OFFERING CIRCULAR

BANQUE BEMO S.A.L.

(Registered as a joint stock company under the laws of the Republic of Lebanon)
List of Banks Nº 93; Commercial Registry: Beirut 17837

US$25,000,000

6.00 per cent Subordinated Bonds due on January 4th, 2021

Issue Price 100 per cent

The subordinated bonds due on January 4th, 2021 (the "Bonds") offered hereby are being issued by BANQUE BEMO SAL ("BEMO", the "Bank" or the "Issuer") at an issue price of 100% of their principal amount and consist of 2,500 Bonds having each a US$10,000 denomination. The Bonds will be in registered form and represented by a Global Bond Certificate which will be deposited on or about December 15, 2014 (the "Issue Date") with the Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East SAL, Midclear S.A.L, a common depositary, clearing and paying agent based in Lebanon (the "Clearing Agent").

The Bank's General Assembly of Shareholders that met on October 24th, 2014 resolved the issuance of the Bonds. The issuance of the Bonds has been approved by the Central Council of the Central Bank of Lebanon (the "Central Bank" or "BDL") on November 28th, 2014. The issuance of the Bonds is subject to the prior approval of the Lebanese Capital Markets Authority (CMA).

The Bonds will bear a fixed interest at a rate of 6.00% per annum payable semi-annually in arrears on the 30th day of June and 31st day of December of each year. Interest yield on the Bonds is subject to Lebanese taxes *inter alia* the presently applied 5% withholding tax on earned interest.

The Bonds will constitute direct, general and unsecured obligations of the Bank, subordinated as described herein. In the event of bankruptcy, suspension of payments, reorganization, dissolution, winding up, liquidation or composition or arrangement with creditors of the Bank, the claims of the Bondholders will rank junior in right of payment to the claims of holders of unsecured and unsubordinated payment obligations of the Bank, *pari passu* with the claims of holders of all other subordinated indebtedness of the Bank and senior to the rights and claims of shareholders of the Bank. The Bonds rank *pari passu* among themselves. *See "Terms and Conditions of the Bonds – Status and Ranking".*

The Bonds are subject to redemption in whole at their principal amount, together with accrued interest. *See "Terms and Conditions of the Bonds - Redemption and Purchase".*

See "Certain Investment Considerations" for a discussion of certain factors to be considered in connection with investing in the "Bonds".

The Bank will not list the Bonds on the Beirut Stock Exchange or any other stock exchange.

The Bonds are issued and marketed in Lebanon. Any sale abroad should take into consideration the relevant jurisdiction's laws and regulations.

The date of this Offering Circular is November 28th, 2014

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION TO PURCHASE, SUBORDINATED BONDS IN ANY JURISDICTION. NO ONE HAS TAKEN ANY ACTION THAT WOULD PERMIT A PUBLIC OFFERING TO OCCUR IN ANY JURISDICTION. THE SUBORDINATED BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES AT ANY TIME. NEITHER THE US SECURITIES AND EXCHANGE COMMISSION, NOR ANY STATE SECURITIES COMMISSION NOR ANY OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE SUBORDINATED BONDS OR PASSED UPON OR ENDORSED THE MERITS OF THE PROGRAMME OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

BANQUE DU LIBAN (THE CENTRAL BANK OF LEBANON) AND THE LEBANESE CAPITAL MARKETS AUTHORITY HAVE NOT PASSED UPON AND TAKE NO RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OR FOR THE MERITS OF THE SUBORDINATED BONDS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular, you must be outside the United States (within the meaning of Regulation S under the Securities Act). By accessing this Offering Circular, you shall be deemed to have represented to Banque BEMO SAL (a) that you are a person located outside the United States and (b) that you consent to delivery of this Offering Circular by electronic transmission.

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IMPORTANT NOTICE

This offering circular ("Offering Circular") contains information provided by the Bank in connection with the offering of its "Subordinated Bonds 2014" (the "Bonds"). The Bank confirms that all information regarding the Bank and the Bonds contained in this Offering Circular is true and accurate in all material respects as of the date of this Offering Circular *(or, if different, the date as of which such information is stated herein to be supplied)*, and does not omit any material facts, the omission of which would make any statement of fact or opinion relating thereto and contained herein misleading.

No person has been authorized to give any information or make any representation other than those contained in this Offering Circular; and, if given or made, such information or representations must not be relied upon as having been authorized.

This Offering Circular is not intended to provide the sole basis of any credit or other evaluation and should not be considered as a recommendation by the Bank, or by any of its respective officers, employees, agents or affiliates, that any recipient of this Offering Circular should purchase the Bonds. Each prospective subscriber in or purchaser of the Bonds (the "investor") should note the following:

a) An investment in the Bonds is subject to certain risk factors *(among which those described below under "Certain Investment Considerations" and all other information contained in this Offering Circular)* that an investor should carefully consider before reaching a decision to buy the Bonds.

b) This Offering Circular has been prepared solely for informational purposes. It is not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard.

c) This section, describes the significant risks to the best of Banque BEMO's knowledge, relating to an investment in the Bonds. Purchasers are urged to read and consider, in consultation with their own financial advisor, provided that the solicitation is conducted by an institution other than Banque BEMO SAL, the following information about these risks, together with the other information contained in this Offering Circular, before investing in the Bonds. Subscribers who are not prepared to accept the following risk factors should not invest in the Bonds.

Potential investors are advised that the purchase of the Bonds' Issuance is suitable only for, and should be made only by, eligible investors who can bear the risks of limited liquidity and who understand and can bear the financial and other risks of an investment in the Bonds Issuance for an indefinite period of time. Neither the delivery of this Offering Circular nor the issue, offer, sale or delivery of any Bonds shall imply that any information contained in this Offering Circular is correct as of any time subsequent to the date hereof or the date at which such information was herein stated to be given herein.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Bonds may be restricted by law in certain jurisdictions. No action has been taken by the Bank, or by any other person which would permit a public offering of any Bonds or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable securities laws and regulations.

In particular, potential investors should note the following:

BANQUE DU LIBAN (THE CENTRAL BANK OF LEBANON), THE LEBANESE CAPITAL MARKETS AUTHORITY HAVE NOT REVIEWED THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR AND TAKE NO RESPONSIBILITY FOR THE INFORMATION HEREIN CONTAINED OR FOR THE MERITS OF ANY OFFERING OF "SUBORDINATED BONDS 2014" HEREUNDER.

The Bonds' Issuance has not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), nor with any regulatory authority in the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as such terms are defined in Regulation S under the Securities Act), and will only be sold to Eligible Investors outside the United States in offshore transactions in reliance upon Regulation S. Furthermore, none of the United States Securities and Exchange Commission, or any other United States federal or state securities commission or regulatory authority or any regulatory authority or agency of any other jurisdiction has recommended or approved the Bonds' Issuance or passed upon accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

The Bank will not list the Bonds' Issuance on any stock exchange, in Lebanon or abroad.

The Bonds will be issued in registered form, registered in the respective names of the purchasers thereof in the share registry maintained by Midclear SAL. Interests in the Bonds will be shown only on, and transfers thereof may be effected (subject as provided herein) only through, the book-entry system maintained by Midclear SAL.

PRESENTATION ON FINANCIAL INFORMATION

A copy of the audited consolidated financial statements of the Bank for the years ended December 31, 2013 and the un-audited financial statements for the period ended June 30, 2014 are included in this Offering Circular. The Bank's consolidated financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and the regulations of the Central Bank and the Banking Control Commission, and include the results of the Bank and its consolidated subsidiaries BEMO Securitization SAL, Ferticed Limited Holding and Depository & Custody Company S.A.L. The Bank maintains its accounts in Lebanese Pounds. For ease of presentation, certain financial information included herein may be presented in US Dollars. Unless otherwise stated in this Offering Circular, such financial information (i) is extracted from the audited financial statements of the Bank for the years ended December 31, 2013 and the un-audited financial statements for the year ended June 30, 2014; (ii) has been translated from LBPs into US Dollars at the following closing rates of exchange as reported by the Central Bank.
The following rate of exchange was used for the financial statements' figures:

Average Exchange Rate

Year	**US$1 equivalent**
December 31, 2012	LBP 1,507.5
December 31, 2013	LBP 1,507.5
June 30, 2014	LBP 1,507.5

Source: Central Bank of Lebanon

These translations into US Dollars are presented solely for the convenience of the readers of this Offering Circular and no representation is made that any amount in LBP's or US Dollars mentioned in this Offering Circular has been, could have been or could be, converted into US Dollars or LBPs, as the case may be, at any particular rate or at all. For the purposes of this Offering Circular, unless otherwise specified or the context otherwise requires, references to "US Dollars", "USD" and "US$" are to the lawful currency of the US, and "LBPs" are to the lawful currency of the Republic of Lebanon. Certain monetary amounts included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

The legal notice provided for in Article 126 of the Code of Commerce in relation with this Bonds' Issuance has been published in:

- The Official Gazette , N. 53 dated December 11, 2014
- The Daily "Al Nahar" , N. 25556 dated December 11, 2014
- The Daily "Al Safir" , N. 12945 dated December 11, 2014

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute "forward-looking statements". These statements appear in a number of places and sections in this Offering Circular and include statements regarding the Bank's intent, belief or current expectations or those of the Bank's Management (as defined below) with respect to, among other things:

- Statements regarding the Bank's results of operations, financial condition, future economic performance and any plans regarding its business;
- Statements regarding the Bank's competitive position and the effect of such competition on its results of operations;
- Statements regarding trends affecting the Bank's financial condition or results of operations;
- Statements of the Bank's plans, including those pertaining to new products or services and anticipated customer demand for these products or services and potential acquisitions;
- Statements regarding the Bank's growth and investment programs, the relevant anticipated capital expenditure and the success of its investment programs;
- Statements regarding the Bank's intentions to contain costs, increase operating efficiency and promote best practices;
- Statements of assumptions;
- Statements regarding the impact of the ongoing global financial and market crisis;
- Statements regarding the potential impact of regulatory actions on the Bank's business, competitive position, financial condition and results of operations; and
- Statements regarding the possible effects of adverse determinations in litigation, investigations, contested regulatory proceedings and other disputes.

These forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "is expected to", "will", "will continue", "should", "approximately", "would be", "seeks", or "anticipates" or similar expressions or comparable terminology, or the negatives thereof. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results, performance or achievements of the Bank may differ materially from those expressed or implied in the forward-looking statements as a result of various factors. The information contained in this Offering Circular, including, without limitation, the information under "Certain Investment Considerations", "Management Discussion and Analysis of Financial Results and Position", "Description of the Bank", and the "Banking Industry and Banking Regulation in Lebanon" identifies important factors that could cause such differences. In addition, many other factors could impact the Bank's actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. The Bank does not undertake to update any forward-looking statements made herein.

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GLOSSARY OF DEFINED TERMS

For the purposes of this Offering Circular, the following terms shall have the meanings set forth below:

"Additional Tier I Capital" means the additional Tier I Capital of the Bank as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Additional Tier I capital shareholders cash contribution to capital subject to interest payments, non-cumulative perpetual preferred shares, and financial instruments that: (i) are issued and fully paid, and (ii) are permanent, subject to early redemption at the Issuer's discretion following five years from their issue date and after exchanging such instruments with equivalent financial instruments and minority interest accepted within Additional Tier I Capital.

"Articles of Incorporation" means, the Articles of Incorporation of the Bank as amended or supplemented from time to time.

"Bank" means Banque BEMO SAL, a bank incorporated in the Lebanese Republic, together with, where appropriate in the context, the Bank's consolidated subsidiaries: BEMO Securitization SAL, Ferticed Limited Holding and Depository & Custody Company S.A.L.

"Bankdata" means Bankdata Financial Services WLL, a Lebanese company providing rankings and financial analysis for banks and financial institutions in Lebanon.

"Basel Accords" refer to the banking supervision accords (recommendations on banking regulations)—Basel I, Basel II and Basel III—issued by the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlements, as in effect from time to time.

"BCC" means the Lebanese Banking Control Commission.

"Central Bank of Lebanon" means *"Banque du Liban"*, the Central Bank of the Lebanese Republic.

"CMA" means the Lebanese Capital Markets Authority established by virtue of Law no 161 of August 17, 2011.

"Common Equity Tier I" means the Bank's Common Equity Tier I Capital, as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of Central Bank of Lebanon, which are based generally on the Basel Accords. Common Equity Tier I capital includes paid-up share capital, issue premiums, shareholders cash contribution to capital not subject to interest payments, legal and statutory reserves (including reserves for unspecified banking risks but excluding reserves allocated for liquidation of real estate properties), retained earnings, funds allocated for investments in real estate properties and minority interests accepted within Common Equity.

"Eligible Investors" means any person who is not a U.S. citizen, Chairman or member of the Board of Directors of the Bank, the General Manager of the Bank, spouse or minor child of aforementioned persons or any person acting on their behalf.

"Escrow Agent" means Banque BEMO SAL in its capacity as escrow agent for the aggregate issue price paid by each investor in connection with his/her subscription in the Bonds.

"Deed of Irrevocable Undertaking to Subscribe" or *"Irrevocable Undertaking to Subscribe"* means a purchase application in the prescribed form for the subscription in the Bonds, a copy of which is attached to this Offering Circular as Exhibit A.

"Issuer" means the Bank.

"Law 308" means Lebanese Law No. 308 dated April 3, 2001, relating to the issuance by banks of shares and dealing therein, the issuance by banks of bonds and the ownership by banks of real property.

"Lebanese Pounds" means the official currency of the Lebanese Republic.

"Midclear" means Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East SAL, Midclear S.A.L, a joint stock company organized under the laws of the Lebanese Republic and owned 99 per cent by the Central Bank of Lebanon, and which acts as the central depositary and clearing house in the Lebanese Republic.

"Regulation S" means Regulation S under the US Securities Act of 1933, as amended.

"Regulatory Event" means a change in any applicable Lebanese law or regulation which would likely rule out the Bank's right to account for Preferred Shares as Tier 1 Capital or the right to maintain the premiums of the Preferred Shares in US Dollars or in any other foreign currency – though the Bank shall have no obligation to maintain these premiums in US Dollars or in any other foreign currency.

"Subscription Escrow Account" means the account maintained by the Escrow Agent captioned "Subordinated Bonds 2014 Subscription Escrow Account" for the purpose of receiving and holding the aggregate issue price paid by each eligible investor in respect of the Bonds Issuance.

"Tier I Capital" means the Bank's Tier I Capital, as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Tier 1 capital is the sum of Common Equity Tier I Capital and Additional Tier I Capital as defined above.

"Tier II Capital" means the Bank's Tier II Capital, as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Tier II capital comprises preferred shares (other than preferred shares which are both perpetual and non-cumulative), subordinated loans, and any unrealized gain in participations and stocks held classified as Other Comprehensive Income (OCI), the revaluation surplus of the bank's properties – subject to the Central Bank of Lebanon approval, and general provisions constituted on assets exhibiting similar risk characteristics subject to approval of the Banking Control Commission.

"USD" or *"U.S. Dollars"* means the official currency in the United States.

"United States" and *"US Persons"* have the meanings assigned to such terms in Regulation S.

TERMS OF THE OFFERING

*The following is a summary of certain information pertaining to the offering of **"Subordinated Bonds 2014",** including the principal terms thereof. This summary does not purport to be complete and is qualified in its entirety by the more detailed information that appear elsewhere in the Offering Circular, as well as by reference to the resolutions of the Ordinary General Assembly of shareholders that was held on October 24, 2014 authorizing the issuance of such Bonds, a copy of which is available for review to prospective subscribers upon their request at the offices of the Bank.*

Issuer	Banque BEMO SAL
Description	Subordinated Bonds' Offering
Amount	**US$25,000,000.-***(US Dollars twenty five million)* subject to the prior approval of the Central Bank of Lebanon and the Lebanese Capital Markets Authority
Currency	US Dollar
Maturity	January 4, 2021
Issue Price	100% Nominal Value
Interest Rate	**6.00** per cent per annum, subject to the presently applied 5% withholding tax on earned interest for or on account of taxes of the Republic of Lebanon, payable semi-annually on December 31st and June 30th of each year. The first interest payment will be made on December 31st, 2015 including any interest amount due up to December 31st, 2014.
Status and Ranking	The Bonds will constitute subordinated debt, ranking junior to the rights of the Bank's depositors and other creditors, however, senior to those of equity stakeholders. The Bonds therefore will not rank *pari passu* in priority of payment to unsecured obligations of the Bank.
Related Party Transactions	Related party transactions will be dealt with, within the scope and limitations of Article 152 of the Code of Money and Credit and Article 158 of the Code of Commerce.
Redemption	Redemption prior to maturity is not authorized. At maturity, redemption is subject to the prior approval of the Central Bank of Lebanon, as per BDL Basic Directive No 6830 of the Central Bank of Lebanon dated December 6, 1997.
Withholding Tax	The presently applied tax rate is 5%. Interest yield on the Bonds is subject to the withholding tax on earned interest for or on account of taxes of the Republic of Lebanon.
Registrar, Custodian and Paying Agent	Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East SAL Midclear S.A.L ("Midclear"), the Custodian, Registrar and Clearing Agent for the Bonds, will administer the records of transfer and ownership of the Bonds. Midclear will also act as the Paying Agent by assuming the responsibility for the regular disbursement of interest payments and final principal payments to the Bondholders and transmit to these Bondholders all notifications received by the Issuer during the Bonds' life.
Form of Bonds	The Bonds will be issued in registered form and represented by one Global Bond Certificate, which will be deposited with Midclear.
Denominations	The Bonds will be issued in denomination of US$10,000 each, constituting a total number of 2,500 Bonds bearing serial numbers from 1 up to 2,500.

Minimum Subscription	5 (Five) Bonds or US$ 50,000.-(US Dollars fifty thousand)
Subscription Fees	Maximum of 1% of the subscription amount *(negotiable, subject to the Bank's Management discretion)*
Selling Restrictions	No selling restriction in Lebanon. For restrictions abroad see *"Subscription and Sale".*
Priority Allocations	All eligible prospective subscribers shall submit to the Bank a duly signed Deed of Irrevocable Undertaking to Subscribe application. The Bank shall have the sole discretion to allocate the subscriptions received based on selected criteria. The Bank will notify subscribers of its acceptance or rejection, in whole or in part, of their Purchase Applications and allotments, if applicable.
Debt Issuing Restrictions	Subject to the abidance by the applicable laws of Lebanon, the Bank reserves the right to issue additional debt and equity instruments at the terms and at the time it deems appropriate.
Delivery and Clearance	Ownership of the Bonds may be acquired, and transfers thereof may be effected exclusively through the book-entry systems of the Bonds' register held and maintained by Midclear SAL. The transfer of the Bonds is free and must be made in compliance with Lebanese law. The securities account records of Midclear, representing the Bonds register maintained by the Registrar, shall, in the absence of manifest error, be conclusive evidence of the identity of the owners of the Bonds.
Governing Law	The Subordinated Bonds 2014 are governed by the substantive laws of the Republic of Lebanon.
Submission to Jurisdiction	All parties to this offering, including the subscriber(s) and Bondholder(s) shall submit to the exclusive jurisdiction of the tribunals and courts of Beirut, Lebanon, to settle all disputes, claims or legal actions arising out of or in connection with the Bonds.
Current structure of the Capital of the Bank	Common shares: LBP 62,599,400,000 (including LBP 350,000,000 consisting of the par value representation of Preferred Shares issued in 2013) Issue Premium – Preferred Shares: LBP 52,412,500,000
Listing and Trading	The Bank will not list the Bonds on any organized exchange in Lebanon or abroad.
Placement Agent	Banque BEMO SAL

نصرّح بعد اضطلاعنا على كافة الشروط والخصائص والمخاطر ، المنصوصة أعلاه باللغة الإنكليزية ، للسندات المرؤوسة التي ينوي المصرف اصدارها، بأننا نقبلها برمتها دون أي تحفظ.

Signature **الإمضاء**

CERTAIN INVESTMENT CONSIDERATIONS

The subscription to, and purchase of, the Bonds might involve substantial risks and is suitable only for, and should be made only by, eligible investors that are fully familiar with the Lebanese Republic in general and with the Lebanese Banking Industry laws and regulations in particular, and that have such other knowledge and experience in financial and business matters enabling them to evaluate the risks and the merits of an investment in the Bonds. The following section does not describe all of the risks of an investment in the Bonds. Each prospective subscriber in or purchaser of the Bonds (the "investor") should note the following:

a) An investment in the Bonds is subject to certain risk factors (among which those described below under "Certain Investment Considerations" and all other information contained in this Offering Circular) that an investor should carefully consider before reaching a decision to buy the Bonds.

b) This Offering Circular has been prepared solely for informational purposes. It is not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard.

c) This section, describes the significant risks to the best of Banque BEMO's knowledge, relating to an investment in the Bonds. Purchasers are urged to read and consider, in consultation with their own financial advisor, provided that the solicitation is conducted by an institution other than Banque BEMO SAL, the following information about these risks, together with the other information contained in this Offering Circular, before investing in the Bonds. Subscribers who are not prepared to accept the following risk factors should not invest in the Bonds.

Summarized below are a number of risk factors generally associated with emerging markets such as Lebanon. However, these are not intended to be exhaustive and there may be other risk factors that should be taken into account in relation to a particular investment. Investors should also note that a feature of emerging markets is that they are subject to rapid change, and the information set out below may become outdated relatively quickly. The Issuer has no obligation to update the information here below for any circumstances or events occurring after the date of this Offering Circular.

Considerations Relating to the Lebanese Republic

The Bank operates in Lebanon and, accordingly, its economical and financial condition, its results of operations and business prospects are closely related to the overall political, social and economic situation in the Lebanese Republic, which in turn is tied to the geo-political situation in the region. Lebanon is located in a region which has been subject to ongoing political and security concerns, especially in recent years. Internal and external factors combined led to a heavily militarized conflict, which lasted from April 1975 until October 1990. Repetitive series of fighting took place, aggravated by two Israeli military invasions in 1978 and 1982 leaving the country with substantial physical and infrastructure damage and a significant decline of government authority, as well as a large public sector deficit and capital outflows. The post-conflict era has been characterized by large public sector deficits and setbacks in the implementation of political and economic reforms due, among other matters, political problems. Current political problems in the Middle East also have an impact on the economic and political situation in Lebanon.

During the past years, Lebanon experienced dramatic events starting from the assassination of Prime Minister Rafic Hariri on February 14th, 2005 and a 37-day war and invasion by Israeli military forces in July 2006 leading to large infrastructure damage. This was coupled with renewed tensions between the supporters of the Government and the opposition which culminated to civil unrest on May 7th, 2008 imposing an intervention by the Arab League. This intervention led to an agreement in Doha (Qatar) between the different parties which ended the stalemate and led to the election on May 25, 2008 of General Michel Sleiman as President of the Republic paving the way towards new parliamentary elections. A new electoral law was drafted changing the voting system for the parliamentary polls in 2009. Following the successful elections, a new government was formed in 2009 headed by Prime Minister Saad Hariri. On 12 January 2011, this government was overthrown due to large disagreements between its members mainly the commitment to the Special Tribunal of Lebanon, that investigated the murder on former Prime Minister Rafik Hariri. Directly after the resignation, President Sleiman appointed Najib Mikati as new prime minister. He won the support of a majority of the members of the parliament and was asked to form a new government. After five months of laborious negotiations with the different political parties, a new 30-member cabinet took office on 13 June 2011.

On 22 March 2013, Prime Minister Najib Mikati resigned after his divided cabinet was unable to agree on a new election law and the parliament's refusal to extend the tenure of the country's police chief. After the resignation of Prime Minister Mikati, Mr. Tamam Salam was appointed as new prime minister where it took him around 10 months to constitute the government mainly due to large disagreements between political parties. These disagreements prevailed and Lebanon's presidential elections which were supposed to be held by May 25, 2014, were postponed. To date, no president was elected as the quorum was not secured mainly due to the aforementioned disagreements. As a result, Lebanon has entered a presidential vacuum that could endanger its internal security especially in the growing spillovers from the neighboring Syrian conflict as described in the section below.

Conflict in Syria and spillover effect on Lebanon

In addition to the aforementioned, the Syrian conflict which started in April 2011 had a large adverse impact on Lebanon. A year after neighboring Syria began its descent into civil war, deadly clashes between rival religious groups erupted in Tripoli and Beirut raising fears that the conflict was beginning to spill over the border and that Lebanon's already fragile political truce could once more collapse into sectarian strife. The massive influx of people fleeing the Syrian conflict - by September 2013, Syrian refugees were estimated to be 1.3 million - has placed a severe strain on the country's resources.

Starting October 2012, a series of terrorist car bomb explosions were witnessed further attenuating the ailing political situation. However, strict security measures imposed by the Lebanese Security Apparatus led to curbing of such bombings. Starting August 2014, fleeing Syrian Jihadi fighters retrenched in the Bekaa region next to the border with Syria (Ersal area). Several clashes occurred and are still occurring with the Lebanese Army in this area with the recent kidnapping of more than 20 Lebanese army servicemen and execution of 3.

The situation as described remains extremely precarious and any improvement is tied to the resolution of the conflict in Syria and the region, which will eventually lead to a potential agreement between divided political groups.

Discovery of Hydrocarbon resources in Lebanon

Major natural gas reserves and hydrocarbon deposits recently discovered off the coast of Lebanon and other Middle Eastern countries have ignited considerable interest in the hydrocarbon potential of the region. Being a new player in the hydrocarbon industry, Lebanon is under pressure to demonstrate to investors it has the aptitude to manage the development of its hydrocarbon resources efficiently and in a timely manner despite regional instability and potential geopolitical obstacles. Lebanon has received a substantial amount of interest when 52 companies from 25 different countries participated in its pre-qualification round in spring of 2013. Since then, several delays have postponed the licensing round and might have affected the country's credibility.

However, Lebanon's biggest handicap remains its internal political discord. The question of whether the caretaker government is allowed to exceptionally issue the pending legislation through an extraordinary meeting has divided officials. While some argue that the Lebanese law only gives such a power to a full-powered cabinet and that under no circumstance should a precedent be set by allowing a caretaker government to commit the country to 25 years long agreements, others consider that Lebanon should no longer delay the process and permit such an exception. Whether a new government will be formed in the near future remains a mystery in a deeply divided country.

Other points of divergence include whether the ten blocks should all be allocated for licensing during the first round, and at once, or if the blocks should instead be licensed progressively. Lebanon's fear that Israel might be stealing its gas, the fact that neighboring countries are way ahead in their energy developments and Lebanon's reputation as a reliable and trustworthy partner are amongst the many factors that should motivate Lebanon to no further delay its activities and take advantage of this discovery that could change the fate of its people and readjust its bleeding economy.

Sovereign Debt Ratings

As at the date of this Offering Circular, the Lebanese Republic's obligations denominated in foreign currency were rated as follows:

Rating Agency	Tenor	Rating	Outlook
Standard & Poor's Ratings Services*	Long Term	**B-**	**Negative**
	Short Term (less than one year)	B	Negative
Moody's Investors Service Limited	Long Term	B1	**Negative**
Fitch IBCA Limited**	Long Term	B	Negative
	Short Term (Less than one year)	B	Negative

** On November 1, 2013, Standard & Poor's lowered its long-term foreign and local currency sovereign credit ratings on Lebanon from B to B- keeping a negative outlook. According to S&P, political risk in Lebanon has risen as no new government has been formed for over six months while sectarian tensions are rising, fuelled by the spill-over from Syria. After nearly three years of weak GDP growth, dented by an internal political environment not conducive to policymaking, public finances have deteriorated and the debt-to-GDP ratio is again trending upward, S&P said. The influx of Syrian*

refugees, which now account for nearly 25% of Lebanon's population, will strain the country's resources and public finances while potentially destabilizing Lebanon's demographic balance, S&P warned. But Lebanon's ratings remain supported by the banking sector, which finances the government's borrowing requirements. The latter benefit from steady deposit inflows and cash reserves, S&P noted.

***On June 13, 2014, Fitch reaffirmed the sovereign ratings of Lebanon at B while maintaining the negative outlook. According to Fitch, Lebanon's ratings balance a large and rising public debt burden and government financing needs in the context of high political risk with high GDP per capita and human development, a large well-run banking system and credible exchange rate policy. More specifically, the ratings reflect the following key rating drivers: -Political risk is particularly high. The Syrian conflict has reignited the deep political and sectarian divisions over the past two years and has triggered a wave of terrorist attacks in Lebanon. Lebanon is the third most heavily indebted sovereign rated by Fitch (after Japan and Greece): public debt was 141.1% of GDP at end-2013, and the government dedicated 40.2% of its revenues to interest payments. The Negative Outlook reflects the following risk factors that may, individually or collectively, result in a downgrade of the ratings: -A major destabilization of Lebanon induced by more intense sectarian tensions or spill-overs from the Syrian conflict -A significant decline in the overall deposit base -A continued deterioration in public debt dynamics*

Prospective purchasers of Bonds should note the following:
-All of the above-mentioned ratings referred to above are non-investment grade. A security rating is not a recommendation by the rating organization, or by any other person, to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning ratings organization and each should be evaluated independently from the other.
-Any change in the sovereign debt rating of Lebanon by any major rating agency may significantly impact yields on both sovereign and corporate debt securities on the local and international market. Investors in the Bonds should bear in mind that a sharp rise in yields subsequent to a downgrade of Lebanon's sovereign ratings may adversely affect the price of the Bonds on the secondary market.

The "Subordinated Bonds 2014" has not been, nor is expected to be, rated by any rating agency.

The definition applicable to Standard & Poor's Rating Services ratings referred to above is that debt of this rating is generally regarded as having significant speculative characteristics, and that the Lebanese Republic's capacity or willingness to meet its financial commitment on its securities will be dependent upon favorable business, financial, and economic conditions.

The definition applicable to the Moody's Investor Services Limited ratings referred to above is that debt of this rating is generally regarded as lacking characteristics of desirable investment, and that assurance of interest and principal payments or maintenance of other terms in connection with such debt over a long period may be small.

The definition applicable to the Fitch Ratings' ratings referred to above is that debt of this rating is generally regarded as indicating that significant credit risk is present, but that a limited margin of safety remains. Financial commitments are currently being met; however, the capacity for continued payment is contingent upon a sustained, favorable business and economic environment

Budget Deficit and Macro-Economic Instability

As a result of Lebanon's long reconstruction effort and recurring large budget deficits, the Lebanese state has accumulated a high level of public debt estimated currently at around 140% of GDP. Although a recovery plan has been devised by the Government with the help of the international financial community, and financial contributions have been received by Lebanon in the framework of the Paris II and Paris III Agreements, the implementation of related structural reform plans has been delayed. These plans include the privatization of state assets and other measures, which are expected to contribute significantly to the reduction of the public debt and consequently improve the overall fiscal position. Lebanon's debt-to-GDP ratio fell to 135 percent more than a year ago. But the failure to increase revenues or trim spending over the last year has contributed to a surge in the public debt, which is now estimated at more than $55 billion.

Government revenues, including budget revenues and treasury receipts reached LBP 1,115 billion in March 2014, to sum LBP 3,657 billion in the first quarter 2014 (LBP 3,354 billion in the first quarter 2013). The LBP 3,657 billion revenues comprised LBP 3,349 billion budget revenues and LBP 307 billion treasury receipts. Government expenditures, consisting of budget and treasury spending, amounted to LBP 2,012 billion in March 2014 to total LBP

4,923 billion in the first quarter 2014 (LBP 4,534 billion in the first quarter 2013). The LBP 4,923 billion expenditures included LBP 1,324 billion debt service and LBP 3,599 billion other general expenditures o/w LBP 791 billion related to EDL and LBP 754 billion to budget expenditures for previous years.

Total Deficit decreased as such to LBP 1,266 billion in the first quarter 2014 (LBP 1,180 billion deficit in the first quarter 2013), and the primary balance surplus amounted to LBP 58 billion compared to an LBP 7 billion deficit in the alike time frame.

Gross public debt amounted to LBP 98,917 billion (the equivalent of USD 65.6 billion) at the end of July 2014, thus increasing by 3.4 percent when compared to end December 2013 (4.4 percent growth in the first seven months of 2013). Net public debt, which subtracts public sector deposits at commercial banks and the central bank from gross public debt, amounted to LBP 83,167 billion at the end of July 2014, thus rising by 3.7 percent from end December 2013. On June 6, 2014, the Finance Ministry issued a report whereby it estimated that Lebanon's budget deficit will widen to LBP 7,669 billion ($5.1 billion) this year, or 10.7 percent of GDP, as expenditure and public debt repayments grow and revenues remain flat. In the report, Lebanon expects its economy to grow by 2 percent in 2014. Lebanon's economic growth averaged around 8 percent from 2007 to 2010 but has dropped significantly since then, largely due to a spill-over of violence from Syria and domestic political divisions. The report indicated that government expenditure in 2014 is expected to rise to LBP 21,927 billion, with salary increases and a LBP 190 billion rise in debt servicing to LBP 5,890 billion the main factors behind the increase.

The potential failure by the Government to implement reform and privatization plans may lead to additional borrowings to cover a higher budget deficit which shall further increase total public debt and have a negative impact on the country’s finances.

Accuracy of Financial and Statistical Information

The analysis of the economic situation and prospects in Lebanon is hampered by the lack of reliable data on the economy. Presently, only the monetary accounts and the fiscal operations of the Lebanese Government are available on a regular basis. However, even here, there are important gaps in informational and institutional coverage. All other data (balance of payments components, prices, production, employment and finances of both public and private sectors) are, for all practical purposes, best estimates. Throughout this Offering Circular, the Bank has also set forth certain statistics, including market shares, from official sources and other sources it believes to be reliable, including its own sources and estimates. Such information, data and statistics may be approximations or estimates or use rounded numbers. The Bank has not independently verified such information, data or statistics, does not guarantee their accuracy and completeness and accepts no responsibility in respect of such information, data and statistics, other than that this information has been accurately reproduced and that, accordingly, as far as the Bank is aware and is able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Emerging Markets

Investing in financial instruments involving emerging market risk, such as Lebanese risk, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. These higher risks include, but are not limited to, high volatility, limited liquidity and changes in the regulatory, fiscal and political environments that may affect the ability of investors to receive payment, in whole or in part, in respect of their investments. There can be no assurances that the market for securities bearing Lebanese risk, such as the Bonds, will not be affected negatively by events elsewhere, especially in emerging markets.

CONSIDERATIONS RELATING TO THE BANK AND THE BANKING INDUSTRY

Global Financial Crisis

A global financial crisis continues as at the date of this Offering Circular, which has contributed to the failures of a number of financial institutions in the United States and Europe and unprecedented action by governmental authorities, regulators and central banks around the world. The most notable impact on countries and sovereigns was the default of Greece during 2012. Cyprus, a large holder of Greek government and corporate bonds, which sharply declined in value, had a particularly severe negative impact on Cypriot banks. The value of Greek debt was written down as part of the

bailout deal for Greece meaning that holders of Greek debt had to sustain large losses on their holdings. On March 16, 2013, Cyprus reached a bailout deal with the euro zone and the International Monetary Fund for a €10 billion bailout whereby it agreed to impose a one-off levy of 6.75% to insured depositors (under €100,000) and of 9.9% to uninsured ones (over €100,000). On March 19, 2013, Cyprus's parliament rejected a redrafted one-off levy on deposits that would have to shield savers with less than €20,000 but also fell short of fundraising target. On March 22nd, 2013, the parliament in Cyprus passed two crucial pieces of legislation, allowing for capital controls and creating a resolution framework to wind down banks. On March 24, 2013, Cyprus reached a new bailout deal with the euro zone and the IMF in Brussels. It includes winding down Cyprus Popular Bank, the second-largest lender, and radically restructuring Bank of Cyprus, the largest. Insured depositors are protected, but people and businesses with over €100,000 in savings in the two banks stand to take heavy losses.

Noting that the capital controls imposed in Cyprus were gradually removed and fully abolished by January 2014, the majority of international banks having presence in Cyprus (including the Bank's onshore branch in Limassol) were exempted from restrictions on limits for money transfers and withdrawals for international clients starting May 17, 2013. Until the date of the publication of this Offering Circular, there were no direct losses associated with the measures implemented by Cypriot authorities or with the overall economic situation in this country.

It is difficult to predict how long the persisting volatility in the financial sector and capital markets will exist or whether related concerns about further failures of financial and other institutions will exacerbate the prevailing difficulties in the global economy and, accordingly, it is not possible to foresee the specific impacts these conditions may have on the Lebanese Republic. In particular, the global financial crisis may have adverse effects on the Lebanese Republic, including with respect to: (i) losses by, or reduced income of, Lebanese nationals overseas, which may result in reduced inflows and remittances; and (ii) the general slowdown in economic activity in the Lebanese Republic, which may impact the assets and profitability of Lebanese banks, including the Bank. If current global market conditions and circumstances deteriorate further, or continue for protracted periods of time, this could lead to a decline in available funding and credit quality and increases in defaults and non-performing debt, which may impact the investments and finances of the Bank.

Liquidity

With respect to the Lebanese banking sector, liquidity levels were historically maintained at high levels rendering short-term inter-bank loans readily available and comparatively cheap. As of December 31, 2013, the Bank's net loans accounted for 50.30% of customers' deposits, while net primary liquid assets to customers' deposits stood at 29.46%. Taking into consideration the fact that as of December 31, 2013, total loans granted against pledged deposits amounted to LBP 156,273 million, the adjusted net loans to customers' deposits ratio would drop to 45.66% while net primary liquid assets to customers' deposits would stand at 32.21%. There can be no assurance that these liquidity conditions will continue to prevail over the long term.

Exposure to Lebanese Government Risk

In common with other Lebanese banks, a portion of the Bank's liquidity in both Lebanese Pounds and foreign currency is invested in Lebanese Government obligations or maintained as reserves with Banque du Liban or as Certificates of Deposits issued by Banque du Liban. The composition of the Bank's investment and trading portfolio and placements with Banque du Liban remained relatively stable as at December 31, 2012 and 2013, with Lebanese and other governmental treasury bills and bonds and Certificates of Deposits with Banque du Liban (in both LBP and foreign currency) comprising 24.85% of the Bank's total assets at the end of 2013 compared to 20.3% at the end of 2012. These investments exclude placements and deposits (required and excess reserves) maintained with the Central Bank. Such investments remain below the average for the Lebanese Banking Sector at the end of 2013 where the share of the Lebanese sovereign exposure constituted around 30% of total assets of the consolidated balance sheet of Lebanese banks.

Nonetheless, it is important to note that any default by the Lebanese Government or Banque du Liban on any of its obligations, or any significant reduction in value or liquidity of Government securities the Bank holds, or in the regulatory or accounting treatment thereof, would have a material adverse effect to the Bank's business, liquidity, results of operations, financial condition and prospects, as well as on other Lebanese banks.

U.S. and European Union Sanctions on Syria

The Bank owns a 22% stake in its associate bank Banque BEMO Saudi Fransi (also known as BBSF) established and operating in Syria. In addition, the Bank has been dealing since establishment with prime Syrian privately owned corporate clients extending credit facilities to support their business operations. Since 2003, the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") has been administering the Transactions Regulations, which include sanctions imposed on Syria prohibiting U.S. persons from engaging in certain transactions, including investments, with the Syrian Government and certain private parties, as well as other parties, designated by OFAC as Specially Designated Nationals of Syria.

In addition, Syria's relations with the United States and the international community have deteriorated in recent years, especially pursuant to the hostilities and measures initiated in Syria in 2011 where new sanctions against Syria were imposed prohibiting all foreign assistance to the country, as well as exports and re-exports of items on the U.S. Munitions List, all items on the Commerce Control List, and all other U.S. products except food and medicine. U.S. sanctions prohibit any financial transaction with the Syrian government and block all property of the Syrian government, its senior leaders, U.S. persons that support the Syrian government, and individuals and entities involved in the planning, sponsoring, organizing, or perpetrating of terrorist attacks.

In addition and in May 2011 the European Union imposed sanctions on Syria including an embargo on the supply of arms, military equipment and equipment which might be used for internal repression. The European Union also imposed asset freezing measures on certain persons identified as being responsible for the hostilities. The scope of the measures were subsequently widened to also cover natural or legal persons and entities associated with them.

There can be no assurance regarding OFAC's and/or EU's enforcement policy with regard to Syria or other countries where the Bank may develop operations, and it is possible that OFAC and/or EU may take a different view regarding the measures the Bank has taken or the status of the Bank's investments in Syria. The imposition of any sanctions or designations of individuals or entities within the Bank as Specially Designated Nationals may result in U.S./E.U persons or affiliates associated with the Bank being subject to restrictions and penalties. These sanctions could also have a material adverse effect on the Bank's business, liquidity, results of operations, financial conditions and prospects.

Currency Considerations and Devaluation Risks

The Central Bank of Lebanon has been successful during the past several years in maintaining a stable rate of exchange against the U.S. Dollars. However, there can be no assurances that the Central Bank of Lebanon will continue, be willing or able to maintain a stable currency through intervention in the currency markets or otherwise. The Central Bank's foreign assets, aided by sovereign deposits mainly from Gulf countries reached US$ 38,055 million as at August 31, 2014 (US$ 31,713 million as at December 31, 2013).

The Lebanese economy and banking sector are highly dollarized. According to data published by the Central Bank, over 66% of total banking sector deposits were in foreign currencies as at the end of July 2014. In case the Lebanese Pound devalues against the US Dollar, the financial conditions and results of operations of Lebanese companies, including the Bank and its customers in Lebanon, would be affected.

Furthermore, since a substantial portion of the loans of the banks operating in Lebanon are denominated in US Dollars, a devaluation of the Lebanese Pound would increase the debt service burden of borrowers whose income is in Lebanese Pound and therefore would likely increase the level of the Bank's non-performing loans.

Potential Lack of Investments Alternative

The Bank extends loans and overdraft facilities to a growing number of customers in Lebanon and neighboring countries. While all credit facilities are subject to a strict credit approval process, including sufficient securities (e.g., mortgages, liens and co-guarantors), proper enforcement of such collateral, particularly outside Lebanon, remains subject to the efficiency of the local judicial system. Besides lending activities, the Bank also invests its funds in interest bearing deposits in EU and US banks and financial institutions, internationally traded securities and the remaining amount in Lebanese Government debt securities and deposits with the Central Bank of Lebanon.

Competition

The market for financial and banking services in Lebanon is competitive. As of December 31, 2013, there were 55 active commercial banks, 17 specialized medium and long-term credit banks and 53 financial institutions operating in a country with a population of approximately four million. These banks and financial institutions include branches of foreign large international banks and financial institutions with access to larger and cheaper sources of funding. Competition to attract depositors and quality borrowers and to provide fee-based services to customers has been particularly strong since the end of the war in 1990. As a result of the competitive environment in which the Bank operates, the Bank's expenses may increase and its revenues may decrease, depending on the extent and intensity of the competition.

CONSIDERATIONS RELATING TO THE OFFERING

Illiquidity

There is currently no secondary market for the Bonds and in the future no secondary market shall be developed. Accordingly, the purchase of Bonds is suitable only for investors who intend to hold the Bonds until maturity and who are willing to bear the risks of illiquidity in the respective security.

No Deposit Insurance

The Bonds issued (a) are not guaranteed, insured or otherwise backed, by the credit of any Government or any agency or political subdivision thereof; (b) are not guaranteed or insured by any private deposit insurance corporation or agency; and (c) are not guaranteed by the Bank or any other related party (including the mother company, affiliated units and companies in Lebanon and abroad, sister companies or any other related party).

Subordinated Ranking

The Bonds will be subordinated to all other liabilities on the Bank's balance sheet, and as such bear a significantly higher risk of default in case of insolvency of the Bank. As part of the Tier II capital of the Bank, the Bonds are only senior to the components of shareholders' equity, including common and preferred shares.

No Future Debt Issuing Restrictions

Subject to the abidance by the applicable laws of Lebanon, the Issuer reserves the right to issue additional debt instruments at the terms and at the time it deems appropriate. Such an offering of additional debt instruments may be issued with or without security, which may result in further subordination of the Bonds.

REGULATORY AND CORPORATE REQUIREMENTS

The issuance of corporate bonds by bank joint-stock companies in Lebanon is governed by articles 122 and seq. of the Code of Commerce and by the provisions of the Law No. 308 dated April 3, 2001. Moreover, the Central Bank of Lebanon has established a set of additional rules that govern the issuance of regular bonds (BDL Basic Directive No. 6856 dated December 19, 1997) and subordinated bonds (BDL Basic Directive No. 6830 dated December 6, 1997).

The following section provides an overview of these principal rules:

Prior Resolutions and Approvals

According to article 125 of the Code of Commerce, the issue of corporate bonds (such as the Bonds) must be resolved by the Issuer's Ordinary General Assembly of Shareholders. The Assembly will (i) determine the terms and conditions of the issue; and (ii) resolve the issuance of the Bonds accordingly.

In addition, and pursuant to the provisions of the Law No. 308 dated April 3, 2001, the issuance of bonds by commercial banks (such as the Issuer) is subject to the prior approval of the Central Bank of Lebanon.

Moreover and pursuant to Capital Markets Authority Decision No 16 dated February 13, 2014 the issuance of bonds by commercial banks (such as the Issuer) is subject to the prior approval of the Lebanese Capital Markets Authority.

Form, Value and Subscription

Corporate bonds shall be issued in nominal value and registered in the names of their holders. Corporate bonds must be repaid at said nominal value.

The value of corporate bonds shall be paid in one amount on subscription, and will be credited to the account of the Issuer.

Denomination

Corporate bonds can be denominated in foreign currency.

Bondholders' Assembly

With respect to every bond issue, an assembly shall, by right, be formed by all the holders of the bonds and shall be called bondholders' assembly, responsible for safeguarding the rights of the holders of the bonds. The bondholders' assembly appoints a representative (the "Holders' Representative") for the issue.

The Holders' Representative shall assume the following: (i) represent the holders of the bonds before Courts or before any other authority, (ii) perform necessary work for protecting the holders of the bonds and safeguarding their rights; and (iii) any other duties entrusted to him by the bondholders' assembly. The Holders' Representative may attend the Issuer's General Assemblies of shareholders and express his opinion thereat, without having the right to vote on resolutions.

The bondholders' assembly shall meet on a yearly basis, unless the Holders' Representative calls for an extraordinary meeting whenever it deems it necessary. The Holders' Representative shall notify the Issuer of the resolutions adopted by the bondholders' assembly.

REPRESENTATIONS AND WARRANTIES OF SUBSCRIBERS

Each prospective subscriber of the Bonds will be required to make the representations and warranties set forth in Exhibit A to this Offering Circular to, and for the benefit of the Issuer, on and as the date of its application to subscribe to the Subordinated Bonds and on and as the Issue date. The Bonds will be sold to such subscriber in reliance on such representations and warranties. See "Exhibit A: Deed of Irrevocable Undertaking to Subscribe".

CAPITALIZATION AND USE OF PROCEEDS

The following table outlines the long-term liabilities and shareholders' equity of the Bank as of December 31, 2013 and June 30, 2014. Except as otherwise disclosed in this Offering Circular, there has been no material change in the Bank's long-term liabilities, shareholders' equity, or total capitalization since June 30, 2014. The table also outlines the bank's potential capitalization pursuant to the intended Bonds' Offering.

Banque BEMO SAL Capitalization

All figures are in LBP Billions	Dec 2013	June 2014	Post-Offering
Long-Term Liabilities……	**60.29**	**-**	**37.68**
Subordinated Bonds…….	60.29	-	37.68
Shareholders' Equity			
Capital…….	62.00	62.24	62.24
Treasury Shares……	(2.19)	(2.19)	(2.19)
Preferred Shares……...	30.15	52.64	52.64
Subscriptions in Preferred Shares……	52.76		
Shareholders' cash contribution to capital……...	29.10	29.10	29.10
Reserves……	29.14	32.03	32.03
Retained Earnings…….	20.01	22.38	22.38
Cumulative currency translation adjustment……	(20.27)	(21.08)	(21.07)
Profit for the period……..	9.59	9.04	9.04
Equity attributable to the Group……...	**210.29**	**184.16**	**184.16**
Non-controlling interest……...	0.46	0.52	0.52
Total Equity……	**210.75**	**184.68**	**184.68**

Notes:
1. Assuming amount of Subordinated Bonds issued equivalent to USD 25 million. Post offering amounts are net of offering fees and expenses

Use of Proceeds

The net proceeds of the issue of the Bonds will be used by the Bank to shore-up the Bank's capital base, a measure intended by the Bank to enhance its capital adequacy ratio. Subject to the approval of the Central Council of the Central Bank, the Subordinated Bonds' Issue will be considered as part of Tier II capital and it is expected to strengthen the Bank's eligible capital base used for calculation of solvency ratios, particularly in U.S. Dollars and especially following the maturity on June 30, 2014 of the balance of the Bank's USD 40 million subordinated bonds issued in 2009. The Bank expects the increase in Tier II capital resulting from the issue of the Bonds to give it additional flexibility for future expansion both in Lebanon and in the region.

The improved capital structure will support the expected growth of the Bank's assets, its funding needs, and the expansion of its commercial banking activities and services in the respective markets of Lebanon and the neighboring Arab markets.

Banque BEMO SAL Capitalization Ratios

		Audited December 31, 2013	Unaudited June 30, 2014	Unaudited Post Offering*
Common Equity Tier 1 Ratio…	%	7.72	7.64	7.27
Tier I Capital Ratio……...	%	13.63	11.19	10.66
Total Capital Ratio……	%	14.50	11.19	13.08
Total Risk Weighted Assets….	LL mln	1,395,103	1,479,159	1,553,117

**Assuming Total Risk Weighted Assets increase by an additional 5% from June 30, 2014 amounts* *Source: BEMO*

OVERVIEW OF BANQUE BEMO SAL

Banque BEMO SAL is a Lebanese joint-stock company registered in the Beirut Commercial Registry under No. 17837 and on the Central Bank of Lebanon's Banks List under No. 93. The Bank's Head Office is located in Bemo Building, Elias Sarkis Avenue, Achrafieh, Beirut, Lebanon, and the General Management Offices in Esseily Building, Riad el Solh square, Beirut Central District.

The Obegi Group, major shareholder of the Bank, has a long and successful banking history. In 1961, the Obegi Family founded "Crédit Libanais SAL", one of the leading commercial banks in Lebanon and in which they sold their majority shareholding in 1985. In 1973, they founded "Banque de l'Europe Méridionale SA" currently "BEMO Europe-Banque Privée", in Brussels-Belgium with offices and operations in Paris (1976), Luxembourg (1982) and Cyprus (1986). In 1994, and with the renewed confidence in the country, the Obegi family through "Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) SAL" re-entered the banking sector in Lebanon by acquiring "Future Bank SAL" a small, problem-free commercial bank and renamed it "Banque Bemo SAL".

The Bank's **total assets** were equivalent to LBP 2,238 billion (US$ 1,484.63 million) as at December 31, 2013 as compared to LBP 2,245 billion (US$ 1,489.39 million) as at December 31, 2012, reflecting a year-on-year decrease of 0.31%. The un-audited balance sheet as at June 30, 2014 reveals that the total assets' base reached LBP 2,283.6 billion (US$ 1,514.82 million) increasing by 2% when compared to December 31, 2013 figures.

The Bank's **loans and advances to customers** *(including loans and advances granted to related parties and net of provisions for non-performing loans and unrealized interests)* were equivalent to LBP 920.56 billion (US$ 610.65 million) as at December 31, 2013 as compared to LBP 920.73 billion (US$ 610.77 million) as at December 31, 2012 reflecting a year-on-year decrease of 0.2%. The un-audited balance sheet as at June 30, 2014 reveals that loans and advances to customers were equal to LBP 983.6 billion (US$ 652.47 million) increasing by 6.8% when compared to December 31, 2013 figures.

The Bank's **customers' accounts at amortized cost** *(including related parties accounts)*, were equivalent to LBP 1,829.98 billion (US$ 1,213.92 million) as at December 31, 2013 as compared to LBP 1,891.49 billion (US$ 1,254.72 million) as at December 31, 2012, reflecting a year-on-year decrease of 3.25%. The un-audited balance sheet as at June 30, 2014 reveals that customers' accounts at amortized cost reached LBP 1,916.07 billion (US$ 1,271.03 million) increasing by 4.7% when compared to December 31, 2013 figures.

The Bank's **shareholders' equity** reached LBP 210.75 billion (US$ 139.81 million) as at December 31, 2013 as compared to LBP 159.20 billion (US$ 105.61 million) as at December 31, 2012 reflecting a year-on-year increase of 32.38%. The un-audited balance sheet as at June 30, 2014 reveals that the Bank's shareholders' equity reached LBP 185.42 billion (US$ 122.99 million) decreasing by 12.02% when compared to December 31, 2013 figures.

It is important to note that on December 7th, 2011, the Central Bank of Lebanon issued an intermediary circular No 282 amending its basic circular No 44 and decision no 6939 related to solvency calculation in Lebanese commercial banks. The new requirements are a reflection of the amendments introduced by the Basel Committee following the financial crisis (namely Basel III) and cover the following (solely to be used for solvency calculation purposes):
After conducting the necessary deductions as directed by BDL and BCC requirements, the new minimum solvency requirements to be achieved based on a phased in approach will be as follows:

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

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

As of December 31, 2013, the Bank's solvency ratios were in line with the requirements set forth by the Central Bank whereby the Net Common Equity Tier 1 Ratio reached 7.72%, the Tier 1 Ratio was equivalent to 13.63% and the Total Capital Ratio reached 14.50%.

As at December 31, 2013, the Bank's staff consisted of 220 employees and its network consisted of 9 branches in Lebanon and one branch in Limassol. At the time of publication of this Offering Circular, the Bank had obtained the in-principle approval of the Central Bank of Iraq to establish 2 branch offices in Baghdad and Erbil (Kurdistan). The Bank expects that at least one branch (Baghdad) shall be operational by end of December 2014.

SELECTED CONSOLIDATED FINANCIAL INFORMATION & OPERATING DATA

The selected financial information for the Bank (including financial ratios and statistical data) set forth below as at and for the years ended December 31, 2012 and 2013 has been derived from, should be read in conjunction with, and is qualified in its entirety by reference to the audited consolidated financial statements of the Bank included on Page 88. The condensed interim consolidated un-audited financial information and review report for the six month period ended June 30, 2014 were also included for information purposes. Analysis of performance and financial results is conducted on the audited results of 2012 and 2013 with indicative information provided on the performance as of June 30, 2014.

BALANCE SHEET DATA

	AUDITED		UN-AUDITED
LBP Thousand	**2012**	**2013**	**June 2014**
ASSETS			
Cash and Central Banks……	299,446,044	367,632,615	413,457,109
Deposits with banks and financial institutions……..	413,701,379	256,512,471	191,271,528
Financial assets at fair value through profit or loss……..	64,375,917	44,154,849	40,041,647
Loans to banks and financial institutions……..	25,676,016	20,226,199	31,886,289
Loans and advances to customers…….	916,880,834	918,365,819	981,260,659
Loans and advances to related parties……..	3,848,770	2,195,386	2,345,572
Investment securities…….	437,198,159	564,556,559	539,790,431
Customers' liability under acceptances…….	23,865,731	15,134,279	34,604,753
Investments in associates……..	30,693,799	20,819,288	20,912,623
Assets acquired in satisfaction of loans……	2,831,019	2,831,019	2,259,705
Property and equipment……	15,492,186	14,800,007	14,783,189
Intangible assets……	699,742	677,316	575,557
Other assets……..	10,544,789	10,176,347	10,399,697
Total Assets…….	**2,245,254,385**	**2,238,082,154**	**2,283,588,759**
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK			
-Documentary and commercial letters of credit……	38,274,650	19,969,368	48,642,274
-Guarantees and standby letters of credit……..	67,580,258	79,765,846	98,197,228
-Forward contracts……...	720,754,919	804,225,486	800,937,626
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	8,469,905	16,411,710	14,912,145
LIABILITIES			
Deposits and borrowings from banks……	93,934,270	105,198,397	123,979,542
Customers' accounts at amortized cost……..	1,837,531,533	1,763,724,939	1,839,188,003
Related parties' accounts at amortized cost…….	53,967,424	66,253,993	76,882,331
Acceptance liability……...	23,865,731	15,134,279	34,604,753
Other liabilities……..	8,311,948	10,347,499	16,818,338
Provisions…….	6,042,458	6,374,385	6,694,043
	2,023,653,364	**1,967,033,492**	**2,098,167,010**
Subordinated bonds…….....	62,397,734	60,291,143	-
Total Liabilities……...	**2,086,051,098**	**2,027,324,635**	**2,098,167,010**
EQUITY			
Share capital…….....	62,000,000	62,000,000	62,248,000
Treasury shares…….	(2,197,625)	(2,197,625)	(2,197,625)
Preferred shares…….	30,150,000	30,150,000	52,641,854
Subscriptions in Preferred shares……..	-	52,762,500	-
Shareholders' cash contribution to capital……	29,104,984	29,104,984	29,104,984
Reserves……..	25,052,144	29,139,121	32,755,595
Retained earnings……	22,503,411	20,014,719	22,387,868
Currency translation adjustment……...	(13,003,565)	(20,271,959)	(21,077,826)
Profit for the year……..	5,593,850	9,593,510	9,035,990
Equity attributable to the Group…….....	159,203,199	210,295,250	184,898,840
Non-controlling interests……..	88	462,269	522,909
Total Equity……	**159,203,287**	**210,757,519**	**185,421,749**
Total Liabilities and Equity……	**2,245,254,385**	**2,238,082,154**	**2,283,588,759**

INCOME STATEMENT DATA

	Audited		Un-audited
LBP Thousand	**2012**	**2013**	**June 2014**
Interest income……	87,609,374	91,915,863	50,027,241
Interest expense……..	(64,631,845)	(63,139,308)	(32,518,265)
Net interest income…….	**22,977,529**	**28,776,555**	**17,508,976**
Fee and commission income……..	7,238,270	7,795,082	3,889,260
Fee and commission expense…….	(588,711)	(949,689)	(340,585)
Net fee and commission income…….	**6,649,559**	**6,845,393**	**3,548,675**
Net results and other gain/(loss) on financial assets at fair value through profit or loss……...	9,129,762	6,044,343	3,974,491
Gain on exchange……	1,724,693	1,821,329	998,933
Other operating income/(loss)…….	(628,184)	4,073,426	4,065,528
Net financial revenues……	**39,853,359**	**47,561,046**	**30,096,603**
Allowance for impairment of loans and advances and other receivables…..	(6,278)	(1,747,855)	(630,260)
Collective provision for loan impairment …….....	(1,959,750)	(1,507,500)	-
Write-back of impairment loss on loans and advances…….	930,988	800,373	617,677
Loans recoveries…….	240,004	-	-
Net financial revenues after net impairment charge…….	**39,058,323**	**45,106,064**	**30,084,020**
Staff costs……	(18,806,172)	(19,198,843)	(11,022,857)
Administrative expenses…….	(10,134,436)	(12,133,155)	(7,469,321)
Depreciation and amortization…….	(2,329,791)	(1,625,074)	(737,705)
Write-back of provision for foreign currency fluctuation……	33,949	(504)	(13,284)
Write-back of provision for contingencies……..	591,270	-	(42,496)
Impairment of property and equipment……...	(275,000)	-	-
Total expenses……	**(30,920,180)**	**(32,957,576)**	**(19,285,663)**
Profit before income tax……	8,138,143	12,148,488	10,798,357
Income tax expense…….....	(2,544,235)	(2,520,369)	(1,667,118)
Profit for the year/period…….	**5,593,908**	**9,628,119**	**9,131,239**
Attributable to:			
Equity holders of the group…….....	5,593,850	9,593,510	9,035,990
Non-controlling interest……	58	34,609	95,249
	5,593,908	**9,628,119**	**9,131,239**
Basic and diluted earnings per share……	**51/64**	**117/11**	**107/50**

SELECTED FINANCIAL RATIOS AND STATISTICS

	2011	2012	2013
Rankings*			
Ranking in total assets	16	16	18
Ranking in customer deposits	16	17	19
Ranking in loans and advances to customers	17	17	18
Ranking in total corporate & SME loans	14	14	15
Ranking in shareholders' equity	19	20	18
Ranking in L/C openings for the year	12	18	21
Ranking in fiduciary accounts and Assets Under Management	10	10	8
Ranking in doubtful loans/gross loans	6	1	2
Asset and Liability Management			
Interest earning assets to total assets	90.5%	91.8%	93.22%
Interest bearing liabilities to total liabilities	97.7%	97.8%	95.41%
Profitability and Efficiency			
Net interest margin[1]	22.36%	26.23%	31.31%
Return on interest earning assets[2]	0.48%	0.27%	0.46%
Return on earning assets[3]	0.45%	0.26%	0.44%
Return on Assets[4]	0.43%	0.25%	0.43%
Return on average Assets[5]	0.48%	0.25%	0.43%
Return on Equity[6]	6.45%	3.64%	4.79%
Return on average Equity[7]	7.25%	3.64%	5.43%
Cost-to-income[8]	72.09%	79.16%	73.07%
Staff expenses to total operating expenses[9]	61.14%	64.98%	61.28%
Capital Adequacy, Liquidity and Solvency			
Basle II Capital Adequacy Ratio[10]	9.80%	12.26%	14.50%
Equity to assets[11]	7.12%	7.09%	9.42%
Loans to deposits[12]	49.09%	48.68%	50.30%
Loans to total assets[13]	36.05%	41.01%	41.13%
Net liquid assets to deposits[14]	60.11%	59.25%	61.62%
Net liquid assets to total assets[15]	44.14%	49.92%	50.39%
Doubtful loans to gross loans[16]	2.42%	0.54%	0.70%
Loan loss provisions to doubtful loans	27.11%	95.68%	93.71%
Loan loss provisions to gross loans	0.66%	0.52%	0.66%
Net doubtful loans to equity[17]	9.58%	0.14%	0.20%

Source: BEMO; Bilanbanques 2014

Notes: Rankings are provided by Bilanbanques 2014 (as published by BankData) analyzing the performance of 65 commercial and investment banks*

1. Net interest income after provisions/Interest revenues
2. Net income/(Cash & Central Bank; Lebanese Government securities; fixed income securities; deposits with other institutions; loans and advances to customers)
3. Net income/(Total Assets less: fixed assets; Regularization accounts)
4. Net income/Total Assets
5. Net income/Average total assets
6. Net income/Total Shareholders' equity
7. Net income/Average Shareholders' equity
8. Salaries and general operating expenses/net financial revenues
9. Total salaries and related expenses/total operating expenses (excluding depreciation and losses on investment properties)
10. Central Bank of Lebanon BIS capital adequacy ratio (Basel II Calculations)
11. Shareholders' Equity/Total Assets
12. Net loans/Customer deposits
13. Net loans/Total Assets
14. Net liquid assets/customer deposits; net liquid assets include cash; deposits at Central Bank and other institutions; investments in securities maturing within one year
15. Net liquid assets/Total Assets
16. Doubtful loans/Gross loans
17. Doubtful loans/Shareholders' equity

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds (the "Conditions"), which will be attached to the Jumbo Bonds Certificate in registered form.

The issue of registered subordinated Bonds due January 4th, 2021 (the "Bonds") was duly authorized by a resolution of the Ordinary General Assembly of the Bank held on October 24, 2014. The Bonds are issued in accordance with Lebanese regulations which require the prior approval of both the Central Bank of Lebanon and the Lebanese Capital Markets Authority on such issuance (as defined below).

For the purposes hereof, "Lebanese Regulations" means (i) articles 122 and seq. of the Code of Commerce, (ii) Law No. 308 dated April 3, 2001; (iii) Central Bank Directive 6856 dated December 19, 1997 on bonds issued by banks, (iv) Central Bank Directive 6830 dated December 6, 1997 on subordinated bonds, (v) Central Bank Directive 6939 dated March 25th, 1998, (vi) Capital Markets Authority Decision No 16 dated February 13, 2014 on financial instruments and products, and (vii) any other relevant laws, regulations and directives applicable to Lebanese banks which issue, or propose to issue bonds.

1. Form, Title, Transfer and Denomination

(a) Form, Title and Transfer

The Bonds shall be represented by a global Bonds Certificate in registered form, issued in the names of the subscribers who have been accepted, and signed by the Issuer. The Bonds Certificate will be deposited, as soon as practicable after the issuance of the Bonds, with Midclear SAL; and accordingly, the names of the respective Holders shall be entered in the Bonds register maintained with Midclear (the "Register"). No subsequent Bonds Certificates will be issued or printed, and the Bonds shall thereafter always be represented by the initial Bonds Certificates and by the entries in the Register.

The Bonds may be acquired, and transfers thereof may be effected, exclusively through Midclear. For all purposes, the securities account records of Midclear representing the Bonds Register shall, in the absence of manifest error, be conclusive evidence of the identity of the owners of the Bonds and of the respective nominal amounts of such Bonds credited to the securities accounts of such owners (but without prejudice to any other means of producing such records in evidence). Midclear shall have sole responsibility for maintaining, supervising or reviewing any such securities account records relating to the Register and /or to the Bonds.

Title to the Bonds passes by registration in the Register maintained by Midclear. The person in whose name a Bond is registered (the "Holder") will (except as otherwise required by law) be treated as the absolute owner for all purposes (regardless of any notice of ownership, trust or any interest in it or any writing on it, or the theft or loss of the Bond), and no person will be liable for so treating a Holder. A Bond may be transferred by virtue of an instrument of transfer in approved form duly completed and signed by both the transferor and the transferee, and notified to Midclear at its specified office.

No Holder may request the transfer of a Bond to be registered during the period of 15 days ending on the due date for any payment of principal on that Bond.

(b) Denomination

Each Bond will be issued, in denomination of US$ 10,000 and integral multiples of US$ 10,000 in excess thereof. The Bond is not divisible.

2. Status, Ranking and Guarantee

The Bonds will constitute direct, general and unsecured obligations of the Bank, subordinated as described herein. They are not convertible in shares or in any other form of stake. In the event of bankruptcy, suspension of payments, reorganization, dissolution, winding up, liquidation or composition or arrangement with creditors of the Bank, the claims of the Bondholders will rank junior in right of payment to the claims of holders of unsecured and unsubordinated payment obligations of the Bank, *pari passu* with the claims of holders of all other subordinated indebtedness of the Bank and senior to the claims of shareholders of the Bank.

The Bonds shall at all times rank *pari passu* and without any preference among themselves.

The Bonds issued (a) are not guaranteed, insured or otherwise backed, by the credit of any Government or any agency or political subdivision thereof; (b) are not guaranteed or insured by any private deposit insurance corporation or agency; and (c) are not guaranteed by the Bank or any other related party (including the mother company, affiliated units and companies in Lebanon and abroad, sister companies or any other related party).

The Bonds issued do not enjoy any legal or economic privileges as a result of any agreements or side and separate contracts which may reduce their seniority towards depositors and/or other creditors of the Bank.

3. Interest

Each Bond bears interest from the closing date at the rate of 6.00 per cent per annum, payable semi-annually on June 30th and December 31st of each year, and only from the available profits of the Bank. Payment of interest is not affected by any change in the creditworthiness of the Issuer. Each Bond will cease to bear interest from the due date for redemption unless, after surrender of such Bond, payment of principal is improperly withheld or refused by the Bank. In such event it shall continue to bear interest at such rate (both before and after judgment).

4. Redemption and Purchase

(a) Final Redemption

The Bonds will be redeemed on January 4th, 2021. The Bonds may not be redeemed prior to that date.

(b) Notice of Final Redemption

No notice of redemption will be given, and the Holders should spontaneously present their Bonds for redemption on January 4th, 2021 at the Registrar, Paying Agent and Custodian.

(c) Purchase

The Issuer may not, directly or indirectly, discount or purchase any Bonds issued by it and the holders of the Bonds cannot request the Issuer to purchase them back, discount them or otherwise.

5. Payments

(a) Principal Payments

Payments of principal in respect of the Bonds shall be made on January 4th, 2021. Payment shall be made at the specified office of the Registrar, Paying Agent and Custodian and in the manner provided in paragraph *(b)* below. The Bonds Certificates pertaining to the redeemed Bonds shall be forthwith cancelled and returned to the Issuer.

(b) Interest Payments

Interest in respect of the Bonds shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "*Record Date"*). Payments of interest shall be made in US Dollar by Midclear to Midclear's participants holding the Bonds on behalf of their respective clients, upon receipt of funds from the Bank. Upon application by the Holder to the specified office of the Registrar, Paying Agent and Custodian before the Record Date such payment of interest may be made by transfer to an account in US Dollar maintained by the payee with a bank in Lebanon.

(c) Payments on Business Days

If any date for payment in respect of the Bond is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as specified as "Business Day Jurisdictions" where payment is to be made by transfer to an account maintained with a bank in US Dollar, on which foreign exchange transactions may be carried on in US Dollar.

(d) Registrar, Paying Agent and Custodian

The initial Registrar, Custodian, and Paying Agent and its initial specified address is:

Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East SAL, Midclear S.A.L Aresco Center, 15th Floor, Justinien Street – Hamra, Beirut, Lebanon

The Issuer reserves the right at any time to vary or terminate the appointment of any Registrar, Custodian and Paying Agent and/or appoint additional or other Registrars, Custodians and Paying Agents, provided that it will maintain a

Registrar, a Paying Agent and a Custodian. Notice of any change in the Registrar, Paying Agent and Custodian or their specified address will promptly be given to the Holders of the Bonds.

6. Taxation

The following is a summary of taxation rules and terms pertaining to holders of Bonds issued by a Lebanese corporation.

This summary is not intended to constitute a full analysis of the tax consequences under Lebanese law of the acquisition or sale of bonds.

Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition or sale, including specifically the tax consequences under Lebanese law, laws of the jurisdiction of their countries of residence and any tax treaty between Lebanon and their country of residence.

Tax on interest and capital gains

Under Lebanese Law No. 497 dated January 30, 2003, a tax on earned interest income is applied to all financial instruments with an interest component, such as time deposits, certificates of deposit, treasury bills, bonds, notes, and others. This tax which is presently at a rate of 5% on earned interest for or on account of taxes of the Republic of Lebanon is withheld at the source of payment, and is applicable to all issues held in custody in Lebanon.

In this Offering, interest yield on the Bonds is subject to the above mentioned 5% withholding tax on earned interest for or on account of taxes of the Republic of Lebanon. Any future rate increase of this tax will reduce the net yield after tax on the Bonds by the incremental tax effect.

Under applicable Lebanese Law and regulations, taxes withheld on bonds and deposit certificates held by banks, financial institutions and trading entities subject to an income tax in the Lebanese Republic pursuant to Chapter I of the Income Tax Code may be credited against the holder's annual corporate income tax.

Capital gains received by resident and/or non-resident individuals, whether foreign or Lebanese, and amounts paid back to creditors or shareholders, are exempted from capital gains tax.

7. Events of Default

There is an event of default in any of the following situations:

(a) Non-Payment
the Issuer fails to pay the principal of or interest on the Bonds when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) Breach of Other Obligations
the Issuer does not perform or comply with any one or more of its other obligations in these Bonds which default is incapable of remedy or is not remedied within 14 days after notice of such default shall have been given to the Registrar, Paying Agent and Custodian and to the Issuer at its specified office by any Holder of this Bond; or

(c) Insolvency
the Issuer is (or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or

(d) Winding-up
an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation on terms approved by a Resolution of Holders of Bonds, or

(e) Authorization and Consents
any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, (ii) to ensure that those obligations are legally binding, valid and enforceable and (iii) to make the Bonds admissible in evidence in the courts of Lebanon, is not taken, fulfilled or done and, in any such case, if the matter is capable of remedy, it is not so remedied within 15 days of the Issuer becoming aware of it; or

(f) Illegality
it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Bonds; then the Bonds may, by notice in writing given to the Registrar, Paying Agent and Custodian at its specified office by the Holder of the Bonds (or the Issue Trustee, if appointed), be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Registrar, Paying Agent and Custodian.

8. Prescription
Claims in respect of principal and interest will become void unless made as required by law within a period of 10 years from the principal, and 5 years for the interests from the relevant date.

9. Holders' Assembly, Holders' Representative and Meetings

(a) Holders' Assembly
The Code of Commerce stipulates that an assembly shall be formed by right from amongst the Holders (the "Holders' Assembly") which shall be responsible for safeguarding the rights of the Bond Holders.

(b) Holders' Representative
The Holders' Assembly shall appoint a representative (the "Holders Representative") who shall assume the following responsibilities:

a. represent the Holders before the courts or before any other authority;
b. perform all necessary works for protecting the Holders and safeguarding their interests;
c. undertake any other duties entrusted to the Holders Representative by the Holders Assembly; and
d. attend the Issuer's General Assemblies of Shareholders and express his opinion without having the right to vote on any resolution

(c) Meetings
Pursuant to Article 138 of the Code of Commerce, meetings of General Assemblies of Holders shall be convened by two consecutive insertions, within eight days of each other, in the Official Gazette, in an economic newspaper and in a local daily newspaper, indicating the subjects on the agenda which, alone, may be debated.

Meetings of Ordinary and Extraordinary General Assemblies of Holders shall be deemed legally held if attended by Holders representing two-thirds of the Bonds at least. If this quorum is not secured, a new meeting may be convened following two insertions made, at a week's interval, in the Official Gazette, an economic newspaper and a local daily newspaper. The convocation must state the agenda of the preceding meeting and the results obtained. This second meeting deliberates validly if it is composed of Bond Holders representing at least one-half of the Bonds. If this quorum is not secured, a third Assembly can be convened according to the above-mentioned rules, and it deliberates validly if Holders representing one-third at least of the Bonds are present or represented. If such quorum is not obtained at this last meeting, the meeting shall be cancelled (articles 139 and 193 of the Code of Commerce).

However, meetings of Extraordinary General Assemblies of Holders called upon to discuss and take appropriate resolutions regarding the following matters require a non reducible quorum of Holders representing at least two-thirds of the Bonds:

a. Liquidation or the merger of the Issuer,
b. Modification of the maturity or the interest payment date of the Bonds,
c. Reduction or cancellation of the principal amount of, or the interest on, the Bonds,
d. Change of the Bonds currency,

e. Increase or decrease in the quorum required at any meeting of the Holders assemblies, or the majority required to adopt a resolution,
f. Amendment of the Conditions of the Bonds; and
g. The taking of any measure that materially affects the rights of the Holders.

In General Assemblies of Holders, resolutions must be passed by Holders representing a majority of at least two-thirds of the Bonds represented at such Assemblies (articles 139 and 195 of the Code of Commerce).

10. Further Securities Issuance

The Issuer may from time to time without the consent of Holders create and issue further securities of whatever form or nature either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, or upon such other terms, more or less favorable than the present Offering and Bonds, as the Issuer may, at its entire discretion, determine at the time of their issue.

11. Notices

(a) Further and above the legal publication provided for in the Article 138 of the Code of Commerce, notices to the Holders by the Issuer will always be made, to each Holder, only through the Registrar, Paying Agent and Custodian.

(b) Notice to be given by Holders and/or Holders Representative to the Issuer shall be in writing and given by forwarding same to the Registrar, Paying Agent and Custodian.

12. Governing Law and Jurisdiction

(a) Governing Law
The Bonds and the Offering are governed by, and shall be construed in accordance with the substantive Lebanese law.

(b) Jurisdiction
The tribunals and courts of Beirut, Lebanon are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and the Offering and accordingly any legal action or proceedings arising out of or in connection with the Bonds (*"Proceedings"*) and the Offering may be brought in such courts. The Issuer and each Holder irrevocably submit to the jurisdiction of such courts and waive any right or objection to Proceedings in any such tribunals and courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

CLEARING AND SETTLEMENT OF THE BONDS

Midclear SAL will be the Registrar, Custodian and Paying Agent for the Bonds and administer the records of transfer and ownership of Bondholders as well as assume the responsibility for the regular disbursement of interest payments to the Bondholders. The Bank is a registered member of Midclear, and the Bank's shareholders' register is deposited with Midclear pursuant to Law No. 308 dated April 3, 2001.

Midclear was established in June 1994 in Lebanon as a central clearing house for financial instruments and to provide efficient safeguarding for subscribers, traders and investors in Lebanon and the Middle East. Midclear is a Lebanese joint-stock company, owned currently at over 98 % by the Central Bank, established and governed by the provisions of the Lebanese Commercial Code and regulations in force in the Lebanese Republic.

By Law No. 309 of October 1999, Midclear was appointed Central Depository for Lebanon.

Midclear offers services including: i) safekeeping of securities for participants, ii) immobilization of physical securities, iii) book entry clearing and settlement of transactions in a secure and cost effective environment, iv) accurate, timely and cost effective means of collecting, distributing and accounting for dividend and interest payments, and v) maintaining shareholders registers.

It is worth noting that i) all orders transmitted to Midclear for clearing and settlement are considered irrevocable, ii) Midclear will not settle trades partially, and iii) settlement is delivery versus payment and takes place on trade date plus three.

Through its links with sister organizations in other countries and international clearing organizations; namely Clearstream, Euroclear, Sicovam, Kuwait Clearing House, Misr for Clearing and others, Midclear ensures the smooth transfer of securities outside Lebanon.

All notifications to Bondholders will be made through Midclear/Midclear Participants.

LEBANESE TAXATION

The following is a summary of taxation rules and terms pertaining to holders of bonds issued by a Lebanese corporation.

This summary is not intended to constitute a full analysis of the tax consequences under Lebanese law of the acquisition or sale of bonds. Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition or sale, including specifically the tax consequences under Lebanese law, laws of the jurisdiction of their countries of residence and any tax treaty between Lebanon and their country of residence.

Tax on interest and capital gains

Under Lebanese Law No. 497 dated January 30, 2003, a tax on earned interest income is applied to all financial instruments with an interest component, such as time deposits, certificates of deposit, treasury bills, bonds, notes, and others. This tax which is presently at a rate of 5% on earned interest for or on account of taxes of the Republic of Lebanon is withheld at the source of payment, and is applicable to all issues held in custody in Lebanon.

In this Offering, interest yield on the Bonds is subject to the above mentioned 5% withholding tax on earned interest for or on account of taxes of the Republic of Lebanon. Any future rate increase of this tax will reduce the net yield after tax on the Bonds by the incremental tax effect.

Under applicable Lebanese Law and regulations, taxes withheld on bonds and deposit certificates held by banks, financial institutions and trading entities subject to an income tax in the Lebanese Republic pursuant to Chapter I of the Income Tax Code may be credited against the holder's annual corporate income tax.

Capital gains received by resident and/or non-resident individuals, whether foreign or Lebanese, and amounts paid back to creditors or shareholders, are exempted from capital gains tax.

DESCRIPTION OF THE BANK

History

Banque BEMO SAL is a Lebanese joint-stock company registered in the Beirut Commercial Registry under No. 17837 and on the Central Bank of Lebanon's banks list under No. 93. The Bank's Head Office is located in Bemo Building, Achrafieh, Beirut, Lebanon, and the General Management Offices in the Esseily Building, Riad el Solh square, Beirut Central District. The Obegi Group, major shareholder of the Bank, has a long and successful banking history. In 1961, the Obegi Family founded "Crédit Libanais S.A.L.", one of the leading commercial banks in Lebanon and in which they sold out their majority shareholding in 1985. In 1973, they founded "Banque de l'Europe Méridionale S.A." currently "BEMO Europe-Banque Privée", in Brussels-Belgium with offices and operations in Paris (1976), Luxembourg (1982) and Cyprus (1986).

In 1994, the Obegi family through "Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) SAL", (hereinafter referred to as "Istismarat"), re-entered the banking sector in Lebanon by acquiring "Future Bank SAL" a small, problem-free commercial bank and renamed it first "BEMO - Banque Européenne pour le Moyen-Orient SAL" and then "Banque Bemo SAL".

Since its takeover by the current owners in 1994, the Bank has established itself as one of the leading providers of Private, Corporate, Trade-oriented, and Wealth Management banking services for the Lebanese and the neighbouring Arab markets.

Istismarat, the controlling shareholder of the Bank, includes among its founding shareholders the Obegi Group and other prominent industrialists. Additional shareholders of the Bank include major business people from Lebanon and Saudi Arabia. Established since more than 100 years, the Obegi Group is a reputable merchant group with strong business ties and activities in Lebanon and the Levant region. The activities of the Group extend from manufacturing to general trading, international agency representation, insurance and banking.

In 1993, the Obegi Group established "BEMO Securitization SAL", a leading debt securitization financial institution in Lebanon and the Gulf Region and in which the Bank holds 96%.

In 1999, Banque BEMO SAL listed its shares on the Beirut Stock Exchange. Banque de l'Europe Méridionale S.A ceases its activities in Brussels and concentrates its European activities in Paris and Luxembourg emphasizing on offering its clients customized private banking services.

In 2003, the Bank was the first Lebanese bank to enter the Syrian market by establishing in partnership with Banque Saudi Fransi, a leading player in the banking industry in Saudi Arabia, the first privately held commercial bank in Syria "Banque Bemo Saudi Fransi". In April 2003, Banque Saudi Fransi acquired a 10% stake in the Bank.

In June 2006, the Bank issued USD 20,000,000.-(US Dollars twenty million) perpetual non-cumulative preferred shares callable starting the fifth year. In November 2006, Bemo Group and Oddo et Cie., the first independent French financial company, incorporated a joint venture called Bemo Oddo Investment Firm Ltd. in Dubai aimed at selling European investment opportunities to Gulf investors.

In May 2009, the Bank successfully issued USD 40,000,000.-(US Dollars forty million) subordinated bonds maturing in 5 years. In 2011, the Bank's capital funds were further strengthened through a capital increase of LBP 46 billion of which LBP 30 billion fresh cash injection. In November 2011, Banque Saudi Fransi KSA is no longer a member of the Board of Directors of the Bank.

In October 2012, a large explosion targeting a highly ranked security official largely impacted the headquarters of the Bank in Ashrafieh where severe damage and losses occurred. The Business Continuity Plan was immediately activated and the Bank was able to ensure resumption of business activities and services to clients within 24 hours where IT servers/systems and operations staff immediately relocated to the Bank's Disaster Recovery Site in Rabieh. It is important to note that the Bank rented a new prime location in Pasteur Street-Gemmayzeh area consisting of 2 floors (presently) where commercial staff were relocated and started operating since early December 2013. The next phase of

the relocation process involved moving the Operations Units (Transfers/Trade Finance) from Rabieh to Riad El Solh which was accomplished during the month of January 2014.

In December 2013, the Bank successfully issued USD 35,000,000.-(US Dollars thirty five million) non-cumulative perpetual preferred shares.

Strategy

Since its establishment, the Bank's objective has been to develop into a specialized quality bank, by building on the long-established professional expertise of its shareholders and management team. The Bank's vision is to be the Reference in Corporate and Private Banking in Lebanon and Syria while its mission statement is stated as follows:" Live our Values while achieving high return on equity and offering our customers outstanding Quality".

Banque BEMO SAL is active on two pillars: **Private and Corporate Banking**, two well-defined market niches with a strong potential for growth in the local and regional markets. The Bank is committed to offering outstanding services to leading corporations and high-net worth individuals based on a deep understanding of their needs.

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

The Bank aims at helping customers strengthen and grow their business for the next generations while managing risk and maintaining personal wealth.

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

Operations

Principal Banking Activities & Services

The Bank's principal banking activities consist of (i) private banking / financial advisory to both corporate and individual clients, providing access to capital and money markets; (ii) corporate banking, which, in conjunction with the financial advisory unit, extends credit facilities to leading corporate clients; (iii) trade finance, which encompasses the issuance of letters of credit, letters of guarantee, and other forms of documentary credits to commercial and trading entities to finance their needs in imports and business projects.

Private Banking and Wealth Management

The Bank's Private Banking Division is keen to build long term relationships with its clients based on the fundamental values of professional commitment, integrity and reliability that constitute the foundation of the adopted Client Centric business approach. The interests of clients, being at the center of the Bank's priorities, the Private Banking division consists of a team of confirmed financial advisors who identify and structure clients' personal financial objectives, understand their constraints and always aim at designing strategies that assist them in enhancing and improving their asset allocation in accordance with their risk tolerance, financial goals, time horizon and unique circumstances. The division's commitment is to foster relationships based on trust through insightful and impartial advice to clients in making informed investment decisions according to defined priorities.

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

Family Office: In 2012, the Bank initiated the setup of the "Family Office" department which constitutes a part of the Private Banking and Wealth Management activities. The Family Office at Banque Bemo is structured as a Multi-Family Office aiming at assisting clients in preserving their wealth by offering support with wealth protection, growth, and succession planning which will enable clients to handle issues pertaining to generational planning, implementing

broader succession, leadership, and governance plans. It provides efficient means of monitoring and managing families's wealth and investments and will provide legal structures that help to smooth the transfer of wealth between generations while at the same time secure a steady income for a decent life style during their retirement. Banque Bemo - Family Office seeks as well to provide clients with a reliable and stable assistance in every aspect of their daily lives through a diverse array of services that simplify their matters. Along with the services and investment advice provided, clients benefit from the services of a team of specialists with legal, fiscal and financial technical skills to safeguard the present and to build for the future.

Corporate Banking

Corporate banking services provided by the Bank encompass corporate loans, discounting of commercial drafts, working capital financing, foreign exchange transactions, domestic and international transfers, direct debits and standing orders, in addition to special subsidized programs for corporate capital expenditure.

The Corporate Banking Division, after its continuous success throughout the past 10 years, escalated its strategic vision level "To be the Reference in Corporate Banking". To achieve this new vision level, Corporate Banking Division had to revisit and update its "Relationship Management Model", and adopt the "Client Centric" approach. The Relationship Management aimed to strengthen the relationship with the client, to stay closer to them, to better plan their business, and to attain maximum level of client satisfaction.

Client Centricity led to a better understanding of customers' needs, and respecting their interest. This necessitated a continuous review of business processes to further improve the Bank's services and to reach higher competitive advantage. Client Centricity, enhanced profitability per customer through exploiting cross selling with the other services offered by the Bank. Given the above, and while preserving the transparency, conservatism, and risk awareness policy, year 2012 and 2013 results for Corporate Banking Division were encouraging, despite the tough competition and the negative economic indicators. Advances (including acceptances) witnessed notable growth of 14.5%. Trade Finance, witnessed a remarkable and significant 38.7% increase in volume of opened letters of credit, and a 219% marked growth in volume of issued letters of guarantees.

A prudent and conservative lending policy has proved successful as is manifested in doubtful and substandard amounts for less than 1% provisioned at 90% while the remaining uncovered amount is shielded by first mortgages on properties held in Lebanon.

Treasury and Capital Markets

Treasury and Capital Markets Unit undertakes the responsibility under the guidance of the ALCO Committee of the Bank to manage the assets and liabilities of the bank, thus allowing it to capitalize on market opportunities, while at the same time monitoring and hedging against risk exposure. Funds not utilized for lending are deposited with prime banks overseas and with other Lebanese banks or the Central Bank of Lebanon. The Bank also prices foreign exchange transactions for its individual clients, corporate clients and other local banks

Financial advisory services to corporate clients are provided as a complementary service to corporate banking and trade finance services by structuring creative financing solutions for specific corporate clients' needs. This is achieved through a close relationship between the client and a team of specialized financial advisors, who advise clients on hedging against foreign exchange and other market risks, while offering tailor-made financial products to implement such hedging strategies. Moreover, the financial advisors assist corporate clients in optimizing their borrowing strategies.

The Securities Sales Desk offers clients access to international stock exchanges, fixed income products, derivatives products, commodities and both off-the-shelf and tailor-made investment products. The team is highly trained and undergoes frequent training and development programs. The unit is equipped with a state-of-the-art trading floor, providing real-time monitoring of global financial markets, in addition to swift and accurate execution for 16 continuous hours every week day. In addition, the unit has been able to structure and offer to clients diversified and innovative investment funds such as the High Dividend Yield fund offered starting 2011.

Trade Finance

The Bank's managerial skills, its strong ties with the local merchant and trading communities and its network of Correspondent Banks contribute to its competitive advantage in trade finance. This banking niche is complemented by the Bank's adequate knowledge of the geographic areas, the industry segments and the growing community of traders

and merchants it services. The Bank's trade finance operations in the Lebanese and the neighbouring Arab markets depend to a large extent on the long established reputation of the clients and the specific nature of the goods traded. In Lebanon, the Bank's trade finance services have focused on imports of finished and non-perishable goods such as machinery, electronics, auto parts, other specialized products, raw materials such as fibres for the textile industry, heavy machinery and equipment used in manufacturing plants in agro-business, and pharmaceuticals, in addition to the exports of finished products such as textiles and cotton.

The Bank's growing trade finance activities include the issuance of Documentary Letters of Credit, Letters of Guarantees, Forex and Trading Advisory Services, Foreign Credit Investigations, and Documentary Collections. To promote export trade business especially between the Arab Countries, the Bank's industrial corporate clients benefit from diversified funding programs. In addition, the Bank provides companies and financial institutions with special expertise when structuring or negotiating complex trade finance transactions. The Bank's network of International Correspondents has played a major role in maintaining long-term client relations whilst attracting new ones.

Financial Institutions and Correspondent Banking

The Financial Institutions activity is a core line of business within the Bank. Its strategy consists in catering for all types of Financial Institutions such as Deposit Taking and Non-Deposit Taking, by maintaining an effective Relationship Management Model, taking into consideration the main risk factors such as Market risk, Political risk, Economic risk, Country rating and, Bank rating. Throughout 2012, the Financial Institutions was able to grow its successful and trustful business with all the major international correspondents. The Bank was granted in 2013 and for the 6th consecutive year, the Award of Excellence from Deutsche Bank and from Commerzbank, and anchored itself as an active and reliable player in the correspondent banking arena.

Financial Institutions is constantly developing its activity among its correspondent banking network, aiming to provide always a high quality of services to clients and other Financial Institutions in the treasury services, investment and trading, global payment services, international trade finance services, syndication and structured products.
Financial Institutions is in the process of applying and implementing sophisticated automated solutions that can reduce administrative time consumption and add real value to the final outcomes and results.

List of Correspondent Banks

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

Operations

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

appropriate set of infrastructure and processes to support the Bank's Strategic Objectives, the current and future Organizational needs, and to ensure the delivery of an outstanding Quality customer focused service. Being at the execution end of clients' transactions, Operations are at the final stage of the Bank's value creation chain. Due to this situation, Operations plays an important role in ensuring that the Bank is capable of effectively processing its clients' requests in compliance with the required due diligence, speed and high quality standards. Operations division plays a key role in ensuring that required controls are effective and that ultimately, transactions processed are in line with local and international requirements. Amongst the latest enhancements at Operations:

- An increased automation levels to improve efficiency and accuracy
- The enhancement of Operations division process reliability and resilience
- The alignment of Operations efforts with the Bank's strategic objectives, i.e: putting the clients at the center of the value chain.

Government Entities Business Development

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

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

Mediation

Over the last decade, Mediation has remarkably received growing attention and recognition as an alternate dispute resolution approach around the world. Mediation is a voluntary and confidential process that allows two or more disputing parties to prevent or to resolve their conflict in a mutually agreeable way, with the help of mutually selected impartial and neutral third party, a Mediator. Mediation spirit has always constituted one of the Bank's fundamentals to preserve smooth business relationships based on trust.

The Banking Mediation Unit established in 2010 at the Bank offers an independent, impartial, informal and confidential conflict resolution service. The Banking Mediation Unit's purpose is to prevent or resolve the potential conflicts between the Bank and its clients or suppliers. The Mediation process is materialized through the Mediation Chart which aims to define the context in which Mediation takes place, and to inform clients and suppliers of their respective rights and obligations and the role of the Mediator.

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

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

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

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

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

Communication and Quality

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

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

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

Social Responsibility

The Bank is committed to operating its business in a socially responsible way. This reflects the Bank's will to contribute to the welfare of its customers, shareholders, employees and the entire society guided by Corporate Social Responsibility. Through its collaboration with devoted NGOs, the Bank strives to support Children, Youth and Elderly. Initiatives related to healthcare, drug addiction rehabilitation, dysfunctional families and environment have been adopted in addition to awareness activities.

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

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

Branch Network

A refocused management strategy aims at increasing the responsibilities of the Bank's branches, to better capitalizing on the relationship oriented nature of the Bank's clientele. As of the date of this Offering Circular, the Bank's network of branches comprised 10 branches in Lebanon with a concentration on the Greater Beirut area, in addition to a fully-fledged branch located in Limassol, Cyprus.

The following lists the Bank's current branches by areas/locations:

LEBANON			**CYPRUS**
Riad El Solh	Chtaura	Zouk	**Limassol**
Ashrafieh	Verdun	Chtaura	
Dora	Sin El Fil		
Kantari	Rabieh		
Zouk	Gemmayzeh*		

**opened in December 2013*

Subsidiaries and Affiliates

Bemo Securitization SAL – BSEC (www.bsec-sa.com)

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

In line with growing market needs, BSEC offers a broad range of services to clients with sophisticated funding requirements.

These services cover 3 main areas of finance:
1. the debt and structured finance (securitization and asset based financing, syndications and structured lending, bonds and Sukuk issuance, and project finance);
2. the M&A (buy-side/sell-side, joint-ventures) and capital raising;
3- the administration and agency services, (calculation and paying agency, fund administration agency).

In 2013, BSEC successfully closed an innovative short term Auto Loans Asset-Backed Securities and launched the largest Asset-Backed Issuance in the history of the Lebanese Capital Markets with a size of USD 185 million.

These transactions offer alternative sources of financing to clients, confirm the success of BSEC structuring capabilities, and validate the trust of both the clients and the investors. BSEC has been rewarded on many occasions by international industry (ISR, Euromoney etc.) for its innovative structures in both conventional and Islamic finance areas.

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

Its head office is located at:
3rd Floor, Two Park Avenue Building, Park Avenue, Beirut Central District, Minet El Hosn

Banque Bemo Saudi Fransi SA – Syria (www.bbsfbank.com)

BBSF is the trading name for Banque Bemo Saudi Fransi, a Syrian privately owned joint stock company operating in accordance with world-class standards. Established in 2004 as Syria's first private bank, BBSF, in less than 9 years, has grown in size and stature to become a frontline financial institution, a key player in financing corporate and commercial, industrial, and contracting activities, hence largely contributing to the development of these sectors and the overall economy of Syria.

BBSF's retail banking strives to provide its customers with a broad spectrum of products and services including loans, deposits, payments and cash management services. Banque Bemo Saudi Fransi aims to maintain its leadership in the banking sector in Syria, with a strong focus on retail and commercial banking. BBSF services as well multinational and financial institutions.

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

Ownership Structure as of 31/12/2013:

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

BBSF Head Office is located at: 29 Ayyar Street, P.O.Box: 31117 Damascus - Syria

Bemo Investment Firm Ltd. – Dubai *(Formerly BEMO Oddo Investment Firm Ltd)*
It operates as a financial intermediary since 2008 in the DIFC in Dubai.

Bemo Europe - Banque Privée (Fully owned by EMIC S.A. – Luxembourg)- Sister Bank
BEMO Europe was founded in 1976 as a generalist bank. It subsequently developed its European activities, specializing in Private Banking and Wealth Management.

Since the 1st of April 2013 the head office was transferred to Luxembourg, whereby Paris became its full branch The Bank is regulated by the Commission de Surveillance du Secteur Financier (CSSF), Luxembourg and the Paris branch by the French Banking Commission (BDF) and the French Financial Market Authority (AMF).

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

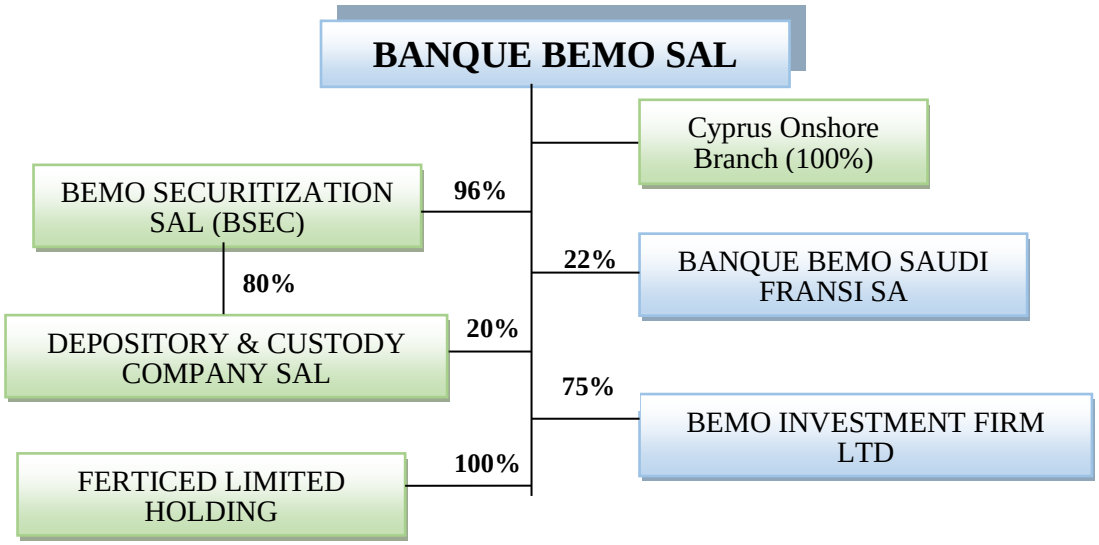
Its main activities revolve around the following:
- Wealth Management, Financial Estate Planning, Family Office Services
. Asset Allocation. Portfolio Advisory and Management. Cash Management.
. Credit and Loan Accounts (Lombard, property, personal)
. Treasury and Foreign Exchange
. Fiduciary operations.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

Ownership Structure

The Bank's capital is equivalent to LBP 62.599 billion, consisting of 62,000,000 shares of common stock ("Ordinary" Shares) and 350,000 shares representing the par value of Preferred Shares Issuance of Year 2013. Out of the total 62,000,000 shares, 51,400,000 shares are publicly held and listed on the Beirut Stock Exchange (BSE). The listing of shares on the Beirut Stock Exchange has been initiated since January 1999. The ownership structure of the Bank's capital as of September 25th, 2014 is as follows:

		Ownership Type					
Name	**Country of Origin**	**Not Listed**	**%**	**Listed**	**%**	**Total**	**%**
Sharikat Al Istismarat Al Oropia Lil Sharek Al Aousat (Holding)	*Lebanon*	7,673,995	*72.40*	30,181,793	*58.72*	**37,855,788**	***61.06***
Mr. Maroun Antanos Semaan	*Lebanon*	715,765	*6.75*	7,647,311	*14.88*	**8,363,076**	***13.49***
Banque Saudi Fransi	*Saudi Arabia*	1,590,045	*15.00*	4,813,218	*9.36*	**6,403,263**	***10.33***
Sheikh Isam Mohamad Kheiri Kabbani	*Saudi Arabia*	446,144	*4.21*	1,454,729	*2.83*	**1,900,873**	***3.07***
Al Amir Libanaise Holding SAL	*Lebanon*			1,509,637	*2.94*	**1,509,637**	***2.43***
Mr. Samih Halim Saadeh	*Lebanon*	120,852	*1.14*	879,207	*1.71*	**1,000,059**	***1.61***
Abdallah Bakhesh	*Saudi Arabia*			642,289	*1.25*	**642,289**	***1.04***
Mr. Henry Yordan Obegi	*Lebanon*	9,441	*0.09*	28,006	*0.05*	**37,447**	***0.06***
Mr. Georges Bechara Obegi	*Lebanon*	9,441	*0.09*	28,006	*0.05*	**37,447**	***0.06***
Dr. Ara Ohannes Hrechdakian	*Lebanon*	4,969	*0.05*	14,740	*0.03*	**19,709**	***0.03***
Mr. Antoine Mansour Wakim	*Lebanon*		*0.00*	19,709	*0.04*	**19,709**	***0.03***
Sheikh Hassan Isam Mohamad Kabbani	*Saudi Arabia*	5,000	*0.05*	15,151	*0.03*	**20,151**	***0.03***
Mr. Riad Bechara Obegi	*Lebanon*	4,969	*0.05*	14,740	*0.03*	**19,709**	***0.03***
Mr. Jean Victor Hajjar	*Lebanon*	4,969	*0.05*	14,740	*0.03*	**19,709**	***0.03***
Emir Karim Samir Abillamaa	*Lebanon*	4,969	*0.05*	14,740	*0.03*	**19,709**	***0.03***
Late Pierre Georges Khoury	*Lebanon*	7,081	*0.07*	7,335	*0.01*	**14,416**	***0.02***
Mrs. Tatiana Khoury Naayem	*Lebanon*	2,360	*0.02*	2,445	*0.00*	**4,805**	***0.01***
Other Investors* (through Beirut Bourse)				4,112,204	*8.00*	**4,112,204**	***6.63***
Total Common Shares		**10,600,000**	**100**	**51,400,000**	**100**	**62,000,000**	**100**
Preferred Shares 2013 ***(Par Value Representation)***		**-**	-	**350,000**	**100**	**350,000**	**100**
Total		**10,600,000**	**17.04**	**51,750,000**	**82.96**	**62,350,000**	**100**

Following is a chart showing the present Group structure as at September 15, 2014:



Management and Human Resources

Board of Directors – Chairman – General Manager

The management of the Bank is vested in its Board of Directors (the "Board"), the Chairman-General Manager, the General Manager and the various Committees. Without prejudice to the provisions contained in the Articles of Association, and in order to ensure a high standard of corporate governance practice for the bank, the responsibilities of the Board of Directors center on the following:

- Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies
- Establish clear corporate objectives and formulate sound business strategies for achieving them. Periodically evaluate and monitor the implementation of such strategies and policies, including the business plans, and operating budgets
- Select and appoint officers who are qualified to administer the Bank's affairs effectively and soundly, and to establish an adequate selection process. The Board shall apply at all times the fit and proper rule on the selection of key management personnel. Integrity, technical expertise, and experience in the Bank's line of business shall be the key considerations in the selection process. Moreover, an effective succession plan to ensure management continuity.
- Monitor, assess and control the performance of management.
- Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Bank to anticipate and prepare for possible threats to its operational and financial viability
- Ensure the bank's faithful compliance with all applicable laws, regulations and best business practices
- Review financial statements and other disclosures, with a focus on the integrity and clarity of these disclosures
- Ensure the integrity and transparency of related party transactions between and among the bank, and its subsidiaries, affiliated companies, directors, officers, shareholders and related interests
- Conduct the affairs of the Bank with a high degree of integrity. For this purpose, the Board of Directors has prescribed corporate values, codes of conduct and other standards of appropriate behavior for itself, senior management and other employees
- Keep the individual members of the Board and the shareholders fully informed with balanced and understandable assessment of the Bank's performance, financial condition and prospects
- Keep the activities and decisions of the Board within its authority under the Bank's Articles of Incorporation and Bylaws, and in accordance with existing laws, rules and regulations

- Prescribe a clear assignment of responsibilities and decision-making authorities. The Board of Directors establishes in writing the limits of the discretionary powers of each officer, committee, and such other groups for the purpose of lending, investing or committing the Bank to any financial undertaking or exposure to risk at any time
- Assisted by the Board Risk and Compliance Committee, adopt and maintain an adequate risk management policy. The Board of Directors is responsible for the formulation and maintenance of written policies and procedures relating to the management of risks throughout the Bank. In that respect, the Board approves and oversees the implementation of the Bank's overall risk strategy, risk tolerance and risk appetite and ratifies the bank's risk management framework.
- Ensure that the Bank has a beneficial influence on the economy. The Board has a continuing responsibility to provide those services and facilities that shall be supportive of the national economies where it operates. It shall identify the sectors in the community in which the Bank operates, or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities

Role and Responsibility of the Chairman of the Board of Directors of the Bank:

The Chairman of the Board is elected by the Board of Directors. Without prejudice to the provisions contained in the Articles of Association, the Chairman shall:

(a) Ensure that the Board acts efficiently, fulfills its responsibilities and discusses all material issues in a timely manner;
(b) Be responsible for preparing and approving the agenda of every meeting of the Board taking into consideration any matter proposed by the other Board Directors.
(c) Encourage all Board Directors to fully and efficiently participate in handling the affairs of the Board for ensuring that the Board is working in the best interests of the Bank;
(d) Take the proper actions for ensuring efficient communication with shareholders and communicating their opinions to the Board; and
(e) Allow efficient participation of the Non-Executive Directors in particular and to develop constructive relations between Executive and Non-Executive Directors.
(f) Be available to shareholders as representative of the Bank and its principal voice on all matters.

The number of Board of Directors meetings held during 2012 was equivalent to 5.

The following table sets forth the names of the members of the Board of Directors, as of September 15, 2014:

Mr. Henry Yordan Obegi	Honorary Chairman	
Mr. Riad Bechara Obegi	Chairman, General Manager	Executive
Mr. Samih Saadeh	Vice Chairman, General Manage	Executive
Sharikat Al Istismarat Al Oropia (Holding) sal	Member	Non executive
Dr. Ara Ohannes Hrechdakian	Member	Independent
Mr. Jean Victor Hajjar	Member	Non executive
Mr. Antoine Mansour Wakim	Member	Independent
Sheikh Hassan Isam Mohamed Kabbani	Member	Independent
Mr. Georges Bechara Obegi	Member	Non executive
Emir Karim Samir Abillamaa	Member	Non executive

Mr. Henry Yordan Obegi – Honorary Chairman. Born in 1926, Mr. Obegi's professional experience spans over more than 67 years covering a range of positions in commerce, industry and banking. Starting initially with Maison Yordan Obegi in 1945, Mr. Obegi held the position of Chairman and General Manager of Société Arabo Allemande Yordan Obegi SAL between 1955 and 1986.

Current Appointments include

• Honorary Chairman of the Board of Directors of Banque BEMO SAL (since 31.05.2010).
• Chairman and General Manager of Obegi Group Holding sal
• Chairman and General Manager of Henkel Lebanon sal

• Chairman and General Manager of Obegi Group SA-Luxembourg
• Board Member of Unifert Holding sal
Former Appointments include:
• Co-founder and Board Member of Credit Libanais sal (1961-1985)
• Chairman-General Manager Banque BEMO SAL (1994-May 2010)
• Chairman and General Manager of Banque de l'Europe Meridionale (Brussels)(1973-1984)
• President of European Arab Bank AG (Frankfurt) (1978-1985)

Dr. Riad Bechara Obegi – Chairman, General Manager. Born in 1958, Mr. Obegi holds a PHD degree in economics from Université Lyon Lumière, a Masters degree in Business Administration from Université Paris IX Dauphine, a Masters degree from IEP-Paris. Dr. Obegi is currently acting as:
• Chairperson of the Board Credit Committee
• Member of Nominating, Remuneration and Corporate Governance Committee
• Member of the Board Risk and Compliance Committee
• Chairperson of the Executive Committee/Strategy Committee
• Chairperson of Senior Executive Management Committee (SEMC)
In addition to the above, Dr. Obegi's current appointments include:
• Chairman-General Manager of Banque BEMO SAL (since 31.05.2010)
• Chairman of Banque de l'Europe Meridionale (Luxembourg-Paris) (1995-Present)
• Chairman of Banque Bemo Saudi Fransi SA - Syria
• Chairman of Obegi Chemicals Group SA - Luxembourg
• Chairman of Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal
• Board Member and General Manager of Obegi Group Holding sal
• Represents Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat (Holding) sal in Banque BEMO's Board.
Former Appointments include:
• General Manager Banque BEMO SAL (2001-2003)
• Vice Chairman of the Board of Directors and CEO of Banque Bemo Saudi Fransi – Syria (2007-2009)

Mr. Samih Saadeh – Vice Chairman, General Manager. Born in 1952, Mr. Saadeh graduated from the American University of Beirut with an MBA and from the Lebanese University with a degree of Law.
Mr. Saadeh's experience started with American Express Bank Ltd New York and Beirut followed by ABN Amro Bank - Beirut, whereby he managed and led many departments starting from Corporate and Financial Institutions to Corporate and Private Banking. Mr. Saadeh joined Banque BEMO SAL in January 2003 as General Manager and was appointed Managing Director-General Manager in 2010.
Mr. Saadeh's current appointments include
• Vice Chairman - General Manager Banque BEMO SAL (since June 7th, 2013)
• Member of the Board of Directors of Bemo Securitization (BSEC)
• Represents Banque BEMO SAL in the Board of Directors of Banque Bemo Saudi Fransi-SA Syria (BBSF)
• Chairperson of various specialized committees in Banque BEMO SAL
Mr. Saadeh has given lectures and seminars at the Association of Lebanese Banks and the Centre d'Etudes Bancaires and published articles at the Lebanese American University on Country Risk, Corporate and Retail Banking, and Capital Markets issues.

Dr. Ara Ohannes Hrechdakian – Member. Born in 1924, Dr. Hrechdakian holds a PHD in Economics and Political Sciences from Hiedelberg University/Germany. Dr. Hrechdakian started his professional career in 1948 as a founder and General Manager of ARA & Co established in Lebanon and Syria acting as exclusive representatives and distributors of many European big companies in many fields.
In 1962, Dr. Hrechdakian founded S.L.I.D SAL based in Lebanon for the trade of cosmetics and chemicals, where he acted as CEO until 2010. Dr Hrechdakian held several leading positions acting as founder and Board Member and sometimes as CEO in several holdings in Europe and Lebanon such as:
• In Luxembourg : Fertitrust, EMIC S.A.
• In Belgium: Western Chemicals
• In Lebanon: Hoechst Middle East SAL, Hostapharma SARL, Unifert SAL, Unifert Holding SAL, Uniterminals SAL, UNILEC SAL, Societé des Entrepots Industriels & Commerciaux SARL, Societé Anonyme de Frigos & Entrepots SAL.

Mr. Jean Victor Hajjar – Member. Born in 1930, Mr. Hajjar started his professional career in Aleppo-Syria. He assumed the position of Deputy General Manager at Crédit Libanais sal until 1985. In 1986 Mr. Hajjar joined Banque de L'Europe Meridionale in Paris, Brussels and Luxembourg as General Manager and he acted as General Manager of Banque BEMO SAL - Lebanon from 1994 to 2001. Current appointments include:
- Attendee in the Audit Committee
- Member of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee
- Member of the Board Risk and Compliance Committee

Mr. Antoine Mansour Wakim – Member. Born in 1945, Mr. Wakim, holds an AMP from INSEAD (1978) and followed Actuary studies in University of Lausanne, Switzerland (1967). Mr. Wakim, Former Chairman and CEO of Allianz SNA, developed the business of SNA in the Arab world, established in 1978 "la Marocaine - Vie in Morocco" , Maghrebia - Tunisia 1976, Jordan Eagle Jordan1977, Allianz Egypt 2005, Allianz Saudi Arabia 2005 and Allianz Takaful in Bahrain 2008. Mr. Wakim served as University lecturer for over 12 years in various universities in Lebanon.
Mr. Wakim's current appointments include:
• Board member of Allianz SNA,
• Board member of Hotel Dieu de France,
• Member of the Board Governors of the American Hospital of Paris.
• Member of the Swiss Association of Actuaries (SAA)
• Member of the International Association of Actuaries (IAA) (1969)
• Board member of the National Social Security Fund in Lebanon
• Member of the Advisory Board of the Family Business Institute at LAU.
Former Appointments include
• University lecturer for over 10 years in various universities in Lebanon
• Former member of the Advisory Board of the Business School at AUB

Sheikh Hassan Isam Mohamed Kabbani – Member. Born in 1966, Sheikh Kabbani graduated from Pepperdine University, UCLA. He started his professional career in 1992 when he joined the BMC & UNITECH Company as their Business Development Manager. In 1998, he was appointed Director of Administration and Credit Control of the IKK Group of Companies, a leading business group of Saudi Arabia which encompasses many companies in the MENA Region. In 1999, Sheikh Kabbani was assigned the post of Vice Chairman of the IKK Group of companies, and was promoted in October 2010 to that of Acting Chairman, a position that he continues to hold at present, which involves the management of all aspects related to this business group, in and out of Saudi Arabia. In addition to his membership in the Board of Directors, Sheikh Kabbani is a member of the Audit Committee.
Sheikh Kabbani sits on the Board of many companies of the IKK Groups and on that of the Saudi United Cooperative Insurance (Walaa) and is a member of the American Businessmen of Jeddah.

Mr. Georges Bechara Obegi – Member. Born in 1965, Mr. Obegi holds an MBA degree from INSEAD in Fontainebleau, France, a Degree in Economics from Université Paris IX Dauphine and a Degree in Business Administration from Ecole des Hautes Etudes Commerciales (HEC Paris). His current appointments in the Bank include:
- Member of the Board Credit Committee
- Member of Nominating, Remuneration and Corporate Governance Committee
- Member of the Board Risk and Compliance Committee
Mr. Obegi holds several leading positions within the Obegi Group of companies, his current appointments are: Chairman-CEO Obegi Consumer Products Holding; Chairman-CEO Unifert Holding sal; Board Member Obegi Chemicals Group SA-Luxembourg.

Emir Karim Samir Abillamaa – Member. Born in 1966, Mr. Abillama'a holds an MBA degree from INSEAD in Fontainebleau, France, a Master of Engineering degree in Industrial Engineering from the Ecole Polytechnique in Montreal, Canada and a Bachelor of Science degree in Mechanical Engineering from Boston University, USA. His current appointments in the Bank include:
- Member of the Audit Committee
- Member of the Board Credit Committee
- Member of the Nominating, Remuneration and Corporate Governance Committee

Since 1993, Mr. Abillamaa has been acting as Managing Director of Mitsulift and Equipment SAL. He also acts as Member of the Board of Directors of Mitsulift and Equipment sal, Mistsulift Mediterranean Ltd, Cylift and Equipment Ltd, Mitsulift Hellas SA, Mitsulift and Equipment Syria Ltd. He is also a Founding Member of 22°C and Chairman of Mitsulift Levant (Offshore) SAL and Mitsulift Africa (Offshore) SAL

Specific duties of Directors

A Board Director specific duties center around the following:

(a) Conduct business transactions with the Bank fairly ensuring that personal interest does not bias decisions;
(b) Devote the time and attention necessary to properly discharge his/her duties and responsibilities on the Board and in any Committee(s) to which he/she is appointed from time to time by the Board;
(c) Act judiciously;
(d) Have a working knowledge of the statutory and regulatory requirements affecting the Bank.
(e) Observe confidentiality;
(f) Ensure the continuing soundness, effectiveness and adequacy of the Bank's control environment;
(g) Adhere to loyal behavior taking into consideration the Bank's and shareholders' interests, take such due care and diligence as taken by a normal person in similar circumstances; and
(h) Notify the Board of all positions he/she holds at the time of his/her appointment to the Board and promptly update the Board as to any changes thereto.

Duties and Responsibilities of Non-Executive Directors /Independent Directors

In addition to the above duties and responsibilities, a Non-Executive Director/ Independent Director duties and responsibilities center around the following:

(a) To participate in the meetings of the Board and to provide independent opinion on strategic matters, policy, performance, accounting, resources, key appointments and standard operations;
(b) To give priority to the interests of the Bank and its shareholders if and when any conflict of interest situation arises;
(c) To control the Bank's performance in realizing its agreed objectives and goals and to monitor its performance reports;
(d) To develop procedural rules for the Bank's governance and supervise and monitor their implementation in compliance therewith; and
(e) To provide the Board and its different Committees with his/her skills, experience, diversified specialties and qualifications through regular presence and efficient participation in the General Assembly meetings and through the acquisition of a balanced understanding of shareholders' opinions.

Board's Members Remuneration

Total remunerations paid to the members of the Board of Directors for each of the years 2012 and 2013 amounted to a total of LBP 15.1 million (US$10,000) annually for each member of the Board. This fee covers the members' attendance to the Board of Directors meetings.

Balances/Transactions with Related Parties

Article 152 of the Code of Money and Credit provides that advances and credit facilities to directors or managers of banks, or to companies having common directors with the Bank's or to principal shareholders or their close relatives, must be authorized by the Ordinary General Assembly of Shareholders of the bank and must not exceed, in aggregate, 2% of the shareholders' equity of the Bank, provided that unsecured loans do not exceed 1% of the shareholders' equity. The Bank is in strict compliance with Article 152 of the Code of Money and Credit. Balances with related parties excluding accrued interest and balances eliminated on consolidation consist of the following:

	Audited		Un-audited
	2012	2013	June 14
Shareholders, directors and other key management personnel and close family members: (LBP million)			
Direct facilities and credit balances:			
- Secured loans and advances	326	345	392
- Unsecured loans and advances	8	328	620
- Deposits	10,106	1,233	11,618
Associated companies:			
Direct facilities and credit balances:			
- Secured loans and advances	2,667	-	-
- Unsecured loans and advances	828	1,522	1,143
- Deposits	43,831	64,739	65,249
Indirect facilities:			
- Letters of guarantee	10	5	55

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP 302 million and by no pledged deposits of the respective borrowers as at December 31, 2013 (LBP 2.67 billion as at end of 2012). The remuneration of executive management amounted to LBP 2.66 billion during 2013 (LBP 2.94 billion during 2012) in addition to incentives linked to performance.

Corporate Governance

BEMO Group and Banque BEMO have long been committed to sound corporate governance. Since over 100 years, "Business with ethics" has been diligently implemented by the Group. Presently, the Bank remains focused and committed towards this approach. In practice, this means that in all the business operations the Bank seeks to earn the trust of all its stakeholders, including shareholders, customers, employees and communities. This is achieved through ethical conduct of business and based on the principles of honesty, transparency, and accountability. Since 2006, and in line with the local, regional and international increasing awareness by supervisory authorities, credit rating agencies, and investors, the Board of Directors of the Bank adopted to the best possible the Corporate Governance Guidelines setting out the specific roles, duties and responsibilities and rights of the Directors of the Bank. The main objective of the guidelines was to act as the Modus Operandi for the sound application of the Corporate Governance requirements at the Bank. Acting in accordance with the prerogatives of BDL Intermediary Circular No 255 published in April 2011, the Bank restated its corporate governance guidelines under a newly published Corporate Governance Manual whereby its sole purpose was to realign the Bank's Corporate Governance principles and guidelines with the amendments and new practices introduced by international bodies and requirements of regulatory authorities.

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

At Banque BEMO SAL, effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. At the micro level, the Bank operates with the main concern to meet its shareholders expectations, protect the interests of its depositors and continuously earn the trust of all its stakeholders, guaranteeing the successful achievement of its long term strategy and objectives.

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

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

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

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

The **Board Governance Principles**, that define the board's mission, the selection of directors, their duties and functions as well as the board's meetings and decision making process. Through these principles, the Board of Directors is fully committed to attaining and sustaining the highest standards of corporate governance. This is

ensured through the implementation of policies, procedures and practices which encompass the fundamental principles of good governance, mainly:
• Independent functioning of the Board
• Clear separation of responsibilities of the Board and Management
• Strategic Planning by the Board
• Management of risk
• Integrity of Internal Control and Management Information System
• Integrity in conducting banking operations
• Monitoring of Senior Management

The **Deontology Principles**, code of professional ethics that sets the standards of business conduct and ethical behavior to be adopted throughout the Bank. The **Anti Bribery and Corruption Policy**, which draws together the Bank's principles on fighting corruption in all its variants. The **Whistle-Blowing Policy**, designed to promote a culture of open communication that enables staff members to voice their concerns at the earliest opportunity. The **Compliance Charter,** which aims to strengthening, monitoring and controlling the observation of laws, regulations, and internal rules and principles that are relevant to the integrity and to the reputation of the Bank. The **Disclosure Policy** where the Bank ensures to communicate to the public all relevant information in a timely and accurate manner, and in accordance with applicable legal, regulatory, and stock exchange requirements. Disclosure is completed through the Bank's website, published annual and quarterly financial reports as well as daily summary reports available in both Arabic and English languages.

In addition to the principles and guidelines stated in the above documents. The proper implementation of the corporate governance framework is guaranteed through:
• The ownership structure of the Bank
• The composition of its Board of Directors
• The defined corporate values of the Bank
• The management organization and structure
Lastly, the acknowledged business standards, ethics and values and their implementation are assessed through the board of directors' self-assessment checklists and the monitoring of customers' complaints.

Management Structure

The structure of the Bank relies on a focused management and an organizational platform enabling swift reaction to changing market opportunities, yet without jeopardizing the existing operations of the Bank.

Management Conduct

Proper conduct, control, and professionalism in management are the basis of the Bank's operational standards. As earlier mentioned, the Bank follows a "Code of Conduct" to ensure the prevention of and the retribution against, any self-dealings, preferential treatments, privileged transactions or political abuse. In addition, internal control principles were defined in line with regulatory requirements and best practices. The primary duty of the Bank's management and other key officers and employees is to the Bank, its welfare and success. The success of the Bank, in the management's view, will protect and enhance the Shareholders' investments. In a general sense, the Board of Directors and the Bank's management are responsible towards the Shareholders (present and future) who assess their performance and conduct through the means of corporate democracy at Annual Shareholders' Ordinary and Extraordinary meetings. The Bank's management is fully aware that it has responsibilities to other constituents of the Bank including its regulators, clients, employees, and to the community at large. These are fiduciary responsibilities that must, however, be exercised in the context of the management primary objective to operate the Bank in the best interests of its Shareholders.

Management Professionalism

Whilst the Bank is currently owned at majority by Istismarat, which includes amongst its founders prominent family groups from Lebanon and Saudi Arabia, the management of the Bank is nonetheless entrusted to a group of independent senior executives. The independence of management is ensured through the trust gained by the owners throughout the years in the business its focused banking skills and its knowledge of the markets in which it operates.

The senior managers of the Bank have, among their banking achievements, assisted in building and managing major local banking institutions, such as "Credit Libanais S.A.L." and other dynamic European private banking entities such as "BEMO Europe- Banque Privée". In addition, members of the Bank's senior management have held high-level managerial responsibilities in the banking industry, among which the local operations of foreign banks (ABN AMRO).

This group of seasoned managers has covered since the early sixties both the Lebanese and Syrian markets, and has established throughout the years and across all economic sectors strong and long term relations with first-tier manufacturers, traders, merchants and financiers who remain dominant players in said markets. The decision-making process of the management team is not subject to any interference by the controlling Shareholder in the Bank's day-to-day operations nor is yet disrupted by the lack of any inter-locking positions between the controlling Shareholder and the management team. However, the management significantly benefits from the collective business experience of the Bank's Board of Directors which comprises financiers, traders and prominent industrialists. This interaction between an independent management and a seasoned, diversified Board allows for a free exchange of ideas and the setting of far reaching strategies in an increasingly challenging banking environment.

Management Approach

The Bank's management approach is geared towards productivity and aims at achieving the highest level of quality throughout the hierarchy of the workforce. As such, the Bank's organization and human resources division aim to promote the required know-how among employees as part of its competitive strategy. The Bank has already succeeded to a large extent in this regard, gaining the recognition for the loyalty of its employees. Management strives to strengthen the sense of partnership among all of its staff members. All members of the workforce are encouraged to contribute to the growth of the Bank, and, for that end, are assisted through training seminars to improve their marketing and salesmanship skills. On the other hand, every employee is equally responsible and accountable for his/her actions on the job, as part of an overall performance management approach.

The table below is a summary list of names of the senior management of the Bank as of September 15, 2014:

Dr. Riad B. Obegi	Chairman - General Manager
Mr. Samih H. Saadeh	Vice Chairman - General Manager
Mr. Georges Y. Matloub	Assistant General Manager - Corporate Banking
Mr. Joseph H. Raffoul	Assistant General Manager - Banking Abroad
Mr. Gaby S. Frangieh	Assistant General Manager – Finance, Capital & Systems Management

Senior Management

Mr. Georges Matloub – AGM – Corporate Banking Division. Born in 1951, he holds a Bachelor's degree in Political and Administrative Sciences from the Lebanese University. Mr. Matloub joined the Bank in 1994 and is currently in charge of the Corporate Banking Division. Mr. Matloub's banking career started in 1970 with Crédit Libanais SAL as trainee in all major departments. He was then responsible of several branches including the representative office in Limassol which he established, and became regional manager in 1989. Later, he worked with Banque de l'Europe Meridionale as a representative in Beirut and commercial manager in Limassol. He then worked with Banque BEMO SAL acting as manager off the Dora branch until 2000.

Mr. Joseph Raffoul – AGM – Banking Abroad Division. Born in 1947, he holds a Bachelor's degree in Economics from Saint Joseph University. Mr. Raffoul joined the Bank in 1994 and is currently in charge of the Personal Banking Division and Financial Institutions. His banking career started in 1966 with Crédit Libanais SAL where he became the first Chief Dealer in 1972. In 1973, he started Banque de l'Europe Meridoniale Brussels that was then an affiliate to Crédit Libanais SAL. From 1975 to 1978, he worked with Kuwait Financial Centre in Kuwait as Foreign Department manager. In 1978, he rejoined Crédit Libanais as Foreign Department manager. In 1979, he joined again Banque de l'Europe Meridoniale Brussels as Foreign Department and Customer Relations manager until 1982 when he came back to Crédit Libanais. In 1984, he joined Banque de l'Europe Meridoniale Paris as manager of the Customer Relations and Foreign Department.

Mr. Gaby Frangieh – AGM – Head of Finance, Capital and Systems Management. Born in 1973, Mr. Frangieh holds a Bachelor's degree in Business Administration and a Masters Degree in Money and Banking from the American University of Beirut. Mr. Frangieh started his banking career at ABN Amro Bank as a team head and relationship manager in Corporate Banking. He later joined Banque Bemo in early 2003 as Credit & Market Risk Manager where he has established related policies to manage and measure risks in compliance with the requirements of regulators. In 2010, Mr. Frangieh was appointed Chief Risk Officer. Since June 2013, Mr. Frangieh has been promoted to Assistant General Manager-Head of Risk Management Division. Starting January 2014, he was appointed as Head of Finance, Capital and Systems Management. Mr. Frangieh is a lecturer at the Association of Banks in Lebanon since 2003 and at the Union of Arab Banks since 2008.

Senior Executive Management

The Bank's Senior Executive Management Team consists of the following:

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

Bank Committees

Bank Committees are established with clear missions, authorities and responsibilities. Each specialized Committee has a detailed charter indicating the aforementioned. The Committees' respective authorities are generally consultative, with all recommendations requiring Board approval and being submitted through the Chairman-General Manager for review, decision and ratification. The Bank has several functional Committees including, *inter alia*, the Nominating, Remuneration and Corporate Governance Committee, the Audit Committee, the Risk and Compliance Committee, the Executive/Strategy Committee, the Real Estate Investments, Purchase and Renting Committee, the Credit Committee, the Assets & Liabilities Committee, the IT Security Committee, the BDL 110 Steering Committee and the Anti-Money Laundering/CFT Committee as more fully described below. The Board is fully aware of all decisions governing the Bank's overall operations as submitted and recommended by the various Committees.

The table below outlines the list of the Bank's committees as last updated to date of this Private Placement Memorandum.

Committee	**Composition**	**Requested by regulators**
Audit Committee	Board	Yes
Credit Committee	Board	Yes
Nominating, Remuneration & Corporate Governance Committee	Board	Yes
Board Risk & Compliance Committee	Board	Yes
Executive Committee / Strategy Committee	Management	Yes
Assets & Liabilities Committee (ALCO)	Management	Yes
BDL 110 Steering Committee	Management	Yes
AML/CFT Committee	Management	Yes
Credit Committee	Management	Yes
IT Security Committee	Management	Yes
Real Estate Investments, Purchase & Renting Committee	Management	Yes
Asset Management & New Product Approval Committee	Management	No
Senior Executive Management Committee (SEMC)	Management	No

Nominating, Remuneration and Corporate Governance Committee. As per its charter, the main objective of this Committee is to ensure adherence to the Corporate Governance Guidelines as approved by the Board of Directors. In addition, the Committee acts as remuneration Committee and decides on the compensation, merit increases, performance bonuses, succession planning or replacement of Senior Management. Moreover, the Committee is responsible for recommending for the Board's selection, Director Nominees for election to the Bank's Board and for filling vacancies occurring between annual meetings of shareholders.

This Committee is composed of the following members: Messrs. Henry OBEGI-Honorary Chairman and Chairperson of the Committee, Riad OBEGI- Chairman of the Board, Jean HAJJAR- Board Member, Georges OBEGI- Board Member, Karim ABILLAMA-Board Member, Samih SAADEH –Vice Chairman of the Board and General Manager.

Audit Committee. As per its charter, the committee acts on behalf of the Board of Directors and provides oversight on the bank's financial reporting and control as well as internal and external audit functions. It has the following specific functions:
a- Review the qualifications and independence of external and internal auditors
b- Review and control of financial statements including the disclosure principles adopted by the Bank
c- Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system
d- Follow up on the execution of the recommendations put in place by the Internal Audit Department, supervisory authorities and external auditors
e- Monitor the abidance of the bank to the recommendations issued by the Central Bank and Banking Control Commission

This Committee is composed of the following members: Messrs. Karim ABILLAMA-Board Member and Chairperson of the Committee, Hassan KABBANI-Board Member, and Antoine WAKIM-Board Member. Attendees include: Messrs. Riad OBEGI – Chairman of the Board, Jean HAJJAR- Board Member, Samih SAADEH -Board Member & Managing Director, Constantin HADDAD- Attendee Board Audit Committee, Karine ASSO - Internal Audit Manager.

Board Risk and Compliance Committee. As per its charter, the committee is responsible for the development and oversight of the Bank's overall risk management framework. Its role is the continual review and approval of the Bank's Risk Policies, and the consideration and approval of related limit applications. The Committee reviews and makes recommendations to the Board regarding the medium-term and annual risk strategy/appetite, within which business strategy, objectives and targets are formulated. In addition, it assists the Board of Directors in fulfilling its Compliance responsibilities within the context of Corporate Governance and regulations.

This Committee is composed of the following members: Messrs. Riad OBEGI-Chairman of the Board, Jean HAJJAR-Board Member, Antoine WAKIM-Board Member and Chairperson of the Committee and Georges OBEGI - Board Member. Attendees include: Messrs. Gaby Frangieh-Assistant General Manager, Head of Capital, Finance and Systems Management, Annie Tchouboukjian -Compliance Officer and Maria HARAOUI – Acting Risk Manager.

Executive/Strategy Committee. The Executive Committee's main task is to implement the decisions of the Board of Directors concerning the Bank. Its main authorities are as follows:
- Monitoring of the Bank's operations and its management and take all measures needed to ensure the running of the Bank's affairs and improve its performance and profitability
- Preparing the yearly budget plans and submit to the Board of Directors

The Executive Committee acts as an advisory body to the Chairman-General Manager on all issues relating to the Bank's general policies. During monthly meetings, this Committee reviews all operational activities and establishes the objectives and actions needed.

This Committee is composed of the following members: Messrs. Riad OBEGI - Chairman of the Board, Samih SAADEH-Vice Chairman of the Board & General Manager, Georges MATLOUB- Assistant General Manager, Head of Corporate Banking, Joseph RAFFOUL- Assistant General Manager, Head of Banking Abroad, Gaby FRANGIEH – Assistant General Manager – Head of Finance, Capital and Systems Management, Claudine FEGHALY -Director, Organization,

Communication & EPM, Fares SAWAYA -Director, Private Banking & Wealth Management, Talal SHAYKHA - Director, Corporate Banking, and Myrna SOUFAN-Chief Operating Officer.

Bank Credit Committee. The Credit Committee meets weekly and ensures that the Bank's lending policies are adequate and that lending activities are conducted in accordance with the Bank's policy and with applicable laws and regulations. It approves new credit facilities. It is also entrusted with the vital function of monitoring the Bank's loan portfolio quality. This Committee ensures that management follows adequate procedures to identify problems early, recognize adverse trends, take appropriate corrective actions, and maintain adequate provisions for estimated loan losses.

This Committee is headed by Mr. Samih Saadeh-Vice Chairman of the Board and General Manager and is composed of the following members: Messrs. Georges MATLOUB- Assistant General Manager, Head of Corporate Banking, Joseph RAFFOUL- Assistant General Manager, Head of Banking Abroad, Gaby FRANGIEH – Assistant General Manager – Head of Finance, Capital and Systems Management, Talal SHAYKHA -Director, Corporate Banking, Kamal NADER - Director, Corporate Banking and Lina GHANTOUS -Director, Corporate Banking.

Assets and Liabilities Committee (ALCO). The ALCO meets monthly and is responsible for identifying, measuring and managing the financial and operational risks (including market risk, liquidity risk, currency exposure and interest rate risk). It also determines interest rates and pricing strategies, reviews and determines assets and liabilities structures.

This Committee is chaired by Mr. Samih SAADEH-Vice Chairman of the Board & General Manager and includes as members: Messrs. Georges MATLOUB- Assistant General Manager, Head of Corporate Banking, Joseph RAFFOUL- Assistant General Manager, Head of Banking Abroad, Gaby FRANGIEH – Assistant General Manager – Head of Finance, Capital and Systems Management, Antoine CHAMANDI- Chief Financial Officer, Sami ZIADE- Director Private Banking, Joseph MIKHAEL -Acting Director, Treasury & Capital Markets and Maria HARAOUI – Acting Risk Manager.

Anti-Money Laundering/CFT Committee. The Committee meets quarterly and is responsible for (i) reviewing and updating the KYC form and cash-exemption list, (ii) ensuring proper application of the due diligence money laundering procedures, (iii) reviewing and assessing the reports submitted by the Anti-Money Laundering Reporting unit and the Internal Audit Department and (iv) ensuring proper training of the staff.

This Committee is composed of the following members: Messrs. Samih SAADEH- Vice Chairman of the Board & General Manager, Georges MATLOUB- Assistant General Manager, Head of Corporate Banking, Kamal NADER - Director, Corporate Banking (Branches Representative), Myrna SOUFAN-Chief Operating Officer, Annie TCHOUBOUKJIAN -Compliance Officer, Karine ASSO- Internal Audit Manager, Maria HARAOUI – Acting Risk Manager and as attendee Mrs. Zeina MOUAWAD -AML/CFT Officer.

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

Integration of the Relationship Management Model Project: The Board of Directors has endorsed the project of "Integration of Relationship Management Model" in line with the new strategic plan. The following phases were covered in close collaboration of CDS consultants:
Phase I: Design of Banque BEMO Relationship Management Model (RMM)
Phase II: Development of the organization, operations and management systems to support the relationship management function
Phase III: Putting into execution the RMM global implementation plan.

With the assistance of CDS consultants, Banque Bemo Management developed factual information and recommended optimum solutions with a special emphasis on:
- Being a trusted advisor of the clients with regard to their corporate and private concerns
- Building a long-term profitable relationships with clients
- Fostering client centricity and operational excellence

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

Banque Bemo signed an agreement with Deloitte LLP experts to conduct a high level assessment of FATCA legislations and regulations to cover:
- Initial review of the business and potential impact on the organization, the clients, investors, counterparties and service providers
- Identification of key requirements at group level and within the Bank
- Development of compliance roadmap
- Delivering training sessions to increase overall awareness.

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

Employees, Training and Human Resources Management

Family Spirit, Professionalism, Conservatism and Honesty represent the Bank's core values and the cornerstone of its policies. All employees are expected to demonstrate the highest level of professional and ethical conduct in the performance of their duties. The Bank's Code of Professional Ethics, Code of Conduct and the Employee Handbook set forth the standards and guidelines that all employees are bound by and expected to adhere to at all times.
Spreading the transparency culture over the organization is promoted by the Bank's Management. Furthermore, the "Whistle Blowing policy" has been tailored to promote a culture of open communication that enables staff members to voice their concerns at the earliest opportunity, while preserving the confidentiality of the staff member disclosing the malpractice.

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

New recruits induction program was launched during 2012, providing new recruits with needed information enabling them to integrate into the organization smoothly and hence allowing them to become efficient and effective quicker. Throughout the induction period, new employees are ingrained with the Bank's culture, organizational structure, as well as the Bank's orientation and strategic goals.

For the period ending December 31, 2013, the Bank's workforce consisted of 220 full time employees. The Bank is currently undergoing an expansion of its workforce with highly selective hiring procedures to strengthen its various departments.

Age Structure	**Number of Employees**
< 25 years old	14 employees
From 26 to 35	86 employees
From 36 to 45	59 employees
From 46 to 55	41 employees
> 55 years old	20 employees
Total	**220 employees**

Training and Development
The Bank is committed to training and career development as an integral part of its personnel management policy. Throughout 2013, more than 157 employees from all division attended training sessions. The training program focused on the development of staff needed skills and competencies that help them in being more knowledgeable and better equipped to respond to and exceed clients' needs. The training program focused mainly on Achieving Relationship Management Mastery.

The Bank was awarded in June 2012 by l'Ecole Supérieure des Affaires – ESA the "Securities Outstanding Success Rate" certificate as First Bank among all banks and financial institutions operating in Lebanon. This great achievement was possible through the commitment and dedication of staff members.

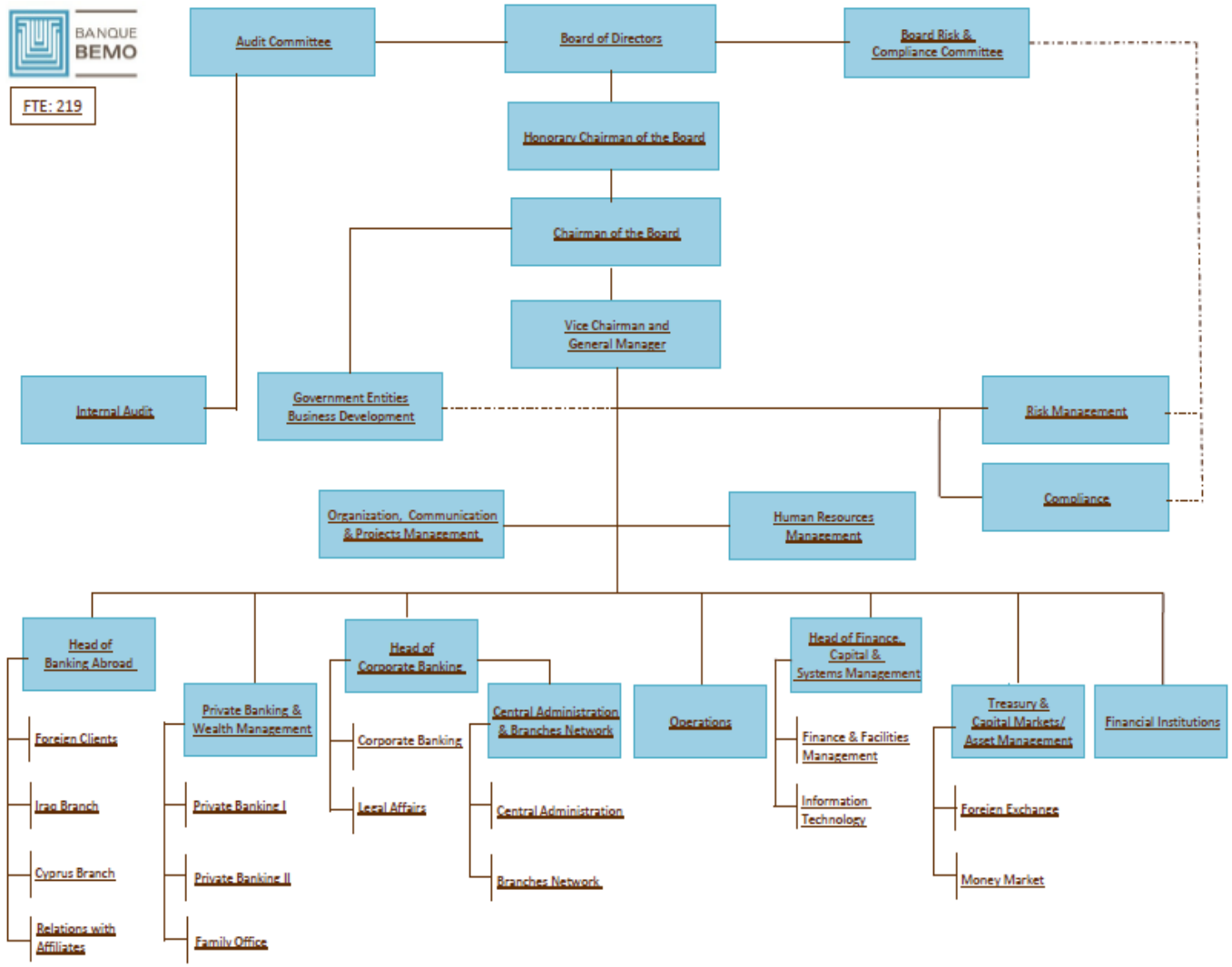
The Bank maintains, and fully pays for, a medical insurance plan for each of its employees and their children. The Bank also maintains a life insurance plan for each of its employees whereby the Bank contributes the entire premium. The retirement age for the Bank's employees is 64. The Bank has an annual bonus plan for its entire staff, which varies according to seniority and performance, in addition to a number of other incentive plans. A collective bargaining agreement that governs the working conditions of all Lebanese banks employees up to certain seniority is negotiated and signed every two years between the Bank Employees Federation and the Lebanese Banks Association.

The collective agreement covers the main categories of employees in the banking sector in respect of minimum wages, minimum increases in basic salary, holidays, medical protection when out of work, discipline, end of service indemnities and special loans for employees.

The Human Resources Management's mission is to provide development opportunities, leadership and expertise in attracting, developing, and motivating our workforce, to deliver our organizational business goals.

Organization Chart

The Bank's organization chart as of September 1, 2014 was as follows:



Certain Transactions

No executive or senior manager at the Bank has an interest in any contract, arrangement or transaction entered into by the Bank which is or was unusual in its nature or conditions or significant in relation to the business of the Bank as a whole, and which was effected during the current or immediately preceding financial year, or was effected during an earlier financial year and remains in any respect outstanding or unperformed. Presently, the Bank does not have a stock option plan for its senior managers, officers, or other employees.

Information Technology

Management has carefully considered factors such as hardware and software selection, phasing of programs and its ability to absorb new technology in order to support its future growth and development plans. Currently, the Bank's branches are connected through an online system. In addition, the Bank offers its clients easy access to their account through "eBemo", its online banking product. Proper controls are exercised over the systems relating to authorized access, uninterrupted power supply, daily backups and safe-keeping of backups in separate locations. Contingency plans and Disaster Recovery plans have been devised to deal efficiently with any situation that might disrupt the normal functioning of the Bank.

The Bank uses IBM's recent "iSeries" as its main hardware platform and has a continuous contact with the leading IBM local vendor to maintain and update its systems.

The Bank is currently using the SAB software program to support the principal banking applications. The SAB system is used to maintain all customer accounts and manage the general ledgers with separate modules to handle the Trade Finance and Foreign Exchange transactions. In addition, the Bank utilizes personal computers which interface with the main SAB system and at the same time support most of the office functions for word-processing, special worksheet management reports and other separate functions such as payroll processing. In addition, the Bank is undergoing ongoing and regular upgrades to its SAB systems, installing additional modules to provide customers with more services and products, and undertaking the development of new applications in relation to risk management, financial reports, and other internal procedures.

Litigation

The Bank has been, in the normal course of its business, subject to certain litigations either as claimant or as defendant. The Bank's legal counsel has represented the interests of the Bank on all said actions. The Bank's counsel provides the Bank's senior management, on a regular basis, with progress reports regarding all claims whether settled or pending.

Insurance

The Bank maintains ongoing insurance policies with prime insurers for its real estate properties, office fixtures, civil liability, motor vehicles and electronic equipment. The Bank has policies to cover the risk of fire, flood and natural catastrophes. Additionally, the Bank has insurance coverage regarding theft, forgery, and counterfeit, transport of funds, robbery, employees' infidelity, and other business risks. In order to safeguard and better insure the Bank's interests in the best way possible, the Bank has chosen to go through insurance coverage deals via a professional insurance consultant to negotiate term and conditions of each policy on his behalf.

Statutory Auditors

In accordance with Lebanese banking regulations, the Bank is required to have joint statutory auditors appointed by the Ordinary General Assembly. The audit is conducted in accordance with the International Standards on Auditing ("ISA") and banking regulations in Lebanon. The Bank has appointed Deloitte and DFK-Fiduciaire du Moyen Orient as statutory auditors for 2014. Deloitte and DFK-Fiduciaire du Moyen Orient have been the statutory auditors of the Bank since more than 3 years.

Basis of presentation

The following discussion has been prepared by the Bank's management using for comparison purposes the audited consolidated financial statements of the Bank as at December 31, 2012 and 2013. The unaudited balance sheet and income statement as at June 30, 2014 were also included for information purposes. The discussion and analysis should be read in conjunction with the audited consolidated financial statements as at December 31, 2012 and 2013 and the condensed review as at June 30, 2014 included elsewhere in this Offering Circular under "Selected Consolidated Financial Information".

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

The Bank maintains its accounts in Lebanese Pounds. Accordingly, U.S. Dollar amounts stated in this Offering Circular have been translated from Lebanese Pounds at the rate of exchange prevailing at the relevant balance sheet date, in the case of balance sheet data, and at the average rate of exchange for the relevant period, in the case of income statement data, and are provided for convenience only. In each case, the relevant rate for both balance sheet data and income statement data was LBP 1,507.5 per USD 1.00, as, throughout the periods covered by this Offering Circular, the Central Bank has maintained its policy of pegging the value of the Lebanese Pound to the U.S. Dollar at a fixed rate of LBP 1507.5 per USD 1.00. Banking sector information has been derived from Central Bank statistics, Bankdata Financial Services WLL and the Bank's internal sources.

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

Financial Results

Net Income

The Bank's net income reached LBP 9.63 billion (US$ 6.39 million) in 2013 as compared to LBP 5.59 billion (US$ 3.71 million) in 2012 increasing by around 70% and recovering from the 43.6% decrease witnessed in 2012. The increase in net income observed in 2013 was mainly attributed to the rise in interest income and in the gain on sale of financial assets as well as to the reduction of the losses in the share of the Bank witnessed in Banque BEMO Saudi Fransi-Syria.

The comparative profitability indicators are listed below:

	Banque BEMO SAL		**Lebanese Banking Sector***	
In percentage	**2012**	**2013**	**2012**	**2013**
Net Return on Average Equity……	3.64	5.43	12.08	11.09
Net Return on Average Assets…….....	0.25	0.43	1.07	1.00

** Banking Sector data: Bilanbanques 2014 published by Bank Data*

Net Interest Income

Interest income increased by 4.92% to LBP 91,916 million (US$ 60.97 million) in 2013 as compared to LBP 87,609 million (US$ 58.11 million) in 2012, while interest expense decreased by 2.31% to LBP 63,139 million (US$ 41.88 million) in 2013 as compared to LBP 64,632 million (US$ 42.87 million) in 2012. It is to be noted that interest income on the Bank's trading portfolio is included under "net interest and other gains/ (losses) on trading assets at fair value through profit or loss".

As a result, net interest income received by the Bank for 2013 increased by 25.24% as compared to 2012.

The increase was mainly due to the ability of the Bank to enhance its interest earning assets while reducing its cost of funding enabling a satisfactory rise in overall interest income generated exceeding the growth in interest expenses.

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

	Audited		*Variation*	Unaudited
LBP Thousand	**2012**	**2013**	***13-12***	**June 2014**
Interest income	87,609,374	91,915,863	*+4.92%*	50,027,241
Interest expense	(64,631,845)	(63,139,308)	*-2.31%*	(32,518,265)
Net interest income	**22,977,529**	**28,776,555**	***+25.24%***	**17,508,976**
Fee and commission income	7,238,270	7,795,082	*+7.69%*	3,889,260
Fee and commission expense	(588,711)	(949,689)	*+61.32%*	(340,585)
Net fee and commission income	**6,649,559**	**6,845,393**	***+2.95%***	**3,548,675**
Net interest and other gain/(loss) on financial assets at fair value through profit or loss	9,129,762	6,044,343	*-33.80%*	3,974,491
Gain on exchange	1,724,693	1,821,329	*+5.60%*	998,933
Other operating income/(loss)	(628,184)	4,073,426	*-748.44%*	4,065,528
Net financial revenues	**39,853,359**	**47,561,046**	***+19.34%***	**30,096,603**
Allowance for impairment of loans and advances and other receivables	(6,278)	(1,747,855)	*N/A*	(630,260)
Collective provision for loan impairment	(1,959,750)	(1,507,500)	*-23.08%*	-
Write-back of impairment loss on loans and advances	930,988	800,373	*-14.03%*	617,677
Loans recoveries.	240,004	-	-	-
Net financial revenues after net impairment charge	**39,058,323**	**45,106,064**	***+15.48%***	**30,084,020**
Staff costs	(18,806,172)	(19,198,843)	*+2.09%*	(11,022,857)
Administrative expenses	(10,134,436)	(12,133,155)	*+19.72%*	(7,469,321)
Depreciation and amortization	(2,329,791)	(1,625,074)	*-30.25%*	(737,705)
Write-back for foreign currency fluctuation	33,949	(504)	*-101.48%*	(13,284)
Write-back of provision for contingencies	591,270	-	-	(42,496)
Impairment of property and equipment	(275,000)	-	-	-
Total expenses	**(30,920,180)**	**(32,957,576)**	***+6.59%***	**(19,285,663)**
Profit before income tax	8,138,143	12,148,488	*+49.28%*	10,798,357
Income tax expense	(2,544,235)	(2,520,369)	*-0.94%*	(1,667,118)
Profit for the year/period	**5,593,908**	**9,628,119**	***+72.12%***	**9,131,239**

Interest Income

The following table sets forth a breakdown of the Bank's interests and similar income for the years ending December 31, 2012 and 2013 (Audited figures) and June 30, 2014 (Unaudited figures):

	Audited		*Variation*	Unaudited
LBP Million	**2012**	**2013**	***13-12***	**June 2014**
From Term Deposits with Central Banks……..	4,815	4,028	*-16.34%*	2,610
From Deposits with banks and Financial Institutions*……..	1,589	1,708	*+7.49%*	927
From Financial Assets at Amortized Cost……..	24,376	28,103	*+15.29%*	16,623
From Loans and Advances to customers…….	56,100	57,976	*+3.34%*	29,848
Interest realized on impaired loans and advances to customers…..	729	101	*-86.15%*	19
Total…….	**87,609**	**91,916**	***+4.92%***	**50,027**

**including interest income from deposits held with related party banks and financial institutions*

As aforementioned, total Interest received in 2013 grew by 4.92%. This increase was primarily due to an increase in the interest received from Financial Assets at Amortized Cost which reached LBP 28,103 million (US$ 18.64 million) in 2013 as compared to LBP 24,376 million (US$ 16.17 million)with an increase of 3,727 Million.

Interest received from deposits with banks, financial institutions and from Term Deposits with Central Bank reached LBP 5,736 million (US$ 3.80 million) and constituted **6.24%** in 2013 as compared LBP 6,404 million (US$ 4.25 million) in 2012 and **7.31%** of total interest and similar income.

As per the business model of the bank and unlike other banks in Lebanon, the main constituent of the interest received remained the interest revenues generated from loans and advances representing 63% of total interest earned in 2013 (64% in 2012) and growing by 3.4% year on year

Interest Expense

The following table sets forth a breakdown of the Bank's interests and similar charges for the years ending December 31, 2012 and 2013 (Audited figures) and June 30, 2014 (Unaudited figures):

	Audited		***Variation***	**Unaudited**
LBP Million	**2012**	**2013**	***13-12***	**June 2014**
Deposits and Borrowings from Banks and financial institutions*…….	2,360	1,582	*-32.97%*	1,342
Customers' accounts and deposits…….	58,018	57,315	*-1.21%*	29,074
Subordinated bonds……	4,254	4,242	*-0.28%*	2,102
**Total…….. **	**64,632**	**63,139**	***-2.31%***	**32,518**

**including interest expense on deposits and borrowings from related party banks and financial institutions*

Interest and similar charges totalled LBP 63,139 million (US$ 41.88 million) in 2013 compared to LBP 64,632 million (US$ 42.87 million) in 2012 reflecting a year-on-year decrease of 2.31%. This decrease is due to the reduction in interest paid on customers' deposits which dropped to LBP 57,315 million (US$ 38.02 million) in 2013 from LBP 58,018 million (US$ 38.49 million) in 2012 and to the reduction in the Deposits and Borrowings from Banks and financial institutions from LBP 2,360 million (US$ 1.57 million) in 2012 to LBP 1,582 million (US$ 1.05 million) in 2013 constituting a 32.97% decrease.

Fee and Commission Income and Expense

The following table sets forth a breakdown of the Bank's fee and commission income and expense for the years ending December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

	Audited		***Variation***	**Unaudited**
LBP Million	**2012**	**2013**	***13-12***	**June 2014**
Commissions on documentary credits……	1,350	1,044	*-22.67%*	
Service fees on customers' transactions…….	4,538	5,567	*+22.68%*	
Other commissions (including LGs)…….**.....**	1,350	1,184	*-12.30%*	
Fees and Commission income…….	*7,238*	*7,795*	*+7.70%*	3,889
Fees and Commissions expense.…….	*(588)*	*(950)*	*+61.56%*	*(340)*
**Total…… **	**6,650**	**6,845**	***+2.93%***	**3,549**

Total fee and commission income grew by 2.93% reaching LBP 6,845 million (US$ 4.54 million) in 2013 as compared to LBP 6,650 million (US$ 4.41 million) in 2012. The major contributors to Fee and Commission Income in 2013 were service fees on customers' transactions representing 71.42% of the total (62.70% in 2012), while commissions on documentary credits represented 13.39% (18.65% in 2012), other commissions (including LGs) were equivalent to 15.19% (18.65% in 2012).

The decline in commissions on documentary credits is mainly a result of the increasing tensions and hostilities in the region, especially in the neighbouring Arab countries. With respect to fees and commissions expense, the latter increased from LBP 588 million (US$ 390 thousand) in 2012 to LBP 950 million (US$ 630 thousand) in 2013.

Net Interest and Other Gains / (Losses) on Trading Assets at FVTPL and Other Operating Income

The following table sets forth a breakdown of the net financial revenues for the years ending December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

LBP Million	Audited 2012	Audited 2013	*Variation* *13-12*	Unaudited June 2014
Net interest and other (losses)/gains on financial assets at FVTPL…….	9,130	6,044	*-33.8%*	3,974
Gain on exchange……..	1,725	1,821	*+5.6%*	999
Other operating income/(loss) (out of which)…….	(628)	4,073	*~7.5x*	4,065
Share in (losses)/profits from associates…….	*(3,899)*	*(2,155)*	*-44%*	*841*
Gain on sale of financial assets at amortized cost……	*305*	*2,393*	*~6x*	*1,019*
Other……	*2,965*	*3,836*	*+29.4%*	*2,205*
Net Financial Revenues……..…...	**10,227**	**11,938**	***+16.7%***	**9,038**

Net Interest and Other Gains / (Losses) on Trading Assets at FVTPL and Other Operating Income increased to LBP 11,938 million (US$ 7.92 million) as at December 31, 2013 as compared to LBP 10,227 million (US$ 6.78 million) as at December, 31 2012 reflecting a year-on-year increase of 16.7%. This was mainly due to the increase in other operating income/(loss) which grew around 7.5 times from a loss of LBP 628 million (US$ 416 thousand) as at December 31, 2012 to a gain of LBP 4,073 million in 2013. With respect to the foreign exchange income generated, the latter increased to LBP 1,821 million (US$ 1.21 million) as at December 31, 2013 as compared to LBP 1,725 million (US$ 1.14 million) as at December, 31 2012 reflecting a year-on-year increase of 5.6%.

Net Impairment Charge

The following table sets forth a breakdown of the Bank's net impairment charge for the years ending December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

LBP Million	Audited 2012	Audited 2013	Unaudited June 2014
Allowance for impairment of loans and advances and other receivables……..	(6)	(1,748)	(630)
Collective provision for loan impairment …….	(1,960)	(1,508)	-
Write back of impairment loss on loans and advances …….	931	800	618
Loans recoveries…….	240	-	-
Total……	**(795)**	**(2,456)**	**(12)**

The table above shows a net impairment charge of LBP 795 million (US$ 0.527 million) as at December 31, 2012 as compared to LBP 2,456 million (US$ 1.63 million) as at December 31, 2013. Allowance for impairment of loans and advances amounted to LBP 1,748 million (US$ 1.16 million) in 2013 as compared to a negligible amount in 2012. The write-back of impairment loss went to LBP 800 million (US$ 0.53 million) in 2013 as compared to LBP 931 million (US$ 0.617 million) in 2012.

General Expenses

The following table sets forth a breakdown of the Bank's general expenses for the years ending December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

LBP Million	Audited 2012	Audited 2013	*Variation* 13-12	Unaudited June 2014
Staff costs…….	(18,806)	(19,199)	*2.09%*	(11,023)
Administrative expenses……..	(10,134)	(12,133)	*19.73%*	(7,469)
Depreciation & amortization……	(2,330)	(1,625)	*-30.26%*	(738)
Write-back of provision for foreign currency fluctuation……	34	(1)	*-102.94%*	(13)
Write-back of provision/(provision for contingencies)……	(591)	-	-	(42)
Impairment of property and equipment……	(275)	-	-	-
Total……	**(30,920)**	**(32,958)**	**6.59%**	**(19,285)**

The Bank's total general expenses were LBP 30,920 million (US$ 20.51 million) in 2012 and reached LBP 32,958 million (US$ 21.86 million) in 2013 increasing by 6.59%. This increase was mainly due to an increase in staff costs, which increased from LBP 18,806 million (US$ 12.47 million) in 2012 to LBP 19,199 million (US$ 12.74 million) in 2013 reflecting a year-on-year growth of 2.09% and to the increase in administrative expenses, which grew from LBP 10,134 million (US$ 6.72 million) in 2012 to LBP 12,133 million (US$ 8.05 million) in 2013. The Bank's cost-to-income ratio decreased from 79.16% in 2012 to 73.07% in 2013.

Analysis of Financial Position

Total Assets

Total Assets witnessed a slight decrease of 0.32% in 2013 reaching LBP 2,238,082 million (US$ 1,484.63 million) as at December 31, 2013 as compared to LBP 2,245,254 million (US$ 1,489.4 million) in 2012. Loans and advances to customers (including related parties) remained nearly the same, amounting to LBP 920,561 million (US$ 610.65 million) as at December 31, 2013. Deposits with banks and financial institutions decreased from LBP 413,701 million (US$ 274.43 million) to LBP 256,512 million (US$ 170.16 million) in 2013.

Total Liabilities

Total Liabilities were LBP 2,086,051 million (US$ 1,383.78 million) in December 31, 2012 decreasing to LBP 2,027,325 million (US$ 1,344.83 million) in 2013 reflecting a year-on-year decline of 2.82%. This decrease in Liabilities was mainly due to a decrease of 3.25% in customers' accounts at amortized cost which represent 87% of total liabilities, declining from LBP 1,891,499 million (US$ 1,254.73 million) in 2012 to LBP 1,829,979 million (US$ 1,213.92 million) at the end of 2013. The following table sets forth the financial position of the Bank as at December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

Major Balance Sheet Items

	Audited		*Variation*	Unaudited	*Variation*
LBP Million	**2012**	**2013**	***13-12***	**June 2014**	***Jun 14-Dec 13***
Cash, compulsory reserve and central banks……..	299,446	367,633	*22.77%*	413,457	*+12.5%*
Deposits with banks and financial institutions……	413,701	256,513	*-38.00%*	191,271	*-25.4%*
Loans to banks…….	25,676	20,226	*-21.23%*	31,886	*+57.6%*
Loans and advances to customers……	920,730	920,561	*-0.02%*	983,606	*+6.8%*
Investment securities and financial assets held as FVTPL.....	501,574	608,711	*21.36%*	579,832	*-4.7%*
Bank acceptances.....	23,866	15,134	*-36.59%*	34,605	*+128.66%*
Other assets and investment in associates……..	60,261	49,304	*-18.18%*	48,931	*-0.76%*
Total Assets…….	**2,245,254**	**2,238,082**	***-0.32%***	**2,283,588**	***+2.0%***
Customer Deposits…….....	1,891,499	1,829,979	*-3.25%*	1,916,070	*+4.7%*
Engagement by acceptances……	23,866	15,134	*-36.59%*	34,605	*+128.66%*
Deposits from banks and financial institutions……..	93,934	105,198	*11.99%*	123,980	*+17.8%*
Subordinated Bonds……	62,398	60,291	*-3.38%*	-	-
Other Liabilities……...	14,354	16,722	*16.50%*	23,512	*+40.6%*
Total Liabilities……	**2,086,051**	**2,027,324**	***-2.81%***	**2,098,167**	***+3.49%***
Total Shareholders' Equity……	**159,203**	**210,758**	***32.38%***	**185,422**	***-12.0%***
Total Liabilities & Equity…….	**2,245,254**	**2,238,082**	***-0.32%***	**2,283,589**	***+2.0%***
Net Income for the Year/Period……	**5,594**	**9,628**	***72.11%***	**9,131**	***NA***

Loans and advances as well as deposits include related parties accounts.

Loan Portfolio

The Bank's loans and advances to customers was equivalent to LBP 916,881 million (US$ 608.2 million) as at December 31, 2012 and reached LBP 918,366 million (US$ 609.20 million) in 2013 reflecting a year-on-year increase of 0.16%. Loans and advances to related parties (as defined by Article 152 of the Code of Money and Credit) were equivalent to LBP 3,849 million (US$ 2.55 million) as at December 31, 2012 and were reduced to LBP 2,195 million (US$ 1.46 million) in 2013 reflecting a year on year basis decrease of 42.97%. In accordance with Article 152 of the Code of Money and Credit, advances and credit facilities to directors or managers of banks, or to companies having common directors with the Bank's or to principal shareholders or their close relatives, must be authorized by the Ordinary General Assembly of Shareholders of the bank and must not exceed, in aggregate, 2% of the shareholders' Tier 1 equity of the Bank, provided that unsecured loans do not exceed 1% of the shareholders' equity.

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

The following table sets forth the breakdown of the bank's loans (Gross), by classification, as at December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

LBP million	Audited 2012	Audited 2013	*Variation 13-12*	Unaudited June 2014	*Variation Jun 14-Dec 13*
Regular Loans……....	920,447	921,600	*0.13%*	980,663	*+6.4%*
Substandard Loans……..	1,601	989	*-38.23%*	2,325	*+135.1%*
Doubtful Loans……..	3,585	4,222	*17.77%*	4,101	*-2.86%*
Bad Loans …….	1,466	2,289	*56.14%*	3,014	*+31.7%*
Accrued Interest receivable…….	826	1,097	*32.81%*	1,215	*+10.7%*
Total gross loans……	**927,924**	**930,197**	***0.24%***	**991,318**	***+6.6%***
Unrealized Interest on Substandard Loans……	(402)	(67)	*-83.33%*	(131)	*+95.5%*
Unrealized Interest on Doubtful Loans……..	(1,504)	(2,381)	*58.31%*	(2,451)	*+2.9%*
Unrealized Interest on Bad Loans……..	(283)	(413)	*45.94%*	(698)	*+69.0%*
Provision Allowance on Doubtful Loans……	(1,863)	(1,432)	*-23.13%*	(995)	*-30.5%*
Provision Allowance on Bad Loans……	(1,182)	(1,876)	*58.72%*	(2,316)	*+23.4%*
Collective Provision for Loan Impairment……..	(1,960)	(3,467)	*76.89%*	(3,467)	-
Total net loans……	**920,730**	**920,561**	***-0.02%***	**981,260**	***+6.6%***
Unrealized interest /substandard loans (%)……	*25.11*	*6.77*		*5.63*	
Unrealized interest & Prov/ doubtful and bad loans (%)…..	*95.68*	*93.72*		*90.79*	
Net Doubtful & Bad Loans / Total loans (%)…….	*0.15*	*0.14*		*0.066*	

The Bank's conservative and prudent credit policy as well as the continuous monitoring of the Bank's asset quality resulted in a low level of "Net doubtful & bad debts/Total loans" in both 2012 (0.15%) and 2013 (0.14%) as highlighted in the table above. In 2013, the Bank ranked Number 2 in Lebanon *(as per Bilanbanques 2014 published by Bank Data)* in terms of having the lowest ratio of doubtful loans to gross loans. The data pool consisted of more than 50 banks.

The Bank's doubtful and bad loans amounted to LBP 6,511 million (US$ 4.32 million) as at December 31, 2013 compared to LBP 5,051 million (US$ 3.35 million) as at December 31, 2012 reflecting an increase of 28.91%. Unrealized interest on doubtful and bad debts totalled LBP 2,794 million (US$ 1.853 million) as at December 31, 2013 compared to LBP 1,788 million (US$ 1.186 million) as at December 31, 2012 reflecting an increase of 56.44%. The coverage ratio *(Unrealized Interest and Provisions/Doubtful and bad loans)* for 2013 was equivalent to 93.72% as compared to 95.68% for 2012.

Substandard Loans net of unrealized interest, reached LBP 922 million (US$ 0.612 million) at the end of 2013 as compared to LBP 1,199 million (US$ 0.79 million) as at December 31, 2012, reflecting a year-on-year decrease of 23.10%.

Analysis of the Loan Portfolio by Currency

The following table sets forth the breakdown of the Bank's loan portfolio by currency as at December 31, 2012 and 2013 (Audited figures):

Bank's loan portfolio	**December 31, 2013 (C/V in LBP)-Audited**			
	LBP (million)	**US$ (million)**	**Euro (million)**	**Other (million)**
Loans and advances to customers……	34,648	713,169	148,320	22,229
Loans and advances to related parties…….	1	1,383	805	6
Total Loans……..	**34,649**	**714,552**	**149,125**	**22,235**
Bank's loan portfolio	**December 31, 2012 (C/V in LBP)-Audited**			
	LBP (million)	**US$ (million)**	**Euro (million)**	**Other (million)**
Loans and advances to customers……	23,704	758,471	77,485	57,221
Loans and advances to related parties…….	-	3,635	213	-
Total Loans……..	**23,704**	**762,106**	**77,698**	**57,221**

The Bank's loan portfolio is characterized by a high level of dollarization matching the currency composition of the sources of funds. In December 31, 2013, 96.24% of total loans were denominated in foreign currencies versus 97.40% in December 31, 2012 while the Lebanese banking sector average reached 65% as at June 30, 2014 *(as per the figures released by the Association of Banks in Lebanon).*

Analysis of the Loan Portfolio by Economic Sector

The following table sets forth the breakdown of the Bank's loan portfolio by economic sector as at December 31, 2012 and 2013 (Audited figures) **(excluding the collective provision for loan impairment):**

LBP million	**Audited**		***Variation***	***% of total***
Sector	**2012**	**2013**	***13-12***	***2013***
Financial Services…….	26,735	11,239	*-57.96%*	1.22%
Real Estate Development……..	163,244	142,891	*-12.47%*	15.46%
Manufacturing……..	150,239	157,093	*4.56%*	17.00%
Consumer Goods Trading……	434,869	425,661	*-2.12%*	46.07%
Services…….	49,173	71,881	*46.18%*	7.78%
Private Individuals……	97,604	114,167	*16.97%*	12.35%
Other…….	825	1,097	*32.97%*	0.12%
**Total……..	**922,689**	**924,029**	***0.15%***	**100%**

The Bank seeks to diversify the credit risk of its loan portfolio by distributing loans among the different sectors of the economy, with a focus on sectors that are considered to be as representing acceptable risks. As at December 31, 2013, up to 46.07% of the loans are extended to businesses with trading activities in various consumer products, 17% to manufacturing, 15.46% to real estate development (including prime contractors of private residential and commercial buildings duly covered by first degree mortgages and assignment of project proceeds), and the remaining 21.47 % to other economic sectors.

With respect to the Lebanese Banking Sector, and as per the Central Bank's 2013-Fourth Quarter Economic Bulletin, 34.47% of the credits are extended to trade and services activities, 11.29% to industry, 17.35% to construction and 36.89% to other economic sectors (including individuals) as at December 31, 2013. The main difference between the Bank and the sector is the Bank's minimal share related to retail/individual lending as it does not fall under the Bank's Target Market Criteria.

Analysis of the Loan Portfolio by Maturity

The following table sets forth the breakdown of the Bank's loan portfolio by maturity as at December 31, 2012 and 2013 (Audited figures):

LBP Million	**Audited**		***Variation***	***Share***	
Maturity	**2012**	**2013**	***13-12***	***2012***	***2013***
Accounts with no maturity……..	666,958	529,661	*-20.59%*	*72.44%*	*57.54%*
Up to 3 months…….....	229,440	372,128	*+62.19%*	*24.92%*	*40.42%*
3 to 12 months…….	21,593	16,230	*-24.84%*	*2.34%*	*1.76%*
12 months and above…….	2,739	2,542	*-7.19%*	*0.30%*	*0.28%*
**Total……..	**920,730**	**920,561**	***-0.02%***	***100%***	***100%***

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

Furthermore, more than 95% of loans granted by the Bank carry floating interest rates with minimum rates applied mitigating the bank's exposure to interest rate risk.

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

The following table sets forth below classifies the outstanding loan balances by size as at December 31, 2012 and 2013 (Audited figures):

Outstanding Loan Balances	Audited – 2012				Audited - 2013			
Bracket	# of Clients	% to Total Clients	LBP million	**%** to Total Loans	# of Clients	% to Total Clients	LBP million	**%** to Total Loans
Less than LL 500 mln*…….	1,068	78.3%	55,372	6.1%	1,019	77.49%	62,053	6.74%
From LL 500 mln – LL 5 bln..	254	18.6%	455,586	49.6%	248	18.86%	424,849	46.14%
Over LL 5.0 bln……....	43	3.1%	407,077	44.3%	48	3.65%	433,834	47.12%
Total……..	**1,365**	**100.0%**	**918,035**	**100.0%**	**1,315**	**100.0%**	**920,736**	**100.0%**

**including numerous incidental debtor accounts*

The total loan portfolio (excluding related parties) is spread over 1,315 clients, with 22.51% of the clients covering 93.26% of the loan portfolio as at December 31, 2013. The Bank manages the diversification of its portfolio to avoid undue credit risk concentrations. Credit risk concentrations exist in lending to single customer groups, borrowers engaged in similar activities, or diverse groups of borrowers that could be affected by similar economic or other factors. To manage these concentrations, exposure limits are established for single borrowing groups and industry segments. In this respect, analyses of large customer group exposures are regularly conducted, and the lending and financing units undertake regular account updates, monitoring and management of these exposures.

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

Analysis of the Loan Portfolio by Counterparty type

The following table sets forth below classifies the outstanding loan balances by counterparty type as at December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures) (carrying amount net of unrealized interest and impairment allowance and excluding related parties):

LBP Million	Carrying amount net of unrealized interest Audited		*Variation*	Unaudited	Share of Total Loans
Counterparty type	**2012**	**2013**	***13-12***	**June 2014**	**June 2014**
Regular Retail Customers……..	**101,751**	**82,276**	***-19.14%***	**78,292**	**7.98%**
- Mortgage loans…….	*47,481*	*43,589*	*-8.20%*	*43,517*	*4.4%*
- Personal loans……	*9,701*	*7,549*	*-22.18%*	*6,206*	*0.6%*
- Overdrafts……..…..	*15,919*	*20,266*	*27.31%*	*17,124*	*1.7%*
- Other……	*28,650*	*10,872*	*-62.05%*	*11,445*	*1.2%*
Regular Corporate Customers……	**814,867**	**837,129**	***2.73%***	**902,370**	**91.9%**
- Large enterprises……	*640,657*	*660,752*	*3.14%*	*716,317*	*72.9%*
- Small and medium enterprises……	*174,210*	*176,377*	*1.24%*	*186,053*	*18.9%*
Classified Retail Customers……	**5**	**0**		**34**	**-**
- Substandard……	-	-		*34*	-
- Doubtful……	*5*	-		-	-
- Bad……	-	*0*		-	-
Classified corporate customers……..	**1,412**	**1,331**	***-5.74%***	**2,816**	**0.3%**
- Substandard……..…..	1,199	922	*-23.10%*	*2,160*	*0.22%*
- Doubtful……..…..	213	409	*92.02%*	*656*	*0.08%*
- Bad……..…..	-	0		-	
Collective Provision for Loan Impairment……	**(1,960)**	**(3,467)**	***76.89%***	**(3,467)**	**(0.3%)**
Accrued interest receivable……	**806**	**1,097**	***36.10%***	**1,215**	**0.1%**
Total……..	**916,881**	**918,366**	***0.16%***	**981,260**	**100%**

Building on the Bank's strategic direction to mainly service prime corporations (locally & regionally) – mainly top ranked tiers in each respective industry – the table above is an indication of the Target Market Criteria of client selection whereby more than 71.95% of the overall Loan & Advances exposure is allocated to corporate customers as at December 31, 2013.

Collateralization of Loans

The following table sets forth the breakdown of the fair value of collateral held by the Bank covering the loans and advances granted to customers as at December 31, 2012 and 2013 (Audited figures):

(LBP Million)	Audited 2012	2013	*Variation* ***13-12***
Pledged funds……..	200,576	171,011	*-14.74%*
Equities..…….	16,916	20,630	*21.96%*
Real estate mortgage…….....	114,625	122,574	*6.93%*
Total……	**332,117**	**314,215**	***-5.39%***

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

Distribution of Loan Portfolio by Geographical Area

The following table shows the distribution of the Bank's Loan Portfolio (excluding related parties) by geographic area as at December 31, 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

(LBP Million)	2013	% of Total	June 2014	% of Total
Lebanon……..	803,643	*87.51%*	863,140	*87.96%*
Syria……	11,636	*1.26%*	11,809	*1.20%*
Middle East and Africa……	54,100	*5.89%*	55,479	*5.6%*
North America…….	1,003	*0.109%*	768	*0.07%*
Europe…….	41,919	*4.56%*	43,926	*4.47%*
Other…….....	6,063	*0.66%*	6,138	*0.62%*
Total……	**918,366**	***100%***	**981,260**	***100%***

As per the breakdown of the above table, the main concentration in terms of the Loan Portfolio is in Lebanon where 92.67% of loans and advances are extended.

Lending policies

The Lebanese supervisory authority vested in the Central Bank of Lebanon and the Banking Control Commission imposes several specific lending limits on banks mainly relating to the following:

1. Central Bank of Lebanon Basic Directive No 7055 as amended dated August 13, 1998, sets a maximum allowable weighted credit limit to a single borrower or group of related borrowers. Through its intermediary circular No 311, dated December 20, 2012, the Central Bank introduced new definitions and new limits concerning country risk, the criteria used to define one-obligor exposures, stress testing of credit risk concentrations, internal risk limits, impairment testing and related. In addition to BDL Intermediate Circular No 311, the governing circulars related to the aforementioned are the following: BDL Basic Circular No 48 and its subsequent amendments Intermediate Circulars No 126, 232, 237 & 261 + BCC Circular No 258

   I. DEFINITIONS:

   a) *Interconnected Group of Obligors / One Obligor:* 1- Two persons (moral or individual) or more who have a shared risk because one of them is the main responsible (directly or indirectly) for the other(s) risks. For example: the group of entities where one has the majority of ownership rights or voting rights in the Board or having the ability to influence its management or having the control over its financial and operational management, the group of two or more institutions where one of them contributes in at least 20% of the other entity's capital funds, the group of two or more interrelated guarantors (such as Cross guarantees), two persons or more (where the aforementioned criteria does not apply) but can be considered as a "group of related debtors" as a result of the high level of Interconnectedness between them where the financial difficulties faced by one of the entities affects the other entity, negatively impacting the ability of the latter entity to obtain financing or secure repayment.

   b) *Granted Facilities:* are the banking facilities authorized or utilized (whichever is greater) to one or to a related group of debtors whether funded or non-funded after applying the risk weighting and deducting the amount of provisions constituted by the bank in cover (if existing). The bonds issued by a group of related debtors and purchased by the bank are considered as part of the granted facilities.

c) *Facilities granted on consolidated level:* Facilities granted by the bank in Lebanon, its branches abroad and its subsidiaries (banks or financial institutions) subject to consolidation.

d) *Large facilities:* Facilities equivalent to or greater than 10% of the Bank's Core Equity.

e) *Equity of the Bank for branches in Lebanon and abroad:* Core Tier 1 Equity of the bank calculated in accordance with the regulations issued by BDL and based on the financial statements of the bank for branches in Lebanon and abroad.

f) *Consolidated Equity:* Core Tier 1 Equity of the bank calculated in accordance with the regulations issued by BDL and based on the consolidated financial statements of the bank in Lebanon and its branches abroad and its subsidiaries (banks and financial institutions in Lebanon and abroad).

g) *Credit facilities against Spot or Forward transactions:* Credit facilities granted to borrowers to conduct foreign exchange transactions for speculation purposes whether spot or forward in one foreign currency against another foreign currency

h) *Subsidiaries:* Banks or financial institutions subject to consolidation based on the Global Integration method.

The Bank is currently in compliance with the Directive's provisions in relation to its exposures.

2. Central Bank of Lebanon Intermediary Circular No 126 dated November 9, 2006, sets specific limitations on credit extended to residents/non-residents as well as concentration as per the following guidelines amended as per the prerogatives of Intermediary Circular No 311:

Description	**Funds use**	**Regulatory Limits**
1. Maximum Limits of Facilities granted on a consolidated level to one client or a group of interrelated clients	In Lebanon and abroad	*Maximum 20% of Consolidated Core Equity*
2. Maximum Limits of Facilities granted by the Bank from its branches in Lebanon and abroad to one client or a group of interrelated clients	In Lebanon and abroad	*Maximum 20% of Core Equity for branches in Lebanon and abroad*
3. Maximum Limits of Facilities granted by the Bank from its branches in Lebanon and abroad to one client or a group of interrelated clients	Outside Lebanon	*Maximum 10% of Core Equity for branches in Lebanon and abroad*
4. Large Exposures: Total Facilities granted by the Bank (limits or exposures whichever is larger) where each represents 10% of the consolidated core equity	In Lebanon and abroad	*Maximum 4 times the Consolidated Core Equity of the Bank*
5. Maximum Limits of Facilities granted by the Bank from its branches in Lebanon and abroad for usage outside Lebanon (regardless of the sovereign rating of the country where the facilities are used)	Outside Lebanon	*Maximum 4 times the Core Equity for branches in Lebanon and abroad*
Credit Ceiling per one Country outside Lebanon (1)		
6. Maximum Limit of Facilities granted to clients by the Bank from its branches in Lebanon and abroad	Used in a country rated BBB & above	*Maximum 50% of Core Equity for branches in Lebanon and abroad*
	Used in a country rated below BBB or unrated	*Maximum 25% of Core Equity for branches in Lebanon and abroad (1)*
Credit Ceiling per a group of countries outside Lebanon (2)		
7. Maximum Limit of Facilities granted to clients by the Bank from its branches in Lebanon and abroad	Used in all countries rated BBB or unrated	*Maximum 100% of Core Equity for branches in Lebanon and abroad (2)*

(1) In addition to the ceiling imposed, Lebanese banks are allowed to grant an additional 25% of Core Equity in a country rated below BBB or unrated subject to having a presence in this country and that the additional amount is financed from the deposits in that respective country

(2) Similar to above, Lebanese banks are authorized to grant an additional 25% of Core Equity in all countries rated below BBB or unrated subject to the conditions cited above

N.B.: Credit ratings used are the ratings set by S&P or their equivalent published by an International Credit Rating Agency

The Bank is currently in compliance with the Directive's provisions in relation to its exposures

For more information, please refer to "The Banking Sector and Banking regulation in the Lebanese Republic – Credit Limit". The Bank's credit approval process begins with a credit application submitted in a prescribed form as per the directives imposed by the Central Bank of Lebanon and showing the purpose of the requested facility, the proposed source and schedule for repayment, and the proposed collateral. The application is analysed by the relationship manager, who evaluates particularly the purpose of the requested facility and the borrower's creditworthiness through an in-depth analysis of a series of criteria such as the proposed source and method of repayment and the proposed collateral (if any). The collateral may be in the form of asset security, bank, personal or corporate guarantees, cash collateral, or assignment of proceeds derived from contracts. During this preliminary evaluation, the relationship manager confers with the head of the concerned division regarding the creditworthiness and the reputation of the potential borrower as well as to the type of business or activities undertaken by the latter. To proceed further, the head of division must provide the preliminary approval.

In the event of a negative feedback from the head of division, the application will be declined and the file closed. If the feedback is positive, the application is submitted to the Risk Management Department for a technical review and a second independent opinion to assess the quality of the analysis and the risks entailed. This includes a detailed review of the purpose of the requested facility, the source of repayment, the business risks that could inhibit repayment (nature of the business/industry, competitiveness, operating efficiency, management), and the financial analysis of the borrower (financial statement analysis and cash flow analysis, projection, "debt capacity" review and other financial risks). The technical review produces an evaluation report with comments and recommendations. Notwithstanding the amount of the credit requested, the approval process follows the same internal procedure which includes, after the review by the Risk Management Department, the review and majority approval by the members of the Credit Committee. The decision is passed to the Board of Directors for approval only if the amount of credit requested exceeds different thresholds. Once granted, the ongoing review and accounting for loans becomes the responsibility of the relationship manager who undertakes the "Preliminary Evaluation". The relationship manager and the head of division are both responsible for monitoring the performance of the loan and checking that the funds are employed for the purpose stated in the loan application. Regular visits are made to the premises of borrowers and every account is submitted to a thorough review and reassessment each year by the relationship manager, the Risk Management Department and by the Credit Committee. The renewal of facilities is subject to the same approval procedure as the original initiation and extension of facilities.

The Risk Management Department oversees the review and follow-up procedures performed at the division and bank's level. It is also responsible for monitoring the markets in which the Bank's borrowers operate in order to foresee any significant developments that might affect either beneficially or adversely the performance of borrowers. Within the Risk Management Department, the credit control unit also retains the responsibility for safe keeping and updating, when required, all collateral documentation received with the credit applications from the respective divisions. Article 152 of the Code of Money and Credit provides that advances and credit facilities to directors or managers of banks, or to companies having common directors with the Bank's or to principal shareholders or their close relatives, must be authorized by the Ordinary General Assembly of Shareholders of the bank and must not exceed, in aggregate, 2 % of the shareholders' equity of the Bank, provided that unsecured loans do not exceed 1% of the shareholders' equity. Such advances must be made on normal commercial terms. The Bank is in compliance with Article 152 of the Code of Money and Credit.

In accepting collateral in the form of company shares against loans, the Bank normally requires that the value of the collateral corresponds to at least 200 % of the loan to which it relates noting that top up and close out ratios are included as essential conditions. In addition, and prior to obtaining a pledge on quoted equities, the Bank ensures their quality and characteristics fit within the required prerogatives set by the Central Bank Intermediary Circular No 323 dated May 20, 2013. With respect to mortgages, the value of the collateral should correspond to at least 120% of the loan to which it relates. On the renewal date of each loan, the related file is reviewed by the Bank and the real estate collateral is re-evaluated by independent experts appointed by the Bank.

Classification of loans and provisioning

A well-established internal credit rating system to assess the creditworthiness of new and existing counter parties is applied. This system takes into account criteria related to the borrower (e.g. nature of the activity, financial performance and structure, credit history, cash flows, projected financials and management) and to the credit quality

(e.g. purpose, amount, tenor, collateral presented as a second way out). In addition to the performing loans categories, rating classes used are as follows:

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

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

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

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

-Loss: Loans classified as loss are considered as uncollectible and of such minimal value that their classification as assets is not warranted. This does not mean that the loan is absolutely unrecoverable or has no salvage value. However, the amount of loss is difficult to measure and the Bank does not wish to defer the writing of the loan even partial recovery might occur in the future. Loans are charged off in the period in which they are deemed uncollectible and therefore classified as loss. With reference to the Bank's loan classifications mentioned above, loan provisioning is acquired under the supervision and the prior approval of the Banking Control Commission.

The Central Bank of Lebanon retains the right to review the loan portfolio of every bank in Lebanon and has the power to impose provisions upon specified loans if it considers them doubtful or inadequately secured. **Such a review of the Bank's loan portfolio was performed in 2013-2014 and the Bank is currently finalizing and following through the full abidance to the measures requested by the regulatory authorities and noting that no material irregularities were reported to the Bank.**

Investment Securities Portfolio

The Bank classifies its portfolio in line with the requirements of IFRS 9 Financial Instruments which was early applied by the Bank during 2011 with date of initial application being January 1, 2011. According to this standard, all recognized financial instruments are measured in their entirety at either amortized cost or fair value, depending on their classification:

- Debt instruments: Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):
  - They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL"). In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL are measured at FVTPL. Even if a debt instrument meets the two amortized cost criteria above, it may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- Equity instruments: Investments in equity instruments are classified as at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

  Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in profit or loss. On initial recognition, the Bank can make an irrevocable election (on an instrument-by instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments are recognized in other comprehensive income,

accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

The following tables sets forth the breakdown of the Bank's investment securities portfolio, by classification (amortized cost and trading assets at fair value through profit or loss) as at December 31, 2012 and 2013 (Audited figures):

1) <u>Trading Assets at Fair Value through Profit or Loss (FVTPL)</u>:

(LBP Million)	**Audited 2012**	***Share***	**Audited 2013**	***Share***
Quoted equity securities……	5,385	*8.37%*	4,834	*10.95%*
Lebanese treasury bills……..	21,893	*34.01%*	21,761	*49.28%*
Foreign treasury bill……..	-	-	-	-
Lebanese government bonds…….	-	-	-	-
Cert. of deposit issued by Central Bank……	26,969	*41.89%*	15,545	*35.21%*
Cert. of deposit issued by comm. Banks……	2,249	*3.49%*	-	
Corporate Bonds……	6,672	*10.36%*	1,073	*2.43%*
Accrued interest receivable……	1,208	*1.88%*	942	*2.13%*
Total Trading Assets at FVTPL……	**64,376**	***100%***	**44,155**	***100%***

Total Trading Assets at FVTPL was LBP 64,376 million (US$ 42.7 million) for the year 2012 compared to LBP 44,155 million (US$ 29.29 million) in 2013 reflecting a decrease of 31.41%.

Around 84.5% of the latter assets are sovereign investments (Central Bank of Lebanon and Treasury Bills issued by the Lebanese Government) at the end of 2013 compared to 76 % at the end of 2012. FVTPL assets represented respectively 2.9% and 2.0% of total assets at the end of 2012 and 2013.

With respect to the currency composition of Trading Assets at FVTPL, the latter was as follows as at December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

(LBP Million)	**Audited 2012**	***Share***	**Audited 2013**	***Share***
LBP Base Accounts……...	49,925	*77.55%*	27,401	*62.06%*
Foreign Currency Base Accounts c/v of F/Cy……	14,451	*22.45%*	16,754	*37.94%*
Total Trading Assets at FVTPL……	**64,376**	***100%***	**44,155**	***100%***

The table above reveals that the share of LBP Base Accounts accounted for 77.5% of total trading assets held at FVTPL in 2012 compared to 62.06% at the end of 2013. In comparison, the share of Foreign Currency Base Accounts increased from 22.45% in 2012 to 37.94% by the end of 2013.

2) <u>Financial assets held at Amortized Cost and at Fair Value through Other Comprehensive Income (FVTOCI)</u>:

(LBP Million)	**Audited 2012**	***Share***	**Audited 2013**	***Share***	**Unaudited June 2014**	***Share***
Lebanese treasury bills……	124,801	*28.6%*	220,382	*39.1%*	239,192	*44.4%*
Lebanese government bonds……..	83,436	*19.1%*	140,910	*25.0%*	102,348	*18.9%*
Cert. of deposit issued by Central Bank…….	191,266	*43.8%*	147,886	*26.2%*	153,758	*28.5%*
Cert. of deposit issued by Comm. Banks……	15,075	*3.4%*	11,687	*2.1%*	-	-
Corporate Bonds…….	15,111	*3.5%*	33,501	*5.9%*	34,920	*6.5%*
Accrued interest receivable…….	6,865	*1.6%*	9,545	*1.7%*	8,927	*1.6%*
Total Financial Assets held at Amortized Cost	**436,554**	***100%***	**563,911**	***100%***	**539,145**	***100%***
Financial assets at fair value through other comprehensive income	**644**		**646**		**645**	

Total Financial Assets held at Amortized Cost were LBP 436,554 million (US$ 289.6 million) for the year 2012 and reached LBP 563,911 million (US$ 374.1 million) in 2013 reflecting an increase of 29.17%.

Around 64% of the latter assets are investments in Lebanese Treasury Bills and Government Bonds, while 26% are investments with the Central Bank of Lebanon (Certificates of Deposits) at the end of 2013. Total financial assets held at Amortized Cost represented respectively 19.5% and 25.2% of total assets at the end of 2012 and 2013.

With respect to the currency composition of Financial Assets held at Amortized Cost, the latter was as follows as at December 31, 2012 and 2013 (Audited figures) and as of June 30, 2014 (Unaudited figures):

(LBP Million)	**Audited 2012**	***Share***	**Audited 2013**	***Share***	**Unaudited June 2014**	***Share***
LBP Base Accounts……	232,774	*53.3%*	285,878	*50.7%*	307,710	*57.1%*
Foreign Currency Base Accounts c/v of F/Cy……	203,780	*46.7%*	278,033	*49.3%*	231,435	*42.9%*
Total Financial Assets held at Amortized Cost	**436,554**	***100%***	**563,911**	***100%***	**539,145**	***100%***

The table above reveals that the share of LBP Base Accounts accounted for 53.3% of total financial assets held at Amortized Cost in 2012 compared to 50.7% at the end of 2013. In comparison, the share of Foreign Currency Base Accounts increased from 46.7% in 2012 to 49.3% by the end of 2013.
It is to be noted that since 2003, the bank has documented an investment policy approved regularly by ALCO and the Board of Directors detailing the investment strategy and subsequent asset allocation and limits.

Customers' Deposits

The Bank's customers' deposits were equivalent to LBP 1,837,532 million (US$ 1,218.9 million) as at December 31, 2012 as compared to LBP 1,763,725 million (US$ 1,169.97 million) as at December 31, 2013, reflecting a year-on-year decrease of 4.02%.

Deposits of related parties at amortized cost amounted to LBP 66,254 million (US$ 43.95 million) as at December 31, 2013 as compared to LBP 53,967 million (US$ 35.80 million) as at December 31, 2012.

Currency Composition and Cost of Funds

In 2012 and 2013, the Bank's Customers' Deposits (excluding related parties) represented respectively 88.1% and 87.0% of total liabilities. Time Deposits represent the largest portion of the Bank's deposits, owing to the private/selective banking nature of the operations.

The following table details the breakdown of the Bank's Customers' Deposits *(excluding related parties deposits)* by currency as at December 31, 2012 and 2013 (Audited figures):

Bank's Customers' Deposits by Currency	December 31, 2013 (C/V in LBP)-Audited				
	LBP (million)	**US$ (million)**	**Euro (million)**	**GBP (million)**	**Other (million)**
Customers' Accounts at amortized cost……	289,926	1,223,975	204,653	25,319	19,852
In percentage…….	*16.4%*	*69.4%*	*11.6%*	*1.5%*	*1.1%*
Total Customers' Deposits in LBP (million)…….			**1,763,725**		
	December 31, 2012 (C/V in LBP)-Audited				
Customers' Accounts at amortized cost……	278,729	1,297,473	215,989	29,528	15,813
In percentage…….	*15.2%*	*70.6%*	*11.7%*	*1.6%*	*0.9%*
Total Customers' Deposits in LBP (million)…….			**1,837,532**		

Customers' Deposits in Lebanese Pounds accounted for only 16.4% of total deposits as of December 31, 2013, with the remaining balance being in foreign currency deposits. Such an allocation, coupled with the relatively lower interest rates on foreign currency deposits resulted in an acceptable average cost of funds.

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

Year	**Average Rate LBP** (%)	**Average rate FCY** (%)
2013…….	6.03	2.54
2012…….	6.01	2.76
2011…….	5.93	2.77

Customers' Deposits by Size (excluding related parties)

The following table sets forth the Bank's customers deposits (excluding related parties accounts) by size as at December 31, 2012 and 2013:

	2012-Audited			2013-Audited		
By size in LBP million	**Amount**	**%**	**% to Total No. of customers**	**Amount**	**%**	**% to Total No. of customers**
< 200 million……..	163,663	8.91	77.7	161,081	9.13	79.12
200 million – 1.50 Billion……..	610,838	33.24	17.8	598,013	33.91	17.13
Over 1.5 Billion…….	1,063,031	57.85	4.5	1,004,631	56.96	3.75
Total……	**1,837,532**	**100%**	**100%**	**1,763,725**	**100%**	**100%**

Customers' Deposits by Maturity

The following table sets forth the distribution of the Bank's customers' deposits by initial stated maturity as at December 31, 2012 and 2013 (Audited figures):

	Audited			
Maturity	**2012**	**%**	**2013**	**%**
Accounts with no maturity…….	374,078	20.4	345,531	19.6
Up to 3 months……..	1,332,518	72.5	1,312,883	74.5
3 to 12 months……	123,328	6.7	97,556	5.5
12 months and above…….	7,607	0.4	7,755	0.4
Total……	**1,837,532**	**100%**	**1,763,725**	**100%**

Short-term deposits with maturities up to 3 months and accounts with no maturity accounted for around 94% of total customers' deposits while deposits with maturities of up to 12 months exceeded 99% of total customers' deposits as at December 31, 2012.

Capital and Capital Adequacy

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

1. Eligible share capital: The issued and outstanding share capital of the Bank consists of 62 million nominative common shares authorized and fully paid with a par value of LBP 1,000 per share and divided as follows:

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

2. Preferred Shares Issuance of Year 2006: On June 1, 2006, the Bank issued preferred shares in the amount of USD 20 million (LBP 30 billion) on the basis of 200,000 shares at USD 100. The preferred shares are callable five years from the issuance data on June 1, 2011 and bear interest on a non-cumulative basis at an annual rate of 8%. **After obtaining the approval of the Central Bank of Lebanon, the Bank exercised its right and called the preferred shares on June 30, 2014.**

3. Subscriptions in Preferred Shares 2013: On December 19, 2013, the Bank offered preferred shares in the amount of USD35million (LBP52billion) in the basis of 350,000 shares at USD100. The preferred shares are perpetual and redeemable and bear interest on a non-cumulative basis at an annual rate of 7%. The investors had fully subscribed in the preferred shares offered on December 19, 2013, still the amount was recorded under "Escrow Account" as at December 31, 2013 awaiting the finalization of the issuance procedures with the Central Bank of Lebanon. On January 31, 2014 the procedures were finalized and the funds were liberated from the Central Bank of Lebanon.

4. Shareholders' cash contribution to capital: This caption represents capital injection of USD 19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Bank's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital. This sort of equity instrument consists of non-refundable capital injection which could be converted into share capital and it has the advantage of being booked and maintained in foreign currencies which allows for hedging against national currency fluctuation.

4. Reserves: Reserves consist of the following as at December 31, 2012 and 2013:

(LBP Million)	**Audited 2012**	**Audited 2013**
Legal reserve……	1,795	2,739
Reserve for general banking risks……	17,185	20,187
Reserve for assets acquired in satisfaction of loans…….	554	695
Other reserves……..	5,518	5,518
Total Reserves…….	**25,052**	**29,139**

Eligible reserves are created by accumulated appropriations of profits and are maintained for future growth. In accordance with the requirements of Lebanese Money and Credit Law, the Bank transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution. The reserve for general banking risks is constituted according to local banking regulations from income on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP 2.7 billion and LBP 20.187 billion, respectively, in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

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

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

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

7. Subordinated Bonds (Tier II Capital): Subordinated bonds in the amount of USD40million (divided into 4,000 bonds of USD10,000 each) were issued on May 30, 2009 and mature on June 30, 2014, and are subject to an annual interest of 7% payable on December 31 and June 30 of each year. Interest expense on the subordinated bonds amounted to LBP4.24billion (LBP4.25billion for 2012). In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purposes of computation of Risk Based Capital Ratio, to be decreased by 20% on a yearly basis. **The Bank fully paid the full issue of subordinated bonds on June 30, 2014**.

Minimum capital requirements:

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

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

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

SCOPE OF APPLICATION OF CENTRAL BANK CAPITAL ADEQUACY CALCULATION

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

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

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

Eligible Capital for Solvency Calculation

	Audited		Unaudited
Components of Eligible Capital	**2012**	**2013**	**June 2014**
Common Equity Tier 1			
Common stock – Paid in Capital…….	62,000	62,000	62,249
Cash Contribution to Capital……...	29,105	29,105	29,105
Eligible Reserves……	24,499	28,444	32,033
Retained Earnings……..	9,499	-257	988
Minority Interests……..		462	-
Common Equity Tier 1	***125,103***	***119,754***	***124,375***
Less: Deductions/Regulatory Adjustments			
Less: Treasury Shares……	(2,198)	(2,198)	(2,198)
Less: Intangible assets……	(700)	(677)	(576)
Less: participations…….	(18,053)	(9,131)	(8,644)
NET Common Equity Tier 1…….	***104,152***	***107,748***	***112,957***
Additional Tier 1			
Perpetual, Non-Cumulative Preferred Shares…….	30,150	82,912	52,640
Less: Minority Interests……..		(462)	
TOTAL Tier 1 (A)……	***134,302***	***190,198***	***165,597***
Supplementary Capital – Tier 2			
Subordinated Bonds……	24,120	12,060	-
TOTAL Tier 2 (B)……	***24,120***	**12,060**	-
Total Eligible Capital (A+B)…….	**158,422**	**202,258**	**165,597**

Approaches to calculate Risk Weighted Assets
The approaches adopted by the Bank for measuring minimum capital requirements under Pillar 1 of the Basel Accord are described in the following sections.

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

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

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

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

Capital Adequacy	**Audited**		
(LBP million)	**2012**	**2013**	**June 2014**
Credit Risk Weighted Assets – Standardized Approach	**1,186,881**	**1,283,255**	**1,374,686**
Sovereign Risk……	259,707	353,440	335,386
Banks Risk…….	140,346	90,923	100,039
Public Sector Entities……..	3	2	2
Loans to Corporate Clients……	466,419	479,742	545,271
Loans to SMEs…….	98,045	96,719	106,995
Other Retail Loans……	18,213	23,312	22,070
Residential Loans…….	17,713	15,549	13,473
Commercial Real Estate Loans……	123,894	149,205	173,537
Securitization …….....	3,221	16,211	17,772
Non-Performing Loans…….	1,791	1,588	3,732
Other Assets…….	57,529	56,564	56,409
Market Risk Weighted Assets – Standard Measurement Approach*	**38,963**	**36,763**	**29,583**
Interest Rate Risk (Trading Book)……	26,350	25,683	17,400
Equity Price Risk (Trading Book)……	4,750	9,667	10,375
FX Risk…….	7,862.5	1,413	1,825
Commodities Risk (Not applicable)……	-		
Operational Risk– Basic Indicator Approach	**66,814**	**75,085**	**75,085**
Total Risk Weighted Assets…….	**1,292,658**	**1,395,103**	**1,479,354**
Total Capital Ratio……	**12.26%**	**14.50%**	**11.19%**
Tier 1 Capital Ratio…….	**10.39%**	**13.63%**	**11.19%**
Net Common Equity Tier 1……..	**8.06%**	**7.72%**	**7.64%**

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

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

The Bank's capital policy serves two purposes:
- to ensure that the Bank's capital strength is sufficient to support the strategy set out in the business plan and to ensure that capital adequacy is always higher than the minimum regulatory requirement and;
- to maintain capital strength that supports high creditworthiness.

When assessing the adequacy of its capital, the Bank takes the following objectives into consideration:
1. Capital is held to safeguard the Bank's ability to continue as a going concern and to maintain an adequate capital base in order to preserve the rights of all stakeholders including; shareholders, depositors, the community and its' employees.
2. Capital is held with the purpose to meet the assessed Capital Adequacy Requirements, for Pillar I and II, so that the actual Tier 1 and Tier 2 capital meets regulatory targets.

The efficient use of capital is achieved through active management of the balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to the shareholder while maintaining a prudent risk and return relationship.

Asset and Liability Management

Required Reserves

Pursuant to the Central Bank Directive No 7835 dated June 2, 2001, as amended, all banks operating in Lebanon, except investment banks and specialized banks that only extend medium and long term loans, must maintain a compulsory reserve in cash with the Central Bank equal to the sum of 25% of the weekly average of Lebanese Pound-denominated sight deposits, and 15% of the weekly average of Lebanese Pound-denominated term deposits.

On September 27, 2001, the Central Bank issued Directive No 7935, as amended, implementing Directive No 7926 dated September 20, 2001 pursuant to which all banks operating in Lebanon must maintain in cash with the Central Bank interest-bearing deposits equal to 15% of foreign currency-denominated deposits, notes, certificates of deposit, bank's certificates and other debt instruments and loans granted by the financial sector with a remaining maturity of one year or less, against payment of interest at the rate applied by the Central Bank on foreign currency-denominated deposits.

During its monthly meetings, and in line with its Charter and approved policy guidelines, the Asset Liability Management Committee (ALCO) ensures that above requirements are adhered to. On a daily basis, the Bank's Treasury Unit decides in close co-operation with the Bank's senior management on the uses of funds available while keeping an eye on set limits and regulatory requirements.

Liquidity

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

Liquidity Risk Management: The Bank diversifies its sources of funds and manages its liquidity through domestic money and capital markets, and through international money and capital markets in currencies such as the US dollar

and Euro. The Bank seeks to minimize its liquidity costs and risks in line with market conditions by closely managing its liquidity position on a short-term and long-term basis. The Bank also plans to raise long-term funding as market conditions permit. It is the policy of the Bank to maintain liquidity at a high level; this policy is expected to prevail so long as the current economic weakness continues in the Lebanese Republic and the surrounding region.

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

In addition, the bank has been performing regular stress tests since 2012 guided by the regulatory authorities to calculate the newly proposed liquidity ratio by the Basel Committee under the new capital standard (Basel III) namely the Liquidity Coverage Ratio (LCR). The liquidity position of the Bank is monitored by the Bank's ALCO, which aims at minimizing risk, while ensuring the best use of funds in the prevailing economic conditions. The management's efforts with regards to the maturities of funding sources and uses are reflected in the Bank's satisfactory liquidity position. Similar to other banks in the sector, the Bank had negative maturity gaps concentrated in maturities of up to 3 months, while the maturity gaps were positive for maturities of more than 3 months. The table below summarizes the maturity profile of the Bank's assets and liabilities and the related maturity gaps for 2012 and 2013:

- For LBP Base Accounts

In LBP millions	Accounts with no maturity	Up to 3 months	From 3 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	From 5 to 10 years
2013 maturity gap……	28,238	(209,677)	(41,230)	27,387	112,835	101,178
2013 cumulative maturity gap……	28,238	(181,439)	(222,669)	(195,282)	(82,447)	18,731
2012 maturity gap……	34,116	(186,961)	(7,072)	64,352	88,331	59,957
2012 cumulative maturity gap……	34,116	(152,845)	(159,917)	(95,565)	(7,234)	52,723

- For Foreign Currency Base Accounts

In LBP millions	Accounts with no maturity	Up to 3 months	From 3 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	From 5 to 10 years
2013 maturity gap……	346,109	(628,142)	(8,335)	203,789	111,449	105,517
2013 cumulative maturity gap……	346,109	(282,033)	(290,368)	(86,579)	24,870	130,387
2012 maturity gap……	546,776	(722,682)	(26,846)	203,197	89,646	15,841
2012 cumulative maturity gap……	546,776	(175,906)	(202,752)	445	90,091	105,932

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

Interest Rate Sensitivity

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

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

whereby sensitivity triggers are applied on earnings for the bank. Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate in an environment of rapid financial market changes.

The interest rate sensitivity position based on contractual re-pricing arrangements for 2012 and 2013 are shown in the table below (Earnings at Risk Impact for one year only):

Consolidated as at 31/12/2013 (amounts in LBP Millions)	**Less than 1 Month**	**From 1 to 3 Months**	**From 3 to 6 Months**	**From 6 to 12 Months**
Total Assets	1,134,848	332,337	63,631	15,598
Total Liabilities	1,635,522	219,063	130,548	47,986
TOTAL	(500,674)	113,274	(66,917)	(32,388)
Term Position	(32)	552	6	-
PERIODIC GAP	(500,706)	113,826	(66,911)	(32,388)
CUMULATIVE GAP	(500,706)	(386,880)	(453,791)	(486,179)
Earnings at Risk - 2013	***(418)***	***(1,290)***	***(3,404)***	***(7,293)***
Consolidated as at 31/12/2012 (amounts in LBP Millions)	**Less than 1 Month**	**From 1 to 3 Months**	**From 3 to 6 Months**	**From 6 to 12 Months**
Total Assets	1,244,473	344,562	70,312	33,215
Total Liabilities	1,632,261	196,540	90,424	51,673
TOTAL	(387,788)	148,022	(20,112)	(18,458)
Term Position	1,647	4	509	-
GAP	(386,141)	148,026	(19,603)	(18,458)
CUMULATIVE GAP	(386,141)	(238,115)	(257,718)	(276,176)
Earnings at Risk - 2012	***(322)***	***(794)***	***(1,933)***	***(4,143)***

The above shows that the effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Bank for the year ended December 31, 2013 is equivalent to LBP 7.29 billion increase/decrease as compared to LBP 4.143 billion increase/decrease for the year ended December 31, 2012.

Exchange Rate Sensitivity

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

In line with Central Bank regulations, the Bank's management attempts to match foreign currency exposure to the maximum extent possible. On both sides of the balance sheet, assets and liabilities are held in foreign currencies, mainly the US Dollar.. At the outset the Bank's overall currency risk exposures is split into:
- *Open Currency Positions on the Group's trading books:* The management of these risks is done via Trading books under the responsibility of the Treasury and Capital Markets Division.
- *Corporate currency exposure:* This is the foreign currency risk embedded in the Bank's international banking operations. These risks are managed centrally by the ALCO.
- *Structural exchange positions:* The ALCO decides on the level of the structural exchange positions to be held against the LBP denominated equity, to ensure proper hedging.

The treasury department is responsible for monitoring the compliance with the regulatory ratios set by the Regulatory Authorities. ALCO is supported by the finance department, internal audit and risk management through reports on any breach of these ratios.

Risk Management

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

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

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

The key principle of the risk management system is that business units shall be responsible for continuously managing their risk exposures in order to ensure that the risk is within the specified limits and in compliance with the overall risk management policy approved by the Board of Directors, while the Risk Management Unit is responsible for monitoring and controlling the risks on a regular and ongoing basis. The general guidelines were indicated for each type of risk. In addition, and given its significance, the bank has laid down processes and procedures for the management of operational risks.

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

Operational Risk Factors: Significant operational risk factors include internal factors and external factors.
Internal factors are:
• The efficiency of internal processes and internal control systems, including operational processes supporting business operations and processes for taking care of personnel.
• The Bank's personnel, including appropriate staffing levels, staff qualifications and efficiency.
• The Bank's operating systems, including the capability to support business operations, the complexity of systems which may cause risks, the issue of data security, the accuracy of data processing, and the development of and changes in technologies.
External factors are:
• Actions by outsiders such as theft or embezzlement of assets or data.
• Catastrophe and natural disasters that damage the Bank's assets.

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

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

A key principle underlying the Bank's operational risk management is to educate staff throughout the Bank by providing them with a consistent understanding of operational risk, so that they are able to accurately and completely identify the operational risks, assess the significance of each potential risk, analyze details to find appropriate

solutions to mitigate risks, and implement the selected solutions to minimize risks. This is followed by the systematic monitoring of progress, the measurement of potential risk, as well as regular reviews of the entire process.

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

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

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

Compliance and Anti- Money Laundering ("AML")

Definition of Money Laundering/Terrorist Financing
Money laundering is the process by which proceeds from a criminal activity are disguised to cancel their illicit origin. Terrorist financing, on the other hand, is the provision or collection of funds for the support, advancement or perpetration of acts of terrorism.

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

Anti- Money Laundering and Combating Terrorist Financing Regulations
The Bank abides strictly with all BDL and SIC directives relating to AML/CFT activities and to international sanctions. In case the applicable anti-money laundering laws and regulations for its overseas Cypriot branch require higher standards, the Bank conforms also to these standards for its Cypriot branch so as to keep its operations on a clean and reliable path.
The principal Lebanese legislation can be summarized as follows:
• The Lebanese parliament has adopted and the President of the Republic promulgated the text of Law 318 on April 20, 2001 – Fighting Money Laundering. Recently, the Lebanese bank regulatory authority proposed amendments to Anti Money Laundering Law 318 by adding the offense of terrorism financing, in addition to other amendments.
• BDL has issued over the years circulars and put measures to fight money laundering and combat terrorism financing. On May 18, 2001 BDL issued circular No 83, and amended it several times after its issuance.
• Many circulars have been also issued by the Special Investigation Commission "SIC". All these circulars are in accordance and comply with the FATF 40 recommendations.

Anti-Money Laundering/ Combating Terrorist Financing Policies and Procedures
The Bank is constantly increasing its tools, including systems and procedures, for fighting money laundering and terrorist financing. The "know your customer KYC" procedures have been improved, all customers names are screened against local and international watch-list ex: SIC, OFAC, EU CBC and UN. All of our customers are required to identify the "source of their funds", "beneficial right owner" and their financial status, in addition to other information. No account is to be opened without obtaining all the required information and the approval of the

"Customer Acceptance Committee CAC". Noting that, the Compliance Officer is a member in this committee. Continuous monitoring of transactions are also conducted by branches and compliance staff, and transactions that suspected for hiding illegal activities are reported to SIC.

FATCA implementation
The compliance department has already started to set- up efforts to comply with the new challenge concerning the new US Tax regulation. All registration procedures were finalized and the Bank recently obtained its Global Intermediary Identification Number (GIIN). A GIIN is the identification number used to identify the financial institution for FATCA registration purposes and U.S. information reporting purposes. This represents combination of the FATCA ID and FFI EIN that were outlined in the proposed regulations.

Training and awareness
All staff attend internal training sessions covering the awareness of due diligence and money laundering and terrorist financing fighting method. Compliance department staff and branches AML/CFT Officers attend also training organized outdoor to stay updated with the international sanction and new tools used to launder money and to finance terrorism. Finally, Banque Bemo sal is in compliance with all applicable sanctions laws, rules and regulations. The Bank is committed to the highest standards of integrity and regulatory compliance in all its businesses.
All precautions and necessary measures are taken to ensure full compliance with all AML laws and regulations, FATF recommendations and international standards of Basel Committee regarding "know your customer KYC" procedures in order to prevent the Bank for being used for illegal or criminal operations.

Internal Audit

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

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

The mission of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with regard to the adequacy of accounting and financial reporting policies, internal control and the compliance system; the integrity of financial statements and reliabilities of disclosures; the appointment, remunerations qualification, the independence and effectiveness of the external auditors; the independence and effectiveness of the Internal Audit Function.

The purpose, scope and authority of the Audit Committee and the Internal Audit Function are articulated in their charters and manuals which are periodically reviewed and submitted to the Board of Directors for ratification. The Internal Audit Charter empowers the Internal Audit Function, whenever relevant to the performance of its assignments, to initiate direct communication with any member of staff, to examine any activity or entity of the Bank, and to have full and unconditional access to any records, files, data and physical properties of the Bank. This includes access to Management Information Systems and records and the minutes of all consultative and decision-making bodies.

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

Professional Competence
The Head of Internal Audit is responsible for acquiring human resources with sufficient qualifications and skills to effectively deliver on the mandate for professional competence, and to efficiently carry out audit engagements using the suitable methodologies and tools and sufficient knowledge of auditing techniques. Moreover, the Head of Internal Audit makes sure that the staff is acquiring proper ongoing training in order to meet the increasing diversity of tasks stemming from the release of new products and processes and other developments in the financial sector.

THE BANKING SECTOR AND BANKING REGULATION IN THE LEBANESE REPUBLIC

Role of the Central Bank of Lebanon

The Central Bank of Lebanon was created by virtue of Law No. 13513 dated August 1st, 1963 enacting the Code of Money and Credit. The Central Bank is an autonomous legal entity, and is vested with financial autonomy. It is considered a commercial institution in its relations with third parties. It is located in Beirut and has branches in Tripoli, Jounieh, Saida, Zahle, Bikfaya, Aley, Tyre, Nabatiyeh and Baalbek. The Central Bank is governed by a Governor assisted by four Vice-Governors, altogether constituting the Governorship of the Bank, as well as by a Central Council chaired by the Governor and composed of the Vice-Governors, the Director- General of the Ministry of Finance and the Director-General of the Ministry of Economy and Trade.

The Central Bank is the sole custodian of public funds, supervises and regulates the banking system and is vested by law with the exclusive authority of issuing the national currency. The Central Bank primary role is to safeguard the currency and promote monetary stability, thereby creating a favourable environment for economic and social progress. The Central Bank also advises the Government on various economic and financial matters. In conducting its monetary management function, the Central Bank utilizes a wide range of instruments, including reserve requirements on Lebanese Pound deposits with commercial banks, liquidity requirements on foreign currency deposits in commercial banks, Treasury Bills repurchase and swap agreements with commercial banks, as well as Lebanese Pound denominated certificates of deposit issued by the Central Bank.

The Governor of the Central Bank is appointed for a six-calendar-year tenure, by decree taken by the Council of Ministers, acting on the proposal of the Minister of Finance. The Vice-Governors are appointed for a five-calendar-year tenure pursuant to the same process.

The Capital Markets Authority was established by virtue of Law No 161 dated August 17, 2011. The provisions of this law govern all operations related to the issuing, purchase, sale, or promotion of financial instruments that are directly offered for public subscription, or that are purchased or sold on behalf of the public, in addition to financial instruments listed or traded on the stock exchange, and financial instruments and financial rights authorized by the Capital Markets Authority, established pursuant to Article 3 of this Law. The provisions of this Law also govern raw materials market, metal markets and other similar markets. The main objectives of the Capital Markets Authority revolve around enhancing and developing financial markets in Lebanon while protecting funds invested in such markets from any manipulation or fraud which might occur and this is performed with the co-operation and coordination with all relevant and concerned sectors. Other important functions include the creation of an attractive investment environment which can earn the trust and confidence of investors. In this respect the Capital Markets Authority abides to the strict rules and best practices related to integrity, disclosure and transparency.

Banking Regulations

Banking activities in Lebanon are governed by *inter alia* the Code of Money and Credit, the Code of Commerce, Directives/Circulars issued by the Central Bank of Lebanon, decisions of the Banking Control Commission and decisions of the Capital Markets Authority. The Banking Control Commission has the responsibility to supervise banking activities and to ensure compliance with the legal and regulatory framework. The Banking Control Commission undertakes both off-site reviews and on-site examinations to assess, *inter alia*, compliance with banking laws and regulations, reliability of bank reporting and levels of liquidity, capital adequacy and lending to deposit ratios.

Banks regularly submit reports to the Central Bank, including monthly statements on their daily foreign exchange positions, monthly financial information on customers and inter-bank deposits and audited financial statements. Banks also submit monthly reports to the Banking Control Commission on their lending portfolio and monthly financial statements.

Furthermore, banks, like all commercial companies registered in Lebanon, must have their Articles of Incorporation and minutes of certain General Assembly of Shareholders, as well as Board of Directors' meetings, whose objects relate to, or otherwise affect, third parties, registered with the Registrar of Commerce and they should be submitted to the Central Bank and the Banking Control Commission.

Free Exchange System

The Lebanese banking system allows for free exchange and free movement of capital and earnings. The Lebanese currency is fully convertible and can be exchanged freely with any other currency. Moreover, no restrictions are put on the free flow of capital and earnings into and out of the Lebanese economy.

Banking Secrecy Law

The Banking Secrecy Law enacted on September 3rd, 1956, subjects all banks established in Lebanon as well as foreign banks' branches to a strict bank secrecy duty. All bank managers and employees cannot reveal their clients' names, assets or holdings to any party whatsoever, whether individuals or public authorities, be they administrative, fiscal or judicial. Such information is released only pursuant to a written authorization granted by the client or his/her heirs. However, the disclosure is mandatory in case of bankruptcy, or in case of any litigation between the bank and the client, or in case of money laundering investigation. Furthermore, pursuant to Article 150 of the Code of Money and Credit, banks are allowed to open code-numbered accounts. Neither the Banking Control Commission nor the external auditors have the right to either look into the movement of such accounts or ask the bank to reveal the identity of the account holder. However, within the applicable Anti Money Laundering procedures, the Bank is reluctant to open code-numbered accounts despite being authorized by law.

Centralization of Credit Risk

Banks are required under Article 147 of the Code of Money and Credit to furnish the Central Bank with monthly statements, listing the credits they have granted. The Central Bank computes all such information for the operation of its Central Service of Banking Risks. Banks are charged a fee by the Central Bank whenever they inquire about the total outstanding credit exposure of a specific customer.

The Central Service of Banking Risks report summarizes the total facilities taken by a debtor customer and all related companies thereto from any bank in Lebanon. It also reflects the total credit limit, the amount drawn down or utilized, the amount of credit issued against guarantees, and the total indirect risk (Letters of Guarantees and Letters of Credits) that each customer has outstanding with any bank.

Banks' Share Issuing

In accordance with Law No. 308 of April 3rd, 2001, the Central Bank issued Basic Directive No. 7814 dated May 11th, 2001, enforcing the rules and regulations on issuing and trading the shares of Lebanese banks and specifying the cases that necessitate the prior approval of Central Bank. Law No. 308 provides that the capital stock of a Lebanese bank constitutes a single category, governed by a single set of regulations with respect to ownership and trading. These shares are to be registered with, and safeguarded by, Midclear, in its capacity as central depositary, and trading operations have to be effected through the books of Midclear. On the other hand, Law No. 308 authorizes Lebanese banks to issue preferred shares, subject to the authorization of Central Bank. In all events, any transfer or trading in shares which renders its owner the holder of 5% or more of the capital stock of a Lebanese bank necessitates the prior approval of the Central Bank.

Related Party Transactions

Transactions with related parties are governed by the Code of Commerce and the Code of Money and Credit and the Central Bank Basic Directive No. 7776 dated February 21st, 2001, which collectively provide that a transaction with a related party must be formally authorized by the Ordinary General Assembly of the bank's shareholders and approved by the Bank's Board of Directors. Basic Directive No. 7776 provides that advances and credit facilities to directors, managers and companies having common directors with a bank may not exceed 2 percent of shareholders equity.

The Central Bank Basic Directive No. 7156 dated November 10th, 1998, provides that the net inter-bank deposits among foreign related banks and foreign affiliated companies (whether or not financial institutions) may not exceed 25% of Tier I capital.

Reserve Requirements

Pursuant to the Central Bank Basic Directive No. 7835 dated June 2nd, 2001, as amended, all banks operating in Lebanon, except investments banks and commercial banks making medium and long terms loans, must maintain a compulsory reserve in cash with the Central Bank equal to the sum of 25% of the weekly average of Lebanese Pound-denominated term deposits, and 15% of the weekly average of Lebanese Pound-dominated term deposits.

On September 27th, 2001, the Central Bank issued Basic Directive No. 7935, as amended, implementing Basic Directive No. 7926 dated September 20th, 2001 pursuant to which all banks operating in Lebanon must maintain in cash with the Central Bank an interest-bearing deposit equal to 15% of foreign currency-denominated deposits, notes, certificates of deposit, bank's certificates and other debt instruments and loans granted by the financial sector with a remaining maturity of one year or less, against payment of interest at the rate applied by the Central Bank on foreign currency-denominated deposits.
On December 16th, 2002, the Central Bank issued Basic Directive No. 8312, as amended, implementing Basic Directive No. 7926, dated September 20th, 2001, pursuant to which all banks operating in Lebanon must subscribe to Lebanese treasury bills or Eurobonds issued by the Lebanese Republic, which do not bear interest and have a maturity of two years. The aggregate amount of such Lebanese treasury bills or Eurobonds subscribed by each bank must equal 10% of the relevant bank's deposits in all currencies as at October 31st, 2002. Subscription has been effected in five equal instalments on each of January 2003, February 2003, March 2003, July 2003 and August 2003; all such securities subscribed to fulfil these mandatory obligations have now matured without any obligation to reinvest. Subscriptions were permitted to be made in either cash (in Lebanese Pounds of US Dollars) or in Lebanese treasury bills or Eurobonds. Thereafter, the Central Bank issued interest-bearing certificates of deposit, which the banks were permitted to purchase in satisfaction of their subscription obligations.

The Central Bank Basic Directive No. 6101 dated February 8th, 1996, grants, on a case-by-case basis, to commercial banks advancing medium and long term loans the same reserve requirements concessions as those granted to "specialized banks" governed by Decree-Law No. 50 dated July 15th, 1983.

The Central Bank Basic Directive No. 7693 dated October 18th, 2000, as amended, provides that all banks operating in the Lebanese Republic must maintain a minimum of 10% of foreign currency-denominated deposits, debt securities, certificates of deposit, bank's certificates and other debt instruments granted by the financial sector with maturity equal to or less than one year in liquid assets consisting of: (i) cash in a bank's vaults, (ii) cash deposited with the Central Bank, and (iii) cash deposited with other banks with a remaining time to maturity of one year or less.

The Central Bank Basic Directive No. 7694 dated October 18th, 2000, as amended, provides that all banks and financial institutions operating in the Lebanese Republic must also maintain a minimum of 40% of their Tier 1 capital in Lebanese Pounds, after provisions and distributions of profits, in liquid assets, consisting of (i) cash in the bank's vaults, (ii)) cash deposited with the Central Bank, (iii) cash deposited with other banks for a period equal to or less than one year, and (iv) Lebanese treasury bills with a remaining time to maturity of one year or less.

Capital Adequacy

Pursuant to Central Bank Basic Directive No. 6939 dated March 25th, 1998, all banks operating in the Lebanese Republic are required to maintain a minimum capital adequacy ratio of 12% as from December 31st, 2001.

The Central Bank's Basic Directive No. 6939 was amended on September 8th, 2005, to provide that the aggregate amount of preferred shares (convertible and non-convertible into ordinary shares) and financial instruments that are deemed part of a bank's Tier I capital according to the applicable regulations cannot exceed 49% of the bank's Tier I capital; that the aggregate amount of preferred shares (non-convertible into ordinary shares) and financial instruments that are deemed part of a bank's Tier I capital according to the applicable regulations cannot exceed the sub-limit of 35% of the bank's Tier I capital; and that the aggregate amount of financial instruments that are deemed part of a bank's Tier I capital according to the applicable regulations cannot exceed the sub-limit of 15% of the bank's Tier I capital. The excess above these limits of preferred shares (convertible and non-convertible) and financial instruments that would otherwise form part of the bank's Tier I capital, would be included in the bank's Tier II capital.

Pursuant to the Central Bank Basic Directive No. 9302 dated April 1st, 2006, as amended, adopted with respect to the application of the Basel II International Convention regarding Capital Adequacy, all banks operating in Lebanon must gradually apply Basel II International Convention for the calculation of capital adequacy on a consolidated and non-consolidated basis, where applicable, in accordance with the standards set forth in Basic Directive No. 9302 and any subsequent decisions adopted in that regard starting from January 1st, 2008. In addition, as of December 31st, 2006, Lebanese banks must include in the calculation of their capital adequacy ratio, reserves for unspecified banking risks. Pursuant to Article 7 of Directive No. 9302, banks operating in Lebanon were required to appoint an expert in risk management to be in charge of applying Basel II International Convention and notify the Banking Control Commission of the name of such person and contact details prior to April 30th, 2006.

"Common Equity Tier I" means the Bank's Common Equity Tier I Capital, as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Common Equity Tier I capital includes paid-up share capital, issue premiums, shareholders cash contribution to capital not subject to interest payments, legal and statutory reserves (including reserves for unspecified banking risks but excluding reserves allocated for liquidation of real estate properties), retained earnings, funds allocated for investments in real estate properties and minority interests accepted within Common Equity.

"Additional Tier I Capital" means the additional Tier I Capital of the Bank as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Additional Tier I capital shareholders cash contribution to capital subject to interest payments, non-cumulative perpetual preferred shares, and financial instruments that: (i) are issued and fully paid, and (ii) are permanent, subject to early redemption at the Issuer's discretion following five years from their issue date and after exchanging such instruments with equivalent financial instruments and minority interest accepted within Additional Tier I Capital.

"Tier I Capital" means the Bank's Tier I Capital, as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Tier 1 capital is the sum of Common Equity Tier I Capital and Additional Tier I Capital as defined above.

"Tier II Capital" means the Bank's Tier II Capital, as determined in accordance with International Financial Reporting Standards and applicable rules and regulations of the Central Bank of Lebanon, which are based generally on the Basel Accords. Tier II capital comprises preferred shares (other than preferred shares which are both perpetual and non-cumulative), subordinated loans, and any unrealized gain in participations and stocks held classified as Other Comprehensive Income (OCI), the revaluation surplus of the bank's properties – subject to the Central Bank of Lebanon approval, and general provisions constituted on assets exhibiting similar risk characteristics subject to approval of the Banking Control Commission.

Corporate Governance

The Central Bank Basic Directive No. 9382 dated July 26th, 2006 issued in line with the implementation of the Basel II Capital Adequacy Directive regarding the banks' corporate governance, has outlined the general guidelines for the banks' corporate governance, regarding inter alia, (i) the directors' competence to hold their positions, (ii) the Board of Directors' role in specifying the strategic goals and corporate values of the bank and to ensure implementation thereof, (iii) the Board of Directors' duty to clearly provide for responsibilities and accountability and to ensure that such responsibility and accountability are thoroughly applied, and (iv) the transparent management of the bank.

Credit Limits

The Central Bank Basic Directive No. 7055 dated August 13th, 1998, as amended by Intermediary Directive No. 9456, sets the maximum allowable weighted credit limit for loans to a single borrower (or group of related borrowers) at (i) 20% of a bank's shareholders equity with respect to loans extended to borrowers (or group of related borrowers) resident in the Lebanese Republic, the proceeds of which are to be used in Lebanon, (ii) 20% of a bank's shareholders equity with respect to loans extended to resident borrowers or non-resident borrowers (or group of related borrowers), the proceeds of which are to be used in countries with sovereign ratings of A+ and above and (iii) 10% of a bank's shareholders equity with respect to loans extended to resident borrowers or non-resident borrowers (or group of related borrowers), the proceeds of which are to be used in countries with sovereign ratings

below A+, provided that (x) the aggregate exposure for countries rated from A to BBB- does not exceed 200% of the bank's shareholders' equity and the aggregate exposure to each of these countries does not exceed 50% of the bank's shareholders' equity or (y) the aggregate exposure for countries rated below BBB- does not exceed 100% of the bank's shareholders' equity and the aggregate exposure to each of these countries does not exceed 25% of the bank's shareholders' equity.

Foreign Exchange Trading

The Central Bank Basic Directive No. 6568 dated April 24th, 1997, as amended, prohibits Lebanese banks from maintaining at any time (i) net trading position against Lebanese Pounds in an amount greater than 1 percent of Tier I capital, and (ii) net trading positions in all currencies in an amount greater than 40% of Tier I capital. Lebanese banks, however, are allowed, under Basic Directive No. 6568, to hold a structural foreign exchange position up to 60% of Tier I capital denominated in the Lebanese Pounds.

Loan Classification

The Central Bank Basic Directive No. 7159 dated November 10th, 1998, as amended, introduces specific rules relating to loan classification and provisioning in accordance with the Basel Committee Regulations. This Decision classifies loan facilities into five categories: ordinary/regular accounts, accounts to be followed-up and regularized, sub-standard accounts, doubtful accounts, and bad or ailing accounts.

Credit Losses and Provisions for Doubtful Debts

The Banking Control Commission requires specific provisions to be established for identified credit losses. Interest on substandard and doubtful loans is considered unrealized interest and accounted for as a "memo" entry. Sub-standard and doubtful loans must be accounted for on a non-accrual basis and any interest subsequently received should be booked to income on a cash basis, as and when received. Such loans are those as to which the bank's management has determined that the borrower may be unable to meet principal and/or interest payment obligations and/or account performance is otherwise unsatisfactory, unless the loans are adequately secured and/or in the process of liquidation.

Reserves for General Banking Risk

Pursuant to the Central Bank Basic Directive No. 7129, dated October 15th, 1998, Lebanese banks are required to allocate on a yearly basis a general reserve (to be included in Tier I capital) for unspecified banking risks, out of net profits in an amount equal to a minimum of 0.2% and a maximum of 0.3% of risk-weighted assets. Such reserve must reach a cumulative maximum of 1.25% of risk-weighted assets within a period of 10 years (2008) and 2% of risk-weighted assets within a period of 20 years (2018).

Anti-Money Laundering

A special law, Law No. 318 dated April 3rd, 2001 has been enacted, the object of which is to fight money laundering. To this end, the "Special Investigation Commission" which includes amongst its members the Governor of the Central Bank and the Chairman of the Banking Control Commission, was established to investigate money-laundering operations and to monitor compliance with the rules and procedures stipulated by Law No. 318. In accordance with Article 5 of Law 318, the Central Bank promulgated the rules and regulations on the control of banking operations to fight money laundering.

Accounting Standards

Since 1997, all Lebanese banks are required to prepare their financial statements in accordance with International Financial Reporting Standards. The Banking Control Commission has issued instructions which correspond to International Financial Reporting Standards, among which the recognition of interest on classified loans only on a cash basis, guidelines for the effects of hyper-inflation, the recording of exchange gains and losses arising from revaluation of foreign exchange positions and a statement of non-monetary assets acquired in settlements of debts at current price. There are also certain restrictions on lending to shareholders and directors and on investments in subsidiaries and affiliates. The Central Bank Basic Directive No 6576 dated April 24th, 1997, required Lebanese banks to prepare consolidated financial statements. Consolidated financial statements should include all companies (financial and non-financial) of which the bank has exclusive control (evidenced by ownership of more than 50% and/or control over the financial and operating policies of the entity). Companies in which the Bank has joint control (evidenced by direct or indirect ownership ranging from 20% up to 50%) should be accounted for using the "equity method" in the consolidated financial statements and either at cost or in accordance with IAS 39 in standalone financial statements.

Exhibit A - Form of Subscription Application

DEED OF IRREVOCABLE UNDERTAKING TO SUBSCRIBE

BANQUE BEMO SAL - "SUBORDINATED BONDS YEAR 2014"
(Articles 122 to 143 of the Code of Commerce & Law No.308 dated April 3rd, 2001)
(Issuing resolved by the Ordinary General Assembly held on October 24th, 2014)

VALID ONLY IF DULY SIGNED AND REMITTED TO BANQUE BEMO SAL IN ORIGINAL WITH ALL DOCUMENTS MENTIONED IN PARAGRAPH 3 BELOW NO LATER THAN DECEMBER …, 2014 (BEFORE 2:00 P.M., BEIRUT TIME)

Date: _____ 2014.

The Undersigned on the present Deed of Irrevocable Undertaking to Subscribe (the "Deed")**:**

For Natural Persons
Mr. / Ms. _____ (Name, Father's Name, Surname) (English & Arabic)
Residence Full Address : _____ (not P.O. Box)
Telephone Number : _____ / Telecopy Number : _____
BEMO Shareholder : Yes _____ / No _____
BEMO Client : Yes _____ / No _____

For Legal Entities
Denomination & Legal Form: _____
Incorporated and Registered in : _____ (Country and Register of Commerce)
Represented by Mr. / Ms. _____ (Name, Father's Name, Surname) (English & Arabic) in his capacity as _____
Headquarters Full Address : _____(not P.O. Box)
Telephone Number : _____ / Telecopy Number : _____
BEMO Shareholder : Yes _____ / No _____
BEMO Client : Yes _____ / No _____

I, the undersigned, by signing the present Deed, and with the full intention to be legally and irrevocably bound towards Banque BEMO SAL ("the Bank"), hereby:

1. Declare that I have received from the Bank a confidential copy of, and carefully and thoroughly read, understood, accepted and fully adhered to and consider myself bound by the terms of, the Offering Circular dated November 28th, 2014, (the "OC") relating to the issuing (the "Issuing") by the Bank of 2,500 subordinated bonds of a per value of USD 10,000 each, titled "**Subordinated Bonds Year 2014**" (the "Bonds"), especially but not limited to the Section entitled "CERTAIN INVESTMENT CONSIDERATIONS" and the Section entitled "TERMS AND CONDITIONS OF THE BONDS" of the OC detailing the particulars, and the terms and conditions of the Bonds. I also declare that I fully understand that *a)* an investment in the Bonds is subject to certain risk factors that an investor should carefully consider before reaching a decision to buy the Bonds; *b)* the Offering Circular has been prepared solely for informational purposes and is not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard; and that *c)* although the significant risks, to the best of the Bank's knowledge, relating to an investment in the Bonds, are described, purchasers are urged to read and consider, in consultation with their own financial advisor, provided that the solicitation is conducted by an institution other than Banque BEMO SAL, the information about these risks, together with the other information contained in the Offering Circular, before investing in the Bonds. Subscribers who are not prepared to accept the following risk factors should not invest in the Bonds. I recognize that although the OC has been drafted with all due care and diligence by the Bank and its advisors, it is based on business assumptions and market conditions which could vary in the future, and I agree that this will not be considered by me as a breach of any representation or warranty concerning the valuation and/or the

projected future income and strategy. I acknowledge that I have not received any documentation in connection with the Issuing which is not fully in line with the contents of the OC. I undertake to treat the OC in full confidentiality, not to circulate it and not to give a copy thereof to any other party save to my advisors who are bound by same confidentiality duty.

2. Undertake, and the present Deed is binding for me (and for my successors by operation of law such as *inter alia* heirs, executors, administrators, etc.) and is irrevocable until December 31, 2014, 1:00 pm Beirut time, as follows:

   a) To subscribe to the number of Bonds detailed in the Particulars below;
   b) To deposit in cash, within three business days as from the date of the present Deed, the full and net amount of my subscription as detailed in the Particulars below in the account number 3395 USD 2501 opened with the Bank; and
   b) More generally, to take all necessary measures, either spontaneously or upon the Bank's request, to hasten and satisfactorily close the Issuing.

3. Remit to the Bank, upon its first request following the signature of the present Deed, any and all documents pertaining to my identification.

4. Declare solemnly that the present Deed is strictly personal, and I cannot transfer it nor assign it; that I am signing it for my own personal account as principal (*inter alia* no fronting and no agency), and that no other person will be the beneficial owner thereof, nor will any other person have a direct or indirect interest in the Bonds I subscribe to (until the Bonds, if any, are inscribed in my name with MIDCLEAR SAL after closing of the Issuing, at which time I can freely dispose of them); and that I will bear alone the full risk of the present Deed and the subsequent eventual subscription.

5. Agree that my subscription might be rejected by the Bank, in whole or in part, on a fully discretionary basis and without any justification being due to me; and that the whole Issuing might be cancelled by the Bank, at its entire discretion, if the full amount of the Issuing is not fully subscribed and paid up and/or if the whole Issuing is not satisfactorily closed before December 31, 2014. If my subscription is rejected in whole or in part, then the amount of my subscription shall be refunded in whole or in part as applicable, by crediting my bank account mentioned in the Particulars below.

6. Agree to indemnify the Bank, its officers, directors, employees, affiliates, its external advisors and counsels, for any and all losses, liabilities, claims, damages, costs and expenses whatsoever, *inter alia* in connection with any threatened or commenced lawsuit, arbitration, claim whatsoever, arising out of or based upon any false statement, information, representation, warranty, breach, violation, or failure from my part to comply with any covenant, representation, warranty, agreement, applicable laws and regulations relating to the Issuing.

7. Agree that the Bonds are subordinated and are governed *inter alia* by articles 122 to 143 of the Code of Commerce, Law No.308 of 2001, Central Bank of Lebanon Basic Directives No. 6830 and No. 6856 of 1997, Capital Markets Authority Decision No. 16 of 2014, and the terms and conditions as set by the Bank's Ordinary General Assembly held on October 24th, 2014, which resolved the Issuing and described in the OC. The Bank has no obligation whatsoever to purchase any Bonds, and I can never and under no circumstances require the Bank nor force it to redeem or purchase any or all of my Bonds, or to convert them into shares since the Bonds are not convertible.

8. Agree that the present Deed, the OC and all the documents and legal deeds which are mentioned therein or arising there out of or in connection there with, as well as the whole process of the Issuing, shall be governed by and construed in accordance with the substantive laws of Lebanon. All disputes arising out of or in connection with the present Deed, the OC and all the documents and legal deeds which are mentioned therein as well as the whole process of the Issuing shall be finally settled under the Rules of Conciliation and Arbitration of the Chamber of Commerce and Industry of Beirut by three arbitrators appointed in accordance with the said Rules. I declare to adhere to the provisions of said Rules, undertake to abide by them and waive all right of recourse against the award. Each party shall bear definitely its own expenses and costs of arbitration.

Particulars

Subscription to "Subordinated Bonds Year 2014" of Banque BEMO SAL, Beirut, Lebanon *(minimum subscription: 5 Bonds or US$ 50,000).*

Number of Bonds to which I irrevocably undertake to subscribe:

_____ (_____) Bonds out of a total of 2,500 Subordinated Bonds Issuing Year 2014.

Total amount of my subscription which I irrevocably undertake to fully pay as provided here-above in the present Deed:

USD _____ (_____ US dollars).

My bank account to be eventually credited pursuant to the provisions of Paragraph 5 above is opened with Bank _____ SAL (_____ branch) number _____.

*

* *

Executed, in Beirut in one original remitted to Banque BEMO SAL, on the aforementioned date.

Natural Persons
Full Name : _____
Signature : _____

Legal Entities
Denomination : _____
Represented by : _____
Signature : _____

يقّر مقدّم الطلب بأنه يتقن اللغة الإنكليزية وبأنه اضطلع على طلب الإكتتاب هذا وعلى كافة الشروط والخصائص والمخاطر ، المنصوصة باللغة الإنكليزية ، للسندات المرؤوسة التي ينوي المصرف اصدارها، وهو بالتالي يؤكد بأنه فهم محتواها كليا كما انه يقبلها برمتها دون أي تحفظ.

Signature **الإمضاء**

_____

BANQUE BEMO S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2013

BANQUE BEMO S.A.L.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2013

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BT 9115/DTT

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Beirut, Lebanon
April 11, 2014

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2013 LBP'000	December 31, 2012 LBP'000
Cash and Central Banks	5	367,632,615	299,446,044
Deposits with banks and financial institutions	6	256,512,471	413,701,379
Trading assets at fair value through profit or loss	7	44,154,849	64,375,917
Loans to banks and financial institutions	8	20,226,199	25,676,016
Loans and advances to customers	9	918,365,819	916,880,834
Loans and advances to related parties	10	2,195,386	3,848,770
Investment securities	11	564,556,559	437,198,159
Customers' liability under acceptances	12	15,134,279	23,865,731
Investments in associates	13	20,819,288	30,693,799
Assets acquired in satisfaction of loans	14	2,831,019	2,831,019
Property and equipment	15	14,800,007	15,492,186
Intangible assets	16	677,316	699,742
Other assets	17	10,176,347	10,544,789
Total Assets		2,238,082,154	2,245,254,385
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:	40		
Documentary and commercial letters of credit		19,969,368	38,274,650
Guarantees and standby letters of credit		79,765,846	67,580,258
Forward exchange contracts		804,225,486	720,754,919
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	41	16,411,710	8,469,905

THE ACCOMPANYING NOTES 1 TO 49 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		December 31,	
LIABILITIES	**Notes**	**2013**	**2012**
		LBP'000	**LBP'000**
Deposits and borrowings from banks and financial institutions	18	105,198,397	93,934,270
Customers' accounts at amortized cost	19	1,763,724,939	1,837,531,533
Related parties' accounts at amortized cost	20	66,253,993	53,967,424
Acceptance liability	12	15,134,279	23,865,731
Other liabilities	21	10,347,499	8,311,948
Provisions	22	6,374,385	6,042,458
		1,967,033,492	2,023,653,364
Subordinated bonds	23	60,291,143	62,397,734
Total liabilities		2,027,324,635	2,086,051,098
EQUITY			
Share capital	24	62,000,000	62,000,000
Treasury Shares	24	(2,197,625)	(2,197,625)
Preferred shares	25	30,150,000	30,150,000
Subscriptions in preferred shares	26	52,762,500	-
Shareholders' cash contribution to capital	27	29,104,984	29,104,984
Reserves	28	29,139,121	25,052,144
Retained earnings		20,014,719	22,503,411
Cumulative currency translation adjustment		(20,271,959)	(13,003,565)
Profit for the year	30	9,593,510	5,593,850
Equity attributable to the Group		210,295,250	159,203,199
Non-controlling interest	29	462,269	88
Total equity		210,757,519	159,203,287
Total Liabilities and Equity		2,238,082,154	2,245,254,385

THE ACCOMPANYING NOTES 1 TO 49 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31, 2013 LBP'000	2012 LBP'000
Interest income	32	91,915,863	87,609,374
Interest expense	33	(63,139,308)	(64,631,845)
Net interest income		28,776,555	22,977,529
Fee and commission income	34	7,795,082	7,238,270
Fee and commission expense	35	(949,689)	(588,711)
Net fee and commission income		6,845,393	6,649,559
Net interest and other gain on trading assets at fair value through profit or loss	36	6,044,343	9,129,762
Gain on exchange		1,821,329	1,724,693
Other operating income/(loss)	37	4,073,426	(628,184)
Net financial revenues		47,561,046	39,853,359
Allowance for impairment of loans and advances and other receivables	9, 17	(1,747,855)	(6,278)
Collective provisions for loan impairment	9	(1,507,500)	(1,959,750)
Write-back of impairment loss on loans and advances	9	800,373	930,988
Loan recoveries		-	240,004
Net financial revenues after net impairment charge		45,106,064	39,058,323
Staff costs	38	(19,198,843)	(18,806,172)
Administrative expenses		(12,133,155)	(10,134,436)
Depreciation and amortization	15, 16	(1,625,074)	(2,329,791)
Write back of provision for foreign currency fluctuation		(504)	33,949
Write-back of provision for contingencies	22	-	591,270
Impairment of Property and Equipment	15	-	(275,000)
		(32,957,576)	(30,920,180)
Profit before income tax		12,148,488	8,138,143
Income tax expense	21	(2,520,369)	(2,544,235)
Profit for the year	30	9,628,119	5,593,908
Attributable to:			
Equity holders of the Group		9,593,510	5,593,850
Non-Controlling interest		34,609	58
		9,628,119	5,593,908
Basic and diluted earning per shares		117/11	51/64

THE ACCOMPANYING NOTES 1 TO 49 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2013 LBP'000	2012 LBP'000
Profit for the year		9,628,119	5,593,908
Other comprehensive income ("OCI"):			
Items that may be reclassifies subsequently to profit or loss:			
Loss arising from currency translation adjustment	13	(7,268,394)	(7,650,776)
Net other comprehensive loss for the year		(7,268,394)	(7,650,776)
Total comprehensive income/(loss) for the year		2,359,725	(2,056,868)
Attributable to:			
Equity holders of the Group		2,325,116	(2,056,926)
Non-controlling interests		34,609	58
		2,359,725	(2,056,868)

THE ACCOMPANYING NOTES 1 TO 49 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to the Group														
	Capital LBP'000	Treasury Shares LBP'000	Preferred Shares LBP'000	Advance Payment on Subscription in Preferred Shares LBP'000	Shareholders' Cash Contribution to Capital LBP'000	Legal Reserve LBP'000	Reserve for General Banking Risks LBP'000	Other Reserves LBP'000	Reserve for Assets Acquired in Satisfaction of Loans LBP'000	Currency Translation Adjustment LBP'000	Retained Earnings LBP'000	Income for the Year LBP'000	Total LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Balance at December 31, 2011	62,000,000	(1,614,350)	30,150,000	-	29,104,984	1,193,702	14,327,325	5,518,363	412,051	1,835,036	18,004,106	9,917,361	170,848,578	41	170,848,619
Prior years' currency translation adjustment	-	-	-	-	-	-	-	-	-	(7,187,825)	-	-	(7,187,825)	-	(7,187,825)
Balance at December 31, 2011 (Restated)	62,000,000	(1,614,350)	30,150,000	-	29,104,984	1,193,702	14,327,325	5,518,363	412,051	(5,352,789)	18,004,106	9,917,361	163,660,753	41	163,660,794
Prior years adjustment	-	(569,104)	-	-	-	-	-	-	-	-	594,635	-	25,531	-	25,531
Total comprehensive loss	-	-	-	-	-	-	-	-	-	(7,650,776)	-	5,593,850	(2,056,926)	58	(2,056,868)
Allocation of income for the year 2011	-	-	-	-	-	601,429	2,857,723	-	141,551	-	6,316,658	(9,917,361)	-	-	-
Dividends paid - Note 31	-	-	-	-	-	-	-	-	-	-	(2,412,000)	-	(2,412,000)	-	(2,412,000)
Acquisition of treasury shares	-	(14,171)	-	-	-	-	-	-	-	-	-	-	(14,171)	-	(14,171)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Other movement	-	-	-	-	-	-	-	-	-	-	12	-	12	-	12
Balance at December 31, 2012	62,000,000	(2,197,625)	30,150,000	-	29,104,984	1,795,131	17,185,048	5,518,363	553,602	(13,003,565)	22,503,411	5,593,850	159,203,199	88	159,203,287
Total comprehensive income	-	-	-	-	-	-	-	-	-	(7,268,394)	-	9,593,510	2,325,116	34,609	2,359,725
Allocation of income for the year 2012	-	-	-	-	-	943,536	3,001,890	-	141,551	-	1,506,873	(5,593,850)	-	-	-
Prior years adjustment	-	-	-	-	-	-	-	-	-	-	(19,589)	-	(19,589)	-	(19,589)
Dividends paid - Note 31	-	-	-	-	-	-	-	-	-	-	(3,962,000)	-	(3,962,000)	-	(3,962,000)
Advance payment on subscription in preferred shares	-	-	-	52,762,500	-	-	-	-	-	-	-	-	52,762,500	-	52,762,500
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(58)	(58)
Non-controlling interest- ODDO	-	-	-	-	-	-	-	-	-	-	-	-	-	427,630	427,630
Other movement	-	-	-	-	-	-	-	-	-	-	(13,976)	-	(13,976)	-	(13,976)
Balance at December 31, 2013	62,000,000	(2,197,625)	30,150,000	52,762,500	29,104,984	2,738,667	20,186,938	5,518,363	695,153	(20,271,959)	20,014,719	9,593,510	210,295,250	462,269	210,757,519

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2013 LBP'000	2012 LBP'000
Cash flows from operating activities:			
Profit before tax		12,148,489	8,138,143
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Prior period adjustment		25,945	-
Depreciation and amortization	15,16	1,625,074	2,329,791
Provision for credit losses	9	(800,373)	(930,988)
(Write-back of provision)/provision for loss on foreign currency position		(504)	(33,949)
Provision for collective loan impairment	9	1,507,500	1,959,750
Allowance for impairment of loans and advances and other receivables	17	1,747,855	6,278
Non-controlling interest		(2,840)	(11)
Provision for end-of-service indemnities (net)	22	187,724	812,242
Write-back of provision for risk and charges	22	-	(591,270)
Impairment of property and equipment		-	275,000
Unrealized loss on financial assets at fair value through profit or loss/trading securities	36	(1,571,573)	958,062
Equity loss from investment in associates	37	2,155,471	3,899,204
(Gain)/loss from sale of property and equipment		(46,337)	277
Settlement of end-of-service indemnity	22	(327,238)	(12,667)
Decrease in deposits with banks and financial institutions		80,311,508	134,210,495
Trading assets at fair value through profit or loss		21,792,641	30,215,647
Decrease/(increase) in loans and advances		9,445,225	(111,288,602)
Net increase in other assets		1,045,258	5,028,118
Increase in customers' and related parties ' deposits at amortized cost		(70,232,844)	206,954,298
Decrease/(increase) in non-interest earning compulsory reserve		6,451,775	(620,705)
Increase in due to banks and financial institutions		9,829,594	(253,714,093)
Increase in provisions		(27,973)	-
Net increase in other liabilities		718,218	(4,363,887)
Taxes paid		(1,382,961)	(2,544,235)
Others (including effect of exchange rate changes)		2,110,533	(108,215)
Net cash provided by operating activities		76,710,167	20,578,683
Cash flows from investing activities:			
Acquisition of new subsidiary	13	(860,825)	-
Investment securities		(127,122,186)	(88,845,242)
Treasury shares		-	(14,171)
Property and equipment		(675,563)	(719,029)
Proceeds from sale of property and equipment		78,877	41,004
Intangible assets		(271,576)	(134,857)
Net cash used in investing activities		(128,851,273)	(89,672,295)
Cash flows from financing activities:			
Dividends paid	31	(3,962,000)	(2,412,000)
Advance payment on subscription in preferred shares		52,762,500	-
Subordinated Bonds		(2,106,591)	2,149,102
Net cash used in financing activities		46,693,909	(262,898)
Effect of exchange rates changes on cash and cash equivalents - Beginning of year		(1,420,497)	969,753
Net (decrease)/increase in cash and cash equivalents		(6,867,694)	68,386,757
Cash and cash equivalents - Beginning of year		345,541,763	413,928,520
Cash and cash equivalents – Newly acquired subsidiary		1,640,319	-
Cash and cash equivalents - End of year	43	340,314,388	345,541,763

THE ACCOMPANYING NOTES 1 TO 49 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The consolidated subsidiaries consist of the following as at December 31, 2013:

Company	Country of Incorporation	Date of Acquisition or Incorporation	Percentage of Ownership 2013 %	Percentage of Ownership 2012 %	Business Activities
Bemo Securitisation S.A.L.	Lebanon	1998	96.00	96.00	Securitization & Structured Finance
Ferticed Limited Holding	Bermuda	1995	100.00	100.00	Holding Company
Depository & Custody Company S.A.L.	Lebanon	2007	99.90	99.90	Depository and custody of securities
Bemo Investment Firm Ltd. (Formerly Bemo Oddo Investment Firm Ltd.)	Dubai	2013	75.00	25.00	Investment

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

2.1 Standards and Interpretations effective for the current period

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

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

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

IFRS 13 *Fair Value Measurement*

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

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

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

Parts of the Annual Improvements to IFRSs 2009 – 2011 Cycle

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

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

The application of the above new and revised Standards did not have a material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements except for the following:

(a) Impact of the application of IFRS 13

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (Note 48). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in these financial statements.

(b) Impact of amendments to IAS 1

Presentation of items of Other Comprehensive Income (OCI)

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

2.2 New and revised IFRSs in issue but not yet effective

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

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* modify the disclosure requirements in IAS 36 *Impairment of Assets* regarding the measurement of the recoverable amount of impaired assets and require additional disclosures about the measurement of impaired assets (or group of

impaired assets) with a recoverable amount based on fair value less costs of disposal. Effective for annual periods beginning on or after January 1, 2014.

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

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

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

- IFRS 9 *Financial Instruments* (2013) – General Hedge Accounting. On November 19, 2013 a new version of IFRS 9 was issued which includes the new hedge accounting requirements and some related amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. Effective for annual periods beginning on or after January 1, 2018.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment entities.

- Annual Improvement to IFRSs 2010 – 2012 Cycle

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement

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

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

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

The principal accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Banque Bemo incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.
Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

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

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

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

B. Business Combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-

related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

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

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

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

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

C. Goodwill:

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

D. Foreign Currencies:

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

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

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

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

E. Recognition and Derecognition of Financial Assets and Liabilities:

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

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

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

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

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

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

F. Classification of Financial Assets:

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

Debt Instruments:

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

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity Instruments:

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

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

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

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

A financial asset is held for trading if:

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

Reclassification:

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

Reclassification is not allowed where:

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

G. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

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

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

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

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

Financial Liabilities:

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

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

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

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

H. Offsetting:

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

I. Fair Value Measurement of Financial Instruments:

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

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

For financial reporting purposes, fair value measurement are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and
- Level 3 – Inputs are unobservable inputs for the asset or liability.

J. Impairment of Financial Assets:

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

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

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

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

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

K. Derivative Financial Instruments:

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

Embedded Derivatives

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

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

Hedge Accounting

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge

transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

L. Loans and Advances

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

M. Financial Guarantees:

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

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

N. Investments in Associates

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

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

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

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

The currency translation effect of investment in associates is recorded to other comprehensive income and accumulated in equity.

O. Property and Equipment

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

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

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

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

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

P. Intangible Assets:

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

Q. Assets acquired in satisfaction of loans

Non-financial assets acquired in satisfaction of loans are reported separately in the statement of financial position as their acquisition is regulated by the local banking authorities and do not meet the definition of investment properties nor the definition of non-current assets held for sale. These assets are recorded at the lower of their fair value and the carrying amount of the loan at the date of exchange and are subsequently carried at cost less any impairment loss. Assets acquired in satisfaction of loans are subject to a regulatory reserve appropriated from profit for the year in case these assets are not liquidated within 2 years from acquisition.

R. Impairment of Tangible and Intangible Assets:

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

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

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date less cost to sell, if any. To determine fair value of properties, the Bank adopts the market comparability approach as indicated later in this note.
- Value in use assessed as the present value of estimated future cash flows expected to arise from the continuing use of asset and from its disposal at the end of its useful life, only for applicable assets with cash generation units, as applicable.

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

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

The impairment loss is recognized in the income statement.

S. Employees' Benefits:

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

Employees' End-of-Service Indemnities: (Under the Lebanese Jurisdiction)

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

Defined benefit plans: (Under other jurisdictions)

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

T. Provisions:

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

U. Revenue and Expense Recognition:

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

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

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

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

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

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

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income in accordance with IFRS 9 are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

Revenue from securitization contracts is recognized based on the following:

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

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

V. Treasury Shares:

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

W. Fiduciary Deposits:

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

X. Income Tax:

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

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

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

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

Deferred Tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

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

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

Y. Earnings Per Share:

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

Z. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:
- The frequency and volume of sales;
- The reasons for any sales;
- How management evaluates the performance of the portfolio;
- The objectives for the portfolio.

Characteristics of the Financial Asset:
Once the Group determines that its business model is to hold the assets to collect the contractual cash flows, it exercises judgment to assess the contractual cash flows characteristics of a financial asset. In making this judgment, the Group considers the contractual terms of the acquired asset to determine that they give rise on specific dates, to cash flows that solely represent principal and principal settlement and accordingly may qualify for amortized cost accounting.
Features considered by the Group that would be consistent with amortized cost measurement include:
- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

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

B. Key Sources of Estimation Uncertainty:

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

Allowances for Credit Losses - Loans and Advances to Customers:

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

Determining Fair Values:

When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model, as described in Note 48.

The inputs in these models are taken from observable markets where possible. Where practical, the discount rate used in the mark-to-model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the sovereign bonds including Central Bank certificates of deposit.

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

5. CASH AND CENTRAL BANKS

	December 31,	
	2013	2012
	LBP'000	LBP'000
Cash on hand	11,447,842	10,615,168
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP24.1billion in 2013 and LBP30.55billion in 2012)	80,828,788	35,911,118
Compulsory deposits with other central banks	489,247	3,430,728
Term placements with Central Bank of Lebanon	274,054,680	249,022,885
Accrued interest receivable	812,058	466,145
	367,632,615	299,446,044

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

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

Term placements with Central Bank of Lebanon include an amount of LBP235billion as at December 31, 2013 (LBP220billion as at December 31, 2012) representing the equivalent in foreign currencies of amounts deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and borrowings obtained from non-resident financial institutions.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2013	2012
	LBP'000	LBP'000
Check in course of collection	21,972,290	17,443,420
Current accounts	92,012,562	212,728,314
Current accounts - related parties	171,125	8,341,990
Term placements	85,096,141	111,689,902
Term placements - related parties	-	753,750
Pledged deposits - related parties	-	8,274,994
Margin accounts	57,127,984	54,341,963
Accrued interest receivable	132,369	127,046
	256,512,471	413,701,379

Deposits with banks and financial institutions include deposits in the amount of LBP5.09billion subject to right of setoff by the related correspondents against trade finance and other facilities at 2013 year end (LBP14.62billion against trade finance and other facilities as at December 31, 2012).

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

7. TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	December 31, 2013			December 31, 2012		
	LBP Base Accounts	Foreign Currency Base Accounts	Total	LBP Base Account	Foreign Currency Base Account	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	4,833,633	4,833,633	-	5,385,159	5,385,159
Lebanese treasury bills	21,760,545	-	21,760,545	21,892,877	-	21,892,877
Certificates of deposit issued by the Central Bank of Lebanon	4,992,903	10,552,500	15,545,403	26,968,468	-	26,968,468
Certificates of deposit issued by banks	-	-	-	-	2,249,039	2,249,039
Corporate bonds	-	1,072,796	1,072,796	-	6,672,160	6,672,160
Accrued interest receivable	647,823	294,649	942,472	1,063,802	144,412	1,208,214
	27,401,271	16,753,578	44,154,849	49,925,147	14,450,770	64,375,917

8. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

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

During December 2012, the Bank granted a 1 year term loan to a resident financial institution in the amount of USD10,000,000 (LBP15billion) for investing purposes against a pledged deposit in Lebanese Pounds amounting to LBP15million (Note 18). The loan is subject to a fixed annual rate of 4% and is reimbursed in one installment at maturity date. This loan was renewed during December 2013 under the same terms and conditions for another year.

9. LOANS AND ADVANCES TO CUSTOMERS

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

	December 31, 2013				December 31, 2012			
	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular Retail Customers:								
- Mortgage loans	43,588,744	-	-	43,588,744	47,480,397	-	-	47,480,397
- Personal loans	7,548,687	-	-	7,548,687	9,701,207	-	-	9,701,207
- Overdrafts	20,266,579	-	-	20,266,579	15,919,257	-	-	15,919,257
- Other	10,871,901	-	-	10,871,901	28,650,346	-	-	28,650,346
Regular Corporate Customers:								
- Large enterprises	660,751,505	-	-	660,751,505	640,657,380	-	-	640,657,380
- Small and medium enterprises	176,377,014	-	-	176,377,014	174,209,506	-	-	174,209,506
Non performing-Retail Customers:								
- Doubtful	-	-	-	-	46,323	(3,920)	(37,687)	4,716
- Bad	367,455	(159,657)	(207,792)	6	244,289	(115,717)	(128,572)	-
Non performing-Corporate Customers:								
- Substandard	989,268	(66,981)	-	922,287	1,600,957	(402,250)	-	1,198,707
- Doubtful	4,222,119	(2,381,207)	(1,431,566)	409,346	3,538,305	(1,499,684)	(1,825,196)	213,425
- Bad	1,921,773	(253,107)	(1,668,657)	9	1,221,747	(168,473)	(1,053,220)	54
Allowance for collectively assessed loans	-	-	(3,467,250)	(3,467,250)	-	-	(1,959,750)	(1,959,750)
Accrued interest receivable	1,096,991	-	-	1,096,991	805,589	-	-	805,589
	928,002,036	(2,860,952)	(6,775,265)	918,365,819	924,075,303	(2,190,044)	(5,004,425)	916,880,834

The movement of substandard loans with related unrealized interest during 2013 and 2012 is summarized as follows:

	2013		
	Substandard Loans	**Unrealized Interest**	**Net Book Value**
	LBP'000	**LBP'000**	**LBP'000**
Balance January 1	1,600,957	(402,250)	1,198,707
Downgraded from regular loans	922,217	-	922,217
Additions to unrealized interest	130,104	(130,104)	-
Write-back of unrealized interest	-	69	69
Transfer to doubtful and bad loans	(1,664,010)	465,304	(1,198,706)
Balance December 31	989,268	(66,981)	922,287

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

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

	2013				2012			
	Rescheduled, Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value	Rescheduled, Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	5,050,664	(1,787,794)	(3,044,675)	218,195	20,202,308	(1,482,021)	(3,994,852)	14,725,435
Downgraded from regular loans	810,960	-	-	810,960	-	-	-	-
Withdrawals on existing doubtful loans	13,797	-	-	13,797	7,312	-	-	7,312
Settlement of loans	(1,061,140)	-	-	(1,061,140)	(15,652,070)	-	-	(15,652,070)
Additions to unrealized interest and allowance for impairment	607,668	(607,668)	(1,706,829)	(1,706,829)	434,674	(434,674)	-	-
Write-back	-	101,254	800,373	901,627	-	112,714	930,988	1,043,702
Write-off	(674,325)	-	674,325	-	(162,012)	91,290	70,722	-
Downgraded from substandard loans	1,664,010	(465,304)	-	1,198,706	65,284	(56,404)	-	8,880
Effect of exchange rates changes	99,713	(34,459)	(31,209)	34,045	155,168	(18,699)	(51,533)	84,936
Balance December 31	6,511,347	(2,793,971)	(3,308,015)	409,361	5,050,664	(1,787,794)	(3,044,675)	218,195

Furthermore, and as a result of the outbreak of hostilities in Syria during the last couple of years and its adverse effect on the loan portfolio of Syrian customers, the Group set up during 2013 an additional provision for collective impairment in the amount of USD1,000,000 (LBP1.508million) to reach a total amount of USD2,300,000 (LBP3,467million) as at December 31, 2013 against probable losses in the loan portfolio based on the recommendations of the Banking Control Commission (USD1,300,000 (LBP1,960million) as at December 31, 2012).

10 LOANS AND ADVANCES TO RELATED PARTIES

	December 31,	
	2013	2012
	LBP'000	LBP'000
Regular retail loans	1,672,318	721,039
Large enterprises	523,068	3,108,170
Accrued interest receivable	-	19,561
	2,195,386	3,848,770

11. INVESTMENT SECURITIES

	December 31, 2013			December 31, 2012		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets at fair value through other comprehensive income	615,120	30,344	645,464	615,120	29,071	644,191
	615,120	30,344	645,464	615,120	29,071	644,191
Financial assets at amortized cost	280,913,407	273,453,163	554,366,570	229,904,661	199,783,966	429,688,627
Accrued interest receivable	4,964,145	4,580,380	9,544,525	2,868,884	3,996,457	6,865,341
	285,877,552	278,033,543	563,911,095	232,773,545	203,780,423	436,553,968
	286,492,672	278,063,887	564,556,559	233,388,665	203,809,494	437,198,159

Financial assets at amortized cost are broken down as follows:

	December 31, 2013					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accrued Interest Receivable	Amortized Cost	Fair Value	Accrued Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	220,381,948	220,788,441	3,651,923	-	-	-
Lebanese Government bonds	-	-	-	140,909,906	135,478,828	2,258,360
Certificates of deposit issued by the Central Bank of Lebanon	60,531,459	60,161,949	1,312,222	87,354,881	84,810,919	1,591,092
Certificates of deposit issued by banks	-	-	-	11,687,040	11,687,040	-
Corporate bonds	-	-	-	33,501,336	33,496,436	730,928
	280,913,407	280,950,390	4,964,145	273,453,163	265,473,223	4,580,380

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

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

	December 31, 2013			
	LBP Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
- Up to one year	8,882,000	9,012,703	9,049,594	8.37
- 1 year to 3 years	8,550,000	8,664,308	8,696,170	7.23
- 3 years to 5 years	102,930,000	106,259,160	107,601,940	7.51
- Beyond 5 years	95,297,700	96,445,777	95,440,737	8.02
	215,659,700	220,381,948	220,788,441	
Certificates of Deposits issued by the Central Bank of Lebanon:				
- Up to one year	11,000,000	11,051,513	11,067,738	10.04
- 1 year to 3 years	20,000,000	20,959,348	20,894,267	8.11
- 3 years to 5 years	7,000,000	7,266,740	7,222,111	7.61
- Beyond 5 years	21,000,000	21,253,858	20,977,833	7.90
	59,000,000	60,531,459	60,161,949	
	274,659,700	280,913,407	280,950,390	

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

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

Contractual Maturity	December 31, 2013 F/Cy Base Accounts Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Yield %
Lebanese Government bonds:				
- Up to 1 year	6,030,000	6,126,455	6,088,491	8.86
- 1 year to 3 years	19,047,263	20,383,880	19,670,306	7.94
- 3 years to 5 years	51,579,654	53,225,821	50,403,245	5.90
- 5 years to 10 years	40,823,100	41,873,950	40,684,458	6.28
- Beyond 10 years	19,101,533	19,299,800	18,632,328	6.40
	136,581,550	140,909,906	135,478,828	
Certificates of Deposits issued by the Central Bank of Lebanon:				
- 1 year to 3 years	66,752,100	72,279,881	69,735,919	9.24
- 5 years to 10 years	15,075,000	15,075,000	15,075,000	6.20
	81,827,100	87,354,881	84,810,919	
Certificates of Deposits issued by banks:				
- Up to 1 year	11,687,040	11,687,040	11,687,040	0.46
	11,687,040	11,687,040	11,687,040	
Corporate Bonds				
- Up to 1 year	2,261,250	2,281,040	2,279,792	4.71
- 1 year to 3 years	452,250	452,250	452,250	7.00
- 3 years to 5 years	8,240,584	8,301,552	8,297,899	5.89
- 5 years to 10 years	22,466,494	22,466,494	22,466,495	4.13
	33,420,578	33,501,336	33,496,436	
	263,516,268	273,453,163	265,473,223	

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

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

	2013 Lebanese Treasury Bills LBP'000	Certificates of Deposit Issued by the Central Bank of Lebanon LBP'000	Total LBP'000
Balance January 1	124,800,677	105,103,984	229,904,661
Additions	142,697,700	85,000,000	227,697,700
Redemptions	(19,000,000)	(11,000,000)	(30,000,000)
Swap and Sales	(28,600,000)	(116,000,000)	(144,600,000)
Net Variation in premium	483,571	(2,572,525)	(2,088,954)
Balance December 31	220,381,948	60,531,459	280,913,407

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

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

	2013			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by Banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	83,436,597	86,161,733	30,185,636	199,783,966
Reclassification	-	-	8,268,638	8,268,638
Additions	97,589,269	50,196,465	44,210,374	191,996,108
Redemptions	(5,321,476)	(34,832,585)	(35,440,036)	(15,593,097)
Swap and sales	(36,029,250)	(18,090,000)	(2,074,770)	(56,194,080)
Net variation in premium	1,234,766	3,919,268	38,534	5,192,568
Balance December 31	140,909,906	87,354,881	45,188,376	273,453,163

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

During 2013, the Bank performed sale and swap transactions over the amortized cost portfolio denominated in both Lebanese Pounds and foreign currencies. Some transactions were performed to benefit from the exchange window offered by the Central Bank of Lebanon, and other transactions were performed for yield enhancement purposes and to reduce the duration of the portfolio and economical situation.

Income realized on these transactions amounted to LBP2.4billion reflected under "Other operating income" (Note 37) (LBP300million for the year 2012).

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

13. INVESTMENTS IN ASSOCIATES

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

	Country of Incorporation	Interest Held	December 31, 2013 Carrying Value	December 31, 2012 Carrying Value
		%	LBP'000	LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	20,819,288	30,272,529
BEMO Oddo Investment Firm Ltd.	UAE	75	-	421,270
			20,819,288	30,693,799

The movement of investments in associates is as follows:

	2013	2012
	LBP'000	LBP'000
Balance January 1	30,693,799	42,218,248
Share in net loss of associates (Note 37)	(2,155,471)	(3,899,204)
Derecognition upon acquiring control	(421,270)	-
Currency translation adjustment for the year	(7,268,394)	(7,650,776)
Prior years adjustment	(29,376)	25,531
Balance December 31	20,819,288	30,693,799

On October 1, 2013, the Bank acquired control of Bemo Investment Firm Ltd. after acquiring an additional 50% equity stake, thus bringing its ownership interest to 75%. Prior to acquiring control, this investment was accounted as investment in associates. Bemo Investment Firm Ltd. is a financial institution incorporated in the Dubai International Financial Center (DIFC) in the United Arab Emirates.

On acquisition date the details of the assets and liabilities acquired and assumed were as follows:

	October 1, 2013 LBP'000
Deposits with banks and financial institutions	1,640,319
Other assets	688,414
Deposits and borrowings from banks	(3,087)
Other liabilities	(120,022)
Provisions	(483,974)
Fair value of net assets of subsidiary	1,721,650
Consideration paid against acquiring additional 50% equity stake	860,825
Fair value of previous interest held by the Group (25%)	430,413
Fair value of non-controlling interest (proportionate method) (25%)	430,413
	1,721,651
Goodwill	-

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

As at December 31, 2013 and 2012, the fair value of assets acquired in satisfaction of debts exceeded their net carrying amount.

15. PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture	Computer Equipment	Vehicles	Installations and Leasehold Improvement	Advances on Capital Expenditure	Total
	LBP'000	LBP'000	LBP'000		LBP'000	LBP'000	LBP'000	LBP'000
Gross amount:								
Balance, January 1, 2012	7,222,927	5,600,788	2,251,486	5,524,485	709,881	10,412,460	6,632	31,728,659
Additions	-	665,204	9,669	211,056	23,140	48,389	-	957,458
Disposals	-	-	(53,588)	(211,803)	(117,246)	-	-	(382,637)
Write-off	-	-	-	-	-	(2,689,490)	-	(2,689,490)
Balance, December 31, 2012	7,222,927	6,265,992	2,207,567	5,523,738	615,775	7,771,359	6,632	29,613,990
Additions related to newly acquired subsidiary	-	-	82,104	104,631	-	254,914	-	441,649
Additions	-	-	38,707	184,976	153,343	298,537	-	675,563
Disposals	-	-	-	-	(237,464)	-	-	(237,464)
Transfer to expenses	-	-	-	-	-	-	(6,632)	(6,632)
Balance December 31, 2013	7,222,927	6,265,992	2,328,378	5,813,345	531,654	8,324,810	-	30,487,106
Accumulated depreciation:								
Balance, January 1, 2012	-	931,212	1,532,167	3,955,204	425,346	7,822,639	-	14,666,568
Additions	-	157,961	158,645	479,199	128,469	1,048,379	-	1,972,653
Disposals	-	-	(43,424)	(201,983)	(82,073)	-	-	(327,480)
Write-off	-	-	-	-	-	(2,189,937)	-	(2,189,937)
Balance, December 31, 2012	-	1,089,173	1,647,388	4,232,420	471,742	6,681,081	-	14,121,804
Additions related to newly acquired subsidiary	-	-	82,104	102,129	-	254,914	-	439,147
Additions	-	160,954	123,401	412,006	86,980	547,731	-	1,331,072
Disposal	-	-	-	-	(204,924)	-	-	(204,924)
Balance December 31, 2013	-	1,250,127	1,852,893	4,746,555	353,798	7,483,726	-	15,687,099
Carrying amount:								
December 31, 2013	7,222,927	5,015,865	475,485	1,066,790	177,856	841,084	-	14,800,007
December 31, 2012	7,222,927	5,176,819	560,179	1,291,318	144,033	1,090,278	6,632	15,492,186

The additions in installations and improvement in the amount of LBP299million for the year 2013 represent works done on the new archiving premises in Kfaryassine, acquired during the year 2012.

During 2012, the Bank acquired plots 4 and 5 of real estate property number 303 in Kfaryassine for an amount of USD400,000 (C/V LBP603million) to be used as archiving premises for the Bank.

During 2012, the Bank wrote-off damaged property and equipment with net carrying value of LBP500million against impairment in the amount of LBP275million booked to profit or loss against receivable from insurer for the remaining balance reflected under "Other assets" (Note 17). During 2013, the Group collected an amount of LBP320million.

16. INTANGIBLE ASSETS

This caption consists of purchased software summarized as follows:

	Purchased Software LBP'000
Cost:	
Balance at January 1, 2012	3,204,092
Acquisitions	134,857
Balance December 31, 2012	3,338,949
Acquisitions	271,576
Balance December 31, 2013	3,610,525
Amortization:	
Balance at January 1, 2012	2,282,069
Amortization for the year	357,138
Balance December 31, 2012	2,639,207
Amortization for the year	294,002
Balance December 31, 2013	2,933,209
Carrying amounts:	
December 31, 2013	677,316
December 31, 2012	699,742

17. OTHER ASSETS

	December 31	
	2013	2012
	LBP'000	LBP'000
Forward exchange contracts	526,416	2,160,182
Exchange difference on fixed exchange position	302,578	302,578
Stamps	55,223	70,748
Deferred charges	45,811	58,307
Receivables from securitization operations	1,471,907	1,952,505
Receivables from an associate bank and financial institution	248,025	689,554
Prepayments	2,900,153	1,279,204
Sundry accounts receivable (Net of provision)	4,626,234	4,031,711
	10,176,347	10,544,789

A provision for doubtful receivables of LBP41million was set up during 2013 against receivables from the National Social Security Fund (LBP6.3million in 2012).

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

18. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

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

	December 31, 2013			December 31, 2012		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Current deposits from banks and financial institutions	27,267	7,300,314	7,327,581	1,702	32,377,682	32,379,384
Current deposits from related parties	-	31,771,277	31,771,277	-	13,747,128	13,747,128
Money market deposits	10,690,735	-	10,690,735	9,925,000	-	9,925,000
Money market deposits - related parties	-	27,137,344	27,137,344	-	22,562,489	22,562,489
Borrowings from the Central Bank of Lebanon	3,010,800	-	3,010,800	-	-	-
Other short term borrowings	9,500,000	-	9,500,000	-	-	-
Pledged deposits (Note 8)	15,000,000	-	15,000,000	15,000,000	-	15,000,000
Accrued interest payable	759,248	1,412	760,660	318,961	1,308	320,269
	38,988,050	66,210,347	105,198,397	25,245,663	68,688,607	93,934,270

During July 2013, the Group was granted a facility from the Central Bank of Lebanon in Lebanese Pounds amounting to LBP3billion as at December 31, 2013 against housing loans extended to the Bank's customers. This facility is subject to an annual interest rate of 1%. Interest expense for the year 2013 amounted to LBP8million.

19. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2013		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current and demand deposits	27,670,925	307,927,065	335,597,990
- Term deposits	225,707,029	998,256,163	1,223,963,192
- Collateral against loans and advances	33,807,045	160,326,591	194,133,636
Margins and other accounts:			
- Margins for irrevocable import letters of credit	-	628,438	628,438
- Margins on letters of guarantee	478,528	1,393,716	1,872,244
- Other margins	40,150	432,047	472,197
- Cash Provision	-	2,340,261	2,340,261
Accrued interest payable	2,222,505	2,494,476	4,716,981
Total	289,926,182	1,473,798,757	1,763,724,939

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

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

	December 31, 2013		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	
- Less than LBP200million	161,080,994	9.13	79.12
- From LBP200million to LBP1.5billion	598,012,686	33.91	17.13
- Over LBP1.5billion	1,004,631,259	56.96	3.75
	1,763,724,939	100	100

	December 31, 2012		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	
- Less than LBP200million	163,662,418	8.91	77.74
- From LBP200million to LBP1.5billion	610,838,043	33.24	17.84
- Over LBP1.5billion	1,063,031,072	57.85	4.42
	1,837,531,533	100	100

Term deposits as at December 31, 2013 include fiduciary deposits received from a non-resident related bank in the amount of LBP15.23billion (LBP27.68billion as at December 31, 2012).

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

	LBP Base Accounts		F/Cy Base Accounts		
	Average Balance of Deposits	Average Interest Rate	Average Balance of Deposits	Average Interest Rate	Cost of Funds
	LBP'000	%	LBP'000	%	LBP'000
2013	276,957,733	6.03	1,544,424,473	2.54	57,315,498
2012	265,376,388	6.01	1,497,312,700	2.76	58,017,816
2011	205,321,519	5.93	1,409,419,281	2.77	51,816,773

20. RELATED PARTIES' ACCOUNTS AT AMORTIZED COST

	December 31, 2013		
	LBP'000	Counter Value in LBP'000 of F/Cy	Grand Total
			LBP'000
Current and demand deposits	1,094,400	29,346,983	30,441,383
Term deposits	92,136	35,438,266	35,530,402
Accrued interest payable	18	282,190	282,208
	1,186,554	65,067,439	66,253,993

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

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

	December 31, 2013	
	Total Deposits LBP'000	% to Total Deposits %
- Less than LBP500million	5,336,245	8.05
- From LBP500million to LBP1.5billion	2,960,819	4.47
- Over LBP1.5billion	57,956,929	87.48
	66,253,993	100

	December 31, 2012	
	Total Deposits LBP'000	% to Total Deposits %
- Less than LBP500million	4,524,253	8.38
- From LBP500million to LBP1.5billion	4,340,120	8.04
- Over LBP1.5billion	45,103,051	83.58
	53,967,424	100

21. OTHER LIABILITIES

	December 31	
	2013 LBP'000	2012 LBP'000
Current tax liability	1,413,227	1,119,277
Deferred tax on gain from investment in associates - Note 13	501,838	501,838
Tax on salaries	447,575	345,073
Tax on interest paid to customers'	556,909	308,452
Other taxes	699,844	(6,393)
Due to the National Social Security Fund	364,239	316,998
Checks and incoming payment orders in course of settlement	739,524	1,690,207
Accrued expenses	3,327,915	2,877,105
Sundry accounts payable	2,194,069	1,032,302
Unearned income	102,359	127,089
	10,347,499	8,311,948

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

The Bank's accounts for the years 2006 to 2009 were reviewed by the tax authorities during the year 2011. As a result, additional tax liability in the amount of LBP1.11billion was settled in 2012 against accrued charges. The bank has filed an objection to the tax assessment with the tax department. During the year 2013, the Bank collected LBP252million.

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

	2013 LBP'000	2012 LBP'000
Income before income tax (before elimination of inter-company transactions)	14,660,139	11,904,642
Add: Non-deductible expenses/losses	1,720,500	5,184,873
Less:		
- Non-taxable revenues/gains	(402,432)	(457,500)
- Income /(loss) of Cyprus branch and subsidiaries	507,395	(358,654)
Taxable income for the year	16,485,602	16,273,361
Enacted tax rate in Lebanon	15%	15%
	2,472,840	2,441,004
Add: Income tax provision - branches and subsidiaries	47,529	103,231
Income tax expense	2,520,369	2,544,235
Less: Tax paid during the year in the form of withholding tax	(1,114,975)	(1,404,394)
Less: Cyprus income tax paid during the year	(72,416)	(99,704)
	1,332,978	1,040,137
Brought forward balance from non-resident branch	79,786	79,786
Exchange difference on brought forward balance	463	(646)
Current tax liability	1,413,227	1,119,277

22. PROVISIONS

Provisions consist of the following:

	December 31	
	2013 LBP'000	2012 LBP'000
Provision for staff end-of-service indemnity	3,910,014	3,578,591
Provision for contingencies	2,107,281	2,107,281
Provision for loss on foreign currency position	357,090	356,586
	6,374,385	6,042,458

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

	2013 LBP'000	2012 LBP'000
Balance January 1	3,578,591	2,771,566
Effect of newly acquired subsidiary	460,231	-
Additions	187,724	812,242
Settlements	(327,238)	(12,667)
Exchange difference	10,706	7,450
Balance December 31	3,910,014	3,578,591

The movement of the provision for contingencies was as follows:

	2013	2012
	LBP'000	LBP'000
Balance January 1	2,107,281	2,698,551
Additions	-	674
Write-back	-	(591,944)
Balance December 31	2,107,281	2,107,281

23. SUBORDINATED BONDS

This caption consists of the following:

	December 31	
	2013	2012
	LBP'000	LBP'000
Subordinated bonds	60,291,143	60,269,888
Accrued interest payable	-	2,127,846
	60,291,143	62,397,734

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

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

Interest expense on the subordinated bonds amounted to LBP4.24billion (LBP4.25billion for 2012) (Note 33).

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

24. SHARE CAPITAL

As at December 31, 2013 and 2012, the Bank's capital is composed of 62,000,000 issued shares of LBP1,000 per share, authorized and fully paid and divided as follows:

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

The movement of treasury shares during 2013 and 2012 was as follows:

	2013		2012	
	# of Shares	Amount	# of Shares	Amount
		LBP'000		LBP'000
Balance - January 1	379,814	2,197,625	375,814	1,614,350
Acquisition/disposal, net	-	-	4,000	14,171
Prior years adjustment	-	-	-	569,104
Balance - December 31	379,814	2,197,625	379,814	2,197,625

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

25. PREFERRED SHARES

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

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

On January 31, 2014, the procedures were finalized and the funds were liberated from the Central Bank of Lebanon.

26. SUBSCRIPTION IN PREFERRED SHARES

On December 19, 2013, the Bank offered preferred shares in the amount of USD35million (LBP52billion) in the basis of 350,000 shares at USD100.

The preferred shares are perpetual and redeemable and bear interest on a non-cumulative basis at an annual rate of 7%.

The investors had fully subscribed in the preferred shares offered on December 19, 2013, still the amount was recorded under "Escrow Account" as at December 31, 2013 awaiting the finalization of the issuance procedures with the Central Bank of Lebanon.

On January 31, 2014 the procedures were finalized and the funds were liberated from the Central Bank of Lebanon.

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

This caption represents capital injection of USD19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Bank's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital.

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

28. RESERVES

Reserves consist of the following as at December 31, 2013 and 2012:

	December 31	
	2013	2012
	LBP'000	LBP'000
Legal reserve	2,738,667	1,795,131
Reserve for general banking risks	20,186,938	17,185,048
Reserve for assets acquired in satisfaction of loans - Note 14	695,153	553,602
Other reserves	5,518,363	5,518,363
	29,139,121	25,052,144

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

The reserve for general banking risks is constituted according to local banking regulations from income on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. The cumulative reserve should not be less than 1.25% at the end of the 10th year (2007) and 2% at the end of the 20th year. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP2.2billion and LBP17.99billion, respectively, in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

29. NON-CONTROLLING INTERESTS

	December 31	
	2013	2012
	LBP'000	LBP'000
Equity	427,660	30
Profit for the year	34,609	58
	462,269	88

30. PROFIT FOR THE YEAR

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

	Year Ended December 31, 2013		
	Bank's Share	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Income of the Bank	10,341,837	-	10,341,837
Income of subsidiaries:			
Bemo Securitization S.A.L.	(675,876)	-	(675,876)
Depository and Custody Company S.A.L.	71,717	72	71,789
Bemo Investment Firm Ltd (formerly BEMO Oddo Investment Firm Ltd.)	(144,168)	34,537	(109,631)
Total	9,593,510	34,609	9,628,119

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

31. DIVIDENDS PAID

The following dividends were declared and paid by the Group:

	2013 LBP'000	2012 LBP'000
LBP25 per common share paid by the Bank in 2013	1,550,000	-
USD8 per preferred share paid by the Bank in 2013 and 2012	2,412,000	2,412,000
	3,962,000	2,412,000

32. INTEREST INCOME

	Year Ended December 31	
	2013 LBP'000	2012 LBP'000
Interest income from:		
Term deposits with Central Banks	4,027,740	4,815,713
Deposits with banks and financial institutions	1,467,798	1,207,796
Deposits with related party banks and financial institutions	239,747	380,799
Financial assets at amortized cost	28,102,766	24,375,737
Loans and advances to customers	57,851,851	55,910,571
Loans and advances to related parties	124,638	190,010
Interest realized on impaired loans and advances to customers - Note 9	101,323	728,748
	91,915,863	87,609,374

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

33. INTEREST EXPENSE

	Year Ended December 31	
	2013 LBP'000	2012 LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	1,457,959	2,122,469
Deposits and borrowings from related party banks and financial institutions	123,595	237,740
Customers' accounts at amortized cost	55,957,259	57,371,480
Related parties' accounts at amortized cost	1,358,239	646,336
Subordinated bonds - Note 23	4,242,256	4,253,820
	63,139,308	64,631,845

34. FEE AND COMMISSION INCOME

This caption consists of the following:

	Year Ended December 31	
	2013 LBP'000	2012 LBP'000
Commission on documentary credits	1,043,608	1,349,686
Commission on letters of guarantee	815,805	977,888
Service fees on customers' transactions	5,567,031	4,538,316
Other	368,638	372,380
	7,795,082	7,238,270

35. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	Year Ended December 31	
	2013	2012
	LBP'000	LBP'000
Commission on transactions with banks	354,995	227,767
Commission on transactions with related party banks	19,826	16,461
Other	574,868	344,483
	949,689	588,711

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

This caption consists of the following:

	Year Ended December 31	
	2013	2012
	LBP'000	LBP'000
Dividends received on equity securities	217,546	318,915
Interest received on debt securities	4,805,035	8,846,982
Unrealized gain/(loss) (net)	1,571,573	(958,062)
Realized (loss)/gain	(549,811)	921,927
	6,044,343	9,129,762

37. OTHER OPERATING INCOME/(LOSS)

This caption consists of the following:

	Year Ended December 31	
	2013	2012
	LBP'000	LBP'000
Dividends on financial assets at fair value through other comprehensive income	44,669	44,669
Share in losses of associates - Note 13	(2,155,471)	(3,899,204)
Revenues from securitization operations	2,612,013	2,197,771
Gain on sale of financial assets at amortized cost (Note 12)	2,393,157	305,534
Others	1,179,058	723,046
	4,073,426	(628,184)

38. STAFF COSTS

This caption consists of the following:

	Year Ended December 31	
	2013	2012
	LBP'000	LBP'000
Salaries and related charges	17,124,163	16,236,699
Social Security contributions	1,927,659	1,757,231
Provision for end-of-service indemnities (net)	147,021	812,242
	19,198,843	18,806,172

39. EARNINGS PER SHARE

The computation of the basic earnings per share is based on the Group's net income before non-recurring income, net of dividends paid to preferred shareholders, and the weighted average number of outstanding shares during each year, net of treasury shares held by the Group. The weighted average number of shares to compute basic earnings per share is 61,620,186 shares in 2013 (61,620,590 shares in 2012).

40. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

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

41. FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT

	December 31	
	2013	2012
	Resident Customers	Resident Customers
	LBP'000	LBP'000
Fiduciary deposits invested in certificates of deposit issued by the Central Bank of Lebanon	1,035,653	1,623,804
Fiduciary deposits from customers invested in other banks	1,363,173	-
Fiduciary deposits from related parties invested in loans granted to related party companies	4,673,250	5,427,000
Fiduciary deposit from customers invested in loans granted to other customers	7,918,898	-
Shares in trust	1,420,736	1,419,101
	16,411,710	8,469,905

42. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

	December 31	
	2013	2012
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
- Secured loans and advances	345,193	326,291
- Unsecured loans and advances	328,001	7,724
- Deposits	1,232,783	10,106,169
Associated companies:		
Direct facilities and credit balances:		
- Secured loans and advances	-	2,667,485
- Unsecured loans and advances	1,522,192	827,709
- Deposits	64,739,002	43,830,993
Indirect facilities:		
- Letters of guarantee	4,638	9,914

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP302million (LBP302million as at December 31, 2012) and by no pledged deposits of the respective borrowers as at December 31, 2013 (LBP2.67billion as at December 31, 2012).

The remuneration of executive management amounted to LBP2.66billion during 2013 (LBP2.94billion during 2012) in addition to incentives linked to performance.

43. CASH AND CASH EQUIVALENTS

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

	December 31, 2013	December 31, 2012
	LBP'000	LBP'000
Cash	11,447,842	10,615,168
Current accounts with Central Bank of Lebanon (excluding compulsory reserve)	58,032,826	5,362,076
Term placements with Central Bank of Lebanon	16,582,500	6,783,750
Checks for collection and current accounts with banks and financial institutions	114,288,346	238,513,724
Term placements with banks and financial institutions	139,962,874	84,267,045
	340,314,388	345,541,763

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

44. COLLATERAL GIVEN

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

	December 31, 2013		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	57,127,984	Forward contracts	424,308,394
		Options and swaps transactions	24,357,651
		Acceptances less than one year	1,230,402
	57,127,984		

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

45. CAPITAL MANAGEMENT

The Bank manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator. Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad. Furthermore, the minimum capital adequacy ratio set by the regulator is 10%.

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

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

The Group's capital is split as follows:
Tier I capital: Comprises share capital, after deduction of treasury shares, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of current year's net profit) and minority interest. Goodwill, intangible assets and unfavorable change in fair value of investments at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II capital: Comprises qualifying subordinated liabilities, collective impairment allowance, 50% of cumulative favorable change in fair value through other comprehensive income and revaluation surplus of owned properties.

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

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

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

The Group's risk based capital ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2013 and 2012, is as follows:

	December 31,	
	2013	(For consistency) 2012
	LBP million	LBP million
Risk-weighted assets	1,395,103	1,292,658
Credit risk	1,283,255	1,186,881
Market risk	36,763	38,963
Operational risk	75,085	66,814
Tier I capital (including Reserves for assets acquired in satisfaction of loans)	190,198	134,302
Tier II capital	12,054	24,120
Total capital	202,252	158,422
Capital adequacy ratio – Common Equity Tier I	7.72%	8.06%
Capital adequacy ratio - Tier I	13.63%	10.39%
Capital adequacy ratio - Tier I and Tier II	14.50%	12.26%

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

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

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

	Balances December 31,		Variation	
	2013	2012	Amount	%
	LBP'000	LBP'000	LBP'000	
Equity allotted to common shares	180,145,250	129,053,199	51,092,051	40%
Preferred shares	30,150,000	30,150,000	-	-
Subordinated bonds	60,291,143	62,397,734	(2,106,591)	3%
Total equity	270,586,393	221,600,933		

46. SEGMENT INFORMATION

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

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

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

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

	December 31, 2013			December 31, 2012		
	Lebanon and Subsidiaries	Cyprus	Inter-Segment	Lebanon	Cyprus	Inter-Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Total Assets	2,207,724,310	81,995,288	(51,637,444)	2,037,244,969	354,607,386	(146,597,970)
Total Liabilities	1,996,826,559	66,893,600	(36,395,524)	1,879,341,469	338,232,599	(131,522,970)
Total Equity	210,730,829	15,101,690	(15,075,000)	157,903,500	16,374,787	(15,075,000)
Profit for the year	9,601,429	26,690	-	4,294,121	1,299,787	-
ASSETS						
Cash and Central Banks	367,140,043	492,572	-	296,005,786	3,440,258	-
Deposits with banks and financial institutions	271,765,329	36,384,586	(51,637,444)	353,585,835	206,713,514	(146,597,970)
Trading assets at fair value through profit or loss	44,154,849		-	61,075,821	3,300,096	-
Loans and advances to customers	892,946,520	25,419,299	-	859,682,885	57,197,949	-
Loans and advances to related parties	2,195,386		-	3,841,046	7,724	-
Investment securities	546,658,435	17,898,124	-	354,307,651	82,890,508	-
Investment in associate	20,819,288		-	30,693,799	-	-
Other	62,044,460	1,800,707	-	78,052,146	1,057,337	-
LIABILITIES						
Deposits and borrowings from banks	138,262,559	2,806,013	(35,870,175)	205,440,891	19,634,069	(131,140,690)
Customers' accounts at amortized cost	1,704,193,768	60,243,017	(525,349)	1,527,230,599	310,683,214	(382,280)
Related parties' accounts at amortized cost	66,185,589	68,404	-	49,240,109	4,727,315	-
Other	28,079,997	3,776,166	-	35,032,136	3,188,001	-
Subordinated bonds	60,291,143	-	-	62,397,734	-	-

	2013			2012		
	Lebanon and Subsidiaries	Cyprus	Inter-Segment	Lebanon and Subsidiaries	Cyprus	Inter-Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	88,957,363	5,353,593	(2,395,093)	83,055,570	10,382,620	(5,828,816)
Interest expense	(62,026,939)	(3,507,462)	2,395,093	(60,052,854)	(10,407,807)	5,828,816
Net interest income	26,930,424	1,846,131	-	23,002,716	(25,187)	-
Fee and commission income	7,598,650	196,432	-	6,845,400	392,870	-
Fee and commission expense	(910,566)	(39,123)	-	(527,541)	(61,170)	-
Net fee and commission income	6,688,084	157,309	-	6,317,859	331,700	-
Net interest and other gain on trading assets at fair value through profit or loss	5,404,337	640,006	-	6,127,252	3,002,510	-
Gain on exchange	1,818,625	2,704	-	1,662,363	62,330	-
Other operating income	3,979,909	93,517	-	(846,441)	218,257	-
Net financial revenues	44,821,379	2,739,667	-	36,263,749	3,589,610	-
Allowance for impairment of loans and advances and other receivables	(878,280)	(869,575)	-	(6,278)	-	-
Write-back of impairment loss on loans and advances	800,373	-	-	690,985	240,003	-
Loans recoveries	-	-	-	240,004	-	-
Allowance for impairment of loans and advances	(1,507,500)	-	-	(1,959,750)	-	-
Net financial revenues after net impairment charge	43,235,972	1,870,092	-	35,228,710	3,829,613	-
Staff costs	(18,528,889)	(669,954)	-	(18,115,060)	(691,112)	-
Administrative expenses	(11,068,089)	(1,065,066)	-	(8,464,872)	(1,669,564)	-
Depreciation and amortization	(1,551,519)	(73,555)	-	(2,253,809)	(75,982)	-
Write back of provision for foreign currency fluctuation	(504)	-	-	33,949	-	-
Write-back of provision/(provision for contingencies)	-	-	-	591,270	-	-
Impairment of Property and Equipment	-	-	-	(275,000)	-	-
	(31,149,001)	(1,808,575)	-	(28,483,522)	(2,436,658)	-
Profit before income tax	12,086,971	61,517	-	6,745,188	1,392,955	-
Income tax expense	(2,485,542)	(34,827)	-	(2,451,067)	(93,168)	-
Profit for the year	9,601,429	26,690	-	4,294,121	1,299,787	-

During 2013, Cyprus has been exposed to a severe restructuring of its banking system led by the Troika as a condition precedent to provide the state of Cyprus a financial bailout to support servicing its foreign debts. In the light of the above, there could be adverse economic consequences that may arise from the prevailing situation, a matter of uncertainty that cannot be determined at present. Management is of the opinion that considering the Bank's size and business model of international banking operations with little exposure to the domestic market, it will not be materially affected by the current crisis.

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

A. Credit Risk

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

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

1. Management of credit risk

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

2. Measurement of credit risk

(a) Loans and advances

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

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

- **Past due but not impaired:** Loans past due but not impaired are loans where contractual interest or principal are past due but the Group's management believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.
- **Substandard loans:** Substandard loans are loans that are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged in favor of the group. Exposures where an indication of the possibility that the Group will sustain a loss if certain irregularities and deficiencies are not addressed exists are classified under this category.
- **Doubtful loans:** Doubtful loans have, in addition to the weaknesses existing in substandard loans, characteristics indicating that current existing facts and figures make the collection in full highly improbable. The probability of loss is high but certain reasonable and specific pending factors which if addressed could strengthen the probability of collection, result in the deferral of the exposure as an estimated loss until a more exact status is determined.
- **Loss:** Loans classified as loss are considered as uncollectible and of such minimal value that their classification as assets is not warranted. This does not mean that the loan is absolutely unrecoverable or has no salvage value. However, the amount of loss is difficult to measure and the Group does not wish to defer the writing of the loan even partial recovery might occur in the future. Loans are charged off in the period in which they are deemed uncollectible and therefore classified as loss.

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

3. Risk mitigation policies

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

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

4. Financial assets with credit risk exposure and related concentrations

(a) Exposure to credit risk and concentration by counterparty:
The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

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

	December 31, 2013	
Bracket	**Total Amount LBP'000**	**% to Total Deposits %**
Less than LBP5billion	30,025,991	11.71
From LBP5billion to LBP15billion	68,238,767	26.62
Over LBP15billion	158,115,344	61.67
	256,380.102	100.00

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

(a.2) Loans and advances to customers:

Bracket	December 31, 2013 No. of Counter Parties	 Total Amount LBP'000	 % to Total %
Less than LBP500million	1,019	62,053,296	6.74
From LBP500million to LBP5billion	248	424,848,561	46.14
Over LBP5billion	48	433,834,221	47.12
	1,315	920,736,078	100

Bracket	December 31, 2012 No. of Counter Parties	 Total Amount LBP'000	 % to Total %
Less than LBP500million	1,068	55,372,131	6.03
From LBP500million to LBP5billion	254	455,585,584	49.63
Over LBP5billion	43	407,077,280	44.34
	1,365	918,034,995	100

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

Bracket	December 31, 2013 Total Amount LBP'000	 % to Total Deposits %
Less than LBP500million	268,906	12.25
Over |LBP500million	1,926,480	87.75
	2,195,386	100

Bracket	December 31, 2012 Total Amount LBP'000	 % to Total Deposits %
Less than LBP500million	1,161,723	30.34
Over LBP1.5billion	2,667,486	69.66
	3,829,209	100

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

	December 31, 2013						
	Gross Loans Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Fair Value of Collateral Held			
				Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Neither past due nor impaired	918,575,467	-	918,575,467	171,010,772	122,574,417	20,630,046	314,215,235
Past due but not impaired:							
Between 30-60 days	59,783	-	59,783	-	-	-	-
Between 60-90 days	63,863	-	63,863	-	-	-	-
Between 90-180 days	135,247	-	135,247	-	-	-	-
Beyond 180 days	1,667,061	-	1,667,061	-	-	-	-
Impairment:							
Substandard	992,287	-	922,287	-	700,988	-	700,988
Doubtful and bad	3,717,376	(3,308,015)	409,361	-	1,025,100	-	1,025,100
Collective provision for loan impairment	-	(3,467,250)	(3,467,250)	-	-	-	-
	925,141,084	(6,775,265)	918,365,819	171,010,772	124,300,505	20,630,046	315,941,323

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

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

	December 31, 2013								
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Services	Private Individuals	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and central banks	367,632,615	-	-	-	-	-	-	-	367,632,615
Deposits with banks and financial institutions	-	256,512,471	-	-	-	-	-	-	256,512,471
Trading assets at fair value through profit or loss	38,194,623	3,541,345	-	-	-	2,418,881	-	-	44,154,849
Loans to banks and financial institutions	-	20,226,199	-	-	-	-	-	-	20,226,199
Loans and advances to customers	-	11,238,649	142,890,555	156,586,551	425,660,946	71,864,919	112,494,456	1,096,993	921,833,069
Loans and advances to related parties	-	-	-	506,868	-	16,201	1,672,317	-	2,195,386
Investments at amortized cost	517,804,620	17,683,053	-	-	-	28,236,252	-	187,170	563,911,095
Financial assets at fair value through other comprehensive income	-	490,120	-	-	-	155,344	-	-	645,464
Customers' Liability under acceptance	-	-	-	4,227,611	10,906,668	-	-	-	15,134,279
Other assets	-	-	-	-	-	-	-	6,346,166	6,346,166
	923,631,858	309,691,837	142,890,555	161,321,030	436,567,614	102,691,597	114,166,773	7,630,329	2,198,591,593
Off-Balance Sheet Risks:									
Documentary and commercial letters of credit	-	-	135,503	1,128,807	18,705,060	-	-	-	19,969,368
Guarantees and standby letters of credit	-	18,457,457	23,204,620	11,180,439	20,508,970	4,933,708	1,480,652	-	79,765,846
Forward contracts	-	794,111,461	-	1,244,833	7,573,891	-	1,295,301	-	804,225,486

	December 31, 2012								
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Services	Private Individuals	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and central banks	298,714,001	-	-	-	-	-	-	732,043	299,446,044
Deposits with banks and financial institutions	-	413,540,668	-	-	-	-	-	160,711	413,701,379
Trading assets at fair value through profit or loss	48,747,571	5,525,233	3,160,023	-	5,680,225	-	-	1,262,865	64,375,917
Loans to banks and financial institutions	-	25,676,016	-	-	-	-	-	-	25,676,016
Loans and advances to customers	-	26,734,544	163,241,606	149,799,857	432,161,906	49,164,351	96,932,731	805,589	918,840,584
Loans and advances to related parties	-	-	2,228	439,674	2,707,050	8,774	671,483	19,561	3,848,770
Investments at amortized cost	400,456,010	24,697,690	-	460,121	5,245,943	-	-	5,694,204	436,553,968
Financial assets at fair value through other comprehensive income	-	490,120	-	-	-	154,071	-	-	644,191
Customers' Liability under acceptances	-	-	654,133	3,979,783	18,019,521	1,212,294	-	-	23,865,731
Other assets	-	-	-	-	-	-	-	6,673,770	6,673,770
	747,917,582	496,664,271	167,057,990	154,679,435	463,814,645	50,539,490	97,604,214	15,348,743	2,193,626,370
Off-Balance Sheet Risks:									
Documentary and commercial letters of credit	-	-	927,025	9,639,719	27,252,922	454,984	-	-	38,274,650
Guarantees and standby letters of credit	-	10,191,736	21,128,089	13,808,021	16,669,470	3,638,109	2,144,833	-	67,580,258
Forward contracts	-	713,437,702	-	1,507,500	5,653,284	-	156,433	-	720,754,919

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

	December 31, 2013					
ASSETS	**Lebanon** **LBP'000**	**Middle East and Africa** **LBP'000**	**North America** **LBP'000**	**Europe** **LBP'000**	**Other** **LBP'000**	**Total** **LBP'000**
Cash and central banks	367,140,043	-	492,572	-	-	367,632,615
Deposits with banks and financial institutions	48,801,212	4,373,580	183,797,263	19,022,558	517,858	256,512,471
Trading assets at fair value through profit or loss	42,987,135	-	1,098,433	69,281	-	44,154,849
Loans to banks and financial institutions	19,504,125	722,074	-	-	-	20,226,199
Loans and advances to customers	851,042,995	26,989,658	40,018,989	78	314,099	918,365,819
Loans and advances to related parties	2,195,386	-	-	-	-	2,195,386
Investments at amortized cost	548,461,239	-	13,141,669	2,308,187	-	563,911,095
Financial assets at fair value through other comprehensive income	615,120	-	30,344	-	-	645,464
Customers' liability under acceptances	13,980,431	1,153,848	-	-	-	15,134,279
Investments in associates	-	20,819,288	-	-	-	20,819,288
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	2,831,019
Property and equipment	14,242,751	2,190	555,066	-	-	14,800,007
Intangible assets	675,904	-	1,412	-	-	677,316
Other assets	9,072,172	1,013,794	90,381	-	-	10,176,347
Total Assets	1,921,549,532	55,074,432	239,226,129	21,400,104	831,957	2,238,082,154
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	15,482,600	4,244,981	241,787	-	-	19,969,368
Guarantees and standby letters of credit	75,425,676	4,025,725	296,732	17,713	-	79,765,846
Forward contracts	16,637,534	358,935,210	428,652,742	-	-	804,225,486
LIABILITIES						
Deposits and borrowings from banks	46,254,800	56,444,130	2,499,467	-	-	105,198,397
Customers' accounts at amortized cost	1,233,205,493	373,947,685	116,780,018	36,389,996	3,401,747	1,763,724,939
Related parties' accounts at amortized cost	27,729,648	32,707,759	5,816,586	-	-	66,253,993
Customers' acceptance liability	1,859,493	1,598,866	7,067,084	-	4,608,836	15,134,279
Other liabilities	8,012,314	1,304,156	550,089	-	480,940	10,347,499
Provisions	3,799,455	500,933	2,073,997	-	-	6,374,385
Subordinated bonds	60,291,143	-	-	-	-	60,291,143
Total liabilities	1,381,152,346	466,503,529	134,787,241	36,389,996	8,491,521	2,027,324,635

	December 31, 2012					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and central banks	296,005,787	-	-	3,440,257	-	299,446,044
Deposits with banks and financial institutions	22,727,445	3,534,224	54,117,486	331,922,110	1,400,114	413,701,379
Trading assets at fair value through profit or loss	63,632,075	-	141,396	602,446	-	64,375,917
Loans to banks and financial institutions	24,588,898	-	-	1,087,118	-	25,676,016
Loans and advances to customers	865,089,966	38,693,274	1,255,039	11,780,925	61,630	916,880,834
Loans and advances to related parties	3,841,046	7,724	-	-	-	3,848,770
Financial assets at fair value through other comprehensive income	615,120	-	-	29,071	-	644,191
Investments at amortized cost	413,129,782	-	3,831,986	4,507,063	15,085,137	436,553,968
Customers' liability under acceptances	22,076,657	1,789,074	-	-	-	23,865,731
Investments in associates	7,793,532	22,824,892	-	-	75,375	30,693,799
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	2,831,019
Property and equipment	14,878,124	-	-	614,062	-	15,492,186
Intangible assets	687,320	-	-	12,422	-	699,742
Other assets	10,313,069	-	-	231,720	-	10,544,789
Total Assets	1,748,209,840	66,849,188	59,345,907	354,227,194	16,622,256	2,245,254,385
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	27,676,767	8,784,866	-	1,813,017	-	38,274,650
Guarantees and standby letters of credit	63,241,785	4,287,050	1,131	50,292	-	67,580,258
Forward contracts	15,921,993	312,314,549	-	392,518,377	-	720,754,919
LIABILITIES						
Deposits and borrowings from banks	32,005,504	34,493,721	-	27,435,045	-	93,934,270
Customers' accounts at amortized cost	1,230,976,130	459,792,419	29,393,200	104,616,313	12,753,471	1,837,531,533
Related parties' accounts at amortized cost	24,149,251	25,367,068	-	4,451,105	-	53,967,424
Customers' acceptance liability	771,714	1,624,465	5,209,351	11,449,356	4,810,845	23,865,731
Other liabilities	6,860,848	501,831	-	949,269	-	8,311,948
Provisions	3,709,239	1,976,332	-	356,887	-	6,042,458
Subordinated bonds	62,397,734	-	-	-	-	62,397,734
Total liabilities	1,360,870,420	523,755,836	34,602,551	149,257,975	17,564,316	2,086,051,098

B. Liquidity Risk

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

1. Management of liquidity risk

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

Liquidity risk arises when in case of crisis, refinancing may only be raised at higher market rates (funding risk), or assets may only be liquidated at a discount to market rates (market liquidity risk). Liquidity risk is also caused by mismatches in the maturities of assets and liabilities (uses and sources of funds).

Residual contractual maturities of financial assets and liabilities:

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

	December 31, 2013							
	LBP Base Accounts							
	Accounts with No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	28,774,460	-	-	-	-	-	-	28,774,460
Deposits with banks and financial institutions	3,792,776	-	-	-	-	-	-	3,792,776
Trading assets designated at fair value through profit or loss	647,823	-	-	-	-	6,278,108	20,475,341	27,401,272
Loans and advances to customers	12,275,199	22,355,764	8,232	8,408	-	-	-	34,647,603
Loans and advances to related parties	1,329	-	-	-	-	-	-	1,329
Financial assets designated at amortized cost	4,964,145	10,033,862	10,030,354	29,623,656	113,525,900	96,436,267	21,263,368	285,877,552
Financial assets designated at fair value through other comprehensive income	615,120	-	-	-	-	-	-	615,120
Property and equipment	14,242,751	-	-	-	-	-	-	14,242,751
Intangible assets	675,904	-	-	-	-	-	-	675,904
Other assets	3,372,751	-	-	-	-	-	-	3,372,751
Total Assets	69,362,258	32,389,626	10,038,586	29,632,064	113,525,900	102,714,375	41,738,709	399,401,518
LIABILITIES								
Deposits and borrowings from banks	786,515	19,717,143	15,651,816	605,595	691,366	1,535,616	-	38,988,051
Customers' accounts at amortized cost	30,412,110	222,257,516	35,617,014	1,639,543	-	-	-	289,926,183
Related parties' accounts at amortized cost	1,094,418	92,136	-	-	-	-	-	1,186,554
Other liabilities	5,039,408	-	-	-	-	-	-	5,039,408
Provisions	3,791,917	-	-	-	-	-	-	3,791,917
Total Liabilities	41,124,368	242,066,795	51,268,830	2,245,138	691,366	1,535,616	-	338,932,113
Maturity Gap	28,237,890	(209,677,169)	(41,230,244)	27,386,926	112,834,534	101,178,759	41,738,709	60,469,405

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

	December 31, 2013 F/Cy Base Accounts							
	Accounts with No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and Central Banks	64,803,475	16,209,540	78,592,140	114,690,645	49,487,355	15,075,000	-	338,858,155
Deposits with banks and financial institutions	112,518,248	140,201,447	-	-	-	-	-	252,719,695
Trading assets designated at fair value through profit or loss	5,128,281	-	-	-	-	11,025,522	599,774	16,753,577
Loans to banks and financial institutions	5,151,199	-	15,075,000	-	-	-	-	20,226,199
Loans and advances to customers	515,905,113	349,247,667	16,167,122	1,985,026	411,922	1,366	-	883,718,216
Loans and advances to related parties	1,479,403	524,958	54,270	112,716	22,710	-	-	2,194,057
Financial assets designated at amortized cost	4,580,380	11,687,040	8,407,495	93,116,011	61,527,373	79,415,444	19,299,800	278,033,543
Financial assets designated at fair value through other comprehensive income	30,344	-	-	-	-	-	-	30,344
Customers' liability under acceptance	-	13,795,300	1,338,979	-	-	-	-	15,134,279
Investment in associates	20,819,288	-	-	-	-	-	-	20,819,288
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-	-	2,831,019
Property and equipment	557,256	-	-	-	-	-	-	557,256
Intangible assets	1,412	-	-	-	-	-	-	1,412
Other assets	6,803,596	-	-	-	-	-	-	6,803,596
Total Assets	740,609,014	531,665,952	119,635,006	209,904,398	111,449,360	105,517,332	19,899,574	1,838,680,636
LIABILITIES								
Deposits and borrowings from banks	41,860,866	24,349,480	-	-	-	-	-	66,210,346
Customers' accounts at amortized cost	315,118,849	1,090,625,622	61,939,104	6,115,180	-	-	-	1,473,798,755
Related parties' accounts at amortized cost	29,629,173	31,037,825	4,400,442	-	-	-	-	65,067,440
Acceptance liability	-	13,795,300	1,338,979	-	-	-	-	15,134,279
Other liabilities	5,308,091	-	-	-	-	-	-	5,308,091
Provisions	2,582,468	-	-	-	-	-	-	2,582,468
Subordinated bonds	-	-	60,291,143	-	-	-	-	60,291,143
Total Liabilities	394,499,447	1,159,808,227	127,969,668	6,115,180	-	-	-	1,688,392,522
Maturity Gap	346,109,567	(628,142,275)	(8,334,662)	203,789,218	111,449,360	105,517,332	19,899,574	150,288,114

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

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

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

Concentration of Liabilities by counterparty:

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

C. Market Risks

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

1. Management of market risks:

Market risks include interest rate risk and exchange risk.

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

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

2. Foreign exchange risk:

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

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

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

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

	December 31, 2013					
	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and Central Banks	28,774,460	263,537,158	74,967,882	346,381	6,734	367,632,615
Deposits with banks and financial institutions	3,792,776	186,549,533	29,458,005	20,797,110	15,915,047	256,512,471
Trading assets at fair value through profit or loss	27,401,272	16,558,586	-	194,991	-	44,154,849
Loans to banks	-	19,504,125	722,074	-	-	20,226,199
Loans and advances to customers	34,647,603	713,168,687	148,320,195	4,434,586	17,794,748	918,365,819
Loans and advances to related parties	1,329	1,382,936	804,660	6,461	-	2,195,386
Investments at amortized cost	285,877,552	272,429,373	5,604,170	-	-	563,911,095
Financial assets at fair value through other comprehensive income	615,120	-	30,344	-	-	645,464
Customers' liability under acceptances	-	9,856,722	5,176,302	-	101,255	15,134,279
Investments in associates	-	20,819,288	-	-	-	20,819,288
Assets acquired in satisfaction of loans	-	2,831,019	-	-	-	2,831,019
Property and equipment	14,242,751	557,256	-	-	-	14,800,007
Intangible assets	675,904	1,412	-	-	-	677,316
Other assets	3,372,751	3,981,800	(8,655,226)	(2,635,148)	13,585,755	9,649,932
Total Assets	399,401,518	1,511,177,895	256,428,406	23,144,381	47,403,539	2,237,555,739
LIABILITIES						
Deposits and borrowings from banks	38,988,051	30,897,126	34,144,877	117,787	1,050,556	105,198,397
Customers' accounts at amortized cost	289,926,183	1,223,974,622	204,652,608	25,319,547	19,851,979	1,763,724,939
Related parties' accounts at amortized cost	1,186,554	58,738,791	3,177,864	700,997	2,449,787	66,253,993
Acceptance liability	-	9,856,722	5,176,302	-	101,255	15,134,279
Other liabilities	5,039,408	4,597,079	689,438	16,650	4,924	10,347,499
Provisions	3,791,917	2,484,803	97,665	-	-	6,374,385
Subordinated Bonds	-	60,291,143	-	-	-	60,291,143
Total Liabilities	338,932,113	1,390,840,286	247,938,754	26,154,981	23,458,501	2,027,324,635
Currencies to be delivered	-	830,918,510	839,413,743	2,631,059	789,667,447	2,462,630,759
Currencies to be received	-	(828,749,289)	(830,098,230)	(1,943)	(803,254,882)	(2,462,104,344)
	-	2,169,221	9,315,513	2,629,116	(13,587,435)	526,415
Net on-balance sheet financial position	60,469,405	122,506,830	17,805,165	(381,484)	10,357,603	210,757,519

December 31, 2012

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

3. Interest rate risk

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

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

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

	December 31, 2013									
	Lebanese Pounds Base Accounts									
		Floating Interest Rate		Fixed Interest Rate						
	Non-Interest Bearing	Up to Three Months	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 years	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS										
Cash and Central Banks	28,774,460	-	-	-	-	-	-	-	-	28,774,460
Deposits with banks and financial institutions	3,669,385	123,391	123,391	-	-	-	-	-	-	3,792,776
Trading assets designated at fair value through profit or loss	647,823	-	-	-	-	-	6,278,108	20,475,341	26,753,449	27,401,272
Loans and advances to customers	2,461	34,628,502	34,628,502	8,232	8,408	-	-	-	16,640	34,647,603
Loans and advances to related parties	-	1,329	1,329	-	-	-	-	-	-	1,329
Financial assets at amortized cost	4,964,145	10,033,862	10,033,862	10,030,354	29,623,656	113,525,900	96,436,267	21,263,368	270,879,545	285,877,552
Financial assets designated at fair value through other comprehensive income	615,120	-	-	-	-	-	-	-	-	615,120
Property and equipment	14,242,751	-	-	-	-	-	-	-	-	14,242,751
Intangible assets	675,904	-	-	-	-	-	-	-	-	675,904
Other assets	3,372,751	-	-	-	-	-	-	-	-	3,372,751
Total Assets	56,964,800	44,787,084	44,787,084	10,038,586	29,632,064	113,525,900	102,714,375	41,738,709	297,649,634	399,401,518
LIABILITIES										
Deposits and borrowings from banks	760,607	19,743,051	19,743,051	15,651,816	605,595	691,366	1,535,616	-	18,484,393	38,988,051
Customers' accounts at amortized cost	2,038,307	250,631,319	250,631,319	35,617,014	1,639,543	-	-	-	37,256,557	289,926,183
Related parties' accounts at amortized cost	184,122	1,002,432	1,002,432	-	-	-	-	-	-	1,186,554
Other liabilities	5,039,408	-	-	-	-	-	-	-	-	5,039,408
Provisions	3,791,917	-	-	-	-	-	-	-	-	3,791,917
Total Liabilities	11,814,361	271,376,802	271,376,802	51,268,830	2,245,138	691,366	1,535,616	-	55,740,950	338,932,113
Interest rate gap position	45,150,439	(226,589,718)	(226,589,718)	(41,230,244)	27,386,926	112,834,534	101,178,759	41,738,709	241,908,684	60,469,405

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

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

	December 31, 2013													
		Floating Interest Rate						Fixed Interest Rate						
	Non-interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 years	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS														
Cash and Central banks	7,582,705	73,430,310	78,592,140	114,690,645	49,487,355	15,075,000	331,275,450	-	-	-	-	-	-	338,858,155
Deposits with banks and financial institutions	25,076,453	227,643,242	-	-	-	-	227,643,242	-	-	-	-	-	-	252,719,695
Trading assets designated at fair value through profit or loss	5,128,281	-	-	-	-	-	-	-	-	-	11,025,522	599,774	11,625,296	16,753,577
Loans to banks and financial institutions	5,151,199	-	-	-	-	-	-	15,075,000	-	-	-	-	15,075,000	20,226,199
Loans and advances to customers	1,094,531	864,058,249	43,863	85,056	-	-	864,187,168	16,123,259	1,899,970	411,922	1,366	-	18,436,517	883,718,216
Loans and advances to related parties	-	2,004,361	-	-	-	-	2,004,361	54,270	112,716	22,710	-	-	189,696	2,194,057
Financial assets at amortized cost	4,580,380	11,687,040	-	-	-	-	11,687,040	8,407,495	93,116,011	61,527,373	79,415,444	19,299,800	261,766,123	278,033,543
Financial assets designated at fair value through other comprehensive income	30,344	-	-	-	-	-	-	-	-	-	-	-	-	30,344
Customers' liability under acceptances	15,134,279	-	-	-	-	-	-	-	-	-	-	-	-	15,134,279
Investments in associates	20,819,288	-	-	-	-	-	-	-	-	-	-	-	-	20,819,288
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-	-	-	-	-	-	-	-	2,831,019
Property and equipment	557,256	-	-	-	-	-	-	-	-	-	-	-	-	557,256
Intangible assets	1,412	-	-	-	-	-	-	-	-	-	-	-	-	1,412
Other assets	6,803,596	-	-	-	-	-	-	-	-	-	-	-	-	6,803,596
Total Assets	94,790,743	1,178,823,202	78,636,003	114,775,701	49,487,355	15,075,000	1,436,797,261	39,660,024	95,128,697	61,962,005	90,442,332	19,899,574	307,092,632	1,838,680,636
LIABILITIES														
Deposits and borrowings from banks	2,809,662	63,400,684	-	-	-	-	63,400,684	-	-	-	-	-	-	66,210,346
Customers' accounts at amortized cost	2,397,315	1,403,415,560	-	-	-	-	1,403,417,954	61,870,700	6,115,180	-	-	-	67,985,880	1,473,798,755
Related parties' accounts at amortized cost	53,044,689	7,553,905	-	-	-	-	7,553,905	4,468,846	-	-	-	-	4,468,846	65,067,440
Acceptance liability	15,134,279	-	-	-	-	-	-	-	-	-	-	-	-	15,134,279
Other liabilities	5,308,091	-	-	-	-	-	-	-	-	-	-	-	-	5,308,091
Provisions	2,582,468	-	-	-	-	-	-	-	-	-	-	-	-	2,582,468
Subordinated bonds	-	-	-	-	-	-	-	60,291,143	-	-	-	-	60,291,143	60,291,143
Total Liabilities	81,276,504	1,474,370,149	-	-	-	-	1,474,370,149	126,630,689	6,115,180	-	-	-	132,745,869	1,688,392,522
Interest rate gap position	13,514,239	(295,546,947)	78,636,003	114,775,701	49,487,355	15,075,000	(37,572,888)	(86,970,665)	89,013,517	61,962,005	90,442,332	19,899,574	174,346,763	150,288,114

The effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Group for the subsequent fiscal year is LBP7.29billion increase/decrease.

	December 31, 2012												
		Floating Interest Rate						Fixed Interest Rate					
	Non-interest Bearing	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total	Grand Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS													
Cash and Central banks	7,835,138	30,076,288	20,251,305	148,362,430	55,130,635	-	253,820,658	-	-	-	-	-	261,655,796
Deposits with banks and financial institutions	31,284,907	365,642,731	-	-	-	-	365,642,731	15,069,316	-	-	-	15,069,316	411,996,954
Trading assets designated at fair value through profit or loss	5,972,172	-	-	-	2,249,039	549,334	2,798,373	-	-	-	5,680,225	5,680,225	14,450,770
Loans to banks and financial institutions	10,601,016	-	-	-	-	-	-	-	15,075,000	-	-	15,075,000	25,676,016
Loans and advances to customers	(758,078)	872,429,759	-	-	-	-	872,429,759	18,870,710	2,627,947	6,237	-	21,504,894	893,176,575
Loans and advances to related parties	19,562	1,008,305	-	-	-	-	1,008,305	2,721,755	99,148	-	-	2,820,903	3,848,770
Financial assets at amortized cost	3,996,457	42,083,380	-	-	-	-	42,083,380	13,097,142	102,183,248	32,259,719	10,160,477	157,700,586	203,780,423
Financial assets designated at fair value through other comprehensive income	29,071	-	-	-	-	-	-	-	-	-	-	-	29,071
Customers' liability under acceptances	23,865,731	-	-	-	-	-	-	-	-	-	-	-	23,865,731
Investments in associates	30,693,799	-	-	-	-	-	-	-	-	-	-	-	30,693,799
Assets acquired in satisfaction of loans	2,831,019	-	-	-	-	-	-	-	-	-	-	-	2,831,019
Property and equipment	620,695	-	-	-	-	-	-	-	-	-	-	-	620,695
Intangible assets	12,421	-	-	-	-	-	-	-	-	-	-	-	12,421
Other assets	3,733,052	-	-	-	-	-	-	-	-	-	-	-	3,733,052
Total Assets	120,736,962	1,311,240,463	20,251,305	148,362,430	57,379,674	549,334	1,537,783,206	49,758,923	119,985,343	32,265,956	15,840,702	217,850,924	1,876,371,092
LIABILITIES													
Deposits and borrowings from banks	1,450	63,689,435	-	-	-	-	63,689,435	4,997,722	-	-	-	4,997,722	68,688,607
Customers' accounts at amortized cost	3,048,825	1,460,781,426	-	-	-	-	1,460,781,426	92,218,615	2,753,476	-	-	94,972,091	1,558,802,342
Related parties' accounts at amortized cost	23,630	49,917,672	-	-	-	-	49,917,672	-	-	-	-	-	49,941,302
Acceptance liability	23,865,731	-	-	-	-	-	-	-	-	-	-	-	23,865,731
Other liabilities	3,854,351	-	-	-	-	-	-	-	-	-	-	-	3,854,351
Provisions	2,340,756	-	-	-	-	-	-	-	-	-	-	-	2,340,756
Subordinated bonds	-	-	-	-	-	-	-	-	62,397,734	-	-	62,397,734	62,397,734
Total Liabilities	33,134,743	1,574,388,533	-	-	-	-	1,574,388,533	97,216,337	65,151,210	-	-	162,367,547	1,769,890,823
Interest rate gap position	87,602,219	(263,148,070)	20,251,305	148,362,430	57,379,674	549,334	(36,605,327)	(47,457,414)	54,834,133	32,265,956	15,840,702	55,483,377	106,480,269

The effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Group for the subsequent fiscal year is LBP4.14billion increase/decrease.

8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the fair values of financial assets and liabilities (excluding accrued interest) recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	December 31, 2013				
	Fair Value	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at					
Fair value through profit or loss:					
Lebanese treasury bills	21,760,545	-	21,760,545	-	21,760,545
Certificates of deposits issued by the Central Bank of Lebanon	15,545,403	-	15,545,403	-	15,545,403
Corporate bonds	1,072,796	1,072,796	-	-	1,072,796
Equities - Quoted	4,833,633	4,833,633	-	-	4,833,633
	43,212,377	5,906,429	37,305,948	-	43,212,377
Fair value through other comprehensive income:					
Equities - Unquoted	645,464	-	-	645,464	645,464
Preferred shares – unquoted	30,150,000	-	-	30,150,000	30,150,000
	30,795,464	-	-	30,795,464	30,795,464
Amortized cost:					
Lebanese treasury bills	220,788,441	-	220,788,441	-	220,788,441
Lebanese Government Bonds	135,478,828	-	135,478,828	-	135,478,828
Certificates of deposits issued by Central Bank	144,972,868	-	144,972,868	-	144,972,868
Certificates of deposits issued by Banks	11,687,040	-	11,687,040	-	11,687,040
Corporate bonds	33,496,436	33,496,436	-	-	33,496,436
	546,423,613	33,496,436	512,927,177	-	546,423,613
Financial liabilities measured at amortized cost					
Subordinated bonds	60,590,382	-	-	60,590,382	60,590,382
	60,590,382	-	-	60,590,382	60,590,382

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

	December 31, 2013	
Financial Assets	**Date of Valuation**	**Valuation Technique and key Inputs**
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - foreign Currency	December 31, 2013	DCF at a discount rate based on observable yield curve at measurement date
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2013	N/A
Preferred shares – Unquoted	December 31, 2013	Management estimates based on unobservable input related to market volatility and liquidity.
At amortized cost:		
Lebanese treasury bills	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Lebanese Government Bonds	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - foreign currency	December 31, 2013	DCF at a discount rate based on observable yield curve at measurement date
Certificates of deposits issued by banks	December 31, 2013	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2013	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2013 were approved by the Board of Directors in its meeting held on April 11, 2014.

BANQUE BEMO S.A.L.

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT
SIX-MONTH PERIOD ENDED JUNE 30, 2014

BANQUE BEMO S.A.L.
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND REVIEW REPORT
SIX-MONTH PERIOD ENDED JUNE 30, 2014

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REVIEW REPORT

To the Chairman and Members of the Board
Banque Bemo S.A.L.
Beirut, Lebanon

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Banque Bemo S.A.L. and Subsidiaries (collectively the "Group") as of June 30, 2014 and the related interim consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory information. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures within the framework of local banking regulations. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared in all material respects, in accordance with International Accounting Standard 34.

Beirut, Lebanon
September 30, 2014

Deloitte & Touche

DFK Fiduciaire du Moyen Orient

BANQUE BEMO S.A.L.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	(Unaudited) June 30, 2014 LBP'000	December 31, 2013 LBP'000
Cash and deposits with Central Banks		413,457,109	367,632,615
Deposits with banks and financial institutions		191,271,528	256,512,471
Financial assets at fair value through profit or loss	5	40,041,647	44,154,849
Loans to banks and financial institutions	6	31,886,289	20,226,199
Loans and advances to customers	7	981,260,659	918,365,819
Loans and advances to related parties		2,345,572	2,195,386
Investment securities	8	539,790,431	564,556,559
Customers' acceptance liability		34,604,753	15,134,279
Investments in associates	9	20,912,623	20,819,288
Assets acquired in satisfaction of loans	10	2,259,705	2,831,019
Property and equipment		14,783,189	14,800,007
Intangible assets		575,557	677,316
Other assets		10,399,697	10,176,347
Total Assets		2,283,588,759	2,238,082,154
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	21		
Documentary and commercial letters of credit		48,642,274	19,969,368
Guarantees and standby letters of credit		98,197,228	79,765,846
Forward exchange contracts		800,937,626	804,225,486
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	22	14,912,145	14,990,974

THE ACCOMPANYING NOTES 1 TO 26 FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

BANQUE BEMO S.A.L.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

LIABILITIES	Notes	(Unaudited) June 30, 2014 LBP'000	December 31, 2013 LBP'000
Deposits and borrowings from banks and financial institutions		123,979,542	105,198,397
Customers' deposits at amortized cost	11	1,839,188,003	1,763,911,436
Related parties' deposits at amortized cost	23	76,882,331	66,067,496
Acceptances liability		34,604,753	15,134,279
Other liabilities		16,818,338	10,347,499
Provisions		6,694,043	6,374,385
		2,098,167,010	1,967,033,492
Subordinated bonds	12	-	60,291,143
Total Liabilities		2,098,167,010	2,027,324,635
EQUITY			
Share capital	13	62,248,000	62,000,000
Treasury shares		(2,197,625)	(2,197,625)
Preferred shares	14	52,641,854	30,150,000
Advance payments on subscriptions in preferred shares		-	52,762,500
Shareholders' cash contribution to capital		29,104,984	29,104,984
Reserves		32,755,595	29,139,121
Retained earnings		22,387,868	20,014,719
Currency translation adjustment		(21,077,826)	(20,271,959)
Profit for the period/year		9,035,990	9,593,510
Equity attributable to the Group		184,898,840	210,295,250
Non-controlling interest		522,909	462,269
Total equity		185,421,749	210,757,519
Total Liabilities and Equity		2,283,588,759	2,238,082,154

THE ACCOMPANYING NOTES 1 TO 26 FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

BANQUE BEMO S.A.L.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited) Six-Month Period Ended June 30, 2014	2013
		LBP'000	LBP'000
Interest income	16	50,027,241	44,167,516
Interest expense	17	(32,518,265)	(31,363,504)
Net interest income		17,508,976	12,804,012
Fee and commission income		3,889,260	3,941,822
Fee and commission expense		(340,585)	(756,743)
Net fee and commission income		3,548,675	3,185,079
Net results on financial assets at fair value through profit or loss	18	3,974,491	5,553,935
Gain on exchange		998,933	900,672
Other operating income	19	4,065,528	317,281
Net financial revenues		30,096,603	22,760,979
Allowance for impairment of loans and advances and other receivables		(630,260)	(846,715)
Write-back of impairment loss on loans and advances		617,677	521,027
Net financial revenues after net impairment charge		30,084,020	22,435,291
Staff costs		(11,022,857)	(9,649,114)
Administrative expenses		(7,469,321)	(5,514,949)
Depreciation and amortization		(737,705)	(1,063,687)
Provision for foreign currency fluctuation		(13,284)	(770)
Provision for contingencies		(42,496)	(43,968)
		(19,285,663)	(16,272,488)
Profit before income tax		10,798,357	6,162,803
Income tax expense		(1,667,118)	(1,477,383)
Profit for the period		9,131,239	4,685,420
Attributable to:			
Equity holders of the Group		9,035,990	4,685,383
Non-Controlling interest		95,249	37
		9,131,239	4,685,420
Basic and diluted earning per shares	20	107/50	36/89

THE ACCOMPANYING NOTES 1 TO 26 FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

BANQUE BEMO S.A.L.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited) Six-Month Period Ended June 30,	
	2014	**2013**
	LBP'000	**LBP'000**
Profit for the period	9,131,239	4,685,420
Other comprehensive income ("OCI")		
Items that may be reclassified subsequently to profit or loss:		
Loss arising from currency translation adjustment	(805,867)	(9,176,858)
	(805,867)	(9,176,858)
Total comprehensive income for the period – income / (loss)	8,325,372	(4,491,438)
Attributable to:		
Equity holders of the Group	8,230,123	(4,491,475)
Non-controlling interest	95,249	37
	8,325,372	(4,491,438)

THE ACCOMPANYING NOTES 1 TO 26 FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

BANQUE BEMO S.A.L.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to the Group														
	Share Capital	Treasury Shares	Preferred Shares	Advance Payments on Subscriptions in Preferred Shares	Shareholders' Cash Contribution in Capital	Legal Reserve	Reserve for General Banking Risk	Other Reserves	Reserve for Assets Acquired in Satisfaction of Debts	Currency Translation Adjustment	Retained Earnings	Income for the Year/Period	Total	Non-Controlling Interest	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balances at December 31, 2012	62,000,000	(2,197,625)	30,150,000	-	29,104,984	1,795,131	17,185,048	5,518,363	553,602	(13,003,565)	22,503,411	5,593,850	159,203,199	88	159,203,287
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	(19,589)	-	(19,589)	-	(19,589)
Total comprehensive income for the period - Loss	-	-	-	-	-	-	-	-	-	(9,176,858)	-	4,685,383	(4,491,475)	37	(4,491,438)
Allocation of 2012 profit	-	-	-	-	-	943,536	3,001,890	-	141,551	-	1,506,873	(5,593,850)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(3,962,000)	-	(3,962,000)	-	(3,962,000)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(58)	(58)
Other movement	-	-	-	-	-	-	-	-	-	-	(13,976)	-	(13,976)	-	(13,976)
Balances at June 30, 2013	62,000,000	(2,197,625)	30,150,000	-	29,104,984	2,738,667	20,186,938	5,518,363	695,153	(22,180,423)	20,014,719	4,685,383	150,716,159	67	150,716,226
Balance at December 31, 2013	62,000,000	(2,197,625)	30,150,000	52,762,500	29,104,984	2,738,667	20,186,938	5,518,363	695,153	(20,271,959)	20,014,719	9,593,510	210,295,250	462,269	210,757,519
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	(805,867)	-	9,035,990	8,230,123	95,249	8,325,372
Allocation of income for the year 2013	-	-	-	-	-	778,749	2,810,437	-	27,288	-	5,977,036	(9,593,510)	-	-	-
Redemption of preferred shares	248,000	-	(30,150,000)	-	-	-	-	-	-	-	(248,000)	-	(30,150,000)	-	(30,150,000)
Issuance of referred shares	-	-	52,641,854	(52,762,000)	-	-	-	-	-	-	-	-	(120,646)	-	(120,646)
Prior years adjustment	-	-	-	-	-	-	-	-	-	-	(5,179)	-	(5,179)	-	(5,179)
Dividends paid - Note 15	-	-	-	-	-	-	-	-	-	-	(3,342,000)	-	(3,342,000)	-	(3,342,000)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,609)	(34,609)
Other movements	-	-	-	-	-	-	-	-	-	-	(8,708)	-	(8,708)	-	(8,708)
Balance at June 30, 2014	62,248,000	(2,197,625)	52,641,854	-	29,104,984	3,517,416	22,997,375	5,518,363	722,441	(21,077,826)	22,387,868	9,035,990	184,898,840	522,909	185,421,749

THE ACCOMPANYING NOTES 1 TO 26 FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

BANQUE BEMO S.A.L.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	(Unaudited) Six-Month Period Ended June 30, 2014 LBP'000	2013 LBP'000
Cash flows from operating activities:			
Profit before tax		10,798,357	6,162,803
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Depreciation and amortization		737,705	1,063,687
Provisions for risks and charges		85,162	-
Provision for loss on foreign currency position		13,284	770
Allowance for impairment of loans and advances and other receivables		630,260	846,714
Non-controlling interest		(34,557)	(58)
Provision for end-of-service indemnities (net)		263,708	170,753
Write-back of impairment loss on loans and advances		(617,677)	(521,027)
Write-back of provision for risk and charges		(42,496)	43,968
Unrealized loss on financial assets at fair value through profit or loss /trading securities		(1,797,051)	(1,517,768)
Equity loss from investment in associates		(840,849)	1,151,445
(Gain)/loss from sale of property and equipment		(5,353)	678,572
Settlement of employees' end-of-service indemnity		-	(22,213)
Decrease in deposits with banks and financial institutions		(45,452,878)	(54,336,854)
Financial assets at fair value through profit or loss		5,910,253	15,136,301
(Increase)/decrease in loans and advances		(75,665,181)	44,080,646
Increase in assets acquired in satisfaction of loan		571,314	-
Net increase in other assets		(217,024)	(3,929,619)
Increase in customers' and related parties ' deposits at amortized cost		85,970,756	(65,982,066)
Decrease in non-interest earning compulsory reserve		8,712,800	5,284,843
Increase in due to banks and financial institutions		18,781,145	9,044,143
Net increase in other liabilities		6,463,388	7,961,395
Taxes paid		(712,185)	(1,477,383)
Others (including effect of exchange rate changes)		(78,565)	(13,976)
Net cash provided by operating activities		13,474,264	(36,174,924)
Cash flows from investing activities:			
Investment securities		24,766,128	(78,069,237)
Property and equipment		(570,570)	(828,596)
Proceeds from sale of property and equipment		5,353	16,368
Intangible assets		(48,558)	(58,774)
Net cash used in investing activities		24,152,353	(78,940,239)
Cash flows from financing activities:			
Redemption of Preferred shares		(30,150,000)	-
Dividends paid		(3,342,000)	(3,962,000)
Subordinated bonds		(60,291,143)	(2,117,218)
Net cash used in financing activities		(93,783,143)	(6,079,218)
Net (decrease) in cash and cash equivalents		(56,156,526)	(121,194,381)
Cash and cash equivalents - Beginning of period	24	340,314,388	345,541,763
Cash and cash equivalents - End of period	24	284,157,862	224,347,382

THE ACCOMPANYING NOTES 1 TO 26 FORM AN INTEGRAL PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

2.1 Standards and Interpretations effective for the current period

In the current period, the Bank has applied the following new and revised Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective with a date of initial application of January 1, 2014 and that are applicable to the Bank:

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets:*

These amendments modify the disclosure requirements in IAS 36 *Impairment of Assets* regarding the measurement of the recoverable amount of impaired assets and require additional disclosures about the measurement of impaired assets (or group of impaired assets) with a recoverable amount based on fair value less costs of disposal.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

These amendments define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

These Amendments clarify the requirements relating to the offset of financial assets and financial liabilities.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

These amendments allow the continuations of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

The above did not have any impact on the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance:

The interim condensed consolidated financial information for the six-months period ended June 30, 2014 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2013.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements for the year ended December 31,2013, except for the adoption of new standards, and interpretations described in note 2, as applicable.

B. Basis of Preparation and Measurement

The condensed interim consolidated financial information has been prepared on the historical cost basis except for the following:

- Financial assets and liabilities at fair value through profit and loss which are measured at fair value.
- Derivative financial instruments which are measured at fair value.

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

C. Basis of Consolidation:

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

The consolidated subsidiaries as at June 30, 2014 and December 31, 2013 consist of:

Company	Country of Incorporation	Date of Acquisition or Incorporation	Percentage of Ownership %	Business Activities
Bemo Securitisation S.A.L.	Lebanon	1998	96	Securitization and Structured Finance
Ferticed Limited Holding	Luxembourg	1995	100.00	Holding Company
Depository & Custody Company S.A.L.	Lebanon	2007	99.9	Depository and Custody of Securities
Bemo Investment Firm Ltd	United Arab Emirates	2013	75	Securitization & Structured Finance

The Bank and its subsidiaries have the same financial reporting year.

Where necessary, adjustments are made to the financial information of the subsidiaries and associates to bring their accounting policies into line with those used by other entities of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest share of subsequent changes. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balances.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The estimates and underlying assumptions made by the Group's management for the preparation of the interim condensed consolidated financial information were consistent with those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2013.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	(Unaudited), June 30, 2014			December 31, 2013		
	LBP Base Account	Foreign Currency Base Account	Total	LBP Base Account	Foreign Currency Base Account	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	5,182,523	5,182,523	-	4,833,633	4,833,633
Lebanese treasury bills	9,976,487	-	9,976,487	21,760,545	-	21,760,545
Lebanese Governments bonds	-	3,931,016	3,931,016	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon	15,332,240	3,015,000	18,347,240	4,992,903	10,552,500	15,545,403
Certificates of deposit issued by banks	-	674,711	674,711	-	-	-
Corporate bonds	-	1,464,112	1,464,112	-	1,072,796	1,072,796
Accrued interest receivable	347,371	118,187	465,558	647,823	294,649	942,472
	25,656,098	14,385,549	40,041,647	27,401,271	16,753,578	44,154,849

6. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

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

During December 2012, the Bank granted a 1 year term loan to a resident financial institution in the amount of USD10,000,000 (LBP15billion) for investing purposes against a pledged deposit in Lebanese Pounds amounting to LBP15million. The loan is subject to a fixed annual rate of 4% and is reimbursed in one installment at maturity date. This loan was renewed during December 2013 under the same terms and conditions for another year.

During the first half of the year 2014, the Bank granted the residual financial institution an additional term loan in the amount of USD7,000,000 (LBP10.5billion) for investing purposes against a pledged deposit in Lebanese Pounds amounting to LBP10.5billion under the same terms and conditions of the previous term loan.

7. LOANS AND ADVANCES TO CUSTOMERS

	(Unaudited) June 30, 2014				December 31, 2013			
	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Regular Retail customers:								
- Mortgage loans	43,517,511	-	-	43,517,511	43,588,744	-	-	43,588,744
- Personal loans	6,205,868	-	-	6,205,868	7,548,687	-	-	7,548,687
- Overdrafts	17,124,311	-	-	17,124,311	20,266,579	-	-	20,266,579
- Other	11,444,935	-	-	11,444,935	10,871,901	-	-	10,871,901
Regular Corporate customers:								
- Large enterprises	716,316,890	-	-	716,316,890	660,751,505	-	-	660,751,505
- Small and medium enterprises	186,053,253	-	-	186,053,253	176,377,014	-	-	176,377,014
Classified Retail Customers:								
Substandard	34,385	(3)	-	34,382	-	-	-	-
Doubtful	418,045	(182,291)	(235,737)	17	367,455	(159,657)	(207,792)	6
Classified Corporate Customers:								
Substandard	2,290,437	(130,589)	-	2,159,848	989,268	(66,981)	-	922,287
Doubtful	3,683,490	(2,268,412)	(758,836)	656,242	4,222,119	(2,381,207)	(1,431,566)	409,346
Bad	3,013,696	(697,510)	(2,316,128)	58	1,921,773	(253,107)	(1,668,657)	9
Allowance for collectively assessed loans	-	-	(3,467,250)	(3,467,250)	-	-	(3,467,250)	(3,467,250)
Accrued interest receivable	1,214,594	-	-	1,214,594	1,096,991	-	-	1,096,991
	991,317,415	(3,278,805)	(6,777,951)	981,260,659	928,002,036	(2,860,952)	(6,775,265)	918,365,819

Concentration of loans and advances by geographical area:

	(Unaudited) June 30, 2014 LBP'000	December 31, 2013 LBP'000
Lebanon	863,139,797	803,643,400
Syria	11,809,021	11,636,254
Middle East & Africa	55,479,237	54,100,369
Europe	43,926,323	41,919,236
North America	768,154	1,003,181
Other	6,138,127	6,063,379
	981,260,659	918,365,819

8. INVESTMENT SECURITIES

	(Unaudited) June 30, 2014			December 31, 2013		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBO'000	LBP'000
Financial assets at fair value through other comprehensive income (A)	615,120	30,097	645,217	615,120	30,344	645,464
	615,120	30,097	645,217	615,120	30,344	645,464
Financial assets at amortized cost (B)	302,899,949	227,317,821	530,217,770	280,913,407	273,453,163	554,366,570
Accrued interest receivable	4,809,911	4,117,533	8,927,444	4,964,145	4,580,380	9,544,525
	307,709,860	231,435,354	539,145,214	285,877,552	278,033,543	563,911,095
	308,324,980	231,465,451	539,790,431	286,492,672	278,063,887	564,556,559

A. Financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income represent unquoted equity securities.

B. Financial assets at amortized cost:

	(Unaudited), June 30, 2014					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accrued Interest Receivable	Amortized Cost	Fair Value	Accrued Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBO'000	LBP'000
Lebanese treasury bills	239,192,387	241,261,009	3,619,206	-	-	-
Lebanese Government bonds	-	-	-	102,347,928	99,750,070	1,830,243
Certificates of deposit issued by the Central Bank of Lebanon	63,707,562	63,638,106	1,190,705	90,050,097	88,502,092	1,633,849
Certificates of deposit issued by banks	-	-	-	-	-	-
Corporate bonds	-	-	-	34,919,796	34,952,262	653,441
	302,899,949	304,899,115	4,809,911	227,317,821	223,204,424	4,117,533

	December 31, 2013					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accrued Interest Receivable	Amortized Cost	Fair Value	Accrued Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	220,381,948	220,788,441	3,651,923	-	-	-
Lebanese Government bonds	-	-	-	140,909,906	135,478,828	2,258,360
Certificates of deposit issued by the Central Bank of Lebanon	60,531,459	60,161,949	1,312,222	87,354,881	84,810,919	1,591,092
Certificates of deposit issued by banks	-	-	-	11,687,040	11,687,040	-
Corporate bonds	-	-	-	33,501,336	33,496,436	730,928
	280,913,407	280,950,390	4,964,145	273,453,163	265,473,223	4,580,380

During 2013, the Bank performed sale and swap transactions over the amortized cost portfolio denominated in both Lebanese Pounds and foreign currencies. Some transactions were performed to benefit from the exchange window offered by the Central Bank of Lebanon, and other transactions were performed for yield enhancement purposes and to reduce the duration of the portfolio and economical situation.
Income realized on these transactions amounted to LBP626million reflected under "Other operating income" (Note 19) (LBP458million for the six-month period ended June 30, 2013).

9. INVESTMENTS IN ASSOCIATES

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

	Country of Incorporation	Interest Held %	(Unaudited) June 30, 2014 Carrying Value LBP'000	December 31, 2013 Carrying Value LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	20,912,623	20,819,288
			20,912,623	20,819,288

The movement of investments in associates is as follows:

	(Unaudited) Six-Month Period Ended June 30, 2014 LBP'000	Year Ended December 31, 2013 LBP'000
Balance, January 1	20,819,288	30,693,799
Share in net gain / (loss) of associates (Note 19)	840,849	(2,155,471)
Derecognition upon acquiring control	-	(421,270)
Currency translation adjustment	(805,867)	(7,268,394)
Prior years adjustment	64,678	(29,376)
Other movements	(6,325)	-
Balance - End of period/year	20,912,623	20,819,288

10. ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

During May 2014, the Bank sold lot number 4 of the plot number 2595 located in Ras Beirut from its portfolio of assets acquired in satisfaction of loans whose carrying value amounted to LBP510million as at the sale date. The sales proceeds amounted to LBP1.53billion (USD1,015,000) which resulted in a net gain on sale of assets acquired in satisfaction of loans amounting to LBP1.02billion recorded under "Other operating income / (loss)" (Note 19) in the interim consolidated statement of profit or loss for the six-month period ended June 30, 2014.

11. CUSTOMERS' DEPOSITS AT AMORTIZED COST

Time deposits at amortized cost as at June 30, 2014 include fiduciary deposits received from a non-resident related bank in the amount of LBP12.96billion (LBP15.23billion as at December 31, 2013).

12. SUBORDINATED BONDS

The exceptional general assembly of shareholders approved in its meeting held on March 10, 2009 the issuance of subordinated bonds in the amount of USD40,000,000 divided into 4,000 bonds of USD10,000 nominal value each. These bonds were issued on May 30, 2009 and matured on June 30, 2014. These bonds are subject to an annual interest of 7% payable on December 31 and June 30 of each year.

These bonds matured on June 30, 2014 and were redeemed.

In this connection, interest expense on these bonds for the six-month period ended June 30, 2014 amounting to LBP2.10billion is recorded under "Interest expense" in the interim consolidated statement of profit or loss (LBP2.10billion for the six-month period ended June 30, 2013) (Note 17).

13. SHARE CAPITAL

In its meeting held on May 16, 2014, the extraordinary general assembly of shareholders decided to redeem the preferred shares "Issuance 2006" amounting to 200,000 shares and to reconstitute the Bank's capital for the equivalent amount and adjust the decimals in the nominal amount of the share, through transfer from the retained earnings whereby the nominal amount of the share becomes LBP1,004 after the reconstitution of the capital.

Accordingly, the Bank's capital as at June 30, 2014 is composed of 62,000,000 issued shares of LBP1,004 each (62,000,000 shares of LBP1,000 each as at December 31, 2013), authorized and fully paid and divided as follows:

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

No movement of ordinary treasury shares during the six-month period ended June 30, 2014 and the year 2013 occurred.

14. PREFERRED SHARES

On December 19, 2013, the Bank offered non-cumulative perpetual preferred shares in the amount of USD35million (LBP52billion) in the basis of 350,000 shares at USD100.

These preferred shares bear interest at an annual rate of 7%.

The investors had fully subscribed in the preferred shares offered on December 19, 2013, the amount was recorded under "Escrow Account" as at December 31, 2013. On January 31, 2014 the procedures were finalized and the funds were liberated from the Central Bank of Lebanon.

The Bank offered discounts to preferred shares subscribers for the amount of USD80,960 (LBP122million) as at June 30, 2014.

On June 1, 2006, the Group issued preferred shares in the amount of USD20million (LBP30billion) on the basis of 200,000 shares at USD100 callable five years from the issuance date on June 1, 2011 and bear interest on a non-cumulative basis at an annual rate of 8%. The Bank did not exercise this call option. The extraordinary general assembly of shareholders decided in its meeting held on May 16, 2014 to redeem the above preferred shares "Issuance 2006".

15. DIVIDENDS PAID

The following dividends were declared and paid by the Group during the period:

	(Unaudited) Six-Month Period Ended June 30,	
	2014	2013
	LBP'000	LBP'000
USD8 per preferred share paid by the Bank	2,412,000	2,412,000
LBP15 per common share (LBP25 in 2013) paid by the Bank	930,000	1,550,000
	3,342,000	3,962,000

16. INTEREST INCOME

	(Unaudited) Six-Month Period Ended June 30,	
	2014	2013
	LBP'000	LBP'000
Interest income from:		
Term deposits with Central Banks	2,609,466	1,918,217
Deposits with banks and financial institutions	888,719	610,918
Deposits with related party banks and financial institutions	38,554	238,385
Financial assets at amortized cost	16,623,405	12,363,133
Loans and advances to customers	29,784,879	28,916,332
Loans and advances to related parties	63,154	59,126
Interest realized on impaired loans and advances to customers	19,064	61,405
	50,027,241	44,167,516

Interest income on financial assets at fair value through profit or loss is included under "Net results on financial assets at fair value through profit or loss" (Note 18).

17. INTEREST EXPENSE

	(Unaudited) Six-Month Period Ended June 30,	
	2014	2013
	LBP'000	LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	1,299,620	915,049
Deposits and borrowings from related party banks and financial institutions	42,773	289,217
Customers' deposits at amortized cost	28,258,490	27,552,237
Related parties' deposits at amortized cost	815,372	503,220
Subordinated bonds	2,102,010	2,103,781
	32,518,265	31,363,504

18. NET RESULTS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption consists of the following:

	(Unaudited) Six-Month Period Ended June 30,	
	2014	2013
	LBP'000	LBP'000
Dividends received on equity securities	212,425	216,182
Interest received on debt securities	1,530,209	3,031,585
Change in fair value of financial assets at fair value through profit or loss (net)	530,564	1,517,768
Gain on sale of financial assets at fair value through profit or loss	1,701,293	788,400
	3,974,491	5,553,935

19. OTHER OPERATING INCOME

This caption consists of the following:

	(Unaudited) Six-Month Period Ended June 30	
	2014	2013
	LBP'000	LBP'000
Share in gain/(loss) of associates - Note 9	840,849	(1,151,445)
Revenues from securitization operations	740,881	326,436
Gain from sale of assets acquired in satisfaction of loans – Note 10	1,019,712	-
Gain from derecognition of financial assets at amortized cost	626,115	458,004
Other	837,971	684,286
	4,065,528	317,281

20. EARNINGS PER SHARE

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

The weighted average number of shares to compute basic and diluted earnings per share is 61,620,180 shares for the six-month period ended June 30, 2014 (61,620,180 shares for 2013).

21. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

22. FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT

	(Unaudited) June 30, 2014	December 31, 2013
	Resident Customers	Resident Customers
	LBP'000	LBP'000
Fiduciary deposits invested in certificates of deposit issued by the Central Bank of Lebanon	1,035,653	1,035,653
Fiduciary deposits from customers invested in other banks	1,389,869	1,363,173
Fiduciary deposits from related parties invested in loans granted to related party companies	4,522,500	4,673,250
Fiduciary deposits from customers invested in loans granted to customers	7,964,123	7,918,898
	14,912,145	14,990,974

23. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

	(Unaudited) June 30, 2014	December 31, 2013
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
- Secured loans and advances	391,954	345,193
- Unsecured loans and advances	619,866	328,001
- Deposits	11,617,644	1,232,783
Associated companies:		
Direct facilities and credit balances:		
- Unsecured loans and advances	1,142,525	1,522,192
- Deposits	65,249,333	64,739,002
Indirect facilities:		
- Letters of guarantee	55,118	4,638

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP528million (Real estate mortgages to the extent of LBP302million as at December 31, 2013).

The remunerations of executive management amounted to LBP1.48billion during the six-months period ended June 30, 2014 (LBP1.22billion for the six-months period ended June 30, 2013) in addition to incentives linked to performance.

24. CASH AND CASH EQUIVALENTS

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

	(Unaudited) June 30,	
	2014	2013
	LBP'000	LBP'000
Cash	10,370,834	11,434,901
Current accounts with Central Bank of Lebanon (excluding compulsory reserve)	83,778,338	722,412
Term placements with Central Bank of Lebanon	31,047,420	-
Checks for collection and current accounts with banks and financial institutions	129,812,011	92,139,921
Term placements with banks and financial institutions	29,149,259	120,050,148
	284,157,862	224,347,382

	December 31,	
	2013	2012
	LBP'000	LBP'000
Cash	11,447,842	10,615,168
Current accounts with Central Bank of Lebanon (excluding compulsory reserve)	58,032,826	5,362,076
Term placements with Central Bank of Lebanon	16,582,500	6,783,750
Checks for collection and current accounts with banks and financial institutions	114,288,346	238,513,724
Term placements with banks and financial institutions	139,962,874	84,267,045
	340,314,388	345,541,763

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

25. COLLATERAL GIVEN

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

	(Unaudited) June 30, 2014		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	65,475,168	Forward contracts	412,770,525
		Options and swaps transactions	103,497,339
		Acceptances less than one year	4,249,601
	65,475,168		

	December 31, 2013		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	57,127,984	Forward contracts	424,308,394
	-	Options and swaps transactions	24,357,651
	-	Acceptances less than one year	1,230,402
	57,127,984		

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the fair values of financial assets and liabilities (excluding accrued interest) recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	(Unaudited), June 30, 2014				
	Fair Value	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Lebanese treasury bills	9,976,487	-	9,976,487	-	9,976,487
Certificates of Deposits issued by the Central Bank of Lebanon	18,347,240	-	18,347,240	-	18,347,240
Certificates of Deposits issued by Banks	674,711	-	674,711	-	674,711
Lebanese government bonds	3,931,016	-	3,931,016	-	3,931,016
Corporate Bonds	1,464,112	1,464,112	-	-	1,464,112
Equities - Quoted	5,182,523	5,182,523	-	-	5,182,523
	39,576,089	6,646,635	32,929,454	-	39,576,089
Fair value through other comprehensive income:					
Equities- Unquoted	645,217	-	-	645,217	645,217
Preferred shares-unquoted	52,640,454	-	-	52,640,454	52,640,454
	53,285,671	-	-	53,285,671	53,285,671
Amortized Cost:					
Lebanese treasury bills	241,261,009	-	241,261,009	-	241,261,009
Lebanese government bonds	99,750,070	-	99,750,070	-	99,750,070
Certificates of Deposits issued by the Central Bank of Lebanon	152,140,198	-	152,140,198	-	152,140,198
Corporate bonds	34,952,262	34,952,262	-	-	34,952,262
	528,103,539	34,952,262	493,151,277	-	528,103,539

	December 31, 2013				
	Fair Value	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at Fair value through profit or loss:					
Lebanese treasury bills	21,760,545	-	21,760,545	-	21,760,545
Certificates of deposits issued by the Central Bank of Lebanon	15,545,403	-	15,545,403	-	15,545,403
Corporate bonds	1,072,796	1,072,796	-	-	1,072,796
Equities - Quoted	4,833,633	4,833,633	-	-	4,833,633
	43,212,377	5,906,429	37,305,948	-	43,212,377
Fair value through other comprehensive income:					
Equities - Unquoted	645,464	-	-	645,464	645,464
Preferred shares – unquoted	30,150,000	-	-	30,150,000	30,150,000
	30,795,464	-	-	30,795,464	30,795,464
Amortized cost:					
Lebanese treasury bills	220,788,441	-	220,788,441	-	220,788,441
Lebanese Government Bonds	135,478,828	-	135,478,828	-	135,478,828
Certificates of deposits issued by Central Bank	144,972,868	-	144,972,868	-	144,972,868
Certificates of deposits issued by Banks	11,687,040	-	11,687,040	-	11,687,040
Corporate bonds	33,496,436	33,496,436	-	-	33,496,436
	546,423,613	33,496,436	512,927,177	-	546,423,613
Financial liabilities measured at amortized cost:					
Subordinated bonds	60,590,382	-	-	60,590,382	60,590,382
	60,590,382	-	-	60,590,382	60,590,382

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

	June 30, 2014	
Financial Assets	**Date of Valuation**	**Valuation Technique and key Inputs**
At fair value through profit or loss:		
Lebanese treasury bills	June 30, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	June 30, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - foreign Currency	June 30, 2014	DCF at a discount rate based on observable yield curve at measurement date
Certificates of deposits issued by banks	June 30, 2014	DCF at a discount rate based on observable yield curve at measurement date
Lebanese Government Bonds	June 30, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
At fair value through other comprehensive income:		
Equities - Unquoted	June 30, 2014	N/A
Preferred shares - Unquoted	June 30, 2014	Management estimates based on unobservable input related to market volatility and liquidity.
At amortized cost:		
Lebanese treasury bills	June 30, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Lebanese Government Bonds	June 30, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	June 30, 2014	DCF at a discount rate determined based on the yield curve applicable to to Lebanese treasury bonds, adjusted adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - foreign Currency	June 30, 2014	DCF at a discount rate based on observable yield curve at measurement date

There have been no transfers between Level 1 and Level 2 during the period.

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

	December 31, 2013	
Financial Assets	**Date of Valuation**	**Valuation Technique and key Inputs**
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - foreign Currency	December 31, 2013	DCF at a discount rate based on observable yield curve at measurement date
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2013	N/A
Preferred shares – Unquoted	December 31, 2013	Management estimates based on unobservable input related to market volatility and liquidity.
At amortized cost:		
Lebanese treasury bills	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Lebanese Government Bonds	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - foreign currency	December 31, 2013	DCF at a discount rate based on observable yield curve at measurement date
Certificates of deposits issued by banks	December 31, 2013	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2013	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

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