' liability under acceptances	-	-	23,865,731	23,865,731	23,865,731
Other assets	-	-	6,673,770	6,673,770	6,673,770
Total	64,375,917	644,191	2,126,646,512	2,191,666,620	2,189,652,578
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	-	-	93,934,270	93,934,270	93,934,270
Customers' accounts at amortized cost	-	-	1,837,531,533	1,837,531,533	1,837,531,533
Related parties' accounts at amortized cost	-	-	53,967,424	53,967,424	53,967,424
Acceptance liability	-	-	23,865,731	23,865,731	23,865,731
Other liabilities	-	-	8,184,859	8,184,859	8,184,859
Subordinated bonds	-	-	62,397,734	62,397,734	61,161,989
Total	-	-	2,079,881,551	2,079,881,551	2,078,645,806

	December 31, 2011				
	At Fair Value Through Profit and Loss	At Fair Value Through other Comprehensive Icome	Amortized Cost	Total Carrying Value	Total Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS					
Cash and Central Banks	-	-	430,401,780	430,401,780	430,401,780
Deposits with banks and financial institutions	-	-	484,847,457	484,847,457	484,847,457
Trading assets at fair value through profit or loss	95,593,280	-	-	95,593,280	95,593,280
Loans to banks and financial institutions	-	-	8,506,235	8,506,235	8,506,235
Loans and advances to customers	-	-	823,794,632	823,794,632	823,794,632
Loans and advances to related parties	-	-	5,116,058	5,116,058	5,116,058
Financial assets at fair value through other comprehensive income	-	643,618	-	643,618	643,618
Financial assets at amortized cost	-	-	347,982,432	347,982,432	346,891,945
Customers' liability under acceptances	-	-	26,932,190	26,932,190	26,932,190
Other assets	-	-	5,001,868	5,001,868	5,001,868
Total	95,593,280	643,618	2,132,582,652	2,228,819,550	2,227,729,063
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	-	-	344,363,518	344,363,518	344,363,518
Customers' accounts at amortized cost	-	-	1,630,117,624	1,630,117,624	1,630,117,624
Related parties' accounts at amortized cost	-	-	58,535,831	58,535,831	58,535,831
Acceptance liability	-	-	26,932,190	26,932,190	26,932,190
Other liabilities	-	-	4,042,503	4,042,503	4,042,503
Subordinated bonds	-	-	60,248,632	60,248,632	61,738,989
Total	-	-	2,124,240,298	2,124,240,298	2,125,730,655

The basis for the determination of the estimated fair values with respect to financial instruments carried at amortized cost and for which quoted market prices are not available is summarized as follows:

(a) Deposits with Central Bank and financial institutions:

The fair value of current deposits (including non-interest earning compulsory deposits with Central Banks), and overnight deposits is their carrying amount. The estimated fair value of fixed interest earning deposits with maturities or interest reset dates beyond one year from the balance sheet date is based on the discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(b) Loans and advances to customers and to banks:

The estimated fair value of loans and advances to customers is based on the discounted amount of expected future cash flows determined at current market rates.

(c) Financial Assets at Amortized Cost:

The estimated fair value of held-to-maturity investment securities is based on current yield curve appropriate for the remaining period to maturity.

(d) Deposits and borrowings from banks and customers' deposits:

The fair value of deposits with current maturity or no stated maturity is their carrying amount.
The estimated fair value on other deposits is based on the discounted cash flows using interest rates for new deposits with similar remaining maturity.

(e) Other borrowings and certificates of deposit:

The estimated fair value of other borrowings and certificates of deposits is the discounted cash flow based on a current yield curve appropriate for the remaining period to maturity.

(f) Fair value hierarchy:

The following table shows an analysis of financial instruments at fair value by level of the fair value hierarchy:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS				
Trading assets at fair value through profit or loss:				
Quoted equity securities	5,385,159	-	-	5,385,159
Lebanese treasury bills	-	21,892,877	-	21,892,877
Certificates of deposit issued by Central Bank of Lebanon	-	-	26,968,468	26,968,468
Certificates of deposit issued by banks	-	2,249,039	-	2,249,039
Corporate bonds	6,672,160	-	-	6,672,160
	12,057,319	24,141,916	26,968,468	63,167,703
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	-	-	644,191
	-	-	-	-
	12,057,319	24,141,916	26,968,468	63,811,894

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS				
Trading assets at fair value through profit or loss:				
Quoted equity securities	6,656,267	-	-	6,656,267
Lebanese treasury bills	-	18,887,850	-	18,887,850
Foreign treasury bills	464,823	-	-	464,823
Lebanese Government bonds	-	-	309,851	309,851
Certificates of deposit issued by Central Bank of Lebanon	-	-	48,630,455	48,630,455
Certificates of deposit issued by banks	-	10,663,308	-	10,663,308
Corporate bonds	7,836,787	-	-	7,836,787
	14,957,877	29,551,158	48,940,306	93,449,341
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	-	-	643,618
	-	-	-	643,618
	14,957,877	29,551,158	48,940,306	94,092,959

49. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

Comparable financial statements for the year ended December 31, 2011 were restated in respect of a currency translation adjustment related to investment in an associate incorporated in Syria where the carrying value of the investment was not adjusted for the effect of currency translation amounting to LBP5.35billion.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2012 were approved by the Board of Directors in its meeting held on April 26, 2013.

Expert Thinking

10. Financial Institutions and Correspondent Banking

Financial Institutions

The Financial Institutions activity is a core line of business within Banque Bemo.

Its strategy consists in catering for all types of Financial Institutions such as Deposit Taking and Non-Deposit Taking, by maintaining an effective Relationship Management Model, taking into consideration the main risk factors:

- Market risk
- Political risk
- Economic risk
- Country rating
- Bank rating

Surfing prudently, steadily and transparently in the ocean of regulations and sanctions, the Financial Institutions was able to maintain and even grow its successful and trustful business with all the major international correspondents, something that allowed Banque Bemo to be granted on 2012, for the 5th consecutive year, the Award of Excellence from Deutsche Bank and from Commerzbank, and to anchor itself as an active and reliable player in the correspondent banking arena.

Financial Institutions is constantly developing its activity among its correspondent banking network, aiming to provide always a high quality of services to clients and other Financial Institutions in the following lines of business:

- Treasury Services
- Investment and Trading Services
- Global Payment Services
- International Trade Finance Services
- Syndication
- Structured Products

In order to increase more and more the quality of services rendered, Financial Institutions undertook an aggressive approach that will continue through the year 2013, by applying and implementing sophisticated automated solutions that can reduce administrative time consumption and add real value to the final outcomes and results.

Our expertise in customization of solutions and excellence in delivering our services allows us to grab opportunities.

Correspondent Banks

Country	City	Correspondent
Belgium	Brussels	Deutsche Bank AG
China	Beijing	Bank of China limited
Denmark	Copenhagen	Nordea Bank Danmark A/S
Finland	Helsinki	Nordea Bank Finland PLC
France	Paris	Banque de l'Europe Meridionale
Germany	Frankfurt	Deutsche Bank AG
Germany	Frankfurt	Commerzbank AG
Italy	Milan	Intesa Sanpaolo SPA
Japan	Tokyo	Deutsche Bank AG
Korea	Seoul	Deutsche Bank AG
Korea	Seoul	Commerzbank AG
KSA	Riyadh	Banque Saudi Fransi
Norway	Oslo	Nordea Bank Norge ASA
Spain	Madrid	Banco Sabadell S.A.
Sweden	Stockholm	Nordea Bank AB
Switzerland	Zurich	UBS AG
Taiwan	Taipei	Deutsche Bank AG
UAE	Dubai	MashreqBank PSC
UK	London	Deutsche Bank AG
USA	New York	The Bank of New York Mellon

Team
Work

11. Banque Bemo Network

Banque Bemo sal

RCB 17837
List of Banks N 93 - BSE N 1111
Capital LBP 62,200,000,000

Head Office

Elias Sarkis Avenue , Bemo Building, Ashrafieh
Tel : +961 1 200 505 | 01 203 267
Fax: +961 1 217 860
P.O.Box: 16-6353 Beirut- Lebanon

General Management

Beirut Central District, Riad El Solh Square,
Esseily Building, Bloc A, 7th Floor
Tel: +961 1 992 600
Fax: +961 1 983 368
Swift: EUMOLBBE
P.O.Box: 11–7048 Beirut, Lebanon

E-mail: bemo@bemobank.com
www.bemobank.com

Branches

Ashrafieh:
Elias Sarkis Avenue, Bemo Building, Ashrafieh,
Tel: 01 200 505 | 01 203 267
Fax: 01 217 860
"ATM Machine"

Riad El Solh:
Beirut Central District, Riad El Solh Square,
Esseily Building, Bloc A, 7th Floor,
Tel: 01 992 600
Fax: 01 983 368

Dora:
Dora Highway, Tashdjian Banking Center,
Tel: 01 257 771 / 4
Fax: 01 257 775
"ATM Machine"

Kantari:
Fakhreddine Street, Tager Building,
Tel & Fax: 01 373 314 / 5
"ATM Machine"

Zouk:
Zouk Mekayel Highway, Vega Center,
1st Floor,
Tel & Fax: 09 211 182

Verdun:
Ramlet El Baida, Saeb Salam Avenue,
Al Iwan Building,
Tel: 01 799 420 / 2
Fax: 01 799 427
"ATM Machine"

Sin El Fil:
93, Charles De Gaulle Avenue, Debahy Center,
Tel: 01 513 990 / 3
Fax: 01 513 997
"ATM Machine"

Rabieh:
Rabieh Main Road, Lahlouh Center,
Tel: 04 408 910
Fax: 04 408 917
"ATM Machine"

Chtaura:
Jdita Main Road, Khalil Akl Center,
Tel: 08 544 725-8
Fax: 08 544 729
"ATM Machine"

Branch Abroad

Cyprus
Doma Court, 227 Makarios III Avenue,
Limassol
P.O.Box: 56232-3305 Limassol – Cyprus
Tel: + 357 25 583628 / 587640
Fax: + 357 25 588611
Swift: EUMOCY2I

Coming *Together*

12. Bemo Group Network

SUBSIDIARY

Bemo Securitization SA (BSEC)
3rd Floor, Two Park Avenue Building, Park Avenue
Beirut Central District, Minet El Hosn
Beirut, Lebanon
Tel: +961 1 997998
Fax: +961 1 994801
www.bsec-sa.com

ASSOCIATE BANK

Banque Bemo Saudi Fransi SA — Syria
29 Ayyar Street Salhia
P.O.Box: 31117 Damascus, Syria
Tel: +963 11 231 7778
Fax: +963 11 231 8778
www.bbsfbank.com

SISTER BANK

Bemo Europe — Banque Privée

Luxembourg
18 Royal Boulevard
L 2449 Luxembourg
Tel: +352 22 63211
Fax: +352 22 6533

Paris
63 Avenue Marceau,
75116 Paris, France
Tel: +33 1 44 43 49 49
Fax: +33 1 47 23 94 19

ASSOCIATE INVESTMENT FIRM

Bemo Oddo Investment Firm Ltd-Dubai
Gate Village,Building 1
Level 1, Unit 109
DIFC
P.O.Box: 506671
Dubai, UAE
Tel :+971 4 323 0565
Fax: +971 4 323 0585
www.oddo.eu

BANQUE
BEMO

Banque Bemo S.A.L
Elias Sarkis Ave., Bemo Bldg., Ashrafieh, Beirut - Lebanon
www.bemobank.com