BANQUE BEMO

16 ANNUAL REPORT

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ANNUAL REPORT

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DR. RIAD B. OBEGI

Chairman of the Board - General Manager

Dear Clients and Shareholders,

The past year was overall positive for BEMO. We continued on our development and our increased focus on the bank's vision. Our results were very good considering the environment and we are expecting them to continue that way.

In parallel, 2016 carried new hopes for Lebanon and the region with the election of a new president for Lebanon and a reduction of the hostilities in the Middle East.

If we are reasonably optimistic for the next year, we have to be ready for profound changes that are going to modify our sector and our landscape. Artificial Intelligence, Fintech, disintermediation will come our way. Abundant and cheap energy will be part of our life. We need to be ready to be up to the challenges.

We believe our model is perfectly fit for us to adapt and prosper in our changing world. With the trust of our clients and shareholders, with the efforts and commitment of our employees, we are confident that better days are ahead.

MR. SAMIH H. SAADEH

Vice Chairman of the Board - General Manager

Dear Clients and Shareholders,

As we embark on our 23rd year in business, it gives me great pleasure to report that our bank maintained its sustainable and satisfactory progress while enhancing the client segments it serves. The financial performance and milestones we achieved in 2016 were the direct results of our Client Centricity business model, which is the cornerstone of our business strategy instilled and shaped by our late Founder and Honorary Chairman, Mr. Henry Obegi where this year was marked by his sad departure, and pursued by our current Chairman Dr. Riad Obegi.

Since the bank's inception in 1994, Mr. Henry Obegi successfully guided us through challenging economic environments and directed the bank's steady growth and expansion. He was a visionary and demanding rigorous leader, but he was also sharp, generous and considerate. He understood the evolution of our business from quite early on, where his drive to put clients first inspired all the work processes on which our operations are based. Throughout the years that our founders dedicated to the Bank, followed at a later stage by our current Chairman Dr. Riad Obegi, it was demonstrated that it was possible to build one of the most respected brands in Lebanon and the region with only a few key values serving as compass. These four values, namely Family Spirit, Honesty, Professionalism and Conservatism are what make our Bank unique in its offering and are emphasized in our daily activities. A key factor which he also stressed upon was Trust, which extended to all levels, that of clients, without whom nothing is possible, but also the trust put in our people and our teams, which leads to a reciprocal feeling of responsibility for their actions and decisions. On June 23rd, 2014 and during his message to clients celebrating our bank's 20th year anniversary event, the late Mr. Henry Obegi, indicated the following: "We have found that there is always a possibility to be better and for that we have, I suppose, made it! I thank every one of you; our success would have never been possible without you." We are all committed to keeping his teachings and guidance in mind: to continually strive to take our Bank further aiming to become a fully centralized Client Centric bank and a reference in Corporate and Private Banking offerings.

Economically, 2016 was a challenging year, with sluggish growth in most developed economies. We experienced major political developments, such as the Brexit vote and rise of populism on a global scale. Locally and despite the election of a new President of the Republic after two years of political vacuum, the prevailing deadlock and regional tensions are still weighing heavily on economic sectors. Banks are operating within very tight margins and under pressure from international supervisory and monitoring agencies. Compliance is the name of the game as well as challenging capital requirements and new accounting standards further constraining ability to meet financial performance objectives.

Despite the diverse challenges and constraints faced, the business results for 2016 were in line with our 2016-2020 business plan. Our net profit increased by 21.5% while total assets grew by around 8.5% driven by the rise in customer deposits as shown below:

LBP BILLION	2015	2016	Growth
ASSETS	2,443	2,651	+8.5%
DEPOSITS*	2,039	2,189	+7.3%
LOANS*	1,018	1,041	+2.2%
EQUITY	203	243	+19.7%
NET INCOME	19.5	23.7	+21.5%
BASEL III CAPITAL ADEQUACY	14.44%	15.59%	

*including related parties' accounts

Building on the aforementioned and in line with the vision of our founder, we firmly believe that our bank is presently ideally positioned for further advancement, thanks to a unique set of advantages starting with a robust and diversified business mix, a strong balance sheet and capital position as well as a consistent and disciplined approach to managing risk. This is all reinforced through our unwavering commitment to regulatory compliance and a long-standing investment in recruiting, developing and retaining talented people.
For that purpose and in order to better serve our customers and streamline our operations, the Bank acquired new premises during 2016 which will house our new headquarters consisting of around 6,000 square meters where the objective once the relocation is completed in 2019 is to achieve full consolidation and centralization of our operations and activities from within one central location enabling us to provide a dedicated, unique and luxurious Client Centric experience.

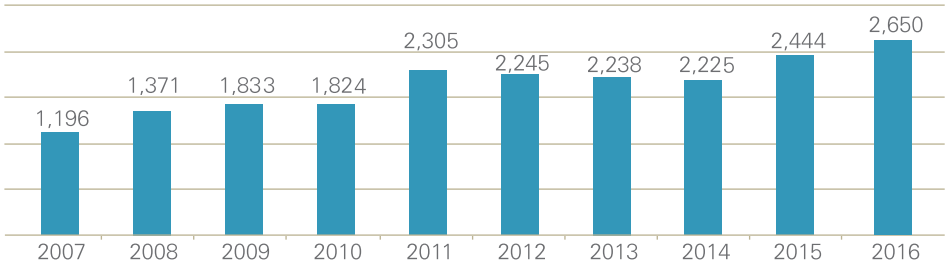
These interrelated strengths and milestones are the ingredients of sustainable growth. And underlying them all is the disciplined and structured way in which we deploy technology, something we elevated in 2016 to be a strategic priority of the bank. In every area of our business, customers are benefiting from the enhanced capabilities of our technology platform. We believe that our re-engineered IT architecture shall allow us to work more flexibly and cost-efficiently. The capabilities we are planning to enable in the coming short term period will make doing business with our bank faster and easier where the ultimate goal remains the same: to forge deep, mutually rewarding relationships with our customers.

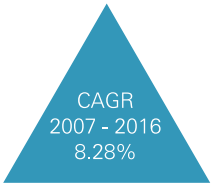
Despite the excellent results achieved in 2016, we are keenly aware that the mission is not yet accomplished. We are on a continuous journey of improvement and change under the leadership of our current Chairman Dr. Riad Obegi. The investments that we are making in the bank and its subsidiaries are part of a multi-year transformation to enhance our capabilities and continue to improve the banking experience we deliver. All this is to be achieved while keeping in mind the vision, heritage and legacy of our founder, the late Mr. Henry Obegi.

While thanking all our clients and employees for their commitment and loyalty which resulted in the cited achievements we were able to report throughout this year, we look forward to working closely with them, as they capitalize on new opportunities and ensure the bank remains well-positioned for the future. Equally, I would like to thank our Board of Directors, our visionary Chairman Dr. Riad Obegi, and our shareholders for their guidance, trust and insights provided throughout this year acting as the driving force behind our ability to achieve the milestones mentioned.

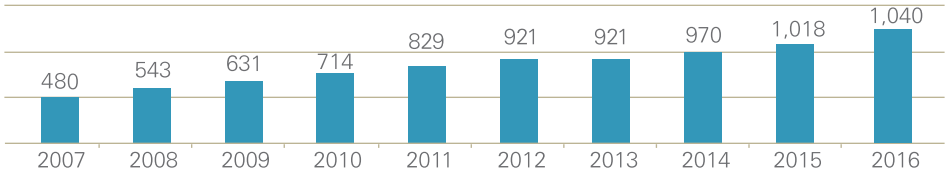
"We believe our model is perfectly fit for us to adapt and prosper in our changing world. With the trust of our clients and shareholders, with the efforts and commitment of our employees, we are confident that better days are ahead."

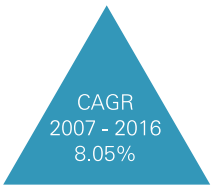
EVOLUTION OF TOTAL ASSETS IN LBP BILLIONS



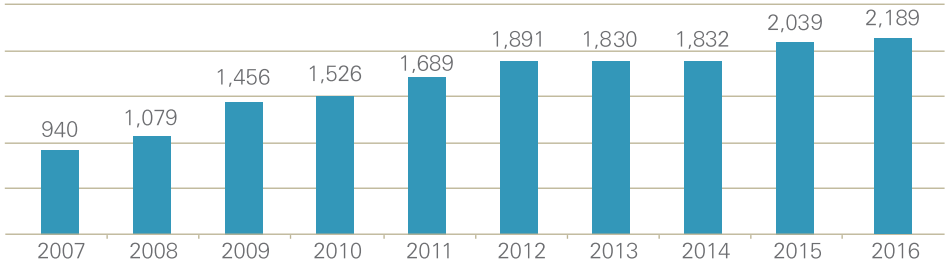


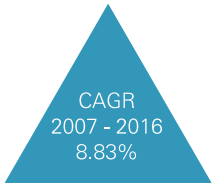
EVOLUTION OF TOTAL LOANS IN LBP BILLIONS



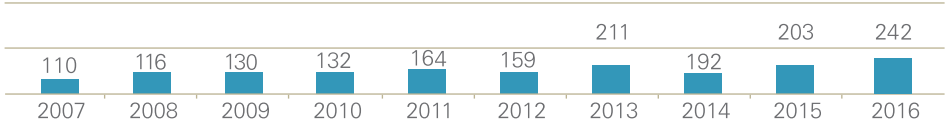


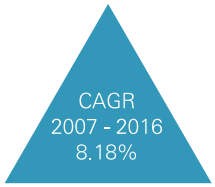
EVOLUTION OF TOTAL DEPOSITS IN LBP BILLIONS





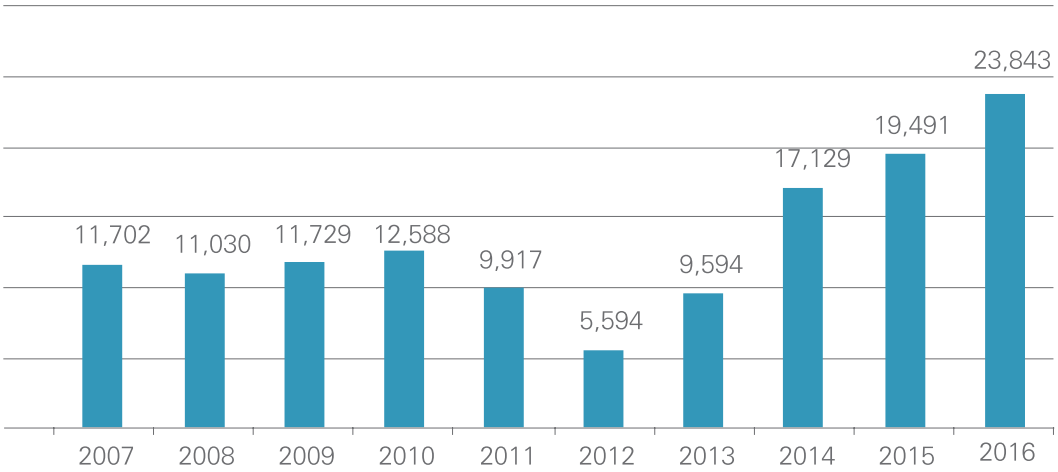
EVOLUTION OF SHAREHOLDERS EQUITY IN LBP MILLIONS



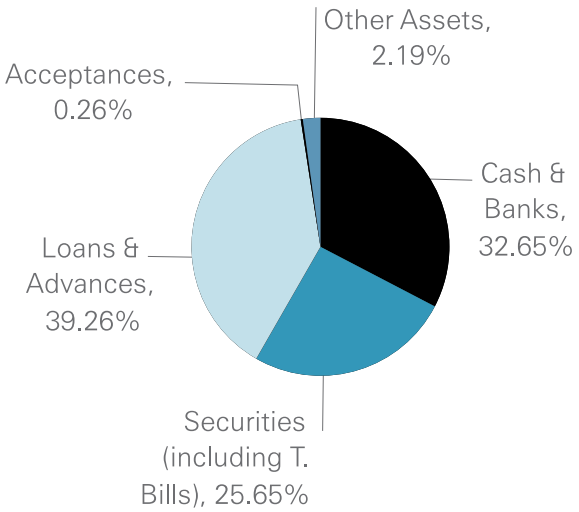


* CAGR (Compound Annual Growth Rate) is the mean annual growth rate over a specified period of time

EVOLUTION OF NET PROFIT IN LBP MILLIONS



BREAK DOWN OF TOTAL ASSETS 2016



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CORPORATE GOVERNANCE

- CORPORATE GOVERNANCE
- OWNERSHIP STRUCTURE
- REMUNERATION POLICY
- BOARD OF DIRECTORS
- ORGANIZATIONAL STRUCTURE
- BOARD COMMITTEES

FOSTERING TRANSPARENCY IN LINE WITH THE GROUP'S MOTTO «BUSINESS WITH ETHICS»

CORPORATE GOVERNANCE

Corporate Governance at Banque BEMO sal has never been perceived as a set of rules or best practices solely, but rather it is profoundly inspired by the Bank's values in order to fulfill its mission and to pursue its vision in such a manner that serves all its stakeholders – be specifically client centric – and at the same time, enhance efficiency.

The Board of Directors, thus, establishes and promotes the Bank's business strategy and objectives through making decisions in a controlled manner, furnishing the Management with adequate guidelines, fostering keen follow up, and conducting rigorous review.

As customer centricity remains a priority on the Bank's agenda, the Board urges the Management to develop the pertaining strategy that puts clients' interests pivotal in all the financial and advisory products and services that the Bank offers them.

While the Board seeks to complete its role as a reliable corporate representative committed to best practices, it supports the Management in preserving clients' interests; nonetheless, it also trusts that the Management will, at the same time, act as a trustee of the shareholders' capital.

One of the Board's main objectives remains to maximize and deliver long-term shareholder value. To pursue this objective, however, the Board continuously seeks to provide the proper environment, which enables recognizing the importance of addressing and safeguarding the concerns and interests of its stakeholders, and simultaneously, maintaining a customer-centric focus while sustaining the success of the Bank over the longer term. Hence, good corporate governance practices become an essential part of how the Bank aims at running its business activities and harmonizing its goals – shareholder value, customer centricity and Bank success!

The Board realizes, though, that success is not achieved through looking only outwards, but rather more through looking inwards. This is when corporate governance becomes the reflection of the Bank's core values and ethical business practices. On the other hand, it creates the foundation for the Board, being well informed and independent, to thoroughly commit to defining and practicing the highest levels of governance across all its business functions.

The Board's philosophy on corporate governance accentuates achieving high levels of transparency, integrity, and accountability in all of the Bank's activities and communications – both internal and external. Consequently, the Board engages in several matters that support fulfilling the Bank's corporate responsibility towards all its stakeholders within the customer-centric framework that Banque BEMO has long adopted.

Hence, in accordance with the corporate governance standards and the fulfillment of good governance practices, the Board focused on the following in 2016:

- Sustaining high standards of corporate governance
- Restructuring the Board and Board Committees to have a balance of expertise, knowledge, experience and effective views among the hired members
- Implementing more thorough Board related evaluations
- Setting up a vigorous succession plan in addition to developing and promoting future leaders

Sustaining high standards of corporate governance

The Board of Directors has always aimed at encouraging sound corporate governance and high standards of ethical behavior, which are vital to the Bank to grow and succeed, and thus, earn the stakeholders' trust.
Adherence with the Bank's business principles, policies and procedures are crucial as far as the Board of Directors is concerned in order to achieve high standards of corporate governance. For this reason, the Board continuously directs the Management to sustain the set internal control framework, uphold the risk management system, and abide by the regulatory requirements, in addition to ensuring timely and accurate disclosure of information to the public.

Restructuring the Board and Board Committees to have a balance of expertise, knowledge, experience and effective views among the hired members

The Board of Directors is the cornerstone of the Corporate Governance.

On June 07, 2016, a new Board consisting of 8 members was elected for a 3-years mandate to include the suitable mix of directors that maintains its independence and separates its functions of governance and management: three independent directors (37.5%), three non-executive directors (37.5%), and two executive directors (25%).

All of the Board members have wide experience in a variety of fields in addition to sufficient understanding of the banking sector and the financial markets. They incorporate their knowledge and their expertise, thus to add value to the Bank and to provide active direction and leadership.
On September 07, 2016, the Board approved the new composition of each of the Board Audit Committee, the Board Nominating, Remuneration and Corporate Governance Committee, and the Board Risk and Compliance Committee, where each is chaired by an independent director in compliance with the regulatory requirements.

Implementing more thorough Board related evaluations

The key part of the process of implementing good governance practices was to monitor the Board evaluation framework through updating the questionnaire, in a manner that better reviews the functioning and effectiveness of the Board and the Board Committees, in order to identify any possible paths for improvement.

The survey includes questions relating to creating an effective Board, running an effective Board, creating value, implementing stewardship, enhancing strategic foresight, assessing performance, instigating professional development and overseeing Management.

The Board collective self-assessment for the year 2016 has been successfully completed, where feedback from each Board member was highly encouraged to be provided as part of the survey.

Setting up a vigorous succession plan in addition to developing and promoting future leaders

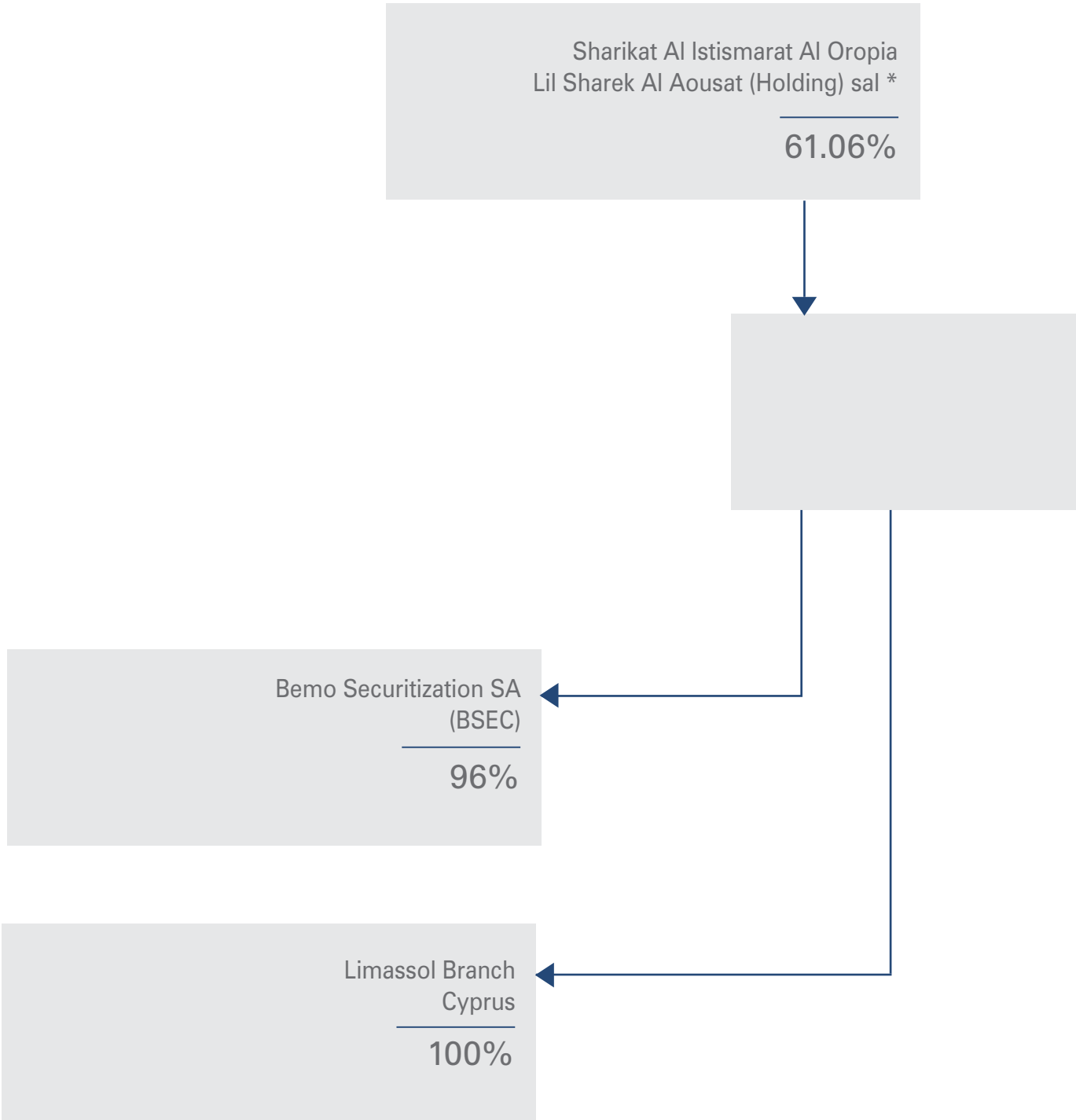
Board leadership succession planning is an essential, though, critical task that the Board Nominating, Remuneration and Corporate Governance Committee has to fulfill within the frame of good governance practices.
The Committee collaborates closely with the Board in order to prepare contingency plans for succession, and at the same time, to ensure a smooth transition in case of any exigencies whether in terms of Board, Board Committees or Management positions.

Key trends in corporate governance in 2017 will include:

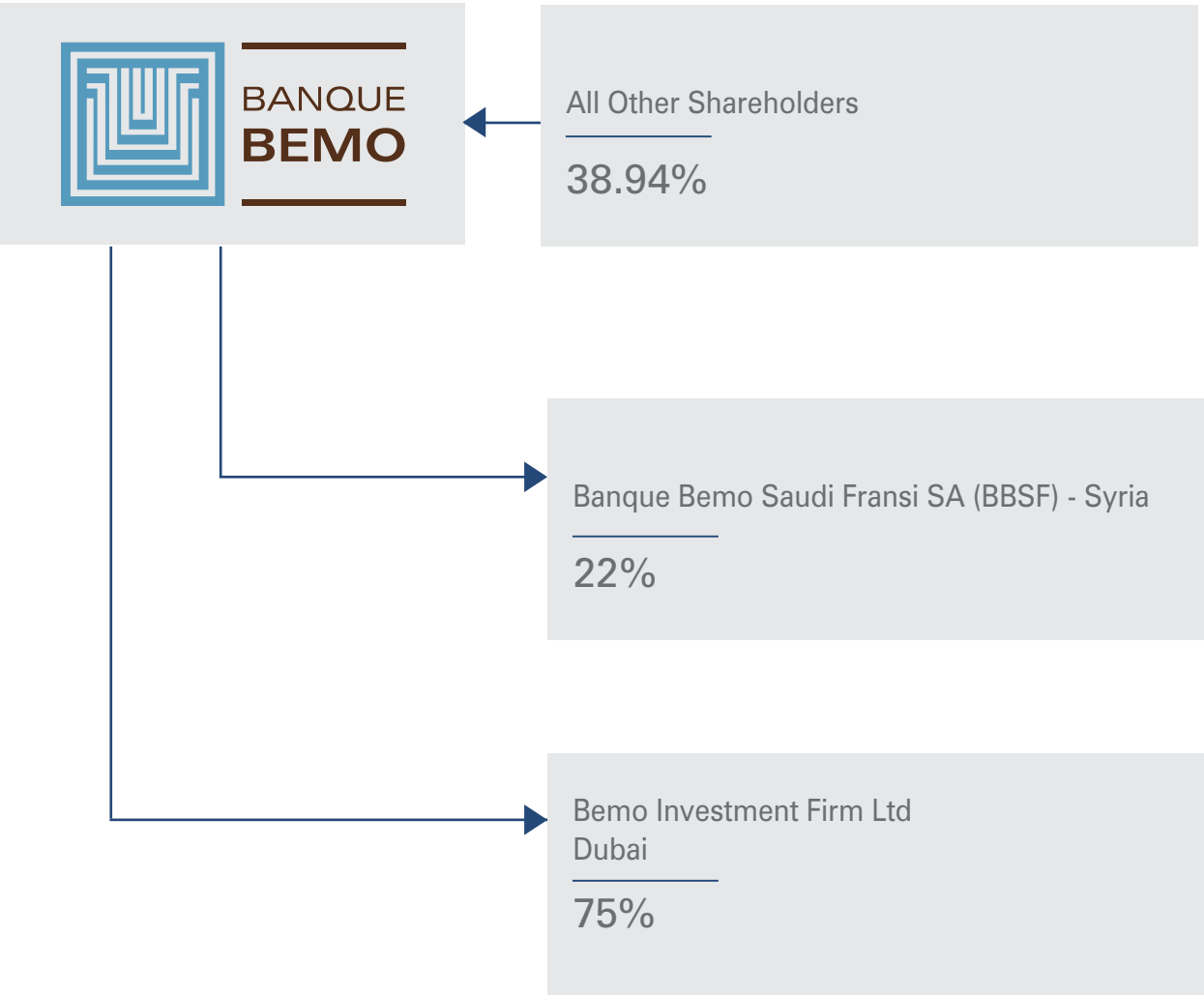
In 2017, Banque BEMO will continue to invest its efforts in implementing a sound governance framework based on the industry's requirements and best practices. The Bank will, therefore, emphasize the following:

- Shaping the corporate governance landscape
- Promoting better corporate reporting for stakeholders
- Building solid relationships with shareholders

OWNERSHIP STRUCTURE (31. 12. 2016)



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


BANQUE
BEMO
All Other Shareholders
38.94%
Banque Bemo Saudi Fransi SA (BBSF) - Syria
22%
Bemo Investment Firm Ltd
Dubai
75%

REMUNERATION POLICY

Banque BEMO SAL is committed to the Obegi group motto "Business with Ethics". Not only we preach Family Spirit in the way we live the Bank, but also consider our clients as associates and our staff as partners.

For this purpose, and for many years the Bank's "Nominating, Remuneration and Corporate Governance Committee" objective has been upgraded to reflect the requirements of the Central Bank of Lebanon as per basic circular 133 dated August 06, 2014.

Following are extracts of main objectives and functions of the Committee:

I.Committee Charter

The Committee's charter has been amended to include the following prerogatives :

I.1 Ensure adherence to:
a. Corporate Governance Guidelines as approved by the Board
b. Anti-Bribery and Corruption Policy

I.2 Act as remuneration committee for Senior Management as well as for the entire workforce in line with basic circular 133

I.3 Evaluate the total granted remunerations and compare against future expected revenues avoiding any likely negative results

I.4 Decide on the compensation, merit increases, performance bonuses, succession planning or replacement of Senior Management

I.5 Prepare remuneration policy and remuneration system, submit to the Board for approval, supervise and ensure the proper implementation, devise a procedure for remuneration related to the entire workforce, ensure that all the bank employees are aware of BDL circulars related to Remunerations, and that the remuneration policy is in line with the Central Bank of Lebanon requirements

I.6 Review and assess the adequacy of the Remuneration policy and Remuneration system and submit proposals for modification, if any, to the Board for approval

II. Remuneration Policy

Updated to ensure abidance by regulators requirement as well as meeting the Bank's strategic orientation such as but not limited to:

II.1 Comprise all levels and categories of employees working in the Bank and its branches abroad and ensure proportionality among the remunerations granted to different levels of employees

II.2 Cover all categories of remunerations, the conditions of granting such remunerations, in order to enhance effective performance, and to achieve the purpose for which remunerations are granted

II.3 Make sure that total remunerations granted by the Bank do not affect its current or future capabilities (in the medium and long-terms), nor its financial position and interests

II.4 Set the remunerations of employees entrusted with control functions in a way that does not hinder the objective and independent discharge of their duties

II.5 Detail the extra benefits which form an integral part of remunerations and the process of granting them

II.6 Stipulate the possibility of resorting to clawbacks and deferrals, in cases where this possibility can be applied, and to specify the conditions and circumstances of such cases

II.7 Specify the cases and conditions for merging cash remunerations with other benefit.

II.8 Ensure adherence to:
a. Corporate Governance Manual as approved by the Board of Directors
b. Basic Circular 133 issued by the Central Bank of Lebanon
c. Anti-Bribery and Corruption Manual
d. Non Compliance Policy

III. Elements adopted as basis for remuneration

The merit and measurable performance is the drive of this remuneration system applied to the entire workforce, whereby the Bank is keen to:

III.1 Apply the Competencies Management system to determine the fixed remunerations items such as merit increases

III.2 Apply the Performance Management system to

determine the variable remunerations of each employee according to the Bank overall performance and to grant these remunerations in light of the performance of both the concerned employee and his/her division/department

III.3 Have a clear orientation on remuneration structure and underlying granting conditions that enhance effective performance

III.4 Encourage the sense of teamwork by linking the individual and department short term objectives to the overall Bank's goals and long term interests

III.5 Align aggregate compensation structure with the Bank's performance ensuring that it does not affect the Bank's current and future capacities, nor its financial position or interests

IV. Items of Fixed and Variable remunerations

IV.1 Fixed

- Basic:
  The monthly salary for all staff members subject to annual increase based on merit payable sixteen times per year

- Allowances:
  The monthly allowances granted to employees in line with Collective Labor Agreement, Labor Law and regulators requirements

- Guaranteed Bonus:
  Replacing the amount of annual salary increase reserved for "F" directors level, whose positions necessitate managerial responsibilities on top of the expertise in the field of their activities, and amount reserved to remunerate high performers/professionals and linked to the Bank achievements and objectives

- Representation Allowance:
  Lumpsum amount granted monthly to employees of "E" and "F" grade level, provided it does not exceed 10% of the annual salary of each employee

IV.2 Variable

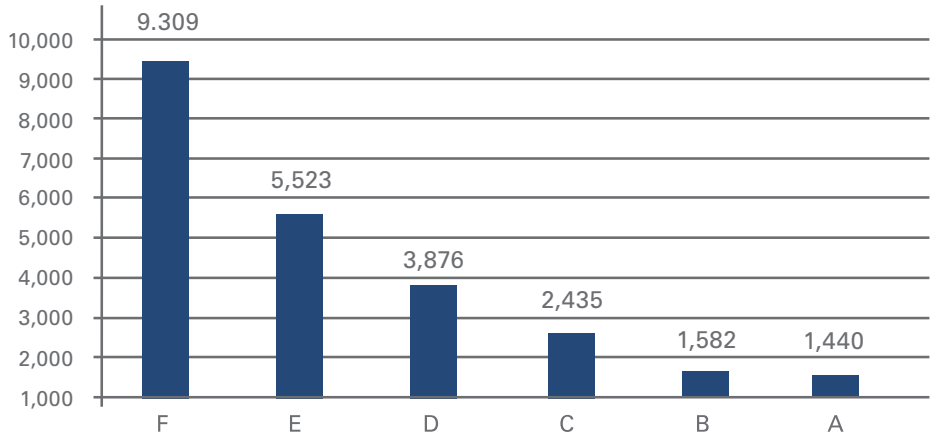
- Bonus:
  Amount paid at the end of the year for individual achievements based on their performance evaluation

- Incentive:
  Material reward paid against revenues and additional profits generated from activities that are over and above the performance objectives and could be immediate or of long term nature

Our objective is and remains to earn our clients trust and be transparent and fair to earn our colleagues respect.

Information Related to Remuneration (2016)

Average Salary per Grade (LBP in thd)



** Grade specifications from "A" to "F" follow the grading structure of Association of Banks in Lebanon as per the Collective Labor Agreement*

BOARD OF DIRECTORS (31.12.2016)

		INITIAL APPOINTMENT AS BOARD MEMBER	TERM EXPIRATION
Dr. Riad Bechara Obegi	Chairman of the Board & General Manager	2003	2019
Mr. Samih Halim Saadeh	Vice Chairman of the Board & General Manager	2010	2019
Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat Holding s.a.l represented by Mr. Jean Victor Hajjar	Member	2010	2019
Mr. Antoine Youssef Mansour Wakim	Member	2010	2019
Sheikh Hassan Isam Mohamad Kabbani	Member	2008	2019
Mrs. Karine S. Mansour Obegi	Member	2015	2019
Dr. Derek Abdelkader El Zein	Member	2015	2019
Mr. Peter Ara Hrechdakian	Member	2015	2019

Corporate Secretary:	Mr. Georges M. Hayek	
Legal Advisors:	Dr. Nasri A. Diab	Me. Adel J. Macaron
Auditors:	Deloitte & Touche	DFK Fiduciaire du Moyen Orient

AUDIT COMMITTE	NOMINATING, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE	BOARD RISK & COMPLIANCE COMMITTEE	EXECUTIVE COMMITTEE	EXECUTIVE	NON EXECUTIVE	INDEPENDENT
		✓	✓	✓		
			✓	✓		
	✓	✓			✓	
✓		✓				✓
✓						✓
					✓	
	✓	✓				✓
✓	✓				✓	

Banque BEMO sal held its General Assembly meeting on the 7th of June 2016, during which the tenure of the Board members mandates was renewed for three years.

BOARD OF DIRECTORS (31.12.2016)

DR. RIAD B. OBEGI

Executive Board Member/ Chairman & General Manager
Lebanese
Age: 58

Academic Qualifications: PHD in Economics from Université Lyon Lumière; PMD from Harvard Business School; Bachelor Degree in Business Law from Université Paris II Panthéon-Assas; Master's Degree in Business Administration from Université Paris IX Dauphine; Master's Degree from IEP – Paris

Dr. Obegi is the Chairperson of BEMO EUROPE – Banque Privée (formerly Banque de l'Europe Meridionale) since 1994. In addition, he presides the Board of Directors of Banque Bemo Saudi Fransi SA in Syria.

On the other hand, Dr. Obegi chairs the boards of two holdings: Unifert Holding sal and Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat Holding sal. He acts also as Vice Chairman of Obegi Chemicals Group SA – Luxembourg and serves as Board Member of Obegi Group Holding sal.

Dr. Obegi was first appointed member of the Board of Directors in 2003.
He continues to serve as Chairperson of the Board of Directors of Banque BEMO sal – General Manager following his re-election in 2016.

He is also a member of the Board Risk and Compliance Committee in addition to chairing the Bank's Executive Committee.

MR. SAMIH H. SAADEH

Executive Board Member/Vice Chairman & General Manager
Lebanese
Age: 64

Academic Qualifications: Master's Degree in Business Administration from the American University of Beirut; Bachelor Degree in Business Administration from the American University of Beirut; Degree in Law from the Lebanese University

Mr. Saadeh's work experience started with American Express Bank Ltd New York in 1978 then moved to the bank's branch in Beirut. He joined Bank of Beirut, in 1993, as Senior Credit Manager for 1 year. In 1994, he pursued his banking career with ABN Amro Bank in Beirut as F.V.P. Corporate and Private Banking Manager. Mr. Saadeh joined Banque BEMO sal in 2003 as General Manager. In 2010, he was appointed Managing Director – General Manager and Board Member. In 2013, he was elected Vice Chairman & General Manager.

Mr. Saadeh has previously served as an Appointed Lecturer at the Lebanese American University and acted as an Appointed Lecturer at the Association of Banks in Lebanon and member of the Deliberating Jury for Masters' Degree in Banking Studies. In addition, he delivered seminars and courses at the Higher Institute for Banking Studies at St. Joseph University (USJ).

Mr. Saadeh is a member of the Board of Directors of Bemo Securitization (BSEC), and he represents Banque BEMO sal in the Board of Directors of Banque Bemo Saudi Fransi SA in Syria, in addition to his membership in the Board of Directors of an international company.

Currently, Mr. Saadeh continues to serve as Vice Chairman of the Board of Directors of Banque BEMO sal – General Manager since his re-election in 2016.

BOARD OF DIRECTORS (31.12.2016)

MR. JEAN V. HAJJAR

Representing Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat Holding sal
Lebanese
Age: 86

Mr. Hajjar was the Deputy General Manager at Credit Libanais sal till 1985.
In 1986, he joined Banque de L'Europe Meridionale in Paris, Brussels and Luxembourg and served as General Manager.

In 1994, he was appointed General Manager of Banque BEMO sal – Lebanon until 2001.
Mr. Hajjar was a member of the Board of Directors from 2001 till 2015.

Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat Holding sal is a holding company that was established in 1994. It is the major shareholder at Banque BEMO sal where it owns 61.06% of the Bank's shares.

MR. ANTOINE M. WAKIM

Independent Board Member
Lebanese
Age: 71

Academic Qualifications: AMP from INSEAD; ADD from Chartered Insurance Institute – United Kingdom; Actuary from Lausanne University – Switzerland

Mr. Wakim worked in the Insurance industry for more than 40 years – mainly with Allianz SNA where he occupied the position of the company's Chairman and CEO from 1987 until his retirement in 2008. He was also a professor of financial and actuarial mathematics at various universities in Lebanon.

Since 1990, he committed himself to issuing a new retirement law and restructuring the National Social Security Fund in Lebanon.

In April 2006, he received "Le PRIX de la Francophonie Economique" – Prague. He also received the Lebanese Republic Presidential merit decoration for the social activities performed.

Mr. Wakim serves as a member on several Boards of Directors which include: Allianz SNA Holding and Allianz SNA Lebanon, Jordan Eagle; Bank of Beirut SAL; the National Social Security Fund in Lebanon; Hotel Dieu de France – Lebanon; and Broumana High School.

He is also a member of the Advisory Board of the Business School at the Lebanese American University; member of the International Association of Actuaries (IAA); and former member of the Swiss Association of Actuaries (SAA).

Mr. Wakim was first appointed member of the Board of Directors in 2010.
He chairs the Board Risk and Compliance Committee, and he is member of the Board Audit Committee.

BOARD OF DIRECTORS (31.12.2016)

SHEIKH HASSAN I. KABBANI

Independent Board Member
Saudi
Age: 50

Academic Qualifications: pursued his University studies at Pepperdine University, U.C.L.A. – USA.

Sheikh Kabbani joined IKK Group of Companies in 1992 as Business Development Manager.

In 1998, he became Director of Administration and Credit Control and was later promoted to Vice Chairman before becoming Acting Chairman of the Group. In 2015, Sheikh Kabbani became Chairman of IKK Group of Companies.

He serves on several Boards of the Group's companies, in addition to being a Board member of Ijada Al-Mutahida and Walaa Insurance .

Sheikh Kabbani is also member of the American Businessmen Association of Jeddah and of the Cercle d'Affaires Français de Jeddah.

He was first appointed member of the Board of Directors in 2008.

He chairs the Board Audit Committee.

DR. DEREK A. EL-ZEIN

Independent Board Member
German
Age: 40

Academic Qualifications: Ph.D. in Information and Communication Sciences from University of PARIS 2 – Panthéon Assas; Master's Degree in Media & Multimedia IFP from University of PARIS 2 – Panthéon Assas; Law Studies Institute from University of PARIS 2 – Panthéon Assas; Master of Law from University of PARIS 2 – Panthéon Assas

Dr. El-Zein is a member of the Paris Bar and has been a practicing lawyer since 2003. He is also a teacher in Media Geopolitics and International Economics at HEI-HEP. In 2011, he became a Senior Lecturer at the Department of Political Science at Paris Descartes University. Furthermore, Dr. El-Zein is a member of the Central European Academy of Sciences, Humanities and Arts and is also a member of the Geographical Society of Paris.

He was first appointed member of the Board of Directors in 2015.

He chairs the Board Nominating, Remuneration and Corporate Governance Committee, and he is a member of the Board Risk and Compliance Committee.

BOARD OF DIRECTORS (31.12.2016)

MRS. KARINE S. MANSOUR OBEGI

Non-Executive Board Member
Lebanese
Age: 43

Academic Qualifications: Ecole Preparatoire Sainte Genevieve (1 year); HEC Diploma – Hautes Etudes Commerciales, Jouy en Josas – France (Majeur Entrepreneur)

In 1995, Mrs. Obegi started her career at Mckinsey Consulting Firm in France as an Analyst and Junior Engagement Manager. In 1998 she moved to Banque Saradar, which later became Bank Audi Saradar, where she served as Organizational Consultant till 2002, to become later the General Secretary till 2005. Mrs. Obegi has been a Managing Partner at Obegi Home LLC, in UAE and Obegi Better Home SAL in Lebanon since 2006.

She was first appointed member of the Board of Directors in 2015.

MR. PETER A. HRECHDAKIAN

Non-Executive Board Member
Lebanese
Age: 58

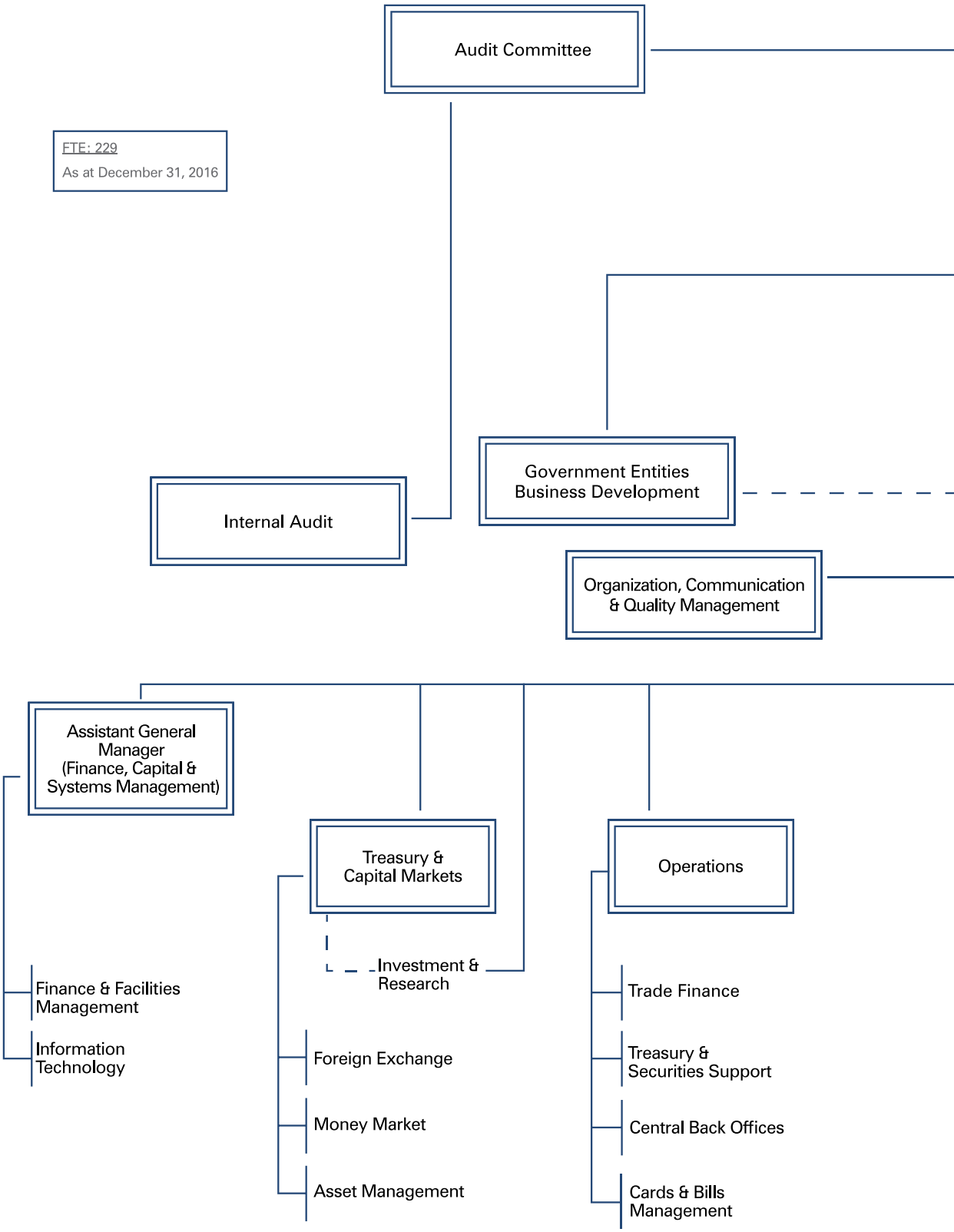
Academic Qualifications: Master's in Business Administration from Harvard Graduate School of Business Administration, Boston, Massachusetts, USA; Bachelor of Arts in Economics and Philosophy from Cornell University, Ithaca, New York, USA

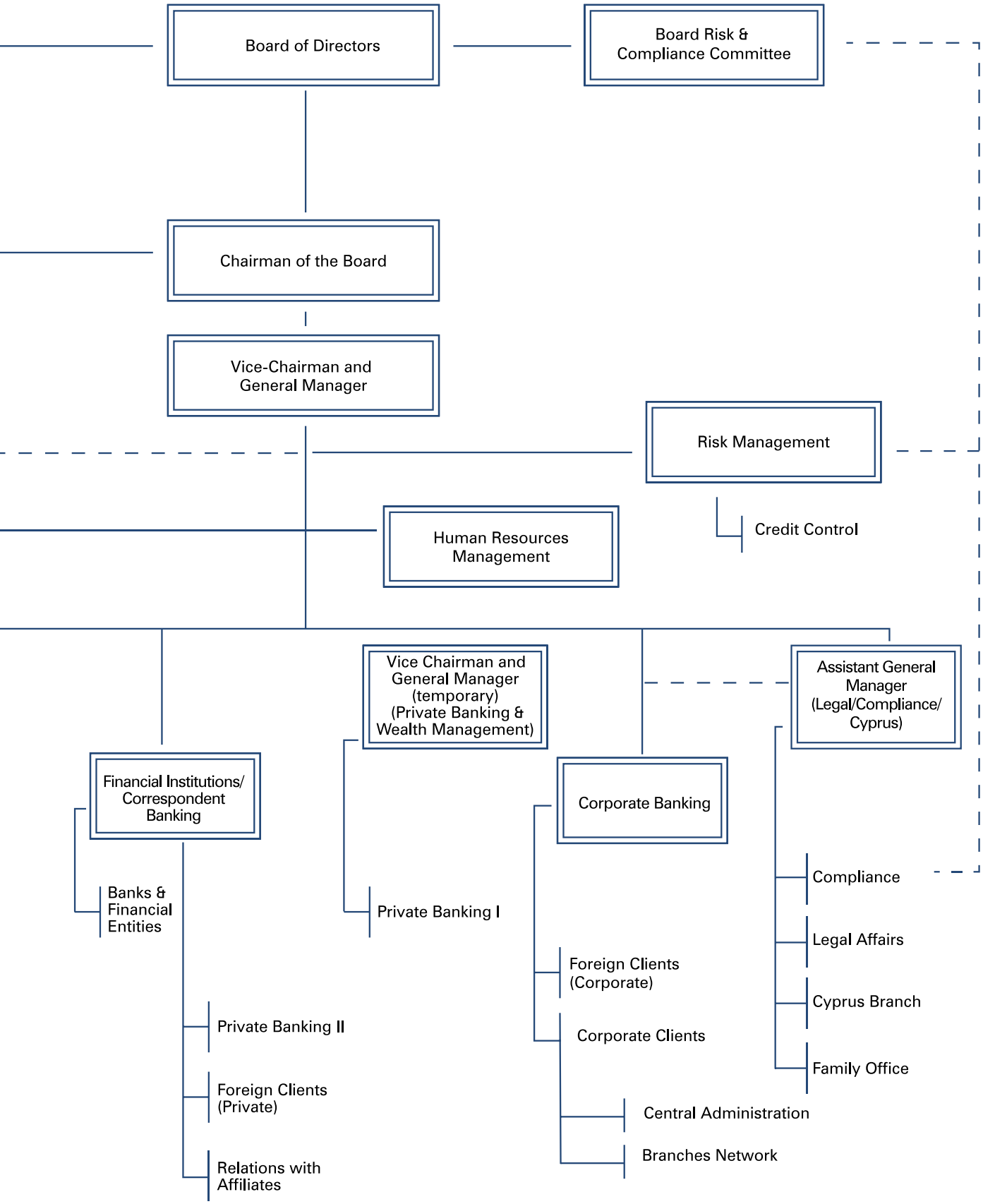
Mr. Hrechdakian started in 1980 as a credit analyst at Manufacturers Hanover Trust in New York before moving in 1985 to UNIFERT USA Inc. to serve as Vice President – Finance till 1988 and later as Executive Vice President till 1991. Afterwards, Mr. Hrechdakian moved to UNIFERT Group S.A in Brussels as Director of Management Control till 2006, to occupy the position of the CEO since then until this date. He is currently the Chairperson of the Board of Directors of Fertitrust S.A., Luxembourg since his appointment in 2006; as well, he serves as a member of BEMO EUROPE Board of Directors.

He was first appointed member of the Board of Directors in 2015.

He serves as member of the Board Audit Committee and the Board Nominating, Remuneration and Corporate Governance Committee.

ORGANIZATIONAL STRUCTURE




Board of Directors
Board Risk & Compliance Committee
Chairman of the Board
Vice-Chairman and General Manager
Risk Management
Credit Control
Human Resources Management
Vice Chairman and General Manager (temporary) (Private Banking & Wealth Management)
Assistant General Manager (Legal/Compliance/ Cyprus)
Financial Institutions/ Correspondent Banking
Corporate Banking
Banks & Financial Entities
Private Banking I
Compliance
Legal Affairs
Foreign Clients (Corporate)
Cyprus Branch
Private Banking II
Corporate Clients
Family Office
Foreign Clients (Private)
Central Administration
Branches Network
Relations with Affiliates

BOARD COMMITTEES

BOARD COMMITTEES (AS AT DECEMBER 2016)

AUDIT COMMITTEE

Purpose

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities particularly for (a) the Bank's internal audit function performance and independent auditors qualifications, (b) the integrity of the Bank's financial statements & disclosure standards, and (c) the efficiency and soundness of the internal control system

Members

Sheikh Hassan I. Kabbani (Chairperson)

Mr. Antoine M. Wakim
Mr. Peter A. Hrechdakian

Meetings held in 2016: 4

RISK & COMPLIANCE COMMITTEE

Purpose

The Risk & Compliance Committee assists the Board of Directors in fulfilling its risk management, legal, investigations and compliance responsibilities, and regulations as well as the Bank's by-laws and internal policies. In addition, the Committee reviews and assesses the integrity and adequacy of each of the risk management function's framework related to market, credit, operational and liquidity and funding risks as well as the compliance framework, in relation to laws and regulations.

Members

Mr. Antoine M. Wakim (Chairperson)

Dr. Riad B. Obegi
Mr. Jean V. Hajjar (representing Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat Holding sal)
Dr. Derek A. El Zein

Meetings held in 2016: 4

NOMINATING, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE

Purpose

The purpose of the Nominating, Remuneration & Corporate Governance is to (a) ensure adherence to Corporate Governance guidelines (b) recommend Director nominees for election to the Bank's Board and for filling vacancies occurring between annual meetings of shareholders (c) decide on the compensation, merit increases, performance bonuses, succession planning as well as replacement of Senior Management.

Members

Dr. Derek A. El Zein (Chairperson)

Mr. Jean V. Hajjar (representing Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat Holding sal)
Mr. Peter A. Hrechdakian

Meetings held in 2016: 3

2

MANAGEMENT DISCUSSION & ANALYSIS

- PROTECTIONISM AND POPULISM: THE GREAT TRANSITION
- BUSINESS REVIEWS
- KEY CONTROL FUNCTIONS
- FINANCIAL PERFORMANCE ANALYSIS

CENTERING OUR CULTURE AND STRATEGY ON PUTTING CLIENT'S INTEREST FIRST

PROTECTIONISM AND POPULISM: THE GREAT TRANSITION

Following the globalization era that marked the 20th century, the world is moving towards a new populist discourse aiming at reducing the rising wealth inequality. The failure of the existing model to reduce social disparities and tensions shifted the political debate into a more protectionist paradigm, as a way to revive an equitable growth model. The outcome of the referundum on Brexit in Great Britain and the presidential election in the United-States confirmed this new trend. This might continue in the year 2017, which is full of political events in continental Europe such as in France and in Germany.

The lack of success of monetary policies adopted by central banks globally during the last decade forces the use of more generous fiscal and budgetary policies. However, such policies usually target specific economic sectors; they certainly increase public debt, but do not necessarily provide a sustainable inflationary growth. The newly elected U.S. president, Donald Trump, has promised to cut taxes and to double investments in the infrastructure. He even threatened to adopt protectionist measures against U.S. companies that are keeping their cash abroad, which could provoke inflationary pressures in the current context of low unemployment rate.

Beyond the U.S. presidential election, the financial markets are tracking the magnitude of the divergence between the federal reserve and central banks globally. Indeed, the continuous improvement in the U.S. economy and the rising expectations of higher inflation helped the Fed further increase interest rates by 25 basis points and announce up to three hikes in 2017. The U.S. dollar value has thus appreciated compared to other currencies as the ECB, BoJ, and BoE maintain a rather accomodating monetary policy. The strength of the U.S. dollar was also supported by a number of major risk factors that adversely affected other major currencies. This includes the uncertainties related to Brexit, the ever pending concerns around Greek public debt, the political and banking crises in Italy, and the rising populist discourse in many countries. In Japan, and despite slight improvement in the GDP growth rate, the BoJ is likely to pursue its quantitative easing to support internal demand, weaken the yen and enhance external demand. Emerging economies are suffering from an economic slowdown and rising geopolitical risks. The Chinese government is still actively supporting the banking and the real-estate sectors to prevent a hard-landing at the expense of an increasing private debt. With the exception of South-Korea, Russia, and Brasil, most of emerging economies are facing significant cash outflows towards the USA, seeking higher interest rates. Nevertheless, some countries, like Russia and the Arab GCC countries, still expect a slight improvement in their economic conditions given the recent increase in oil prices.

Regardless of the uncertainties impacting the real economy, the stock markets have continued their rise reaching high records, especially in the U.S. markets. This led numerous financial experts to express their concerns about the sustainability of high valuation multiples and the effectiveness of Trump's measures in boosting economic growth. As such, temporal and sectorial diversification remain key elements in investors' portfolios within a context where the only certainty is a higher uncertainty.

Salim Chahine, PhD
Professor of Finance
Abdul Aziz Al Sagar Endowed Chair in Finance
American University of Beirut
Olayan School of Business

OUR VISION

To be the Reference in Private and Corporate Banking

OUR MISSION STATEMENT

Live our Values while achieving high return on equity and offering our Customers Outstanding Quality

OUR POSITIONING STATEMENT

Consolidating traditional values with a contemporary approach; offering services that are personal in delivery and global in scope

OUR VALUES

Family Spirit
Professionalism
Conservatism
Honesty

BUSINESS REVIEWS

CORPORATE BANKING

2016 witnessed our persistent commitment to improve efficiency and further enhance clients' satisfaction while remaining focused on growth and progressing in digitizing most of the paper-intense aspects of our business and meeting the increasing regulatory guidelines.

Despite a complex new reality as dictated by regulatory imperatives, a chaotic region, and pricing pressures, we are determined to ensure overhauling radical shifts using pro-active approaches to enhance Corporate Banking Value Creation while reaching required digital transformation to meet Next Generation Corporate Banking Model and Specifics.

Our professional team of Relationship Managers remain focused on nurturing our built-long-lasting relationships with our clients, that were founded on earned Trust and shall remain devoted to engaging and further building new relationships that shall be based on the same levels of empathy, quality of service and devotion to all of our stakeholders best interests and based on our well defined values and ethics. We have strived and will remain striving to optimize performance and commit to a continuous digital transformation while focused on our Relationship Management Model as embedded by our Client Centricity approach and our flexibility to tailor made solutions to our clients various business needs and requirements; Our motto: optimize client satisfaction and increase Bank efficiency, a difficult task that is only possible due to our flexible operating practices coupled with an energetic collaboration with the various divisions, subsidiaries and affiliates of the Bank creating an enriched synergy of various industry specifics expertise all working as one team and allowing our relationships to benefit from solutions developed by a range of professionals experts in the fields of Corporate Banking, Asset Management, Treasury, Trade Finance, Front Office, Back Office, Corporate finance, …

With the ongoing regional political deadlocks and disturbances, we remain alert to the prospects of rising economic and financial challenges in the coming years. For this reason, and in line with our commitments to best serve our stakeholders, we remain focused on the road map set in "BEMO 2020" revisited strategy and business plan while ensuring strict adherance to our business ethics and values, clients protection procedures, and operational excellence. Banque BEMO Corporate Banking team remains committed to enhancing synergy within the Bank and the Group through binding our efforts to best serve our Client Centricity objective, providing our clients with quality advisory services and excellent corporate banking solutions, while remaining focused on embracing digital transformation, and sustaining economic profit generation to all of our stakeholders.

PRIVATE BANKING AND WEALTH MANAGEMENT

Against all odds is an expression well suited to describe the events that shaped the year 2016.

From the outcome of the United Kingdom European membership referendum subsequently known as the "Brexit" to the investiture of Mr. Donald Trump to the forty-fifth presidency of the United States of America, world markets have had a copious menu of events to ponder, analyze and digest.

Continuous accomodative fiscal policies in Europe and the USA along with low interest rates have sustained the strength of developped countries' equity markets recording historical highs particularly on the US stock indices.

Regulatory constraints remained a major preoccupation for financial institutions around the world not least because of the imminent implementation of such regulations as IFRS9 and the Common Reporting Standards (CRS). The latter has arguably driven after FATCA - the final nail into the coffin of Banking secrecy for non residents. On this front, Law number 55 voted by the Lebanese Parliament on 27 October 2016 governing the exchange of information for tax purposes and Law number 60 voted the same day outlining the legal definition of Tax Residency in Lebanon sent many bank clients scrambling to define their residency status as well as its tax implications in light of these laws.

In this context, Banque BEMO remains steady in its client centric philosophy whereby our long term vision concentrates on becoming and remaining a reference in Private Banking. This entails a corporate cultural integration of client centricity as a core axis of business conduct throughout the firm, at all levels and across all departments. We translate our client centric approach in day to day operations by providing each client with a personalized service delivered by dedicated Relationship Managers who are backed by skilled specialists in such areas as asset and portfolio management, family office, real estate advisory, wealth management and planning.

We strive to remain attentive to our clients' aspirations so that we anticipate their needs and formulate the right solutions for every situation. Each relationship manager is dedicated to a relatively limited number of clients whereby the latter receive a bespoke service every step of the way.

We understand that wealth creates opportunities but also generates challenges. Our relationship managers are well equipped to detect, exploit and foster these opportunities and to assist our clients navigate through the hurdles and complexities of wealth and inter-generational planning.

Strong with our heritage spanning over more than half a century at the service of affluent families, we have the background, experience and skills to help our clients optimize their estate management and take action on what matters most in times of transition to achieve their goals through careful planning of succession, philanthropy and lifestyle. We find a deep rewarding satisfaction in the extremely low rate of client complaints and we take pride in the fact that a large number of our new clients are referred by existing, long-lasting and faithful relationships.

As we look ahead, we foresee clearer horizons, receding uncertainties and promising prospects in the business environment locally and abroad. We will continuously and consistently remain faithful to our core values while we take the Bank to the next level in line with our strategic plan by embracing the most advanced digital technologies while preserving the unique and irreplaceable human touch cherished by our clients.

BUSINESS REVIEWS

TREASURY AND CAPITAL MARKETS

Building on its achievements and accumulated experience throughout the years, the Treasury & Capital Markets Department continues to adhere to the main objectives of sustaining the interests of the bank's clients and shareholders, strengthen its foundations and maintain its image as a reference within the local market which was achieved through integrating the merits of dedication, persistence, commitment, consistency and resilience to its works.

The department's business model embraces the bank's "Client Centricity" approach which continues to drive the department's strategy of standing by our clients in their best and worst times and continuing to cooperate with a continuously growing and diverse base of private, corporate and institutional clients.

The department continues to explore different approaches to enlarge its array of investment products that would suit the investment needs of the bank and its clients based on their suitability, objectives and risk assessments and align it with the bank's conservative approach. The department's team is equipped with a wealth of knowledge and experience to provide investment solutions for both the bank's and client's investment needs. Simultaneously, the department continues to develop and review its procedures and policies to meet the local regulators' conventions and regulations, and the continuous regulatory and compliance changes facing the financial industry.

The department aims at providing transparent, ethical, and conservative financial solutions and specializes in investment management, products and services in all major capital markets. It offers a full range of solutions at the level of asset management, cash & liquidity management, foreign exchange and money market services.

The Asset management activities cover all types of securities and provide execution and comprehensive investment services across a full range of asset classes and investment products dealt on both the local and international markets. The activities include the following:
Stocks - Fixed Income & Preferred Shares - Mutual & Hedge Funds - Structured products - Capital guaranteed Notes - Reverse Convertibles – ETFs - Commodity linked products and Derivatives.

The Foreign Exchange activities cover global FX execution and comprehensive investment services to cover clients' hedging and speculative trading needs. The activities include the following:
FX Spot, Forward and Swap - FX Options (Plain Vanilla, Exotics) - FX Yield Enhancement Products (Dual Currency Deposit, etc ...) - Tailor made products - Bullion - Structured Products.

The Money Market activities cover the efficient management of the bank's liquidity, the placement of funds with local, international counterparts, investment in TBs and CDs.

The department is committed to ensuring fast, accurate execution and timely settlement of transactions, through continuous executions (including national holidays) using the latest communication and technology systems. The department's activities are supported by a wide network of reputable banks and active correspondent banking relations.

The synergies between Banque BEMO and its sister companies enhance the department's ability to meet our clients' short and long term objectives and increase the variety of our financial products.

The bank takes pride in its outstanding clients and the department will continue to establish confidence and true partnerships with them. The department will continue boosting its efforts to locate strategic investments, achieve its short and long term objectives and contribute to bolstering the growth and development of the bank while abiding to the bank's policies and procedures.

FAMILY OFFICE

While succession begins with the birth of a business, accumulating wealth is the reward of risk taking, leading to the business evolution, unfortunately to Tax implications as well. At a certain point we all have to face the Inevitable and start thinking about the fair disbursement of our Legacy, in a smooth and optimized way. Knowing exactly that 2 things in life are certain: Taxes & Death, the Family Office focus on the client's best interests to generate an optimized plan for the present situation and build a strong structure for the future, taking into consideration the major desired projected life events and in what matters to them the most, in terms of wealth preservation, protection, growth, and especially succession planning.

Each generation needs to declare for itself a vision for the business under its leadership. Values and best practices are the lasting bedrocks which hold the family & business together across generations. An efficient Succession Plan, tackles these points through setting up a sound corporate governance and in parallel structuring a Family Constitution to govern the relationship between family members, managers, and shareholders. A lack of understanding by second and third generation family members, may lead to frustration, arguments within the family, and disappointment if someone feels like they are not getting their expected "fair share." Establishing a family's core values, objectives, and mission first will help avoid this type of trouble.

Philanthropy can be a way to unite multiple generations of a family and add meaning to an ultra-wealthy family's work.

The Family Office is always present to handle pertinent missions that will be delegated to, according to the scope of its services. Clients maintain their success by being open to new ideas and at the same time should have the determination to open their books and share relevant information in order for the Family Office to have certain tools to meet their expectations. Communication is a key element for the Family Office whereby discussions with clients lead to structure a tailor made Financial Planning solution and to ensure that they have the plans and strategies that will allow them to:

- Achieve the life goals that are important to them
- Make great choices in how they live their lives and how they affect the lives of others.

BUSINESS REVIEWS

FINANCIAL INSTITUTIONS

The Financial Institutions Department is committed to building and maintaining strong relationships with local and international Correspondent Banks. In line with Banque BEMO's client centric approach, the team synergizes with the business lines by aiming to supply tailored and personalized financing solutions.

The Financial Institutions Department analyzes, plans and implements a formulated strategy that focuses on customer retention and loyalty.

The Department strives to provide the adequate international coverage in order to ensure a smooth experience to private and corporate clients when dealing with cash management, brokerage services, trade finance and treasury activities.

The Financial Institutions Department will continue to strengthen its position in international business and optimize its worldwide relationships to adhere to the bank's objective of customer centricity being an integral part of the bank's vision, mission and values.

GOVERNMENT ENTITIES BUSINESS DEVELOPMENT

The Government Entities Business Development Unit's activities come within the framework of the strategy as enunciated by the Chairman and the Vice Chairman and approved by the Bank's Board of Directors. Hence, it has achieved significant progress in building awareness, on the significance and necessity of the banking sector engaging in financing infrastructure projects. The Unit has worked strenuously, throughout the year, to create a large network that includes but is not limited to, local governments, public administrations, rating agents, legal experts, technical advisors, and development agencies of diplomatic missions.

The Government Entities Business Development Unit focuses its efforts on the markets' needs. Still unresolved, the solid waste (SW) crisis remains the top issue. Therefore, the Unit initiated meetings with federations of municipalities, pooling them with contractors, potential investors and experts in the SW field and participated in various think tanks, round tables and conferences, aiming at finding solutions to the problem. The Unit committed itself, as a strategic partner, to offering financial advice and lending facilities, for building up solid waste treatment plants across Lebanon.

Moreover, the Unit has expanded its scope of work to include NGOs, universities and schools, by offering a high level of professional services directed at strengthening their institutional best practices, developing proficiency and balancing the interests of the pertaining stakeholders.

Throughout 2017, the Unit will keep up its momentum to achieve a significant breakthrough in realizing its goals, and most importantly, financing new public utility projects.

INVESTMENT AND RESEARCH

Established in 2016, the Investment & Research mission is to be a source of independent knowledge and advice that supports Relationship Managers and helps our clients make better decisions. The role of the Investment & Research extends beyond the conscientious advice, to be complemented with customizable and optimized investment solutions. The Investment & Research provides advice across the full spectrum of investment classes, ranging from equities, fixed income and multi-asset class products, to alternative investments such as Real estate, ETFs and funds, with a conservative approach based on risk management and optimization. Client focus, Value creation, Quality Research, Objectivity and investment suitability are the cornerstones of the investment advice.

Where once investors and advisors lacked enough investment news and data, today there is an abundance of unstructured information. Investors need a filter to identify appropriate investments and those that best fit into their strategies and gets them closer to meeting their personal goals. The Investment & Research has therefore refocused and rebranded its research publications to offer all of our investors a filtered and structured analysis by asset class, investment horizon, and key financial happenings.

The premise of innovation and disruption in financial services is relatively new. Mobile internet is changing the dynamics of clients' relationship with their banks. The implication is that banks must become digitized. The Investment & Research has championed this digital transition since its establishment, digitizing its research publications to be available in a cloud based library. The publications were converted from a static document into an interactive page design for clear and meaningful communications with our audience.

The impetus for our drive to remain updated with the state-of-the-art mediums is to offer our clients customized investment advice while adapting to changing cognitive flexibility and relational communication. The Investment & Research has the potential to be one of the first in the region to introduce an automated investment advisory solution to help our investors determine their investment risk profile and receive an optimal portfolio allocation based on their risk aversion using a complicated in-house developed algorithm.

With a commitment to service our clients on all aspects of their wealth, the Investment & Research has expanded its services to offer a comprehensive support in connection with real estate investments and transactions, asset and portfolio management, risk management, optimization and financing. Our ambition is to help our clients maximize the value of their real estate holdings, and make important decisions with confidence.

The Investment & Research will continue its commitment and willingness to meet the challenges or opportunities posed by today's digital world and to reassess its approach to client relationships, beginning with a thorough understanding of what really matters to our clients.

BUSINESS REVIEWS

LINES OF SUPPORT

HUMAN RESOURCES MANAGEMENT

OUR VISION

"To become the EMPLOYER of choice for EMPLOYEES, the CLIENTS want to work with"

OUR MISSION

"Optimizing the Bank results through Clients Satisfaction
Enhancing existing and creating new HR processes
Providing an engaging work and culture of development and growth"

OUR PRINCIPLES

Equity - Dignity - Fairness - Credibility - Transparency - Confidentiality

OUR MOTTO

"Putting People First"

OUR BELIEF

Happy Employees = **Happy** Clients

HR Management Partnership with the Business

The HR Management department was successful in bringing the Bank Values into life through its overall activities and spreading the Human Resources Culture within the organization, with a priority focus on Clients satisfaction.

Our purpose was to promote an environment of transparency and fair treatment by providing equal opportunities where employees can demonstrate their skills, knowledge and abilities according to each one expertise and job profile.

We aimed at attracting, developing, engaging, motivating and retaining our employees to better assist in the long-term vision of the Bank. We were committed to strengthen their competencies and equip them with the needed developmental tools to face the unpredicted changes and challenges to support the business and deliver advanced services to Clients.

We translated our strategic objectives into actions that included the recruitment and talent acquisition, learning and development, compensation and benefits, digitalization and many others.

HR Management Actions

In 2016, our activities were in line with the Bank business strategy towards 2020, through the implementation of:

BEMO Online Evaluation System

A new digitalized Staff Competencies Assessment in-house solution developed in close collaboration between the Human Resources Management and the IT department.

The purpose of the solution was to replace the traditional approach of evaluation based on one-on-one meetings by a digital and advanced approach enabling employees to show their competencies level and skills, using automated tests consisting of multiple choice questions related to 12 transversal and 7 specific competencies presently in force at the Bank.

Several test sessions were created enabling different set of questions for each employee.

The questionnaire was prepared and reviewed by the line managers according to their area of expertise, in order to reflect the needed level of staff knowledge for our Bank.

This project was set to better understand the employees' suitability, define their level of knowledge, identify their areas of improvement, enable ongoing development and determine the grade and promotion.

BEMO E-Learning Solution

In order to respond to the immense market changes, the global digitalization mindset and the need to cope with the new generation developmental aspirations, the HR Management introduced the digital learning to its entire workforce, with access from inside as well as outside the Bank premises.

Individualized development plans were created according to each employee's needs, whereby selection of courses was made as per the gap analysis study previously conducted.

Each employee had an E-Learning program consisting of five learning courses, with one additional course of his/her choice from a wide library, to be completed within one year.

Similarly, employees were granted unlimited access to "Massive Open Online Courses" (MOOC) videos library related to Banking and Finance.

A pre-assessment test for each course is available to determine the weak areas, and a post-assessment is conducted to monitor the progress.

Upon completion of the whole program, the employee receives a personalized certificate duly signed by "HR – Learning & Development".

In order to emphasize on the importance of this learning tool, the Bank will consider the completion of a learning path as an integral part of staff performance management.

Recruitment and On-Boarding

During 2016, we focused our recruitment efforts on attracting and selecting the "Reference" people who have the adequate educational background, knowledge, experience and capabilities to contribute to the achievement of the Bank vision "To be the Reference in Private and Corporate

BUSINESS REVIEWS

Banking".
We were successful in integrating new talented employees within different departments of the Bank, more specifically we were able to place new recruits within one of our business lines that was under re-structuring.

Moreover, the upgrade of the Bank LinkedIn page to promote our presence on social media played an important role in attracting high caliber candidates, enabling them to post their CVs and explore new employment opportunities with our Bank.

Our recruitment rate reached 7% of the entire workforce whereby new recruits are all holders of University degrees or above.

In order to complement our investment efforts in the recruitment process, the induction program that proved to be successful during the previous year was maintained. Our purpose has always been to ensure that our new recruits are feeling comfortable in their new working environment, and on good terms with their superiors and colleagues, having the needed material, tools and equipment to get ready for the job.

Every new employee has the opportunity to meet with HR Management team four times during the one year induction program to discuss his/her concerns and worries and to share his/her satisfaction and happiness. HR Management team ensures the understanding of the new employees to the overall standards of the Bank in terms of culture, internal structure, values, vision, handbook, policies and procedures and many other business principles.

At all times, our internal recruitment remains our main and first source of hiring as it is considered a motivating tool. We could pinpoint redeployment opportunities and place employees at different positions based on their willingness and available vacancies.
Internal mobility rate reached 4.37%.

Learning & Development

In order to allow our employees to gather the needed skills and knowledge required for their current job and enabling them to be well prepared for future challenges, we ensured a continuous implementation of learnings through:

- Enrolling one of our Senior Directors to participate to the Management Acceleration Program designed by INSEAD Business School
- Designing in-house trainings related to soft skills such as Time and Priority Management, and other related to the Bank products and services conducted by internal as well as external trainers
- Selecting employees mainly from our control functions team members to attend several local and cross border public trainings and conferences
- Involving a group of employees in our job rotation program within different business lines of the Bank.

Total investment in Learning & Development reached 1.67% of total basic salaries.

Reward of Achievements

Our performance management system, combined with the 360 degree evaluation for managers' level and above, remains our main tool to evaluate performance and grant Rewards. It was further enhanced to respond to business needs and to align the personal and departmental objectives with the Bank strategic goals.

Re-directing objectives towards our goals was maintained through the mid-year review, and acknowledging employees' contribution to the overall success of the Bank was detected through the year-end appraisal.

Accordingly, a reward scheme was designed and linked to the final results.

Summer Internship

We actively supported the requests for internships during the year and we hosted 14 students for an approximate duration of one month each.
During this period, interns were exposed to different activities of the Bank through a rotation program and some were assigned specific projects and closely monitored by the project leader.

Employee Relations

Our tradition of open-door policy at the HR Management department was maintained this year. We conducted many constructive discussions with our employees and we sought solutions to the best interest of the employee and employer.

OPERATIONS

Our Journey in Excellence continues, guided by the Bank's vision to be the reference in Private and Corporate Banking. Our clients are the core source of all our value and growth; they are also at the center of our operational processes. Our objective is to remain true to our core, this is why we choose our priorities from the customer's point of view. The Operations Department holds significant responsibilities in the Bank's value chain. For that, we had to put the foundation for a flat, lean and simplified Operations. We had to create value by maintaining appropriate operational infrastructure and optimize processes to support the Bank's strategy in its current and future organizational needs, hence creating greater value for the Bank.

As a result of our commitment to excellence that derives directly from the Bank's strategy, we worked on decreasing our error rate that have been curving down over the past three years from 0.03% in 2014 to 0.01% in 2016. We monitored our external and internal failures where every failure was an opportunity to learn and improve our processes, making our models more robust.

In 2016, we realized that the change brought by the new regulations is unstoppable and inevitable. Our only solution was to embrace it by setting the ground for a flexible structure that can adapt to the continuously changing regulatory and business environments, hence creating solid foundations for future operational efficiencies. Lean tools and techniques are being used to continuously optimize and improve our systems. More meticulous alignment of our processes to the ever-increasing international and local regulations have been put in place. Indeed, Banque BEMO is committed to adopt the highest compliance standards. Therefore, the Operations Department collaborated to deploy a new filtering system: Eastnets-en.SafeWatch which is ranked as a top filtering solution. Under the circumstances, the Operations Department was able to accelerate decision-making processes and improve collaborative working through innovative tools, hence reducing cost while enhancing processes, controls and compliance practices. Innovation is also unavoidable, and the need to reinvent the traditional banking model created an opportunity for the Operations Department to go the extra mile in generating beyond the ordinary customer satisfaction. At Banque BEMO, ideas, driven by our clients' needs are tuned into reality: New innovative and superior quality projects have been implemented and brought to life.
In 2016, the Operations Department introduced two new programs.

Differently from the common practice whereby Banks receive Awards and recognition for their quality performance, Banque BEMO introduced a program (Operations Quality Performance Program) to award clients for the Operational Efficiency of their Commercial Orders, specifically the Import Letters of Credit and/or Outgoing Payments . This program provides Corporate clients with guidance on how to ensure outstanding quality and completeness of their Payment Orders and Trade Finance requests. Consequently, by following the directives described in the guidelines clients will enhance the quality of their orders by filling complete information and providing appropriate documentation. Clients with an exceptional Operations quality performance will be rewarded with a Trophy- the highest award recognition. This program aims at smoothing processes' handling and raising transparency. We worked directly with our clients towards the Quality common goal.

The second rewarding program, BEMO Incentive Program (BIP), aims to value client for the large volume of transactions performed with the Bank. This special reward program is offered in form of cash back refund on commissions paid under Transfers and Trade Finance activities.

Our aim is to build a long-lasting relationship with all clients while rightfully earning their trust. Our success will only be achieved by keeping customers at the center of our focus. Together, we will walk hand-in-hand towards achieving our 2020 goals.

BUSINESS REVIEWS

COMMUNICATION

In 2016, the Communication Department was committed to undertake many new initiatives, namely regarding social responsibility inside and outside the workplace as well as client-centric activities, while preserving a lasting and solid support to several causes.

Client-Centric Activities

In line with its client-centric approach, Banque BEMO organized one large event at the MiM Museum which offered the Bank's clients a guided tour of the museum, and a presentation on gem stones investment, and finally a series of presentations focusing on Banque BEMO's Private Banking & Wealth Management offerings.

As part of the overall Bank strategy of "going digital", an animated Corporate Presentation was prepared and made available at the clients waiting areas of the Private Banking Department and the General Management premises.

Events & Sponsorships

Banque BEMO played an important role in supporting business, educational, cultural and sports activities through the organization of various events and sponsorships during the course of the year.

For its second consecutive year, the Annual Gathering witnessed an attendance amongst staff members of 73% of total number of staff. Moreover, this year, the Communication team aimed at promoting the value of "Family Spirit" and therefore opted for bringing the entertainment of the event from within Banque BEMO family; as well for the end of year kids party animation.

With regards to the synergy between BEMO Group Network, Banque BEMO collaborated with BEMO EUROPE in the organization of a business presentation to Senior Management and Relationship Managers on Wealth Engineering.

Banque BEMO remains committed to the Arts and more specifically music, through its unconditional support of the Center for Lebanese Musical heritage (CPML). This year, Banque BEMO was the main sponsor of two concerts, one representing the cycle of poems "Snakes of Paradise" (Afaï el ferdaws) of the Lebanese writer and poet Elias Abou Chabké and the other of Lebanese prodigy Ibrahim Maalouf, on the occasion of the 60th anniversary of the Baalbeck International Festival fundraising gala evening.
In celebration of the 150th anniversary of ESA campus, Banque BEMO was the main sponsor of the publication of the book "Chronique de la Colline aux Quatre Vies" by Jean-Paul Eyrard and George Krebs.

On the other hand and for its fourth consecutive year, Banque BEMO sponsored the lunch debate organized by RDCL which focused on the bilateral trade between Lebanon and several South Asian countries, highlighting the importance of exchanging goods in developing and maintaining a mutually beneficial relationship.

CSR Activities & Philanthropic participation

The CSR Activities of the Communication Department for the year 2016 focused on three different aspects:

Social
For its 3rd year, Banque BEMO team visited the Children's Cancer Center of Lebanon (CCCL) and spent delightful moments with the patients, trying to put smiles on their faces, and extending their hope and courage to fight their illness. A nice entertainment was organized and gifts were distributed to all patients.

Also as a tradition, Banque BEMO participated in the Beirut Marathon under the theme "Run for the Long Run". However, this year's participation scored a 55% increase from Banque BEMO family and friends running in support of CAP-HO, an NGO, accredited to Saint George Hospital University Medical Center, and committed to take care of sick and destitute children.

Banque BEMO's football team has been perseverant in their trainings and have participated in one tournament during April.

2016 brought a series of new social activities based on the celebration of a selection of international days, all involving the bank's employees in support of different causes:

- Women's Day: this year it coincided with a concert sponsored by Banque BEMO.
- World No Tobacco Day: The Communication team conducted onsite visits to all premises to collect all forms of tobacco from staff members; a donation was done in return to a health related NGO. This activity witnessed a 100% engagement of staff members.
- World Food Day: Banque BEMO Family gathered to celebrate this day together and thanks to the generous contribution of staff members, Banque BEMO was able to distribute boxes of food to underprivileged families.
- Breast Cancer Awareness: Banque BEMO supported the breast cancer awareness month's cause by displaying a related flyer in all premises and distributing the most prominent symbol of breast cancer awareness - the Pink Ribbon.

In the workplace, Banque BEMO makes it a point to always value one of its most important stakeholders, employees. Therefore, the Communication Department celebrates Mothers' Day and Fathers' Day every year by surprising parents at work with a gesture.

Environmental

In line with the Environmental scope of Banque BEMO's CSR strategy, staff members were encouraged to collect all plastic bottle caps in order to be sent to Arc-en-Ciel, contributing to the purchase of wheelchairs for people in need.

Philanthropic

As for its philanthropic participation, Banque BEMO gives back to the community by donating a certain budget on a yearly basis to a selection of associations and NGOs, which have become partners over the years. This year's main highlights were the purchase of 4 paintings in support of autism and the attendance of 15 events by members of staff from different departments and some clients in support of various causes.

Internal Communication Activities

BEMOTION Newsletter's saw a rise in popularity among employees, friends and clients in 2016. During the course of the year, the Communication Department published quarterly issues of "BEMOTION", covering various topics including business, social, health.

The Communication Department team members share knowledge with regards to trainings/workshops attended by one or more of the team. During the year 2016, presentations were conducted within the department on: Corporate Social Responsibility; Time & Priority Management: a briefing on ROI Workshop; CSR Forum. Moreover, a training was conducted by the Communication Department to staff members from various departments on how to become brand ambassadors on LinkedIn.

External Communication

The Communication team worked hand in hand with the IT department in the development of a new public mobile application. Throughout this process, the Communication Department was in charge of the design and visuals used for the new Banque BEMO App, launched in November 2016.

Banque BEMO's Linkedin page was relaunched in April 2016. The main objective of this action was to establish a presence in the number one professional social media platform and hence increase visibility through content creation and publications.

KEY CONTROL FUNCTIONS

COMPLIANCE

Banque BEMO is committed to be compliant with all international best practices, standards as well as the local and international regulations . The Bank provides particular attention to AML/CFT activities and the financial sanctions regulations imposed by the international community. Similar importance is placed on its cross border transactions and Foreign correspondent Banking Relationships.

In accordance with BDL circular 128 the Bank has a designated Compliance Officer with a reporting line to the Board Risk and Compliance Committee. The Bank's compliance function has the necessary authority, independence and resources to carry out its duties in an independent and transparent manner.
The Compliance Officer acts as a advisor to the business lines and actively communicates new and amended compliance requirements to all impacted areas of the bank. The compliance program in the Bank is designed to ensure compliance with all applicable laws, rules and regulations including money laundering and related activities.
The Bank's compliance and anti-money laundering measures are audited annually by external auditors and the internal audit, to provide a separate assurance to the Board Audit Committee.

Anti-Money Laundering

In accordance with regulatory requirements, the Bank has implemented an anti-money laundering (AML) and counter terrorism financing (CFT) written AML/CFT policy and procedures covering customer due diligence, transactions monitoring and reporting of suspicious activity. In addition, the Bank has a designated Money Laundering compliance manager who reviews the effectiveness of the AML/CFT policy and procedures, systems and controls.

The Bank AML/CFT policy and procedures are reviewed on annual basis and approved by the board.
The AML compliance manager reports to the AML/CFT special committee through the compliance officer, and is assisted by skilled staff in the head office , as well as branches MLROs who report their day to day activities on monthly basis to the head office for further analysis.

Periodical meetings are held with the branches MLROs to discuss adherence to AML/CFT guidelines, and the deficiencies detected, if any.

The Bank has a prudent approach related to customer onboarding, Due diligence and Know your customer (KYC) norms. Hence, all prospects clients are subject to the approval of the "Customer Acceptance Committee" prior opening an account and the Compliance department is actively involved in this process, whereby, the compliance officer acts as a member.

Each and every employee at the Bank is determined to protect the Bank from being used to conceal illicit funds. Such responsibility was adopted through well thought trainings and awareness sessions. Therefore, all employees at the Bank attend trainings covering AML/CFT topics conducted internally through the AML/CFT compliance unit or conducted by external dedicated organizations. Furthermore, the AML/CFT policy is published on the Bank's internal site allowing all employees to review the rules and regulations related.

During 2016, the AML/CFT controls have been further strengthened with the introduction of new technologies and the bank has signed a comprehensive agreement with EastNets to acquire automated solutions including real time scanning of customer data and swift messages against sanction lists, and monitoring of suspicious transactions. The deployment of the solutions has all started during December 2016 and full roll out is expected in 2017.

Legal Regulatory Compliance

FATCA-CRS

Offshore tax evasion is a very serious problem for countries around the world. Individuals and legal entities tend to move their wealth to other locations, in an effort to avoid be taxed by their home country authorities. In order to comply with that issue, in 2010 the US administration enacted a law commonly known as FATCA (Foreign Account Tax Compliance Act). This law requires Foreign Financial Institutions to identify and report all US persons that hold accounts with them.

A significant number of countries have decided to leverage on FATCA, consequently, with the support of G20, OECD together with G20 countries, EU and other stakeholders created the Common Reporting Standard (CRS) for the automatic exchange of information.

In line with local authorities recommendations, the Bank has amended its systems, process and procedures to meet FATCA and CRS requirements. Moreover, the latest version of Capital Banking Solutions application for FATCA was successfully installed and the Bank is now in process to install the CRS application to further strengthen the compliance function.

RISK MANAGEMENT

General Overview

Banque BEMO strives at maintaining the highest standards and the soundest and most prudent approaches in terms of risk management.

In managing risks, the bank is fully compliant with all regulatory requirements and corporate governance principles; maintaining its image and reputation and preserving its values of conservatism, honesty and professionalism.

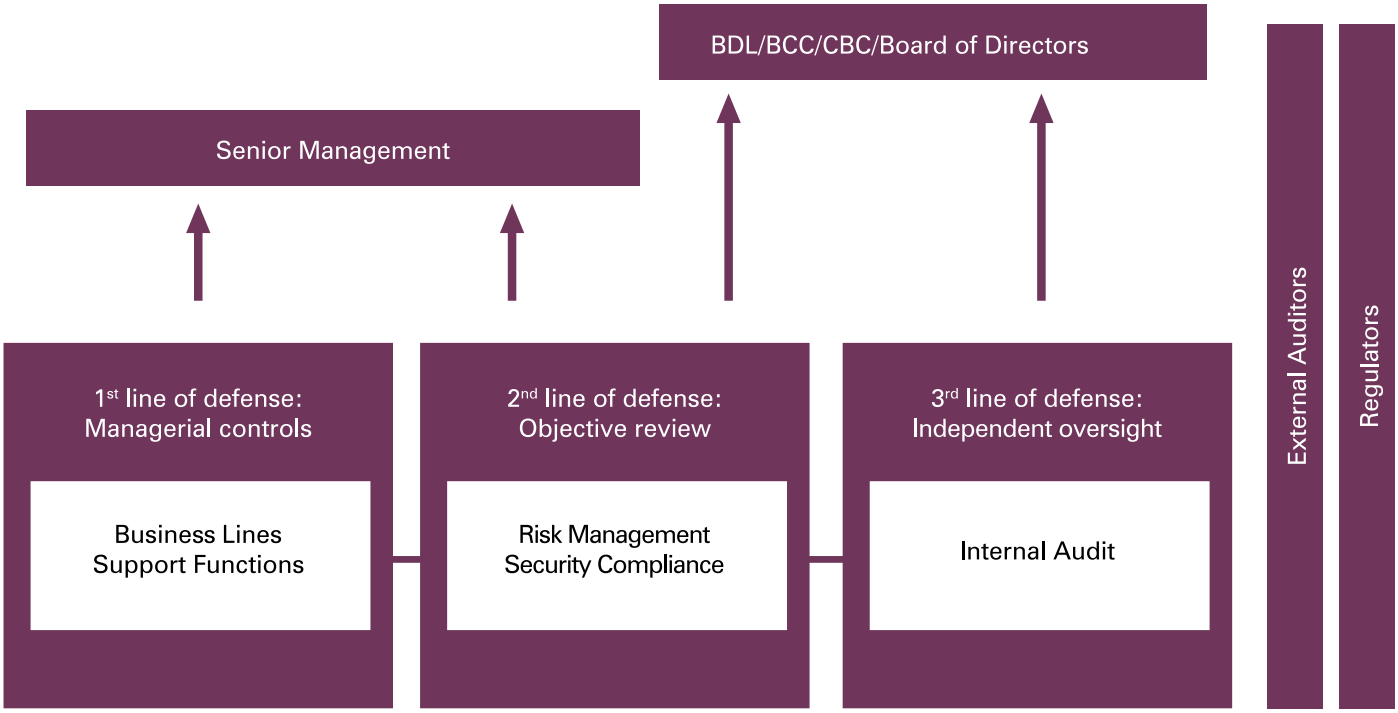
In line with corporate governance best practices, the Risk Management function reports directly to the Board of Directors, through its Board Risk and Compliance Committee; which sets forth the Bank's risk appetite and risk tolerance for the major risk areas such as, but not limited to: credit risk, market risk, liquidity risk and operational risk.

Similar to previous years, the Bank maintained, in 2016, its healthy and steady performance, with an adequate capitalization level and abundant liquidity buffers. Banque BEMO remains one of the leading banks in Lebanon, in terms of asset quality.

In 2016, and in view of the client centric approach adopted by the bank, where zero tolerance for errors should be observed; an Internal Control unit was instated within the Risk Management department. Its responsibilities include an oversight and monitoring of all the control measures applied by the different Bank's departments.

Internal Control

Banque BEMO's internal control framework is described in the below figure.



KEY CONTROL FUNCTIONS

The newly established Internal Control unit is responsible for (i) developing, monitoring and maintaining the effectiveness of the Internal Control framework, via numerous tools developed for this purpose, (ii) raising awareness and encouraging the culture of control on an ongoing basis and (iii) assessing the effectiveness and adequacy of controls in place and monitoring their proper implementation.
Any detected concern is directly reported to Senior Management and to the Board through its dedicated committees; in addition to the periodic activity reports remitted on a semi-annual basis to the latter.

Credit Risk

Credit risk is the risk of a default on a debt, associated with the decrease in the credit quality of borrowers or counterparties and arising principally from the Bank's loans and advances to customers.
Being the reference in the Private and Corporate banking, Banque BEMO's target market in terms of lending relies on large corporations (top leading companies in each sector) and high networth individuals, ensuring at all times, counterparts enjoy a healthy financial standing and reputation.

The Bank has set clear processes for credit approval including, credit policies and procedures, approval limits depending on the size of the business and/or the size of the credit line, and credit risk mitigation techniques; all based on prudent credit standards.
Concentration limits for interrelated borrowers, as well as countries and industries are managed and monitored through a portfolio analysis report presented to the Senior Management and the Board on a semi-annual basis.
Moreover credit risk stress tests based on various scenario analysis are conducted on a regular basis at the level of the overall loan portfolio and on individual basis for material exposures, assessing the repercussions of a deterioration in the credit quality of the loan portfolio over the Bank's balance sheet, capitalization and profitability.

In addition to the already existing generic corporate model for rating corporates, Banque BEMO finalized, in 2016, the acquisition of two modules from S&P Capital IQ (affiliate to S&P rating agency), for rating high networth individuals and real estate developers; preparing for the generation of all required parameters which will allow for the implementation of IFRS 9 accounting standards as required by the regulators.

Market Risk

Trading Activities

Market risk is the risk of loss deriving from adverse movements in market risk factors, namely equity prices, interest rates, foreign exchange rates and commodity prices, negatively affecting the Bank's income or the value of its investment portfolio.

The main objective of Banque BEMO's market risk management is to optimize its portfolio's risk-adjusted return by managing, controlling and monitoring the Bank's market risk positions and ensuring exposure remains consistent with the Bank's risk appetite and risk tolerance.

Although market risk remains less significant than credit risk, the continuous changes in the financial markets over the past few years require a full integration and ongoing updates. Recognizing the growing importance of these non-core risks in the Bank's operations, BEMO's management team regularly reviews and updates its policies and procedures to measure and manage market risk, while ensuring adequate internal controls and capital resources are available.

Despite the challenging external financial market environment, Banque BEMO's market risk management strategies were effective in shielding the Bank from market turbulences, in 2016. Active management, however, remains a primary objective given the prevailing volatility and uncertainty surrounding asset prices, counterparties creditworthiness, and liquidity status.

Interest Rate Risk in the banking book (IRRBB)

Interest rate risk in the Banking Book (IRRBB) is the risk to earnings or capital arising from unexpected movement of interest rates. Excessive levels of interest rate risks in the banking book can pose a significant threat to the Bank's earnings and capital base. Accordingly interest rate risks are maintained at prudent levels to protect the safety and soundness of the Bank. IRRBB is managed in accordance with Board-approved policies and assessed on a regular basis through interest rate gap analysis exercises, the results of which are promptly reported to ALCO for proper decision-making.

Liquidity Risk

Banque BEMO strives at maintaining a solid liquidity risk management framework, being a crucial element to the sustainability of the Bank.

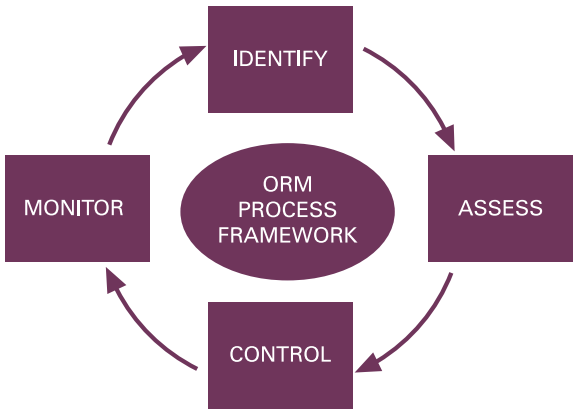
The framework entails identifying the key liquidity and funding risks to which the Bank is exposed, measuring these risks, and describing the techniques and resources used to manage and mitigate them. Limits are set and reviewed at least once per year, and monitoring is performed on an ongoing basis.

Moreover, stress testing is conducted on a regular basis to assess the Bank's resilience towards liquidity risk given a potential funding erosion in a stress situation.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

While the day-to-day management of operational risk is primarily the responsibility of the Operational Risk Management function; all employees attend operational risk trainings and seminars on a yearly basis, in order to encourage a consistent application of the operational risk management framework across the whole bank; aiming at preserving high levels of risk and control awareness.
Banque BEMO adopts a typical operational risk management framework for managing operational risk across the whole Bank involving identifying, assessing, mitigating and monitoring the risks associated with our on-going operations.



Banque BEMO adopts several tools and techniques for actively managing operational risk, such as:

- The reporting of operational risk loss events, gain events, and near miss events including detailed analysis, adjustments and recommendations.
- Risk and Control Assessments. Risk workshops are accordingly conducted with related business units aiming to evaluate inherent risks and ensure appropriate risk mitigating actions are taken.
- Key Risk Indicators used to monitor activities and raise early warning signals of increasing potential risks triggering proper responses, in a timely manner.

Business Continuity

Banque BEMO has developed and set in place an exhaustive plan for its disaster recovery and business continuity assurance.

Its objective is to minimize the possible damage resulting from any interruption to its normal business operations. The Bank's business continuity plan is reviewed and updated on an annual basis, and is regularly tested.

KEY CONTROL FUNCTIONS

INTERNAL AUDIT

In line with the Bank's strategic orientation of client centricity, the primary aim of the Internal Audit Department is to assure, the proper implementation of the "Client Centricity" approach and the business strategies, while providing a high-quality services in terms of enhancing the efficiency of the bank's processes and the effectiveness of the risk management and control.

In 2016, several processes were audited and the audit recommendations were duly addressed by the Management, resulting in an improvement at the level of the workflows and internal controls.

Indeed, the continuous cooperation and coordination with the control functions and the General Management is sustained to guarantee the achievement of the corporate objectives at minimum risk.

Finally, the Internal Audit Department intends during 2017 to spread awareness across the bank about the role that the audit function plays in improving the efficiency of the Bank's systems and processes in addition to adding value.

"With its commitment to Integrity, Objectivity, Confidentiality and Competency, the Internal Audit helps the Bank to achieve its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

FINANCIAL PERFORMANCE ANALYSIS

The discussion and analysis that follows covers the consolidated performance of Banque BEMO SAL in 2016, based on the audited consolidated financial statements of the Bank as at and for the fiscal years ended December 31, 2016 and December 31, 2015. 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 of Lebanon and the Banking Control Commission, and include the results of the Bank and its consolidated subsidiaries BEMO Securitization SAL, BEMO Investment Firm Limited, Ferticed Limited Holding (Ferticed was liquidated in 2016) and Depository & Custody Company SAL. Where appropriate in the context, references to the Bank include the Bank and such consolidated subsidiaries.

All figures are presented in Lebanese Pounds, unless specifically otherwise stated. In each case where the US Dollar (USD) currency has been used, 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 in this section, 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 1507.5 per USD 1.00. References to foreign currency translation differences or changes reflect the impact of the movement of functional currencies in countries of presence against the US Dollar.
Lebanese Banking sector information has been derived from Association of Lebanese Banks reports and data, Bankdata Financial Services WLL and the Bank's internal sources.

I. Financial Performance Analysis

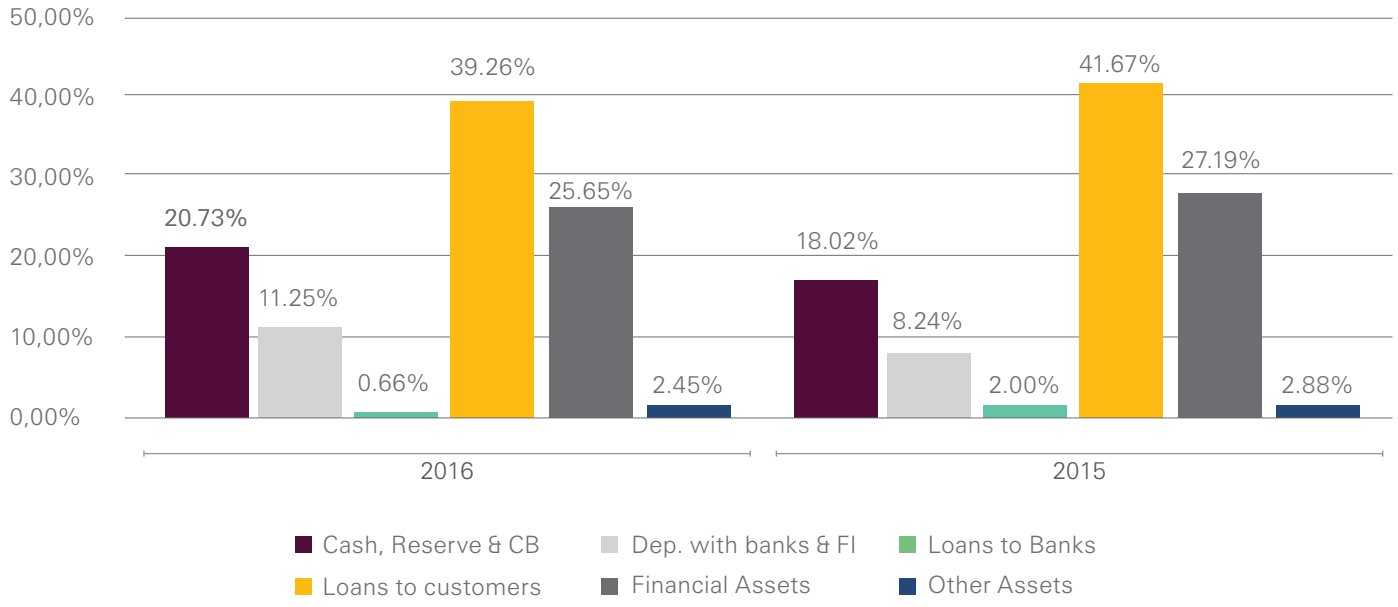
The Bank's consolidated assets grew by 8.48% as at December 31, 2016 in comparison to December 31, 2015 noting that during the same period and according to data released by the Association of Lebanese Banks, total assets growth of the Lebanese Banking Sector reached 9.85%. Consolidated Total assets by end of 2016 reached LBP 2,660,550 million (US$ 1,758.24 million) as compared to LBP 2,443,254 million (US$ 1,620.73 million) as at December 31, 2015 growing by LBP 207,296 million (US$ 137.51 million).

Major Balance Sheet Items

LBP Million	Audited 2016	Audited 2015	Change 16/15
Cash, compulsory reserve and central banks	549,560	440,214	24.84%
Deposits with banks and financial institutions	298,217	201,242	48.19%
Loans to banks	17,512	48,867	-64.16%
Loans and advances to customers*	1,040,573	1,018,126	2.20%
Investment securities and financial assets	679,777	664,257	2.34%
Bank acceptances	6,937	25,296	-72.58%
Other assets and investment in associates	57,974	45,252	28.11%
Total Assets	2,650,550	2,443,254	8.48%
Customer Deposits*	2,189,145	2,038,951	7.37%
Engagement by acceptances	6,937	25,296	-72.58%
Deposits from banks and financial institutions	135,967	118,882	14.37%
Subordinated Bonds	37,688	37,688	0.00%
Other Liabilities	38,357	19,554	96.16%
Total Liabilities	2,408,094	2,240,371	7.49%
Total Shareholders' Equity	242,456	202,883	19.51%
Total Liabilities & Equity	2,650,550	2,443,254	8.48%
Net Income for the Year	23,745	19,500	21.77%

*Loans and advances to customers as well as customer deposits include related parties accounts.

Assets Breakdown



Loans and advances to customers constitute the largest uses of funds in terms of total assets where their share stood at 39.26% of total assets in 2016 (41.67% in 2015) followed by Financial assets and Investment securities where the share was equivalent to 25.65% in 2016 (27.19% in 2015). Cash, compulsory reserve and central banks constituted 20.73% in 2016 as compared to 18.02% in 2015. Deposits with Banks and Financial Institutions reached 11.25% of total assets in 2016 as compared to 8.24% in 2015. The breakdown of assets of the Bank and the distribution indicated is in line with the Bank's business model.

Loans and advances to customers (including related parties) increased by 2.20% reaching LBP 1,040,574 million (US$ 690.26 million) as at December 31, 2016 as compared to LBP 1,018,126 million (US$ 675.37 million) as at December 31, 2015. Placements with banks and financial institutions amounted to LBP 298,217 million (US$ 197.82 million) in 2016 as compared LBP 201,242 million (US$ 133.49 million) in 2015. Other assets were equivalent to LBP 57,974 million (US$ 38.46 million) as compared to LBP 45,252 (US$ 30.02 million) in 2015. This increase is mainly due to the additions to advances on capital expenditures during the year 2016 in the amount of LBP 6.5billion, which represents an advance payment on plot number 660 located in Medawar where the Bank is acquiring new premises in a building under construction for the purpose of housing the Bank's headquarters, and an addition of LBP 1 billion being purchase of an additional plot for the purpose of expanding the premises and services currently operational at Rabieh Branch.

FINANCIAL PERFORMANCE ANALYSIS

Loan Portfolio

The Bank's loans and advances to customers (excluding related parties) were equivalent to LBP 1,037,927 million (US$ 688.51 million) as at December 31, 2016 growing from LBP 1,016,270 million (US$ 674.14 million) in December 31, 2015 reflecting a year-on-year increase of 2.13%. Loans and advances to related parties (as defined by Article 152 of the Code of Money and Credit and governing Central Bank of Lebanon circulars) are equivalent to LBP 2,646 million (US$ 1,755 thousand) as at December 31, 2016 increasing from LBP 1,856 million (US$ 1,231 thousand) in 2015 reflecting a year on year growth of 42.59%.

Analysis of the Loan Portfolio by type of Borrower and Loan Classification (including related parties)
The following table sets forth the breakdown of the bank's loans (Gross), by classification, as at December 31, 2016 and 2015:

	Audited		
LBP Million	2016	2015	Variation 16/15
Regular Loans	1,016,929	1,011,891	0.50%
Substandard Loans	17,475	8,730	100.17%
Bad & Doubtful Loans	20,308	8,671	134.21%
Accrued Interest receivable	1,263	1,173	7.67%
Total gross loans	1,055,975	1,030,465	2.48%
Unrealized Interest on Substandard Loans	(443)	(1,032)	-57.07%
Unrealized Interest on Bad & Doubtful Loans	(6,200)	(3,586)	72.89%
Provision Allowance on Substandard Loans	-	(754)	-100.00%
Provision allowance on Bad & Doubtful Loans	(6,629)	(4,837)	37.05%
Collective Provision for Loan Impairment	(2,130)	(2,130)	0.00%
Total net loans	1,040,573	1,018,126	2.20%
Unrealized interest & Provisions /substandard loans (%)	2.53	20.46	
Unrealized interest & Prov/ doubtful and bad loans (%)	63.17	97.14	
Net Doubtful & Bad Loans / Total loans (%)	0.71	0.02	

While noting the prevailing economic stalemate and deteriorating credit situation in the sector, the Bank's conservative and prudent credit policy as well as the continuous monitoring of the Bank's asset quality resulted in maintaining the ratio of "Net doubtful & bad debts/Total loans" at a low of 0.71% by the end of 2016 as compared to 0.02% in 2015 as highlighted in the table above. Despite the increase registered spurred mainly by the downgrading of mainly real estate related facilities, the share of net doubtful and bad loans to total loans remains below 1% of the total loan portfolio. It is to be noted that on top of existing provisions, such facilities are secured by prime collateral where necessary foreclosures and liquidations are being applied.

The Bank's doubtful and bad loans amounted to LBP 20,308 million (US$ 13.47 million) as at December 31, 2016 compared to LBP 8,671 million (US$ 5.75 million) as at December 31, 2015 reflecting an increase of 134.21%. Unrealized interest on doubtful and bad debts totaled LBP 6,200 million (US$ 4.11 million) as at December 31, 2016 compared to 3,586 million (US$ 2.38 million) as at December 31, 2015 reflecting an increase of 72.89%. The coverage ratio (Unrealized Interest and Provisions/Doubtful and bad loans) for 2016 was equivalent to 63.17% as compared to 97.14% for 2015. Substandard Loans net of unrealized interest and provision allowance reached LBP 17,032 million (US$ 11.30 million) at the end of 2016 as compared to LBP 6,944 million (US$ 4.61 million) at the end of 2015, reflecting a 145.28% year-on-year increase.

With respect to the collective provision for loan impairment, it remained unchanged in 2016.

Analysis of the Loan Portfolio by Currency

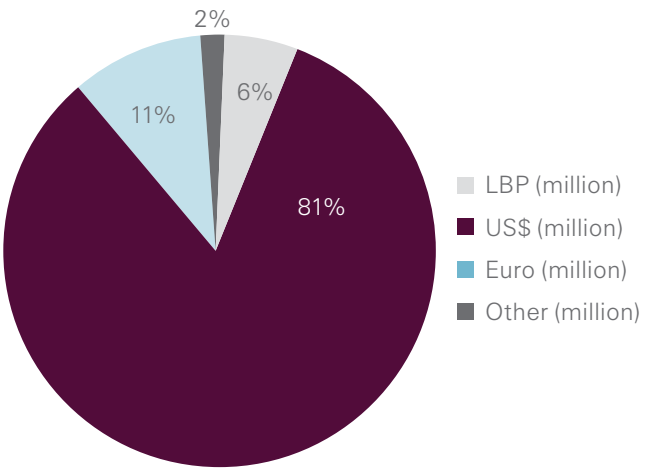
The following table sets forth the breakdown of the Bank's loan portfolio by currency as at December 31, 2016 and 2015:

	December 31, 2016 (C/V in LBP)-Audited			
Bank's loan portfolio	LBP (million)	US$ (million)	Euro (million)	Other
Loans and advances to customers	60,778	844,379	111,532	21,238
Loans and advances to related parties	15	2,577	54	0
Total Loans	60,793	846,956	111,586	21,238

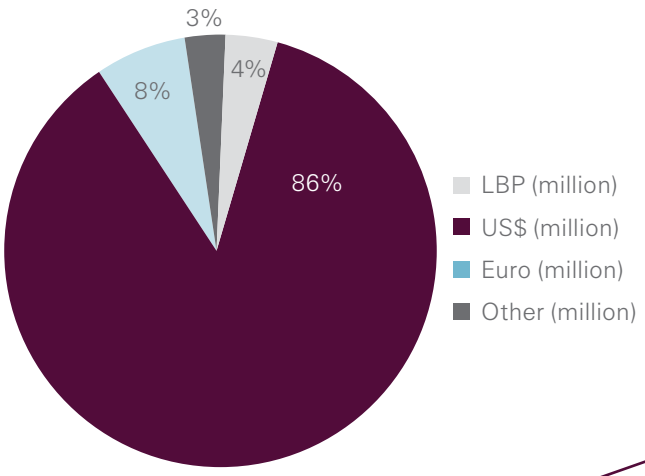
	December 31, 2015 (C/V in LBP)-Audited			
Bank's loan portfolio	LBP (million)	US$ (million)	Euro (million)	Other
Loans and advances to customers	37,214	869,930	82,189	26,937
Loans and advances to related parties	14	1, 833	9	0
Total Loans	37,228	871,763	82,198	26,937

The Bank's loan portfolio is characterized by a high level of dollarization matching the currency composition of the sources of funds. In December 31, 2016, 94.16% of total loans were denominated in foreign currencies versus 96.34% in December 31, 2015 while the Lebanese banking sector average reached 72.60% as at December 31, 2016 (as per the figures released by the Association of Banks in Lebanon & BDL's December 2016 Economic Bulletin).

Total Loans 2016



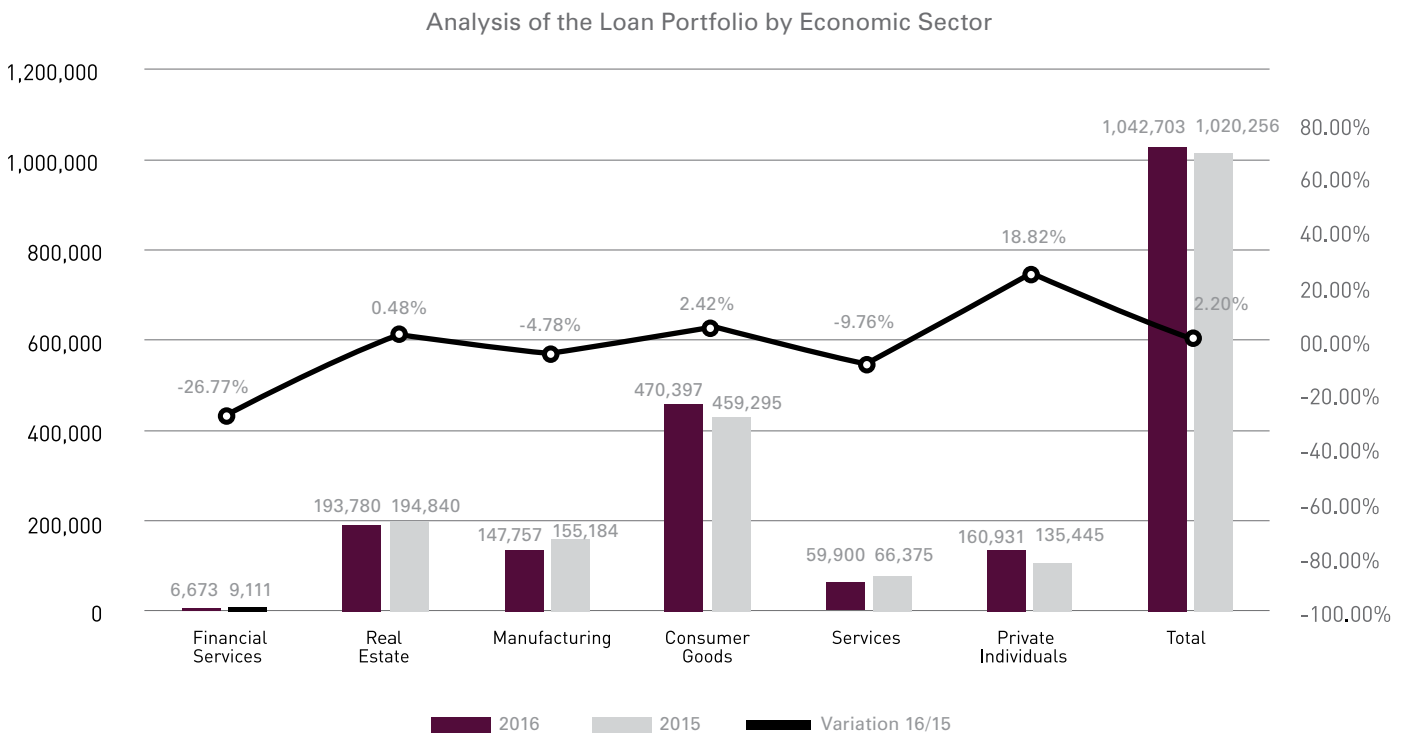
Total Loans 2015



FINANCIAL PERFORMANCE ANALYSIS

Analysis of the Loan Portfolio by Economic Sector

The following table sets forth the breakdown of the Bank's loan portfolio by economic sector as at December 31, 2016 and 2015 **(excluding the collective provision for loan impairment):**



The Bank seeks to diversify the credit risk of its loan portfolio by distributing loans among the different sectors of the economy, with a focus on sectors that are considered to be as representing acceptable risks. As at December 31, 2016, up to 45.11% of the loans are extended to businesses with trading activities in various consumer products, 14.17% to manufacturing, 18.85% to real estate development (including prime contractors of private residential and commercial buildings duly covered by first degree mortgages and assignment of project proceeds), and the remaining 21.87 % to other economic sectors.

With respect to the Lebanese Banking Sector, and as per the Central Bank's December 2016 Economic Bulletin, 32.3% of the credits are extended to trade and services activities, 10.0% to manufacturing, 18.1% to real estate development and 39.6% to other economic sectors (including individuals) as at December 31, 2016. The main difference between the Bank and the sector is the Bank's minimal share related to retail/individual lending as it does not fall under the Bank's Target Market Criteria.

Analysis of the Loan Portfolio by Maturity

The following table sets forth the breakdown of the Bank's loan portfolio by maturity as at December 31, 2016 and 2015:

LBP Million	Audited		Variation	Share	
Maturity	2016	2015	16/15	2016	2015
Accounts with no maturity	690,093	672,851	2.56%	66.32%	66.08%
Up to 3 months	328,726	329,624	-0.27%	31.59%	32.37%
3 to 12 months	20,758	14,680	41.41%	1.99%	1.44%
12 months and above	997	970	2.78%	0.10%	0.09%
Total	1,040,573	1,018,125	+2.20%	100%	100%

Similar to the current market practice in Lebanon, the major portion of the Bank's loan portfolio is of short-term nature (overdrafts), with maturities rarely exceeding the 12 months period reflecting a credit management strategy that aims at matching the maturities of the Bank's sources of funds and its corresponding uses of funds, while maintaining adequate levels of liquidity.

Additionally, more than 97% of loans granted by the Bank carry floating interest rates with minimum floor rates applied mitigating the bank's exposure to interest rate risk.

Analysis of the Loan Portfolio by Size (excluding related parties, accrued interest, unearned interest and collective provisions)

The following table sets forth below classifies the outstanding loan balances by size as at December 31, 2016 and 2015:

Outstanding Loan Balances	Audited 2016				Audited 2015			
Bracket	# of Clients	% to Total Clients	LBP million	% to Total Loans	# of Clients	% to Total Clients	LBP million	% to Total Loans
Less than LL 500 mln*	958	74.44%	67,201	6.47%	1,003	75.53%	63,245	6.22%
From LL 500 mln – LL 5 bln	272	21.13%	456,868	43.98%	268	20.18%	445,769	43.82%
Over LL 5.0 bln	57	4.43%	514,724	49.55%	57	4.29%	508,213	49.96%
Total	1,287	100.0%	1,038,794	100.0%	1,328	100.0%	1,017,227	100.0%

*including numerous incidental debtor accounts

The total loan portfolio (excluding related parties) is spread over 1,287 clients, with 25.56% of the clients covering 93.53% of the loan portfolio as at December 31, 2016. The Bank manages the diversification of its portfolio to avoid undue credit risk concentrations.

Industry and sectorial analyses are also incorporated within the overall credit risk management framework. In this respect, the Bank seeks to continually update lending and financing guidelines based on periodic reviews and updates of industry and sectorial risk factors and economic outlooks. This facilitates the better management of credit concentration risks.

FINANCIAL PERFORMANCE ANALYSIS

Analysis of the Loan Portfolio by Counterparty type

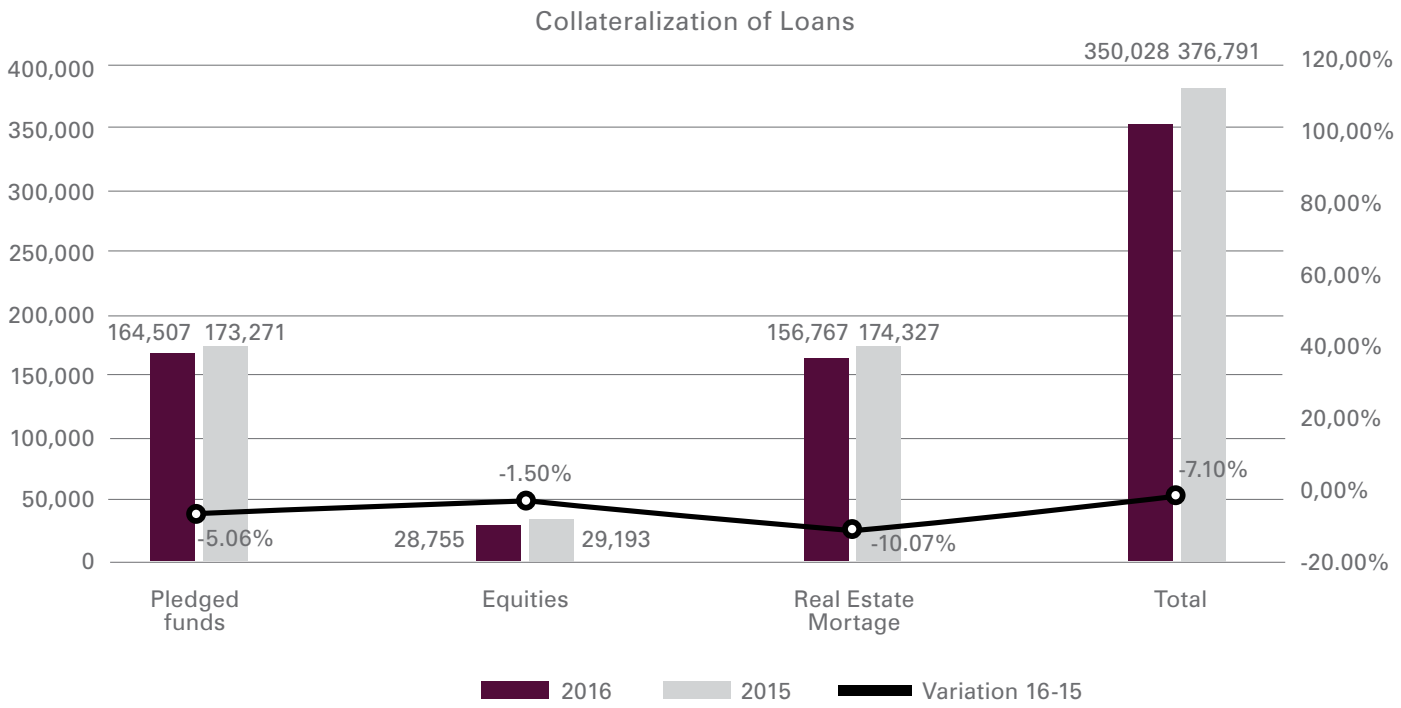
The following table sets forth below classifies the outstanding loan balances by counterparty type as at December 31, 2016 and 2015 (carrying amount net of unrealized interest and impairment allowance and excluding related parties):

	Carrying amount net of unrealized interest Audited		Variation	Share of Total Loans
Counterparty type	2016	2015	16/15	2016
Regular Retail Customers	111,663	100,362	11.26%	10.76%
- Mortgage loans	61,204	52,884	15.73%	5.90%
- Personal loans	9,347	11,373	-17.81%	0.90%
- Overdrafts	32,180	28,471	13.03%	3.10%
- Other	8,932	7,634	17.00%	0.86%
Regular Corporate Customers	902,621	909,674	-0.78%	86.96%
- Large enterprises	632,131	621,481	1.71%	60.90%
- Small and medium enterprises	270,490	288,193	-6.14%	26.06%
Classified Retail Customers	1,509	0	0	0.15%
- Substandard	1,509	-	-	0.15%
- Bad & Doubtful	-	-	-	-
Classified corporate customers	23,001	7,191	219.86%	2.22%
- Substandard	15,522	6,944	123.53%	1.50%
- Bad & Doubtful	7,479	247	-	0.72%
Collective Provision for Loan Impairment	(2,130)	(2,130)	0%	(0.21)%
Accrued interest receivable	1,263	1,173	7.67%	0.12%
Total	1,037,927	1,016,270	2.13%	100%

Building on the Bank's strategic direction to mainly service prime corporations (locally & regionally) – mainly top ranked tiers in each respective industry – the table above is an indication of the Target Market Criteria of client selection whereby nearly 87% of the overall Loans & Advances exposure is allocated to corporate customers as at December 31, 2016.

Collateralization of Loans

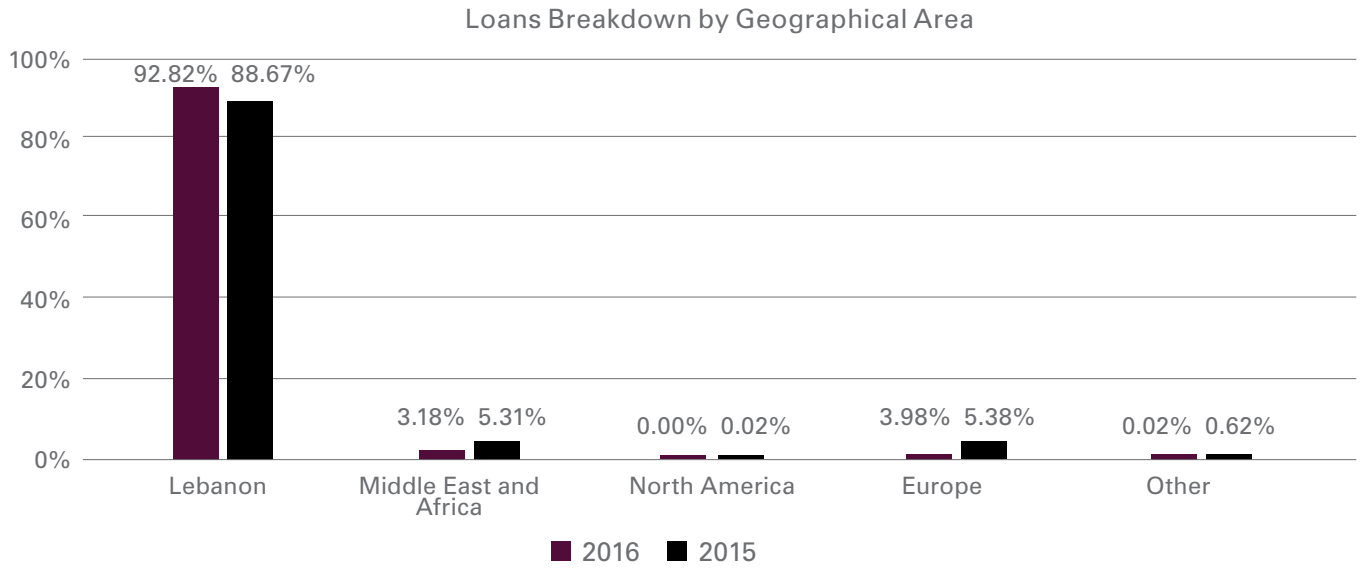
The following table sets forth the breakdown of the fair value of collateral held by the Bank covering the performing loans and advances granted to customers as at December 31, 2016 and 2015:



The chart above shows that the bank is still maintaining adequate coverage on loans and advances extended to customers.

Distribution of Loan Portfolio by Geographical Area

The following Graph shows the distribution of the Bank's Loan Portfolio (excluding related parties) by geographic area as at December 31, 2016 and 2015:



As per the breakdown of the above table, the main concentration in terms of the Loan Portfolio is in Lebanon where 92.82% of loans and advances are granted.

FINANCIAL PERFORMANCE ANALYSIS

The following tables sets forth the breakdown of the Bank's investment securities portfolio, by classification (amortized cost and trading assets at fair value through profit or loss) as at December 31, 2016 and 2015:

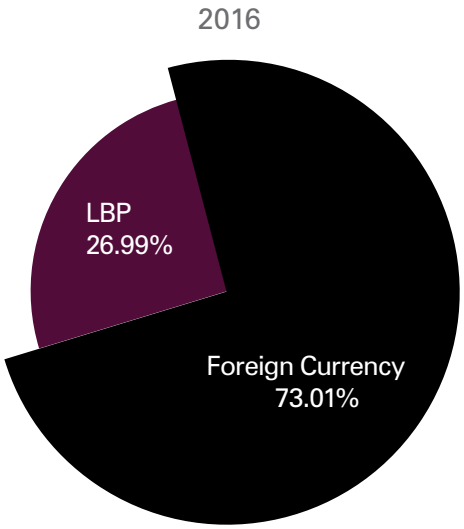
Trading Assets at Fair Value through Profit or Loss (FVTPL) excluding accrued interest:

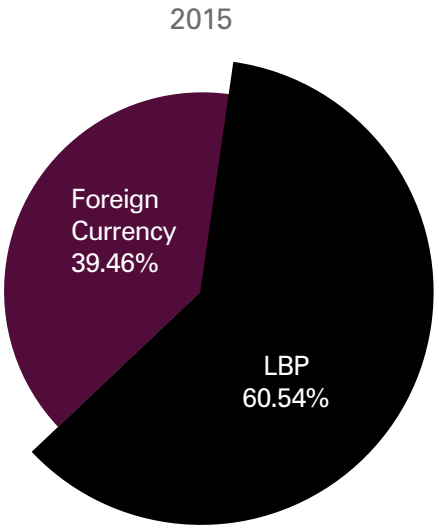
LBP Million	Audited 2016	Share	Audited 2015	Share
Quoted equity securities	7,099	8.43%	5,406	21.40%
Lebanese treasury bills	16,778	19.92%	14,166	56.08%
Foreign treasury bill	0	0%	328	1.30%
Lebanese government bonds	20,114	23.89%	608	2.41%
Cert. of deposit issued by Central Bank	37,568	44.62%	1,036	4.10%
Cert. of deposit issued by comm. Banks	754	0.90%	0	0%
Corporate Bonds	1,885	2.24%	3,716	14.71%
Total Trading Assets at FVTPL	84,198	100%	25,260	100%

Total Trading Assets at FVTPL reached LBP 84,198 million (US$ 55.85 million) for the year 2016 compared to LBP 25,260 million (US$ 16.76 million) in 2015 reflecting an increase of 233.33%.

At the end of 2016, 88.43% of the latter assets are sovereign investments (Central Bank of Lebanon and Treasury Bills issued by the Lebanese Government) compared to 62.59 % at the end of 2015. FVTPL assets represented respectively 3.22% and 1.05% of total assets at the end of 2016 and 2015.

With respect to the currency composition of Trading Assets at FVTPL, the latter was as follows as at December 31, 2016 and 2015:





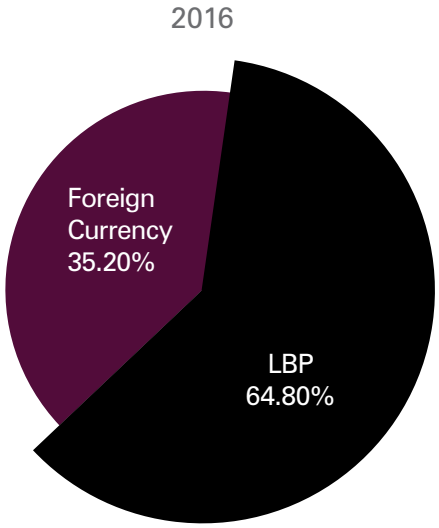
The Graph above reveals that the share of LBP Base Balances accounted for 26.99% of total trading assets held at FVTPL in 2016 compared to 60.54% at the end of 2015. In comparison, the share of Foreign Currency Base Balances increased from 39.46% in 2015 to 73.01% by the end of 2016.

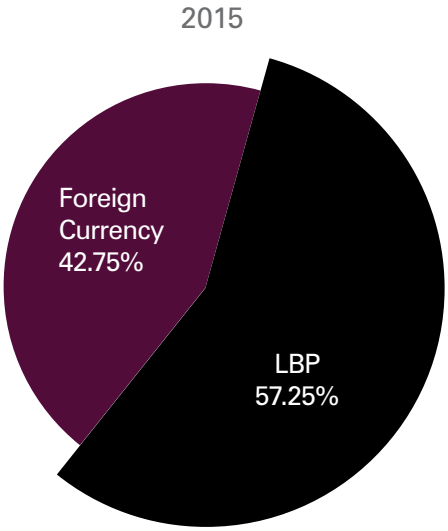
Financial assets held at Amortized Cost and at Fair Value through Other Comprehensive Income (FVTOCI):

LBP Million	Audited 2016	Share	Audited 2015	Share
Lebanese treasury bills	149,290	25.14%	170,611	26.75%
Lebanese government bonds	115,685	19.48%	151,731	23.79%
Cert. of deposit issued by Central Bank	301,835	50.82%	270,385	42.38%
Cert. of deposit issued by Comm. Banks		-		- -
Corporate Bonds	19,820	3.34%	34,847	5.46%
Accrued interest receivable	7,255	1.22%	10,343	1.62%
Total Financial Assets held at Amortized Cost	593,885	100%	637,917	100%
Financial assets at fair value through other comprehensive income	638		639	

Total Financial Assets held at Amortized Cost were equivalent to LBP 593,885 million (US$ 393.95 million) for the year 2016 compared to LBP 637,917 million (US$ 423.16 million) in 2015 decreasing by 6.90% year-on-year.
Around 45% of the latter assets are investments in Lebanese Treasury Bills and Government Bonds, while 50% are investments with the Central Bank of Lebanon (Certificates of Deposits) at the end of 2016. Total financial assets held at Amortized Cost represented respectively 22.41% and 26.11% of total assets at the end of 2016 and 2015.

With respect to the currency composition of Financial Assets held at Amortized Cost, the latter was as follows as at December 31, 2016 and 2015:





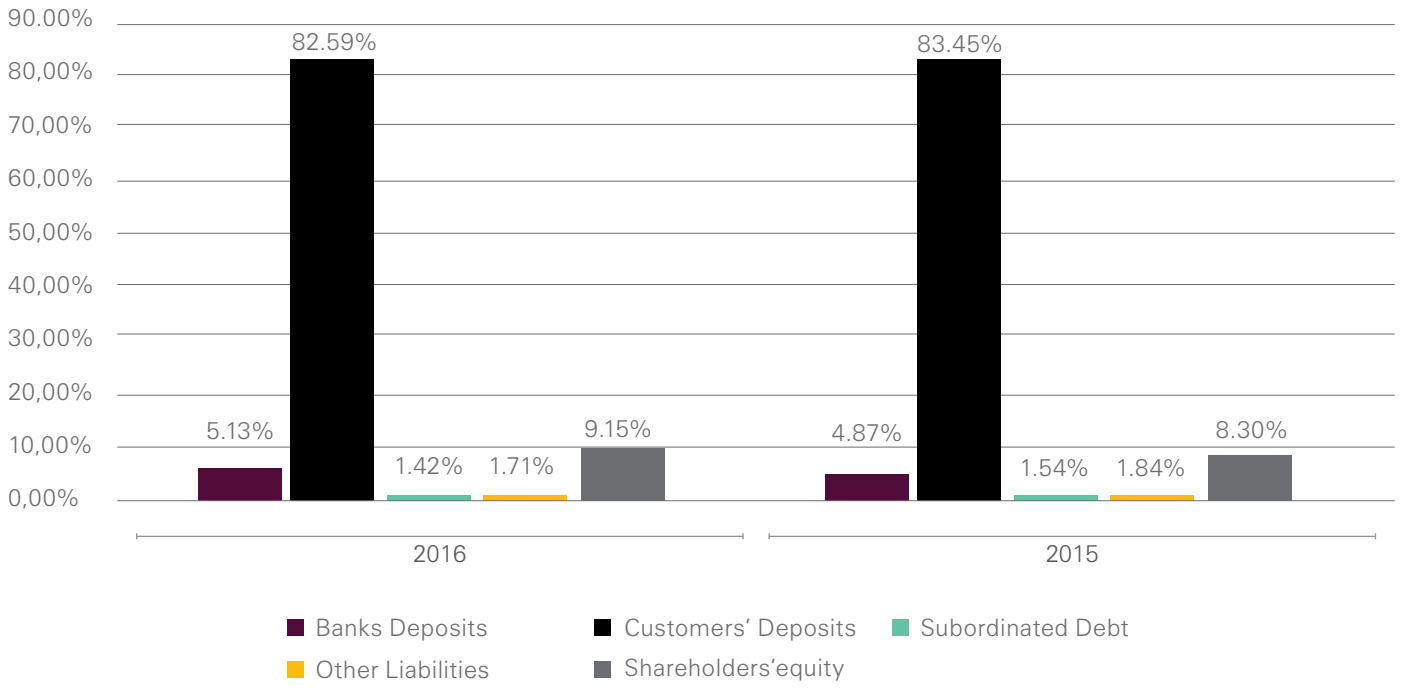
FINANCIAL PERFORMANCE ANALYSIS

The graph above reveals that the share of LBP Base Accounts accounted for 35.20% of total financial assets held at Amortized Cost in 2016 compared to 57.25% at the end of 2015. In comparison, the share of Foreign Currency Base Accounts increased to 64.80% in 2016 coming from 42.75% by the end of 2015.

It is to be noted that the bank has documented an investment policy approved and reviewed regularly by ALCO and the Board of Directors detailing the investment strategy and subsequent asset allocation and limits in line with the Supervisory Authorities prerogatives.

During the year 2016, the Bank entered into sales transactions of Lebanese Treasury bills and certificates of deposit denominated in Lebanese Pounds designated between fair value through profit or loss and amortized cost securities and having a nominal value of LBP37billion and LBP80.5billion respectively, concluded in conjunction with the acquisition of certificates of deposit denominated in U.S. Dollars with longer maturity designated between FVTPL and amortized cost with a nominal value of USD21million and USD57million respectively. The resulting surplus of the inter-related transactions derived from the arrangement and transactions with the Central Bank of Lebanon was equivalent to LBP41.25billion (deferred net of tax in the amount of LBP6.19billion).

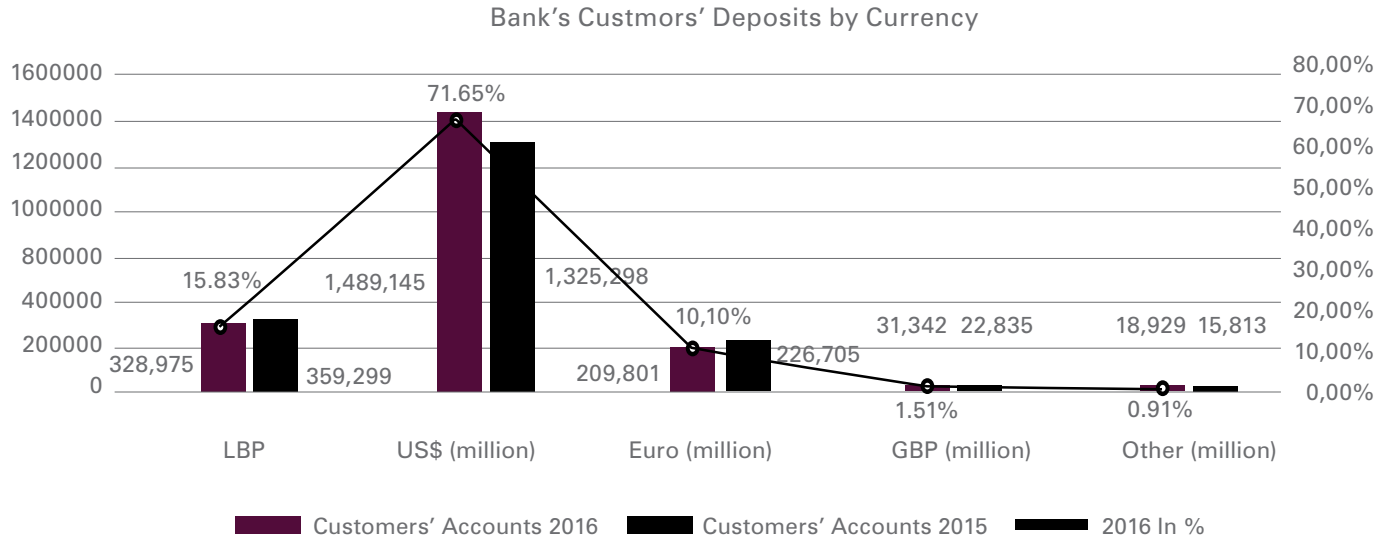
As per BDL Intermediary circular number 446 detailing the usage of the above surplus, the Bank allocated an amount of LBP 24.11billion to offset currency translation losses on the investment in an associate (namely BBSF). The remaining amount from the surplus registered totaled LBP 10.95billion and was assigned to collective provision for IFRS 9 requirements.



The Bank's funding resources continue to be mainly driven by customers' deposits accounting for 82.59% of the Bank's total liabilities and shareholders equity at December 31, 2016, while the remaining are accounted for by bank deposits (5.13%), other liabilities (1.71%), subordinated debt (1.42%) and shareholders' equity (9.15%).

Time Deposits represent the largest portion of the Bank's deposits, owing to the private and corporates that are selected by the nature of the banking operations and the business model of the Bank.

The following graph depicts the breakdown of the Bank's Customers' Deposits (excluding related parties deposits) by currency as at December 31, 2016 and 2015:



Customers' Deposits in Lebanese Pounds accounted for only 15.83% of total deposits as of December 31, 2016, with the remaining balance being in foreign currency deposits. Such an allocation, coupled with the relatively lower interest rates on foreign currency deposits resulted in an acceptable average cost of funds.

The average cost of funds on customers' deposits at amortized cost (including related party deposits) during the last 3 years was as follows:

Year	Average Rate LBP (%)	Average rate FCY (%)
2016	6.17	3.03
2015	6.17	2.86
2014	6.11	2.65

Customers' Deposits by Size (excluding related parties)

The following table sets forth the Bank's customers deposits (excluding related parties accounts) by size as at December 31, 2016 and 2015:

	Audited 2016			Audited 2015		
By size in LBP million	Amount	%	% to Total No of customers	Amount	%	% to Total No of customers
< 200 million	148,199	7.13	72.66	157,993	8.10	74.08
200 million – 1.50 Billion	622,354	29.95	21.94	638,306	32.74	21.19
Over 1.5 Billion	1,307,639	62.92	5.40	1,153,652	59.16	4.73
Total	2,078,192	100%	100%	1,949,951	100%	100%

FINANCIAL PERFORMANCE ANALYSIS

Customers' Deposits by Maturity

The following table sets forth the distribution of the Bank's customers' deposits by initial stated maturity as at December 31, 2016 and 2015:

	Audited			
Maturity	2016	%	2015	%
Accounts with no maturity	398,021	19.15	350,682	17.99
Up to 3 months	1,259,729	60.62	1,285,862	65.94
3 to 12 months	359,411	17.29	269,286	13.81
12 months and above	61,031	2.94	44,121	2.26
Total	2,078,192	100%	1,949,951	100%

Short-term deposits with maturities up to 3 months and accounts with no maturity accounted for around 80% of total customers' deposits while deposits with maturities of up to 12 months exceeded 97% of total customers' deposits as at December 31, 2016.

Capital and Capital Adequacy
The major current components of Tier One and Tier Two Capital of the Bank are as follows:

1. Eligible share capital: The issued and outstanding share capital of the Bank consists of 62 million nominative common shares authorized and fully paid with a par value of LBP 1,004 per share and divided as follows:

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

2. Shareholders' cash contribution to capital: This caption represents capital injection of USD 19,306,789 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.

3. Reserves: Reserves consist of the following as at December 31, 2016 and 2015:

LBP Million	Audited 2016	Audited 2015
Legal reserve	6,846	5,048
Reserve for general banking risks	31,904	26,524
General reserve for performing loans	4,054	1,500
Reserve for assets acquired in satisfaction of loans	870	768
Reserve from disposal of assets acquired in satisfaction of loans	182	182
Other reserves	6,209	5,518
Total Reserves	50,065	39,540

Eligible reserves are created by accumulated appropriations of profits and are maintained for future growth, to reach 2% of total risk weighted assets in 2017. In accordance with the requirements of Lebanese Money and Credit Law, the Bank transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution but can be used for capital increase. 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 LBP 2.84 billion and LBP 29.06 billion, respectively, in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

4. Eligible retained earnings: This represents the accumulated undistributed profits

5. Currency Translation Adjustments: This mainly represents the currency translation adjustment related to the investment in an associate incorporated in Syria where the carrying value was readjusted for the effect of prolonged decline in exchange of the Syrian Pound against the US Dollar caused by the ailing economic situation as a result of the hostilities initiated in 2011.

6. Subordinated Bonds (Tier II Capital): Subordinated bonds in the amount of USD25milion (divided into 2,500 bonds of USD10,000 each) were issued on December 15, 2014 and mature on January 4, 2021 and are subject to an annual interest of 6% payable on December 31, and June 30, of each year.

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.

Minimum capital requirements:

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.

- after conducting the necessary deductions as directed by BDL and BCC requirements, the new minimum solvency requirements will be as follows (to be achieved in a phased in approach)

As per BDL intermediary circular number 436 dated September 30, 2016

LBP Million	31/12/2016	31/12/2017	31/12/2018
Common Equity Tier 1 Ratio	8.5%	9.0%	10.0%(*)
Tier 1 Ratio	11.0%	12.0%	13.0%(*)
Total Capital Ratio	14.0%	14.5%	15.0% (*)

(*) including the Capital Conservation Buffer required by Basel Committee equivalent to 4.5%

SCOPE OF APPLICATION OF CENTRAL BANK CAPITAL ADEQUACY CALCULATION

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 and Banking Control Commission and undertakes securitization transactions locally and structured finance deals

2. Ferticed Limited Holding (Bermuda): This entity is 100% owned by the Bank and is mainly involved in providing insurance services (Ferticed was liquidated in 2016)

3. Depository and Custody Company SAL: This entity is fully owned by the Bank and its subsidiary BEMO Securitization SAL and it undertakes depository and custody of securities activities.

There are no other group entities for regulatory purposes that are neither consolidated nor deducted.

4. Bemo Investment Firm Ltd: This entity is 75% owned by the Bank. It undertakes investment activities and is located in Dubai.

FINANCIAL PERFORMANCE ANALYSIS

Eligible Capital for Solvency Calculation

LBP Million	2016	2015
Common Equity Tier 1		
Common stock – Paid in CapitaL	62,248	62,248
Cash Contribution to Capital	29,105	29,105
Eligible Reserves	49,195	38,590
Retained Earnings	43,656	12,610
Minority Interests	101	199
Common Equity Tier 1	184,305	142,752
Less: Deductions/Regulatory Adjustments		
Less: Treasury Shares	(2,932)	(2,696)
Less: Intangible assets	(976)	(615)
Less: participations	(12)	(3,721)
NET Common Equity Tier 1	180,385	135,720
Additional Tier 1		
Perpetual, Non-Cumulative Preferred Shares	52,641	52,641
Less: Minority Interests	(101)	(199)
TOTAL Tier 1 (A)	232,925	188,162
Supplementary Capital – Tier 2		
Subordinated Bonds	37,688	37,688
TOTAL Tier 2 (B)	37,688	37,688
Total Eligible Capital (A+B)	270,613	225,850

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	Audited	
LBP Million	2016	2015
Credit Risk Weighted Assets – Standardized Approach	1,544,134	1,447,389
Sovereign Risk	424,759	380,917
Banks Risk	161,032	124,128
Public Sector Entities	3	3
Loans to Corporate Clients	483,725	512,488
Loans to SMEs	147,152	128,375
Other Retail Loans	28,423	23,523
Residential Loans	20,767	18,674
Commercial Real Estate Loans	150,014	164,160
Securitization	15,388	20,679
Non-Performing Loans	32,836	11,661
Other Assets	80,035	62,781
Market Risk Weighted Assets – Standard Measurement Approach	88,601	24,588
Interest Rate Risk (Trading Book)	72,085	11,460
Equity Price Risk (Trading Book)	14,198	10,813
FX Risk	2,318	2,315
Commodities Risk (Not applicable)		
Operational Risk– Basic Indicator Approach	103,047	91,747
Total Risk Weighted Assets	1,735,782	1,563,724
Total Capital Ratio	15.59%	14.44%
Tier 1 Capital Ratio	13.42%	12.03%
Net Common Equity Tier 1	10.39%	8.67%

FINANCIAL PERFORMANCE ANALYSIS

The capital base is intended to act as buffer against the risks to which the Bank is exposed to and comprises the sum of Tier-1 and Tier-2 capital. The purpose of the Bank's capital management is to ensure the efficient use of capital in the light of the Bank's overall capital targets. The Bank takes the capital targets into account in the determination of its risk profile. This means that the capital level must be sufficient to cover both organic growth and current fluctuations in the risks taken on.

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). The liquidity position of the Bank is monitored by the Bank's ALCO, which aims at minimizing risk, while ensuring the best use of funds in the prevailing economic conditions. The management's efforts with regards to the maturities of funding sources and uses are reflected in the Bank's satisfactory liquidity position. Similar to other banks in the sector, the Bank had negative maturity gaps concentrated in maturities of up to 3 months, while the maturity gaps were positive for maturities of more than 3 months. The table below summarizes the maturity profile of the Bank's assets and liabilities and the related maturity gaps for 2016 and 2015:

For LBP Base Accounts

	Accounts with no maturity	Up to 3 Months	From 3 Months to 1 Year	From 1 Year to 3 Years	From 3 Years to 5 Years	From 5 to 10 Years
2016 maturity gap	64,289	(118,938)	(2,094)	39,356	49,083	95,270
2016 cumulative maturity gap	64,289	(54,649)	(52,555)	(13,199)	35,884	131,154
2015 maturity gap	60,395	(273,900)	(65,271)	66,590	80,267	202,482
2015 cumulative maturity gap	60,395	(213,505)	(278,776)	(212,186)	(131,919)	70,563

For Foreign Currency Base Accounts

	Accounts with no maturity	Up to 3 Months	From 3 Months to 1 Year	From 1 Year to 3 Years	From 3 Years to 5 Years	From 5 to 10 Years
2016 maturity gap	412,414	(616,525)	(269,021)	72,848	110,068	401,518
2016 cumulative maturity gap	412,414	(204,111)	(473,132)	(400,284)	(290,216)	111,302
2015 maturity gap	435,706	(652,137)	(97,644)	69,224	182,401	194,769
2015 cumulative maturity gap	435,706	(216,431)	(314,075)	(244,851)	(62,450)	132,319

The basis of the remaining period at the relevant balance sheet date is mainly determinant of the contractual maturities of assets and liabilities not taking into consideration the effective maturities of many of the Bank's liabilities indicated by the track record of deposit retention at the Bank and subsequent continuous availability of liquid funds. The Bank's foreign currency placements maintained with international banks carry a maturity of three months or less. Moreover, the Bank's loans and advances portfolio is mainly of a short-term nature.

Interest Rate Sensitivity

The Bank is exposed to interest rate risk as a result of mismatches in interest rate repricing of assets and liabilities and off-balance sheet items that mature or reprice in a given period. The ALCO monitors interest rate risk through the continual repricing of assets and liabilities on the basis of forecasted rates in both national and international markets, as well as through other traditional risk management strategies.

The Central Bank has in the past used interest rates to stabilize the money markets. In times of political uncertainty, some investors withdrew time deposits in Lebanese Pounds with a view of exchanging Lebanese Pounds for US Dollars. This situation created problems for banks which were charged high rates of interest by the Central Bank on repurchase transactions to meet the funding cost of customer withdrawals. A number of developments have occurred in the market to mitigate the risk, including a trend of discouraging customers from breaking term deposits by increasing the associated costs. Customers are generally not permitted to withdraw time deposits prior to their maturity date and the cost of repurchase transactions is now generally passed on to the customers. In addition, 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.

The interest rate sensitivity position based on contractual re-pricing arrangements for 2016 and 2015 are shown in the table below (Earnings at Risk Impact for one year only):

Consolidated as at 31/12/2016 (amounts in LBP Millions)	Less Than 1 Month	From 1 to 3 Months	From 3 to 6 Months	From 6 to 12 Months
Total Assets	1,148,574	317,551	83,636	19,229
Total Liabilities	1,344,935	190,515	125,177	232,805
TOTAL	(196,361)	127,036	(41,541)	(213,576)
Term Position	2,540	1,021	861	2
PERIODIC GAP	(193,821)	128,057	(40,680)	(213,574)
CUMULATIVE GAP	(193,821)	(65,764)	87,377	(254,254)
Earnings at Risk - 2016	(162)	(219)	(655)	(3,814)

Consolidated as at 31/12/2015 (amounts in LBP Millions)	Less Than 1 Month	From 1 to 3 Months	From 3 to 6 Months	From 6 to 12 Months
Total Assets	1,040,547	372,147	76,422	31,457
Total Liabilities	1,295,125	179,841	165,318	44,152
TOTAL	(254,578)	192,306	(88,896)	(12,695)
Term Position	235	(3,327)	128	-
GAP	(254,343)	188,979	(88,768)	(12,695)
CUMULATIVE GAP	(254,343)	(65,364)	(154,132)	(166,827)
Earnings at Risk - 2015	(212)	(217)	(1,156)	(2,502)

The above shows that the effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Bank for the year ended December 31, 2016 is equivalent to LBP 3.81 billion increase/decrease as compared to LBP 2.50 billion increase/decrease for the year ended December 31, 2015.

FINANCIAL PERFORMANCE ANALYSIS

Financial Results

Net Income

The Bank's net interest income after provision reached LBP 35.91 billion (US$ 23.820 million) in 2016 as compared to LBP 35.07 billion (US$ 23.26 million) for 2015 reflecting an increase of 2.4%. The rise in net income was mainly due to the growth witnessed in the Interest Earning Assets (mainly Financial Assets at amortized cost in 2016) coupled with an increase in fee based income while expenses grew at a slower pace. In addition, the impact of higher international reference rates during 2016 had a positive impact on the overall interest income received especially in terms of deposits held outside Lebanon with correspondent banks. Other fee based income also witnessed a large growth mainly stemming from several transactions generating higher fee income than reported in 2015

The following table sets forth a breakdown of the Bank's net income for the period under analysis:

	Audited		Variation
LBP Million	2015	2016	16/15
Interest income	107,868	116,755	+8.2%
Interest expense	72,426	79,240	+9.4%
Net interest income (after provisions)	35,067	35,910	+2.4%
Other fee based income	9,374	19,866	+111.9%
Gain on exchange and other operating income*	14,775	14,032	-5.0%
Salaries	20,579	22,621	+9.9%
General operating expenses	14,789	15,684	+6.0%
Other expenses (including tax expenses)	4,348	7,758	+78.4%
Minority interest	9	(97)	-
Net Income	19,491	23,842	+22.3%

* Includes gains/loss on securities and exchange transactions

Net Interest Income

Interest income increased by 8.2% to LBP 116,755 million (US$ 77.45 million) in 2016 as compared to LBP 107,868 million (US$ 71.55 million) in 2015, while interest expense increased by 9.4% to LBP 79,240 million (US$ 52.56 million) in 2016 as compared to LBP 72,426 million (US$ 48.04 million) in 2015. As a result, net interest income received by the Bank for 2016 increased by 5.8% as compared to 2015. The increase was mainly due to the ability of the Bank to enhance its interest earning assets while maintaining an adequate cost of funding enabling a satisfactory rise in overall interest income generated exceeding the growth in interest expenses.

Interest and Similar Income

The following table sets forth a breakdown of the Bank's interests and similar income for the years ending December 31, 2015 and 2016:

Interest and Similar Income

The following table sets forth a breakdown of the Bank's interests and similar income for the years ending December 31, 2015 and 2016:

	Audited		Variation
LBP Million	2015	2016	16/15
From loans and advances to customers	64,085	66,701	+4.1%
From deposits with banks, financial institutions and Central Bank	9,579	10,263	+7.1%
From investment securities (Amortized cost)	34,068	39,607	+16.3%
Other	136	184	+35.7%
Total	107,868	116,755	+8.2%

Total Interest received was equivalent to LBP 116,755 million (US$ 77.45 million) in 2016 as compared to LBP 107,868 million (US$ 71.55 million) in 2015 reflecting a year-on-year increase of 8.2%. This increase was primarily due to an increase in the interest received from Financial assets at amortized cost which reached LBP 39,607 million (US$ 26.27 million) in 2016 and constituted 33.9% of total interest and similar income as compared to LBP 34,068 million (US$ 22.6 million) and 31.58% in 2015. This increase was mainly due to the growth witnessed in investment securities.

Interest received from deposits with banks, financial institutions and Central Bank reached LBP 10,263 million (US$ 6.8 million) in 2016 and constituted 8.8% of total interest and similar income as compared to LBP 9,579 million (US$ 6.3 million) and 8.9% in 2015 reflecting a year-on-year increase of 7.1%. Interest earned on loans and advances reached LBP 66,701 million (US$ 44.2 million) in 2016 and represented 57.1% of total interest and similar income as compared to LBP 64,085 million (US$ 42.5 million) and 59.4% in 2015 reflecting a minimal year-on-year increase of 4.1%.

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, 2015 and 2016:

	Audited		Variation
LBP Million	2015	2016	16/15
Banks and financial institutions	3,733	3,661	-1.9%
Customers' deposits	66,432	73,312	+10.4%
Subordinated bonds	2,261	2,267	+0.3%
Total	72,426	79,240	+9.4%

Interest and similar charges reached LBP 79,240 million (US$ 52.56 million) in 2016 as compared to LBP 72,426 million (US$ 48 million) in 2015 reflecting a year-on-year increase of 9.4%. The increase is mainly due to the growth witnessed in interest paid on customers' deposits which grew from LBP 66,432 million (US$ 44.06 million) in 2015 to LBP 73,312 million (US$ 48.63 million) in 2016 constituting 92.5% of total interest and similar charges compared to and 91.72% in 2015. The growth is a reflection of the increase witnessed in terms of client deposits during 2016.

FINANCIAL PERFORMANCE ANALYSIS

Commissions, Fees and Other Revenues

The following table sets forth a breakdown of the Bank's commissions, fees and other revenues for the years ending December 31, 2015 and 2016:

	Audited		Variation
LBP Million	2015	2016	16/15
Commissions on documentary credits	1,205	756	-37.3%
Commission on customers' securities transactions	-	9,568	
Service fees on customers' transactions	8,093	9,501	+17.4%
Other commissions (including LGs)	453	351	-22.5%
Fees and Commissions expenses	(377)	(310)	-17.8%
Total	9,374	19,866	+111.9%

Total commissions, fees and other revenues rose by 111.9% reaching LBP 19,866 million (US$ 13.17 million) in 2016 as compared to LBP 9,374 million (US$ 6.21 million) in 2015. The major contributors to commissions, fees and other revenues in 2016 were service fees on customers' transactions and commissions on customers' securities transactions both representing 95.98% of the total (86.33% in 2015), while commissions on documentary credits represented 3.8% (12.85% in 2015), other commissions were equivalent to 1.7% (4.8% in 2015), and fees and commissions expenses constituted 1.5% (4% in 2015). With respect to commission on customers' securities transactions, the Bank's customers entered into sales transaction of certificates of deposit in Lebanese Pounds against purchase of Lebanese Government bonds in U.S. Dollar through the Bank and as a result the bank recorded commissions in the amount of LBP9.57billion.

Net Profit from Financial Operations

The following table sets forth a breakdown of the net profit from financial operations for the years ending December 31, 2015 and 2016:

	Audited		Variation
LBP Million	2015	2016	16/15
Net interest and other (losses)/gains on FVTPL portfolio	6,706	4,532	-32.4%
Foreign exchange income	2.528	2.856	+13.0%
Other operating income	5,541	6,644	+19.9%
Total gain on exchange and other operating income	14,775	14,032	-5.0%

Total gain on exchange and other operating income declined to LBP 14,032 million (US$ 9.31 million) as at December, 31 2016 as compared to LBP 14,775 million (US$ 9.8 million) as at December, 31 2015 reflecting a year-on-year decrease of 5.0%.

This was mainly due to the decrease in net interest and other (losses)/gains on FVTPL portfolio which regressed from LBP 6,706 million (US$ 4.45 million) in 2015 to LBP 4,532 million (US$ 3.0 million) as at December 31, 2016 declining by 32.4%. With respect to the foreign exchange income generated, the latter grow to LBP 2,856 million (US$ 1.89 million) as at December, 31 2016 reflecting a year-on-year increase of 13.0% as compared to December, 31 2015 (LBP 2,528 million or US$ 1.67 million).

Net loan loss provisions

The following table sets forth a breakdown of the Bank's net provisions for loans and advances to customers for the years ending December 31, 2015 and 2016:

	Audited	
LBP Million	2015	2016
Allowance for impairment of loans and advances	(515)	(1,605)
Collective provision for loan impairment /Write back	140	-
Total	(375)	(1,605)

General Expenses

The following table sets forth a breakdown of the Bank's general expenses for the years ending December 31, 2015 and 2016 (Audited figures):

	Audited		Variation
LBP Million	2015	2016	16/15
Staff costs	20,579	22,621	+9.9%
Administrative expenses	14,789	15,684	+6.1%
Depreciation & amortization	1,428	1,519	+6.4%
Provision for contingencies	(1,071)	1,449	-235.3%
Total	35,725	41,273	+15.5%

The Bank's total general expenses reached LBP 41,273 million (US$ 27.38 million) in 2016 as compared to LBP 35,725 million (US$ 23.7 million) in 2015 increasing by 15.5%. This increase was mainly due to an increase in staff costs, which reached LBP 22,621 million (US$ 15.0 million) in 2016 as compared to LBP 20,579 million (US$ 13.65 million) in 2015 reflecting a year-on-year increase of 9.9% and mainly due to the hiring of new staff members and impact of salary increase. On the other hand, administrative expenses increased by 6.10% to LBP 15,684 million (US$ 10.4 million) in 2016 from LBP 14,789 million (US$ 9.8 million) in 2015.

The Bank's cost-to-income ratio decreased to 63.5% in 2016 compared to 64.68% for 2015.

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FINANCIAL STATEMENTS

- INDEPENDENT AUDITOR'S REPORT
- CONSOLIDATED FINANCIAL STATEMENT

PROTECTING THE CLIENT'S BEST INTERESTS AND MAKING THEM CENTRAL TO THE BUSINESS

INDEPENDENT AUDITORS REPORT

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Banque Bemo S.A.L. (the "Bank") and its subsidiaries (the Group) , which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of a matter

Without qualifying our opinion, we draw attention to Note 11 and Note 22 of the consolidated financial statements, concerning the regulatory restricted contribution at December 31, 2016 amounting to LBP41.25billion, originating from surplus derived from sale of treasury bills in Lebanese pounds against investment in medium term Lebanese Government bonds and certificates of deposit in foreign currency issued by the Central Bank of Lebanon, in compliance with Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016. According to this Circular, the restricted contribution which is regulated in nature has been appropriated, after deducting the relevant tax liability in the amount of LBP6.19billion and appropriating an amount of LBP24.11billion to offset the adverse currency translation adjustment of the investment in associate (Note 13), to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of the implementation of IFRS 9 for Impairment, as and when quantified effective on January 1, 2018. By virtue of this Intermediary Circular, 70% of the remaining residual surplus once recognized over time shall be treated as non-distributable income designated and restricted only for appropriation to capital increase.

Key Audit Matters

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

Key audit matters

Regulatory Restricted Contribution

During November and December of 2016, the Central Bank of Lebanon issued regulations applicable to all banks operating in Lebanon with respect to the use of the contribution derived from the special and non-conventional securities arrangement deals concluded with the regulator. This is a key audit matter in relation to the use, accounting and taxability of the benefit earned.
How our audit addressed the key audit matter

We reviewed the accounting and use of the benefit associated with the regulated restricted contribution derived from the special and non-conventional securities arrangement deals with the regulator, after deducting the relevant tax, in line with the conditions for the designated purpose setup by the regulator.

Impairment of loans and advances

The calculation of the impairment of the loans and advances portfolio is inherently judgmental as it involves significant subjective assumptions made by the management of the Group. Due to the significance of the loans and advances portfolio and the related uncertainty estimation associated to the impairment determination, this is considered a key audit matter.
The majority of the Group's loans and advances consists of corporate loans. Management monitors and performs an impairment assessment of the loans and advances portfolio on an individual basis and provides for impaired loans; and for those loans that are considered to be unimpaired, Management performs an assessment of impairment on a collective basis after segregating the loans portfolio into groups of loans with similar characteristics.

The assessment on an individual basis relies on management's knowledge of each debtor. The loan portfolios that give rise to the greatest uncertainty are typically those where impairment is derived from models for collective assessment which are subject to Management's assumptions with respect to industry risk factors, economic outlook as well as collateral fair value and shortfalls.

INDEPENDENT AUDITORS REPORT

For impairment allowances against collectively assessed loans and advances, substantially covered by the regulatory designated deferred liability in anticipation of IFRS 9 referred to under Emphasis of a matter section of our report, we critically assessed Management's assumptions, and estimations, in particular with respect to the inputs into the impairment model, the industry risk factors, and economic factors, and historical default The risks outlined were addressed as follows:

We tested the design and operating effectiveness of the relevant controls that Management has put in place to identify which loans and advances are potentially impaired on an individual basis and the impairment loss setup against these loans. These tests included testing of:

• Both system-based and manual controls over the timely recognition of impaired loans and advances;
• Controls over the impairment calculation models, including data inputs; and
• Controls over collateral valuation estimates.
rates.

For non-performing loans, we tested the valuation model used by Management to determine the expected recoverable amount, including testing the expected future cash flows, the collateral value and the rate used to discount these to the present.

We examined a sample of loans and advances, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate.

Impairment of investment in an associate

The Group's investment in an associate in the amount of LBP18billion as at December 31, 2016, is considered material to the financial statements and related impairment involves considerable estimation uncertainty especially since the associate is incorporated in Syria where there is severe and frequent fluctuation of the Syrian Pound against foreign currencies, in particular the U.S. Dollar, the currency in which the investment is recorded in the Group's books. Management uses an impairment model based on inputs related to the associate's equity adjusted for unrealized exchange gains on the hedged portion of the associate's equity. For this reason, impairment of investment in an associate is considered a key audit matter.

The risk of inadequate determination of the impairment of the investment in associate was addressed in our audit by obtaining the impairment calculation used by Management and verifying the inputs related to the associate's equity and unrealized exchange gains as at December 31, 2016 extracted from the financial statements of the associate. Furthermore, the year-end exchange rates applied by Management in the model to convert the equity as at December 31, 2016 from Syrian Pound to U.S. Dollar were verified against official rates.

Furthermore, we verified Management's calculation of currency translation adjustment resulting from the exchange rate fluctuation on the associate's equity as at December 31, 2016, which is accumulated under equity.

Other Information

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

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance or conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, within the framework of local banking laws, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

INDEPENDENT AUDITORS REPORT

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The partners in charge of the audit resulting in this independent auditors' report are Nada Maalouf for Deloitte & Touche and Alfred Nehme for DFK Fiduciaire du Moyen Orient.

Beirut, Lebanon
May 2, 2017

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Notes	December 31 2016	December 31 2015
		LBP'000	LBP'000
Cash and deposits with central banks	5	549,560,119	440,213,601
Deposits with banks and financial institutions	6	298,217,095	201,242,051
Financial assets at fair value through profit or loss	7	85,253,068	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	8	17,512,310	48,867,483
Loans and advances to customers	9	1,037,927,223	1,016,269,785
Loans and advances to related parties	10	2,646,345	1,855,871
Investment securities	11	594,523,821	638,556,400
Customers' liability under acceptances	12	6,936,955	25,296,152
Investments in an associate	13	18,052,156	17,645,342
Assets acquired in satisfaction of loans	14	2,046,944	2,046,944
Property and equipment	15	23,967,744	16,698,002
Intangible assets	16	981,680	618,201
Other assets	17	12,924,894	8,243,257
Total Assets		2,650,550,354	2,443,253,739
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:	41		
Documentary and commercial letters of credit		31,295,824	25,232,406
Guarantees and standby letters of credit		90,464,323	85,545,223
Forward exchange contracts		246,224,821	433,508,634
FIDUCIARY DEPOSITS	42	45,197,457	40,387,852

		December 31	
LIABILITIES	Notes	2016	2015
		LBP'000	LBP'000
Deposits and borrowings from banks and financial institutions	18	126,651,112	111,351,617
Customers' accounts at amortized cost	19	2,078,192,028	1,949,950,909
Related parties' accounts at amortized cost	20	110,953,534	89,000,514
Acceptance liability	12	6,936,955	25,296,152
25,296,152			
Other term borrowings	21	9,315,863	7,530,780
Other liabilities	22	30,860,467	13,510,433
Provisions	23	7,496,647	6,042,789
		2,370,406,606	2,202,683,194
Subordinated bonds	24	37,687,500	37,687,500
Total liabilities		2,408,094,106	2,240,370,694
EQUITY			
Share capital	25	62,248,000	62,248,000
Treasury shares	25	(2,931,915)	(2,696,018)
Preferred shares	26	52,641,854	52,641,854
Shareholders' cash contribution to capital	27	29,104,984	29,104,984
Reserves	28	50,065,272	39,540,019
Retained earnings		27,384,124	25,795,153
Currency translation adjustment	13	-	(23,440,267)
Profit for the year	30	23,842,788	19,490,701
Equity attributable to the Group		242,355,107	202,684,426
Non-controlling interest	2	101,141	198,619
Total equity		242,456,248	202,883,045
Total Liabilities and Equity		2,650,550,354	2,443,253,739

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss	Notes	Year Ended December 31, 2016	2015
		LBP'000	LBP'000
Interest income	32	116,755,051	107,867,838
Interest expense	33	(79,240,335)	(72,425,574)
Net interest income		37,514,716	35,442,264
Fee and commission income	34	20,175,935	9,751,500
Fee and commission expense	35	(309,957)	(376,959)
Net fee and commission income		19,865,978	9,374,541
Net interest and other gains/(losses) on financial assets at fair value through profit or loss	36	4,531,743	6,706,383
Gain on exchange		2,856,686	2,527,958
Gain from derecognition of assets at amortized cost, (net)	11	1,934,797	2,575,456
Other operating income, (net)	37	4,709,925	2,965,009
Net financial revenues		71,413,845	59,591,611
Allowance for impairment of loans and advances and other receivables, (net)	9,17	(1,605,560)	(515,456)
Write-back of provision for collectively assessed loans, (net)	9	-	140,597
Net financial revenues after net impairment charge		69,808,285	59,216,752
Staff costs	38	(22,620,527)	(20,579,175)
Administrative expenses	39	(15,684,416)	(14,789,388)
Depreciation and amortization	15,16	(1,518,618)	(1,428,069)
Recovery of principal of financial assets at fair value through profit or loss		75,256	-
(Provision for)/write-back of provision for contingencies	23	(1,524,478)	1,071,567
		(41,272,783)	(35,725,065)
Profit before income tax		28,535,502	23,491,687
Income tax expense	22	(4,790,192)	(3,991,541)
Profit for the year	30	23,745,310	19,500,146
Attributable to:			
Equity holders of the Group		23,842,788	19,490,701
Non-Controlling interest		(97,478)	9,445
		23,745,310	19,500,146
Basic and diluted earning per shares	40	328/28	257/11

		Year Ended December 31,	
	Notes	2016	2015
		LBP'000	LBP'000
Profit for the year		23,745,310	19,500,146
Other comprehensive income ("OCI")			
Items that may be reclassified subsequently to profit or loss:			
Loss arising from currency translation adjustment	13	(667,529)	(1,407,841)
Net other comprehensive loss for the year		(667,529)	(1,407,841)
Total comprehensive income for the year		23,077,781	18,092,305
Attributable to:			
Equity holders of the Group	29	23,175,259	18,082,860
Non-controlling interests		(97,478)	9,445
		23,077,781	18,092,305

CONSOLIDATED FINANCIAL STATEMENTS

	Capital	Treasury Shares	Preferred Shares	Shareholder's 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, 2014	62,248,000	(2,344,459)	52,641,854	29,104,984	3,517,416	22,997,375
Total comprehensive income	-	-	-	-	-	-
Allocation of income for the year 2014	-	-	-	-	1,530,675	3,526,500
Prior period adjustments	-	-	-	-	-	-
Disposal of asset acquired in satisfaction of loans -Note14	-	-	-	-	-	-
Dividends paid - Note 31	-	-	-	-	-	-
Acquisition of treasury shares (net) - Note 25	-	(351,559)	-	-	-	-
Other	-	-	-	-	-	-
Balance at December 31, 2015	62,248,000	(2,696,018)	52,641,854	29,104,984	5,048,091	26,523,875
Total comprehensive income	-	-	-	-	-	-
Allocation of income for the year 2015	-	-	-	-	1,798,012	5,380,160
Dividends paid - Note 31	-	-	-	-	-	-
Acquisition of treasury shares (net) - Note 25	-	(235,897)	-	-	-	-
Offset – Note 13	-	-	-	-	-	-
Balance at December 31, 2016	62,248,000	(2,931,915)	52,641,854	29,104,984	6,846,103	31,904,035

Equtiy Attribute to the Group

Other Reserves	General Reserves	Reserve for Assets Acquired in Satisfaction of loans	Currency Translation Adjustment	Retained Earnings	Profit for the Year	Total	Non Controlling Interest	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
5,518,363	-	722,441	(22,032,426)	22,205,984	17,128,792	191,708,324	223,699	191,932,023
-	-	-	(1,407,841)	-	19,490,701	18,082,860	9,445	18,092,305
114,263	1,500,000	112,986	-	10,344,368	(17,128,792)	-	-	-
-	-	-	-	34,609	-	34,609	-	34,609
67,817	-	(67,817)	-	-	-	-	(34,609)	(34,609)
-	-	-	-	(6,793,375)	-	(6,793,375)	-	(6,793,375)
-	-	-	-	-	-	(351,559)	-	(351,559)
-	-	-	-	3,567	-	3,567	84	3,651
5,700,443	1,500,000	767,610	(23,440,267)	25,795,153	19,490,701	202,684,426	198,619	202,883,045
-	-	-	(667,529)	-	23,842,788	23,175,259	(97,478)	23,077,781
690,234	2,554,500	102,347	-	8,965,448	(19,490,701)	-	-	-
-	-	-	-	(7,376,477)	-	(7,376,477)	-	(7,376,477)
-	-	-	-	-	-	(235,897)	-	(235,897)
-	-	-	24,107,796	-	-	24,107,796	-	24,107,796
6,390,677	4,054,500	869,957	-	27,384,124	23,842,788	242,355,107	101,141	242,456,248

CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of Cashflows	Notes	Year Ended December 31, 2016	2015
		LBP'000	LBP'000
Cash flows from operating activities:			
Profit before tax		28,535,502	23,491,687
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Prior period adjustment		-	34,919
Gain from disposal of assets acquired in satisfaction of loans	37	-	(807,816)
Depreciation and amortization	15, 16	1,518,618	1,428,069
Provision for contingencies	23	1,976,728	960,305
Write back of provision for contingencies	23	(452,250)	(2,031,872)
Write-back of provision collectively assessed loans, (net)	9	-	(140,597)
Allowance for impairment of loans and advances and other receivables, (net)	9, 17	1,605,560	212,875
Non-controlling interest		-	(34,525)
Provision for employees' end-of-service indemnities	23	941,970	378,854
Unrealized loss on financial assets at fair value through profit or loss trading securities	36	2,721,584	162,251
Equity income from investment in associates	37	(1,074,343)	(189,633)
Gain from sale of property and equipment		(1,947)	(39,809)
Decrease/(increase) in deposits with banks and financial institutions		60,840,938	(15,115,289)
Increase in trading assets at fair value through profit or loss		(62,274,002)	(2,552,063)
Increase in loans and advances to customers and related parties		27,285,682)	(57,869,535)
Net (increase)/decrease in other assets		(5,005,499)	1,096,576
Increase in non-interest earning compulsory reserve and deposits with central banks		(2,219,876)	(41,734,228)
Increase in due to banks and financial institutions		17,947,757	10,037,538
Increase in customers' and related parties ' deposits at amortized cost		157,082,455	232,283,844
Net increase in other liabilities		39,706,043	3,240,901
Settlements of provision for contingencies	23	(58,755)	(137,183)
Settlement of employees' end-of-service indemnity	23	(950,444)	(365,708)
Taxes paid		(2,094,920)	(5,203,120)
Others (including effect of exchange rate changes)		(2,482,192)	(4,712,893)
Net cash provided by operating activities		208,977,245	142,393,548
Cash flows from investing activities:			
Investment securities		44,031,843	(124,998,400)
Acquisition of treasury shares (net)		(235,897)	(351,559)
Property and equipment	15	(8,542,556)	(2,537,569)
Proceeds from sale of property and equipment		75,734	50,665
Proceeds from sale of assets acquired in satisfaction of loans		-	1,020,577
Intangible assets	16	(683,068)	(158,380)
Net cash provided by/(used in) investing activities		34,646,056	(126,974,666)
Cash flows from financing activities:			
Dividends paid	31	(7,376,477)	(6,793,375)
Subordinated Bonds		-	(30,976)
Net cash used in financing activities		(7,376,477)	(6,824,351)
Effect of exchange rates changes on cash and cash equivalents - Beginning of year		1,570,125	1,945,189
Net increase in cash and cash equivalents		237,816,947	10,539,720
Cash and cash equivalents - Beginning of year		195,561,810	185,022,090
Cash and cash equivalents - End of year	44	433,378,757	195,561,810

BANQUE BEMO S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

Banque Bemo S.A.L. (the "Bank") 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 an private banking activities through a network of 8 branches in Lebanon in addition to a branch in Limassol, Cyprus.

Banque Bemo S.A.L. is owned by Sharikat AL Istismarat Al Oropia Lil Shareq Al Aousat (Holding) S.A.L. to the extent of 61.06%.

These financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group") Refer to Note 3(A).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 Financial Instruments (revised versions in 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	January 1, 2018

New and revised IFRSs	Effective for Annual Periods Beginning on or After
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.	January 1, 2018

New and revised IFRSs	Effective for Annual Periods Beginning on or After
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	
Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
IFRS 16 Leases	

New and revised IFRSs	Effective for Annual Periods Beginning on or After
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, will have no material impact on the financial statements of the Group in the period of initial application.

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:

- Financial assets and liabilities at fair value through profit or loss are measured at fair value.
- Equity securities at fair value through other comprehensive income are measured at fair value.
- Derivative financial instruments are measured at fair value.

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. incorporate the financial statements of the Bank and the entities controlled by the Bank and its subsidiaries.

Control is achieved when the Bank:

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

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

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

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

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

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

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

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

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

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

The consolidated subsidiaries as at December 31, 2015 comprise:

Company	Country of Incorporation	Date of Acquisition or Incorporation	Percentage of Ownership		Business Activities
			2016	2015	
			%	%	
Bemo Securitization S.A.L.	Lebanon	1998	96.00	96.00	Securitization & Structured Finance
Ferticed Limited Holding	Bermuda	1995	-	100.00	Holding Company
Depository & Custody Company S.A.L.	Lebanon	2007	99.90	99.90	Depository and custody of securities
Bemo Investment Firm Ltd.	Dubai	2013	75.00	75.00	Investment

B. Business Combinations:

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

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

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

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

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

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

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

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

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

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

C. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the Group's reporting currency. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollars ("USD"). The exchange rate of the USD against the LBP has been constant for several 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 U.S. Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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

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

Cash flows provided by and used in foreign currencies under various activities, as included in the statement of cash flows, are converted into Lebanese Pounds at year-end exchange rates, except for cash and cash equivalents at the beginning of the year which is converted at the prior year closing exchange exchange rates and the effect of currency fluctuation, if any, is disclosed separately.

D. Financial Assets and Liabilities:

Recognition and Derecognition of Financial Assets and Liabilities:

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

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

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

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

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

Repurchase and Reverse Repurchase Agreements:

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognized on the consolidated statement of financial position reflecting its economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income in the consolidated statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

Offsetting:

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

Fair Value Measurement of Financial Instruments:

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of Financial Assets:

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

Objective evidence of impairment could include:

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

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

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

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

Collateral Valuation:

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

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

E. 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.

Designation at Fair Value through Profit and Loss:

The Group designates financial assets and liabilities at fair value through profit or loss when either:

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

F. 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.

G.Financial Liabilities and Equity Instruments Issued by the Group:

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 Group'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 Group's own equity instruments.

Financial Liabilities at Fair Value Through Profit or Loss:

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Financial Liabilities Subsequently Measured at Amortized Cost:

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

Financial Guarantee Contract Liabilities:

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

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

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

H. Derivative Financial Instruments:

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

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

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 makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

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

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

Hedges of Net Investments in Foreign Operations:

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

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

I.Investments in Associates:

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

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

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

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

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

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

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

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.
The financial statements of the associates are prepared for the same reporting period of the Group.

J. 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 and leasehold improvements	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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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.

K. 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.

L. Assets acquired in satisfaction of loans :

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

authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

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

For assets which were not disposed of within the specified period of two years, an amount computed as percentage of their gross carrying value is transferred from retained earnings to "Reserves for assets acquired in satisfaction of loans" in the following financial year.

M. 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 is estimated in order to determine the extent of impairment provision required, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.
- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

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

In this connection, the recoverable amount 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 compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment for illiquidity and market constraints.

The impairment loss is charged to income.

N. 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.

O. Provisions:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that

the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the obligation at the statement of financial position date.

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

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

P. Revenue and Expense Recognition:

Interest income and expense are recognized on an accrual basis, taking account 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 the amortization discount or premium.

Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and liabilities at amortized cost.
- Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Net trading income presented in the statement of profit or loss includes:

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

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

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

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

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income 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.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability (i.e. commissions and fees earned on the loan book) are included under interest income and expense.

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

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 financial position 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

Q. Operating Lease Agreements:

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease

payments are recorded in the consolidated statement of profit or loss on a straight line basis over the lease term.

R. Treasury Shares:

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

S. 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.

T. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss 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 is the expected tax payable on the taxable income for the year, using rates enacted at the statement of financial position date. Income tax payable is reflected in the consolidated statement of financial position net of taxes previously settled in the form of withholding tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are 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.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is possible that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.
Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

U. 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.

V. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with original contractual maturities of three months or less and include: cash and balances with the Central Banks and deposits with banks and financial institutions.

W. Dividends on Ordinary Shares:

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

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

X. Deferred Restricted Contributions:
Restricted contributions derived from special and non-conventional deals arrangement concluded with the regulator are deferred until designated conditions for recognition are met. At the time income is received it is deferred under "regulatory deferred liability" and applied to the designated purpose according to the regulator's requirements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Going Concern:

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

Classification of Financial Assets:

Business Model:

The business model test requires the Group to assess whether its business objective for financial assets is to collect the contractual cash flows of the assets rather than realize their fair value change from sale before their contractual maturity. The Group considers at which level of its business activities such assessment should be made. Generally, a business model can be evidenced by the way business is managed and the information provided to

management. However the Group's business model can be to hold financial assets to collect contractual cash flows even when there are some sales of financial assets. While IFRS 9 provides some situations where such sales may or may not be consistent with the objective of holding assets to collect contractual cash flows, the assessment requires the use of judgment based on facts and circumstances.

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

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

Characteristics of the Financial Asset:

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

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

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

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 statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Allowances for Credit Losses:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances, balances placed with banks and other accounts receivable 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 the advances and the value of collateral and potential repossession.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios, etc…), concentrations of risks, economic data and the performance of different individual groups.

Impairment of investment in associates:

The Group assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists the Group estimates the investment's recoverable amount. When the cost of the investment

exceeds the recoverable amount, the investment is considered impaired and a provision for impairment is setup representing the difference between the investment's recoverable amount and its carrying value. The provision is charged to the consolidated statement of profit or loss.

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 3D. For financial instruments that traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2015) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

Term placements with Central Bank of Lebanon include an amount of LBP284billion as at December 31, 2016 (LBP247billion as at December 31, 2015) 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 borrowings obtained from non-resident financial institutions.

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31,	
	2016	2015
	LBP'000	LBP'000
Cash on hand	9,015,076	9,585,724
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP52.1billion in 2016 and LBP43.8billion in 2015)	86,775,776	109,315,294
Current accounts with other central banks	368,681	314,758
Term placements with Central Bank of Lebanon	451,430,265	319,257,280
Accrued interest receivable	1,970,321	1,740,545
	549,560,119	440,213,601

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

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 subject to certain exemptions in accordance with the local banking regulations.

Current accounts with other central banks include the equivalent in Euro of LBP276million as at December 31, 2016 (LBP276million as at December 31, 2015) deposited in accordance with banking laws and regulations in Cyprus

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2016	2015
	LBP'000	LBP'000
Checks in course of collection	17,896,839	19,477,736
Current accounts	136,114,235	48,455,562
Current accounts - related parties	5,256,064	4,912,781
Term placements	73,562,537	54,917,403
Term placements - related parties	-	644,380
Margin accounts	65,301,776	72,742,005
Accrued interest receivable	85,644	92,184
	298,217,095	201,242,051

Deposits with banks and financial institutions include deposits in the amount of LBP12.47billion subject to right of set-off by the related correspondents against trade finance and other facilities at 2016 year end (LBP2.95billion against trade finance and other facilities as at December 31, 2015).

Margin accounts and pledged deposits are blocked against trade finance and treasury transactions and banking facilities (Refer to Note 45).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,2015			December 31,2014		
	LBP Base Account	Foreign Currency Base Account	Total	LBP Base Account	Foreign Currency Base Account	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	7,099,123	7,099,123	-	5,406,294	5,406,294
Lebanese treasury bill	16,777,541	-	16,777,541	14,166,027	-	14,166,027
Foreign Governments treasury bills	-	-	-	-	327,681	327,681
Lebanese Government bonds	-	20,113,835	20,113,835	-	608,062	608,062
Certificates of deposit issued by the Central Bank of Lebanon	5,910,721	31,657,500	37,568,221	1,036,083	-	1,036,083
Certificates of deposit issued by banks	-	753,750	753,750	-	-	-
Corporate bonds	-	1,885,186	1,885,186	-	3,715,581	3,715,581
Accrued interest receivable	321,650	733,762	1,055,412	358,275	82,647	440,922
	23,009,912	62,243,156	85,253,068	15,560,385	10,140,265	25,700,650

The negative change in fair value of financial assets at fair value through profit or loss in the amount of LBP2.72billion (loss of LBP162million in 2015) is recorded under "Net interest and other gains/(losses) on financial assets at fair value through profit or loss" (Note 36) in the consolidated statement of profit or loss.

8. LOANS TO BANKS AND FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS

	December 31,	
	2016	2015
	LBP'000	LBP'000
Discounted letters of credit and acceptances	9,974,810	8,240,056
Loans to a resident financial institution (a)	7,537,500	25,627,500
Loans under reverse repurchase agreements (b)	-	14,814,474
Accrued interest on reverse repurchase agreements	-	185,453
	17,512,310	48,867,483

(a) Loans to a resident financial institution outstanding as at December 31,2016 comprise a 1 year term loan in the amount of USD5million (LBP7.54billion) originated during the year 2014 and secured by a pledged deposit in Lebanese Pounds amounting to LBP12.5billion. This term loan is subject to a fixed annual interest rate of 4.25% and is being renewed on a yearly basis at maturity under the same terms and conditions.

Loans to a resident financial institution in the amount of USD12million (LBP18.09billion) was fully settled during 2016. This term loan was subject to a fixed annual interest rate of 4.5% and was secured by a pledged deposit in Lebanese Pounds amounting to LBP10.5billion outstanding as at December 31, 2015.

Interest income for the year ended December 31, 2016 amounted to LBP1.09billion recorded under interest income in the consolidated statement of profit or loss (LBP1.1billion for the year ended December 31, 2015) (Refer to Note 32).

(b) Loans under reverse repurchase agreement represent short term loans granted to a resident financial institution. These loans are secured by certificates of deposit in USD issued by the Central Bank of Lebanon in the amount of USD20million (LBP30.15billion) and matured during 2016. Loans outstanding as at December 31, 2015 amounted to USD10million (LBP15.07billion) and matured in 2016. Interest income for the year ended December 31, 2016 amounted to LBP272million recorded under interest income in the consolidated statement of profit or loss (LBP1.6billion for the year ended December 31, 2015) (Refer to Note 32).

9. LOANS AND ADVANCES TO CUSTOMERS

	December 31,2016				December 31,2015			
	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Retail customers:								
-Mortgage loans	61,203,856	-	-	61,203,856	52,883,643	-	-	52,883,643
-Personal loans	9,346,674	-	-	9,346,674	11,372,989	-	-	11,372,989
-Overdrafts	32,180,224	-	-	32,180,224	28,470,701	-	-	28,470,701
-Other	8,932,017	-	-	8,932,017	7,634,588	-	-	7,634,588
Performing Corporate customers:								
-Large enterprises	632,130,785	-	-	632,130,785	621,480,879	-	-	621,480,879
-Small and medium enterprises	270,489,706	-	-	270,489,706	288,192,657	-	-	288,192,657
Non performing - Retail Customers:								
-Substandard	1,604,648	(95,148)	-	1,509,500	-	-	-	-
-Bad and doubtful	450,316	(263,113)	(187,203)	-	410,337	(211,580)	(198,757)	-
Non performing- Corporate Customers:								
-Substandard	15,869,844	(347,798)	-	15,522,046	8,729,688	(1,031,991)	(753,750)	6,943,947
-Bad and doubtful	19,857,862	(5,937,330)	(6,441,717)	7,478,815	8,260,432	(3,374,525)	(4,638,695)	247,212
Allowance for impairment for collectively assessed loans:								
-Corporate loans	-	-	(2,095,422)	(2,095,422)	-	-	(2,095,422)	(2,095,422)
-Retail loans	-	-	(34,460)	(34,460)	-	-	(34,460)	(34,460)
-Accrued interest receivable	1,263,482	-	-	1,263,482	1,173,051	-	-	1,173,051
	1,053,329,414	(6,643,389)	(8,758,802)	1,037,927,223	1,028,608,965	(4,618,096)	(7,721,084)	1,016,269,785

The movement of collective provisions during the year ended December 31, 2015 and 2015 is summarized as follows:

	2016	2015
	LBP'000	LBP'000
Balance January 1	2,129,882	4,396,057
Additions	-	763,903
Write-back	-	(904,500)
Transfer to allowance for impairment of loans and advances	-	(2,125,578)
Balance December 31	2,129,882	2,129,882

During 2015 the Banking Control Commission approved the write-back of collective provisions in the amount of USD600,000 (LBP905million) to be reallocated to general reserves set up against the Bank's loan portfolio.

	2016			
	Substrandard Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	8,729,688	(1,031,991)	(753,750)	6,943,947
Withdrawals on existing loans	16,814,417	-	-	16,814,417
Additions to unrealized interest	397,357	(397,357)	-	-
Transfer to doubtful and bad debts	(8,466,970)	986,402	753,750	(6,726,818)
Balance December 31	17,474,492	(442,946)	-	17,031,546

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	2015			
	Substrandard Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	9,904,902	(381,244)	-	9,523,658
Withdrawals on existing loans	17,589	-	-	17,589
Additions to unrealized interest	792,687	(792,687)	-	-
Additions to allowance for impairment	-	-	(753,750)	(753,750)
Transfer to doubtful and bad debts	(1,918,416)	147,473	-	(1,770,943)
Transfer from unearned to unrealized interest	-	(10,191)	-	(10,191)
Write-off	(67,074)	4,658	-	(62,416)
Balance December 31	8,729,688	(1,031,991)	(753,750)	6,943,947

The movement of doubtful and bad loans and related unrealized interest and allowance for impairment during 2016 and 2015 is summarized as follows:

	2016				2015			
	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value	Substrandard 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	8,670,769	(3,586,105)	(4,837,452)	247,212	7,209,836	(3,417,513)	(3,388,558)	403,765
Downgraded from regular loans	1,741,764	-	-	1,741,764	387,499	-	-	387,499
Withdrawals on existing doubtful loans	182,545	-	-	182,545	41,443	-	-	41,443
Settlement of loans	(282,192)	-	-	(282,192)	(911,882)	-	-	(911,882)
Additions to unrealized interest and allowance for impairment	2,013,980	(2,013,980)	(2,090,728)	(2,090,728)	998,574	(998,574)	(34,745)	(34,745)
Transfer from collective provision for loan impairment	-	-	-	-	-	-	(2,125,578)	(2,125,578)
Write-back	-	184,147	772,616	956,763	-	135,686	586,333	722,019
Write-off	(414,755)	166,005	248,750	-	(774,961)	737,886	37,075	-
Downgraded from substandard loans	8,466,970	(986,402)	(753,750)	6,726,818	1,918,416	(147,473)	-	1,770,943
Effect of exchange rates changes	(70,903)	35,892	31,644	(3,367)	(198,156)	103,883	88,021	(6,252)
Balance December 31	20,308,178	(6,200,443)	(6,628,920)	7,478,815	8,670,769	(3,586,105)	(4,837,452)	247,212

10. LOANS AND ADVANCES TO RELATED PARTIES

	December 31	
	2016	2015
	LBP'000	LBP'000
Retail loans	2,085,613	1,413,979
Overdrafts to corporates	560,732	441,892
	2,646,345	1,855,871

Loans and advances to related parties are partially secured (Refer to Note 43).

11. INVESTMENT SECURITIES

	2016			2015		
	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	23,346	638,466	615,120	24,082	639,202
	615,120	23,346	638,466	615,120	24,082	639,202
Financial assets at amortized cost (A)	205,374,999	381,255,394	586,630,393	358,231,747	269,342,207	627,573,954
Accrued interest receivable	3,663,165	3,591,797	7,254,962	6,975,357	3,367,887	10,343,244
	209,038,164	384,847,191	593,885,355	365,207,104	272,710,094	637,917,198
	209,653,284	384,870,537	594,523,821	365,822,224	272,734,176	638,556,400

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A. Financial assets at amortized cost are broken down as follows:

	December 31,2016					
	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	149,290,331	152,536,263	2,249,737	-	-	-
Lebanese Government bonds	-	-	-	115,685,102	105,933,735	1,403,208
Certificates of deposit issued by the Central Bank of Lebanon	56,084,668	56,677,826	1,413,428	245,750,426	241,501,500	2,001,519
Corporate bonds	-	-	-	19,819,866	19,874,922	187,070
	205,374,999	209,214,089	3,663,165	381,255,394	367,310,157	3,591,797

	December 31,2015					
	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	170,611,032	175,665,881	2,487,541	-	-	-
Lebanese Government bonds	-	-	-	151,730,640	148,936,447	2,045,470
Certificates of deposit issued by the Central Bank of Lebanon	187,620,715	188,991,707	4,487,816	82,764,034	83,168,775	1,021,932
Corporate bonds	-	-	-	34,847,533	34,831,549	300,485
	358,231,747	364,657,588	6,975,357	269,342,207	266,936,771	3,367,887

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

	December 31, 2016			
	LBP Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
Up to 1 year	36,127,480	36,417,476	38,934,035	7.77
1 year to 3 years	35,475,000	35,841,489	36,290,763	7.63
3 years to 5 years	39,700,000	40,129,662	40,870,364	7.80
Beyond 5 years	35,110,850	36,901,704	36,441,101	8.15
	146,413,330	149,290,331	152,536,263	
Certificates of deposit issued by the Central Bank of Lebanon:				
3 years to 5 years	8,000,000	8,060,153	8,174,105	7.50
5 years to 10 years	46,000,000	48,024,515	48,503,721	7.98
	54,000,000	56,084,668	56,677,826	
	200,413,330	205,374,999	209,214,089	

	December 31, 2015			
	LBP Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
1 year to 3 years	68,430,000	69,626,783	72,588,862	7.57
3 years to 5 years	71,700,000	72,645,938	74,223,538	7.58
Beyond 5 years	27,516,350	28,338,311	28,853,481	8.00
	167,646,350	170,611,032	175,665,881	
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to 1 year	14,000,000	14,217,209	14,375,087	8.37
3 years to 5 years	11,000,000	11,147,561	11,363,482	7.50
5 years to 10 years	57,000,000	58,995,975	59,749,736	7.96
Beyond 10 years	94,000,000	103,259,970	103,503,402	8.23
	176,000,000	187,620,715	188,991,707	
	343,646,350	358,231,747	364,657,588	

	December 31, 2016			
	F/Cy Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
Up to one year	3,610,463	3,627,505	3,540,486	7.31
1 year to 3 years	25,899,391	26,044,415	24,637,491	5.28
3 years to 5 years	25,627,500	26,155,564	24,725,864	6.16
5 years to 10 years	37,042,290	36,840,511	33,223,672	6.21
Beyond 10 years	22,974,300	23,017,107	19,806,222	6.65
	115,153,944	115,685,102	105,933,735	
Certificates of deposit issued by the Central Bank of Lebanon:				
3 years to 5 years	7,537,500	7,537,500	7,537,500	6.20
5 years to 10 years	226,426,500	230,535,419	226,426,500	6.36
Beyond 10 years	7,537,500	7,677,507	7,537,500	6.64
	241,501,500	245,750,426	241,501,500	
Corporate Bonds:				
Up to 1 year	7,160,625	7,136,765	7,160,625	5.99
1 year to 3 years	4,661,150	4,629,955	4,661,150	6.55
3 years to 5 years	3,153,771	3,153,771	3,153,771	7.33
5 years to 10 years	4,899,375	4,899,375	4,899,376	6.96
	19,874,921	19,819,866	19,874,922	
	376,530,365	381,255,394	367,310,157	

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

	December 31, 2015			
	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	33,323,829	33,903,255	33,001,233	6.59
3 years to 5 years	32,260,500	32,929,532	32,589,316	5.90
5 years to 10 years	39,686,445	40,247,355	38,582,630	6.52
Beyond 10 years	44,597,880	44,650,498	44,763,268	6.80
	149,868,654	151,730,640	148,936,447	
Certificates of deposit issued by the Central Bank of Lebanon:				
3 years to 5 years	7,537,500	7,537,500	7,537,500	6.20
5 years to 10 years	63,616,500	67,538,542	67,943,025	6.43
Beyond 10 years	7,537,500	7,687,992	7,688,250	6.63
	78,691,500	82,764,034	83,168,775	
Corporate Bonds:				
Up to 1 year	184,838	184,838	184,838	7.00
1 year to 3 years	12,572,550	12,572,550	12,572,550	6.13
3 years to 5 years	780,048	780,048	780,048	7.00
5 years to 10 years	21,347,629	21,310,097	21,294,113	5.80
	34,885,065	34,847,533	34,831,549	
	263,445,219	269,342,207	266,936,771	

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

	2016		
	Lebanese Treasury Bills	Certificate of Deposit Issued by the Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	170,611,032	187,620,715	358,231,747
Additions	54,766,980	34,000,000	88,766,980
Swap and sales	(76,000,000)	(156,000,000)	(232,000,000)
Net variation in premium	(87,681)	(9,536,047)	(9,623,728)
Balance December 31	149,290,331	56,084,668	205,374,999

	2015		
	Lebanese Treasury Bills	Certificate of Deposit Issued by the Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	206,627,905	104,947,624	311,575,529
Additions	15,540,000	103,000,000	118,540,000
Redemptions	(18,550,000)	-	(18,550,000)
Swap and sales	(32,298,660)	(29,000,000)	(61,298,660)
Net variation in premium	(708,213)	8,673,091	7,964,878
Balance December 31	170,611,032	187,620,715	358,231,747

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

	2016			
	Lebanese Government Bonds	Certificate of Deposit Issued by the Central Bank of Lebanon	Certificate of Deposit Issued by Banks Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	151,730,640	82,764,034	34,847,533	269,342,207
Additions	42,653,467	22,160,250	11,758,500	76,572,217
Redemptions	(17,758,350)	-	(22,107,003)	(39,865,353)
Swap and sales	(59,609,827)	140,649,750	(4,611,290)	76,428,633
Net variation in premium	(1,330,828)	176,392	(17,524)	(1,171,960)
Exchange difference	-	-	(50,350)	(50,350)
Balance December 31	115,685,102	245,750,426	19,819,866	381,255,394

	2015			
	Lebanese Government Bonds	Certificate of Deposit Issued by the Central Bank of Lebanon	Certificate of Deposit Issued by Banks Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	78,134,242	81,079,537	33,522,244	192,736,023
Reclassification from fair value to amortized cost	22,699,935	25,627,500	-	48,327,435
Additions	93,091,140	30,451,500	8,566,065	132,108,705
Redemptions	(11,946,938)	-	(5,106,487)	(17,053,425)
Swap and sales	(29,652,525)	(56,199,600)	(2,095,425)	(87,947,550)
Net variation in premium	(595,214)	1,805,097	(38,864)	1,171,019
Balance December 31	151,730,640	82,764,034	34,847,533	269,342,207

Gain from derecognition of financial assets at amortized cost consists of the following:

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Lebanese treasury bills	588,800	987,527
Certificates of deposit issued by the Central Bank of Lebanon	1,116,680	1,242,976
Lebanese Government bonds	203,527	323,998
Corporate bonds issued by banks	25,790	20,955
	1,934,797	2,575,456

During the year 2016, the Group entered into several sales transactions of Lebanese Treasury bills, Lebanese Government bonds, and certificates of deposit issued by the Central Bank of Lebanon and by banks of aggregate carrying value of LBP33billion, LBP54.4billion, LBP64billion and LBP4.6billion, respectively.

During the year 2015, the Group entered into several sales transactions of Lebanese Treasury bills, Lebanese Government bonds, and certificates of deposit issued by the Central Bank of Lebanon and by banks of aggregate carrying value of LBP33billion, LBP27.5billion, LBP87.4billion and LBP2.1billion, respectively.

The Group entered into the above transactions for the purpose of liquidity management.

During the year 2016, the Bank entered into sales transactions of Lebanese Treasury bills and certificates of deposit denominated in Lebanese Pounds designated between fair value through profit or loss and amortized cost securities and having a nominal value of LBP37billion and LBP80.5billion, respectively concluded in conjunction with the acquisition of certificates of deposit denominated in U.S. Dollars with longer maturity designated between fair value through profit or loss and amortized cost with a nominal value of USD21million and USD57million respectively. The resulting surplus of the inter-related transactions derived from the special and non-conventional arrangement with the regulator, in the amount of LBP41.25billion was deferred net of tax in the amount of LP6.19billion deferred under "Regulatory deferred liability" under "Other liabilities" (Note 22).

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

13. INVESTMENT IN AN ASSOCIATE

			December 31	
			2016	2015
	Country of Incorporation	Interest Held	Carrying Value	Carrying Value
		%	LBP'000	LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	18,052,156	17,645,342
			18,052,156	17,645,342

The movement of investment in an associate is as follows:

	2016	2015
	LBP'000	LBP'000
Balance January 1	17,645,342	18,860,293
Share in profit of an associate (Note 37)	1,074,343	189,633
Currency translation adjustment for the year	(667,529)	(1,407,841)
Prior years adjustment	-	3,257
Balance December 31	18,052,156	17,645,342

The movement of the currency translation adjustment for the years 2016 and 2015 is as follows:

	2016	2015
	LBP'000	LBP'000
Balance January 1	23,440,267	22,032,426
Additions	667,529	1,407,841
Offset against surplus derived from special and non-conventional deals arrangement with the regulator (Note 22(b))	(24,107,796)	-
Balance December 31	-	23,440,267

Banque Bemo Saudi Fransi S.A. is a material associate of the Group. The summarized consolidated financial statements of the associate are provided below:

	2016	2015
	LBP'000	LBP'000
Total Assets	684,060,771	770,318,449
Total Liabilities	601,260,079	689,562,382
Equity of the group	82,344,937	80,206,105
Equity attributable to non-controlling interests	455,755	549,962
Profit for the year of the group	30,032,075	29,780,378
Profit attributable to non-controlling interests	97,939	104,490

Summarized Consolidated Statement of profit and loss:

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Interest income	19,444,234	21,443,388
Interest expense	(5,251,800)	(6,944,825)
Fee and commission income	4,731,713	7,818,047
Fee and commission expense	(200,558)	(525,397)
Administrative expenses	(4,619,876)	(5,016,493)
Staff costs	(8,914,820)	(10,392,175)
Provision for doubtful debts	(2,208,676)	(5,898,233)
Others	2,290,774	482,148
	5,270,991	966,460
Unrealized gain on capital revaluation	24,859,023	28,918,408
	30,130,014	29,884,868

Summarized Consolidated Statement of financial position:

	December 31,	
	2016	2015
Assets	LBP'000	LBP'000
Cash and central banks	139,367,528	189,852,340
Deposits with banks and financial institutions	399,802,784	206,302,410
Trading assets at fair value through profit or loss	1,629,824	2,069,803
Loans to banks and financial institutions	100,886,577	163,876,149
Investment securities	12,791,243	164,607,339
Fixed assets	14,201,194	19,416,522
Others	15,381,621	24,193,886
	684,060,771	770,318,449
Liabilities		
Deposits from banks	26,995,235	29,308,980
Customers' accounts at amortized cost	540,521,584	619,090,105
Others	33,743,260	41,163,297
	601,260,079	689,562,382

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and these assets should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non performing loans' portfolio are met. This regulatory reserve is reflected under equity. In this connection, an amount of LBP102million was appropriated in 2016 from 2015 income (LBP113million in 2015). An amount of LBP68million was transferred in 2015 to "Reserves from disposal of assets acquired in satisfaction of loans" upon the sale of the related foreclosed assets (Note 28).

During 2015, the Group sold assets acquired in satisfaction of loans whose aggregate carrying value amounted to LBP213million as at the sale date. As a result, the Group recognized capital gain in the amount of LBP807million recorded under "Other operating income/(loss)" (Note 37) in the consolidated statement of profit or loss for the year ended December 31, 2015.

15. PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture	Computer equipment	Vehicles	Installations and Leasehold Improvement	Advances on Capital Expenditures	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Gross amount:								
Balance, January 1, 2015	7,222,927	6,265,992	2,378,246	6,148,979	762,962	9,066,023	8,805	31,853,934
Additions	-	1,118,612	42,550	495,489	376,165	297,773	206,980	2,537,569
Disposals	-	-	(56,480)	(259,392)	(222,528)	(252,817)	-	(791,217)
Transfers between categories	-	-	-	564	-	8,241	(8,805)	-
Balance, December 31, 2015	7,222,927	7,384,604	2,364,316	6,385,640	916,599	9,119,220	206,980	33,600,286
Additions	-	1,008,280	186,871	647,364	131,893	76,414	6,491,734	8,542,556
Disposals	-	-	(34,165)	(273,808)	(113,958)	(6,590)	-	(428,521)
Transfers between categories	-	52,762	-	-	-	-	(52,762)	-
Balance, December 31, 2016	7,222,927	8,445,646	2,517,022	6,759,196	934,534	9,189,044	6,645,952	41,714,321
Accumulated depreciation:								
Balance, January 1, 2015	-	1,410,668	1,913,005	4,791,936	503,283	7,902,102	-	16,520,994
Additions	-	160,773	115,077	396,525	91,291	397,985	-	1,161,651
Write-off on disposal	-	-	(55,203)	(249,816)	(222,528)	(252,814)	-	(780,361)
Balance, December 31, 2015	-	1,571,441	1,972,879	4,938,645	372,046	8,047,273	-	16,902,284
Additions	-	196,442	111,927	463,401	110,579	316,678	-	1,199,027
Write-off on disposal	-	-	(32,741)	(272,694)	(42,711)	(6,588)	-	(354,734)
Balance, December 31, 2016	-	1,767,883	2,052,065	5,129,352	439,914	8,357,363	-	17,746,577
Carrying amount:								
December 31, 2016	7,222,927	6,677,763	464,957	1,629,844	494,620	831,681	6,645,952	23,967,744
December 31, 2015	7,222,927	5,813,163	391,437	1,446,995	544,553	1,071,947	206,980	16,698,002

The addition to advances on capital expenditures during the year 2016 in the amount of LBP6.5billion, represents an advance payment on plot number 660 located in Medawar for the purpose of building the Bank's head quarters.

The addition to buildings during the year 2016 in the amount of LBP1billion, fully settled during the year, represents the purchase of plot number 1331 section 5 and 6 located in Rabieh for the purpose of expanding Rabieh Branch.

The addition to buildings during the year 2015 in the amount of LBP1.12million, fully settled during the year, represents the purchase of plot number 1331 section 4 located in Rabieh for the purpose of expanding Rabieh branch.

16. INTANGIBLE ASSETS

	Purchased Software
	LBP'000
Cost:	
Balance, January 1, 2015	3,878,052
Acquisitions	158,380
Balance, December 31, 2015	4,036,432
Acquisitions	683,068
Disposals	(3,789)
Balance, December 31, 2016	4,715,711
Amortization:	
Balance, January 1, 2015	3,151,813
Amortization of the year	266,418
Balance, December 31, 2015	3,418,231
Amortization of the year	319,591
Disposals	(3,789)
Balance, December 31, 2016	3,734,031
Carrying Amount:	
December 31, 2016	981,680
December 31, 2015	618,201

17. OTHER ASSETS

	December 31,	
	2016	2015
	LBP'000	LBP'000
Exchange difference on fixed exchange position	302,578	302,578
Fair value of forward exchange contracts	4,425,698	-
Stamps	86,033	41,784
Deferred charges	13,594	24,239
Receivables from securitization operations	338,928	840,106
Receivables from an associate bank and a financial institution	731,401	983,283
Prepayments	1,588,510	1,048,475
Sundry accounts receivable (Net of provision)	5,438,152	5,002,792
	12,924,894	8,243,257

Provision for doubtful receivables of LBP287.45million was set up during 2016 against receivables from the National Social Security Fund (LBP313.29million for the year 2015). Total provision as at December 31, 2016 amounts to LBP855million (LBP532million as at December 31, 2015).

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

18. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2016			December 31, 2015		
	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	2,130	822,829	824,959	57,874	688,965	746,839
Current deposits - Related parties	-	76,822,551	76,822,551	-	16,394,611	16,394,611
Money market deposits	9,552,000	-	9,552,000	26,929,500	12,060,000	38,989,500
Money market deposits – Related parties	-	25,526,936	25,526,936	-	28,439,451	28,439,451
Pledged deposits (Note 8)	12,530,000	-	12,530,000	25,500,000	-	25,500,000
Accrued interest payable	1,340,485	54,181	1,394,666	1,278,158	3,058	1,281,216
	23,424,615	103,226,497	126,651,112	53,765,532	57,586,085	111,351,617

19. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2016		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
Current and demand deposits	55,328,764	308,331,397	363,660,161
Term deposits	244,134,811	1,272,446,294	1,516,581,105
Collateral against loans and advances	25,587,680	138,002,595	163,590,275
Margins and other accounts:			
Margins for irrevocable import letters of credit.	-	224,024	224,024
Margins on letters of guarantee	578,989	3,338,476	3,917,465
Other margins	50,150	12,421,892	12,472,042
Margins on trading transactions	380,134	8,193,480	8,573,614
Accrued interest payable	2,914,064	6,259,278	9,173,342
Total	328,974,592	1,749,217,436	2,078,192,028

	December 31, 2015		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
Current and demand deposits	37,427,952	272,607,087	310,035,039
Term deposits	289,148,423	1,130,447,643	1,419,596,066
Collateral against loans and advances	28,644,802	151,028,261	179,673,063
Margins and other accounts:			
Margins for irrevocable import letters of credit	-	308,404	308,404
Margins on letters of guarantee	448,730	1,587,513	2,036,243
Other margins	59,050	15,696,623	15,755,673
Margins on trading transactions	165,134	13,594,316	13,759,450
Accrued interest payable	3,404,893	5,382,078	8,786,971
Total	359,298,984	1,590,651,925	1,949,950,909

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

	December 31, 2016		
	Total Deposits	% to Total Deposits	% to Total No of Customers
	LBP'000	%	%
Less than LBP200million	148,199,335	7.13	72.66
From LBP200million to LBP1.5billion	622,353,910	29.95	21.94
Over LBP1.5billion	1,307,638,783	62.92	5.40
	2,078,192,028	100.00	100.00

	December 31, 2015		
	Total Deposits	% to Total Deposits	% to Total No of Customers
	LBP'000	%	%
Less than LBP200million	157,993,332	8.10	74.08
From LBP200million to LBP1.5billion	638,305,555	32.74	21.19
Over LBP1.5billion	1,153,652,022	59.16	4.73
	1,949,950,909	100.00	100.00

Term deposits as at December 31, 2016 include fiduciary deposits received from a non-resident related party bank in the amount of LBP19.15billion (LBP2.22billion as at December 31, 2015).

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 Banlance of Deposits	Average Interest Rate	Average Banlance of Deposits	Average Interest Rate	Cost of Funds
	LBP'000	%	LBP'000	%	LBP'000
2016	347,215,150	6.17	1,715,030,692	3.03	73,312,232
2015	334,869,820	6.17	1,572,101,089	2.86	66,431,464
2014	304,486,256	6.11	1,562,183,916	2.65	60,001,984

20. RELATED PARTIES' ACCOUNTS AT AMORTIZED COST

	December 31, 2016		
	LBP'000	Counter Value in LBP'000 of F/Cy	Total
			LBP'000
Deposits from related party customers:			
Current and demand deposits	3,689,077	27,764,272	31,453,349
Term deposits	930,518	74,784,894	75,715,412
Margins and other accounts:			
Margins on letters of guarantee	-	3,501,730	3,501,730
Accrued interest payable	2,176	280,867	283,043
Total	4,621,771	106,331,763	110,953,534

	December 31, 2015		
	LBP'000	Counter Value in LBP'000 of F/Cy	Total
			LBP'000
Deposits from related party customers:			
Current and demand deposits	3,787,204	39,830,994	43,618,198
Term deposits	632,023	44,183,428	44,815,451
Margins and other accounts:			
Margin on letters of guarantee	-	35,567	35,567
Margins for irrecoverable import letters of guarantee	-	156,780	156,780
Accrued interest payable	1,932	372,586	374,518
Total	4,421,159	84,579,355	89,000,514

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

	December 31, 2016	
	Total Deposits	% to Total Deposits
	LBP'000	%
Less than LBP500million	5,776,304	5.21
From LBP500million to LBP1.5billion	9,432,564	8.50
Over LBP1.5billion	95,744,666	86.29
	110,953,534	100.00

	December 31, 2015	
	Total Deposits	% to Total Deposits
	LBP'000	%
Less than LBP500million	7,010,427	7.88
From LBP500million to LBP1.5billion	11,752,139	13.20
Over LBP1.5billion	70,237,948	78.92
	89,000,514	100.00

21. OTHER TERM BORROWINGS

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

22. OTHER LIABILITIES

	December 31,	
	2016	2015
	LBP'000	LBP'000
Current tax liability (a)	8,889,827	2,102,204
Deferred tax liability	501,838	501,838
Withheld tax on salaries	539,505	487,747
Withheld tax on interest	543,241	589,286
Due to the National Social Security Fund	334,801	503,000
Checks and incoming payment orders in course of settlement	1,808,437	611,281
Accrued expenses	2,410,778	1,518,359
Payable to a related party	724,854	1,251,656
Sundry accounts payable	2,074,296	1,284,557
Forward exchange contracts	-	2,964,333
Regulatory deferred liability (b)	10,952,921	-
Other	2,079,969	1,696,172
	30,860,467	13,510,433

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

	2016	2015
	LBP'000	LBP'000
Profit before income tax	28,535,502	23,491,687
Add: Non-deductible expenses/losses	4,420,961	2,655,570
Less:		
- Non-taxable revenues/gains	(1,058,902)	(471,570)
- Income of Cyprus branch and subsidiaries	(764,718)	(1,077,211)
Taxable income for the year	31,132,843	24,598,476
Enacted tax rate in Lebanon	15%	15%
	4,669,926	3,689,771
Add: Income tax provision - branches and subsidiaries	120,266	301,770
Income tax expense	4,790,192	3,991,541
Less: Tax paid during the year in the form of withholding tax	(1,992,672)	(1,701,675)
Less: Cyprus income tax paid during the year	(102,248)	(195,032)
	2,695,272	2,094,834
Brought forward balance from non-resident branch	7,370	7,370
	2,702,642	2,102,204
Tax on surplus derived from non-conventional deal arrangements with the regulator(Note 22(b))	6,187,185	-
Current tax liability	8,889,827	2,102,204

During 2015, the Bank's tax returns for fiscal years 2010 to 2013 were reviewed and assessed by the tax authorities. The outcome of this review resulted in tax penalties relevant to fiscal years 2010 and 2011, in the amount of LBP204million accrued for during 2015 and fully settled during the first quarter of 2016.

The outcome of the review of the Bank's tax returns for fiscal years 2012 and 2013 is still pending.

The Bank's tax returns since fiscal years 2014 to 2016 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these review.

The tax returns of the Group's Lebanese subsidiaries since fiscal year 2012 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

(b) In accordance with the Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016, banks should record the surplus derived from the sale of treasury bills in Lebanese Pound against investment in medium and long term certificates of deposit in foreign currency issued by the Central Bank of Lebanon under deferred liability, which is regulated in nature, and shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of the implementation of IFRS 9 for Impairment, as and when quantified effective January 1, 2018, in addition to appropriation to offset any impairment losses of goodwill and investments in associates.

During the year 2016, as a result of several transactions derived from the special and non-conventional deals arrangement with the Central Bank of Lebanon, the Group received a surplus of LBP41.25billion recorded under "Regulatory deferred liability", net of tax in the amount of LBP6.19billion (Note 11). Furthermore, in accordance with the above mentioned, the Group appropriated an amount of LBP24.11billion to offset currency translation losses incurred from the investment in an associate (Note 13). The remaining balance of LBP10.95billion is deferred in accordance with the above-mentioned circular to be appropriated to collective provision for credit risks. The Group will appropriate the shortage in the amount of LBP5.65billion from free reserves in 2017, to constitute the minimum 2% of weighted credit risks stipulated in the circular number 446 referred to above.

23. PROVISIONS

Provisions consist of the following:

	December 31,	
	2016	2015
	LBP'000	LBP'000
Provision for staff end-of-service indemnity	4,152,995	4,164,596
Provision for contingencies	2,986,452	1,520,729
Provision for loss on foreign currency position	357,200	357,464
	7,496,647	6,042,789

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

	2016	2015
	LBP'000	LBP'000
Balance January 1	4,165,596	4,160,953
Additions (Note 38)	941,970	378,854
Settlements	(950,444)	(365,708)
Exchange difference	(4,127)	(9,503)
Balance December 31	4,152,995	4,164,596

The movement of the provision for contingencies was as follows:

	2016	2015
	LBP'000	LBP'000
Balance January 1	1,520,729	2,729,479
Additions	1,976,728	960,305
Write-back	(452,250)	(2,031,872)
Settlements	(58,755)	(137,183)
Balance December 31	2,986,452	1,520,729

During 2015, the Group wrote-back provision for contingencies in the amount of USD1,311,000 (LBP1.98billion) previously set-up by the Group in 2002 following a lawsuit filed by a non-resident correspondent bank against the branch in Limassol, Cyprus, as legal counsel of the Group is of the opinion that there will not be any effect on the Group. The approval of the Banking Control Commission was obtained on June 5, 2015.

24. SUBORDINATED BONDS

This caption consists of the following:

	December 31,	
	2016	2015
	LBP'000	LBP'000
Subordinated bonds	37,687,500	37,687,500
	37,687,500	37,687,500

The exceptional general assembly of shareholders approved in its meeting held on October 24, 2014 the issuance of subordinated bonds in the amount of USD25million divided into 2,500 bonds of USD10,000 nominal value each. These bonds were issued on December 15, 2014 and mature on January 4, 2021 and are subject to an annual interest rate of 6% payable on December 31 and June 30 of each year.

Interest expense on subordinated bonds for the year ended December 31, 2016 amounting to LBP2.27billion is recorded under "Interest expense" in the consolidated statement of profit or loss (LBP2.26billion for the year ended December 31, 2015) (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

The Bank's capital as at December 31, 2016 is composed of 62,000,000 issued shares of LBP1,004 each (62,000,000 shares of LBP1,004 each as at December 31, 2015) authorized and fully paid and divided as follows:

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

The movement of treasury shares during 2016 and 2015 was as follows:

	2016		2015	
	# of shares	Amount	# of shares	Amount
		LBP'000		LBP'000
Balance - January 1	568,428	2,696,018	439,814	2,344,459
Acquisition	95,857	235,897	130,114	355,855
Sales	-	-	(1,500)	(4,296)
Balance - December 31	664,285	2,931,915	568,428	2,696,018

26. PREFERRED SHARES

On December 19, 2013, the Group issued Non-cumulative Perpetual Preferred Shares in the amount of USD35million (LBP52billion) on the basis of 350,000 shares at USD100. The Group offered discounts to preferred shares subscribers for the aggregate amount of USD80,960 (USD 122million). These preferred shares generate benefits at an annual rate of 7%.

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

This type 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

	December 31,	
	2016	2015
	LBP'000	LBP'000
Legal reserve (a)	6,846,103	5,048,091
Reserve for general banking risks (b)	31,904,035	26,523,875
General reserve for performing loans (c)	4,054,500	1,500,000
Reserve for assets acquired in satisfaction of loans - Note 14	869,957	767,610
Reserve from disposal of assets acquired in satisfaction of loans - Note 14	182,080	182,080
Free reserves	6,208,597	5,518,363
	50,065,272	39,540,019

(a) 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.

(b) 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. The cumulative reserve should not be less than 1.25% at the end of the 10th year (2007) and 2% at the end of the 20th year. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP2.84billion and LBP29billion, 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.

(c) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit the equivalent of:

- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.
- 0.25% of performing corporate loans as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

29. NON-CONTROLLING INTERESTS

	December 31,	
	2016	2015
	LBP'000	LBP'000
Equity	198,619	189,174
(Loss)/profit for the year	(97,478)	9,445
	101,141	198,619

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, 2016		
	Group's Shares	Non Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Profit of the Bank	23,752,848	-	23,752,848
Profit/(loss) of subsidiaries:			
Bemo Securitization S.A.L.	363,421	-	363,421
Depository and Custody Company S.A.L.	19,009	19	19,028
Bemo Investment Firm Ltd.	(292,490)	(97,497)	(389,987)
Total	23,842,788	(97,478)	23,745,310

	Year Ended December 31, 2015		
	Group's Shares	Non Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Profit of the Bank	21,079,495	-	21,079,495
Profit/(Loss) of subsidiaries:			
Bemo Securitization S.A.L.	(1,694,765)	-	(1,694,765)
Depository and Custody Company S.A.L.	77,871	78	77,949
Bemo Investment Firm Ltd.	28,100	9,367	37,467
Total	19,490,701	9,445	19,500,146

31. DIVIDENDS PAID

	2016	2015
	LBP'000	LBP'000
LBP60 per common share paid by the Bank in 2016 (LBP50 per share in 2015)	3,683,102	3,100,000
USD7 per preferred share paid by the Bank in 2016 (USD7 per share in 2015)	3,693,375	3,693,375
	7,376,477	6,793,375

32. INTEREST INCOME

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Interest income from:		
Term deposits with Central Banks	7,446,353	5,889,369
Deposits with banks and financial institutions	1,035,206	824,271
Deposits with related party banks and financial institutions	417,962	135,307
Financial assets at amortized cost	39,607,051	34,068,580
Loans to banks and financial institutions - Note 8	1,091,513	1,109,149
Loans under reverse repurchase agreements - Note 8	271,948	1,620,951
Loans and advances to customers	66,653,265	64,020,907
Loans and advances to related parties	47,606	63,618
Interest realized on impaired loans and advances to customers - Note 9	184,147	135,686
	116,755,051	107,867,838

The Bank's customers entered into sales transaction of certificates of deposit in Lebanese Pounds against purchase of Lebanese Government bonds in U.S. Dollar through the Bank and as a result the bank recorded commissions in the amount of LBP9.57billion.

33. INTEREST INCOME

	Year Ended December 31,	
	2016	2015
Interest expense on:	LBP'000	LBP'000
Deposits and borrowings from banks and financial institutions	2,917,157	3,311,182
Deposits and borrowings from related party banks and financial institutions	743,501	334,716
Other term borrowings	-	86,962
Customers' accounts at amortized cost	71,110,425	65,108,952
Related parties' accounts at amortized cost	2,201,807	1,322,512
Subordinated bonds - Note 24	2,267,445	2,261,250
	79,240,335	72,425,574

34. FEE AND COMMISSION INCOME

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Commission on documentary credits	756,945	1,205,505
Commission on letters of guarantee	1,225,747	999,065
Commission on customers' securities transactions	9,568,516	-
Commission on other customers' transactions	1,283,864	1,228,093
Service fees on customers' transactions	6,990,452	5,866,119
Other	350,411	452,718
	20,175,935	9,751,500

The Bank's customers entered into sales transaction of certificates of deposit in Lebanese Pounds against purchase of Lebanese Government bonds in U.S. Dollar through the Bank and as a result the bank recorded commissions in the amount of LBP9.57billion.

35. FEE AND COMMISSION EXPENSE

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Commission on transactions with banks	224,899	226,316
Other	85,058	150,643
	309,957	376,959

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

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Dividends received on equity securities	243,218	260,776
Interest received on debt securities	4,731,043	4,952,880
Unrealized loss	(2,721,584)	(162,251)
Realized gain	2,279,066	1,654,978
	4,531,743	6,706,383

37. OTHER OPERATING INCOME/(LOSS), (NET)

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Dividends on financial assets at fair value through other comprehensive income	53,603	44,669
Share in profit of an associate (Note 13)	1,074,343	189,633
Revenues and commissions from securitization operations	3,319,930	1,688,506
Gain from sale of assets acquired in satisfaction of loans (Note 14)	-	807,816
Others	262,049	234,385
	4,709,925	2,965,009

38. STAFF COSTS

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Salaries and related charges	19,640,565	18,105,071
Social Security contributions	2,037,992	2,095,250
Provision for employees' end-of-service indemnities (net) (Note 23)	941,970	378,854
	22,620,527	20,579,175

39. ADMINISTRATIVE EXPENSES

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Travel and entertainment	257,073	241,191
Advertisement and publicity	1,387,628	804,057
Professional fees	4,292,888	4,688,603
Maintenance and repairs	1,468,335	1,277,961
Electricity and fuel	354,564	336,197
Telephone expenses	499,021	484,789
Printing and stationary	325,626	333,495
Rent and building services	2,098,555	1,963,457
Insurance	266,995	270,744
Subscriptions	1,574,544	1,380,831
Gifts and donations	457,136	208,125
Fees and taxes	965,880	1,108,175
Other	1,736,171	1,691,763
	15,684,416	14,789,388

40. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculation:

	2016	2015
	LBP'000	LBP'000
Number of common shares outstanding during the year	62,000,000	62,000,000
Weighted average number of treasury shares	(621,628)	(558,712)
Weighted average number of common shares adjusted for the effect of treasury shares	61,378,372	61,441,288

	2016	2015
	LBP'000	LBP'000
Net profit attributable to equity holders of the Group	23,842,788	19,490,701
Less dividends to preferred shares	(3,693,375)	(3,693,375)
Net profit attributable to equity holders of the Group	20,149,414	15,797,326
Basic earnings per share in LBP	328/28	257/11
Diluted earnings per share in LBP	328/28	257/11

41. 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 financial position. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

Forward exchange contracts outstanding as of December 31, 2016 and 2015 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers.

42. FIDUCIARY DEPOSITS

	December 31	
	2016	2015
	Resident Customers	Resident Customers
	LBP'000	LBP'000
Fiduciary deposits from customers invested in certificates of deposit issued by the Central Bank of Lebanon	-	1,035,653
Fiduciary deposits from customers invested in other banks	30,977,402	20,313,226
Fiduciary deposits from related parties invested in loans granted to related party companies	14,195,935	3,015,000
Fiduciary deposits from customers invested in loans granted to other customers	24,120	16,023,973
	45,197,457	40,387,852

43. 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,	
	2016	2015
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
-Secured loans and advances	602,802	654,741
-Unsecured loans and advances	1,440,138	756,373
-Deposits	42,076,774	17,496,019
Associated companies:		
Direct facilities and credit balances:		
-Unsecured loans and advances	603,405	444,757
-Deposits	68,876,760	71,504,495
Indirect facilities:		
-Letters of guarantee	2,497,669	29,496

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 LBP678million as at December 31, 2016 (LBP448million as at December 31, 2015).

The remuneration of executive management amounted to LBP2.51billion during 2016 (LBP2.16billion during 2015).

44. CASH AND CASH EQUIVALENTS

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

	December 31,	
	2016	2015
	LBP'000	LBP'000
Cash	9,015,076	9,585,724
Current accounts with Central Banks (excluding compulsory reserve)	34,771,506	65,590,519
Term placements with Central Bank of Lebanon	161,762,500	20,552,500
Checks for collection and current accounts with banks and financial institutions	159,267,138	72,846,079
Term placements with banks and financial institutions	68,562,537	26,986,988
	433,378,757	195,561,810

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

45. COLLATERAL GIVEN

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

	December 31, 2016		
	Pledged Amount	Nature of facility	Amount of facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	65,301,776	Forward contracts	57,653,925
		Options and swaps transactions	29,874,806
		Acceptances less than one year	1,296,318
	65,301,776		

	December 31, 2015		
	Pledged Amount	Nature of facility	Amount of facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	72,742,005	Forward contract	179,416,597
		Options and swaps transactions	41,005,459
		Acceptances less than one year	9,140,342
	72,742,005		

46. PARTLY - OWNED SUBSIDIARY

Bemo Invest Firm Ltd. is a partly owned subsidiary of the Group. Financial information of the subsidiary are provided below:

	December 31,	
	2016	2015
	%	%
Portion of equity interests held by non-controlling interests	75	75

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations:

	December 31,	
	2016	2015
	LBP'000	LBP'000
Total Assets	1,443,075	2,705,302
Total Liabilities	1,039,019	1,911,258
Total Equity	404,056	794,044
(Loss)/profit for the year	(389,988)	37,466

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Fee and commission income	353,418	687,129
Commission expense	(4,314)	(5,069)
Administrative expenses	(463,889)	(384,470)
Staff Costs	(274,682)	(259,290)
Depreciation and amortization	(521)	(834)
	(389,988)	37,466

Summarized statement of financial position:

	Year Ended December 31,	
	2016	2015
	LBP'000	LBP'000
Assets		
Deposits with banks and financial institutions	1,116,355	1,256,590
Property and equipment	-	522
Other assets	326,720	1,448,190
	1,443,075	2,705,302
Liabilities		
Other liabilities	802,351	1,470,625
Provisions	236,668	440,633
	1,039,019	1,911,258

47. 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.

Pursuant to Central Bank Decision No 10848 dated December 7, 2011, adopted with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Ratio	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
	%	%	%	%
Common Equity Tier 1 ratio	8.00	8.5	9	10
Tier 1 ratio	10.00	11	12	13
Total Capital ratio	12.00	14	14.5	15

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, cumulative favorable change in fair value through other comprehensive income 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 year.

The Group's risk based capital ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2016 and 2015, is as follows:

	December 31,	
	2016	2015
	LBP million	LBP million
Risk-weighted assets	1,735,782	1,563,724
Credit risk	1,544,134	1,447,389
Market risk	88,601	24,588
Operational risk	103,047	91,747
Common equity Tier I (net)	180,385	135,521
Tier I capital (including reserve for assets acquired in satisfaction of loans)	232,925	188,162
Tier II capital	37,688	37,688
Total capital	270,613	225,850
Capital adequacy ratio - Common Equity Tier I	10.39%	8.67%
Capital adequacy ratio - Tier I	13.42%	12.03%
Capital adequacy ratio - Tier I and Tier II	15.59%	14.44%

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 Central Bank of Lebanon directives and Basle III.
- Ensure a high Return on Equity for the common shareholders.
- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

The Group's total equity funding consists of the following:

	Balances			
	December 31,		Variations	
Ratio	2016	2015	Amount	%
	LBP'000	LBP'000	LBP'000	
Equity allotted to common shares	189,713,253	150,042,572	32,670,681	26.44
Preferred shares	52,641,854	52,641,854	-	-
Subordinated bonds	37,687,500	37,687,500	-	-
Total equity	280,042,607	240,371,926		

48. SEGMENT INFORMATION

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, 2016			December 31, 2015		
	Lebanon and Middle East	Cyprus	Inter Segment	Lebanon and Middle East	Cyprus	Inter Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Total Assets	2,604,048,920	58,745,723	(12,244,289)	2,382,951,697	72,807,352	(12,505,310)
Total Liabilities	2,367,034,833	43,018,731	(1,959,458)	2,188,428,295	55,377,563	(3,435,164)
Total Equity	237,014,087	15,726,992	(10,284,831)	194,523,402	17,429,789	(9,070,146)
Profit for the year	23,093,321	651,989	-	17,145,354	2,354,792	-
ASSETS						
Cash and Central Banks	549,165,457	394,662	-	439,794,200	419,401	-
Deposits with banks and financial institutions	294,335,787	16,125,597	(12,244,289)	196,951,347	16,796,014	(12,505,310)
Financial assets at fair value through profit or loss	85,164,618	88,450	-	24,723,818	976,832	-
Loans to banks and financial institutions	17,512,310	-	-	48,867,483	-	-
Loans and advances to customers	1,022,637,222	15,290,001	-	998,844,145	17,425,640	-
Loans and advances to related parties	2,627,298	19,047	-	1,813,974	41,897	-
Investment securities	568,891,667	25,632,154	-	610,879,937	27,676,463	-
Investment in associate	18,052,156	-	-	17,645,342	-	-
Other	45,662,405	1,195,812	-	43,431,451	9,471,105	-
LIABILITIES						
Deposits and borrowings from banks	126,651,112	1,959,467	(1,959,457)	111,351,617	3,364,230	(3,364,230)
Customers' accounts at amortized cost	2,038,099,268	40,092,760	-	1,907,728,053	42,293,790	(70,934)
Related parties' accounts at amortized cost	110,944,857	8,677	-	88,560,214	440,300-	
Other term borrowings	9,315,863	-	-	7,530,780	-	-
Other	44,336,242	957,827	-	35,570,131	9,279,243	-
Subordinated bonds	37,687,500	-	-	37,687,500	-	-

	December 31, 2016			December 31, 2015		
	Lebanon and Middle East	Cyprus	Inter Segment	Lebanon and Middle East	Cyprus	Inter Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	114,242,753	2,882,594	(370,296)	105,773,985	2,393,625	(299,772)
Interest expense	(78,541,791)	(1,068,840)	370,296	(71,814,322)	(911,024)	299,772
Net interest income	35,700,962	1,813,754	-	33,959,663	1,482,601	-
Fee and commission income	19,754,188	421,747	-	9,524,658	226,842	-
Fee and commission expense	(309,340)	(617)	-	(371,516)	(5,443)	-
Net fee and commission income	19,444,848	421,130	-	9,153,142	221,399	-
Net interest and other gain on trading assets at fair value through profit or loss	4,473,048	58,695	-	6,067,216	639,167	-
Gain on exchange	2,856,741	(55)	-	2,527,593	365	-
Gain from sale of assets at amortized cost	1,934,797	-	-	2,575,456	-	-
Other operating income	4,712,706	(2,781)	-	2,908,938	56,071	
Net financial revenues	69,123,102	2,290,743	-	57,192,008	2,399,603	-
Allowance for impairment of loans and advances and other receivables, (net)	(1,631,622)	26,062	-	(196,273)	(319,183)	-
Write-back of provision/ (provision for)collectively assessed loans, (net)						
Impairment, (net)	-	-	-	140,597	-	-
Net financial revenues after net impairment charge	67,491,480	2,316,805	-	57,136,332	2,080,420	-
Staff costs	(22,264,895)	(355,632)	-	(20,242,094)	(337,081)	-
Administrative expenses	(14,550,489)	(1,133,927)	-	(13,762,908)	(1,026,480)	-
Depreciation and amortization	(1,460,449)	(58,169)	-	(1,377,505)	(50,564)	-
(Provision)/write-back of provision for contingencies, net	(1,449,222)	-	-	(904,766)	1,976,333	-
	(39,725,055)	(1,547,728)	-	(36,287,273)	562,208	-
Profit before income tax	27,766,425	769,077	-	20,849,059	2,642,628	-
Income tax expense	(4,673,104)	(117,088)	-	(3,703,705)	(287,836)	-
Profit for the year	23,093,321	651,989	-	17,145,354	2,354,792	-

49.FINANCIAL INSTRUMENTS AND RISK MANAGEMENTv

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 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:

- 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 component 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:

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

	December 31, 2016	
Brackets	Total Amount	% to Total Amount
	LBP'000	%
Less than LBP5billion	34,117,340	11.44
From LBP5billion to LBP15billion	90,262,477	30.28
Over LBP15billion	173,751,634	58.28
	298,131,451	100.00

	December 31, 2015	
Brackets	Total Amount	% to Total Amount
	LBP'000	%
Less than LBP5billion	25,441,436	12.65
From LBP5billion to LBP15billion	85,547,053	42.53
Over LBP15billion	90,161,378	44.82
	201,149,867	100.00

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

		December 31, 2016	
Brackets	No of Counter Parties	Total Amount	% to Total Amount
		LBP'000	%
Less than LBP500million	958	67,201,149	6.47
From LBP500million to LBP5billion	272	456,868,373	43.98
Over LBP5billion	57	514,724,101	49.55
	1,287	1,038,793,623	100.00

		December 31, 2015	
Brackets	No of Counter Parties	Total Amount	% to Total Amount
		LBP'000	%
Less than LBP500million	1,003	63,245,206	6.22
From LBP500million to LBP5billion	268	445,768,535	43.82
Over LBP5billion	57	508,212,875	49.96
	1,328	1,017,226,616	100.00

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

	December 31, 2016	
	Total Amount	% to Total Amount
	LBP'000	%
Less than LBP500million	2,646,345	100.00
	2,646,345	100.00

	December 31, 2015	
	Total Amount	% to Total Amount
	LBP'000	%
Less than LBP500million	1,855,871	100.00
	1,855,871	100.00

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

	December 31, 2016						
				Fair Value of Collateral Held			
	Gross Loans Net of Unrealized Interest	Allowance for Imparement	Net Exposure	Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Accounts	1,012,555,113	-	1,012,555,113	164,506,928	156,766,732	28,754,822	350,028,482
Past due but not impaired:							
Between 30-60 days	1,215,799	-	1,215,799	-	-	-	-
Between 60-90 days	407,854	-	407,854	-	-	-	-
Between 90-180 days	2,013,946	-	2,013,946	-	-	-	-
Beyond 180 days	863,532	-	863,532	-	-	-	-
Impaired:							
Substandard debts	15,522,046	-	15,522,046	-	26,403,862	138,946	26,542,808
Doubtful and bad debts	14,107,735	(6,628,920)	7,478,815	-	8,050,050	-	8,050,050
Collective provision for loan impairment:	-	(2,129,882)	(2,129,882)	-	-	-	-
	1,046,686,025	(8,758,802)	1,037,927,223	164,506,928	191,220,644	28,893,768	384,621,340

	December 31, 2015						
				Fair Value of Collateral Held			
	Gross Loans Net of Unrealized Interest	Allowance for Imparement	Net Exposure	Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Accounts	1,009,357,545	-	1,009,357,545	173,270,895	174,326,866	29,192,983	376,790,744
Past due but not impaired:							
Between 30-60 days	206,151	-	206,151	-	-	-	-
Between 60-90 days	430,010	-	430,010	-	-	-	-
Between 90-180 days	82,475	-	82,475	-	-	-	-
Beyond 180 days	1,132,327	-	1,132,327	-	-	-	-
Impaired:							
Substandard debts	7,697,697	(753,750)	6,943,947	-	8,238,488	-	8,238,488
Restructured substandard debts	3,528,882	(3,281,670)	247,212	-	-	-	
Doubtful and bad debts	1,555,782	(1,555,782)	-	-	512,550	-	512,550
Collective provision for loan impairment	-	(2,129,882)	(2,129,882)	-	-	-	-
	1,023,990,869	(7,721,084)	1,016,269,785	173,270,895	183,077,904	29,192,983	385,541,782

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

	Sovereign	Financial Servies	Real Estate Development	Manufacturing
	LBP'000	LBP'000	LBP'000	LBP'000
Balance Sheet Exposure:				
Cash and deposits with central banks	549,560,119	-	-	-
Deposits with banks and financial institutions	-	298,217,095	-	-
Financial assets at fair value through profit or loss	75,511,132	8,117,181	-	39,673
Loans to banks and financial institutions and reverse repurchase agreement	-	17,512,310	-	-
Loans and advances to customers	-	6,672,532	195,780,277	147,196,726
Loans and advances to related parties	-	-	-	560,732
Financial assets at amortized cost	573,878,419	-	-	-
Financial assets at fair value through other comprehensive income	-	540,120	-	-
Customers' Liability under acceptances	-	-	1,277,276	1,005,278
Other assets	-	-	-	-
	1,198,949,670	331,059,238	197,057,553	148,802,409
Off-Balance sheet Risks				
Documentary and commercial letters of credit	-	39,403	1,046,188	2,114,454
Guarantees and standby letters of credit	-	20,668,484	20,823,165	11,632,540
Forward Contracts	-	228,975,174	10,353,753	157,488

December 31, 2016

Consumer Goods Trading	Real Estate Trading	Services	Private Individuals	Others	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	-	-	-	-	549,560,119
-	-	-	-	-	298,217,095
20,424	1,527,821	36,837	-	-	85,253,068
-	-	-	-	-	17,512,310
470,397,284	-	59,888,364	154,598,219	1,263,939	1,040,057,105
-	-	11,790	2,073,823	-	2,646,345
15,430,530	4,576,406	-	-	-	593,885,355
-	98,346	-	-	-	638,466
4,654,401	-	-	-	-	6,936,955
-	-	-	-	10,934,179	10,934,179
490,502,639	6,202,573	59,936,991	160,931,806	12,198,118	2,605,640,997
27,817,946	-	-	277,833	-	31,295,824
15,826,557	-	20,146,537	1,367,040	-	90,464,323
3,948,130	-	-	2,790,276	-	246,224,821

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	December 31, 2015			
	Sovereign	Financial Servies	Real Estate Development	Manufacturing
	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	440,213,601	-	-	-
Deposits with banks and financial institutions	-	201,242,051	-	-
Financial assets at fair value through profit or loss	16,504,060	5,951,662	-	227,046
Loans to banks and financial institutions and reverse repurchase agreements	-	48,867,483	-	-
Loans and advances to customers	-	9,111,003	194,839,621	154,744,816
Loans and advances to related parties	-	-	-	438,711
Financial assets at amortized cost	602,769,180	3,037,364	-	1,616,283
Financial assets at fair value through other comprehensive income	-	540,120	-	-
Customers' liability under acceptance	-	-	205,433	1,997,444
Other assets	-	-	-	-
	1,059,486,841	268,749,683	195,045,054	159,024,300
Off-Balance Sheet Risks:				
Documentary and commercial letters of credit	-	-	284,011	1,652,019
Guarantees and standby letters of credit	-	20,072,711	22,974,623	18,209,979
Forward contracts	-	417,735,090	8,965,517	1,484,707

Consumer Goods Trading	Services	Private Individuals	Others	Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
-	-	-	-	440,213,601
-	-	-	-	201,242,051
41,448	2,976,434	-	-	25,700,650
-	-	-	-	48,867,483
459,291,755	66,374,895	134,030,902	6,675	1,018,399,667
3,181	-	1,413,979	-	1,855,871
10,596,584	19,897,787	-	-	637,917,198
-	99,082	-	-	639,202
23,093,275	-	-	-	25,296,152
-	-	-	6,826,181	6,826,181
493,026,243	89,348,198	135,444,881	6,832,856	2,406,958,056
23,296,376	-	-	-	25,232,406
14,367,800	8,495,809	1,424,301	-	85,545,223
3,197,261	-	1,241,142	-	432,623,717

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(c) Concentration of assets and liabilities by geographical area:

	December 31, 2016					
	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 deposits with central banks	549,164,133	-	-	394,661	1,325	549,560,119
Deposits with banks and financial institutions	128,294,416	8,144,990	39,529,014	109,489,907	12,763,768	298,217,095
Financial assets at fair value through profit or loss	85,071,504	-	181,564	-	-	85,253,068
Loans to banks and financial institutions and reverse repurchase agreements	17,512,310	-	-	-	-	17,512,310
Loans and advances to customers	963,385,390	33,020,867	5,357	41,282,231	233,378	1,037,927,223
Loans and advances to related parties	2,646,345	-	-	-	-	2,646,345
Financial assets at amortized cost	593,885,355	-	-	-	-	593,885,355
Financial assets at fair value through other comprehensive income	615,120	-	-	23,346	-	638,466
Customers' liability under acceptances	5,803,005	1,133,950	-	-	-	6,936,955
Investments in associates	-	18,052,156	-	-	-	18,052,156
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	2,046,944
Property and equipment	23,520,036	-	-	447,708	-	23,967,744
Intangible assets	949,140	-	-	32,540	-	981,680
Other assets	12,549,332	-	-	48,842	326,720	12,924,894
Total Assets	2,385,443,030	60,351,963	3,970,935	151,719,235	13,325,191	2,650,550,354
LIABILITIES						
Deposits and borrowings from banks and financial institutions	26,030,655	100,025,446	-	591,011	-	126,651,112
Customers' accounts at amortized cost	1,570,955,316	374,348,984	30,674,598	70,019,272	32,193,858	2,078,192,028
Related parties' accounts at amortized cost	78,892,982	32,056,213	4,339	-	-	110,953,534
Acceptance liability	1,169,233	142,896	2,823,505	164,318	2,637,003	6,936,955
Other borrowings	9,315,863	-	-	-	-	9,315,863
Other liabilities	29,863,008	-	195,108	-	802,351	30,860,467
Provisions	7,163,979	-	96,000	-	236,668	7,496,647
Subordinated bonds	37,687,500	-	-	-	-	37,687,500
Total liabilities	1,761,078,536	506,573,539	63,450,094	30,838,916	35,869,880	2,408,094,106
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	30,200,261	897,171	58,340	140,052	-	31,295,824
Guarantees and standby letters of Credit	71,879,791	4,617,995	12,214,209	1,752,328	-	90,464,323
Forward exchange contracts	131,333,987	56,521,450	-	58,369,384	-	246,224,821

	December 31, 2015					
	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 deposits with central banks	439,794,200	-	-	419,401	-	440,213,601
Deposits with banks and financial institutions	103,722,790	1,680,525	27,105,717	67,686,114	1,046,905	201,242,051
Financial assets at fair value through profit or loss	21,924,645	1,268,013	688,542	810,099	1,009,351	25,700,650
Loans to banks and financial institutions and reverse repurchase agreement	48,867,483	-	-	-	-	48,867,483
Loans and advances to customers	901,124,199	54,018,406	188,427	54,638,307	6,300,446	1,016,269,785
Loans and advances to related parties	1,813,973	-	-	41,898	-	1,855,871
Financial assets at amortized cost	636,300,915	-	-	1,616,283	-	637,917,198
Financial assets at fair value through other comprehensive income	615,120	-	-	24,082	-	639,202
Customers' liability under acceptances	14,178,576	11,117,576	-	-	-	25,296,152
Investments in associates	-	17,645,342	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	2,046,944
Property and equipment	16,237,494	-	-	460,508	-	16,698,002
Intangible assets	618,183	-	-	18	-	618,201
Other assets	8,193,542	-	-	49,715	-	8,243,257
Total Assets	2,195,438,064	85,729,862	27,982,686	125,746,425	8,356,702	2,443,253,739
LIABILITIES						
Deposits and borrowings from banks	63,152,931	43,276,338	4,922,348	-	-	111,351,617
Customers' accounts at amortized cost	1,431,828,159	367,055,121	94,444,628	21,606,951	35,016,05	1,949,950,909
Related parties' accounts at amortized cost	57,160,240	31,840,274	-	-	-	89,000,514
Acceptance liability	298,272	2,069,553	17,507,854	-	5,420,473	25,296,152
Other term borrowings	7,530,780	-	-	-	-	7,530,780
Other liabilities	13,283,673	-	226,760	-	-	13,510,433
Provisions	5,951,170	-	91,619	-	-	6,042,789
Subordinated bonds	37,687,500	-	-	-	-	37,687,500
Total Liabilities	1,616,892,725	444,241,286	117,193,209	21,606,951	40,436,523	2,240,370,694
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	23,392,240	1,840,166	-	-	-	25,232,406
Guarantees and standby letters of credit	67,006,878	17,209,874	1,328,471	-	-	85,545,223
Forward exchange contracts	58,677,723	194,303,520	179,642,474	-	-	432,623,717

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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).

	December 31, 2016		
	LBP Base Accounts		
	Account with no maturity	Up to 3 Months	3 Months to 1 Year
ASSETS	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	66,643,974	109,000,000	-
Deposits with banks and financial institutions	1,637,863	-	5,000,000
Financial assets at fair value through profit or loss	321,651	-	-
Loans and advances to customers	34,019,527	26,720,462	12,600
Loans and advances to related parties	14,907	-	-
Financial assets at amortized cost	3,663,166	1,722,480	34,694,995
Financial assets at fair value through other comprehensive income	615,120	-	-
Property and equipment	23,520,035	-	-
Intangible assets	943,868	-	-
Other assets	7,095,199	-	-
Total Assets	138,475,310	137,442,942	39,707,595
LIABILITIES			
Deposits and borrowings from banks and financial institutions	1,342,615	20,052,000	2,030,000
Customers' accounts at amortized cost	59,252,101	235,002,890	34,719,601
Related parties' accounts at amortized cost	3,691,253	930,518	-
Other term borrowings	88,596	395,949	864,477
Other liabilities	3,408,804	-	-
Provisions	6,402,691	-	-
Total Liabilities	74,186,060	256,381,357	37,614,078
Maturity Gap	64,289,250	(118,938,415)	2,093,517

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:

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
-	-	-	-	175,643,974
-	-	-	-	6,637,863
5,799,928	3,097,894	8,909,833	4,880,607	23,009,913
30,230	-	-	-	60,782,819
-	-	-	-	14,907
35,841,489	48,189,815	84,926,219	-	209,038,164
-	-	-	-	615,120
-	-	-	-	23,520,035
-	-	-	-	943,868
-	-	-	-	7,095,199
41,671,647	51,287,709	93,836,052	4,880,607	507,301,862
-	-	-	-	23,424,615
-	-	-	-	328,974,592
-	-	-	-	4,621,771
2,315,701	2,204,529	2,850,214	596,397	9,315,863
-	-	-	-	3,408,804
-	-	-	-	6,402,691
2,315,701	2,204,529	2,850,214	596,397	376,148,336
39,355,946	49,083,180	90,985,838	4,284,210	131,153,526

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

	December 31, 2016		
	F/Cy Base Accounts		
	Account with no maturity	Up to 3 Months	1 to 3 Years
	LBP'000	LBP'000	LBP'000
ASSETS			
Cash and deposits with central banks	31,485,879	52,762,500	32,145,846
Deposits with banks and financial institutions	157,700,213	102,606,933	30,713,384
Financial assets at fair value through profit or loss	7,832,884	41,429	753,750
Loans to banks and financial institutions and reverse repurchase agreement	-	16,066,256	1,446,054
Loans and advances to customers	654,060,113	301,435,707	20,691,835
Loans and advances to related parties	1,998,180	569,777	53,825
Financial assets at amortized cost	8,404,037	2,494,903	3,457,127
Financial assets at fair value through other comprehensive income	23,346	-	-
Customers' liability under acceptances	-	6,149,582	770,765
Investments in associates	18,052,156	-	-
Assets acquired in satisfaction of loans	2,046,944	-	-
Property and equipment	447,709	-	-
Intangible assets	37,812	-	-
Other assets	5,829,695	-	-
Total Assets	887,918,968	482,127,087	90,032,586
LIABILITIES			
Deposits and borrowings from banks and financial institutions	76,644,311	26,582,186	-
Customers' accounts at amortized cost	338,768,547	1,024,726,594	324,691,608
Related parties' accounts at amortized cost	31,546,869	41,193,271	33,591,623
Acceptance liability	-	6,149,582	770,765
Other liabilities	27,451,663	-	-
Provisions	1,093,956	-	-
Subordinated bonds	-	-	-
Total Liabilities	475,505,346	1,098,651,633	359,053,996
Maturity Gap	412,413,622	(616,524,546)	(269,021,410)

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
100,073,100	103,178,820	54,270,000	-	373,916,145
558,702	-	-	-	291,579,232
699,821	8,636,409	32,784,007	11,494,855	62,243,155
-	-	-	-	17,512,310
851,939	104,810	-	-	977,144,404
9,656	-	-	-	2,631,438
30,674,370	36,846,835	272,275,305	30,694,614	384,847,191
-	-	-	-	23,346
16,608	-	-	-	6,936,955
-	-	-	-	18,052,156
-	-	-	-	2,046,944
-	-	-	-	447,709
-	-	-	-	37,812
-	-	-	-	5,829,695
132,884,196	148,766,874	359,329,312	42,189,469	2,143,248,493
-	-	-	-	103,226,497
60,019,154	1,011,533	-	-	1,749,217,436
-	-	-	-	106,331,763
16,608	-	-	-	6,936,955
-	-	-	-	27,451,663
-	-	-	-	1,093,956
-	37,687,500	-	-	37,687,500
60,035,762	38,699,033	-	-	2,031,945,770
72,848,434	110,067,841	359,329,312	42,189,469	111,302,723

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

	December 31, 2015		
	LBP Base Accounts		
	Account with no maturity	Up to 3 Months	1 to 3 Years
ASSETS	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	53,620,133	10,000,000	-
Deposits with banks and financial institutions	2,686,503	-	5,000,000
Financial assets at fair value through profit or loss	358,275	400,573	-
Loans and advances to customers	37,162,312	1,381	12,000
Loans and advances to related parties	14,221	-	-
Financial assets at amortized cost	6,975,357	-	14,217,209
Financial assets at fair value through other comprehensive income	615,120	-	-
Property and equipment	16,029,993	-	-
Intangible assets	614,762	-	-
Other assets	2,501,519	-	-
Total Assets	120,578,195	10,401,954	19,229,209
LIABILITIES			
Deposits and borrowings from banks and financial institutions	1,336,032	37,052,000	15,377,500
Customers' accounts at amortized cost	41,505,760	246,339,154	68,445,830
Related parties' accounts at amortized cost	3,789,136	632,023	-
Other term borrowings	68,955	278,517	676,756
Other liabilities	8,508,270	-	-
Provisions	4,975,375	-	-
Total Liabilities	60,183,528	284,301,694	84,500,086
Maturity Gap	60,394,667	(273,899,740)	(65,270,877)

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
-	-	-	-	63,620,133
-	-	-	-	7,686,503
-	-	14,801,537	-	15,560,385
28,248	9,765	-	-	37,213,706
-	-	-	-	14,221
69,626,783	83,793,499	87,334,286	103,259,970	365,207,104
-	-	-	-	615,120
-	-	-	-	16,029,993
-	-	-	-	614,762
-	-	-	-	2,501,519
69,655,031	83,803,264	102,135,823	103,259,970	509,063,446
-	-	-	-	53,765,532
1,254,603	1,753,637	-	-	359,298,984
-	-	-	-	4,421,159
1,810,734	1,782,188	2,532,379	381,251	7,530,780
-	-	-	-	8,508,270
-	-	-	-	4,975,375
3,065,337	3,535,825	2,532,379	381,251	438,500,100
66,589,694	80,267,439	99,603,444	102,878,719	70,563,346

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

	December 31, 2015		
	F/Cy Base Accounts		
	Account with no maturity	Up to 3 Months	1 to 3 Years
ASSETS	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	67,336,188	19,736,640	37,559,880
Deposits with banks and financial institutions	70,251,760	80,755,738	42,548,050
Financial assets at fair value through profit or loss	5,488,941	-	-
Loans to banks and financial institutions and reverse repurchase agreement	185,453	31,816,105	16,865,925
Loans and advances to customers	634,296,266	329,190,935	14,647,276
Loans and advances to related parties	1,378,527	431,911	20,351
Financial assets at amortized cost	3,367,887	-	184,838
Financial assets at fair value through other comprehensive income	24,082	-	-
Customers' liability under acceptances	-	21,534,748	3,761,404
Investments in associates	17,645,342	-	-
Assets acquired in satisfaction of loans	2,046,944	-	-
Property and equipment	668,009	-	-
Intangible assets	3,439	-	-
Other assets	5,741,738	-	-
Total Assets	808,434,576	483,466,077	115,587,724
LIABILITIES			
Deposits and borrowings from banks and financial institutions	17,086,634	40,499,451	-
Customers' accounts at amortized cost	309,176,024	1,039,523,076	200,839,746
Related parties' accounts at amortized cost	40,395,927	34,045,482	8,630,446
Acceptance liability	-	21,534,748	3,761,404
Other liabilities	5,002,163	-	-
Provisions	1,067,414	-	-
Subordinated Bonds	-	-	-
Total Liabilities	372,728,162	1,135,602,757	213,231,596
Maturity Gap	435,706,414	(652,136,680)	(97,643,872)

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
63,407,610	141,820,650	46,732,500	-	376,593,468
-	-	-	-	193,555,548
75,375	286,802	2,332,707	1,956,440	10,140,265
-	-	-	-	48,867,483
863,115	58,487	-	-	979,056,079
10,861	-	-	-	1,841,650
46,475,805	41,247,080	129,095,994	52,338,490	272,710,094
-	-	-	-	24,082
-	-	-	-	25,296,152
-	-	-	-	17,645,342
-	-	-	-	2,046,944
-	-	-	-	668,009
-	-	-	-	3,439
-	-	-	-	5,741,738
110,832,766	183,413,019	178,161,201	54,294,930	1,934,190,293
-	-	-	-	57,586,085
40,101,546	1,011,533	-	-	1,590,651,925
1,507,500	-	-	-	84,579,355
-	-	-	-	25,296,152
-	-	-	-	5,002,163
-	-	-	-	1,067,414
-	-	37,687,500	-	37,687,500
41,609,046	1,011,533	37,687,500	-	1,801,870,594
69,223,720	182,401,486	140,473,701	54,294,930	132,319,699

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, 2016					
	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	175,643,974	282,239,383	88,774,593	2,888,830	13,339	549,560,119
Deposits with banks and financial institutions	6,637,863	157,987,863	98,469,012	23,566,997	11,555,360	298,217,095
Financial assets at fair value through profit or loss	23,009,913	62,243,155	-	-	-	85,253,068
Loans to banks and financial institutions and reverse repurchase agreements	-	17,512,310	-	-	-	17,512,310
Loans and advances to customers	60,782,819	844,379,245	111,527,193	5,893,249	15,344,717	1,037,927,223
Loans and advances to related parties	14,907	2,576,868	54,570	-	-	2,646,345
Financial assets at amortized cost	209,038,164	384,847,191	-	-	-	593,885,355
Financial assets at fair value through other comprehensive income	615,120	-	23,346	-	-	638,466
Customers' liability under acceptances	-	3,577,187	2,892,540	-	467,228	6,936,955
Investments in associates	-	18,052,156	-	-	-	18,052,156
Assets acquired in satisfaction of loans	-	2,046,944	-	-	-	2,046,944
Property and equipment	23,520,035	447,709	-	-	-	23,967,744
Intangible assets	943,868	37,812	-	-	-	981,680
Other assets	7,095,199	(40,512,208)	53,016,089	(6,725,725)	(4,374,158)	8,499,197
Total Assets	507,301,862	1,735,435,615	354,757,343	25,623,351	23,006,486	2,646,124,657
LIABILITIES						
Deposits and borrowings from banks and financial institutions	23,424,615	59,860,207	27,366,105	4,428,923	11,571,262	126,651,112
Customers' accounts at amortized cost	328,974,592	1,489,145,482	209,801,233	31,342,129	18,928,592	2,078,192,028
Related parties' accounts at amortized cost	4,621,771	94,253,772	8,585,076	3,237,844	255,071	110,953,534
Acceptance liability	-	3,577,186	2,892,540	-	467,229	6,936,955
Other term borrowings	9,315,863	-	-	-	-	9,315,863
Other liabilities	3,408,804	8,061,042	29,912,115	(6,662,790)	(3,858,704)	30,860,467
Provisions	6,402,691	997,956	96,000	-	-	7,496,647
Subordinated bonds	-	37,687,500	-	-	-	37,687,500
Total Liabilities	376,148,336	1,693,583,145	278,653,069	32,346,106	27,363,450	2,408,094,106
Currencies to be delivered	-	139,492,237	73,829,051	16,098,677	16,804,856	246,224,821
Currencies to be received	-	(94,206,024)	(125,789,800)	(9,372,952)	(12,430,348)	(241,799,124)
	-	45,286,213	(51,960,749)	6,725,725	4,374,508	4,425,697
Net on-balance sheet financial position	131,153,526	87,138,683	24,143,525	2,970	17,544	242,456,248

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	December 31, 2015					
	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	63,620,133	307,148,282	68,857,793	447,248	140,145	440,213,601
Deposits with banks and financial institutions	7,686,503	94,420,835	88,754,075	4,190,054	6,190,584	201,242,051
Financial assets at fair value through profit or loss	15,560,385	7,903,665	2,199,303	37,297	-	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	-	48,867,483	-	-	-	48,867,483
Loans and advances to customers	37,213,706	869,930,282	82,189,233	9,960,008	16,976,556	1,016,269,785
Loans and advances to related parties	14,221	1,832,862	8,788	-	-	1,855,871
Financial assets at amortized cost	365,207,104	271,093,809	1,616,285	-	-	637,917,198
Financial assets at fair value through other comprehensive income	615,120	-	24,082	-	-	639,202
Customers' liability under acceptances	-	13,255,331	10,917,811	-	1,123,010	25,296,152
Investments in associates	-	17,645,342	-	-	-	17,645,342
Assets acquired in satisfaction of loans	-	2,046,944	-	-	-	2,046,944
Property and equipment	16,029,993	668,009	-	-	-	16,698,002
Intangible assets	614,762	3,439	-	-	-	618,201
Other assets	2,501,519	4,987,536	753,874	140	188	8,243,257
Total Assets	509,063,446	1,639,803,819	255,321,244	14,634,747	24,430,483	2,443,253,739
LIABILITIES						
Deposits and borrowings from banks and financial institutions	53,765,532	31,396,703	20,650,113	3,892,894	1,646,375	111,351,617
Customers' accounts at amortized cost	359,298,984	1,325,298,473	226,705,280	22,835,553	15,812,619	1,949,950,909
Related parties' accounts at amortized cost	4,421,159	84,579,355	-	-	-	89,000,514
Acceptance liability	-	13,255,330	10,917,812	-	1,123,010	25,296,152
Other term borrowings	7,530,780	-	-	-	-	7,530,780
Other liabilities	8,508,270	(9,113,643)	4,166,273	12,173,458	(5,188,258)	10,546,100
Provisions	4,975,375	975,795	91,619	-	-	6,042,789
Subordinated bonds	-	37,687,500	-	-	-	37,687,500
Total Liabilities	438,500,100	1,484,079,513	262,531,097	38,901,905	13,393,746	2,237,406,361
Currencies to be delivered	-	200,300,744	205,467,260	16,963,543	10,777,087	433,508,634
Currencies to be received	-	(213,813,093)	(201,804,074)	(4,822,114)	(16,033,686)	(436,472,967)
	-	(13,512,349)	3,663,186	12,141,429	(5,256,599)	(2,964,333)
Net on-balance sheet financial position	70,563,346	142,211,957	(3,546,667)	(12,125,729)	5,780,138	202,883,045

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:

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	December 31, 2016			
	Lebanese Pound Base Accounts			
	Floating Interest Rate			
	Non-Interest Bearing	Up to Three Months	Total	Over 3 Months Less than 1 Year
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and deposits with central banks	66,643,974	109,000,000	109,000,000	-
Deposits with banks and financial institutions	-	1,637,863	1,637,863	-
Financial assets at fair value through profit or loss	321,651	-	-	5,000,000
Loans and advances to customers	1,595	60,738,394	60,738,394	12,600
Loans and advances to related parties	-	14,907	14,907	-
Financial assets at amortized cost	3,663,166	1,722,480	1,722,480	34,694,995
Financial assets at fair value through other comprehensive income	615,120	-	-	-
Property and equipment	23,520,035	-	-	-
Intangible assets	943,868	-	-	-
Other assets	7,095,199	-	-	-
Total Assets	102,804,608	173,113,644	173,113,644	39,707,595
LIABILITIES				
Deposits and borrowings from banks and financial institutions	1,342,615	20,052,000	20,052,000	2,030,000
Customers' accounts at amortized cost	2,914,064	291,340,927	291,340,927	34,719,601
Related parties' accounts at amortized cost	3,454,678	1,167,093	1,167,093	-
Other term borrowings	88,596	395,949	395,949	864,477
Other liabilities	3,408,804	-	-	-
Provisions	6,402,691	-	-	-
Total Liabilities	17,611,448	312,955,969	312,955,969	37,614,078
Interest rate gap position	85,193,160	(139,842,325)	(139,842,325)	2,093,517

	Fixed Interest Rate					
	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Yeats	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
	-	-	-	-	-	175,643,974
	-	-	-	-	5,000,000	6,637,863
	5,799,928	3,097,894	8,909,833	4,880,607	22,688,262	23,009,913
	30,230	-	-	-	42,830	60,782,819
	-	-	-	-	-	14,907
	35,841,489	48,189,815	84,926,219	-	203,652,518	209,038,164
	-	-	-	-	-	615,120
	-	-	-	-	-	23,520,035
	-	-	-	-	-	943,868
	-	-	-	-	-	7,095,199
	41,671,647	51,287,709	93,836,052	4,880,607	231,383,610	507,301,862
	-	-	-	-	2,030,000	23,424,615
	-	-	-	-	34,719,601	328,974,592
	-	-	-	-	-	4,621,771
	2,315,701	2,204,529	2,850,214	596,397	8,831,318	9,315,863
	-	-	-	-	-	3,408,804
	-	-	-	-	-	6,402,691
	2,315,701	2,204,529	2,850,214	596,397	45,580,919	376,148,336
	39,355,946	49,083,180	90,985,838	4,284,210	185,802,691	131,153,526

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	December 31, 2015			
	Lebanese Pound Base Accounts			
	Floating Interest Rate			
	Non-Interest Bearing	Up to Three Months	Over 3 Months Less than 1 Year	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and deposits with central banks	3,176,378	60,443,755	-	60,443,755
Deposits with banks and financial institutions	2,686,503	-	5,000,000	5,000,000
Financial assets at fair value through profit or loss	358,275	400,573	-	400,573
Loans and advances to customers	3,349	37,160,344	-	37,160,344
Loans and advances to related parties	-	14,221	-	14,221
Financial assets at amortized cost	6,975,357	-	-	-
Financial assets at fair value through other comprehensive income	615,120	-	-	-
Property and equipment	16,029,993	-	-	-
Intangible assets	614,762	-	-	-
Other assets	2,501,519	-	-	-
Total Assets	32,961,256	98,018,893	5,000,000	103,018,893
LIABILITIES				
Deposits and borrowings from banks and financial institutions	1,336,032	37,052,000	-	37,052,000
Customers' accounts at amortized cost	514,486	287,330,428	-	287,330,428
Related parties' accounts at amortized cost	2,876,906	1,544,253	-	1,544,253
Other term borrowings	68,955	278,517	-	278,517
Other liabilities	8,508,270	-	-	-
Provisions	4,975,375	-	-	-
Total Liabilities	18,280,024	326,205,198	-	326,205,198
Interest rate gap position	14,681,232	(228,186,305)	5,000,0000	(223,186,305)

	Fixed Interest Rate						
	Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Yeats	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
	-	-	-	-	-	-	63,620,133
	-	-	-	-	-	-	7,686,503
	-	-	-	14,801,537	-	14,801,537	15,560,385
	12,000	28,248	9,765	-	-	50,013	37,213,706
	-	-	-	-	-	-	14,221
	14,217,209	69,626,783	83,793,499	87,334,286	103,259,970	358,231,747	365,207,104
	-	-	-	-	-	-	615,120
	-	-	-	-	-	-	16,029,993
	-	-	-	-	-	-	614,762
	-	-	-	-	-	-	2,501,519
	14,229,209	69,655,031	83,803,264	102,135,823	103,259,970	373,083,297	509,063,446
	15,377,500	-	-	-	-	15,377,500	53,765,532
	68,445,830	1,254,603	1,753,637	-	-	71,454,070	359,298,984
	-	-	-	-	-	-	4,421,159
	676,756	1,810,734	1,782,188	2,532,379	381,251	7,183,308	7,530,780
	-	-	-	-	-	-	8,508,270
	-	-	-	-	-	-	4,975,375
	84,500,086	3,065,337	3,535,825	2,532,379	381,251	94,014,878	438,500,100
	(70,270,877)	66,589,694	80,267,439	99,603,444	102,878,719	279,068,419	70,563,346

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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, 2016			
		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 deposits with central banks	8,589,250	75,659,130	32,145,846	100,073,100	103,178,820
Deposits with banks and financial institutions	183,976,326	76,330,820	-	-	-
Financial assets at fair value through profit or loss	7,832,884	41,429	-	-	-
Loans to banks and financial institutions and reverse repurchase agreements	9,974,810	7,537,500	-	-	-
Loans and advances to customers	955,552	954,540,268	-	-	-
Loans and advances to related parties	-	2,567,957	-	-	-
Financial assets at amortized cost	8,404,037	2,494,903	-	-	-
Financial assets at fair value through other comprehensive income	23,346	-	-	-	-
Customers' liability under acceptances	6,936,955	-	-	-	-
Investments in associates	18,052,156	-	-	-	-
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-
Property and equipment	447,709	-	-	-	-
Intangible assets	37,812	-	-	-	-
Other assets	5,829,695	-	-	-	-
Total Assets	253,107,476	1,119,172,007	32,145,846	100,073,100	103,178,820
LIABILITIES					
Deposits and borrowings from banks and financial institutions	14,699,311	88,527,186	-	-	-
Customers' accounts at amortized cost	110,647,363	1,252,847,778	-	-	-
Related parties' accounts at amortized cost	3,683,442	69,056,698	-	-	-
Acceptance liability	6,936,955	-	-	-	-
Other liabilities	27,451,663	-	-	-	-
Provisions	1,093,956	-	-	-	-
Subordinated bonds	-	-	-	-	-
Total Liabilities	164,512,690	1,410,431,662	-	-	-
Interest rate gap position	88,594,786	(291,259,655)	32,145,846	100,073,100	103,178,820

	Fixed Interest Rate						
Total	Over 3 Months Less Than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Yeats	Total	Grand Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
311,056,896	-	-	-	54,270,000	-	54,270,000	373,916,146
76,330,820	30,713,384	558,702	-	-	-	31,272,086	291,579,232
41,429	753,750	699,821	8,636,409	32,784,007	11,494,855	54,368,842	62,243,155
7,537,500	-	-	-	-	-	-	17,512,310
954,540,268	20,691,835	851,939	104,810	-	-	21,648,584	977,144,404
2,567,957	53,825	9,656	-	-	-	63,481	2,631,438
2,494,903	3,457,127	30,674,370	36,846,835	272,275,305	30,694,614	373,948,251	384,847,191
-	-	-	-	-	-	-	23,346
-	-	-	-	-	-	-	6,936,955
-	-	-	-	-	-	-	18,052,156
-	-	-	-	-	-	-	2,046,944
-	-	-	-	-	-	-	447,709
-	-	-	-	-	-	-	37,812
-	-	-	-	-	-	-	5,829,695
1,354,569,773	55,669,921	32,794,488	45,588,054	359,329,312	42,189,469	535,571,244	2,143,248,493
88,527,186	-	-	-	-	-	-	103,226,497
1,252,847,778	324,691,608	60,019,154	1,011,533	-	-	385,722,295	1,749,217,436
69,056,698	33,591,623	-	-	-	-	33,591,623	106,331,763
-	-	-	-	-	-	-	6,936,955
-	-	-	-	-	-	-	27,451,663
-	-	-	-	-	-	-	1,093,956
-	-	-	37,687,500	-	-	37,687,500	37,687,500
1,410,431,662	358,283,231	60,019,154	38,699,033	-	-	457,001,418	2,031,945,770
(55,861,889)	(302,613,310)	(27,224,666)	6,889,021	359,329,312	42,189,469	78,569,826	111,302,723

BANQUE BEMO S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

		December 31, 2015			
		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 deposits with central banks	67,336,188	19,736,640	37,559,880	63,407,610	141,820,650
Deposits with banks and financial institutions	70,251,760	80,755,738	-	-	-
Financial assets at fair value through profit or loss	5,488,941	-	-	-	-
Loans to banks and financial institutions and reverse repurchase agreements	8,425,509	25,366,974	-	-	-
Loans and advances to customers	497,088	962,990,113	-	-	-
Loans and advances to related parties	665,750	1,144,688	-	-	-
Financial assets at amortized cost	3,367,887	-	-	-	-
Financial assets at fair value through other comprehensive income	24,082	-	-	-	-
Customers' liability under acceptances	25,296,152	-	-	-	-
Investments in associates	17,645,342	-	-	-	-
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-
Property and equipment	668,009	-	-	-	-
Intangible assets	3,439	-	-	-	-
Other assets	5,741,738	-	-	-	-
Total Assets	207,458,829	1,089,994,153	37,559,880	63,407,610	141,820,650
LIABILITIES					
Deposits and borrowings from banks and financial institutions	17,086,634	40,499,451	-	-	-
Customers' accounts at amortized cost	5,382,078	1,343,317,022	-	-	-
Related parties' accounts at amortized cost	372,586	74,068,823	-	-	-
Acceptance liability	25,296,152	-	-	-	-
Other liabilities	5,002,163	-	-	-	-
Provisions	1,067,414	-	-	-	-
Subordinated bonds	-	-	-	-	-
Total Liabilities	54,207,027	1,457,885,296	-	-	-
Interest rate gap position	153,251,802	(367,891,143)	37,559,880	63,407,610	141,820,650

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 LBP7.87billion increase/decrease.

	Fixed Interest Rate						
Total	Over 3 Months Less Than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Yeats	Total	Grand Total
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
262,524.780	-	-	-	46,732,500	-	46,732,500	376,593,468
80,755,738	42,548,050	-	-	-	-	42,548,050	193,555,548
-	-	75,375	286,802	2,332,707	1,956,440	4,651,324	10,140,265
25,366,974	15,075,000	-	-	-	-	15,075,000	48,867,483
962,990,113	14,647,276	863,115	58,487	-	-	15,568,878	979,056,079
1,144,688	20,351	10,861	-	-	-	31,212	1,841,650
-	184,838	46,475,805	41,247,08	129,095,994	52,338,490	269,342,207	272,710,094
-	-	-	-	-	-	-	24,082
-	-	-	-	-	-	-	25,296,152
-	-	-	-	-	-	-	17,645,342
-	-	-	-	-	-	-	2,046,944
-	-	-	-	-	-	-	668,009
-	-	-	-	-	-	-	3,439
-	-	-	-	-	-	-	5,741,738
1,332,782,293	72,475,515	47,425,156	41,592,369	178,161,201	54,294,930	393,949,171	1,934,190,293
40,499,451	-	-	-	-	-	-	57,586,085
1,343,317.022	200,839,746	40,101,546	1,011,533	-	-	241,952,825	1,590,651,92
74,068,823	8,630,446	1,507,500	-	-	-	10,137,946	84,579,355
-	-	-	-	-	-	-	25,296,152
-	-	-	-	-	-	-	5,002,163
-	-	-	-	-	-	-	1,067,414
-	-	-	-	37,687,500	-	37,687,500	37,687,500
1,457,885,296	209,470,192	41,609,046	1,011,533	37,687,500	-	289,778,271	1,801,870,594
(125,103,003)	(136,994,677)	5,816,110	40,580,836	140,473,701	54,294,930	104,170,900	132,319,699

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the fair values of financial assets and liabilities (excluding accrued interest) recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	December 31, 2016				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Level 4
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	7,099,123	7,099,123	-	-	7,099,123
Lebanese treasury bills	16,777,541	-	16,777,541	-	16,777,541
Lebanese Government bonds	20,113,835	-	20,113,835	-	20,113,835
Certificates of deposit issued by the Central Bank of Lebanon	37,568,221	-	37,568,221	-	37,568,221
Certificates of deposit issued by banks	753,750	-	753,750	-	753,750
Corporate bonds	1,885,186	1,885,186	-	-	1,885,186
	84,197,656	8,984,309	75,213,347	-	84,197,656
Financial assets at fair value through other comprehensive income:					
Equities - Unquoted	615,120	-	-	615,120	615,120
	615,120	-	-	615,120	615,120
Financial assets at amortized cost:					
Lebanese treasury bills	149,290,331	-	152,536,263	-	152,536,263
Certificates of deposit issued by Central Bank	56,084,668	19,874,922	56,677,826	-	56,677,826
	205,374,999	19,874,922	209,214,089	-	209,214,089
Financial liabilities measured at amortized cost:					
Subordinated bonds	37,687,500	-	-	36,894,934	36,894,934
	37,687,500	-	-	36,894,934	36,894,934

	December 31, 2015				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Level 4
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	5,406,294	5,406,294	-	-	5,406,294
Lebanese treasury bills	14,166,027	-	14,166,027	-	14,166,027
Foreign Government treasury bills	327,681	327,681	-	-	327,681
Lebanese Government bonds	608,062	-	608,062	-	608,062
Certificates of deposit issued by the Central Bank of Lebanon	1,036,083	-	1,036,083	-	1,036,083
Corporate bonds	3,715,581	3,715,581	-	-	3,715,581
	25,259,728	9,449,556	15,810,172	-	25,259,728
Financial assets at fair value through other comprehensive income:					
Equities - Unquoted	639,202	-	-	639,202	639,202
	639,202	-	-	639,202	639,202
Financial assets at amortized cost:					
Lebanese treasury bills	170,611,032	-	175,665,881	-	175,665,881
Lebanese Government Bonds	151,730,640	-	148,936,447	-	148,936,447
Certificates of deposit issued by Central Bank	270,384,749	-	272,160,482	-	272,160,482
Corporate bonds	34,847,533	34,831,549	-	-	34,831,549
	627,573,954	34,831,549	596,762,810	-	631,594,359
Financial liabilities measured at amortized cost:					
Subordinated bonds	37,687,500	-	-	36,811,085	36,811,085
	37,687,500	-	-	36,811,085	36,811,085

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

	December 31, 2016	
Financial Assets	Date of Valuation	Valuation Technique and Key Inputs
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Certificates of deposit issued by banks	December 31, 2016	DCF at a discount rate based on observable yield curve at measurement date
Lebanese Government bonds	December 31, 2016	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2016	N/A

December 31, 2016

Financial Assets	Date of Valuation	Valuation Technique and Key Inputs
At amortized cost:		
Lebanese treasury bills	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Lebanese Government Bonds	December 31, 2016	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2016	DCF at a discount rate determined based on the yield curve applicable to to Lebanese treasury bills, adjusted adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign Currency	December 31, 2016	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2016	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

BANQUE BEMO S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

	December 31, 2015	
Financial Assets	Date of Valuation	Valuation Technique and Key Inputs
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Lebanese Government bonds	December 31, 2015	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2015	N/A

	December 31, 2015	
Financial Assets	Date of Valuation	Valuation Technique and Key Inputs
At amortized cost:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Lebanese Government bonds	December 31, 2015	DCF at a discount rate determined based USA treasury bills and the Credit DefaultSwapapplicabletoLebanonsubject to illiquidity factor
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable Lebanese treasury bills, adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign currency	December 31, 2015	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2015	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

4

BEMO GROUP STRUCTURE & NETWORK

- BSEC
- BBSF
- BEMO EUROPE - BANQUE PRIVEE
- BEMO INVESTMENT FIRM

BUILDING AND NURTURING LASTING RELATIONSHIPS BY MEETING AND EXCEEDING CLIENT'S NEEDS

BSEC

Bemo Securitisation SAL (BSEC), the investment banking arm of Banque BEMO SAL, was established in 1993 as a regulated financial institution by the Central Bank of Lebanon, the Capital Markets Authority and the Banking Control Commission. It is also member of the Association of Financial Institutions in Lebanon. BSEC provides innovative solutions to corporates with special funding requirements and caters to companies in Lebanon and the MENA region aiming to be the reference financial advisor in these markets.

Since its inception, BSEC was able to provide advanced structures and has built a solid track record by offering to the market numerous transactions with a high level of professionalism and technical know-how. The mission of BSEC is to be at the heart of the creation and development of the local financial ecosystem, by providing tier one corporates with adapted financing solutions that would be adequate investment opportunities.

BSEC has developed a specific expertise in structured finance and securitization in particular, and has built on such expertise to widen the spectrum of its services, in line with the growing clients' needs. BSEC offers the following products and services:

1. Securitization (off balance-sheet financing)
2. Issuance of corporate bonds and commercial papers (on balance sheet financing)
3. Equity solutions including mergers and acquisitions and capital raising.

BSEC also offers transaction banking services mainly for the deals it structures; this includes management and monitoring of funds operations and assets performance in line with transaction documentation, and reporting regularly to investors and other market participants.

The company ensures that clients are served with the utmost dedication and commitment and always put their interest as its top priority. Clients are at the center of BSEC business mindset and this was translated by the confidence clients have shown over the years, proven by the repeat deals arranged for them. BSEC conducts its business with the highest ethical standards; the company strives to offer its clients transparent and efficient structures tailored to their needs and reflects such standards in all its business systems and procedures. In addition, BSEC makes sure to appoint distinct team members on transactions where clients operate in the same business sector and includes Chinese walls within the groups working for such clients. Furthermore, BSEC working methodologies are developed using the latest market trends and up-to-date technologies and are designed around the specificities of each transaction.

BSEC team members always seek to offer a complete financing solution to the clients. Specific alliances are contemplated with other market players in particular cases and in markets where BSEC does not have a direct presence. BSEC also works closely with the other entities of the Banque BEMO group in their various operating markets, in the view of providing a 360° solution to the clients. BSEC has aligned its strategy and growth prospects to those of Banque BEMO, and continues to be a specialized and dedicated investment banking institution offering tailor-made financing solutions.

In 2016 BSEC has closed some notable transactions, among which:

- TGF Star II SIF: The second securitization issuance arranged by BSEC for T. Gargour & Fils SAL. The transaction is a USD 15M issuance for the exclusive distributors in the Levant region of Mercedes Benz, Jeep and Chrysler passenger and commercial vehicles.
- DHC Healthcare 2 SIF: The second securitization issuance arranged by BSEC for DIMA Healthcare SAL. The transaction is a USD 16M issuance for one of the leading distributors of healthcare material and equipment in Lebanon.
- RYMCO Drive IV SIF: The fourth securitization transaction arranged by BSEC for RYMCO SAL, the distributor in Lebanon for Nissan, Infiniti, GMC and other car brands. The transaction is an LBP 16 B. issuance and was the first Lebanese pounds denominated securitization issuance in Lebanon.
- Cylinder III SIF: The third securitization issuance arranged by BSEC for Bassoul & Heneine. The transaction is a USD 7.58M issuance for Lebanon's exclusive distributor of BMW, Renault, Mini Cooper and Dacia car brands and auto parts.
- BSEC also assisted in the debt restructuring of a major Lebanese retail group.

Bemo Securitisation (BSEC) 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
Website: www.bsec-sa.com

BEMO INVESTMENT FIRM - DUBAI

Bemo Investment Firm ltd (BIF) is a Dubai based asset management company established in 2007. BIF is a subsidiary to Banque BEMO and is registered and regulated by the Dubai International Financial Center (DIFC).

Its location in the heart of the DIFC, which is considered an important regional financial and banking hub, has provided BIF with visibility and access to a wide network of institutional and private investors as well as other service providers and market counterparts. BIF was able to build strong relationships in the region with various participants and has therefore contributed to promoting the BEMO brand within the international finance industry.

BIF works closely with all the entities of the BEMO Group: on the investment banking side, BIF helps in originating and placing deals jointly with BSEC, whereas on the private banking side, BIF assists in building ties with existing and potential clients to offer the state of the art private banking solutions developed by BEMO Europe.

The BEMO vision is to leverage on BIF presence in the region in line with the group strategy and to put all of its built relationships at the disposal of the BEMO clients, in order to help them get access to new products and markets thereby achieving their financial goals.

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United Arab Emirates

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BANQUE BEMO SAUDI FRANSI SA - SYRIA

Banque Bemo Saudi Fransi (BBSF) was the first private bank to be established in Syria after almost 40 years of publically owned and managed banking sector and remains the pioneer in the private banking sector until today. Founded in 2004, BBSF adopted the names of its two founders, Banque Saudi Fransi (BSF) and Banque Bemo S.A.L., both of which offer extensive experiences in banking aspects.

BBSF has always been very keen on offering a full range of banking products and services and to cover all demands in Syria which helped build the name of BBSF as a key player in financing corporate, commercial, industrial, and contracting activities, hence largely contributing to the development of those sectors and the overall economy of Syria. This has been true since the establishment of BBSF and until today, despite the challenging circumstances, where excellence and professionalism remain at the core of BBSF business principles and the essence of its relationships with its clients. 40 branches of BBSF are spread across Syria, however, due to the prevailing situation, 16 branches in hot zones are presently non-operational. The BBSF family includes 584 employees allowing BBSF to remain the largest Private Banking network in the country.
BBSF founded Bemo Saudi Fransi Finance (BSFF), a brokerage firm, in 2008 and currently holds 74.67% of its shares. BBSF also owns 21.14% from United Insurance Company (UIC), one of the most successful in its field in Syria, as well as 4.23% of shares from FransaBank Syria.

Throughout the years BBSF has always been providing high level service to its clients through its diverse products and services, continuously staying up to date on current developments and striving to maintain its leadership in Syria's banking sector, with a strong focus on both Corporate and Retail banking. BBSF still manages to maintain a high ethical level despite the unfortunate circumstances of the country thus participating in the sustainable development of the community which is why, among many other reasons, BBSF is considered to be the 'number 1 Bank for all Syrians'.

Shareholders	Country Of Origin	Shares In Capital
Banque Saudi Fransi (BSF)	Saudi Arabia	27%
Banque BEMO Sal	Lebanon	22%
Obegi Family	Syria	7.51%
Other shareholders	Syria	43.49%

Banque Bemo Saudi Fransi SA - Syria
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BEMO EUROPE - BANQUE PRIVEE

BEMO EUROPE – Banque Privée is a Private Bank, headquartered and registered in Luxembourg and supervised by the Financial Sector Supervisory Commission (CSSF).

The Paris branch is similarly supervised by the CSSF. Registered in France, it is also supervised by the French Banking Supervisory Authority (ACPR), and by the French Financial Markets Authority (AMF).

The mission of BEMO EUROPE – Banque Privée is to offer its Clients the personalized solutions and the best service to help them preserve and increase their wealth. The wide range of expertise provided by its team of highly qualified professionals enables BEMO EUROPE to offer tailor-made investment advisory and financing solutions guided by the fundamentals of each client's specific financial priorities.

The values of BEMO EUROPE are: Integrity, Excellence, Conservatism, Family spirit.

BEMO EUROPE was founded as a universal bank in Brussels in 1973.
Since then the Bank has constantly evolved.

- 1976: Establishment of the financial company EMIC in Luxembourg. Owner of the Bank, EMIC's sole shareholders are private families. The Paris office opened in the same year.
- 1984: Establishment of the Bank in Luxembourg.
- 1998: The Board of Directors adopted Private Banking as the main business activity.
- 1999: The Bank closed its Brussels office and transferred the activities to Luxembourg and Paris.
- 2007: Opening of an office in Dubai through a joint venture with Oddo & Cie banking group.
- 2011: The Bank expands its scope of activities and offers Wealth Management services.
- 2013: BEMO EUROPE moves its head office to the European financial center of Luxembourg.
- 2015: The Bank inaugurates its new office located at 26 Boulevard Royal in Luxembourg.
- 2016: In response to the increasing needs and demand of its clients, BEMO EUROPE strengthens its Wealth Engineering services.

BEMO EUROPE Banque Privée offers the following services:

- Wealth engineering
- Multi-currency financial investments and advisory
- Real estate financing and Lombard credit
- Banking services
- Conciergerie services.

BEMO EUROPE
BANQUE PRIVÉE

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LIST OF CORRESPONDENT BANKS & CUSTODIANS

- CORRESPONDENT BANKS
- CUSTODIANS

STRIVING TO UNDERSTAND CLIENT'S NEES AND EXPECTATIONS TO INCREASE THEIR SATISFACTION

LIST OF CORRESPONDENT BANKS AND CUSTODIANS

CORRESPONDENT BANKS (AS AT 31.12.2016)

Country	City	Correspondent
Austria	Vienna	UniCredit Bank Austria AG
Belgium	Brussels	KBC Bank NV
China	Beijing	Bank of China limited
Cyprus	Nicosia	Bank of Cyprus Public Company Limited
France	Paris	BEMO EUROPE - Banque Privée
France	Paris	Union de Banques Arabes et Francaises-U.B.A.F.
Germany	Frankfurt	Deutsche Bank AG
Germany	Frankfurt	Commerzbank AG
Italy	Milan	Intesa Sanpaolo SPA
Japan	Tokyo	Deutsche Bank AG
KSA	Riyadh	Banque Saudi Fransi
Luxembourg	Luxembourg	BEMO EUROPE-Banque Privée
Qatar	Doha	Doha Bank QSC
Spain	Madrid	Banco Sabadell SA
Switzerland	Zurich	UBS AG
Turkey	Istanbul	Yapi ve Kredi Bankasi AS
UAE	Abu Dhabi	Abu Dhabi Commercial Bank
UAE	Dubai	MashreqBank PSC
UK	London	Deutsche Bank AG
USA	New York	The Bank of New York Mellon
USA	New York	Deutsche Bank Trust Company Americas

CUSTODIANS (AS AT 31.12.2016)

Country	Custodian
Lebanon	Banque Du Liban
Lebanon	Midclear SAL
Switzerland	Bank Julius Baer and Co. Ltd
Luxembourg	BEMO EUROPE - Banque Privée
Germany	Commerzbank AG
London	Credit Suisse AG
Belgium	KBC Securities NV
Lebanon	Bank Audi SAL
Lebanon	Arab Finance Corporation
Lebanon	Cedrus Invest Bank SAL

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BANQUE BEMO NETWORK

OFFERING OUTSTANDING QUALITY OF SERVICE AND ENSURING A SUPERIOR CLIENT EXPERIENCE

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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 / 2
Fax: 01 257 775 "ATM Machine"

Gemmayzeh
Medawar Area,
96 Pasteur Building
Tel: 01 568 250 /2/3/4
Fax: 01 568 360 "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 /1
Fax: 01 799 427 "ATM Machine"

Sin El Fil
93, Charles De Gaulle Avenue, Debahy Center,
Tel: 01 513 990
Fax: 01 513 997 "ATM Machine"

Rabieh
Rabieh Main Road, Lahlouh Center,
Tel: 04 408 910
Fax: 04 408 917 "ATM Machine"

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TRIBUTE TO THE LATE

MR. HENRY Y. OBEGI

BANQUE BEMO FOUNDER

RIAD B. OBEGI

As a Chairman, Mr. Henry Y. Obegi was an extraordinary alliance of firmness and flexibility, of sharpness and charm, of intelligence and kindness, visionary and traditional. In one word, he was uniquely human, and it is this humanity that he brought in all his dealings.
Mr. Henry Obegi did not want to give lessons but he surely was a model to all. His true legacy is the deep imprint he left in us.

SAMIH H. SAADEH

The late president Henry Yordan Obegi, 'One in a lifetime'

The void is being felt by the passing away of the late Mr. Henry Y. Obegi, such a Great Gentleman, businessman, and banker. He, who was so full of life and liveliness, will be greatly missed.
The late Mr. Henry Y. Obegi's innumerable achievements and countless realizations will last forever. His qualities and his humility will be among us, perhaps for as long as we exist. A sharp, humble and intense character, governed with passion to his family members, friends and employees.
What I can say is that he was unique in his communication, business and social skills. He reflected success and care on all levels. He was a one in a million, or rather one in a lifetime?
"Success is simple. Do what's right, the right way, at the right time", said Arnold H. Glasgow. "President Obegi" did things generally right. Yes, it is infrequent for someone to do everything right, and rarely get it wrong, but rightful characters do exist, and they keep their imprints for many generations to come, may God bless his soul.
Here, I can only repeat what I have always said: '…When I first started at Bemo, I thought I knew it all, later after cooperating with Mr. Henry I discovered how far behind I was in the school of life…' It was a great honor to know Mr. Henry, and an even greater honor to consider him the mentor.
Our president, you will always be remembered.

JEAN V. HAJJAR

Henry nous a quittés dans cette discrétion qui lui ressemble tant, après un long combat silencieux avec la maladie, laissant derrière lui de nombreux compagnons et amis éplorés.
J'ai accompagné pendant plus de cinquante années cet homme exemplaire dans ses valeurs et ses actes. J'ai beaucoup appris de lui et je peux témoigner que le secret de sa réussite résidait certainement dans son implication totale dans son travail, mais aussi dans la droiture et l'humilité qui inspiraient chacune de ses décisions. Il lui arrivait de ne pas partager l'opinion exprimée par un collègue ou un ami, il acceptait cependant l'expression de l'avis contraire, loin de tout autoritarisme et de tout conflit.
Dans son art de la gestion des affaires, il était celui qui traçait la ligne directrice et donnait les directives essentielles pour marquer l'orientation du travail, mais il savait aussi ménager une marge et une liberté d'action nécessaires à ses collaborateurs dans la réalisation des projets. Il permettait en cela à tous d'évoluer dans une ambiance de confiance mutuelle favorable à l'épanouissement des compétences et des êtres.
Cette ligne directrice collait intimement à ses valeurs inébranlables qui consistaient à toujours œuvrer dans l'honnêteté, dans un cadre strictement légal, et à privilégier l'ouverture aux autres et la transparence, fuyant comme la peste le mensonge et les manœuvres basses.
Il était apprécié et aimé de tous, toujours fidèle à lui-même devant les grands et les petits, les nantis et les modestes, qu'il traitait de la même manière, avec le même respect et la même considération.
Dans cette même circonspection, il a multiplié les œuvres humanitaires et charitables et a accordé généreusement avec son sourire ingénu et son regard bienveillant, son soutien moral ou financier à tous ceux qui l'ont sollicité.
Son départ laisse un grand vide !
Tu nous manques déjà cher Henry !
Nous avons encore besoin de ta présence et de tes précieux conseils. Tu nous as appris qu'être fidèle à ses valeurs et à ses principes était le garant de la réussite. La mort t'a arraché à nous et nous ne pouvons qu'accepter la volonté de Dieu.
Tu peux reposer en paix, la conscience tranquille, fort du sentiment du devoir accompli. Ta vie fut riche et tu as incommensurablement donné. Tu seras toujours aimé et évoqué avec respect et émotion. Toi notre maître à tous. Le meilleur des maîtres.

JOSEPH RAFFOUL

En Juin 2006, lors de la réception pour le 80e anniversaire de feu Mr. Henry Y. Obegi je lui avais adressé ces quelques lignes:
Monsieur Henry,
Janvier 66/Juin 2006: 40 ans, la moitié de votre âge.
40 ans que je suis dans le Groupe, ça marque (même s'il y a eu une courte escapade, dans beaucoup de couples très fidèles, il y a parfois de petites escapades).
40 ans que je connais la Famille Obegi, ça marque encore plus,
40 ans que je connais Monsieur Henry Obegi, la marque devient indélébile.

Certainement indélébile car c'est une empreinte d'ESPRIT:

- *Esprit de Famille: lui en moi et moi en lui, le tandem Bechara et Henry Y. Obegi, perduré par le trio Yordan, Riad et Georges, en espérant que la Génération Naissante suive les mêmes traces, Esprit de Famille que vous avez insufflé dans toutes vos entreprises considérant l'ensemble de vos collaborateurs comme une grande famille, un même groupe: le Groupe Obegi.*
- *Esprit de Morale déterminant et délimitant rigoureusement toutes initiatives dans vos entreprises.*
- *Esprit d'Entreprise, cette réunion n'en est qu'une des nombreuses preuves.*
- *Esprit d'Equipe, dans toutes vos entreprises vous vous entourez de collaborateurs que vous traitez d'égaux à vous-même, à qui vous accordez confiance et de qui vous acceptez avis et critiques objectives.*
- *Esprit d'Ethique:*
  - *Votre vaste culture en tous domaines*
  - *Votre abord, pour certains le premier contact est déconcertant, pour devenir immédiatement fascinant*
  - *Votre quotidien exhortant à la recherche du mieux*
  - *Votre endurance à "vivre" continuellement toutes vos entreprises*
  - *Votre détermination à "sentir" souvent le petit détail*
  - *Votre quête de l'Humain et vos rapports directs avec tous les employés du Groupe en témoignent.*

Monsieur Henry, lors de votre récente hospitalisation j'ai entendu un nombre incalculable de supplications à la Providence pour un prompt rétablissement, et votre retour en forme a été accueilli avec soulagement par nombre de personnes dont certaines ne connaissent de vous qu'une poignée de mains, une ou deux fois par an, mais qui vous vouent une admiration et un respect sans limites.

Monsieur Henry, Bon Anniversaire, puisse la Providence continuer à vous protéger et vous prodiguer longue vie, santé et pleine capacité.

Maintenant, Mr. Henry, depuis trois ans la tragique disparition de Georges qui nous a fortement ébranlés, puis le décès de M. Béchara, ensuite votre départ définitif, nous sentons un vide certain que le duo Yordan et Riad, efficacement secondé par un nouveau duo, Henry Junior et Marie, primeurs de la Génération Naissante, perdure à maintenir le même ESPRIT sous toutes ses formes en attendant d'être rejoints au fur et à mesure par tous les autres Obegi, membres de le Génération Naissante.

Reposez en paix Mr. Henry, l'ESPRIT se transmet comme vous l'avez toujours souhaité.

جورج مطلوب

حيث أنه ليس من السهل إختصار مسيرة وشخصية المرحوم هنري يوردان عبجي ببضع كلمات. سأحاول قدر المستطاع التركيز على بعض الصفات اللتي كانت تميز هذا الرجل الكبير الذي و إن رحل جسدياً عن هذه الدنيا الفانية فإنه سيبقى حياً في ذاكرة قلوب محبيه وهم كثر.

لقد أتاحت لي الظروف بحكم موقعي ووظيفتي أن أتعاطى معه عن قرب وأن أستنير بنصائحه القيمة وخبرته كلما وجدت نفسي أمام معضلة أو ملف شائك يستوجبان معالجة غير مألوفة لا يستطيع توفيرها سوا أشخاص يتمتعون ببعد نظر وحكمة ونزاهة.

لقد كان بالفعل مقداماً في أعماله دون أن يكون مغامراً. حيث أن الأخلاقية في ممارسة المهنة كانت من أولوياته وقد كان دوماً يطلب من مساعديه الإلتزام بشعار " Business with Ethics" بغض النظر عن أي أمور أخرى. أما من ناحية التواضع فحدث ولا حرج. لقد كان يعامل الجميع دون إستثناء والموظفين على مختلف درجاتهم باحترام قلّ نظيره في هذه الأيام. يقف ليصافح إن كان جالساً، يسأل عن أوضاعهم وعن عائلاتهم، يصغي لطلباتهم، يتحدّث بمحبّة ويمازح بلطف للدلالة على موضوعيته وتجرّده. أفيد بانه استدعاني في أحد الأيام ليعرفني على صديق له منذ الطفولة كان يرغب بالاقتراض بإسم شركته من المصرف فطلبت وفقاً للأصول المعتمدة الميزانيات والمستندات الضرورية لهذه الغاية. وبعد الدراسة والتقييم ابلغت المرحوم بأن وضعية الشركة لا تسمح باعطائها التسهيلات المطلوبة. عندها بادر و قال لي "لا تكن محرجاً يا جورج، إذا كان هذا هو الصواب فحسناً ولا تتأثر بكونه صديقي. فأنا لا افرض عليك أو على أحد شيئاً لا يتناسب مع المعايير المهنية. ولا تنسى بأن الأموال التي نسلفها هي أمانة في اعناقنا لا ينبغي التفريط بها."

كلامه كان أقوى من حد السيف. إن وعد وفى وإن إلتزم نفّذ. لقد كان كبيراً في زمن قل فيه الكبار.

تغمده الله عز وجل بواسع رحمته

GABY FRANGIEH

As one great author once wrote: "Every man's life ends the same way. It is only the details of how he lived and how he died that distinguish one man from another."

In January 2003, I had the privilege to meet Mr. Henry for the very first time in his office. I remember him standing up and greeting me like every time he did over the past 13 years. Despite his ailments during the past years, he always insisted on standing up to greet his visitors showing them all the respect and esteem. In his presence, we were humbled by his humanity, modesty, integrity and decisiveness. To pay him tribute, one might need to fill volumes.

Since I joined the bank, his unwavering support and care was always felt. He was keen in every way and in every detail to know about the risks we were undertaking, the bank's performance and the radical changes in banking regulations.

The best thing that he has left behind for us is his example. Just as he guided us all throughout the good and bad times, his wisdom and care will continue to guide everyone throughout their lives.

Though he has left this world, his legacies shall prevail and we shall always be privileged and proud of having been graduates from his school of Excellence.

HALA NASR

It was a privilege for me to get to know Mr. Henry Y. Obegi, an extraordinary man with great legacy. He had the vision, tenacity and dignity with a lovely sense of humor and rare humility. I remember his care for every single member of BEMO family as he repeatedly used to tell me "We have to take care of our employees, they are the ones who make us different"

CLAUDINE FEGHALY

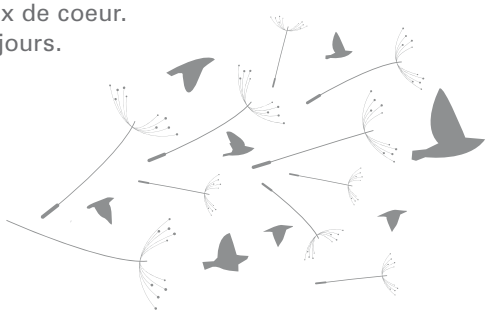
It is true that Great Leaders do not set out to be a Leader.....They set out to make a difference. Mr. Henry Y. Obegi - the father of BEMO family - was able to touch all of us so deeply through his strong empathy and high sense of sensitivity to everyone's needs.

The death of Mr. Henry Y. Obegi affected BEMO family and triggered us to reflect on his numerous qualities "bold, elegant, trustworthy, fair, courtesy, humble, passionate, reference, caring, great listener, flexible and adaptable"

He will be greatly missed.
May his soul rest in peace.

ANTOINETTE DARAZI ZALOUM

La disparition de Monsieur Henry Y. Obegi m'a profondément touché. J'avais un grand respect pour lui et une profonde estime. Je fus très heureuse de travailler sous sa direction pendant 40 ans. J'étais très proche de lui surtout quand j'étais à la Bemo Bruxelles et Paris. Il était pour moi non seulement un patron remarquable, doté d'un esprit aiguisé mais aussi un bon papa humain, modeste et généreux de coeur.
Il vivra dans ma mémoire pour toujours.
Que son âme repose en paix.



MYRNA SOUFAN

The unfailing lesson Mr. Henry Y. Obegi taught to people he knew, was a practical lesson in Excellence. All through his life-journey, during his last years of illness, and up till his final moments at the hospital he proved to have complete mastery of the subject: "Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act, but a habit." Aristotle.

Mr. Henry Y. Obegi did not just posture excellence, he was Excellent.

TALAL SHAYKHA

They asked me to describe Henry Y. Obegi. At once and spontaneously, two words came to my mind "Great Man" Then I thought what makes a great man? What is the composition of a great man?

G: gentle, genuine, good looking
R: respectful, reciprocal
E: encouraging, easy going, experience
A: accessible, active
T: transparent, trustworthy

M: modest, mature, motivating
A: attractive, appealing
N: natural, noble

Indeed. Henry Y. Obegi was all the above; a "GREAT MAN"

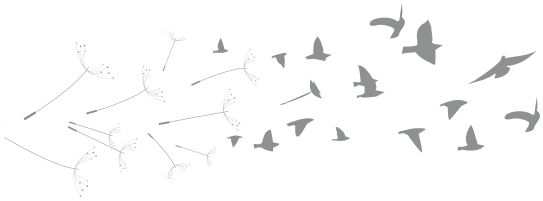
WAHIBA HAYEK

Hommage à un Grand Homme,
Président, c'est un honneur que je puisse vous adresser ces quelques mots. Je m'adresse à vous directement, car vous avez juste franchi la ligne vers l'autre côté mais vous êtes présent par le souvenir que vous laissez dans le cœur et l'esprit de tous ceux qui ont eu la chance de vous connaitre.
Lorsqu'on m'a annoncé mon transfert à votre secrétariat, j'ai eu peur. Peur de travailler avec le grand patron, peur de ne pas être à la hauteur. J'ai aussitôt découvert combien vous êtes doué pour mettre à l'aise tous ceux qui vous côtoient. J'ai toujours été touchée par votre humilité, digne du grand homme que vous êtes, votre attitude noble et généreuse, votre grand cœur. Je n'oublierai jamais la simplicité avec laquelle je pouvais communiquer avec vous au quotidien, ni votre générosité sans limite vis-à-vis des personnes en situation difficile, toujours avec la plus grande discrétion. Autant de souvenirs précieux qui resteront à jamais gravés dans mon cœur.
Au revoir cher Président.

FARID MESHAKA

During the many times I stopped by his office, Mr. Henry Y. Obegi was always alert: he used to challenge me on mental calculus when I presented him simulations scenarios on valuations: as a matter of fact, he liked to spell out the results as quickly as possible: ludic and professional at the same time, his personality could not but imbue both my attitude and behavior in my immediate work environment.

NADA DAGHFAL



Le Seigneur est parti, l'Etoile s'est éclipsée cédant la place à l'exemple …

Le 31 Décembre 2016, mon patron et père spirituel est parti laissant un grand vide ; un vide que je comblerai de souvenirs et de gratitude.
Le souvenir de l'Homme noble, humble, éthique, distingué en tout, d'un savoir-faire et une intelligence sans pareils,
Le souvenir d'un Homme respectueux, chic, imposant par sa simplicité, sa sobriété et sa délicatesse,
Le souvenir d'un patron qui ne peut qu'être aimé pour sa bienveillance, son grand cœur, son humeur toujours égale, sa joie de vivre et surtout son humour fin,
Le souvenir d'un Homme qui avait le plaisir de me faire part des succès de son père, de son frère, de ses neveux, jamais des siens,
Le souvenir de l'homme d'affaires qui grâce à sa présence d'esprit, son honnêteté intellectuelle, son ouverture même sur la concurrence et son empathie était capable d'aplatir les obstacles et résoudre toute situation problématique quelle que soit son ampleur,
Monsieur Henry Y. Obegi a pu réunir toutes les qualités d'un Seigneur sans un brin d'arrogance ou de prétention.
Je me permets d'exprimer ma gratitude à la vie pour m'avoir mis sur le chemin de Monsieur Henry Y. Obegi et me donner la chance de le côtoyer jour pour jour douze ans durant, sans aucune reproche ou critique de sa part,
Ma gratitude à un patron pour l'estime qu'il me portait, pour son respect et sa confiance sans limite, et de qui j'ai appris les valeurs institutionnelles,
Ma gratitude à un père spirituel affectueux et attentionné, moderne et conservateur à la fois, pour ses conseils que je porte précieusement pour la vie,
Oui, je me permets aujourd'hui à l'expression de mes sentiments, ma reconnaissance et ma gratitude que j'ai retenues de son vivant de peur d'intimider sa modestie légendaire.
Adieu Henry Obegi, j'ai été enchantée et honorée de vous connaître de près et collaborer avec vous.

ALECCA SIMON

Although I didn't know the Late Mr. Henry Y. Obegi for a long time, however I worked with him closely during the last 6 years, where a relation of trust was built.
A colleague of mine used to say Mr. Henry Y. Obegi is a "Highlander". First I didn't understand. Few weeks later, I discovered a strong man, full of energy and force.
His force remains with the character he used to have: Respectful, honest, clever. He could guess at a glance the character and intentions of a person.
I couldn't believe that a person of his age – 90 years old – could still have this flair.

Despite the big losses he confronted one after the other, the loss of his sister Mrs. Eva Baladi, the tragic departure of Mr. Georges Obegi followed by the passing of his brother Mr. Bechara Obegi – Mr. Henry Y. Obegi strived to be present with all of us: he continued to meet with the Directors and Colleagues of BEMO Group and OBEGI GROUP to check about the bank and the several companies performance and latest developments. He could have directly noticed when something is wrong and he congratulated the people for their respective achievements.
Mr. Obegi couldn't accept but replying to all inquiries, to all wishes, to all invitations.
The respect he showed to all people without any differentiation and the modesty when talking cannot but be saluted.

I wish I knew him few years more …

MILESTONES

2003 — Establishment of Banque Bemo Saudi Fransi

1994 — Established Banque BEMO in Beirut

1984 — Opening of BEMO Europe in Luxembourg

1976 — Opening of BEMO Europe in Paris

1974 — Established a joint venture with Henkel KGaA for theproduction and marketing of household detergentsunder the name of Henkel Lebanon SAL

1973 — Launched BEMO Europe in Brussels

1968 — Established a joint venture entitled Unifert together with Mr. Ara Hrechdakian and Mr. Pierre Khoury

1967 — Established with his brother Bechara Obegi Liban Tapis as a joint venture with the Festekjian family

1961 — Established the Credit Libanais Bank

1958 — Established Obegi Foods in partnership with Frank Farage to import and distribute fast moving consumer products within Lebanon

1953 — Opened offices in Amman and Baghdad to provide chemical products and fertilizers to local customers

1952 — Established with BASF a new line of chemical fertilizers in Syria, Iraq Lebanon and Jordan

1948 — He moved to Lebanon and set up several companies; the first being an office in Beirut to serve the local chemical products

1926 — Mr. Henry Obegi born in Aleppo

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