LIBANK SAL
(LEVANT INVESTMENT BANK)

FINANCIAL STATEMENTS

31 DECEMBER 2013

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIBANK SAL (LEVANT INVESTMENT BANK)

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other matter

Without qualifying our opinion, we draw attention that the Bank's net asset value is less than its share capital due to the accumulated losses incurred up to 31 December 2013 and amounting to LL (000) 1,553,912. In accordance with Article 134 of the Code of Money and Credit, the Bank should reconstitute its share capital within a maximum of one year from the statement of financial position date.

Ernst & Young

BDO, Semaan, Gholam & Co.

6 February 2014
Beirut, Lebanon

INCOME STATEMENT

For the year ended 31 December 2013

	Notes	***31 December 2013 LL (000)***	*From 30 July 2012 (inception date) to 31 December 2012 LL (000)*
Interest and similar income	3	**2,529,395**	30,674
Interest and similar expense	4	**(400,222)**	(6,436)
Net interest income		**2,129,173**	24,238
Fees and commission income		**958,808**	-
Fees and commission expense		**(93,790)**	(6,226)
Net fee and commission income (expense)	5	**865,018**	(6,226)
Net gain on financial assets designated at fair value through profit or loss	6	**921,483**	499,712
Net operating income		**3,915,674**	517,724
Personnel expenses	7	**(1,583,990)**	(499,624)
Depreciation of property and equipment	16	**(90,478)**	(2,648)
Amortization of intangible assets	17	**(63,383)**	-
Other operating expenses	8	**(1,471,161)**	(2,276,026)
Total operating expenses		**(3,209,012)**	(2,778,298)
PROFIT (LOSS) FOR THE YEAR / PERIOD		**706,662**	(2,260,574)

The accompanying notes 1 to 30 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	31 December 2013 LL (000)	*From 30 July 2012 (inception date) to 31 December 2012 LL (000)*
PROFIT (LOSS) FOR THE YEAR / PERIOD	**706,662**	(2,260,574)
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Net gain from financial assets at fair value through other comprehensive income	**444,413**	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR / PERIOD	**1,151,075**	(2,260,574)

LiBank SAL (LEVANT INVESTMENT BANK)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 LL (000)	2012 LL (000)
ASSETS			
Cash and balances with the Central Bank	10	**9,858,956**	1,344
Deposits with banks and financial institutions	11	**1,258,268**	6,174,070
Financial assets at fair value through profit or loss	12	**40,899,056**	31,651,751
Financial assets at fair value through other comprehensive income	13	**1,476,063**	-
Loans and advances to customers at amortized cost	14	**8,304,553**	-
Financial assets at amortized cost	15	**39,414,324**	-
Property and equipment	16	**798,373**	435,676
Intangible assets	17	**311,212**	24,144
Other assets	18	**5,129,753**	4,670,087
TOTAL ASSETS		**107,450,558**	42,957,072
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits at amortized cost	19	**4,642,732**	-
Deposits from related parties at amortized cost	20	**57,839,140**	5,698
Due to banks and financial institutions	21	**744,765**	-
Other liabilities	22	**321,978**	211,948
Provision for risks and charges		**11,442**	
TOTAL LIABILITIES		**63,560,057**	217,646
EQUITY			
Share capital	23	**45,000,000**	45,000,000
Cumulative change in fair value of financial assets at fair value through other comprehensive income	24	**444,413**	-
Accumulated losses		**(2,260,574)**	-
Results for the year / period – profit / (loss)		**706,662**	(2,260,574)
TOTAL EQUITY		**43,890,501**	42,739,426
TOTAL LIABILITIES AND EQUITY		**107,450,558**	42,957,072

The financial statements were authorized for issue in accordance with the resolution of the Board of directors on 6 February 2014 by:

Antonios Hanna Ghorayeb
Chairman and General Manager

Salim Chaar
General Manager

The accompanying notes 1 to 30 form part of these financial statements.

LiBank SAL (LEVANT INVESTMENT BANK)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital LL (000)	*Cumulative changes in fair value of financial assets at fair value through other comprehensive income LL (000)*	*Accumulated losses LL (000)*	*Results for the year / period profit / (loss) LL (000)*	*Total equity LL (000)*
Issuance of share capital	45,000,000	-	-	-	45,000,000
Total comprehensive loss for the period	-	-	-	(2,260,574)	(2,260,574)
Balance at 31 December 2012	45,000,000	-	-	(2,260,574)	42,739,426
Transfer to accumulated losses			(2,260,574)	2,260,574	-
Total comprehensive income for the year	-	444,413	-	706,662	1,151,075
Balance at 31 December 2013	**45,000,000**	**444,413**	**(2,260,574)**	**706,662**	**43,890,501**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	*31 December 2013 LL (000)*	*From 30 July 2012 (inception date) to 31 December 2012 LL (000)*
OPERATING ACTIVITIES			
Profit (Loss) for the year / period		**706,662**	(2,260,574)
Adjustments for:			
Depreciation of property and equipment	16	**90,478**	2,648
Amortization of intangible assets	17	**63,383**	-
Provision for risks and charges		**11,442**	-
Loss on disposal of property and equipment		**663**	-
		872,628	(2,257,926)
Changes in operating assets and liabilities:			
Balances with the Central Bank		**(9,813,825)**	-
Loans to customers at amortized cost		**(8,304,553)**	-
Financial assets at fair value		**(10,278,955)**	(31,651,751)
Customers' deposits at amortized cost		**4,642,732**	-
Deposits from related parties at amortized cost		**57,833,442**	5,698
Other assets		**(459,666)**	(4,670,087)
Other liabilities		**110,030**	211,948
Net cash from (used in) operating activities		**34,601,833**	(38,362,118)
INVESTING ACTIVITIES			
Acquisition of property and equipment		**(453,838)**	(438,324)
Acquisition of intangibles		**(350,451)**	(24,144)
Purchase of financial assets (net) at amortized cost		**(39,414,324)**	-
Net cash used in investing activities		**(40,218,613)**	(462,468)
FINANCING ACTIVITIES			
Payment of share capital	23	-	45,000,000
Net cash from financing activities		-	45,000,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(5,616,780)**	6,175,414
Cash and cash equivalents at beginning of year / period	27	**6,175,414**	-
CASH AND CASH EQUIVALENTS AT END OF YEAR / PERIOD	27	**558,634**	6,175,414

The accompanying notes 1 to 30 form part of these financial statements.

1 CORPORATE INFORMATION

LiBank SAL (the "Bank") a Lebanese joint stock company, was incorporated in 2012 and registered under No. 1015811 at the commercial registry of Beirut and under No. 139 on the banks' list published by the Central Bank of Lebanon. The headquarters of the Bank are located in Down Town, Omar Daouk Street, Beirut, Lebanon.

The Bank provides a wide range of medium and long term banking services and is governed by the Lebanese laws especially the Commercial Law, the Money and Credit Act and the Legislative Decree No. 50 dated 15 July 1983 related to investment banks and to medium and long term credit banks in addition to the regulations of Central Bank of Lebanon and the Banking Control Commission.

The Bank is exempt from income taxes on profits as per the provisions of Legislative Decree No. 50 dated 15 July 1983 for a period of 7 years extending from the date of its establishment.

The Bank obtained the permit for commencement of activities from the Central Bank of Lebanon on 14 January 2013.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared under the historical cost convention as modified for the restatement of financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income which are measured at fair value.

The financial statements and the relevant disclosures are presented in thousands of Lebanese Lira (LL (000)) except when otherwise indicated.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission.

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

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

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2012 except for the adoption of new standards and interpretations effective as of 1 January 2013, noted below:

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to the statement of income at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of this amendment is not applicable and accordingly, did not have any impact on the financial position or performance of the Bank.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

IAS 1 ***Clarification of the Requirement for Comparative Information (Amendment) (continued)***
An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. The adoption of this amendment is not applicable and accordingly, did not have any impact on the Bank's financial statements.

IAS 19 ***Employee Benefits (Revised 2011) (IAS 19R)***
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, sensitivity disclosures. The adoption of this amendment is not applicable and accordingly, did not have any impact on the financial position or performance of the Bank.

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

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

IFRS 10 ***Consolidated Financial Statements*** **and IAS 27** ***Separate Financial Statements***
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. The adoption of this amendment is not applicable and accordingly, did not have any impact on the financial position or performance of the Bank.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. IFRS 13 does not have any impact on the financial position or performance of the Bank.

2.3 Standards issued but not yet effective

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

IAS 36 *Impairment of Assets*
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. This amendment is not expected to have an impact on the Bank's financial performance or position and affects presentation only.

***Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)**
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not expected to have an impact on the Bank's financial performance or position.

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

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Bank.

2.4 Summary of significant accounting policies

(1) Foreign currency translation

The financial statements are presented in Lebanese Lira which is the bank's presentation currency.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(1) Foreign currency translation (continued)

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising on non-trading activities are taken to "Other operating income or loss" in the income statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment, at which time they are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions.

(2) Financial assets and financial liabilities

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

(ii) Classification
At inception a financial asset is classified as measured at amortized cost or fair value.

Amortized cost
A financial asset qualifies for amortized cost measurement only if it meets both of the following conditions:

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets at fair value through profit or loss
Financial assets classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets designated at fair value through profit or loss". Interest earned or incurred using the effective interest rate, and dividend income is recorded in "Net trading income" when the right to the payment has been established.

Financial assets at fair value through other comprehensive income
Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the income statement on disposal of the investments.

Dividends on these investments are recognized under "Revenues from financial assets at fair value through other comprehensive income" in the income statement when the entity's right to receive payment of dividend is established in accordance with IAS 18: "Revenue", unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Reclassification

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

The Bank shall not reclassify any financial liability.

Financial liabilities
The Bank classifies its financial liabilities as measured at amortized cost.

(iv) Derecognition
The Bank derecognizes a financial asset when the contractual rights to the cash flows from, the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assume) is recognized in profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(iv) Derecognition (continued)
The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

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

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

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

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

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

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

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial restructuring and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in the income statement.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(vii) Impairment of financial assets (continued)

(i) Financial assets carried at amortized cost (continued)
Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Credit loss expense".

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank's and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(viii) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(viii) Fair value measurement (continued)
The best of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instruments is initially obtained from a valuation model subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price, liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate.

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

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

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate.

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

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

Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period.

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

(4) Cash and cash equivalents
Cash and cash equivalents as referred to in the statement cash flows comprise balances with original maturities of a period of three months or less.

(5) Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Replacements or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(5) Property and equipment (continued)
Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Computer equipment	5 years
Office furniture and equipment	12.5 years
Vehicles	10 years

The assets' residual values, useful lives and method of depreciation are reviewed at each financial period and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indications that the carrying value may not be recoverable. Impairment losses are recognized in the income statement as an expense.

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

(6) Intangible assets
The Bank's other intangible assets include the value of software license. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

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

Software	5 years

(7) Asset management
The bank provides asset management services to its clients. The related assets are not recorded on the Bank's statement of financial position but are recorded as off-balance sheet items.

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

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

2.5 Significant accounting judgments and estimates

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting judgments and estimates (continued)

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

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

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:
- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity.

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

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

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

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

3 INTEREST AND SIMILAR INCOME

	31 December 2013 *LL (000)*	*From 30 July2012 (inception date) to 31 December 2012* *LL (000)*
Debt instruments at amortized cost	**2,477,130**	-
Deposits with banks	**29,986**	30,674
Loans and advances to customers at amortized cost	**22,279**	-
	2,529,395	**30,674**

4 INTEREST AND SIMILAR EXPENSE

	31 December 2013 *LL (000)*	*From 30 July 2012 (inception date) to 31 December 2012* *LL (000)*
Deposits with banks and financial institutions	**1,598**	6,436
Customers' deposits at amortized cost	**76,186**	-
Related parties' deposits at amortized cost	**322,438**	-
	400,222	6,436

5 NET FEE AND COMMISSION INCOME (EXPENSE)

	31 December 2013 *LL (000)*	*From 30 July2012 (inception date) to 31 December 2012* *LL (000)*
Commission income	**958,808**	-
Commission expenses	**(93,790)**	(6,226)
	865,018	(6,226)

Commission income include an amount of LL (000) 752,896 representing revenues from advisory services provided by the Bank to different clients for the year ended 31 December 2013.

6 NET GAIN ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2013 *LL (000)*	*From 30 July 2012 (inception date) to 31 December 2012* *LL (000)*
Interest and similar income from debt instruments at fair value through profit or loss	**165,848**	496,559
Net gain on foreign exchange	**35,693**	37,581
Net unrealized revaluation gain (loss) on financial assets designated at fair value through profit or loss	**557,120**	(34,428)
Net realized gain on financial assets designated at fair value through profit or loss	**162,822**	-
	921,483	499,712

7 PERSONNEL EXPENSES

	31 December 2013 LL (000)	*From 30 July2012 (inception date) to 31 December 2012 LL (000)*
Salaries and wages	**823,173**	227,851
Social security costs	**119,373**	29,251
Chairman and General Manager remunerations	**527,625**	219,844
Transportation allowances	**33,229**	10,875
Insurance	**34,651**	5,757
Other employee benefits	**45,939**	6,046
	1,583,990	499,624

8 OTHER OPERATING EXPENSES

	31 December 2013 LL (000)	*From 30 July 2012 (inception date) to 31 December 2012 LL (000)*
Travel expenses	**312,487**	117,762
Telecommunications charges	**32,848**	10,629
Professional fees	**397,137**	357,497
Registration fees	**146,116**	25,705
Rent expenses	**212,611**	124,031
Pre operating expenses	**-**	465,038
Founders compensation	**-**	904,500
Insurance expenses	**41,387**	3,825
Repair and maintenance	**14,894**	2,073
Advertising fees	**8,658**	10,737
Taxes and charges	**106,724**	67,837
Stationary and office supplies	**37,089**	3,410
Other expenses	**161,210**	182,982
	1,471,161	2,276,026

The Ordinary General Assembly held on 8 November 2012 resolved to grant a financial reward amounting to US$ 600,000 (LL (000) 904,500) and disbursed to the persons who participated in the establishment of the Bank and empowered the Chairman or any other person to whom the Chairman may delegate such prerogatives, to distribute such reward.

9 INCOME TAX

As per the provisions of legislative decree no. 50 dated 15 July 1983, the Bank is exempt from income taxes stipulated in legislative decree no.144 dated 12 June 1959 for a period of 7 years starting from the date of its establishment.

10 CASH AND BALANCES WITH THE CENTRAL BANK

	2013 *LL (000)*	*2012* *LL (000)*
Cash on hand	**2,406**	1,344
Central Bank of Lebanon:		
- Current accounts	**42,725**	-
- Term deposits	**9,813,825**	-
	9,858,956	1,344

Term deposits at the Central Bank of Lebanon include two placements of US$ 2 million each and a placement of US$ 2.51 million (2012: none) with interest rates ranging between 0.12% and 0.18% to cover the regulatory reserve required by the Central Bank of Lebanon.

11 DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	2013 *LL (000)*	*2012* *LL (000)*
Banks - current accounts	**1,258,268**	1,650,083
Banks - term placements with original maturities less than 3 months	-	4,522,500
Accrued interest receivable	-	1,487
	1,258,268	6,174,070

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 *LL (000)*	*2012* *LL (000)*
Lebanese certificate of deposits	**23,260,010**	-
Lebanese treasury bills – denominated in Lebanese Lira	**659,138**	18,123,812
Lebanese treasury bills - Eurobonds	**16,979,908**	13,527,939
	40,899,056	31,651,751

Certificate of deposits – 31 December 2013

Maturity date	*Nominal amount USD*	*Interest rate*	*Cost USD*	*Fair value USD*	*Unrealized gain (loss) USD*
10 December 2023	15,000,000	7.24%	15,000,000	15,366,176	366,176
			15,000,000	**15,366,176**	**366,176**
			Equivalent in LL (000)	**23,164,510**	**552,010**
Accrued interest receivable				**95,500**	
				23,260,010	

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Lebanese Treasury Bills denominated in Lebanese Lira

	31 December 2013				
Maturity date	*Nominal amount LL (000)*	*Coupon rate*	*Cost LL (000)*	*Fair Value LL (000)*	*Unrealized gain (loss) LL (000)*
25 May 2023	35,300	8.24%	35,574	35,598	24
11 September 2025	104,500	8.74%	105,721	104,948	(773)
11 September 2025	500,000	8.74%	505,003	504,315	(688)
			646,298	**644,861**	**(1,437)**
Accrued interest receivable				**14,277**	
				659,138	

Lebanese Treasury Bills denominated in Lebanese Lira

	31 December 2012				
Maturity date	*Nominal amount LL (000)*	*Coupon rate*	*Cost LL (000)*	*Fair value LL (000)*	*Unrealized gain (loss) LL (000)*
2 July 2015	500,000	6.16%	500,071	499,748	(323)
2 July 2015	500,000	6.16%	500,071	499,748	(323)
27 August 2015	2,000,000	6.18%	2,001,530	1,994,764	(6,766)
3 September 2015	3,000,000	6.50%	3,012,117	3,017,009	4,892
18 December 2017	3,000,000	7.90%	3,142,200	3,150,915	8,715
12 April 2018	3,000,000	7.90%	3,133,123	3,141,964	8,841
18 October 2020	2,500,000	7.80%	2,502,937	2,505,082	2,145
8 September 2022	3,000,000	8.24%	3,012,135	3,012,469	334
			17,804,184	17,821,699	17,515
Accrued interest receivable				302,113	
				18,123,812	

Lebanese Treasury Bills – Eurobonds

	31 December 2013				
Maturity date	*Nominal amount USD*	*Coupon rate*	*Cost USD*	*Fair value USD*	*Unrealized gain (loss) USD*
9 March 2020	76,000	6.38%	75,620	77,927	2,307
12 November 2022	288,000	6.10%	283,680	282,378	(1,302)
28 November 2019	450,000	5.45%	433,125	441,527	8,402
27 November 2026	500,000	6.60%	496,250	495,470	(780)
27 January 2023	10,000,000	6.00%	9,690,000	9,685,300	(4,700)
27 January 2023	16,000	6.00%	15,080	15,496	416
			10,993,755	**10,998,098**	**4,343**
			Equivalent in LL (000)	**16,579,633**	**6,547**
Accrued interest receivable				**400,275**	
				16,979,908	

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Lebanese Treasury Bills – Eurobonds

	31 December 2012				
Maturity date	*Nominal amount USD*	*Coupon rate*	*Cost USD*	*Fair value USD*	*Unrealized gain (loss) USD*
12 October 2017	1,000,000	5.00%	990,000	1,001,850	11,850
4 October 2022	2,000,000	6.10%	2,047,500	2,033,460	(14,040)
4 October 2022	1,000,000	6.10%	1,027,500	1,016,730	(10,770)
27 November 2026	1,800,000	6.60%	1,856,250	1,829,664	(26,586)
29 November 2027	1,000,000	6.75%	1,004,500	1,009,530	5,030
29 November 2027	2,000,000	6.75%	2,019,000	2,019,060	60
			8,944,750	8,910,294	(34,456)
			Equivalent in LL (000)	13,432,268	(51,943)
Accrued interest receivable				95,671	
				13,527,939	

During 2012, the Bank classified these investments at fair value through profit or loss with the objective of maintaining excess liquidity for a specific favorable investment opportunity, deemed to be profitable by management.

On 1 January 2013, due to the failure of executing the investment opportunity, management revised the business model of the above portfolio and accordingly it was classified at amortized cost. This was mainly due to the decision that these investments are not to be held for trading purposes but to collect contractual cash flows.

	Lebanese Government treasury bills LL (000)	***Eurobonds LL (000)***	***Total LL (000)***
Fair value of investment reclassified at 1 January 2013	18,123,812	10,476,400	28,600,212

The effective interest rate determined on the date of reclassification was 7.038% for Lebanese government treasury bills and 5.99% for Eurobonds.

The fair value of the investments and the gain or loss that would have been recognized in the statement of comprehensive income for the year ended 31 December 2013 if they had not been reclassified would be as follows:

Lebanese Government Treasury Bills

Maturity date	*Nominal amount LL (000)*	*Coupon rate*	*Fair value as at 31 December 2013 LL(000)*	*Fair value as at 31 December 2012 LL (000)*	*Unrealized gain (loss) LL (000)*
2 July 2015	500,000	6.16%	**507,143**	499,748	**7,395**
2 July 2015	500,000	6.16%	**507,143**	499,748	**7,395**
27 August 2015	2,000,000	6.18%	**2,027,137**	1,994,764	**32,373**
3 September 2015	3,000,000	6.50%	**3,066,587**	3,017,009	**49,578**
18 December 2017	3,000,000	7.90%	**3,166,677**	3,150,915	**15,762**
12 April 2018	3,000,000	7.90%	**3,171,904**	3,141,964	**29,940**
18 October 2020	2,500,000	7.80%	**2,541,033**	2,505,082	**35,951**
8 September 2022	3,000,000	8.24%	**3,057,370**	3,012,469	**44,901**
			18,044,994	**17,821,699**	**223,295**

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Eurobonds

Maturity date	*Nominal amount US$*	*Coupon rate*	*Fair value as at 31 December 2013 US$*	*Fair value as at 31 December 2012 US$*	*Unrealized gain (loss) US$*
12 October 2017	1,000,000	5.00%	**991,289**	1,001,850	(10,561)
4 October 2022	2,000,000	6.10%	**1,961,611**	2,033,460	(71,849)
4 October 2022	1,000,000	6.10%	**980,805**	1,016,730	(35,925)
27 November 2026	1,800,000	6.60%	**1,784,284**	1,829,664	(45,380)
29 November 2027	1,000,000	6.75%	**992,319**	1,009,530	(17,211)
29 November 2027	2,000,000	6.75%	**1,984,638**	2,019,060	(34,422)
			8,694,946	8,910,294	**(215,348)**
		Equivalent in LL (000)	**13,107,631**	13,432,268	**(324,637)**

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income represents the value of 16,987,867 shares of Ace Liberty & Stone PLC as at 31 December 2013 (2012: none).

14 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2013 LL (000)	*2012 LL (000)*
Term loans	**8,304,553**	-

Term loans have maturities exceeding 6 months and generate interest at a rate ranging between 4.50% and 7%.

15 FINANCIAL ASSETS AT AMORTIZED COST

	2013 LL (000)	*2012 LL (000)*
Lebanese treasury bills – denominated in Lebanese Lira	**19,616,520**	-
Lebanese treasury bills – Eurobonds	**19,797,804**	-
	39,414,324	-

Lebanese Treasury Bills denominated in Lebanese Lira as at 31 December 2013

Maturity date	*Nominal amount LL (000)*	*Coupon rate*	*Amortized cost LL (000)*
2 July 2015	500,000	6.16%	499,811
2 July 2015	500,000	6.16%	499,811
27 August 2015	2,000,000	6.18%	1,996,010
3 September 2015	3,000,000	6.50%	3,011,028
18 December 2017	3,000,000	7.90%	3,115,960
12 April 2018	3,000,000	7.90%	3,118,938
8 October 2020	1,500,000	7.80%	1,528,163
18 October 2020	2,500,000	7.80%	2,504,587
8 September 2022	3,000,000	8.24%	3,011,592
			19,285,900
Accrued interest receivable			**330,620**
			19,616,520

15 FINANCIAL ASSETS AT AMORTIZED COST (continued)

Lebanese Treasury Bills – Eurobonds as at 31 December 2013

Maturity date	*Nominal amount US$*	*Coupon rate*	*Amortized cost US$*
12 October 2017	1,000,000	5.00%	1,001,515
4 October 2022	3,000,000	6.10%	3,050,056
27 January 2023	2,000,000	6.00%	2,050,020
27 November 2026	1,800,000	6.60%	1,827,693
29 November 2027	1,000,000	6.75%	1,008,897
29 November 2027	1,000,000	6.75%	1,007,211
29 November 2027	1,000,000	6.75%	1,007,158
29 November 2027	2,000,000	6.75%	2,046,769
			12,999,319
		Equivalent to LL (000)	**19,596,473**
Accrued interest receivable			**201,331**
			19,797,804

16 PROPERTY AND EQUIPMENT

	Computer hardware LL (000)	*Motor vehicle LL (000)*	*Furniture and fixture LL (000)*	*Equipment LL (000)*	*Advances on property and equipment LL (000)*	*Total LL (000)*
Cost :						
At 1 January 2013	199	65,441	45,053	13,631	314,000	438,324
Additions	70,500	-	366,798	13,239	3,301	453,838
Transfers	291,846	-	-	20,011	(311,857)	-
Disposals	-	-	(663)	-	-	(663)
At 31 December 2013	362,545	65,441	411,188	46,881	5,444	891,499
Depreciation:						
As at 1 January 2013	(1)	(1,609)	(942)	(96)	-	(2,648)
Charge for the year	(61,759)	(6,526)	(19,292)	(2,921)	-	(90,498)
Relating to disposals	-	-	20	-	-	20
At 31 December 2013	(61,760)	(8,135)	(20,214)	(3,017)	-	(93,126)
Net carrying amount:						
At 31 December 2013	300,785	57,306	390,974	43,864	5,444	798,373

	Computer hardware LL (000)	*Motor vehicle LL (000)*	*Furniture and fixture LL (000)*	*Equipment LL (000)*	*Advances on property and equipment LL (000)*	*Total LL (000)*
Cost :						
Additions during the period	199	65,441	45,053	13,631	314,000	438,324
At 31 December 2012	199	65,441	45,053	13,631	314,000	438,324
Depreciation:						
Charge for the period	(1)	(1,609)	(942)	(96)	-	(2,648)
At 31 December 2012	(1)	(1,609)	(942)	(96)	-	(2,648)
Net carrying amount:						
At 31 December 2012	198	63,832	44,111	13,535	314,000	435,676

Advances on property and equipment represents mainly advances against computer software amounting to LL (000) 5,444 as at 31 December 2013. As at 31 December 2012, an amount of LL(000) 148,416 represented advances against computer software and an amount of LL (000) 150,300 represented advances against computer equipment.

17 INTANGIBLE ASSETS

	Software	
	2013	*2012*
	LL (000)	*LL (000)*
Cost:		
Balance as at 1 January 2013/30 July 2012 (inception date)	**24,144**	-
Additions during the year/period	**350,451**	24,144
At 31 December	**374,595**	24,144
Amortization:		
Balance as at 1 January 2013/30July 2012 (inception date)	-	-
Charge for the year/period	**(63,383)**	-
At 31 December	**(63,383)**	-
Net carrying amount:		
At 31 December	**311,212**	24,144

18 OTHER ASSETS

	2013	*2012*
	LL (000)	*LL (000)*
Mandatory deposit with the Lebanese Treasury (a)	**4,500,000**	4,500,000
Receivables from advisory services	**401,050**	-
Prepayments	**138,756**	101,861
Advances on wages and salary	**12,762**	67,563
Due from shareholders (note 26)	**70,099**	-
Others	**7,086**	663
	5,129,753	4,670,087

(a) This deposit represents a blocked amount with the Lebanese Treasury made by the Bank on its constitution date (according to paragraph b of Article 132 of the Code of Money and Credit) which will only be recovered upon the Bank's liquidation.

19 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2013	*2012*
	LL (000)	*LL (000)*
Current accounts	**480,550**	-
Term deposits	**4,135,244**	-
Accrued interest	**26,938**	-
	4,642,732	-

20 DEPOSITS FROM RELATED PARTIES AT AMORTIZED COST

	2013 *LL (000)*	*2012* *LL (000)*
Current accounts	9,070	5,698
Term deposits	57,547,776	-
Accrued interest	282,294	-
	57,839,140	5,698

21 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2013 *LL (000)*	*2012* *LL (000)*
Sight deposits	744,765	-

22 OTHER LIABILITIES

	2013 *LL (000)*	*2012* *LL (000)*
Due to the National Social Security Fund	26,825	30,700
Taxes on salaries and remunerations	39,421	51,718
Other taxes payable	24,025	83,626
Accrued charges	156,679	45,225
Other payables	75,028	679
	321,978	211,948

23 SHARE CAPITAL

As at 31 December 2013, the Bank's share capital consisted of 450,000 shares of LL (000) 100 each authorized issued and fully paid. (2012: same).

24 CUMULATIVE CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2013 *LL (000)*	*2012* *LL (000)*
Balance at 1 January / 30 July 2012	-	-
Net unrealized gain on financial assets at fair value through other comprehensive income	444,413	-
Balance at 31 December	444,413	-

25 ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

	2013 *LL (000)*	*2012* *LL (000)*
Fiduciary deposits	**25,922,041**	-
Checks for collection	**124,368**	-
Financial instruments under custody	**19,198,846**	-
	45,245,255	-

26 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Bank and entities controlled or significantly influenced by such parties.

Transactions with related parties included in the statement of comprehensive income are as follows:

	31 December 2013 ***LL (000)***	*From 30 July 2012 (inception date) to 31 December 2012* *LL (000)*
Chairman and General Manager remuneration (note 7)	**(527,625)**	(219,844)
Founders compensation (note8)	-	(904,500)
Interest expense on related parties deposits	**322,438**	-
Commission income on shareholders transactions	**140,576**	-

Balances with related parties included in the statement of financial position are as follows:

	31 December 2013 ***LL (000)***	*From 30 July 2012 (inception date) to 31 December 2012* *LL (000)*
Commission income due from shareholders (note 18)	**70,099**	-
Deposits from related parties at amortized cost (note 20)	**57,839,140**	5,698

27 CASH AND CASH EQUIVALENTS

	2013 *LL (000)*	*2012* *LL (000)*
Cash	**2,407**	1,344
Deposits with banks with original maturity less than 3 months	**1,300,993**	6,174,070
Due to banks	**(744,765)**	-
	558,635	6,175,414

28 COMMITMENTS AND CONTINGENCIES

	2013 LL (000)	2012 LL (000)
Future minimum lease payments:		
Within one year	**220,834**	211,050
After one year but not more than five years	**263,681**	-
Total operating lease contracted for at the statement of financial position date	**484,515**	211,050

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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

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

	2013		
	Level 1 LL (000)	Level 2 LL (000)	Total LL (000)
Financials assets at fair value through profit or loss:			
Lebanese treasury bills – Eurobonds	**16,979,908**	**-**	**16,979,908**
Lebanese treasury bills denominated in Lebanese Lira	**-**	**659,138**	**659,138**
Lebanese certificate of deposits	**-**	**23,260,010**	**23,260,010**
	16,979,908	**23,919,148**	**40,899,056**

	2012		
	Level 1 LL (000)	Level 2 LL (000)	Total LL (000)
Financials assets at fair value through profit or loss:			
Lebanese treasury bills – Eurobonds	13,527,939	-	13,527,939
Lebanese treasury bills denominated in Lebanese Lira	-	18,123,812	18,123,812
	13,527,939	18,123,812	31,651,751

The following table shows an analysis of financial instruments not carried at fair value by the level of fair value hierarchy:

	2013		
	Level 1 LL (000)	Level 2 LL (000)	Total LL (000)
Assets for which fair values are disclosed			
Cash and balances with the Central Bank	**2,406**	**9,856,550**	**9,858,956**
Deposits with banks and financial institutions	**-**	**1,258,268**	**1,258,268**
Financial assets at amortized cost	**19,797,804**	**19,616,520**	**39,414,324**
Loans and advances to customers at amortized cost	**-**	**8,304,553**	**8,304,553**
Liabilities for which fair values are disclosed			
Due to banks and financial institutions	**-**	**744,765**	**744,765**
Customers' deposits at amortized cost	**-**	**4,642,732**	**4,642,732**
Deposits from related parties at amortized cost	**-**	**57,839,140**	**57,839,140**

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2012		
	Level 1 LL (000)	*Level 2* LL (000)	*Total* LL (000)
Assets for which fair values are disclosed			
Cash and balances with the Central Bank	1,344	-	1,344
Deposits with banks and financial institutions	-	6,174,070	6,174,070
Liabilities for which fair values are disclosed			
Deposits from related parties at amortized cost	-	5,698	5,698

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

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

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

This category includes liquid government and corporate bonds actively traded through an exchange or clearing house, and actively traded listed equities.

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

This category includes liquid government and corporate bonds and certificates of deposit, less actively traded through an exchange or clearing house, non-listed equities and foreign exchange swaps and forwards.

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

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

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

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

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Loans and advances to banks and financial institutions and customers
The fair value of loans and advances is determined using valuation models which incorporate a range of assumptions. Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of valuation outputs. This approach is used mainly in Retail Banking by applying derived market interest rates on expected cash flows. These valuation techniques also consider expected credit losses and changes to behavioural profiles. For Corporate Banking, the fair value is determined by applying a credit spread for the counterparty. Credit spreads are based on regional and industry segments and take the contractual maturity of the loan facilities into consideration. In the absence of counterparty rating, the average of regional and industry segmental credit spreads are applied to the contractual maturity of the loan.

Deposits by banks and customers' accounts
For the purpose of estimating fair value, deposits by banks and customers are grouped by remaining contractual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is assumed to be the amount payable on demand at the financial position date.

Assets and liabilities not carried at fair value, for which fair value approximates carrying value
For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

The following table shows the difference between the carrying values and fair values for the financial assets and liabilities not recorded at fair value in the statement of financial position. This table does not show the fair values of non-financial assets and liabilities.

	2013			*2012*		
	Carrying value LL (000)	*Fair value LL (000)*	*Difference LL (000)*	*Carrying value LL (000)*	*Fair value LL (000)*	*Difference LL (000)*
Financial assets						
Cash and balances with the Central Bank	9,858,956	9,858,956	-	1,344	1,344	-
Deposits with banks and financial institutions	1,258,268	1,258,268	-	6,174,070	6,174,070	-
Financial assets at fair value through profit or loss	40,899,056	40,899,056	-	31,651,751	31,651,751	-
Financial assets at fair value through other comprehensive income	1,476,063	1,476,063	-	-	-	-
Loans and advances to customers at amortized cost	8,304,553	8,304,553	-	-	-	-
Financial assets at amortized cost	39,414,324	38,997,262	(417,062)	-	-	-
Other assets	5,129,753	5,129,753	-	4,670,087	4,670,087	-
	106,340,973	105,923,911	(417,062)	42,497,252	42,497,252	-
Financial liabilities						
Customers' deposits at amortized cost	4,642,732	4,642,732	-	-	-	-
Deposits from related parties at amortized cost	57,839,140	57,839,140	-	5,698	5,698	-
Due to banks and financial institutions	744,765	744,765	-	-	-	-
Provision for risks and charges	11,442	11,442	-	-	-	-
Other liabilities	321,978	321,978	-	-	-	-
	63,560,057	63,560,057	-	5,698	5,698	-

30 RISK MANAGEMENT

30.1 Introduction
Risk is inherent in the Bank's activities. The Bank was incorporated during 2012 and is currently establishing its risk management function. The Bank is exposed to credit risk, liquidity risk, prepayment risk, operating risk and market risk. The Board of Directors is ultimately responsible for identifying and controlling risks.

30 RISK MANAGEMENT (continued)

30.2 CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by limiting transactions with specific counterparties, and continuously assessing the creditworthiness of counterparties.

Risk concentrations, maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position by geography. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	2013		
	Resident LL (000)	*Non resident LL (000)*	*Gross maximum exposure LL (000)*
Balances with the Central Bank	9,856,550	-	9,856,550
Deposits with banks and financial institutions	1,258,268	-	1,258,268
Financial assets at fair value through profit or loss	40,899,056	-	40,899,056
Loans and advances to customers at amortized costs	7,558,019	746,534	8,304,553
Financial assets at amortized cost	39,414,324	-	39,414,324
Total credit exposure	98,986,217	746,534	99,732,751

	2012		
	Resident LL (000)	*Non resident LL (000)*	*Gross maximum exposure LL (000)*
Deposits with banks and financial institutions	6,174,070	-	6,174,070
Financial assets at fair value through profit or loss	31,651,751	-	31,651,751
Total credit exposure	37,825,821	-	37,825,821

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal and external credit ratings. The credit quality of loans and advances is managed using internal credit ratings as well as Supervisory ratings in accordance with Central Bank of Lebanon main circular 58.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	2013				
	Neither past due nor impaired				
	High-grade LL (000)	*Standard grade LL (000)*	*Past due but not impaired LL (000)*	*Individually impaired LL (000)*	*Total LL (000)*
Balances with the central banks	9,856,550	-	-	-	9,856,550
Deposits with banks and financial institutions	-	1,258,268	-	-	1,258,268
Financial assets at fair value through profit or loss:					
Lebanese government bonds	17,639,046	-	-	-	17,639,046
Lebanese Certificates of deposit	23,260,010	-	-	-	23,260,010
Loans and advances to customers at amortized cost:	-	8,304,553	-	-	8,304,553
Financial assets at amortized cost:					
Lebanese government bonds	39,414,324	-	-	-	39,414,324
	90,169,930	9,562,821	-	-	99,732,751

30 RISK MANAGEMENT (continued)

30.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is defined as the risk that the bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital base, manages assets with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities
The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December.

	31 December 2013					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Cash and balances with Central Bank	3,828,956	-	6,030,000	-	-	9,858,956
Deposits with banks and financial institutions	1,258,268	-	-	-	-	1,258,268
Financial assets at fair value through profit or loss	452,974	27,851	2,748,527	10,903,780	54,032,422	68,165,554
Financial assets at fair value through other comprehensive income	-	-	-	-	1,476,063	1,476,063
Loans and advances to customers at amortized cost	-	140,285	420,855	8,843,404	-	9,404,544
Financial assets at amortized cost	-	280,550	2,884,820	22,469,704	34,330,599	59,965,673
Total undiscounted financial assets	5,540,198	448,686	12,084,202	42,216,888	89,839,084	150,129,058
Financial liabilities						
Customers' deposits at amortized cost	795,552	529,361	3,415,513	-	-	4,740,426
Deposits from related parties at amortized cost	86,140	2,094,356	57,217,570	-	-	59,398,066
Due to banks and financial institutions	-	745,929	-	-	-	745,929
Total undiscounted financial liabilities	881,692	3,369,646	60,633,083	-	-	64,884,421
Net undiscounted financial assets	4,658,506	(2,920,960)	(48,548,881)	42,216,888	89,839,084	85,244,637

	31 December 2012					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Deposits with banks and financial institutions	6,187,447	-	-	-	-	6,187,447
Financial assets at fair value through profit or loss	30,800	282,900	1,818,307	18,440,101	28,564,864	49,136,972
Total undiscounted financial assets	6,218,247	282,900	1,818,307	18,440,101	28,564,864	55,324,419
Financial liabilities						
Due to banks and financial institutions	5,698	-	-	-	-	5,698
Other liabilities	112,226	28,615	71,107	-	-	211,948
Total undiscounted financial liabilities	117,924	28,615	71,107	-	-	217,646
Net undiscounted financial assets	6,100,323	254,285	1,747,200	18,440,101	28,564,864	55,106,773

30 RISK MANAGEMENT (continued)

30.4 MARKET RISK

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

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The bank's interest rate sensitivity gap based on the earlier of contractual repricing or maturity date at 31 December was as follows:

	31 December 2013					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Cash and balances with the Central Bank	3,828,956	-	6,030,000	-	-	9,858,956
Deposits with banks and financial institutions	1,258,268	-		-	-	1,258,268
Financial assets at fair value through profit or loss	-	-	510,052	-	40,389,004	40,899,056
Financial assets at fair value through other comprehensive income	-	-		-	1,476,063	1,476,063
Loans and advances to customers at amortized cost	-	-		8,304,553	-	8,304,553
Financial assets at amortized cost	-	-	531,950	13,751,342	25,131,032	39,414,324
Total financial assets	5,087,224	-	7,072,002	22,055,895	66,996,099	101,211,220
Financial liabilities						
Customers' deposits at amortized cost	794,940	499,264	3,348,533	-	-	4,642,737
Deposits from related parties at amortized cost	85,973	2,078,855	55,674,312	-	-	57,839,140
Due to banks and financial institutions	-	744,765	-	-	-	744,765
Total financial liabilities	880,913	3,322,884	59,022,845	-	-	63,226,642
Net financial assets	4,206,311	(3,322,884)	(51,950,843)	22,055,895	66,996,099	37,984,578

	31 December 2012					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Deposits with banks and financial institutions	6,174,070	-	-	-	-	6,174,070
Financial assets at fair value through profit or loss	-	-	-	10,832,903	20,818,848	31,651,751
Total undiscounted financial assets	6,174,070	-	-	10,832,903	20,818,848	37,825,821
Financial liabilities						
Due to shareholders	5,698	-	-	-	-	5,698
Other liabilities	112,226	28,615	71,107	-	-	211,948
Total undiscounted financial liabilities	117,924	28,615	71,107	-	-	217,646
Net undiscounted financial assets	6,056,146	(28,615)	(71,107)	10,832,903	20,818,848	37,608,175

30 RISK MANAGEMENT (continued)

30.4 MARKET RISK (continued)

(a) Interest rate risk (continued)

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

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate financial assets and financial liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates, including the effect of hedging instruments.

		2013	2012
Currency	*Increase in basis points*	*Effect on net interest income LL (000)*	*Effect on net interest income LL (000)*
LBP	50 basis point	124,767	122,481
US Dollar	50 basis point	79,596	91,212
Other	50 basis point	15,139	3

(b) Currency risk

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices and fluctuations in interest rates. Therefore, exchange rates and relevant interest rates are acknowledged as distinct risk factors.

The Central Bank of Lebanon allows the Bank to maintain a net trading position, debit or credit, that does not exceed at any time 1% of net Tier 1 equity on condition that the global position does not exceed 40% of net Tier 1 equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required capital adequacy ratio.

The following represents the breakdown of assets and liabilities by currency as at 31 December:

	2013				
	LL LL (000)	*USD LL (000)*	*GBP LL (000)*	*EUR LL (000)*	*Total LL (000)*
Assets					
Cash and balances with the Central Bank	44,397	9,814,559	-	-	9,858,956
Deposits with banks and financial institutions	126,707	256,560	874,917	84	1,258,268
Financial assets at fair value through profit or loss	659,137	40,239,919		-	40,899,056
Financial assets at fair value through other comprehensive income	-	-	1,476,063	-	1,476,063
Loans and advances to customers at amortized cost	-	7,558,019	746,534	-	8,304,553
Financial assets at amortized cost	19,616,520	19,797,804	-	-	39,414,324
Property and equipment	798,373	-	-	-	798,373
Intangible assets	311,212	-	-	-	311,212
Other assets	4,533,059	596,694	-	-	5,129,753
Total assets	26,089,405	78,263,555	3,097,514	84	107,450,558
Liabilities and equity					
Liabilities					
Customers' deposits at amortized cost	697,520	3,875,430	69,511	271	4,642,732
Deposits from related parties at amortized cost	213,088	57,626,052	-	-	57,839,140
Due to banks	-	744,765	-	-	744,765
Other liabilities	223,934	98,044	-	-	321,978
Provision for risks and charges	11,442	-	-	-	11,442
Total liabilities	1,145,984	62,344,291	69,511	271	63,560,057
Net exposure	24,943,421	15,919,264	3,028,003	(187)	43,890,501

30 RISK MANAGEMENT (continued)

30.4 MARKET RISK (continued)

(b) Currency risk (continued)

	2012			
	LL *LL (000)*	*USD* *LL (000)*	*EUR* *LL (000)*	*Total* *LL (000)*
Assets				
Cash and balances with the Central Bank	423	279	642	1,344
Deposits with banks and financial institutions	1,485,304	4,688,766	-	6,174,070
Financial assets at fair value through profit or loss	18,123,812	13,527,939	-	31,651,751
Property and equipment	420,392	15,284	-	435,676
Intangible assets	24,144	-	-	24,144
Other assets	4,654,077	16,010	-	4,670,087
Total assets	24,708,152	18,248,278	642	42,957,072
Liabilities and equity				
Liabilities				
Due to shareholders	-	5,698	-	5,698
Other liabilities	211,948	-	-	211,948
Total liabilities	211,948	5,698	-	217,646
Net exposure	24,496,204	18,242,580	642	42,739,426

The Bank's exposure to currency risk

Balances denominated in US Dollars are not considered to constitute a significant currency risk as the exchange rate of the Lebanese Lira against the US Dollar has remained stable in recent years.

As at 31 December 2013, the Bank's exposure to major currencies comprise the Sterling Pound in the amount equivalent to LL (000) 3,028,003 (2012: none).

A 5% change in the foreign exchange rate of the Sterling pound against the Lebanese Lira would not have a significant impact on the bank's profit or loss.

30.5 OPERATIONAL RISK

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

30.6 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

30 RISK MANAGEMENT (continued)

30.6 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

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

As at 31 December 2013	*Less than 12 months LL (000)*	*Over 12 months LL (000)*	*Total LL (000)*
Assets			
Cash and balances with the Central bank	45,131	9,813,825	9,858,956
Deposits with banks and financial institutions	1,258,268	-	1,258,268
Financial assets at fair value through profit or loss	-	40,899,056	40,899,056
Financial assets at fair value through other comprehensive income	-	1,476,063	1,476,063
Loans and advances to customers at amortized cost	-	8,304,553	8,304,553
Financial assets at amortized cost	-	39,414,324	39,414,324
Property and equipment	-	798,373	798,373
Intangible assets	-	311,212	311,212
Other assets	-	5,129,753	5,129,753
Total assets	1,303,399	106,147,159	107,450,558
Liabilities			
Customers' deposits at amortized cost	-	4,642,732	4,642,732
Deposits from related parties at amortized cost	-	57,839,140	57,839,140
Due to banks and financial institutions	744,765	-	744,765
Other liabilities	321,978	-	321,978
Provision for risks and charges	-	11,442	11,442
Total liabilities	1,066,743	62,493,314	63,560,057
Net	236,656	43,653,845	43,890,501

As at 31 December 2012	*Less than 12 months LL (000)*	*Over 12 months LL (000)*	*Total LL (000)*
Assets			
Cash and balances with the Central bank	1,344	-	1,344
Deposits with banks and financial institutions	6,174,070	-	6,174,070
Financial assets at fair value through profit or loss	-	31,651,751	31,651,751
Property and equipment	-	435,676	435,676
Intangible assets	-	24,144	24,144
Other assets	-	4,670,087	4,670,087
Total assets	6,175,414	36,781,658	42,957,072
Liabilities			
Deposits from related parties at amortized cost	5,698	-	5,698
Other liabilities	211,948	-	211,948
Total liabilities	217,646	-	217,646
Net	5,957,768	36,781,658	42,739,426

30 RISK MANAGEMENT (continued)

30.7 PREPAYMENT RISK

Prepayment risk is the risk that the Bank will incur a financial loss because counterparties repay or request repayment earlier than expected. Market conditions causing prepayment is not significant in the markets in which the Bank operates. Therefore, the Bank considers the effect of prepayment on net interest income not material after taking into account the effect of any prepayment penalties.

30.8 CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.