

# ANNUAL REPORT 2016



## OUR **VISION**

To be a reference in the financial services industry making complex banking simple and bringing the best to you.

## OUR **MISSION**

To provide a wide range of state-of-the-art, innovative and competitive financial products and services, in a simple and efficient way, leveraging innovation, technology and excellence, in order to deliver what matters to our customers, shareholders, employees and community.

## OUR **VALUES**

- We do what we say
- We do it with integrity
- We are performance driven
- We promote gender equality
- We are responsible corporate citizens

## FOUR **PILLARS**

Four pillars will constantly guide our development and will always remain our focal point:

- Professionalism
- Innovation
- Excellence
- Technology

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# 04 CHAIRMAN'S LETTER



# CHAIRMAN'S LETTER



2016 was a successful year for BLC Bank despite challenging macroeconomic conditions. Good results were achieved at the level of both the balance sheet growth and profitability and we never lost sight of the very reasons for which we always strive for better: to serve our clients and community and insure sustainable returns to our shareholders.

This is illustrated by the Bank's Consolidated Net Income that reached \$47.3 million in 2016 which is 7% above 2015's results. Furthermore, the growth in Consolidated Total Deposits increased by 2.4% in 2016, thus settling at \$4.7 billion, compared to \$4.6 billion as of December 31, 2015.

We pursued, during the past year, our mission by building upon the attributes that have led us this far: Professionalism, Innovation, Excellence and Technology.

As one of the country's leading banks when it comes to supporting SMEs, we have maintained a significant market share in 2016 as a result of a decade of support

to this strategic axis by our Bank, in firm belief that this segment constitutes the backbone of our economy. Through tailor-made products and services that serve their financial growth or initiatives that support them non-financially, we have strived to give them and the ecosystem innovative tools for growth, becoming hence an active actor of change and a major contributor to the Lebanese economy.

BLC Bank also reaffirmed during 2016 its position as the leader in the economic empowerment of women through the We Initiative as the program received this year again new awards from the American Chamber of Commerce, CPI Financial and the Global Banking Alliance for Women.

As a worldwide reference in women economic empowerment, the Bank is now the subject of several publications and case studies by different reputable institutions such as the International Finance Corporation, the Global Banking Alliance for Women as well as Oxford University's Saïd Business School. We also act as influencers for a more inclusive

world by chairing for a second mandate the GBA and becoming part of the United Nations WEPs Leadership Group, as the sole representation from the Middle East out of the 35 members worldwide.

The radical transformation BLC Bank has undergone over the past years did not go unnoticed since we earned this year the CPI Financials award for Best Business Transformation.

As we look forward to 2017 and beyond, BLC Bank will maintain its positioning on these strategic axis to deliver what matters, and more, to its stakeholders.

This was made possible thanks to the contribution of each and every BLC Bank team member. Your dedication and faith in the project that we carry makes our difference and our success. I would like to thank you all for your continued efforts.

**Maurice Sehnaoui**

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a large, sweeping loop that ends in a horizontal line.

# 06 CORPORATE GOVERNANCE

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17 SUBSIDIARIES' BOARDS

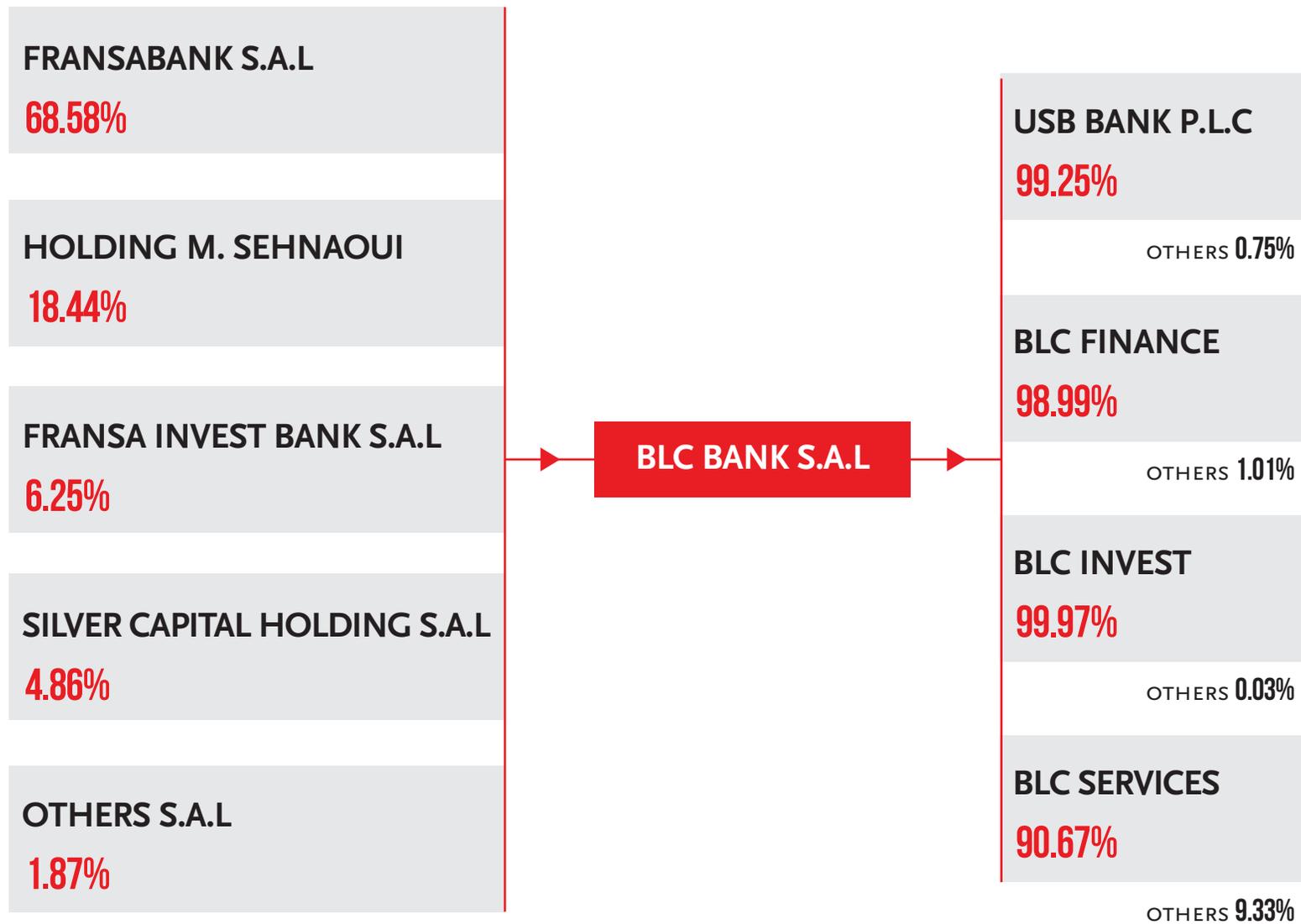
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# SHAREHOLDERS' STRUCTURE



# **BOARD OF DIRECTORS**

## CHAIRMAN GENERAL MANAGER

**Mr. Maurice SEHNAOUI**

## DEPUTY CHAIRMAN AND GENERAL MANAGER

**Mr. Nadim KASSAR**

## MEMBERS

**Mr. Adnan KASSAR**

**Mr. Adel KASSAR**

**Mr. Nabil KASSAR**

**Me. Walid DAOUK**

**Mr. Nazem EL KHOURY**

**Me. Ziyad BAROUD**

**Me. Walid ZIADE**

**Ms. Youmna ZIADE**

**Mr. Mansour BTEISH**

**Mr. Henri DE COURTIVRON**

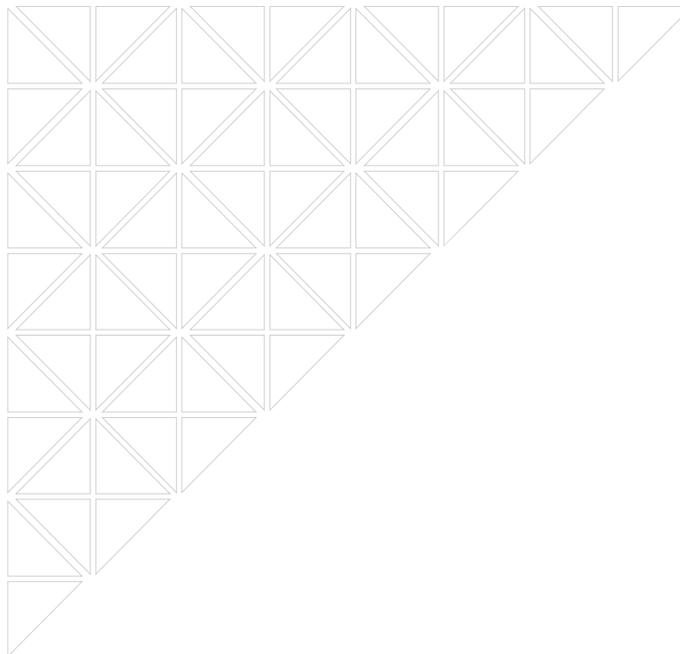
## SECRETARY TO THE BOARD

**Me. Michel TUENI**

## EXTERNAL AUDITORS

**Deloitte & Touche**

**Fmo Fiduciare Du Moyen Orient**



## 1. ROLE OF THE BOARD OF DIRECTORS

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The Board of Directors is entrusted with the duty of ensuring the proper management of the Bank in the best interest of its shareholders, depositors and other stakeholders, in accordance with applicable laws and regulations.

This duty is not subject to any delegation and is proper to the Board who shall assume the final responsibility towards the shareholders and all stakeholders regardless of whether the Board constitutes special committees or empowers other persons or entities to undertake specific tasks or responsibilities. The members of the Board are made aware of the text of laws related to the civil and criminal responsibilities that they will assume while carrying out their duties.

## 2. MEETINGS OF THE BOARD OF DIRECTORS

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The Board of Directors recognizes the importance of implementing sound corporate governance policies and has taken the necessary actions to comply with the new requirements of the Central Bank.

During the year 2016, in fulfilling its overall duties, the Board of Directors met twelve times and took several decisions, inter alia:

- Election of a Chairman of the Board, a Deputy Chairman and Assistant General Managers.
- Assignment of a Chief Risk Officer and a Chief Internal Auditor.
- Issuance of 60 million ordinary shares and the increase of BLC Bank Capital.
- Approval of amendments in the General Credit Policy and the Manual of Anti Money Laundering.

## 3. COMPOSITION OF THE BOARD OF DIRECTORS DURING 2016 UNTIL TODAY

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- Executive/Non-Independent members: three
- Non-Executive and Independent members: two
- Non-Executive and Non-Independent members: seven

## 4. BIOGRAPHIES



### **Mr. Maurice Sehnaoui Chairman General Manager**

With over 30 years of visionary leadership, Maurice Sehnaoui, is a pioneer in the Lebanese Banking Sector and a major contributor to the Lebanese economy with his commitment to support the pillars that lay the foundation for socio-economic development such as SMEs, women and corporate social responsibility. He was a former Minister of Energy and Water from 2004 to 2005. He is on the Board

in a number of companies and owns a large real estate portfolio including select buildings in the Beirut City Center. Mr. Sehnaoui is the Chairman of the Board of Directors and General Manager of BLC Bank SAL since 2008. His bold and dynamic strategic direction led the Bank to become an Alpha Bank in less than 5 years. Born in 1943, he holds a degree in Economics from the Saint Joseph University of Beirut. He is Chevalier of the French “Legion d’Honneur” and Officer of the French “Ordre National du Mérite”.



### **Mr. Nadim Kassar Deputy Chairman and General Manager**

Mr. Nadim Kassar is the Deputy Chairman and General Manager of BLC Bank SAL. He holds currently the following positions: General Manager of Fransabank SAL, Founder and Board Member of Fransa Invest Bank SAL (FIB), Founder and Chairman of Fransabank Al Djazaïr SPA, Board Member of the Association of Banks in Lebanon since 2001, Board Member of USB Bank PLC, Board Member of Lebanese International Finance Executives (LIFE), Co-Manager of A.A.

Kassar (France) SARL and General Manager of A.A. Kassar SAL. Mr. Kassar also is a Board Member of the following institutions: MasterCard Incorporated Asia, Pacific, Middle East & Africa, SAMEA Regional Board of Directors since 2005, NetCommerce, Interbank Payment Network, IPN SAL, Credit Card Management, Founder and Board Member of the American Lebanese Chamber of Commerce. He holds as well the position of Deputy Chairman of Société Financière

du Liban. His social activities includes the Makassed Philanthropic Islamic Association in Beirut as a Member of the Board of Trustees, a Member of the Lebanese-Chinese inter-parliamentary friendship committee, a Member of the Lebanese-Tunisian friendship committee and Treasurer of the Comité des Propriétaires- Ouyoun As Simane. Mr. Kassar is born in 1964 and holds a Bachelor’s degree in Business Administration from the American University of Beirut.



### **Mr. Adnan Kassar Chairman and CEO Of Fransabank Group**

Mr. Adnan Kassar is the Chairman and CEO of Fransabank Group. In 1980, he and his brother Adel acquired Fransabank and have led the Bank ever since. He is also a member of the Board of Directors of BLC Bank SAL, and Fransabank (France) SA. He is also the Chairman of the Supervisory Board of Fransabank OJSC in Belarus. Mr. Kassar also served as Minister of Economy and Trade in Lebanon from 2004 to 2005 and Minister of State in Lebanon from 2009 to 2011. He was the first Arab businessman elected Chairman of the International Chamber of

Commerce and headed the World Business Organization from 1999 to 2000. He is also former President of the Lebanese Federation of Chambers of Commerce, Industry and Agriculture in Lebanon and headed this federation for over thirty years (1972 to 2002). He is the President of the Lebanese Economic Organizations and is the Honorary Chairman of the General Union of Chambers of Commerce, Industry, and Agriculture of the Arab Countries which groups millions of companies and associations from the 22 member Arab countries. He is the Honorary

Chairman of the Silk Road Chamber of International Commerce (SRCIC) elected in 2016. Born in 1930, Mr. Kassar holds a Bachelor's degree in Law from Université Saint Joseph, Beirut and an Honorary Doctorate from the Lebanese American University. Mr. Kassar has received global awards and high distinguished decorations from many Heads of States and International Organizations, including the Oslo Business for Peace Award in 2014, and the "China Arab Outstanding contribution" award from China's President Xi in 2016.



### **Mr. Adel Kassar Deputy Chairman and CEO Of Fransabank Group**

Mr. Adel Kassar's career spans over more than six decades. He currently leads as the Deputy Chairman and Chief Executive Officer of Fransabank SAL and the Chairman of the Board of Directors of Fransabank (France) SA. He is also Chairman of the Board of Directors and General Manager of Bancassurance SAL and Lebanese Leasing Company SAL. He

is a member of the Supervisory Board of Fransabank OJSC in Belarus and member of the Board of Directors of BLC Bank SAL. He is a former Chairman of the Banks Association in Lebanon and the Honorary Consul General of the Republic of Hungary in Lebanon. Born in 1932, Mr. Kassar holds a degree in Lebanese and French Law from Université Saint Joseph.



### **Mr. Nabil Kassar Board Member**

Mr. Nabil Kassar, born in 1970, holds a Bachelor's degree in Law from Université Saint Joseph. He has a banking experience of 21 years so far. Currently, Mr. Kassar is the General Manager of Fransabank SAL and the Chairman of the Board of Directors of Fransa Invest Bank SAL, the investment arm of Fransabank and Fransa Land SAL. He leads also as the Chairman of the Board of Directors of Fransa Land SAL, A&A Kassar SAL (Holding), and Blue Horizon Reality

SAL. Moreover, he is a Member of the Board of Directors of Bancassurance SAL and BLC Bank SAL. Mr. Kassar, in addition to that, is a representative of Fransabank SAL in the Boards of Directors of Fransabank France SA, Fransabank El Djazaïr SPA, Bancassurance SAL and United Real Estate Investment Co. SAL. He is also a Shareholder in A&A Kassar SAL, A&A Kassar SAL (offshore), BLC Services SAL, and BLC Finance SAL.



### **Me. Walid Daouk Board Member**

Me. Walid Daouk is an accomplished lawyer in Lebanon specializing in commercial, civil, and property laws. In 1981, he started his practice as associate in Takla & Trad law firm thereafter became a partner and Vice Chairman of the International Affairs Commission at the Beirut Bar Association, in 2005, followed by becoming a member of its Arbitration Commission, in 2008. In 2011, he was appointed Minister of Information and per interim Minister of Justice until 2014. Today, Me. Daouk is a member of the Board of numerous local and international banking, real estate trading,

and insurance corporations, including Fransabank SAL (Lebanon), Fransabank (France) SA, Fransabank El Djazaïr SPA (Algeria), BLC Bank SAL (Lebanon), Tourism and Hotel Development Company SAL, Beirut Waterfront Development SAL, among many others. In 1994, he was appointed the Commissioner of the Lebanese Government at the Beirut Stock Exchange. Twenty three years ago, Me. Daouk was one of the founders of Ajialouna and has been a member of its Board of Trustees ever since, followed by joining the board of Dar Al Aytam in 2005. He is

also a member of the board of Trustees of three major education institutions in Lebanon: College Louise Wegman since 2005, International College since 2009, and Université Saint Joseph since 2012. He was appointed member of the Board of Directors of the Council for Development and Reconstruction of Lebanon (CDR 2001-2004). Born in 1958, Me. Daouk holds a Bachelor's degree in Lebanese Law and a Master's degree in French Law from Université Saint Joseph and prepared a degree in Business Management from Beirut University College.



### **Mr. Mansour Bteish Board Member**

Mr. Mansour Bteish joined Fransabank SAL in 1974. Over the course of four decades, Mr. Bteish held various management positions and headed major central departments until he was appointed General Manager of Fransabank SAL in 2005. Mr. Bteish is currently a member of the Board of Directors of several subsidiaries in Lebanon and abroad,

including Fransa Invest Bank, BLC Bank SAL, Lebanese Leasing Company, Fransabank (France), Fransabank El Djazaïr SPA (Algeria), USB Bank PLC (Cyprus), and United Capital Bank (Sudan). Born in 1954, Mr. Bteish holds a Bachelor's degree in Business Administration and a Master's degree in Money and Banking from Université Saint Joseph.



### **Mr. Nazem El Khoury Board Member**

Mr. Nazem el Khoury served as a parliament Member from 2000 till 2005. Three years later, he was appointed Political Advisor to the President of the Republic of Lebanon, and in 2011, he was assigned Minister of environment. Mr. El Khoury was also the Coordinator of the Steering Committee for the national dialogue held at the Presidential Palace. Currently, he is Chairman of the Tourism and Hotel Development Company SAL, and Chairman of BLC services SAL. He is also a Board member of BLC Bank SAL and of Stow Capital Partners.

Mr. El Khoury was former Board member

of AL Ahli International Bank SAL Former Chairman of Lebano- German Insurance Company SAL. He was the founder of Harbour Insurance and of other Insurance ventures in Lebanon and The Middle-East. Parellel to his business and Political work, Mr. El Khoury was heavily engaged in several academic institutions and social organizations.

He was Secretary-treasurer of The Board of Trustees of The Lebanese-American University (LAU) for over two decades. He is a founding Member of Notre Dame University (NDU) and former Secretary-Treasurer of its Board.

On the social side, he is Chairman of the Board of Trustees of Y.M.C.A. Lebanon. Mr. El Khoury also served as former Vice President of the Lebanese Cooperative for Development and former member of the board of directors of the Lebanese Red Cross and Caritas. Born in 1946, Mr. El Khoury holds a Bachelor's degree in Political Sciences and Public Administration from the American University of Beirut, as well as an Insurance Diploma from the Chartered Insurance Institute in London.



**Me. Walid Ziadé**  
**Board Member**

Me. Walid Ziadé is a renowned lawyer in corporate and commercial law with first-hand experience in banking, financial investment, and real estate. He runs Boutros, Ziadé & Associates Law Firm as Managing Partner. He is also a member of the Beirut Bar Association and a board member of several companies,

namely BLC Bank SAL. Born in 1971, Me. Ziadé holds a degree in Law from Université Saint Joseph and a degree in Business Administration and Management from Ecole Supérieure de Commerce de Paris (ESCP).



**Me. Ziyad Baroud**  
**Board Member**

Me. Ziyad Baroud is the former Minister of Interior and Municipalities (MoIM) of the Republic of Lebanon from 2008 till 2011. Under his leadership, the MoIM was awarded the 2010 United Nations Public Service Award First Prize. Prior to his appointment as Minister, Me. Baroud held a number of leading positions. He was elected in 2004 Secretary General of the Lebanese Association for Democratic Elections. In 2005, he was a member of the Lebanese National Commission on Electoral Law. He has served as a Board Member of the Lebanese Chapter of Transparency

International since 2006. He is also on the Board of the Lebanese Center for Policy Studies and Notre Dame University. Me. Baroud has received several awards, including the “Grand Officier de L’Ordre National du Cèdre”, “Grand Officier de L’Ordre National du Mérite de la République Française”, the International Foundation for Electoral Systems (IFES) 2010 Manatt Democracy Award for his commitment to freedom and democracy, the “Officier de la Légion d’Honneur” by the French President Nicolas Sarkozy, and the “Commandeur de Numéro de l’Ordre Civil du Mérite” by the

King of Spain Juan Carlos I. A court lawyer by practice, Managing Partner at HBD-T Law Firm and arbitrator, Me. Baroud held a number of academic posts as lecturer at Université Saint Joseph and has a number of publications on subjects related to local governance, decentralization, human rights, and other political and legal issues. He also worked as a Senior Advisor with Booz and Co. and is the consultant to various UN Agencies in Lebanon. Born in 1970, Me. Baroud has a law degree from Université Saint Joseph and pursued his doctoral studies in Paris.



**Mr. Henri De Courtivron  
Board Member**

Mr. Henri de Courtivron has over 40 years of experience in business and finance. He joined Indosuez Bank in 1977 and was appointed at various management positions within the international network of the Bank in Singapore and in London and seconded to its affiliate Bank in Saudi Arabia, Banque Saudi Fransi, before returning to the Head Office in Paris. In 2007, he became General Manager of Fransabank

(France) SA and held this role for over six years. Currently, he serves as a member of the Bank's Board, the Chairman of the Audit Committee and a member of the Corporate Governance Committee. In 2015, he was elected as a Consular Judge at the Paris Commercial Court. Born in 1950, Mr. Courtivron graduated from Ecole Supérieure de Commerce de Paris and holds a degree in Economic Sciences from PARIS X University.



**Ms. Youmna Ziade Karam  
Board Member**

Mrs. Youmna Ziade Karam joined BLC Bank in 2008 and has held various management positions. She is currently head of the CSR Committee and member of the Board of Directors of BLC Bank SAL. Mrs. Karam started her career at Société Générale de Banque au Liban in 2003

where she occupied several positions within the corporate banking group. Born in 1980, Ms. Karam Holds a Masters degree in Law from Saint-Joseph University (2001) and a Diplôme de Sciences-Po from the Institut d'Études Politiques de Paris (2003).

## 5. CHANGES IN THE COMPOSITION DURING 2016

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Ms. Youmna Ziade was elected as a Non-Executive Director in June 2016.

## 6. CLASSIFICATION CRITERIA FOR DETERMINING NON-EXECUTIVE DIRECTORS

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A non-executive Board member is the one who:

- a. has no executive function at the Bank;
- b. is not assigned with any executive tasks in the Bank or at any of its subsidiaries in Lebanon or abroad;
- c. does not currently perform any consultative work to the “Executive Senior Management” or has not carried out any assignment during the past two (2) years preceding his/her nomination as a board member.

NOTA : Under the terms of BDL circular 118, a Board Member, who is nominated at any of the Bank’s foreign subsidiaries, will not be considered “Executive” in case the laws in the foreign country where this subsidiary operates, does not consider him as an executive member.

## 7. CLASSIFICATION CRITERIA FOR DETERMINING INDEPENDENT DIRECTORS

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An independent Board member is the one who meets all of the following characteristics:

- a. is a Non-Executive Board Member.
- b. is not one of the major shareholders who own, directly or indirectly, more than 5% of the Bank’s total shares or voting rights related to these shares; whichever is greater.
- c. is independent of any person from the Bank’s “Executive Senior Management” and of its major shareholders in the sense that there is no work relationship with anyone of them currently or during the past two years preceding his/her nomination as a Board member.
- d. has no family-relationship with any of the major shareholders until the fourth degree.
- e. is not any of the Bank’s debtors.

## 8. RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD

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As per the Lebanese law, the Chairman of the Board is also the General Manager. The Chairman provides leadership to the Board and is responsible for the Board's effective overall functioning. He shall ensure that Board decisions are taken on a sound and well-informed basis and should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision making process. The Chairman is responsible for implementing the Board’s decisions and overseeing the daily business of the Bank. He may delegate all or part of his powers to the Deputy Chairman. Also, the Chairman may suggest to the Board the appointment of one or more General Manager(s) and grant them powers to that effect, who shall act for account and under the full responsibility of the Chairman.

# **SUBSIDIARIES'** **BOARDS**

## **BLC FINANCE**

### **MEMBERS**

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Mr. Mansour BTEISH (Chairman)  
FRANSABANK SAL  
Holding M. SEHNAOUI SAL

### **SECRETARY TO THE BOARD**

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Me. Michel TUENI

### **INDEPENDENT AUDITORS**

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Deloitte & Touche

## **BLC SERVICES**

### **MEMBERS**

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Mr. Nazem El KHOURY (Chairman)  
BLC Bank SAL  
Holding M. SEHNAOUI SAL  
Me. Walid DAOUK  
Mr. Khaled SALMAN  
Me. Walid ZIADE

## **USB BANK PLC**

### **MEMBERS**

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Mr. Maurice SEHNAOUI (Chairman)  
Mr. Nadim KASSAR (Vice Chairman)  
Fransa Invest Bank SAL represented by Mr. Mansour BTEISH  
Me. Ziyad BAROUD  
Mr. Henri Pierre Jean GUILLEMIN  
Mr. Agis TARAMIDES  
Mr. George GALATARIOTIS  
Mr. George STYLIANOU  
Mr. Philippos PHILIS  
Mr. Andreas THEODORIDES  
Ms. Despo POLYCARPOU

### **SECRETARY TO THE BOARD**

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Ms. Panayiota CHARITONOS

### **INDEPENDENT AUDITORS**

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Deloitte Limited  
Certified Public Accountants and Registered Auditors

# COMMITTEES

In the context of sound Corporate Governance principles as stipulated by the Central Bank basic circular 106 and the Organization for Economic Co-Operation and Development guidelines, the Bank has established two levels of committees:

## A - BOARD COMMITTEES

The Board of Directors has established the following committees in order to assist the board in discharging its responsibilities:

### EXECUTIVE COMMITTEE

#### ***Composition and service of the members of the Committee during 2016 until today:***

1. Chairman & General Manager (Chairperson - Voting) | Maurice Sehnaoui | Member since 2008
2. Deputy Chairman & General Manager (Voting) | Nadim Kassar | Member since 2008
3. Executive Board Member (Voting) | Mansour Bteish | Member since 2008

#### ***Purpose of the Committee:***

The Executive Committee is the highest executive body in the Bank assigned by the BOD. It ensures that all directives of the Board are duly executed, that the Board is well informed on the activities of the Bank, and that the Board is duly asked to authorize all sorts of decisions falling within its mandate.

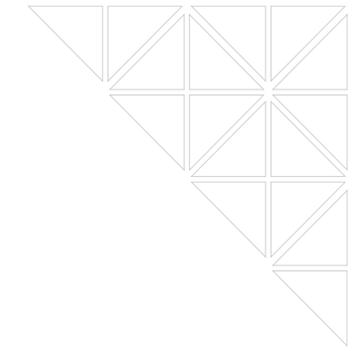
### AUDIT COMMITTEE

#### ***Composition and service of the members of the Committee during 2016 until today:***

1. Independent Board Member (Chairperson –Voting) | Henri de Courtivron | Member since 2014
2. Non-Executive Board Member (Voting) | Walid Daouk | Member since 2008
3. Non-Executive Board Member (Voting) | Nabil Kassar | Member since 2008
4. Non-Executive Board Member (Voting) | Walid Ziade | Member since 2008
5. Chief Audit Officer (Non-voting) | Jean Chamoun

#### ***Purpose of the Committee:***

The Audit Committee assists the Board of Directors in fulfilling its duties towards shareholders especially in making sure that the Bank is adequately run as per the policies and procedures endorsed by the Board and in full compliance with existing rules and regulations especially those stipulated by the Central Bank (BDL) and the Bank Control Commission (BCC).



## RISK MANAGEMENT COMMITTEE

### *Composition and service of the members of the Committee during 2016 until today:*

1. Executive Board Member (Chairperson – Voting) | Nazem El-Khoury | Member since 2013
2. Deputy Chairman & General Manager (Voting) | Nadim Kassar | Member since 2015
3. Executive Board Member (Voting) | Mansour Bteish | Member since 2013
4. Non-Executive Board Member (Voting) | Walid Daouk | Member since 2008
5. Group Chief Risk Officer – Fransabank (Non-voting) | Mona Khoury
6. Chief Risk Officer (Non-voting) | Carlos Lebbos

### ***Purpose of the Committee:***

The Risk Management Committee assists the Board of Directors in maintaining an adequate risk management framework and in monitoring the risk profile of the organization making sure that it is commensurate with the risk tolerance set forth by the board of directors.

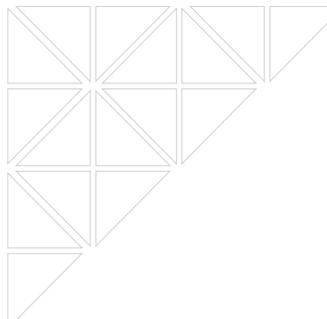
## CORPORATE GOVERNANCE COMMITTEE

### *Composition and service of the members of the Committee during 2016 until today:*

1. Independent board member (Chairperson- Voting) | Ziyad Baroud | Member since 2014
2. Independent board member (Voting) | Henri de Courtivron | Member since 2014
3. Non-Executive board member (Voting) | Walid Daouk | Member since 2014
4. Non-Executive board member (Voting) | Walid Ziade | Member since 2014

### ***Purpose of the Committee:***

The Corporate Governance Committee promotes the fair and transparent relationship between the Bank, its Management, its Board of Directors, its Shareholders, customers, employees and any other Stakeholder.



## BOARD CREDIT COMMITTEE

### ***Composition and service of the members of the Committee during 2016 until today:***

1. Chairman & General Manager (Chairperson- Voting) | Maurice Sehnaoui | Member since 2013
2. Executive Board Member, (DCGM Fransabank) (Voting) | Adel Kassar | Member since 2013
3. Deputy Chairman & General Manager (Voting) | Nadim Kassar | Member since 2013
4. Executive Board Member (Voting) | Mansour Bteish | Member since 2013
5. Assistant General Manager - Head of Corporate Banking Group (Non-voting) | Joe Baddour

### ***Purpose of the Committee:***

The Board Credit Committee and by virtue of a delegation from the BOD is entitled to approve, upgrade, downgrade, transfer to recovery, or transferring to the legal desk all credit lines having a weighted risk exceeding 5.0 million USD in compliance with the General Credit Policy of the Bank.

## REMUNERATION COMMITTEE

### ***Composition and service of the members of the Committee during 2016 until today:***

1. Independent board member (Chairperson- Voting) | Ziyad Baroud | Member since 2014
2. Independent board member (Voting) | Henri de Courtivron | Member since 2014
3. Non-Executive board member (Voting) | Walid Daouk | Member since 2014
4. Non-Executive board member (Voting) | Walid Ziade | Member since 2014

### ***Purpose of the Committee:***

The Remuneration Committee assists the Board of Directors with respect to matters related to remuneration policies and procedures with a special focus on the remuneration policy of Senior Executive Management and incentive programs.

## B- MANAGEMENT COMMITTEES

The Management committees are executive in nature aiming mainly at insuring a balanced approach to running the institution avoiding excessive concentration of power in individuals or functions.

***The Management Committees in BLC Bank comprise the following:***

1. Management Committee
2. Central Credit Committee
3. Junior Credit Committee
4. Watch List Committee
5. Recovery Committee
6. Junior Recovery Committee
7. Real Estate Committee
8. Asset & Liabilities Committee
9. Working Assets & Liabilities Committee
10. Affiliate Affairs Committee
11. Operational Risk Management Committee
12. Credit and Financial Risk Committee
13. IT Security Committee
14. Compliance Committee
15. IT Coordination Committee
16. Information Technology Committee
17. Products Committee
18. Human Resources Committee
19. Confirmation Committee
20. Disciplinary Committee
21. Purchasing Committee
22. Innovation Committee
23. Corporate Social Responsibility Committee
24. Marketing Committee

## 1. MANAGEMENT COMMITTEE

1. Deputy Chairman & General Manager | Nadim Kassar – Chairperson
2. Advisor to the Deputy Chairman & General Manager | Bassam Hassan
3. Assistant General Manager - Head of Retail Banking Group | Youssef Eid
4. Assistant General Manager - Head of Corporate Banking Group | Joe Baddour
5. Assistant General Manager - Head of Marketing & Support Groups | Tania Moussallem
6. Chief Risk Officer | Carlos Lebbos
7. Chief Audit Officer | Jean Chamoun
8. Head of Marketing Group | Maya Margie
9. Head of Customer Care & Quality Assurance Group | Elie Azar
10. Head of Human Resources Group | Souheil Younes
11. Chief Financial Officer | Hani Denawi
12. Head of Treasury & Financial Markets Group | Naji Echo
13. Head of Credit Management Group | Rabih Abi Ammar
14. Head of Compliance Group | Joseph Saab
15. Head of Special Assignments | Youmna Ziade - Secretary



## **2. CENTRAL CREDIT COMMITTEE**

1. Deputy Chairman & General Manager | Nadim Kassar - Chairperson & Voting Member

2. Executive Board Member (General Manager – Fransabank) | Mansour Bteish - Voting Member

3. Assistant General Manager - Head of Marketing & Support Groups | Tania Moussallem - Voting Member

4. Assistant General Manager - Head of Corporate Banking Group | Joe Baddour - Voting Member (OR)

Assistant General Manager - Head of Retail Banking | Youssef Eid - Voting Member (OR)

Head of Treasury & Financial Markets Group | Naji Echo - Voting Member

5. Consultant / Corporate Group | Antoine Asmar - Voting Member

6. Consultant for Risk Affairs | Georges Baz - Voting Member

7. Chief Risk Officer | Carlos Lebbos - Non Voting Member

8. Head of Credit Management Group | Rabih Abi Ammar - Voting Member - Secretary

## **3. ASSET & LIABILITIES COMMITTEE**

1. Deputy Chairman & General Manager | Nadim Kassar - Chairperson & Voting Member

2. Executive Board Member (General Manager – Fransabank) | Mansour Bteish - Voting Member

3. Chief Financial Officer | Hani Denawi - Voting Member

4. Group Chief Financial Officer - Fransabank | Nabih Saddy - Voting Member

5. Head of Treasury Department - Fransabank | Nabil Tannous - Voting Member

6. Group Chief Risk Officer - Fransabank | Mona Khoury - Non voting Member

7. Chief Risk Officer | Carlos Lebbos - Non Voting Member

8. Head of Treasury & Financial Markets Group | Naji Echo - Voting Member - Secretary

#### **4. AFFILIATE AFFAIRS**

1. Deputy Chairman & General Manager | Nadim Kassar – Chairperson & Voting Member
2. Executive Board Member (General Manager - Fransabank) | Mansour Bteish - Voting Member
3. Assistant General Manager - Head of Marketing & Support Groups | Tania Moussallem – Voting Member
4. Chief Financial Officer | Hani Denawi – Voting Member
5. Group Chief Financial Officer - Fransabank | Nabih Saddy – Voting Member
6. Head of International - Fransabank | Georges Andraos – Non voting Member
7. Chief Risk Officer | Carlos Lebbos – Non Voting Member - Secretary
8. Chief Audit Officer | Jean Chamoun – Non Voting Member

#### **5. COMPLIANCE COMMITTEE**

1. Deputy Chairman & General Manager | Nadim Kassar - Chairperson & Voting Member
2. Assistant General Manager - Head of Marketing & Support Groups | Tania Moussallem - Voting Member
3. Consultant for Risk Affairs | Georges Baz - Voting Member
4. Chief Risk Officer | Carlos Lebbos - Voting Member
5. Chief Audit Officer | Jean Chamoun - Non Voting Member
6. Head of Treasury & Financial Markets Group | Naji Echo - Voting Member
7. Assistant General Manager - Head of Retail Banking Group | Youssef Eid - Voting Member
8. Assistant General Manager - Head of Corporate Banking Group | Joe Baddour - Voting member
9. Head of Operations | Georges Nammour - Voting Member
10. Head of Compliance | Joseph Saab - Voting Member - Secretary

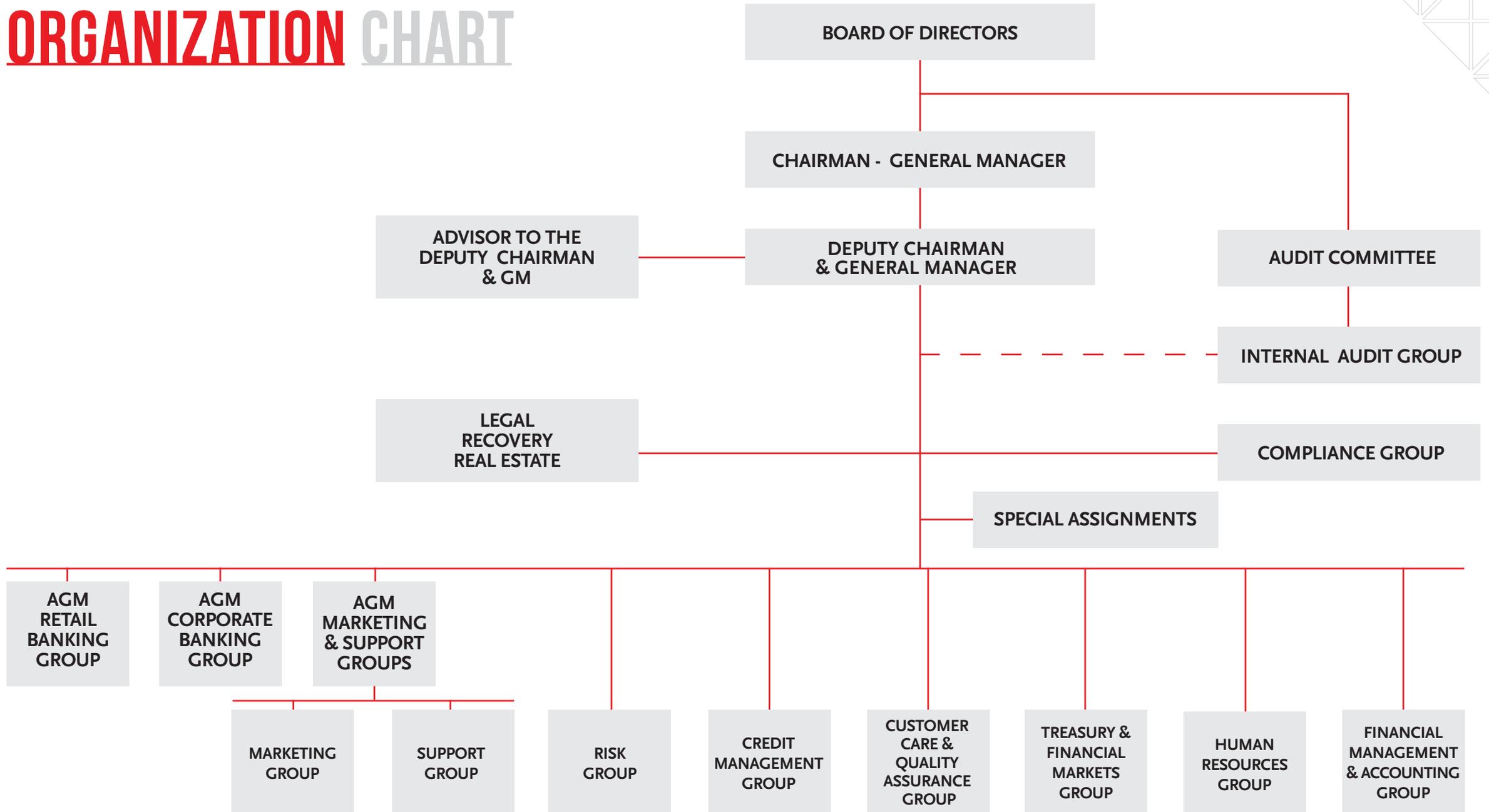
## 6. INFORMATION TECHNOLOGY COMMITTEE

1. Deputy Chairman & General Manager | Nadim Kassar – Chairperson & Voting Member
2. Assistant General Manager - Head of Marketing & Support Groups | Tania Moussallem – Voting Member
3. Advisor to the Deputy Chairman & General Manager | Bassam Hassan – Voting Member
4. Head of Organization | Maya Wakim – Voting Member
5. Chief Information Officer | Pierrot Attallah – Voting Member - Secretary
6. Head of IT Security | Eve-Marie Saba – Non-Voting Member

## 7. IT SECURITY COMMITTEE

1. Deputy Chairman & General Manager | Nadim Kassar – Chairperson & Voting Member
2. Consultant for Risk Affairs | Georges Baz - Voting Member
3. Assistant General Manager - Head of Marketing & Support Groups | Tania Moussallem – Voting Member
4. Chief Risk Officer | Carlos Lebbos – Voting Member
5. Head of IT Security | Eve-Marie Saba – Voting Member - Secretary
6. Chief Information Officer | Pierrot Atallah – Voting Member
7. Head of Security Department & Business Continuity - Fransabank | Adel Moubarak – Voting Member
7. Senior IT Auditor | Said Ramadan – Non-Voting Member

# ORGANIZATION CHART



# LOANS TO RELATED PARTIES

BLC Bank has adopted a policy on Credits to Related Parties to comply with Article # 152 of the Code of Money and Credit, BDL Circular # 132 and the Corporate Governance Code; this policy is approved by the Corporate Governance Committee and the Board of Directors.

## ***For the purposes of this policy related parties are defined as:***

- 1.** The Shareholders or Connected Group of Shareholders owning, directly or indirectly, at least 5% of shares or voting rights in BLC Bank or less than 5% in case they have an influence due to the size of other shareholdings.
- 2.** The Board Members in BLC Bank, in Subsidiaries in Lebanon and abroad, or in entities owning at least 20% of shares or voting rights in BLC Bank or less than 20% in case they have an influence due to the size of other shareholdings.

- 3.** The General Managers, Deputy General Managers, Assistant General Managers, Principle Managers (such as Managers of Financial Control, Credits, Treasury...), Risk Manager, Compliance Manager and Internal Audit Manager as in point 2 above. For this category, the first housing loan for acquiring a principal residence, the car loan for one time every 5 years and the Charge cards are not considered as credits to related parties.
- 4.** The family members of all above (parents, children, brothers and sisters) if they are depending from them.
- 5.** The Companies owned directly or indirectly by the above starting a shareholding or voting rights from 20%, or less if they have a significant influence.
- 6.** The individuals or companies guaranteed by any of the above.
- 7.** The subsidiaries and associates in Lebanon or abroad excluding banks and financial institutions.

By delegation from the Board of Directors, the Board Credit Committee approves Credits to Related Parties up to an aggregate amount of 1% of consolidated Tier 1 of BLC bank Group in Lebanon after deduction of participations in Abroad Banks and Financial Institutions.

The Board of Directors shall approve the Credits to Related Parties in excess of the above 1% threshold and up to an aggregate amount of 2% of consolidated Tier 1 of BLC Bank Group in Lebanon after deduction of participations in Abroad Banks and Financial Institutions. These credits in excess of the above 1% threshold are subject to a preapproval from the shareholders assembly and should be covered with tangible guarantees or bank guarantee or a guarantee from a financial institution in Lebanon.

Where a member of the Board Credit Committee or the Board of Directors is a related party to a transaction submitted for review, he/she should declare his/her interest and should be excused from participating in the review and approval process.

In determining whether to approve, ratify, or reject a Credit to Related Party, the Board Credit Committee or the Board of Directors, as appropriate, shall take into account, among other factors whether the Credit is entered into on terms no less favorable to the Bank than the terms generally available to a non-related party under the same or similar circumstances.

The total credit exposure to related parties is within the regulatory limits as at 31/12/2016.

# 27 INTERNAL CONTROL

28 RISK MANAGEMENT

29 INTERNAL AUDIT

30 COMPLIANCE



# RISK MANAGEMENT

The main functions of the Risk Management at BLC Bank are divided amongst the “Credit Risk”, the “Market & Liquidity Risks”, the “Governance & Risk Reporting”, the “Operational Risk” and the “Information Security”:

## CREDIT RISK

The Credit Risk function is responsible for preparing & updating bank’s policies related mainly to Credit, Internal Rating and Capital Markets, and insuring their accurate implementation and compliance with the regulatory requirements & Basel directives. This function is in charge of monitoring the credit portfolio through preparing periodic reports to cater for concentration risk & clients’ arrears, as well as reviewing loss events and issuing corrective actions and conducting Stress Tests. On the other hand, this function monitors margin trading for securities and derivatives transactions conducted on behalf of clients.

The Credit Risk function assesses the various banks’ products & issues recommendation regarding their performance, profitability and implementation.

Also, it is responsible for the administration, control of internal credit rating and trend analysis.

## MARKET & LIQUIDITY RISKS

The Market & Liquidity Risks function maintains a framework for managing financial risks in accordance with Basel requirements and local regulations. This function manages various risks that the Bank is exposed to such as liquidity, interest rate risks, and foreign currency risk relating to the proprietary securities portfolio of the Bank. The function is also assessing contingency plans for stressful conditions affecting liquidity, earnings and capital and it assists in monitoring the capital adequacy ratio of the Bank and makes recommendations in respect thereof.

## GOVERNANCE & RISK REPORTING

The Governance & Risk Reporting function is responsible for preparing and updating bank’s policies mainly related to Corporate Governance, Credits to Related Parties, Stress Tests and Impairment under IFRS 9 and insuring their accurate implementation. This function is in charge of preparing the Consolidated Risk Management Report, the Internal; Capital Adequacy Assessment, the Benchmarking Analysis and other portfolio management reports.

It is also responsible for the follow up and implementation of Basel & the Regulator’s requirements and directives.

## OPERATIONAL RISK

The Operational Risks function has the responsibility of progressively integrating the Bank’s business lines into the Bank’s Operational Risk Management framework. The function has procedures for loss data collection and reporting of current incidents. It analyses the data and incidents and follows up on the implementation of actions. It ensures as well that reported issues include sufficient information to assist Management in the decision making process. Worth noting that critical matters are escalated immediately to Management; this ensures quick decisions and corrective actions accordingly.

The Operational Risks function has set a primary goal to continuously train the Bank’s employees to apply the standard procedures of the incidents reporting system as its effectiveness depends on the collaboration of the various business units of the Bank.

In addition, the ORM developed a risk and control self-assessment framework to

identify, assess, and analyse in coordination with the business lines, inherent risks in the Bank’s processes taking into consideration the controls in place.

Moreover, the Operational risk developed business continuity plans for critical business processes during adverse events.

## INFORMATION SECURITY

The Information Security function is responsible for protecting the integrity, confidentiality and availability of information, its supporting processes, systems and networks from various external and internal threats.

The function works on achieving its objectives by promoting an information security culture across the Bank through an information security awareness program, setting security policies and procedures and overseeing their proper implementation, putting in place manual and automated controls to mitigate IT risks, and investigating incidents making sure that measures are taken to prevent their reoccurrence.

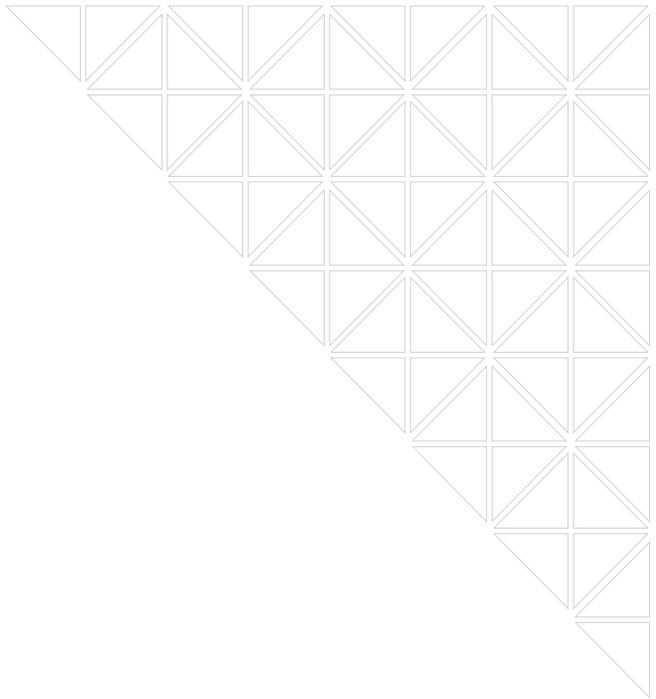
The Information Security function also covers the disaster recovery aspect of the business continuity plans.

# INTERNAL AUDIT

## OVERVIEW

The Internal Audit Group at the Bank is an independent, objective and consulting function. The audit team was established within the Bank to examine and evaluate the activities of the Bank and assess whether the latter's operations are conducted in accordance with the Standard Operating Procedures, the applicable Laws, Regulations, and International Standards.

The Internal Audit Group has adopted a risk-based approach that focuses on the key business risks. This approach entails assessing the risk of the Bank's auditable universe and then including it in the annual audit plan based on a risk scoring mechanism. The Internal Audit Group has also developed an Internal Audit Methodology that governs the procedures followed while performing the internal audit work. The methodology ensures a high-level standard of internal audit work that helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.



# COMPLIANCE

## OVERVIEW

Compliance is a prevalent business concern because of an ever-increasing number of regulations that require banks and financial institutions to be vigilant about maintaining a full understanding of their regulatory compliance environment.

While Management is the owner of compliance to foster the adequate enterprise-wide culture, compliance remains everyone's responsibility within the Bank.

The Bank is committed to conduct business in conformity with the highest ethical standards and in adherence with the local laws and regulations as well as applicable international standards.

The Bank maintains adequate measures including policies and procedures sufficient to ensure compliance of the Bank and stakeholders with the obligations under the regulatory system in which the Bank operates and for managing and addressing the financial crimes and risks that the Bank may encounter. The effective management of compliance risks within BLC Group depends heavily on the high level of cooperation between the Compliance and relevant business and support functions with regard to the timely exchange of information and follow-up on corrective actions.

## COMPLIANCE ROLE AND RESPONSIBILITIES

BLC Bank has an independent compliance function - Compliance Group - that is responsible for setting the compliance framework for ensuring that the Group business and support functions comply with applicable laws, regulations, standards and internal policies and for providing advice on mitigating key compliance risks. The head of Compliance reports directly to the Board of Directors and the General Manager. The role and responsibilities of the compliance function can be summarized as follows:

- Manage the compliance risks faced by different business and support functions within BLC Bank Group.
- Advise Board of Directors, Management and relevant Bank functions on applicable laws and regulations and ensure follow-up on proper handling and compliance.
- Ensure the proper implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) policies and procedures.
- Ensure compliance with the tax reporting laws and requirements
- Ensure compliance with applicable sanctions requirements.

- Ensure that a compliance training and education program is in place to promote an appropriate compliance culture, awareness and understanding of compliance standards, procedures and guidelines and of compliance-relevant issues.
- Ensure that protection of data confidentiality and avoidance of conflict of interest are respected.
- Promote and engage in ethical conduct.
- Ensure the presence and efficiency of a whistle blowing policy and procedure.

## COMPLIANCE CHARTER

In line with basic BDL circular 128, BLC Bank has established a Compliance function that comprises:

- A Legal Compliance unit in charge of identifying and preventing legal and regulatory risks.
- An Anti-Money Laundering (AML) / Combating Financing of Terrorism (CFT) Compliance unit in charge of verifying compliance with AML/CFT procedures, laws and regulations in force.

Compliance shall exert its activities and responsibilities under the direct supervision of the General Manager. Compliance submits periodic reports that outline the departmental performance, suspicious cases, and violations in addition to corrective actions taken in accordance with the instructions of the Compliance and AML/CFT policies in force to Senior Management, and a dedicated Board Compliance and AML/CFT Committee.

## ANTI-MONEY LAUNDERING/COMBATTING THE FINANCING OF TERRORISM (AML/CFT)

The evolution of the banking industry leveraged by a remarkable advance in modern technology raised the bar of the challenges that the financial industry is facing with money laundering activities and the financing of terrorism. In this regard, BLC Bank Group has developed an AML/CFT Policy aiming at setting, within the Group, the essential standards for preventing the misuse of its facilities for the laundering of money or for the purpose of financing terrorist activities. BLC Bank is committed to full compliance with all applicable international and local laws and requirements related to the prevention of money laundering and terrorist financing.

***The Policy's essential standards are as follows:***

**• Promoting a Know Your Customer (KYC) practice as a cornerstone principle for BLC Bank Group business ethics and practices:**

- Gathering and documenting relevant customer identification data, along with the background information and the purpose of the transaction prior to any transaction of any type.
- Applying a risk based approach in dealing with customers and consequently retaining

and documenting customer due diligence information relevant to each customer's AML/CFT risk level.

**• Applying due diligence measures while establishing and maintaining correspondent relations:**

- Determining from publicly available sources of information the reputation of a respondent institution including whether the institution itself or any of its major shareholders or executives has been subject to a money laundering or terrorist financing investigation or other regulatory action.
- Assessing the respondent institution's anti-money laundering and combating financing of terrorism policies and systems on a periodic basis.

**• Monitoring and Reporting Suspicious Transactions/Activity:**

- Promoting a culture of vigilance whereby all bank employees are diligent in monitoring unusual or suspicious transactions or activities and duly reporting those activities to the compliance function of the bank as per applicable procedures.
- Instating detailed escalation procedures to ensure full transparency vis-à-vis both the Compliance function of the Bank, the

Compliance Committee, and the Special Investigation Commission (SIC) when needed.

- Protection of the Bank's staff and delegates reporting suspicious transactions or activity who may not be prosecuted or sued, neither collectively nor individually, for any civil or criminal liability related to the discharging of their duties, including offences specified by the Banking Secrecy Law of September 1956 ,3, except in case this secrecy is disclosed.
- Commitment of the Bank's General Management to address the legitimate communication of unusual or suspicious activity and ensure employee confidentiality.

**• Trainings and awareness sessions:**

- Promoting an adequate compliance culture through focused training on the compliance concepts and the risks and pitfalls that might face the Bank in case those concepts are not duly observed.
- Attending and delivering regular AML/CFT trainings, awareness sessions, inductions and workshops to existing and new employees.
- Considering this responsibility as a shared one as it lies on the shoulders of Top Management at the first place, the Compliance function, the Human Resources, and the Bank employees.

# **32 CUSTOMER CARE AND QUALITY ASSURANCE**



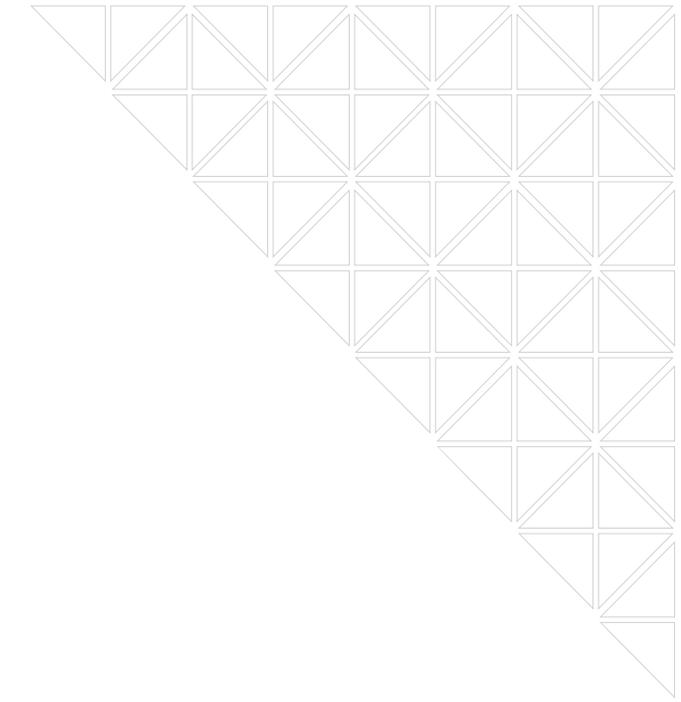
## CUSTOMER CARE AND QUALITY ASSURANCE

Customer Care & Quality Assurance Group was established in 2015 reporting directly to the General Manager after merging the Quality Assurance function (created in 2012) in compliance with the requirements of BDL Circular 134 & BCC Circular 281.

Quality Assurance is responsible for the implementation and monitoring of the Quality system throughout the Bank (Internal & External Mystery Shopping Programs, Satisfaction Surveys, NPS Survey, Customer Experience, Premises Control,.....) participates in the implementation of improvement actions and drafting of the Standard Operating Policies SOPs where applicable, as well as contributes in the training program and intervenes when necessary.

The Quality program revolves around the following goals: Deliver our products and services on time, right from the first time and better every time.

The Group is also responsible for managing and handling clients' complaints (272 complaints were received and solved in 2016) in compliance with BDL Circular 134: Transparency, Accessibility, Equality, and Turn-around-Time.



# 34 BLC BANK ACHIEVEMENTS

35 ACHIEVEMENTS ACROSS ALL GROUPS

36 CORPORATE SOCIAL  
RESPONSIBILITY ACHIEVEMENTS



## ACHIEVEMENTS ACROSS ALL GROUPS

BLC Bank has confirmed its positioning among the leading banks of the Lebanese banking sector in 2016 and its identity of a dynamic and innovative bank, leader in serving the SME's and women's markets. This contributed to good results that were registered for both the balance sheet and the profit and loss statements.

Total consolidated deposits stood at \$4.7 billion with an increase of 2.4% in comparison with 2015 while total consolidated assets stood at \$5.7 billion, a stable number since 2015 due to the closure of many BDL lines during 2016. As for consolidated customer loans, they reached \$1.9 billion. However, it is worth noting that the growth scored by BLC Bank in the Lebanese market was at 2.7% on deposits. The capital adequacy ratio reached 16.3% compared to a regulatory requirement of 14% as at December 31, 2016 reflecting the solidity of its capital structure and growth potential.

By the end of 2016, net income had reached \$47.3 million on a consolidated basis representing an increase of 7.3% as compared to 2015.

BLC Bank's net interest spread had reached 2.17%, standing among the best in the sector.

Regarding our cross-border activities in Cyprus, USB is still witnessing a capital adequacy ratio of 14.3% despite the challenging economic situation and rises above the required 12.25%. As far as liquidity is concerned, USB maintained a healthy liquidity ratio of 30% and 84%, above the 20% and 70% regulatory required ratio in Euro and in foreign currencies respectively.

The past year brought again its lot of achievements:

- We have been reelected for a second 2 year mandate as Chair of the Global Banking Alliance for Women
- BLC Bank joined UN Women Empowerment Principles Leadership Group as the only representation of MENA
- In recognition of its flagship role in the fight for women economic empowerment, the Bank won numerous awards including « Best Bank supporting women owned and women led businesses in 2015» by the American Chamber of Commerce and « Best Female Empowerment» by CPI

Financial – The Banker Middle East .

- The fifth edition of the Brilliant Lebanese Award established the Bank as a reference in supporting female entrepreneurs as well as small and medium enterprises.
- The ongoing renovation of its branches across Lebanon.

BLC Bank's dynamism as well as the latest synergies with Fransabank Group have enabled our Bank to strengthen the basis of a sustained and perennial growth.



## CORPORATE SOCIAL RESPONSIBILITY ACHIEVEMENTS

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Because we are committed to being a responsible actor of the banking sector, we at BLC Bank believe that we have more than a mere economic role to play in our society's development since our activities have important and direct repercussions on our community. By carrying out and implementing actions which reflect our values and code of conduct, we aim to bring positive change that will not only have long lasting effects on our business and staff, but also on our environment and community.

We also believe it is our duty to insure the harmonization of the interests of the different stakeholders that revolve around our activities and services. It is also primordial to carry out and implement actions which reflect our values and code of conduct. It is thus by shaping its action around two major pillars -corporate governance and economic development- that BLC Bank aims to attain its objectives and to influence financial activities in an ethical manner when dealing with both

individuals and companies.

Throughout the year, we have pursued our strive to protect each and every stakeholder's rights and to stay one step ahead of any risk that might hinder the Bank's actions. The past years have also witnessed BLC Bank's identity shift from a traditional bank to an innovative and active actor of change. The Bank has thus become a flagship institution in the momentum for women economic empowerment and SME support, lending Lebanese women and entrepreneurs a needed and expert hand to help them grow and thrive.

In addition to its direct contribution to the Lebanese economy by supporting the women and SME's pillars, BLC Bank has been offering non-financial services that enable these businesses and the ecosystem as a whole to expand.

And because acting locally is the key to success, we kept on spreading the green habits acquired in the Head Office to all our premises that are undergoing green retrofits and choose our suppliers following

a strict list of requirements related to green standards and ethics. We also try to make a change on a national level by supporting local NGOs that have relevant positive impact on our society and environment. We thus invest in the people we serve and are committed to help meet the needs of the many local organizations across Lebanon through local donations and sponsorship programs. And although our main axis in community involvement includes women, education and health, we also support arts and culture related events to embrace a holistic approach that strives for a more innovating, eco-friendly, and bold Lebanon.

And since a welcoming and safe environment is where it all starts for any enterprise, valuing our people, who constitute our closest stakeholders, and helping them reach their full potential lies at the core of our business strategy. From the moment one joins BLC Bank, they are supported with transparent policies, customized programs, learning

and development opportunities, as well as health and wellbeing initiatives.

We invite you to learn more by reading our CSR report which will give you more insights on this fundamental aspect of our new strategy and leave you with a few key numbers:

Over 15,000 SMEs benefiting from non-financial services since 2012. These include: More than 750 BLA applications received during 5 years with 70 finalists highlighted with nationwide exposure (of which 30 are women).

- 83% of total KYCs updated as of December 2016

- 100% complaints received and solved in 2016

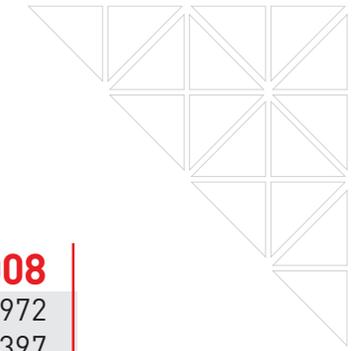
- Over 435 paramedics across Lebanon trained thanks to BLC Bank and Roads for Life's PHTLS Program

- More than 10452 trees planted in partnership with Jouzour Loubnan

# 37 FINANCIAL HIGHLIGHTS



# FINANCIAL HIGHLIGHTS & RATIOS (CONSOLIDATED)



<b>(Audited) in USD Mio.</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total Assets	5,749	5,741	5,376	5,134	5,094	4,416	3,101	2,593	1,972
Net Liquid Assets (BDL & Banks-Net)	1,135	989	859	738	988	518	544	601	397
Net Loans	1,851	1,907	1,914	1,876	1,776	1,533	687	476	276
Deposits	4,691	4,582	4,289	4,300	4,292	3,622	2,604	2,274	1,733
Shareholders' Equity	578	506	478	441	374	361	263	228	157
Net Interest Income ( Including interest on FV Securities)	125.6	130.2	134.6	123.1	111.4	97.1	64.4	53.8	44.2
Net Financial Revenues	157.7	154.8	157.4	146.4	130.3	117.9	82.7	69.4	52.9
Provision for Credit Losses (Net of Write Backs)	(19.2)	(24.0)	(37.4)	(40.2)	(14.1)	(3.7)	7.7	3.9	8.7
Operating Expenses	(85.6)	(85.2)	(85.9)	(83.9)	(81.4)	(71.9)	(44.8)	(38.6)	(34.8)
Earning Before Tax	55.6	52.0	54.0	49.5	40.0	56.8	53.5	40.1	27.4
Net Income	47.3	44.1	44.0	42.1	33.3	48.1	45.3	34.2	23.0
Dividends to Preferred Shares	9.3	10.2	9.0	7.6	6.7	2.6	-	-	-
Ratio NII to Average Total Assets	2.19%	2.34%	2.56%	2.41%	2.34%	2.58%	2.26%	2.36%	2.39%
Return on Average Assets	0.82%	0.79%	0.84%	0.82%	0.70%	1.28%	1.59%	1.50%	1.24%
Return on Average Equity	8.74%	8.97%	9.59%	10.33%	9.06%	15.42%	18.44%	17.77%	16.14%
Capital Adequacy	16.40%	14.73%	15.18%	14.47%	11.80%	10.84%	10.30%	10.99%	11.00%
Net Liquid Assets to Deposits	24%	22%	20%	17%	23%	14%	21%	26%	23%
Net Loans to Deposit	39%	42%	45%	44%	41%	42%	26%	21%	16%
Coverage Ratio	69%	65%	71%	74.4%	87.9%	89.5%	95.8%	93.2%	92.2%
Cost to Income	55.1%	54.9%	53.1%	56.6%	60.1%	54.3%	49.5%	51.6%	65.1%
Growth in Total Assets	0.1%	6.8%	4.7%	0.8%	15.4%	42.4%	19.6%	31.5%	13.8%
Growth in Deposits	2.4%	6.8%	-0.2%	0.2%	18.5%	39.1%	14.5%	31.2%	17.1%
Growth in Loans	-3.0%	-0.4%	2.0%	5.6%	15.9%	122.9%	44.6%	72.6%	36.5%
Growth in Equity	14.3%	5.8%	8.3%	18.0%	3.6%	37.3%	15.1%	45.4%	22.4%
Growth in Net Financial Revenues	1.8%	-1.6%	7.5%	12.3%	10.5%	42.5%	19.2%	31.3%	27.7%
Branches	55	55	55	55	56	51	35	34	35
Staff Employed	1042	1020	980	961	968	898	628	610	523

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# INDEPENDENT AUDITORS' REPORT



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BT 30714/DTT

## INDEPENDENT AUDITORS' REPORT

To the Shareholders  
BLC Bank S.A.L.  
Beirut, Lebanon

### *Opinion*

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

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

### *Basis for Opinion*

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

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Notes 9 and 20 of the consolidated financial statements, concerning the regulatory restricted contribution as at December 31, 2016 amounting to LBP138billion, originating from surplus derived from sale of treasury bills and certificates of deposit in Lebanese Pound against investment in medium and long term certificates of deposit in foreign currency issued by the Central Bank of Lebanon, in compliance with Central Bank of Lebanon Intermediary Circular Number 446 dated December 30 2016. According to this Circular, the restricted contribution which is regulated in nature shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of the implementation of IFRS 9 for Impairment, as and when quantified effective on January 1, 2018. By virtue of this Circular, 70% of the remaining residual surplus once recognized over time shall be treated as non-distributable income designated and restricted only for appropriation to capital increase.

### **Key Audit Matters**

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

#### **Key audit matters**

##### **Impairment of Loans and advances to customers**

Due to the inherently judgmental nature of the computation of impairment provisions for loans and advances, there is a risk that the amount of impairment may be misstated. The impairment of loans and advances is estimated by management through the application of judgment and the use of subjective assumptions. Due to the significance of loans and advances and related estimation uncertainty, this is considered a key audit risk. The corporate loan portfolio generally comprises larger loans that are monitored individually by management. The assessment of loan loss impairment is therefore based on management's knowledge of each individual borrower. However, consumer loans generally comprises much smaller value loans to a much greater number of customers. Provisions, other than those that are calculated on an individual basis, are determined by grouping by product into homogeneous portfolios.

The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from collective models, are unsecured or are subject to potential collateral shortfalls.

#### **How our audit addressed the key audit matters?**

The risks outlined were addressed by us as follows:

We tested the design and operating effectiveness of the key controls to determine which loans and advances are impaired and provisions against those assets. These included testing:

- System-based and manual controls over the timely recognition of impaired loans and advances.
- Controls over the impairment calculation models including data inputs.
- Controls over collateral valuation estimates.

We tested a sample of loans and advances to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner.

- For impairment allowances against collectively assessed loans and advances, substantially covered by the regulatory designated deferred liability set up in anticipation of IFRS 9 as referred to under *Emphasis of Matter* section of our report, we critically assessed the Group's estimates and assumptions, specifically in respect to the inputs to the impairment models and the consistency of judgement applied in the use of economic factors, loss emergence periods and the observation period for historical default rates.
- For non performing customers, we tested and challenged the valuation model used by management where the expected recoverable amount from the liquidation of collateral discounted is compared to the net carrying value of the customer net exposure.

### **Carrying value of deferred assets**

The Group's financial position includes deferred assets principally arising from historical business acquisition and carried over losses of USB Bank PLC in Cyprus. The risk is that the book value of the outstanding deferred assets exceeds its recoverable amount, and therefore this asset is impaired and should be written down in value. These deferred assets are offset against future economic benefits derived from the low yield funding provided by the Central Bank of Lebanon and major part has been offset in fiscal 2016 from the yield earned on investments funded from the release of compulsory reserve exemption. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is a key audit matter.

### **Regulatory Restricted Contribution**

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

### **Other Information**

Management is responsible for the other information included in the Annual Report. The other information does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

Our procedures included assessing the key assumptions applied by the Group in determining the recoverable amount. We also considered whether the amortization methodology adopted best represented the profile of expected future economic benefits. Moreover, during 2016, the low yield funding provided by the Central Bank of Lebanon matured and was replaced by an exemption for the compulsory reserves up to USD200million. Proceeds of the loan and subsequently the compulsory reserves are invested in fixed income securities. We assessed appropriation and calculation of these fixed income securities against deferred assets account.

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

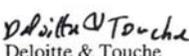
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Beirut, Lebanon  
June 6, 2017

  
DFK Fiduciaire du Moyen Orient

  
Deloitte & Touche

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Cash and central banks	5	1,307,453,083	1,026,651,610
Deposits with banks and financial institutions	6	445,004,383	465,992,845
Loan to a bank	7	4,233,915	4,939,568
Investment securities at fair value through profit or loss	9	399,925,465	193,187,329
Loans and advances to customers	8	2,789,735,086	2,875,196,895
Investment securities at amortized cost	9	3,318,749,775	3,684,858,178
Investment securities at fair value through other comprehensive income	9	17,497,880	19,381,876
Customers' liability under acceptances	10	33,886,385	29,717,093
Assets acquired in satisfaction of loans	11	180,361,169	89,800,699
Investment properties	11	19,077,305	77,443,175
Property and equipment	12	85,686,588	83,142,534
Intangible assets	13	2,730,793	2,936,097
Deferred assets	14	26,935,864	62,972,190
Goodwill	15	5,876,244	6,061,591
Other assets	16	30,206,472	32,409,952
<b>Total Assets</b>		<b>8,667,360,407</b>	<b>8,654,691,632</b>

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	35		
Letters of guarantee and standby letters of credit		220,989,426	223,519,326
Letters of credit		12,437,310	30,691,351
Forward exchange contracts		43,253,088	135,675,710
<b>Fiduciary Accounts</b>	36	17,553,630	13,154,163
<b>Assets Under Management</b>	37	16,994,355	17,302,456

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

<b>LIABILITIES</b>	<b>Notes</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
		LBP'000	LBP'000
Deposits from banks	17	41,905,644	1,127,863
Customers' accounts	18	7,070,929,041	6,907,917,692
Liability under acceptances	10	33,886,385	29,717,093
Other borrowings	19	411,374,820	848,034,636
Other liabilities	20	230,119,046	97,337,474
Provisions	21	7,946,357	8,892,731
<b>Total liabilities</b>		<b>7,796,161,293</b>	<b>7,893,027,489</b>

<b>EQUITY</b>	<b>Notes</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
		LBP'000	LBP'000
Capital	22	213,100,000	152,700,000
Preferred shares	23	248,737,501	195,975,001
Reserves	24	128,522,887	169,076,037
Regulatory reserve for assets acquired in satisfaction of loans	24	46,864,450	37,436,066
Brought forward retained earnings		148,864,828	124,147,882
Cumulative change in fair value of investments at fair value through other comprehensive income	9	7,719,455	9,695,032
Property revaluation surplus		337,959	169,432
Cumulative currency translation adjustments		(141,625)	(192)
Net profit for the year		71,223,552	66,599,194
<b>Equity attributable to equity holders of the Bank</b>		<b>865,229,007</b>	<b>755,798,452</b>
Non-controlling interests		5,970,107	5,865,691
<b>Total equity</b>		<b>871,199,114</b>	<b>761,664,143</b>
<b>Total Liabilities and Equity</b>		<b>8,667,360,407</b>	<b>8,654,691,632</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Interest income	26	472,951,741	476,998,954
Interest expense	27	(292,894,772)	(287,207,263)
<b>Net interest income</b>		<b>180,056,969</b>	<b>189,791,691</b>
Fee and commission income	28	32,783,409	32,291,392
Fee and commission expense	29	(4,373,608)	(4,937,407)
<b>Net fee and commission income</b>		<b>28,409,801</b>	<b>27,353,985</b>
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	30	19,281,130	7,963,776
Gain from derecognition of financial assets Measured at amortized cost	9	-	2,996,538
Other operating income	31	7,641,066	8,000,202
<b>Net financial revenues</b>		<b>235,388,966</b>	<b>236,106,192</b>
Allowance for impairment of loans and advances (net)	8	(21,462,076)	(36,413,627)
Direct write-off on loans and advances, net		(706,625)	(192,351)
Write-back of discount on purchased loan portfolio	8	610,503	352,865
<b>Net financial revenues after net impairment loss/write-back</b>		<b>213,830,768</b>	<b>199,853,079</b>
Change in fair value of investment properties	11	(950,806)	(2,388,213)
Income originated from contractual future cash flows	14(b)	-	11,995,957
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	11, 12	1,388,928	532,942
Write-back of/(allowance for) contingencies (net)	21	345,768	(525,938)
Staff costs	32	(80,046,633)	(77,356,829)
General and administrative expenses	33	(41,750,543)	(42,646,247)
Depreciation and amortization	12, 13	(9,041,352)	(8,385,775)
Profit before income tax		83,776,130	81,078,976
Income tax expense	20	(12,403,283)	(14,568,728)
<b>Profit for the year</b>		<b>71,372,847</b>	<b>66,510,248</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Bank		71,223,552	66,599,194
Non-controlling interests		149,295	(88,946)
		<b>71,372,847</b>	<b>66,510,248</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	December 31, 2016 LBP'000	December 31, 2015 LBP'000
<b>Profit for the year</b>		<b>71,372,847</b>	<b>66,510,248</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net change in fair value of investments at fair value through other comprehensive income	9	1,173,044	3,568,372
Deferred tax liability	20	(127,163)	(105,662)
Gain on revaluation of property		214,126	171,438
		<b>1,260,007</b>	<b>3,634,148</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation adjustments		(102,167)	52,024
		<b>(102,167)</b>	<b>52,024</b>
<b>Total other comprehensive income</b>		<b>1,157,840</b>	<b>3,686,172</b>
<b>Total comprehensive income for the year</b>		<b>72,530,687</b>	<b>70,196,420</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Bank		72,339,426	70,249,936
Non-controlling interests		191,261	(53,516)
		<b>72,530,687</b>	<b>70,196,420</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK

	Capital	Preferred Shares and Premiums	Legal Reserve	Free Reserves and General Reserves for Performing Loans	Reserve for General Banking Risks	Special Reserve for Loans and advances	Regulatory Reserve for Assets Acquired in Satisfaction of Loans	Property Revaluation Surplus	Cumulative Currency Translation Adjustments	Cumulative Change in Fair Value of Investment Securities	Brought Forward Retained Earnings	Profit for the year	Total	Non-Controlling Interests	Total Equity
	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
<b>Balance - January 1, 2015</b>	<b>152,700,000</b>	<b>195,975,001</b>	<b>38,919,607</b>	<b>62,424,121</b>	<b>45,777,174</b>	<b>1,778,478</b>	<b>29,750,043</b>	-	<b>(52,301)</b>	<b>6,265,831</b>	<b>118,803,357</b>	<b>66,773,035</b>	<b>719,114,346</b>	<b>1,135,895</b>	<b>720,250,241</b>
Allocation of 2014 profit	-	-	6,838,528	945,000	11,075,206	925,000	8,078,946	-	-	-	38,910,355	(66,773,035)	-	-	-
Newly acquired subsidiary in USB Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	4,866,153	4,866,153
Dividends paid – Note 25	-	-	-	-	-	-	-	-	-	-	(19,851,000)	-	(19,851,000)	(38,581)	(19,889,581)
Dividends paid to Preferred shares (Note 25)	-	-	-	-	-	-	-	-	-	-	(13,586,341)	-	(13,586,341)	-	(13,586,341)
Transfer to free reserves	-	-	-	392,923	-	-	(392,923)	-	-	-	-	-	-	-	-
Net dilution in non-controlling interests and other adjustments	-	-	-	-	-	-	-	-	-	-	(87,100)	-	(87,100)	(44,260)	(131,360)
Deferred tax on future dividends distribution of subsidiaries	-	-	-	-	-	-	-	-	-	-	(41,389)	-	(41,389)	-	(41,389)
Total comprehensive income for the year 2015	-	-	-	-	-	-	-	169,432	52,109	3,429,201	-	66,599,194	70,249,936	(53,516)	70,196,420
<b>Balance - December 31, 2015</b>	<b>152,700,000</b>	<b>195,975,001</b>	<b>45,758,135</b>	<b>63,762,044</b>	<b>56,852,380</b>	<b>2,703,478</b>	<b>37,436,066</b>	<b>169,432</b>	<b>(192)</b>	<b>9,695,032</b>	<b>124,147,882</b>	<b>66,599,194</b>	<b>755,798,452</b>	<b>5,865,691</b>	<b>761,664,143</b>
Allocation of 2015 profit	-	-	6,766,182	2,055,000	8,112,740	700,000	11,641,312	-	-	-	37,323,960	(66,599,194)	-	-	-
Transfer between legal and regulatory reserve	-	-	-	2,212,928	-	-	(2,212,928)	-	-	-	-	-	-	-	-
Capital increase (Note 22)	60,400,000	-	(45,000,000)	(15,400,000)	-	-	-	-	-	-	-	-	-	-	-
Redemption of preferred shares A (Note 23)	-	(60,300,000)	-	-	-	-	-	-	-	-	-	-	(60,300,000)	-	(60,300,000)
Issuance of preferred shares D (Note 23)	-	113,062,500	-	-	-	-	-	-	-	-	-	-	113,062,500	-	113,062,500
Dividends paid to Preferred shares (Note 25)	-	-	-	-	-	-	-	-	-	-	(15,395,343)	-	(15,395,343)	-	(15,395,343)
Derecognition of securities at FVTOCI (Note 9)	-	-	-	-	-	-	-	-	-	(3,061,262)	3,061,262	-	-	(23,133)	(23,133)
Deferred tax on future dividends distribution of subsidiaries	-	-	-	-	-	-	-	-	-	-	(92,954)	-	(92,954)	-	(92,954)
Difference in exchange	-	-	-	-	-	-	-	-	-	-	-	-	-	(153,187)	(153,187)
Net dilution in non-controlling interests and other adjustments	-	-	-	-	-	-	-	(44,331)	-	41,236	(179,979)	-	(183,074)	89,475	(93,599)
Total comprehensive income for the year 2016	-	-	-	-	-	-	-	212,858	(141,433)	1,044,449	-	71,223,552	72,339,426	191,261	72,530,687
<b>Balance - December 31, 2016</b>	<b>213,100,000</b>	<b>248,737,501</b>	<b>7,524,317</b>	<b>52,629,972</b>	<b>64,965,120</b>	<b>3,403,478</b>	<b>46,864,450</b>	<b>337,959</b>	<b>(141,625)</b>	<b>7,719,455</b>	<b>148,864,828</b>	<b>71,223,552</b>	<b>865,229,007</b>	<b>5,970,107</b>	<b>871,199,114</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31, 2016 LBP'000	December 31, 2015 LBP'000
<b>Cash flows from operating activities:</b>			
Net profit for the year		71,372,847	66,510,248
<b>Adjustments for:</b>			
Impairment of loans and advances to customers, net of write-back	8	20,851,573	36,060,762
Depreciation and amortization	12, 13	9,041,352	8,385,775
Income originated from contractual future cash flows	14(b)	-	(11,995,957)
Change in fair value of investment properties	11	950,806	2,388,213
(Write-back)/allowance for contingencies	21	(345,768)	525,938
Provision for end-of-service indemnities (net)	21	701,022	393,638
Allowance for/(write-back) provision for loss on foreign currency position	21	73,469	(53,606)
Unrealized (gain)/loss on investments at fair value through profit or loss	30	(10,985,155)	1,638,914
Income tax expense		12,403,283	14,568,728
Loss/(gain) on disposal of property and equipment		29,427	(1,690)
Gain on disposal of property acquired in satisfaction of loans	11(a)	(1,418,355)	(531,252)
Dividend income		(1,514,299)	(1,388,000)
Interest expense	27, 38	292,686,439	287,207,263
Interest income	26, 30, 38	(464,921,264)	(486,199,647)
		<b>(71,074,623)</b>	<b>(82,490,673)</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

<b>Continued</b>	<b>Notes</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
		LBP'000	LBP'000
Net decrease /(increase) in loans and advances to customers	8, 38	26,556,787	(50,571,944)
Net decrease in margins with banks		-	768,825
Net decrease/(increase) in investments at fair value through other comprehensive income	9	3,084,395	(60,323)
Net decrease/(increase) in investments at fair value through profit or loss	38	38,509,750	(85,117,360)
Net decrease/(increase) in investments at amortized cost	38	146,808,730	(328,474,579)
Net increase in customers' deposits		161,887,774	436,120,247
Net increase in compulsory deposits with central banks		(17,933,859)	(43,283,694)
Net decrease/(increase) in term deposits with banks		8,574,176	(357,912)
Net decrease/(increase) in term deposits with central banks		63,465,000	(75,375,000)
Net decrease/(increase) in term deposits with a related bank		26,525,948	(30,124,350)
Net increase/(decrease) in deposits from banks		40,552,986	(50,258,388)
Net decrease in other assets		2,203,480	1,940,876
Net increase in other liabilities		127,587,281	7,692,511
Proceeds from disposal of property acquired in satisfaction of loans	38	2,501,016	2,115,424
Settlements and other adjustment made from provisions	21	(1,354,498)	(490,848)
		<b>557,894,343</b>	<b>(297,967,188)</b>
Income tax paid		(7,429,109)	(14,921,805)
Dividends received from investments at fair value through profit or loss	30	397,268	369,146
Dividends received from investments at fair value through other comprehensive income	31	1,117,031	1,018,854
Interest paid		(295,702,551)	(281,692,471)
Interest received		480,594,391	503,694,632
<b>Net cash generated from/(used in) operating activities</b>		<b>736,871,373</b>	<b>(89,498,832)</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

<b>Continued</b>	<b>Notes</b>	<b>December 31, 2016</b> LBP'000	<b>December 31, 2015</b> LBP'000
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property and equipment		93,082	4,339
Acquisition of property and equipment	12, 38	(7,485,780)	(11,793,345)
Acquisition of intangible assets	13	(1,199,398)	(801,897)
<b>Net cash used in investing activities</b>		<b>(8,592,096)</b>	<b>(12,590,903)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	25	(15,395,343)	(33,437,341)
Settlement of subordinated bonds		-	(18,156,437)
Issuance of preferred shares	23	113,062,500	-
Redemption of preferred shares series A	23	(60,300,000)	-
Dividends paid to non-controlling interests		-	(38,581)
Net decrease in loan to a bank		700,000	700,000
Increase in non-controlling interests in the non-resident subsidiary		-	4,866,153
Non-controlling interests share in property revaluation		-	2,006
Net (decrease)/increase in other borrowings		(432,503,667)	128,832,906
<b>Net cash (used in)/generated from financing activities</b>		<b>(394,436,510)</b>	<b>82,768,706</b>
Net increase/(decrease) in cash and cash equivalents		333,842,767	(19,321,029)
Effect of foreign currency fluctuation and other adjustments		4,235,624	17,147,851
Cash and cash equivalents beginning of year	38	584,793,119	586,966,297
<b>Cash and cash equivalents end of year</b>	<b>38</b>	<b>922,871,510</b>	<b>584,793,119</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

## 1. GENERAL INFORMATION

BLC Bank S.A.L., (the “Bank”), is a Lebanese joint stock company registered in the Commercial Register under No. 1952 and in the Central Bank of Lebanon list of banks under No. 11. The consolidated financial statements of the Bank comprise the financial statements of the Bank and those of its subsidiaries (collectively the “Group”). The Group is primarily involved in investment, corporate and retail banking.

The Bank’s headquarters are located in Beirut, Lebanon.

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

	Ownership Interest		Country of Incorporation	Business Activity
	2016	2015		
	%	%		
BLC Invest S.A.L.	99.97	99.97	Lebanon	Investment Bank
BLC Finance S.A.L.	98.99	98.99	Lebanon	Financial Institution
BLC Services S.A.L.	90.67	90.67	Lebanon	Insurance Brokerage
USB Bank PLC.	99.25	98.83	Cyprus	Commercial bank

Fransabank S.A.L. is the ultimate parent of the Bank.

During the current year, BLC Invest S.A.L. signed an agreement with the Parent Bank whereby both parties have agreed to merge by virtue of acquisition of assets, liabilities and activities of the merged entity which in this case would be BLC Invest S.A.L. This agreement was approved by both Banks’ Board of Directors and Extraordinary General Assembly shareholders’ in their meeting held on August 5, 2016, and January 27th, 2017 respectively, and by the regulator on April 12, 2017.

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

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

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

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

## 2.2 New and revised IFRS in issue but not yet effective

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

### *New and revised IFRSs*

Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.

Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealized losses.

Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

FRIC 22 *Foreign Currency Transactions and Advance Consideration*.

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.

Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

### *Effective for Annual Periods Beginning on or After*

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017

January 1, 2017

January 1, 2017

January 1, 2018

January 1, 2018

January 1, 2018

January 1, 2018



## New and revised IFRSs

### IFRS 9 *Financial Instruments (revised versions in 2013 and 2014)*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk;
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised;
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures;
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

### IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

## Effective for Annual Periods Beginning on or After

January 1, 2018

January 1, 2018



***New and revised IFRSs***

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

***Effective for Annual Periods Beginning on or After***

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

***IFRS 16 Leases***

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

January 1, 2019

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s financial statements as and when they are applicable. Except for IFRS 9 on the provisioning for impairment, 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).

#### **Basis of Preparation and Measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

- Land and buildings acquired prior to 1999 are measured at their revalued amounts based on market prices prevailing during 1999, to compensate for the effect of the hyper-inflationary economy prevailing in the earlier years.
- Financial assets and liabilities at fair value through profit and loss.
- Equity securities at fair value through other comprehensive income.
- Derivative financial instruments.
- Investment properties.

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

#### **Summary of significant accounting policies**

Following is a summary of the most significant accounting policies applied in the preparation of these consolidated financial statements:

##### **A. Basis of Consolidation:**

The consolidated financial statements of BLC Bank 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 Bank:

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

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank 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 Bank's voting rights and potential voting rights.

The Bank 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 Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date the Bank 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.

When necessary, 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 are expensed as incurred in profit or loss.

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. Where applicable, adjustments are made to provisional values of recognized assets and liabilities related

to facts and circumstances that existed at the acquisition date. These are adjusted to the provisional goodwill amount. All other adjustments including above adjustments made after one year are recognized in profit and loss except to correct an error in accordance with IAS 8.

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. Non-controlling interests in business acquisitions transacted so far by the Group were initially measured at the non-controlling interests' proportionate share of net assets acquired.

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. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pound (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. Dollar. The Lebanese Pound exchange rate 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.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **D. 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.

When the Group enters into transactions whereby it transfers assets recognized on its statement of financial position and retains

all risks and rewards of the transferred assets, then the transferred assets are not derecognized, for example, securities lending and repurchase transactions.

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.

#### **E. Classification of Financial Assets:**

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

##### **Debt Instruments:**

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost using the effective interest method, less impairment loss (except for debt instruments 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

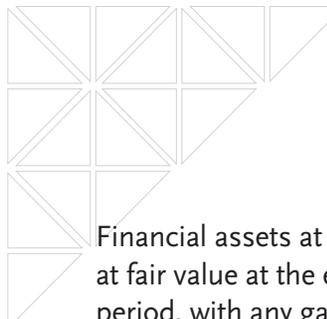
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL").

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

#### **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.

#### **F. 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 Group’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Group’s own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Group 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 entity’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 using the effective interest method.

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.

##### **G. Offsetting:**

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

##### **H. 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.

### **I. 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 collateral 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.

### **J. 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.

**K. Loans and Advances:**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are disclosed at amortized cost net of unearned interest and after provision for credit losses. Non-performing loans and advances to customers are stated net of unrealized interest and provision for credit losses because of doubts and the probability of non-collection of principal and/or interest.

**L. Financial Guarantees:**

Financial guarantee 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.

**M. Property and Equipment:**

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 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, using the straight-line method over the useful lives estimated as follows:

	%
Buildings	2-4
Office improvements and installations	20
Furniture, equipment and machines	8-20
Computer equipment	20-33
Vehicles	10-20

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.

## **N. Intangible Assets and Goodwill:**

### **Goodwill:**

Refer to Note 3B for the measurement of goodwill at initial recognition arising on the acquisition of subsidiaries. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

### **Other intangible assets:**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets other than goodwill are amortized on a straight line over their estimated useful lives as follows:

- Computer software 5 years
- Key money 15 years

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the

specific asset to which it relates. All other expenditure is expensed as incurred.

## **O. Leasing:**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

## **P. Assets acquired in satisfaction of loans:**

### **Policy applicable to the Lebanese Group entities:**

Real estate properties acquired through the enforcement of collateral over loans and advances are measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by

the local banking authorities who require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the regulatory authorities require an appropriation of a special reserve from the yearly profits and accumulated in equity.

### **Policy applicable to the Cypriot Group entity:**

The Group in its normal course of business acquires properties in debt satisfaction, which are held either directly or by special purpose entities set up for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognized in the Bank's consolidated financial statements as stock of property, reflecting the substance of these transactions. The stock of property is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price, less the estimated costs necessary to make the sale. If net realizable value is below the cost of the stock of property, impairment is recognized in the consolidated statement of profit or loss.

## **Q. Investment Properties:**

### **Policy applicable to the Cypriot Group entity:**

Investment properties are measured initially at cost, including transaction

costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss. Valuations are carried out by independent qualified valuers on the basis of current market values.

### **Classification of properties:**

The Group determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise land and buildings that are not occupied for own use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps. The Group has set up the Real Estate department early in 2016, to manage these assets (including selective investments and development) and to execute exit strategies in order to monetize these assets.



Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to stock of property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

#### **R. Impairment of Non-Financial Assets:**

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, other than investment properties and deferred taxes, to determine whether there is any indication that those 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). Goodwill is tested annually for impairment. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

An impairment loss in respect of goodwill is not reversed.

#### **S. Deferred Assets:**

Deferred assets on business acquisition and against contractual projected cash flows are stated at amortized cost. Such deferred assets are amortized over the period of related benefits deriving from the net return of the invested funds funded through committed structured medium term debt and major part in fiscal 2016 from the yield earned on investments funded from the release of compulsory reserve, the purpose of which is to offset exceptional impairment

losses. Amortization charge is treated as a yield adjustment to the interest income of the invested funds.

#### **T. Provision for Employees' End-of-Service Indemnity:**

##### ***Policy applicable to the Group's Lebanese entities:***

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The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were voluntary terminated at the reporting 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.

#### **U. Staff Retirement Benefits:**

##### ***Policy applicable to the Group's Cypriot entity:***

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The Cypriot entity operates a defined contribution scheme which provides for employer contributions on the employee

gross salary and employee contributions of 3%-10% of their gross salary. The Entity's contributions are expensed incurred and are included in staff costs. The Entity has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

#### **V. Provisions:**

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted where the impact is material.

#### **W. Deferred Restricted Contributions:**

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

## **X. Revenue and Expense Recognition:**

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

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

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

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 on financial assets measured at FVTPL is presented in the statement of profit or loss under "Net interest and other gain / (loss) on financial

assets at FVTPL" (See below).

Net interest and other net gain / loss on financial assets measured at FVTPL includes:

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

Interest expense on financial liabilities designated as 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.

## **Y. Income Tax:**

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in

other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Part of the debt securities invested by the Group is subject to withheld tax by the issuer. This tax is 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 is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

## **Z. Fiduciary Accounts:**

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

### **AA. Cash and Cash Equivalents:**

Cash and cash equivalents comprise balances with original contractual maturities of a period of three months including: cash and balances with the central banks and deposits with banks and financial institutions.

### **AB. 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 Group 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.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

#### Going Concern:

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

#### Classification of Financial Assets:

##### *Business Model:*

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

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

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

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

##### *Characteristics of the Financial Asset:*

Once the Group determines that its business model is to hold the assets to collect the contractual cash flows, it exercises judgment to assess the contractual cash flows characteristics of a financial asset. In making this judgment, the Group considers the contractual terms of the acquired asset to determine that they give rise on specific dates, to cash flows

that solely represent principal and principal settlement and accordingly may qualify for amortized cost accounting.

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

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

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

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

### B. Key Sources of Estimation Uncertainty:

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

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

#### **Allowances for Credit Losses:**

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances, balances placed with banks and other accounts receivable and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle the advances and the value of collateral and potential repossession.

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

evidence but whose effects are not yet evident.

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

#### **Determining Fair Values:**

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

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from

the perspective of market participants. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data.

#### **Impairment of deferred assets:**

The Group tests annually whether the outstanding deferred asset account has suffered any impairment in accordance with the accounting policy under Note 3(S). The recoverable amount is expected to be offset against contractual projected cash flows. This requires the directors to estimate the recoverability through forecasting and discounting future cash flows.

#### **Fair value of investment properties:**

The Group's accounting policy for investment property requires that it is measured at fair value. The valuation is performed at each reporting date. Valuations are carried out by qualified valuers by applying valuation models.

Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these

estimates are based on local market conditions existing at the reporting date.

#### **Stock of property – estimation of net realizable value:**

Stock of property is measured at the lower of cost and net realizable value. The estimated sales price is determined with reference to the fair value of properties adjusted for any impact of specific circumstances on the sale process of each property. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a large degree of uncertainty.

#### **Impairment of Goodwill:**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy under Note 3R. The recoverable amount is deemed to be the value in use using a discounted cash flow model. This requires the directors to estimate the future cash flows and a suitable discount rate.

## 5. CASH AND CENTRAL BANKS

This caption consists of the following:

	December 31, 2016		December 31, 2015	
	Balance LBP'000	of which Compulsory/ Regulatory Deposits LBP'000	Balance LBP'000	of which Compulsory/ Regulatory Deposits LBP'000
Cash on hand	46,187,064	-	46,961,037	-
Current accounts with Central Bank of Lebanon	243,132,216	158,095,390	169,917,045	139,539,680
Blocked accounts with Central Bank of Lebanon under Intermediary Circular No.313	81,585,869	-	70,563,203	-
Current accounts with Central Bank of Cyprus	5,366,855	5,366,234	5,988,085	5,988,085
Term placements with Central Bank of Lebanon	829,726,250	80,714,701	710,243,750	385,506,914
Term placements with Central Bank of Cyprus	92,582,141	-	16,466,400	-
Blocked accounts with Central Bank of Lebanon	-	-	25,000	-
Accrued interest receivable	8,872,688	-	6,487,090	-
	<b>1,307,453,083</b>	<b>244,176,325</b>	<b>1,026,651,610</b>	<b>531,034,679</b>

Compulsory deposits under current accounts with Central Bank of Lebanon are in Lebanese Pounds and non-interest earning. These deposits are 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 local banking regulations. These deposits are not available for use in the Group's day-to-day operations.

Regulatory deposits under term placements

with Central Bank of Lebanon are made 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 acquired from non-resident financial institutions.

Blocked accounts with the Central Bank of Lebanon under Intermediate Circular No. 313 represent transitory deposits

to be granted to the Bank's customers, pursuant to certain conditions, rules and mechanism following Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments against facilities granted from the Central Bank of Lebanon (Note 19). These deposits and facilities earn/bear a 1% interest rate that is computed annually.

Current accounts with Central Bank of Cyprus include the equivalent in Euro

of LBP5billion as at December 31, 2016 (LBP6billion as at December 31, 2015) deposited in accordance with banking laws and regulations in Cyprus.

During 2016, the Group was exempted from compulsory reserves in foreign currency, for one year, up to USD200million. Subsequent to the financial position date, the exemption was renewed for an additional one and a half year to offset the remaining outstanding deferred assets (Refer to Notes 9 and 14).

## 6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Purchased checks	17,928,574	36,073,038
Current accounts with banks and financial institutions	209,405,155	139,449,086
Current accounts with the parent bank	3,888,936	3,539,254
Current accounts with related banks and financial institutions	12,442,655	20,428,431
	<b>243,665,320</b>	<b>199,489,809</b>
Term placements with banks and financial institutions	166,866,169	205,484,481
Term placements with a related bank	31,106,453	57,632,401
Blocked margins with banks and financial institutions	3,292,003	3,292,003
	<b>201,264,625</b>	<b>266,408,885</b>
Accrued interest receivable	74,438	94,151
	<b>445,004,383</b>	<b>465,992,845</b>

Deposits with banks and financial institutions are distributed between resident and non-resident as follows:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Resident	58,360,179	101,938,257
Non-resident	386,644,204	364,054,588
	<b>445,004,383</b>	<b>465,992,845</b>

During the years 2016 and 2015, the Group entered in repurchase agreements with a resident financial institution. The agreement consists of loans granted to the resident financial institution, backed by Lebanese Government Bonds in U.S. Dollar and Lebanese treasury bills in LBP. The loans are short term in nature and matured during the year. Interest income for the year 2016 amounted to LBP368million (LBP533million during 2015) recorded under "Interest income from deposits with banks and financial institutions" in the consolidated statement of profit or loss (Note 26).

## 7. LOAN TO A BANK

This caption consists of the following:

	December 31 2016	December 31 2015
	LBP'000	LBP'000
Regular performing account	4,200,000	4,900,000
Accrued interest receivable	33,915	39,568
	<b>4,233,915</b>	<b>4,939,568</b>

As a guarantee of the above loan, the borrower has pledged in favor of the Group regular and performing notes receivable against housing loans granted to its customers. The loan principal balance matures over 10 yearly payments of LBP700million each with final payment in year 2022.

## 8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following:

	December 31, 2016					December 31, 2015				
	Gross Amount LBP'000	Unrealized Interest LBP'000	Discount on Purchased Loan Book LBP'000	Impairment Amount LBP'000	Carrying Amount LBP'000	Gross Amount LBP'000	Unrealized Interest LBP'000	Discount on Purchased Loan Book LBP'000	Impairment Amount LBP'000	Carrying Amount LBP'000
<b>Regular and Watch List – Retail Customers:</b>										
Housing loans	576,025,308	-	-	-	576,025,308	540,832,382	-	-	-	540,832,382
Personal loans	255,259,996	-	-	-	255,259,996	248,885,147	-	-	-	248,885,147
Car loans	143,488,342	-	-	-	143,488,342	157,190,483	-	-	-	157,190,483
Credit cards	19,586,103	-	-	-	19,586,103	18,964,132	-	-	-	18,964,132
Educational loans	17,285,988	-	-	-	17,285,988	18,389,787	-	-	-	18,389,787
Staff loans	8,604,810	-	-	-	8,604,810	8,791,742	-	-	-	8,791,742
Other	8,352,531	-	-	-	8,352,531	9,055,190	-	-	-	9,055,190
	<b>1,028,603,078</b>	-	-	-	<b>1,028,603,078</b>	<b>1,002,108,863</b>	-	-	-	<b>1,002,108,863</b>
<b>Regular and Watch List – Corporate customers:</b>										
Corporate	900,818,631	-	-	-	900,818,631	942,631,411	-	-	-	942,631,411
Small and medium enterprises	501,542,609	-	-	-	501,542,609	551,479,713	-	-	-	551,479,713
	<b>1,402,361,240</b>	-	-	-	<b>1,402,361,240</b>	<b>1,494,111,124</b>	-	-	-	<b>1,494,111,124</b>
Accrued interest receivable	18,648,829	-	-	-	18,648,829	15,357,743	-	-	-	15,357,743
<b>Allowance for impairment of collectively assessed loans:</b>										
Regular and watch list	-	-	-	(7,658,430)	(7,658,430)	-	-	-	(15,155,715)	(15,155,715)
<b>Total regular and watch list</b>	<b>2,449,613,147</b>	-	-	<b>(7,658,430)</b>	<b>2,441,954,717</b>	<b>2,511,577,730</b>	-	-	<b>(15,155,715)</b>	<b>2,496,422,015</b>
<b>Non-performing loans and advances:</b>										
Purchased loan book	2,148,399	-	-	-	2,148,399	2,226,266	-	-	-	2,226,266
Substandard	35,164,759	(2,288,769)	-	-	32,875,990	32,784,094	(1,322,480)	-	-	31,461,614
Doubtful	956,456,435	(470,462,774)	(3,488,513)	(131,990,748)	350,514,400	935,127,101	(436,514,772)	(4,490,488)	(116,427,950)	377,693,891
Bad	113,394,011	(69,508,484)	(2,225,526)	(41,660,001)	-	105,891,965	(64,652,937)	(2,255,634)	(38,983,394)	-
<b>Allowance for impairment of collectively assessed loans:</b>										
Doubtful and bad	-	-	-	(37,758,420)	(37,758,420)	-	-	-	(32,606,891)	(32,606,891)
<b>Total non-performing</b>	<b>1,107,163,604</b>	<b>(542,260,027)</b>	<b>(5,714,039)</b>	<b>(211,409,169)</b>	<b>347,780,369</b>	<b>1,076,029,426</b>	<b>(502,490,189)</b>	<b>(6,746,122)</b>	<b>(188,018,235)</b>	<b>378,774,880</b>
	<b>3,556,776,751</b>	<b>(542,260,027)</b>	<b>(5,714,039)</b>	<b>(219,067,599)</b>	<b>2,789,735,086</b>	<b>3,587,607,156</b>	<b>(502,490,189)</b>	<b>(6,746,122)</b>	<b>(203,173,950)</b>	<b>2,875,196,895</b>

The carrying value of loans and advances to customers includes accidentally temporary debtors with carrying value amounting to LBP3.1billion as at December 31, 2016 (LBP3.4billion as at December 31, 2015).

Loans granted to related parties amounted to LBP11.9billion as at December 31, 2016 (LBP11.8billion as at December 31, 2015).

In previous years, the Group acquired a loan portfolio from a local bank. The difference between the original amount of the allocated portion of the purchased loan portfolio and the consideration paid is reflected under discount on purchased loan book.

The movement of unrealized interest was as follows:

	2016	2015
	LBP'000	LBP'000
Balance, January 1	(502,490,189)	(637,441,437)
Additions	(74,367,472)	(78,323,885)
Write-back through profit or loss (Note 26)	5,132,012	10,532,784
Write-off	28,273,146	197,540,427
Transfer to allowance for impairment	15,075	-
Effect of exchange rates changes	1,177,401	5,201,922
<b>Balance, December 31</b>	<b>(542,260,027)</b>	<b>(502,490,189)</b>

The movement of the allowance for impairment of loans and advances was as follows:

	2016	2015
	LBP'000	LBP'000
Balance, January 1	(155,411,344)	(156,699,937)
Additions through profit or loss	(26,069,652)	(37,831,472)
Write-back through profit or loss	3,995,631	3,811,494
Write-back against deferred assets (Note 14)	-	10,083,886
Transfer to off-balance sheet	1,899	4,964
Transfer from unrealized interest	(15,075)	-
Write-off	578,313	16,438,634
Effect of exchange rates changes	3,269,479	8,781,087
<b>Balance, December 31</b>	<b>(173,650,749)</b>	<b>(155,411,344)</b>

The movement of the allowance for impairment of collectively assessed loans and advances was as follows:

	2016	2015
	LBP'000	LBP'000
Balance, January 1	(47,762,606)	(48,599,119)
Additions through profit or loss	(6,702,714)	(7,164,843)
Write-back through profit or loss	7,314,659	4,771,194
Write-off	420,506	11,308
Other	-	(209,895)
Effect of exchange rates changes	1,313,305	3,428,749
<b>Balance, December 31</b>	<b>(45,416,850)</b>	<b>(47,762,606)</b>

The movement of the discount on purchased loan book was as follows:

	2016	2015
	LBP'000	LBP'000
Balance, January 1	(6,746,121)	(7,209,597)
Additions	(38,227)	-
Write-back through profit or loss	610,503	352,865
Write-off	459,806	110,610
<b>Balance, December 31</b>	<b>(5,714,039)</b>	<b>(6,746,122)</b>

## 9. INVESTMENT SECURITIES

This caption consists of the following:

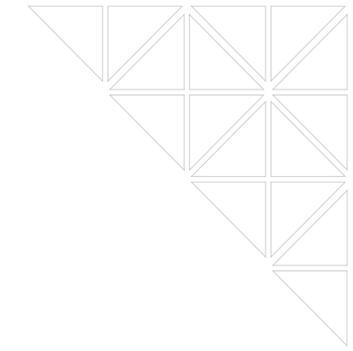
	December 31, 2016			
	Fair Value Through	Amortized Cost	Fair Value Through	Total
	Profit or Loss		Other Comprehensive	
LBP'000	LBP'000	Income	LBP'000	
Quoted equity securities	4,290,845	-	-	4,290,845
Unquoted equity securities	1,874,477	-	17,497,880	19,372,357
Lebanese treasury bills	-	780,142,807	-	780,142,807
Lebanese Government bonds	21,500,253	1,291,302,340	-	1,312,802,593
Foreign Government bonds	282,922,775	-	-	282,922,775
Foreign bonds	8,298,348	-	-	8,298,348
Certificates of deposit issued by Central Bank of Lebanon	56,164,795	1,188,128,497	-	1,244,293,292
Mutual Funds	9,327,904	-	-	9,327,904
Corporate bonds and Asset-backed securities	9,515,804	7,333,961	-	16,849,765
	<b>393,895,201</b>	<b>3,266,907,605</b>	<b>17,497,880</b>	<b>3,678,300,686</b>
Accrued interest receivable	6,030,264	51,842,170	-	57,872,434
	<b>399,925,465</b>	<b>3,318,749,775</b>	<b>17,497,880</b>	<b>3,736,173,120</b>

	December 31, 2015			
	Fair Value Through	Amortized Cost	Fair Value Through	Total
	Profit or Loss		Other Comprehensive	
LBP'000	LBP'000	Income	LBP'000	
Quoted equity securities	4,702,753	-	-	4,702,753
Unquoted equity securities	915,436	-	19,381,876	20,297,312
Lebanese treasury bills	10,534,092	1,165,314,480	-	1,175,848,572
Lebanese Government bonds	84,218,154	956,075,791	-	1,040,293,945
Foreign Government bonds	-	224,107,169	-	224,107,169
Foreign bonds	29,589,789	-	-	29,589,789
Certificates of deposit issued by Central Bank of Lebanon	56,370,751	1,219,236,690	-	1,275,607,441
Mutual Funds	3,526,818	-	-	3,526,818
Corporate bonds and Asset-backed securities	-	62,640,742	-	62,640,742
	<b>189,857,793</b>	<b>3,627,374,872</b>	19,381,876	<b>3,836,614,541</b>
Accrued interest receivable	3,329,536	57,483,306	-	60,812,842
	<b>193,187,329</b>	<b>3,684,858,178</b>	19,381,876	<b>3,897,427,383</b>

**2016. Investments at Fair Value through Profit or Loss:**

	December 31, 2016			
	Fair Value	Accrued Interest	Total Carrying Value	Cumulative
	LBP'000	Receivable	LBP'000	Unrealized
				Gain / (Loss)
				LBP'000
Quoted equity securities	4,290,845	-	4,290,845	(3,854,663)
Unquoted equity securities	1,874,477	-	1,874,477	-
Lebanese Government bonds	21,500,253	330,426	21,830,679	(827,532)
Foreign Government bonds	282,922,775	4,198,371	287,121,146	10,072,254
Foreign Eurobonds	8,298,348	39,188	8,337,536	1,900
Certificates of deposit issued by Central Bank of Lebanon	56,164,795	1,460,459	57,625,254	1,895,653
Mutual Funds	9,327,904	-	9,327,904	36,409
Corporate bonds	9,515,804	1,820	9,517,624	(55,145)
	<b>393,895,201</b>	<b>6,030,264</b>	<b>399,925,465</b>	<b>7,268,876</b>

	December 31, 2015			
	Fair Value	Accrued Interest	Total Carrying Value	Cumulative
	LBP'000	Receivable	LBP'000	Unrealized
				Gain / (Loss)
				LBP'000
Quoted equity securities	4,702,753	-	4,702,753	(3,435,643)
Unquoted equity securities	915,436	-	915,436	-
Lebanese Treasury bills	10,534,092	182,459	10,716,551	317,218
Lebanese Government bonds	84,218,154	1,544,514	85,762,668	(1,855,290)
Foreign Eurobonds	29,589,789	165,542	29,755,331	(76,388)
Certificates of deposit issued by Central Bank of Lebanon	56,370,751	1,437,021	57,807,772	2,054,706
Mutual Funds	3,526,818	-	3,526,818	24,096
	<b>189,857,793</b>	<b>3,329,536</b>	<b>193,187,329</b>	<b>(2,971,301)</b>



The movement of investments at fair value through profit or loss during 2016 and 2015 was as follows:

	2016		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance, January 1	70,656,311	119,201,482	189,857,793
Acquisition	1,620,210	5,164,960	6,785,170
Transfer to amortized cost	-	(62,938,125)	(62,938,125)
Transfer from amortized cost	-	294,500,128	294,500,128
Swaps	(10,521,678)	-	(10,521,678)
Sale	-	(347,363)	(347,363)
Redemption upon maturity	-	(21,135,243)	(21,135,243)
Unrealized (loss)/gain (Note 30)	(146,739)	11,131,894	10,985,155
Amortization of discount/premium	(59,318)	(730,523)	(789,841)
Effect of exchange rates changes	-	(12,500,795)	(12,500,795)
Other adjustments	(62,263)	62,263	-
<b>Balance, December 31</b>	<b>61,486,523</b>	<b>332,408,678</b>	<b>393,895,201</b>

	2015		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance, January 1	54,765,133	51,614,214	106,379,347
Acquisition	31,483,991	46,765,471	78,249,462
Swaps	-	43,650,629	43,650,629
Sale	(1,000,000)	(1,809,000)	(2,809,000)
Redemption upon maturity	(15,000,000)	(18,090,000)	(33,090,000)
Unrealized (loss)/gain (Note 30)	437,115	(2,076,029)	(1,638,914)
Amortization of discount/premium	(29,928)	(835,877)	(865,805)
Effect of exchange rates changes	-	(17,926)	(17,926)
<b>Balance, December 31</b>	<b>70,656,311</b>	<b>119,201,482</b>	<b>189,857,793</b>

Investments at fair value through profit or loss include an amount of LBP1.9billion (LBP914million during 2015) representing the Group's share in startups established based on co-sharing agreement with the regulator providing the funding.

The Group's business model for debt

securities in the Cypriot entity was amended during 2016. As a result, the Group reclassified securities from investments at amortized cost to investments at fair value through profit or loss. Positive change in fair value of the securities during 2016 amounted to LBP10.5billion and was recorded under "Net interest and other gain/(loss) on

investment securities at fair value through profit or loss" in the consolidated statement of profit or loss (Note 30). Moreover, and in order to rebalance the fair value through profit or loss portfolio at Group level, securities in the aggregate amount of LBP63billion were classified to amortized cost portfolio.

## B. Investments at Amortized Cost:

	December 31, 2016				
	Amortized Cost	Accrued Interest	Carrying Value	Fair Value	Change in
	LBP'000	Receivable LBP'000	LBP'000	LBP'000	Fair value LBP'000
Lebanese Treasury bills	780,142,807	12,635,098	792,777,905	799,469,635	6,691,730
Lebanese Government bonds	1,291,302,340	16,851,244	1,308,153,584	1,176,449,845	(13,703,739)
Certificates of deposit issued by Central Bank of Lebanon	1,188,128,497	22,305,736	1,210,434,233	1,178,555,284	(31,878,949)
Corporate bonds and asset – backed securities	7,333,961	50,092	7,384,053	6,588,263	(795,790)
	<b>3,266,907,605</b>	<b>51,842,170</b>	<b>3,318,749,775</b>	<b>3,161,063,027</b>	<b>(157,686,748)</b>

	December 31, 2015				
	Amortized Cost	Accrued Interest	Carrying Value	Fair Value	Change in
	LBP'000	Receivable LBP'000	LBP'000	LBP'000	Fair value LBP'000
Lebanese Treasury bills	1,165,314,480	18,915,532	1,184,230,012	1,199,964,865	15,734,853
Lebanese Government bonds	956,075,791	12,711,282	968,787,073	974,525,351	5,738,278
Foreign Government bonds	224,107,169	4,359,931	228,467,100	237,831,076	9,363,976
Certificates of deposit issued by Central Bank of Lebanon	1,219,236,690	21,359,090	1,240,595,780	1,248,634,234	8,038,454
Corporate bonds and asset – backed securities	62,640,742	137,471	62,778,213	61,335,837	(1,442,376)
	<b>3,627,374,872</b>	<b>57,483,306</b>	<b>3,684,858,178</b>	<b>3,722,291,363</b>	<b>37,433,185</b>

Lebanese treasury bills amounting to LBP356billion (LBP402billion in 2015) are pledged against soft loans and credit facilities funded by the Central Bank of Lebanon (Note 19).

Lebanese Government bonds amounting to LBP302billion are pledged against the release of the compulsory reserve (Note 5) (LBP174.3billion as at December 31, 2015 were pledged against a stand-by line facility funded by the Central bank of Lebanon (Note 19)).

Debt securities at amortized cost are segregated over the remaining period to maturity as follows:

Remaining Period to Maturity	December 31, 2016							
	LBP				C/V OF F/CY			
	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	Average Coupon Rate %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	Average Coupon Rate %
<b>Lebanese treasury bills:</b>								
Up to one year	115,984,000	116,048,566	122,093,066	7.41	-	-	-	-
1 year to 3 years	434,147,074	436,130,917	439,809,273	7.52	-	-	-	-
3 years to 5 years	154,145,000	154,335,221	152,882,806	7.24	-	-	-	-
5 years to 10 years	73,333,020	73,628,103	72,049,392	7.48	-	-	-	-
	<b>777,609,094</b>	<b>780,142,807</b>	<b>786,834,537</b>		-	-	-	-
<b>Lebanese Government bonds:</b>								
Up to one year	-	-	-	-	95,094,479	95,098,179	95,177,207	9.00
1 year to 3 years	-	-	-	-	101,954,482	101,935,993	96,101,679	5.56
3 years to 5 years	-	-	-	-	196,075,244	196,966,526	188,904,995	7.20
5 years to 10 years	-	-	-	-	399,567,398	401,413,377	349,776,099	6.35
Beyond 10 years	-	-	-	-	495,159,480	495,888,265	429,638,621	6.97
	-	-	-		<b>1,287,851,083</b>	<b>1,291,302,340</b>	<b>1,159,598,601</b>	
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>								
Up to one year	165,000,000	165,089,315	166,291,262	7.91	-	-	-	-
1 year to 3 years	-	-	-	-	57,888,000	57,147,702	54,273,665	5.30
3 years to 5 years	91,000,000	90,233,650	92,066,853	7.71	-	-	-	-
5 years to 10 years	339,000,000	340,312,221	348,047,345	8.31	91,203,750	90,224,174	81,096,768	6.12
Beyond 10 years	175,000,000	175,429,685	178,776,308	8.94	269,691,750	269,691,750	235,697,347	6.79
	<b>770,000,000</b>	<b>771,064,871</b>	<b>785,181,768</b>		<b>418,783,500</b>	<b>417,063,626</b>	<b>371,067,780</b>	
<b>Corporate bonds and asset - backed securities:</b>								
1 year to 3 years	-	-	-	-	105,461	105,461	101,406	7.00
5 years to 10 years	1,500,000	1,500,000	1,500,000	7.50	5,728,500	5,728,500	4,936,765	6.21
	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>		<b>5,833,961</b>	<b>5,833,961</b>	<b>5,038,171</b>	



Remaining Period to Maturity	December 31, 2015							
	LBP				C/V OF F/CY			
	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	Average Coupon Rate %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	Average Coupon Rate %
<b>Lebanese treasury bills:</b>								
Up to one year	87,765,500	87,764,191	87,941,158	6.18	-	-	-	-
1 year to 3 years	378,784,000	380,443,504	389,749,446	7.66	-	-	-	-
3 years to 5 years	257,447,074	259,038,625	257,916,698	7.37	-	-	-	-
5 years to 10 years	433,950,000	438,068,160	445,442,031	8.50	-	-	-	-
	<b>1,157,946,574</b>	<b>1,165,314,480</b>	<b>1,181,049,333</b>		-	-	-	-
<b>Lebanese Government bonds:</b>								
Up to one year	-	-	-	-	56,388,038	57,085,083	57,407,183	11.63
1 year to 3 years	-	-	-	-	139,556,684	139,447,544	140,836,578	7.77
3 years to 5 years	-	-	-	-	139,353,659	140,811,393	137,916,516	6.14
5 years to 10 years	-	-	-	-	332,866,553	334,392,009	336,685,741	6.79
Beyond 10 years	-	-	-	-	282,380,378	284,339,762	288,968,051	6.72
	-	-	-	-	<b>950,545,312</b>	<b>956,075,791</b>	<b>961,814,069</b>	
<b>Foreign Government bonds:</b>								
Up to one year	-	-	-	-	78,017,592	77,952,055	77,986,934	0.86
3 years to 5 years	-	-	-	-	100,626,170	100,741,059	108,304,864	4.69
5 years to 10 years	-	-	-	-	45,641,385	45,414,055	47,179,347	4.06
	-	-	-	-	<b>224,285,147</b>	<b>224,107,169</b>	<b>233,471,145</b>	
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>								
Up to one year	171,000,000	172,639,306	173,820,680	7.91	-	-	-	-
1 year to 3 years	257,000,000	257,638,632	262,174,740	7.91	-	-	-	-
3 years to 5 years	42,000,000	41,693,158	42,287,698	7.60	57,888,000	56,839,242	55,982,051	5.30
5 years to 10 years	347,000,000	345,305,897	353,596,367	8.20	45,978,750	44,843,395	44,456,798	5.80
Beyond 10 years	285,000,000	286,860,310	281,482,956	8.87	13,416,750	13,416,750	13,473,854	6.50
	<b>1,102,000,000</b>	<b>1,104,137,303</b>	<b>1,113,362,441</b>		<b>117,283,500</b>	<b>115,099,387</b>	<b>113,912,703</b>	
<b>Corporate bonds and asset - backed securities:</b>								
Up to one year	-	-	-	-	21,108,444	21,057,510	21,107,477	0.50
1 year to 3 years	-	-	-	-	6,586,560	6,469,733	6,591,500	0.33
3 years to 5 years	-	-	-	-	3,601,343	3,604,294	3,590,714	7.00
5 years to 10 years	-	-	-	-	31,509,205	31,509,205	29,908,675	5.57
	-	-	-	-	<b>62,805,552</b>	<b>62,640,742</b>	<b>61,198,366</b>	

The movement of investments classified at amortized cost during 2016 and 2015 is as follows:

	2016		
	LBP LBP'000	F/CY LBP'000	Total LBP'000
Balance, January 1	2,269,451,783	1,357,923,089	3,627,374,872
Acquisition	120,118,443	592,676,845	712,795,288
Swaps	(291,264,252)	301,500,000	10,235,748
Transfer to fair value through profit or loss	-	(294,500,128)	(294,500,128)
Redemption upon maturity	(242,766,809)	(308,881,675)	(551,648,484)
Sale of pledged Lebanese treasury bills	(299,714,629)	-	(299,714,629)
Sale	-	(358,785)	(358,785)
Amortization of discount/premium	(3,116,858)	(181,244)	(3,298,102)
Transfer from fair value through profit or loss	-	62,938,125	62,938,125
Effect of exchange rates changes	-	3,083,700	3,083,700
<b>Balance, December 31</b>	<b>1,552,707,678</b>	<b>1,714,199,927</b>	<b>3,266,907,605</b>

During 2015, the Group executed sales transactions from the amortized cost securities portfolio in foreign currencies, resulting in a total gain of LBP3billion recorded under "Gain from derecognition of financial assets measured at amortized cost" in the consolidated statement of profit or loss.

During 2016, the Group entered into sale transactions of Lebanese treasury bills in Lebanese Pound having a nominal value of LBP8obillion and LBP1obillion classified at amortized cost and fair value through profit or loss, respectively, and certificates of

deposit issued by Central Bank of Lebanon in Lebanese Pound having a nominal value of LBP21obillion classified at amortized cost, concluded simultaneously with the acquisition of certificates of deposit issued by Central Bank of Lebanon in U.S. Dollar with a nominal value of USD200million maturing in years between 2023 and 2029 that were classified at amortized cost funded from the Group's treasury in foreign currencies.

The resulting surplus of the inter-related transactions indicated above, derived from the special and non-conventional deals

	2015		
	LBP LBP'000	F/CY LBP'000	Total LBP'000
Balance, January 1	2,274,672,239	1,024,122,333	3,298,794,572
Acquisition	269,865,577	551,398,594	821,264,171
Swaps	-	(39,663,349)	(39,663,349)
Redemption upon maturity	(272,000,000)	(150,353,540)	(422,353,540)
Sale	-	(4,670,171)	(4,670,171)
Amortization of discount/premium	(3,086,033)	(4,006,750)	(7,092,783)
Effect of exchange rates changes	-	(18,904,028)	(18,904,028)
<b>Balance, December 31</b>	<b>2,269,451,783</b>	<b>1,357,923,089</b>	<b>3,627,374,872</b>

arrangement with the regulator, amounting to LBP118billion, net of tax in the amount of LBP20.7billion, was credited to "Regulatory deferred liability" under other liabilities in the consolidated statement of financial position. (Refer to Note 20).

At the beginning of 2016, the Group sold the pledged Lebanese treasury bills in Lebanese Pounds, having a nominal value of LBP297billion, to settle the revolving loan in the amount of LBP30obillion which matured on January 10, 2016 (Refer to Note 14). This transaction resulted in a

gain on sale (net of tax) of LBP2obillion. In line with the above and following Central Council decision dated January 26, 2016, the Group was exempted from compulsory reserves in foreign currency up to USD200million. This reserve was invested in Lebanese Government bonds and were pledged against it. Interest income on these bonds during 2016 amounted to LBP14billion (net of tax) which was offset, together with the above gain on sale, against the deferred assets account (Note 14).

### C. Investments at Fair Value through Other Comprehensive Income:

The Group has designated investments in equity securities as at fair value through other comprehensive income. The classification was chosen as the investments are expected to be held for a long time.

	December 31, 2016			
	Cost	Allowance for	Carrying Fair Value	Cumulative Change
	LBP'000	Impairment	LBP'000	in Fair Value
		LBP'000		LBP'000
Unquoted equity securities	8,440,165	(300)	17,497,880	9,058,015
Deferred tax liability				(1,338,560)
				<b>7,719,455</b>

	December 31, 2015			
	Cost	Allowance for	Carrying Fair Value	Cumulative Change
	LBP'000	Impairment	LBP'000	in Fair Value
		LBP'000		LBP'000
Unquoted equity securities	8,442,238	(300)	19,381,876	10,939,938
Deferred tax liability				(1,211,397)
Share of non-controlling interests				(33,509)
				<b>9,695,032</b>

The movement of investments at fair value through other comprehensive income during 2016 and 2015 is as follows:

	2016		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance, January 1	15,576,226	3,805,650	19,381,876
Sale	-	(3,084,395)	(3,084,395)
Change in fair value	833,772	339,272	1,173,044
Effect of exchange rates changes	-	27,355	27,355
<b>Balance, December 31</b>	<b>16,409,998</b>	<b>1,087,882</b>	<b>17,497,880</b>

	2015		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance, January 1	15,084,312	670,439	15,754,751
Additions	-	60,323	60,323
Change in fair value	491,914	3,076,458	3,568,372
Effect of exchange rates changes	-	(1,570)	(1,570)
<b>Balance, December 31</b>	<b>15,576,226</b>	<b>3,805,650</b>	<b>19,381,876</b>

On November 2, 2015, Visa Inc. and Visa Europe Ltd announced an agreement for Visa Inc. to acquire Visa Europe Ltd. Consequently, the Cypriot entity booked a positive change in fair value of its investment of EUR1.7million (C/V LBP2.9billion) recorded under “Net change in fair value of investments at fair value through other comprehensive income” in the consolidated statement of profit or loss and other comprehensive income. During 2016, an additional positive change in fair value of EUR115thousand(C/V LBP191million) was recognized before the investment was fully sold. Gain on sale of LBP3.1billion was transferred from other comprehensive income to retained earnings.

## 10. 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 consolidated statement of financial position for the same amount.

## 11. ASSETS ACQUIRED IN SATISFACTION OF LOANS / INVESTMENT PROPERTIES

This section represents foreclosed real estate properties acquired through enforcement of security over loans and advances to customers.

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Assets acquired in satisfaction of loans – Lebanon (a)	85,966,183	89,800,699
Stock of property – Foreign operations (b)	94,394,986	-
	<b>180,361,169</b>	<b>89,800,699</b>
Investment properties – Foreign operations (c)	19,077,305	77,443,175
	<b>199,438,474</b>	<b>167,243,874</b>

### (a) Assets acquired in satisfaction of loans – Lebanon:

According to the Lebanese banking regulations, the acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 or 20 years as applicable. These assets are carried at cost less impairment allowance.

The movement of assets acquired in satisfaction of loans in Lebanon was as follows:

	Cost	Impairment Allowance	Carrying Value
	LBP'000	LBP'000	LBP'000
Balance January 1, 2015	97,981,057	(9,093,538)	88,887,519
Foreclosures	2,497,352	-	2,497,352
Disposals	(1,591,640)	7,468	(1,584,172)
Balance December 31, 2015	98,886,769	(9,086,070)	89,800,699
Foreclosures	378,490	-	378,490
Disposals	(1,121,654)	38,993	(1,082,661)
Transfer to property and equipment	(3,130,345)	-	(3,130,345)
<b>Balance December 31, 2016</b>	<b>95,013,260</b>	<b>(9,047,077)</b>	<b>85,966,183</b>

During 2016, Mdawar Plot No 657 amounting to LBP3billion was transferred from assets acquired in satisfaction of loans to property and equipment, to be used as additional offices for the Bank's head office management, after getting Central Bank's approval dated October 27, 2016.

Gain on disposals of assets acquired in satisfaction of loans amounted to LBP1.4billion (LBP532million in 2015).

### **(b) Stock of property – Foreign operations:**

During 2016, the Group amended its business model with respect to real estate assets acquired from customers in the Cypriot entity. Assessment for the majority of properties previously classified as investment properties, were transferred to stock of property. This has led to a change in the measurement basis of these properties from fair value to the lower of cost and net realizable value.

The movement of stock of property was as follows:

	LBP'000
Balance January 1, 2016	-
Transfers from investment properties	59,077,406
Foreclosures	36,805,914
Effect of exchange rates changes	(1,488,334)
<b>Balance December 31, 2016</b>	<b>94,394,986</b>

### **(c) Investment properties:**

The table below shows the reconciliation of the carrying amounts of foreclosed assets acquired by the Group's foreign entity and presented as investment properties:

	LBP'000
Balance January 1, 2015	56,402,506
Foreclosures	29,478,488
Revaluation loss	(2,388,213)
Effect of exchange rates changes	(6,049,606)
Balance December 31, 2015	77,443,175
Foreclosures	4,160,131
Transfers to stock of property	(59,077,406)
Revaluation loss	(950,806)
Effect of exchange rates changes	(2,497,789)
<b>Balance December 31, 2016</b>	<b>19,077,305</b>

Investment properties are categorized as Level 3 fair values since they are based on real estate market values made by independent real estate experts.

During 2015, the Group's Cypriot entity acquired 75% equity stake in an entity having a primary activity of holding and administering a commercial property held under a long-term lease. The property and the respective finance lease obligation amounted to LBP26billion (C/V EUR16million) and LBP6.6billion (Note 20) respectively. Out of the LBP26billion, LBP7billion was classified under owned properties to be used as a new head office for the Cypriot entity (Note 12). Interest expense on finance lease obligation during 2016 amounted to LBP470million (LBP325million during 2015) (Note 27).

## 12. PROPERTY AND EQUIPMENT

The movement of property and equipment was as follows during 2016 and 2015:

	Balance January 1, 2016 LBP'000	Additions LBP'000	Disposals and Adjustments LBP'000	Transfer between Accounts LBP'000	Translation Adjustment LBP'000	Transfer from assets acquired in satisfaction of loans LBP'000	Balance December 1, 2016 LBP'000
<b>Cost/Revaluation:</b>							
Owned properties	63,719,961	1,946,469	-	-	(497,937)	3,130,345	68,298,838
Computer hardware	21,495,340	893,841	(1,539,234)	89,628	(156,201)	-	20,783,374
Machines and equipment	5,942,149	524,258	(81,337)	(1,741)	(14,773)	-	6,368,556
Furniture and fixtures	7,389,728	310,719	(70,874)	2,387	(57,562)	-	7,574,398
Vehicles	840,818	550,662	(328,956)	-	(7,909)	-	1,054,615
Freehold and leasehold improvements	28,290,922	2,764,893	(548,983)	669,864	(197,901)	-	30,978,795
Buildings under finance lease (Note 11)	6,995,478	168,758	-	-	(356,460)	-	6,807,776
	<b>134,674,396</b>	<b>7,159,600</b>	<b>(2,569,384)</b>	<b>760,138</b>	<b>(1,288,743)</b>	<b>3,130,345</b>	<b>141,866,352</b>
Accumulated depreciation	(52,797,474)	(7,669,018)	2,446,875	-	795,341	-	(57,224,276)
Allowance for impairment of owned properties	(65,308)	-	-	-	-	-	(65,308)
	<b>(52,862,782)</b>	<b>(7,669,018)</b>	<b>2,446,875</b>	<b>-</b>	<b>795,341</b>	<b>-</b>	<b>(57,289,584)</b>
Advance payments	1,330,920	539,038	-	(760,138)	-	-	1,109,820
Net carrying value	<b>83,142,534</b>			<b>-</b>			<b>85,686,588</b>

	Balance January 1, 2015 LBP'000	Additions LBP'000	Disposals and Adjustments LBP'000	Transfer between Accounts LBP'000	Translation Adjustment LBP'000	Transfer from assets acquired in satisfaction of loans LBP'000	Balance December 1, 2015 LBP'000
<b>Cost/Revaluation:</b>							
Owned properties	64,411,214	-	-	-	(691,253)	-	63,719,961
Computer hardware	20,582,741	1,849,835	(363,601)	164,099	(737,733)	-	21,495,341
Machines and equipment	5,435,780	462,180	(35,861)	135,663	(55,610)	-	5,942,152
Furniture and fixtures	7,110,620	149,089	(3,764)	341,592	(207,809)	-	7,389,728
Vehicles	874,787	-	-	-	(33,972)	-	840,815
Freehold and leasehold improvements	25,550,009	1,246,479	-	2,221,605	(727,172)	-	28,290,921
Buildings under finance lease (Note 11)	-	7,162,264	-	(92,818)	(73,966)	-	6,995,480
	<b>123,965,151</b>	<b>10,869,847</b>	<b>(403,226)</b>	<b>2,770,141</b>	<b>(2,527,515)</b>	-	<b>134,674,398</b>
Accumulated depreciation	(47,809,413)	(6,946,803)	400,577	92,818	1,465,346	-	(52,797,475)
Allowance for impairment of owned properties	(65,308)	-	-	-	-	-	(65,308)
	<b>(47,874,721)</b>	<b>(6,946,803)</b>	<b>400,577</b>	<b>92,818</b>	<b>1,465,346</b>	-	<b>(52,862,783)</b>
Advance payments	3,135,095	1,092,930	-	(2,862,959)	-	(34,147)	1,330,919
Net carrying value	<b>79,225,525</b>			-			<b>83,142,534</b>

### 13. INTANGIBLE ASSETS

The movement of intangible assets was as follows during 2016 and 2015:

	Carrying Value January 1, 2016 LBP'000	Additions LBP'000	Amortization for the year LBP'000	Translation Adjustment LBP'000	Carrying Value December 31, 2016 LBP'000
Computer software	2,896,902	1,199,398	(1,368,314)	(32,369)	2,695,617
Key money	39,195	-	(4,020)	-	35,175
	<b>2,936,097</b>	<b>1,199,398</b>	<b>(1,372,334)</b>	<b>(32,369)</b>	<b>2,730,792</b>

	Carrying Value January 1, 2016 LBP'000	Additions LBP'000	Transfer from Advance Payments Under Property and Equipments LBP'000	Amortization for the year LBP'000	Translation Adjustment LBP'000	Carrying Value December 31, 2016 LBP'000
Computer software	3,603,735	801,897	34,147	(1,434,952)	(107,925)	2,896,902
Key money	43,215	-	-	(4,020)	-	39,195
	<b>3,646,950</b>	<b>801,897</b>	<b>34,147</b>	<b>(1,438,972)</b>	<b>(107,925)</b>	<b>2,936,097</b>

## 14. DEFERRED ASSETS

This caption consists of the following:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	LBP'000	LBP'000
Deferred assets on business acquisition (a)	-	1,027,819
Deferred assets against future cash flows (b)	26,935,864	61,944,371
	<b>26,935,864</b>	<b>62,972,190</b>

(a) The movement during the years 2016 and 2015 of deferred assets on business acquisition, which resulted in previous years from acquiring the shares of Lati Bank S.A.L., was as follows:

	LBP'000
Balance January 1, 2015	2,629,333
Amortization for the year	(1,601,514)
Balance, December 31, 2015	1,027,819
Amortization for the year	(1,027,819)
<b>Balance December 31, 2016</b>	<b>-</b>

(b) Net outstanding deferred assets against future cash flows amounting to LBP27billion correspond to the Bank's Cypriot subsidiary's carried over losses incurred since the crisis in Cyprus occurred up to December 31, 2015. These deferred assets are offset against future economic benefits derived from the low yield funding amounting to LBP300million provided by the Central Bank of Lebanon referred to in Note 19, which was redeemed and replaced by exemption from compulsory reserves up to USD200million during 2016. Proceeds of the loan and the compulsory reserves are invested in fixed income securities. The return on these debt securities is appropriated to deferred assets.

The movement of deferred assets against future cash flows during the years 2016 and 2015 was as follows:

	<b>2016</b>	<b>2015</b>
	<b>Counter Value in LBP</b>	<b>Counter Value in LBP</b>
	LBP'000	LBP'000
Net carrying value as at January 1,	61,944,371	84,954,950
Deferred assets originated with offset to present value of contracted future cash flow	-	11,995,957
Write-back of provision on recovered debt (Note 8)	-	(10,083,886)
Write down during the year	(35,051,351)	(15,495,266)
Effect of foreign currency exchange differences	42,844	(9,427,384)
<b>Net carrying value as at December 31,</b>	<b>26,935,864</b>	<b>61,944,371</b>

## 15. GOODWILL

Goodwill resulted from acquiring control of USB Bank PLC (Cyprus) on January 31, 2011.

The recoverable amount of the goodwill allocated to the Cypriot banking unit was estimated at EUR3.7million.

The movement of goodwill during 2016 and 2015 was as follows:

	EURO	Counter Value in LBP LBP'000
Balance as at January 1, 2015	3,681,188	6,750,818
Effect of exchange rates changes	-	(689,227)
Balance as at December 31, 2015	3,681,188	6,061,591
Effect of exchange rates changes	-	(185,347)
<b>Balance as at December 31, 2016</b>	<b>3,681,188</b>	<b>5,876,244</b>

## 16. OTHER ASSETS

This caption consists of the following:

	December 31, 2016 LBP'000	December 31, 2015 LBP'000
Prepayments	12,583,154	13,315,123
Commission receivable	1,005,481	1,210,227
Collateral on dealings with "Visa International"	1,828,414	1,809,462
Sundry debtors (Net)	10,264,695	11,575,140
Regulatory blocked deposit	4,500,000	4,500,000
Fair value of forward exchange contracts	24,728	-
	<b>30,206,472</b>	<b>32,409,952</b>

Sundry debtors are stated net of impairment allowance of LBP3.24billion as at December 31, 2016 and 2015 against advances made in previous years for renovation of the Bank's branches.

Regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the establishment of the subsidiary investment bank during 2012. This deposit is refundable in case of cease of operations, according to article 132 of the Lebanese Code of Money and Credit.

## 17. DEPOSITS FROM BANKS

This caption consists of the following:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Current deposits of banks and financial institutions	1,598,757	1,127,706
Short term deposits	40,082,092	157
Accrued interest payable	224,795	-
	<b>41,905,644</b>	<b>1,127,863</b>

## 18. CUSTOMERS' ACCOUNTS

Customers' accounts at amortized cost are detailed as follows:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
<b>Deposits:</b>		
Current/demand deposits	955,801,525	872,551,243
Term deposits	5,712,287,179	5,603,806,764
Collateral against loans and advances	249,810,282	282,489,226
<b>Margins and other accounts:</b>		
Margins for irrevocable import letters of credit	4,997,441	2,655,076
Margins on letters of guarantee	30,251,297	27,717,368
Other margins	71,120,622	71,828,512
Blocked accounts	4,827,444	6,159,827
<b>Accrued interest payable</b>	<b>41,833,251</b>	<b>40,709,676</b>
<b>Total</b>	<b>7,070,929,041</b>	<b>6,907,917,692</b>

Customers' deposits include related party deposits detailed as follows:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Demand deposits	4,466,271	5,160,950
Term deposits	28,502,036	23,021,847
Collateral against loans and advances	48,010	1,497,395
Margins on letters of guarantee	11,450	11,450
Accrued interest payable	425,893	176,113
	<b>33,453,660</b>	<b>29,867,755</b>

Brackets of deposits were as follows:

	December 31, 2016				
	LBP		F/CY		Total LBP'000
	Total Deposits LBP'000	% Total Deposits	Total Deposits LBP'000	% Total Deposits	
Less than LBP250million	766,216,835	31	924,120,324	20	1,690,337,159
Between LBP250million and LBP1.5billion	798,542,379	32	1,100,564,724	24	1,899,107,103
Above LBP1.5billion	944,635,391	37	2,536,849,388	56	3,481,484,779
	<b>2,509,394,605</b>	<b>100</b>	<b>4,561,534,436</b>	<b>100</b>	<b>7,070,929,041</b>

	December 31, 2015				
	LBP		F/CY		Total LBP'000
	Total Deposits LBP'000	% Total Deposits	Total Deposits LBP'000	% Total Deposits	
Less than LBP250million	759,661,054	30	917,620,983	21	1,677,282,037
Between LBP250million and LBP1.5billion	805,973,176	32	1,040,595,689	24	1,846,568,865
Above LBP1.5billion	988,450,088	38	2,395,616,702	55	3,384,066,790
	<b>2,554,084,318</b>	<b>100</b>	<b>4,353,833,374</b>	<b>100</b>	<b>6,907,917,692</b>

Deposits from customers include coded deposit accounts in the aggregate amount of LBP89billion as at December 31, 2016 (LBP92billion as at December 31, 2015). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which stipulates that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include fiduciary deposits received from resident and non-resident banks for a total amount of LBP41billion and LBP485billion respectively as at December 31, 2016 (LBP40billion and LBP374billion respectively as at December 31, 2015).

The average balance of deposits and related cost of funds over the last 3 years were as follows:

Year	DEPOSITS IN LBP		DEPOSITS IN F/CY		Cost of Funds LBP LBP'000
	Average Balance of Deposits LBP'000	Average Interest Rate %	Average Balance of Deposits LBP'000	Average Interest Rate %	
2016	2,538,000,000	5.69	4,373,000,000	3.22	285,665,273
2015	2,537,000,000	5.70	4,083,000,000	3.09	270,510,289
2014	2,430,000,000	5.70	4,030,000,000	2.97	258,192,967

## 19. OTHER BORROWINGS

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Soft loans from Central Bank of Lebanon (a)	17,734,000	66,499,500
Borrowings from Central Bank of Lebanon (b)	387,050,712	474,949,740
Revolving loan from Central Bank of Lebanon (c)	-	300,000,000
Other borrowings (d)	6,422,111	2,261,250
Accrued interest payable	167,997	4,324,146
	<b>411,374,820</b>	<b>848,034,636</b>

(a) On August 18, 2011 the Bank was granted a soft loan in the amount of LBP48.8billion from the Central Bank of Lebanon for a period of 5 years matured on August 11, 2016. On March 29, 2012, the Bank was granted another soft loan in the amount of LBP17.7billion from the Central Bank of Lebanon for a period of 7 years maturing on March 21, 2019. This loan is collateralized by Lebanese treasury bills (Note 9).

(b) On July 13, 2011 the Bank obtained a Stand-by Line facility from the Central Bank of Lebanon with a limit reaching USD200million out of which USD110million (C/V LBP165.8billion) have been utilized as at December 31, 2015. The facility was collateralized by Lebanese government bonds and during the year 2016, the outstanding balance was settled by the Bank and the facility was closed.

Outstanding facilities granted from the Central Bank of Lebanon in the amount of LBP387billion (LBP309billion as at December 31, 2015) are in accordance with Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against loans the Bank has granted, on its own responsibility, to its customers, pursuant to certain conditions, rules and mechanism. This facility is collateralized by Lebanese treasury bills (Note 9).

(c) On December 30, 2013, the Bank obtained a revolving loan from the Central Bank of Lebanon in the amount of LBP300billion for a period of one year maturing on December 31, 2014 and renewable for one additional year. This loan bears an average interest rate of 2.5% per annum and is collateralized by Lebanese treasury bills (Note 9). The purpose of this loan is to provide low cost funding that allows the Bank to generate positive spread over short term facilities expandable at the request of the borrower. This revolving loan matured and was settled in January 2016.

(d) Other borrowings include a loan for USD5million (C/V LBP7.54billion) obtained from a non-resident specialized investment fund on December 28, 2011. The proceeds of the loan are destined to fund micro, small, and medium enterprises in Lebanon and it is repaid over 5 years through 10 semi-annual payments of USD500,000 each, starting July 2012. USD500,000 was outstanding as at December 31, 2016 (USD1.5million as at December 31, 2015).

Other borrowings also include a facility granted by the Arab Trade Financing Program (ATFP) on January 7, 2011 with a limit of USD4million for unconfirmed line of credit. This facility was granted to enhance trade between Arab countries.

The remaining contractual maturities of all above borrowings are as follows:

	2016	2015
	LBP'000	LBP'000
Up to 1 year	6,590,108	520,422,146
1 to 3 years	17,734,000	753,750
3 to 5 years	-	17,734,000
Over 5 years	387,050,712	309,124,740
	<b>411,374,820</b>	<b>848,034,636</b>

## 20. OTHER LIABILITIES

This caption consists of the following:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Withheld taxes	4,023,873	4,310,294
Deferred tax liability on accrued interest receivable	1,822,720	2,100,868
Deferred tax liability on future dividend distribution of subsidiaries	347,360	254,406
Deferred tax liability on other comprehensive income	1,338,560	1,211,397
Other deferred taxes	239,552	21,840
Due to the National Social Security Fund	669,766	648,036
Checks and incoming payment orders in course of settlement	17,897,578	26,202,464
Blocked capital subscriptions for companies under incorporation	619,764	402,195
Accrued expenses	15,087,685	16,596,020
Financial guarantees	765,674	674,344
Payable to personnel and directors	6,459,040	6,841,742
Sundry accounts payable	23,168,622	23,945,320
Income tax liability (b)	12,273,015	7,283,916
Finance lease obligation (Note 11)	6,506,123	6,575,635
Fair value of forward exchange contracts	-	121,798
Deferred income	650,916	147,199
Regulatory deferred liability (a)	117,511,478	-
Tax payable on deferred contribution (a)	20,737,320	-
	<b>230,119,046</b>	<b>97,337,474</b>

(a) In accordance with the Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016, banks should record the surplus derived from sale of treasury bills and certificates of deposit in Lebanese Pound against investment in medium and long term certificates of deposit in foreign currency issued by the Central Bank of Lebanon under deferred liability which is regulated in nature, and shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit, and that in anticipation of implementation of IFRS 9 for Impairment, as and when quantified effective on January 1, 2018. By virtue of this Circular, 70% of the remaining residual surplus once recognized over time shall be treated as non-distributable income designated and restricted only for appropriation to capital increase.

During the year 2016, as a result of several transactions derived from the special and non-conventional deals arrangement with the Central Bank of Lebanon, the Group received a surplus of LBP118billion, net of tax in the amount of LBP20.7billion, which was credited to "Regulatory deferred liability" under other liabilities and deferred as restricted contribution in anticipation of expected loss provisions that will be deemed to be necessary along with the application of IFRS 9 in accordance with the Central Bank of Lebanon requirements as indicated above (Refer to Note 9).

(b) Below is the reconciliation of income tax expense:

	<b>2016</b>	<b>2015</b>
	LBP'000	LBP'000
Profit before tax	83,776,130	81,078,976
Income tax on enacted applicable rates	17,446,737	14,606,371
Effect of non-deductible expense and non-taxable income	(5,043,454)	(37,643)
Income tax expense	12,403,283	14,568,728
Less: Tax paid in advance	(8,753,765)	(9,849,026)
Additional income tax payable upon derecognition of pledged securities	5,802,353	-
Other	2,821,144	2,564,214
<b>Income tax liability</b>	<b>12,273,015</b>	<b>7,283,916</b>

## 21. PROVISIONS

Provisions consist of the following:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	LBP'000	LBP'000
Provision for staff end-of-service indemnity (a)	5,876,375	5,650,929
Provision for contingencies (b)	1,964,204	3,209,493
Provision for loss on foreign currency position	105,778	32,309
	<b>7,946,357</b>	<b>8,892,731</b>

(a) The movement of the provision for staff end-of-service indemnity was as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	LBP'000	LBP'000
Balance January 1	5,650,929	5,448,341
Additions - net (Note 34)	701,022	345,016
Additions - Legal expenses and sundry charges	-	48,622
Settlements	(475,576)	(191,050)
<b>Balance December 31</b>	<b>5,876,375</b>	<b>5,650,929</b>

Additions are netted by LBP976million representing estimated interest income accumulated by the Lebanese National Social Security Fund (LBP900million during 2015).

(b) The movement of the provision for contingencies was as follows:

	<b>2016</b>	<b>2015</b>
	LBP'000	LBP'000
Balance January 1	3,209,493	3,094,047
Additions	307,350	525,938
Settlements	(878,922)	-
Write-back	(653,118)	-
Write-off against devaluation in investment	-	(299,798)
Effect of exchange rates changes	(20,599)	(110,694)
<b>Balance December 31</b>	<b>1,964,204</b>	<b>3,209,493</b>

## 22. SHARE CAPITAL

On June 3, 2016, the Extraordinary General Assembly of shareholders resolved to increase the Bank's capital by LBP6obillion through issuing common shares having a par value of LBP1,000 each which was subscribed through transferring LBP45billion and LBP15billion from legal reserves and free reserves, respectively. This capital increase was approved by the Central Council of the Central Bank of Lebanon on July 20, 2016.

At December 31, 2016, the Bank's ordinary share capital consists of 213,100,000 fully paid shares of LBP1,000 par value each (152,700,000 fully paid shares of LBP1,000 as at December 31, 2015).

As at 2016 year-end, the Bank has a fixed exchange position in the amount of USD122,508,656, authorized by the Central Bank of Lebanon, to hedge its equity against exchange fluctuations within the limit of 60% of equity denominated in Lebanese Pound (USD58,426,898 as at 2015 year-end).

## 23. PREFERRED SHARES

<b>Tier I Non-Cumulative Perpetual Redeemable preferred shares</b>					
	<b>Issued Date</b>	<b>Number of Shares</b>	<b>Expected Annual Return</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	YEAR		%	LBP'000	LBP'000
Series "A"	2010	400,000	7.00	-	60,300,000
Series "B"	2011	550,000	7.00	82,912,500	82,912,500
Series "C"	2013	350,000	6.75	52,762,501	52,762,501
Series "D"	2016	750,000	6.75	113,062,500	-
				<b>248,737,501</b>	<b>195,975,001</b>

The above shares are Tier I Non-Cumulative Perpetual Redeemable preferred shares at an issue price of USD100 per share with a nominal value of LBP1,000 each.

The preferred shares may be redeemed during the 60 days period following the annual general meeting held to approve the financial statements after 5 years for the related issue date for Series A, B, C and D respectively and each subsequent year thereafter.

## 24. RESERVES

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Legal reserve (a)	7,524,317	45,758,135
Reserve for general banking risks (b)	64,965,120	56,852,380
Special reserve for loans and advances (c)	3,403,478	2,703,478
Free reserves	49,629,972	62,817,044
General reserve for performing loans (d)	3,000,000	945,000
	<b>128,522,887</b>	<b>169,076,037</b>
Regulatory reserve for assets acquired in satisfaction of loans (Note 11)	46,864,449	37,436,066
	<b>175,387,336</b>	<b>206,512,103</b>

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of the yearly net profits. This reserve is not available for distribution.

(b) The reserve for general banking risks is constituted according to local banking regulations, from net profit, 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.

(c) Based on Central Bank of Lebanon circular 73 and Banking Control Commission memo 12/2010 relating to reserve allocation for doubtful debts, the Bank has allocated an amount of LBP3.4billion to special reserve for the uncovered portion of its doubtful debts outstanding as at June 30, 2003 and not yet resolved.

(d) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit to general reserve for performing loans the equivalent of:

- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.

- 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

## 25. DIVIDENDS PAID

The Bank's General Assembly held on June 3, 2016 resolved to distribute preferred shares earnings in the amount of LBP15.4billion.

The Bank's General Assembly held on May 12, 2015 resolved to distribute preferred and regular shares earnings in the amount of LBP13.6billion and LBP19.9billion respectively.

## 26. INTEREST INCOME

This caption consists of the following:

	2016	2015
	LBP'000	LBP'000
<b>Interest income from:</b>		
Deposits with central banks	23,906,392	21,979,888
Deposits with banks and financial institutions	2,385,251	1,797,076
Deposits with a related bank	154,595	145,569
Loan to a bank	112,257	130,008
Investment securities (excluding FVTPL)	236,179,472	228,539,779
Loans and advances to customers	204,757,366	213,483,382
Loans and advances to related parties	315,534	384,459
Interest realized on non-performing loans and advances to customers (Note 8)	5,132,012	10,532,784
Other	8,862	6,009
	<b>472,951,741</b>	<b>476,998,954</b>

Interest income realized on non-performing loans and advances to customers represents recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery/rescheduling agreements are signed with customers.

## 27. INTEREST EXPENSE

This caption consists of the following:

	2016	2015
	LBP'000	LBP'000
<b>Interest expense on:</b>		
Deposits and borrowings from banks	658,926	266,210
Deposit from Parent Bank	12,493	1,315
Soft loans from Central Bank of Lebanon	785,395	1,285,513
Revolving loan and facilities granted from Central Bank of Lebanon	5,184,283	13,944,453
Customers' accounts	284,663,447	269,024,945
Customers' accounts - related parties	1,001,826	1,485,344
Capital securities and bonds issued	-	709,523
Interest on obligation under finance lease (Note 11)	469,809	325,744
Other borrowings	118,593	164,216
	<b>292,894,772</b>	<b>287,207,263</b>

## 28. FEE AND COMMISSION INCOME

This caption consists of the following:

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Commission on documentary credits	1,110,471	1,401,443
Commission on letters of guarantee	2,470,872	2,182,713
Commission on transactions with banks	111,254	77,832
Service fees on customers' transactions	14,119,047	12,721,919
Commission on loans and advances	7,013,421	8,034,197
Commission earned on insurance policies	5,281,660	5,156,699
Commissions on capital market customers' transactions (Note 37)	962,885	840,669
Other	1,713,799	1,875,920
	<b>32,783,409</b>	<b>32,291,392</b>

## 29. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	2016	2015
	LBP'000	LBP'000
Brokerage fees	1,089,576	1,350,282
Commission on transactions with banks and financial institutions	790,681	768,222
Commission paid to car dealers	1,011,979	1,386,152
Other	1,481,372	1,432,751
	<b>4,373,608</b>	<b>4,937,407</b>

## 30. NET INTEREST AND OTHER GAIN / (LOSS) ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	LBP'000	LBP'000
Interest income	9,325,741	9,200,693
Dividends received	397,268	369,146
Net unrealized gain/(loss) (Note 9)	10,985,155	(1,638,914)
Net realized (loss)/gain	(1,427,034)	32,851
	<b>19,281,130</b>	<b>7,963,776</b>

## 31. OTHER OPERATING INCOME

	2016	2015
	LBP'000	LBP'000
Dividend income from investments at fair value through other comprehensive income	1,117,031	1,018,854
Foreign exchange gain	2,846,550	3,795,747
Miscellaneous income	3,677,485	3,185,601
	<b>7,641,066</b>	<b>8,000,202</b>

### 32. STAFF COSTS

	2016	2015
	LBP'000	LBP'000
Salaries	51,558,313	49,316,944
Board of directors' remunerations	4,512,874	5,614,396
Social security contributions	7,193,739	6,952,331
Provision for staff end-of-service indemnities (Note 21)	701,022	345,016
Defined contribution plans	1,352,436	1,249,300
Other staff benefits and costs	14,728,249	13,878,842
	<b>80,046,633</b>	<b>77,356,829</b>

### 33. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	LBP'000	LBP'000
Fees and taxes	3,066,374	2,712,227
Rent and building services	4,639,116	4,483,556
Legal and professional fees	4,395,013	6,026,394
Telephone and postage	1,530,681	1,566,345
Maintenance and repairs	7,740,888	8,356,645
Electricity and water	1,366,908	1,267,765
Heat, light and power	567,960	693,956
Insurance	1,252,569	1,378,607
Advertising and publicity	4,880,535	5,017,204
Public relations and entertainment	750,563	364,170
Printing and stationery	967,197	1,169,384
Subscriptions	2,407,261	2,162,374
Travel	723,760	547,200
Donations	50,109	60,988
Software implementation fees	71,529	103,789
Credit card expenses	1,305,037	1,290,586
Money transport	1,194,084	1,341,722
Cleaning	765,436	781,529
Guards Expenses	527,557	516,887
Miscellaneous expenses	3,547,966	2,804,919
	<b>41,750,543</b>	<b>42,646,247</b>

Legal and professional fees include an amount of LBP226million representing various services provided by the parent bank during 2016 and 2015.

### **34. EARNINGS PER SHARE**

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The computation of the basic earnings per share is based on the Group's net profit before non-recurring income, net of dividends to preferred shareholders and the weighted average number of outstanding shares during each year held by the Group. Following current year capital increase, the weighted average number of shares used for the purpose of computing basic and diluted earnings per share is 187,616,164 shares in 2016 (152,700,000 shares in 2015).

Basic and diluted earnings per share are LBP298 in 2016 (LBP268 in 2015).

### **35. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS**

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

Forward exchange contracts outstanding as of December 31, 2016 and 2015 represent positions held for customers' accounts. The Group entered into such instrument to serve the needs of customers, and these contracts are fully hedged by the Group.

### **36. FIDUCIARY ACCOUNTS**

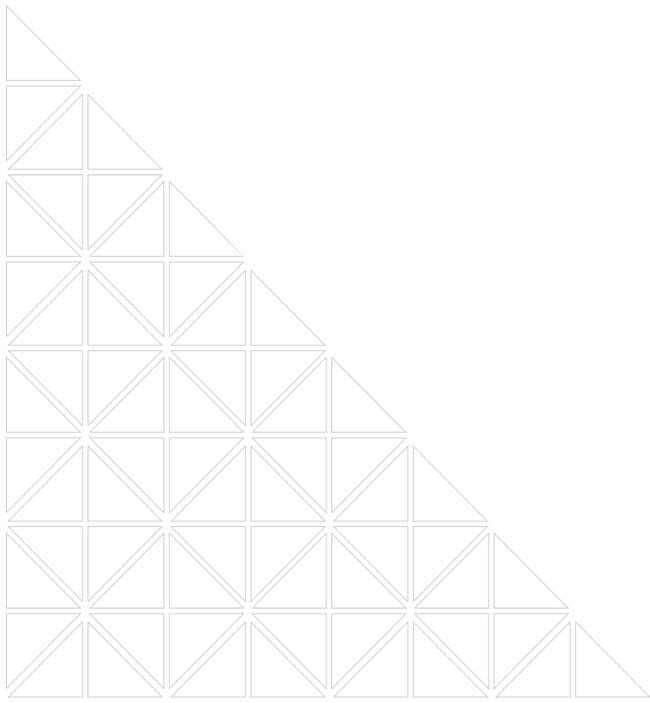
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Fiduciary deposits include deposits invested in back-to-back lending and are related to resident lenders and borrowers in addition to fiduciary deposits held or invested on behalf of the Group's customers on a non-discretionary basis. The risks and rewards of the related operations belong to the account holders.

### **37. ASSETS UNDER MANAGEMENT**

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Assets under management represents BLC Income Fund 1 whose total assets outstanding as at December 31, 2016 amount to LBP17.6billion whereby the Group acts as the fund manager. Management fees equivalent to 1% of the average net asset value of the fund paid during 2016 amounted to LBP129million are recorded under "Commissions on capital market transactions" (Note 28).



### 38. CASH AND CASH EQUIVALENTS

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

	December 31, 2016	December 31, 2015
	LBP'000	LBP'000
Cash on hand	46,187,064	46,961,037
Deposits with central banks (excluding compulsory deposits)	166,623,316	100,965,568
Term placements with central banks (with original maturity of less than 3 months)	299,529,641	40,466,400
Purchased checks	17,928,574	36,073,038
Current accounts with correspondents	209,405,155	139,449,086
Current accounts with related banks and financial institutions	12,442,655	20,428,431
Current accounts with the parent bank	3,888,936	3,539,254
Term placements with correspondents (with original maturity of less than 3 months)	166,866,169	196,910,305
	<b>922,871,510</b>	<b>584,793,119</b>

Major non-cash transactions excluded from the statement of cash flows for the years ended December 31, 2016 and 2015 are summarized as follows:

- (a) Positive change in fair value of investments as at fair value through other comprehensive income of LBP982million and related deferred tax liability of LBP127million (positive change in fair value of LBP3.57billion and related deferred tax liability of LBP106million during 2015).
- (b) Assets and investment properties acquired

in satisfaction of loans in the amount of LBP41.3billion (LBP31.97billion in 2015).

- (c) Write back of provision on recovered debt recorded as deferred asset against loans and advances in the amount of LBP10billion in 2015.
- (d) Property revaluation surplus recorded against property and equipment in the amount of LBP213million (LBP169million in 2015).
- (e) Transfer of LBP34million from property and equipment to intangible assets in 2015.

(f) Transfer of LBP3.1billion from assets acquired in satisfaction of loans to property and equipment in 2016.

(g) Net transfers of LBP231billion between investments at fair value through profit or loss and investments held at amortized cost.

(h) Deferred charges in the amount of LBP35billion were written-down against interest income in the amount of LBP17billion, interest expense in the amount of LBP208million, and investments at amortized cost LBP17.9billion.

## 39. SEGMENT INFORMATION

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A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's reportable segments are as follows:

### **Resident:**

a. Corporate banking - includes services provided in relation to loans and other credit facilities and deposits and current accounts for corporate and institutional customers.

b. Retail banking - includes retail lending and deposits, banking services, insurance brokerage services, overdrafts, credit card facilities, and funds transfer facilities.

c. Treasury - includes treasury management, correspondent banking, proprietary trading, managing reserve and capital requirements, asset/liability management, and foreign exchange transactions.

d. Private banking - includes the operations with private banking clients including fiduciary deposits, equities and bonds trading and others.

e. Others - includes Group's capital, income from sale of assets, soft loans and revolving loan from Central Bank of Lebanon, depreciation, and other income and expenses.

### **Non-Resident:**

The Group's subsidiary in Cyprus operates in a single segment and information is provided for management on that basis.

### 39.1 Distribution of assets and liabilities by segment:

	December 31, 2016							
	RESIDENT					NON-RESIDENT		Total
	Corporate Banking LBP'000	Retail Banking LBP'000	Treasury LBP'000	Private Banking LBP'000	Others LBP'000	Cyprus Entity LBP'000	Elimination LBP'000	
<b>ASSETS</b>								
Cash and banks	895,741	36,646,158	1,569,566,975	-	-	145,348,592	-	1,752,457,466
Loan to a bank	-	-	4,233,915	-	-	-	-	4,233,915
Investments securities at FVTPL	-	-	103,286,694	-	-	296,638,771	-	399,925,465
Loans and advances to customers	1,025,366,781	1,231,638,358	-	13,155,953	-	519,573,994	-	2,789,735,086
Investments securities at amortized cost	7,384,053	2,564,239,666	-	729,060,401	18,065,655	-	-	3,318,749,775
Investments securities at FVTOCI	237,198	-	-	-	17,260,682	-	-	17,497,880
Customers' liability under acceptances	33,836,057	50,328	-	-	-	-	-	33,886,385
Goodwill	-	-	-	-	5,876,244	-	-	5,876,244
Other assets	4,543,980	207,968	-	-	205,708,984	134,537,259	-	344,998,191
Inter-segments	-	716,105,147	-	543,617,517	746,990,302	-	(2,006,712,966)	-
<b>Total Assets</b>	<b>1,072,263,810</b>	<b>4,548,887,625</b>	<b>1,677,087,584</b>	<b>1,285,833,871</b>	<b>993,901,867</b>	<b>1,096,098,616</b>	<b>(2,006,712,966)</b>	<b>8,667,360,407</b>
<b>LIABILITIES</b>								
Deposits from banks	-	-	39,662,240	-	-	2,243,404	-	41,905,644
Customers' accounts	523,096,668	4,298,566,872	-	1,285,833,871	-	963,431,630	-	7,070,929,041
Liability under acceptances	33,886,385	-	-	-	-	-	-	33,886,385
Other borrowings	145,596,276	247,907,173	-	-	17,871,371	-	-	411,374,820
Other liabilities and provisions	360,330	2,413,580	36,529	-	220,545,917	14,709,047	-	238,065,403
Inter-segments	369,324,151	-	1,637,388,815	-	-	-	(2,006,712,966)	-
<b>Total Liabilities</b>	<b>1,072,263,810</b>	<b>4,548,887,625</b>	<b>1,677,087,584</b>	<b>1,285,833,871</b>	<b>238,417,288</b>	<b>980,384,081</b>	<b>(2,006,712,966)</b>	<b>7,796,161,293</b>

	December 31, 2015							
	RESIDENT					NON-RESIDENT		Total
	Corporate Banking LBP'000	Retail Banking LBP'000	Treasury LBP'000	Private Banking LBP'000	Others LBP'000	Cyprus Entity LBP'000	Elimination LBP'000	
<b>ASSETS</b>								
Cash and banks	855,683	36,220,931	1,343,769,162	-	-	111,798,679	-	1,492,644,455
Loan to a bank	-	-	4,939,568	-	-	-	-	4,939,568
Investments securities at FVTPL	-	-	193,187,329	-	-	-	-	193,187,329
Loans and advances to customers	1,092,798,545	1,167,612,753	-	19,855,302	11,044,325	583,885,970	-	2,875,196,895
Investments securities at amortized cost	31,937,626	2,502,467,260	-	519,395,866	372,108,524	258,948,902	-	3,684,858,178
Investments securities at FVTOCI	102,610	-	-	-	16,415,311	2,863,955	-	19,381,876
Customers' liability under acceptances	29,599,306	-	-	-	-	117,787	-	29,717,093
Goodwill	-	-	-	-	6,061,591	-	-	6,061,591
Other assets	4,683,674	288,696	-	-	244,816,797	98,915,480	-	348,704,647
Inter-segments	-	639,826,746	-	596,553,844	491,349,365	-	(1,727,729,955)	-
<b>Total Assets</b>	<b>1,159,977,444</b>	<b>4,346,416,386</b>	<b>1,541,896,059</b>	<b>1,135,805,012</b>	<b>1,141,795,913</b>	<b>1,056,530,773</b>	<b>(1,727,729,955)</b>	<b>8,654,691,632</b>
<b>LIABILITIES</b>								
Deposits from banks	-	-	1,127,863	-	-	-	-	1,127,863
Customers' accounts	603,688,809	4,208,887,377	-	1,135,805,012	-	959,536,494	-	6,907,917,692
Liability under acceptances	29,599,306	-	-	-	-	117,787	-	29,717,093
Other borrowings	173,902,570	137,529,009	165,825,000	-	370,778,057	-	-	848,034,636
Other liabilities and provisions	-	-	-	-	85,971,965	20,258,240	-	106,230,205
Inter-segments	352,786,759	-	1,374,943,196	-	-	-	(1,727,729,955)	-
<b>Total Liabilities</b>	<b>1,159,977,444</b>	<b>4,346,416,386</b>	<b>1,541,896,059</b>	<b>1,135,805,012</b>	<b>456,750,022</b>	<b>979,912,521</b>	<b>(1,727,729,955)</b>	<b>7,893,027,489</b>

The geographical distribution of assets and liabilities is disclosed in Note 41.

### 39.2 Distribution of profit and loss by segment:

	Year Ended December 31, 2016						
	RESIDENT					NON-RESIDENT	Total
	Corporate Banking	Retail Banking	Treasury	Private Banking	Others	Cyprus Entity	
LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
Net interest income	51,126,392	66,393,978	24,367,188	(4,631,319)	2,050,139	40,750,591	180,056,969
Net commission income	6,375,232	18,393,812	(560,070)	1,805,901	(247,397)	2,642,323	28,409,801
Net interest and other gain on investments at FVTPL	-	-	8,841,885	-	-	10,439,245	19,281,130
Other operating and non-operating income	186,535	633,883	4,030,092	839,695	554,184	1,396,677	7,641,066
Net impairment on loans and advances to customers	(980,867)	(568,806)	-	-	164,363	(20,172,888)	(21,558,198)
Change in fair value of investment properties	-	-	-	-	-	(950,806)	(950,806)
Other (expense)/income - Net	(22,927,889)	(75,180,474)	(5,838,091)	(3,740,531)	9,159,507	(30,576,354)	(129,103,832)
Income tax expense	(3,253,442)	(2,071,243)	-	(2,071,541)	(5,007,057)	-	(12,403,283)
	<b>30,525,961</b>	<b>7,601,150</b>	<b>30,841,004</b>	<b>(7,797,795)</b>	<b>6,673,739</b>	<b>3,528,788</b>	<b>71,372,847</b>
Inter-segment	(26,433,680)	(533,714)	(43,659,357)	17,785,388	52,841,363	-	-
<b>Residual net income</b>	<b>4,092,281</b>	<b>7,067,436</b>	<b>(12,818,353)</b>	<b>9,987,593</b>	<b>59,515,102</b>	<b>3,528,788</b>	<b>71,372,847</b>



	<b>Year Ended December 31, 2015</b>						
	RESIDENT					NON-RESIDENT	
	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Treasury</b>	<b>Private Banking</b>	<b>Others</b>	<b>Cyprus Entity</b>	<b>Total</b>
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Net interest income	63,978,618	71,904,769	15,510,441	(13,859,812)	4,823,428	47,434,247	189,791,691
Net commission income	7,065,610	17,092,779	(569,127)	889,097	(69,028)	2,944,654	27,353,985
Net interest and other gain on investments at FVTPL	-	-	7,963,776	-	-	-	7,963,776
Other operating and non-operating income	111,854	60,048	7,854,419	1,006,216	842,911	1,121,292	10,996,740
Net impairment on loans and advances to customers	(637,377)	(5,057,856)	-	-	1,099,040	(31,656,920)	(36,253,113)
Income generated from contractual future cash flows	-	-	-	-	11,995,957	-	11,995,957
Change in fair value of investment properties	-	-	-	-	-	(2,388,213)	(2,388,213)
Other (expense)/income - Net	(16,319,197)	(72,630,000)	(5,131,493)	(4,890,859)	-	(29,410,298)	(128,381,847)
Income tax expense	(4,500,393)	(2,467,922)	(1,050,142)	48,214	(6,598,485)	-	(14,568,728)
	<b>49,699,115</b>	<b>8,901,818</b>	<b>24,577,874</b>	<b>(16,807,144)</b>	<b>12,093,823</b>	<b>(11,955,238)</b>	<b>66,510,248</b>
Inter-segment	(28,253,744)	2,209,588	(23,557,481)	15,796,288	33,805,349	-	-
<b>Residual net income</b>	<b>21,445,371</b>	<b>11,111,406</b>	<b>1,020,393</b>	<b>(1,010,856)</b>	<b>45,899,172</b>	<b>(11,955,238)</b>	<b>66,510,248</b>

#### 40. COLLATERAL GIVEN

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

	December 31, 2016				December 31, 2015
	Amount of Pledged Assets LBP'000	CORRESPONDING FACILITIES			Amount of Pledged Assets LBP'000
		Maturity Date LBP'000	Amount of Facility LBP'000	Nature of Facility	
Lebanese treasury bills	-	-	-	Revolving loan from Central Bank of Lebanon	300,000,000
Lebanese treasury bills	-	-	-	Soft loan from Central Bank of Lebanon	48,765,500
Lebanese treasury bills	17,734,000	March 21, 2019	17,734,000	Soft loan from Central Bank of Lebanon	17,734,000
Lebanese Government bonds	301,500,000	July 1, 2018	301,500,000	Exemption of regulatory Reserve with Central Bank of Lebanon	174,267,000
Lebanese treasury bills	338,437,440	Revolving	387,050,712	Facilities from Central Bank of Lebanon	35,744,910



## 41. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Group is exposed to various risks which are managed and maintained at each Group entity level by applying its own processes of identification, measurement and monitoring.

### A. Credit Risk

Credit risk is the risk of financial loss to the Group if 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 to customers 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. Concentration of credit risk indicates the relative sensitivity of the Group's performance affecting a particular industry or geographical location.

#### 1. Management of Credit Risk

The Board of Directors has the responsibility to approve the general credit policy as recommended by the Credit Committee.

The Credit Committee has the responsibility for the development of the credit function strategy and implementing principles, frameworks, policies and limits.

#### 2. Measurement of Credit Risk

##### (a) Loans and advances to customers

The commercial and consumer credit extension divisions manage credit risk based on the risk profile of the borrower, repayment source and the nature of the underlying collateral given current events and conditions.

Assessment of the credit risk profile of an individual counterparty is based on an analysis of the borrower's financial position in conjunction with current industry, economic and macro geopolitical trends. As part of the overall credit risk assessment of a borrower, each credit exposure or transaction is assigned a risk rating and is subject to the Credit Committee's approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are adjusted on an ongoing basis, if necessary, to reflect changes in the obligor's financial condition, cash flows or ongoing financial viability.

The Group assesses the probability of default of individual counterparties and classifies these commitments to reflect the probability of default as listed below:

**Watch List:** Debts that are not impaired but for which management determines that they require special monitoring due to a deficiency in the credit file regarding collateral, financial position or profitability.

**Past due but not impaired:** Debts where contractual interest or principal are past due but management believes that classification as impaired is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed.

**Rescheduled debts:** Debts that have been restructured after they have been classified as substandard or doubtful and where the Group has made concessions that it would not otherwise consider. Once a loan is restructured, the last classification as substandard or doubtful does not change.

**Substandard debts:** Debts that have characteristics such as significant deterioration in profitability and cash flows for a long period and in collateral, the occurrence of recurring delays in settlement of maturing payments, or which facilities are not utilized for the purpose they were intended for.

**Doubtful or bad debts:** Debts that have the characteristics of substandard debts, in addition to being considered to be at a higher degree of risk due to the continued deterioration of the debtor's situation and

the adequacy of collateral, the discontinuity of deposit movement or repayment, or no respect of the maturities of the rescheduling of the debt for a period exceeding 3 months from maturity date. The debt becomes bad when the expected amount to be collected is nil or negligible.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established in respect of losses that management considers have been increased but not been identified as loans subject to individual assessment for impairment.

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines it will not be collectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such as the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure or financial instruments.

### **(b) Debt securities**

The risk of the debt instruments included in the investment portfolio relates mainly to sovereign risk.

### **3. Risk Mitigation Policies**

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.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of a reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

### **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 deposits with banks and financial institutions and loans and advances:

#### **(a.1) Distribution of deposits with banks and financial institutions by brackets:**

	December 31, 2016			December 31, 2015		
	Balance	% to Total	No. of Counterparties	Balance	% to Total	No. of Counterparties
	LBP'000	%		LBP'000	%	
Less than LBP5billion	27,947,922	6	38	40,076,868	9	38
From LBP5billion to LBP15billion	101,036,820	23	11	57,604,028	12	7
From LBP15billion to LBP30billion	51,411,950	12	3	135,407,039	29	8
From LBP30billion to LBP50billion	264,607,691	59	5	232,904,910	50	5
	<b>445,004,383</b>	<b>100</b>	<b>57</b>	<b>465,992,845</b>	<b>100</b>	<b>58</b>

#### **(a.2) Distribution of performing loans and advances to customers by brackets (regular and watch list):**

	December 31, 2016			December 31, 2015		
	Balance	% to Total	No. of Counterparties	Balance	% to Total	No. of Counterparties
	LBP'000	%		LBP'000	%	
Less than LBP0.5billion	1,221,917,616	50	53,463	1,184,236,205	47	53,431
From LBP0.5billion to LBP1.5billion	258,628,091	10	322	256,362,071	10	323
More than LBP1.5billion	969,067,440	40	175	1,070,979,454	43	184
	<b>2,449,613,147</b>	<b>100</b>	<b>53,960</b>	<b>2,511,577,730</b>	<b>100</b>	<b>53,938</b>

(a.3) Details of the Group's exposure to credit risk with respect to loans and advances to customers:

	December 31, 2016			Carrying Values of Collaterals Received							Lesser of Individual Exposure or Total Guarantees LBP'000
	Gross Exposure Net of Unrealized Interest and Discount LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Bank Guarantees LBP'000	First & Second Degree Mortgage on Properties LBP'000	Equity Securities LBP'000	Debt Securities LBP'000	Others LBP'000	Total Guarantees LBP'000	
Performing	2,449,613,147	-	2,449,613,147	339,718,259	72,434,742	1,420,532,820	7,884,064	211,050	532,360,253	2,373,141,188	1,683,101,567
Substandard	32,875,990	-	32,875,990	158,282	1,141,686	23,150,750	-	-	7,733,042	32,183,760	26,513,511
Doubtful	482,505,148	(131,990,748)	350,514,400	564,736	5,361,854	291,214,704	830,604	-	12,928,186	310,900,084	283,488,640
Loss	41,660,001	(41,660,001)	-	78,776	1,448,756	2,330,927	-	-	25,838,280	29,696,739	11,857,428
Loan portfolio purchased	2,148,399	-	2,148,399	-	-	-	-	-	-	-	2,148,399
Collective provision	-	(45,416,850)	(45,416,850)	-	-	-	-	-	-	-	-
	<b>3,008,802,685</b>	<b>(219,067,599)</b>	<b>2,789,735,086</b>	<b>340,520,053</b>	<b>80,387,038</b>	<b>1,737,229,201</b>	<b>8,714,668</b>	<b>211,050</b>	<b>578,859,761</b>	<b>2,745,921,771</b>	<b>2,007,109,545</b>

	December 31, 2015			Carrying Values of Collaterals Received							Lesser of Individual Exposure or Total Guarantees LBP'000
	Gross Exposure Net of Unrealized Interest and Discount LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Bank Guarantees LBP'000	First & Second Degree Mortgage on Properties LBP'000	Equity Securities LBP'000	Debt Securities LBP'000	Others LBP'000	Total Guarantees LBP'000	
Performing	2,511,577,730	-	2,511,577,730	246,477,501	78,178,231	1,366,294,553	7,167,266	211,050	420,445,405	2,118,774,006	1,682,370,684
Substandard	31,461,614	-	31,461,614	36,853	1,540,682	25,790,415	-	-	4,415,525	31,783,475	28,452,382
Doubtful	494,121,841	(116,427,950)	377,693,891	481,779	3,550,953	342,510,148	1,003,346	-	11,437,967	358,984,193	328,498,031
Loss	38,983,394	(38,983,394)	-	34,529	1,634,762	2,066,336	-	-	12,042,920	15,778,547	9,904,990
Loan portfolio purchased	2,226,266	-	2,226,266	-	-	-	-	-	-	-	2,226,266
Collective provision	-	(47,762,606)	(47,762,606)	-	-	-	-	-	-	-	-
	<b>3,078,370,845</b>	<b>(203,173,950)</b>	<b>2,875,196,895</b>	<b>247,030,662</b>	<b>84,904,628</b>	<b>1,736,661,452</b>	<b>8,170,612</b>	<b>211,050</b>	<b>448,341,817</b>	<b>2,525,320,221</b>	<b>2,051,452,353</b>

Overdue but not impaired loans as at December 31, 2016 and 2015 are as follows:

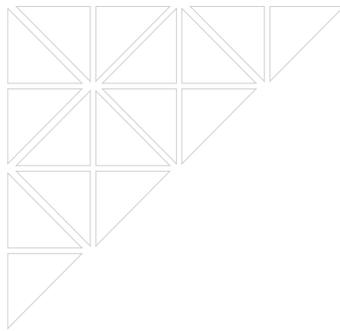
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	LBP'000	LBP'000
Between 60 and 90 days	17,963,000	90,928,000
Between 90 and 180 days	25,516,000	16,527,000
Between 180 and 360 days	41,655,000	3,578,000
Over 360 days	523,600	103,000
	<b>85,657,600</b>	<b>111,136,000</b>

Above overdue accounts relate to Group entities operating in the following geographic locations:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	LBP'000	LBP'000
Lebanon	82,401,000	84,041,000
Cyprus	3,256,600	27,095,000
	<b>85,657,600</b>	<b>111,136,000</b>

(a.4) Concentration of major financial assets and liabilities by geographical location:

	December 31, 2016					
	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
<b>FINANCIAL ASSETS</b>						
Cash and central banks	1,199,963,181	-	-	107,489,902	-	1,307,453,083
Deposits with banks and financial institutions	58,360,179	1,128,089	98,003,207	285,054,404	2,458,504	445,004,383
Loan to a bank	4,233,915	-	-	-	-	4,233,915
Investments at fair value through profit or loss	94,949,158	-	8,666,176	296,310,131	-	399,925,465
Loans and advances to customers	2,206,919,409	51,759,402	4,017,049	524,291,215	2,748,011	2,789,735,086
Investments at amortized cost	3,318,749,775	-	-	-	-	3,318,749,775
Investments at fair value through other comprehensive income	17,497,880	-	-	-	-	17,497,880
<b>Total</b>	<b>6,900,673,497</b>	<b>52,887,491</b>	<b>110,686,432</b>	<b>1,213,145,652</b>	<b>5,206,515</b>	<b>8,282,599,587</b>
<b>FINANCIAL LIABILITIES</b>						
Deposits from banks	767,006	38,548,325	8,458	2,581,855	-	41,905,644
Customers' accounts	4,773,186,013	596,607,314	95,195,647	1,521,893,692	84,046,375	7,070,929,041
Other borrowings	404,922,082	5,681,939	-	770,799	-	411,374,820
<b>Total</b>	<b>5,178,875,101</b>	<b>640,837,578</b>	<b>95,204,105</b>	<b>1,525,246,346</b>	<b>84,046,375</b>	<b>7,524,209,505</b>



	<b>December 31, 2015</b>					
	<b>Lebanon</b> LBP'000	<b>Middle East and Africa</b> LBP'000	<b>North America</b> LBP'000	<b>Europe</b> LBP'000	<b>Other</b> LBP'000	<b>Total</b> LBP'000
<b>FINANCIAL ASSETS</b>						
Cash and central banks	993,457,156	-	-	33,194,454	-	1,026,651,610
Deposits with banks and financial institutions	101,938,256	96,943,937	42,395,438	222,355,961	2,359,253	465,992,845
Loan to a bank	4,939,568	-	-	-	-	4,939,568
Investments at fair value through profit or loss	163,431,999	-	-	29,755,330	-	193,187,329
Loans and advances to customers	2,220,015,906	51,567,475	3,749,730	596,210,142	3,653,642	2,875,196,895
Investments at amortized cost	3,425,550,491	-	-	234,314,567	24,993,120	3,684,858,178
Investments at fair value through other comprehensive income	16,517,921	-	-	2,863,955	-	19,381,876
<b>Total</b>	<b>6,925,851,297</b>	<b>148,511,412</b>	<b>46,145,168</b>	<b>1,118,694,409</b>	<b>31,006,015</b>	<b>8,270,208,301</b>
<b>FINANCIAL LIABILITIES</b>						
Deposits from banks	269,713	490,918	9,202	358,030	-	1,127,863
Customers' accounts	4,796,100,182	552,840,119	42,047,406	1,435,862,520	81,067,465	6,907,917,692
Other borrowings	845,727,797	-	-	2,306,839	-	848,034,636
<b>Total</b>	<b>5,642,097,692</b>	<b>553,331,037</b>	<b>42,056,608</b>	<b>1,438,527,389</b>	<b>81,067,465</b>	<b>7,757,080,191</b>

## **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 management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels due to changes in their business operations or unanticipated events. Through Assets and Liabilities Committee, the Board of Directors is responsible for establishing the liquidity policy as well as approving operating and contingency procedures and monitoring liquidity on an ongoing basis. The treasury department is responsible for planning and executing their funding activities and strategy.

Liquidity management and business unit activities are managed consistent with a strategy of funding stability, flexibility and diversity. It includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met;
- Maintenance of a portfolio of liquid and marketable assets;
- Daily and forecast cash flow management;
- Implementation of long-term funding strategies.

The cumulative impact of these various elements is monitored on at least monthly basis by ALCO. Monitoring and reporting take the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection data of the financial assets.

### **2. Exposure to liquidity risk**

#### ***Regulatory requirements***

The Group ensures that it is in compliance with the liquidity limits in Lebanese Pound and foreign currencies as established by the Central Bank of Lebanon.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values). The expected maturities vary significantly from the contractual maturities namely with regard to customers' deposits.

	December 31, 2016					
	Up to 3 months	3 Months to 1 Year	1 Year to 3 Years	3 Years to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from banks	15,583,483	23,925,801	-	-	2,396,360	41,905,644
Customers' accounts at amortized cost	5,748,999,836	1,319,228,757	1,705,606	214,580	780,262	7,070,929,041
Other borrowings	921,748	5,668,360	17,734,000	-	387,050,712	411,374,820
	<b>5,765,505,067</b>	<b>1,348,822,918</b>	<b>19,439,606</b>	<b>214,580</b>	<b>390,227,334</b>	<b>7,524,209,505</b>

	December 31, 2015					
	Up to 3 months	3 Months to 1 Year	1 Year to 3 Years	3 Years to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from banks	1,127,863	-	-	-	-	1,127,863
Customers' accounts at amortized cost	5,616,348,530	1,277,577,860	12,161,540	882,299	947,463	6,907,917,692
Other borrowings	305,077,896	215,344,250	753,750	17,734,000	309,124,740	848,034,636
	<b>5,922,554,289</b>	<b>1,492,922,110</b>	<b>12,915,290</b>	<b>18,616,299</b>	<b>310,072,203</b>	<b>7,757,080,191</b>

## C. Market Risk

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.

### Currency risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign currency denominated loans, foreign currency denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions, and foreign currency denominated debt.

### Exposure to foreign exchange risk:

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

	December 31, 2016					
	LBP LBP'000	USD LBP'000	EURO LBP'000	GBP LBP'000	Other LBP'000	Total LBP'000
<b>ASSETS</b>						
Cash and central banks	878,526,899	318,899,193	109,153,175	859,258	14,558	1,307,453,083
Deposits with banks and financial institutions	29,190,291	253,669,821	136,094,593	17,955,913	8,093,765	445,004,383
Loan to a bank	4,233,915	-	-	-	-	4,233,915
Investments at fair value through profit or loss	62,946,982	37,831,650	299,146,833	-	-	399,925,465
Loans and advances to customers	817,503,161	1,448,345,236	519,565,104	759,866	3,561,719	2,789,735,086
Investments at amortized cost	1,582,215,267	1,736,534,508	-	-	-	3,318,749,775
Investments at fair value through other comprehensive income	16,410,099	1,022,078	65,703	-	-	17,497,880
Customers' liability under acceptances	453,229	18,495,519	13,767,361	-	1,170,276	33,886,385
Assets acquired in satisfaction of loans	13,177,917	72,788,266	94,394,986	-	-	180,361,169
Investment properties	-	-	19,077,305	-	-	19,077,305
Property and equipment	70,126,769	-	15,559,819	-	-	85,686,588
Intangible assets	1,740,708	-	990,085	-	-	2,730,793
Deferred assets	-	26,935,864	-	-	-	26,935,864
Goodwill	-	-	5,876,244	-	-	5,876,244
Other assets	15,738,211	9,890,921	4,524,433	11,584	16,595	30,181,744
<b>Total assets</b>	<b>3,492,263,448</b>	<b>3,924,413,056</b>	<b>1,218,215,641</b>	<b>19,586,621</b>	<b>12,856,913</b>	<b>8,667,335,679</b>
<b>LIABILITIES</b>						
Deposits from banks	428,727	38,906,493	2,561,966	-	8,458	41,905,644
Customers' accounts	2,509,394,604	3,358,313,476	1,175,911,524	19,551,445	7,757,992	7,070,929,041
Liability under acceptances	453,229	18,495,519	13,767,361	-	1,170,276	33,886,385
Other borrowings	404,922,082	6,452,738	-	-	-	411,374,820
Other liabilities	188,609,489	26,332,194	15,120,823	54,049	2,491	230,119,046
Provisions	6,854,945	1,091,412	-	-	-	7,946,357
<b>Total Liabilities</b>	<b>3,110,663,076</b>	<b>3,449,591,832</b>	<b>1,207,361,674</b>	<b>19,605,494</b>	<b>8,939,217</b>	<b>7,796,161,293</b>
Currency to be received	-	17,401,277	13,709,627	-	12,142,184	43,253,088
Currency to be delivered	-	(17,396,472)	(13,709,420)	-	(12,122,468)	(43,228,360)
	-	<b>4,805</b>	<b>207</b>	-	<b>19,716</b>	<b>24,728</b>
<b>Net assets</b>	<b>381,600,372</b>	<b>474,826,029</b>	<b>10,854,174</b>	<b>(18,873)</b>	<b>3,937,412</b>	<b>871,199,114</b>

	December 31, 2015					
	LBP LBP'000	USD LBP'000	EURO LBP'000	GBP LBP'000	Other LBP'000	Total LBP'000
<b>ASSETS</b>						
Cash and central banks	451,798,803	536,735,681	35,710,459	2,390,905	15,762	1,026,651,610
Deposits with banks and financial institutions	47,271,297	226,311,630	158,828,316	22,592,091	10,989,511	465,992,845
Loan to a bank	4,939,568	-	-	-	-	4,939,568
Investments at fair value through profit or loss	72,275,794	120,911,535	-	-	-	193,187,329
Loans and advances to customers	721,056,154	1,571,782,811	577,453,131	1,141,510	3,763,289	2,875,196,895
Investments at amortized cost	2,307,923,885	1,124,488,577	252,445,716	-	-	3,684,858,178
Investments at fair value through other comprehensive income	15,576,327	873,818	2,931,731	-	-	19,381,876
Customers' liability under acceptances	150,000	16,150,966	7,069,935	276,921	6,069,271	29,717,093
Assets acquired in satisfaction of loans	13,466,167	76,334,532	-	-	-	89,800,699
Investment properties	-	-	77,443,175	-	-	77,443,175
Property and equipment	67,346,399	-	15,796,135	-	-	83,142,534
Intangible assets	2,025,759	-	910,338	-	-	2,936,097
Deferred assets	1,027,819	54,470,155	7,474,216	-	-	62,972,190
Goodwill	-	-	6,061,591	-	-	6,061,591
Other assets	17,184,517	12,233,201	2,959,025	17,231	15,978	32,409,952
<b>Total assets</b>	<b>3,722,042,489</b>	<b>3,740,292,906</b>	<b>1,145,083,768</b>	<b>26,418,658</b>	<b>20,853,811</b>	<b>8,654,691,632</b>
<b>LIABILITIES</b>						
Deposits from banks	55,142	602,987	144,885	-	324,849	1,127,863
Customers' accounts	2,554,084,317	3,160,863,856	1,158,523,620	25,476,366	8,969,533	6,907,917,692
Liability under acceptances	150,000	16,150,966	7,069,935	276,921	6,069,271	29,717,093
Other borrowings	679,880,485	168,154,151	-	-	-	848,034,636
Other liabilities	44,488,372	31,441,847	20,141,441	1,110,487	33,529	97,215,676
Provisions	6,951,411	1,267,602	673,718	-	-	8,892,731
<b>Total Liabilities</b>	<b>3,285,609,727</b>	<b>3,378,481,409</b>	<b>1,186,553,599</b>	<b>26,863,774</b>	<b>15,397,182</b>	<b>7,892,905,691</b>
Currency to be received	-	29,962,785	66,659,046	2,623,141	36,430,738	135,675,710
Currency to be delivered	(1,514,000)	(82,535,995)	(14,443,266)	(2,232,460)	(35,071,787)	(135,797,508)
	<b>(1,514,000)</b>	<b>(52,573,210)</b>	<b>52,215,780</b>	<b>390,681</b>	<b>1,358,951</b>	<b>(121,798)</b>
<b>Net assets</b>	<b>434,918,762</b>	<b>309,238,287</b>	<b>10,745,949</b>	<b>(54,435)</b>	<b>6,815,580</b>	<b>761,664,143</b>

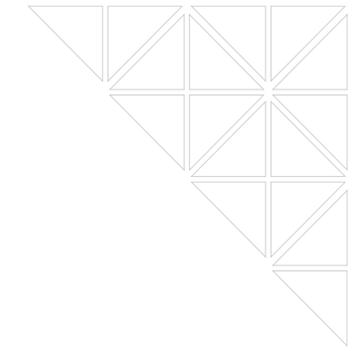
### Interest rate risk

Interest rate risk represents exposures to instruments whose values vary with the level of volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Interest rate repricing gap is used to estimate the impact on earnings of an adverse movement in interest rates.

### Exposure to Interest rate risk

Below is a summary of the Group's interest rate gap position on major financial assets and liabilities reflected at carrying amounts at year end by repricing time bands:

	Weighted Average Interest rate %	December 31, 2016						
		Not Subject to Interest LBP'000	Less than 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
<b>ASSETS</b>								
Cash and central banks	2.51	303,558,200	519,823,878	22,731,005	-	35,290,000	426,050,000	1,307,453,083
Deposits with banks and financial institutions	0.61	247,026,244	197,978,139	-	-	-	-	445,004,383
Loan to a bank	2.66	33,915	4,200,000	-	-	-	-	4,233,915
Investment securities at fair value through profit or loss	4.15	18,054,478	146,503,172	6,034,461	55,061,625	106,334,082	67,937,647	399,925,465
Loans and advances to customers	8.42	332,870,545	2,165,426,193	26,920,446	97,067,455	15,920,085	151,530,362	2,789,735,086
Investment securities at amortized cost	6.64	59,176,132	197,864,527	178,371,532	595,214,612	441,535,397	1,846,587,575	3,318,749,775
Investment securities at fair value through other comprehensive income	-	17,497,880	-	-	-	-	-	17,497,880
		<b>978,217,394</b>	<b>3,231,795,909</b>	<b>234,057,444</b>	<b>747,343,692</b>	<b>599,079,564</b>	<b>2,492,105,584</b>	<b>8,282,599,587</b>
<b>LIABILITIES</b>								
Deposits from banks and financial institutions	5.16	1,821,782	15,075,002	22,612,500	-	-	2,396,360	41,905,644
Customers' accounts	4.12	613,009,334	5,494,386,486	960,832,771	1,705,606	214,580	780,264	7,070,929,041
Other borrowings	1.42	167,998	18,487,750	392,719,072	-	-	-	411,374,820
		<b>614,999,114</b>	<b>5,527,949,238</b>	<b>1,376,164,343</b>	<b>1,705,606</b>	<b>214,580</b>	<b>3,176,624</b>	<b>7,524,209,505</b>



	Weighted Average Interest rate %	December 31, 2015						
		Not Subject to Interest LBP'000	Less than 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000
<b>ASSETS</b>								
Cash and central banks	2.31	229,378,395	551,303,682	60,969,533	-	-	185,000,000	1,026,651,610
Deposits with banks and financial institutions	0.50	202,875,252	193,060,121	45,357,872	24,699,600	-	-	465,992,845
Loan to a bank	2.64	39,568	4,900,000	-	-	-	-	4,939,568
Investment securities at fair value through profit or loss	5.00	8,947,727	-	21,308,343	17,846,079	39,801,562	105,283,618	193,187,329
Loans and advances to customers	8.50	361,611,348	2,201,245,578	113,124,213	9,877,280	27,005,495	162,332,981	2,875,196,895
Investment securities at amortized cost	6.80	57,842,093	104,878,540	321,385,568	777,529,680	599,431,540	1,823,790,757	3,684,858,178
Investment securities at fair value through other comprehensive income	-	16,517,921	-	2,863,955	-	-	-	19,381,876
		<b>877,212,304</b>	<b>3,055,387,921</b>	<b>565,009,484</b>	<b>829,952,639</b>	<b>666,238,597</b>	<b>2,276,407,356</b>	<b>8,270,208,301</b>
<b>LIABILITIES</b>								
Deposits from banks and financial institutions	-	1,127,863	-	-	-	-	-	1,127,863
Customers' accounts	4.05	705,969,742	5,236,372,232	951,584,416	12,161,540	882,298	947,464	6,907,917,692
Other borrowings	1.88	4,324,146	535,079,731	308,630,759	-	-	-	848,034,636
		<b>711,421,751</b>	<b>5,771,451,963</b>	<b>1,260,215,175</b>	<b>12,161,540</b>	<b>882,298</b>	<b>947,464</b>	<b>7,757,080,191</b>

## 42. COMMITMENTS AND CONTINGENCIES

The Group is defendant in lawsuits filed by different parties amounting to around USD3.3million. According to the Group's legal advisors, the outcome of these claims cannot be reliably assessed at present.

The Bank's tax returns for the years 2012 to 2016 and social security declarations for the years 2007 to 2014 are still subject to review by the relevant tax and social security authorities. Any additional tax liability depends on the outcome of such reviews.

## 43. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by Central Bank of Lebanon.

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.

The Group's capital is split as follows:

Tier I capital: Comprises share capital

(common and preferred), premium on preferred shares, reserves from appropriation of profits, retained earnings after deductions for goodwill and intangible assets and other regulatory adjustments. Tier II capital: Comprises 50% cumulative change in fair value for investments classified at fair value through other comprehensive income and other regulatory reserves.

The Group's consolidated capital adequacy ratio was as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	LBPMILLION	LBPMILLION
Common equity Tier I	525,818	478,329
Additional Tier I capital	249,754	196,359
	<b>775,572</b>	<b>674,688</b>
Tier II capital	75,575	4,848
Total regulatory capital	<b>851,147</b>	<b>679,536</b>
Credit risk	4,334,286	4,005,737
Market risk	418,250	178,039
Operational risk	436,093	429,385
Risk-weighted assets and risk-weighted off-balance sheet items	<b>5,188,629</b>	<b>4,613,161</b>
Equity Tier I ratio	10.13%	10.37%
Tier I capital ratio	14.95%	14.62%
<b>Risk based capital ratio- Tier I and Tier II capital</b>	<b>16.40%</b>	<b>14.73%</b>

#### 44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

December 31, 2016							
Note	Carrying amount LBP'000	FAIR VALUE			Total LBP'000		
		Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000			
<b>FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>							
<i>Investments at fair value through profit or loss:</i>							
	Quoted equity securities	9	4,290,845	4,290,845	-	-	4,290,845
	Unquoted equity securities	9	1,874,477	-	-	1,874,477	1,874,477
	Lebanese Government bonds	9	21,500,253	-	21,500,253	-	21,500,253
	Foreign government bonds	9	282,922,775	-	282,922,775	-	282,922,775
	Foreign Eurobonds	9	8,298,348	-	8,298,348	-	8,298,348
	Certificates of deposit issued by the Central Bank of Lebanon	9	56,164,795	-	56,164,795	-	56,164,795
	Mutual funds	9	9,327,904	-	-	9,327,904	9,327,904
	Corporate bonds	9	9,515,804	-	9,515,804	-	9,515,804
<i>Unquoted equities at fair value through other comprehensive income:</i>							
	Bancassurance S.A.L.	9	9,596,040	-	-	9,596,040	9,596,040
	Other investments	9	7,901,840	-	-	7,901,840	7,901,840
			<b>411,393,081</b>	<b>4,290,845</b>	<b>378,401,975</b>	<b>28,700,261</b>	<b>411,393,081</b>
<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST</b>							
	Term placements with Central Bank of Lebanon		426,050,000	-	416,854,811	-	416,854,811
	Loans and advances (net of allowances)	8	2,789,735,086	-	2,786,591,965	-	2,786,591,965
	Lebanese Treasury bills	9	780,142,807	-	786,834,537	-	786,834,537
	Lebanese Government bonds	9	1,291,302,340	-	1,159,598,601	-	1,159,598,601
	Certificates of deposit issued by the Central Bank of Lebanon	9	1,188,128,497	-	1,156,249,548	-	1,156,249,548
	Assets-backed securities	9	7,333,961	-	6,538,171	-	6,538,171
			<b>6,482,692,691</b>	<b>-</b>	<b>6,312,667,633</b>	<b>-</b>	<b>6,312,667,633</b>
<b>FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE</b>							
	Other borrowings		17,734,000	-	15,204,701	-	15,204,701
			<b>17,734,000</b>	<b>-</b>	<b>15,204,701</b>	<b>-</b>	<b>15,204,701</b>

December 31, 2015					
Note	Carrying amount LBP'000	FAIR VALUE			
		Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
<b>FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>					
<i>Investments at fair value through profit or loss:</i>					
Quoted equity securities	9 4,702,753	4,702,753	-	-	4,702,753
Unquoted equity securities	9 915,436	-	-	915,436	915,436
Lebanese Treasury bills	9 10,534,092	-	10,534,092	-	10,534,092
Lebanese Government bonds	9 84,218,154	-	84,218,154	-	84,218,154
Foreign Eurobonds	9 29,589,789	-	29,589,789	-	29,589,789
Certificates of deposit issued by the Central Bank of Lebanon	9 56,370,751	-	56,370,751	-	56,370,751
Mutual funds	9 3,526,818	-	-	3,526,818	3,526,818
<i>Unquoted equities at fair value through other comprehensive income:</i>					
Bancassurance S.A.L.	9 8,530,000	-	-	8,530,000	8,530,000
Other investments	9 10,851,876	-	-	10,851,876	10,851,876
	<b>209,239,669</b>	<b>4,702,753</b>	<b>180,712,786</b>	<b>23,824,130</b>	<b>209,239,669</b>
<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST</b>					
Term placements with Central Bank of Lebanon	185,000,000	-	192,951,248	-	192,951,248
Loans and advances (net of allowances)	8 2,875,196,895	-	2,884,381,543	-	2,884,381,543
Lebanese Treasury bills	9 1,165,314,480	-	1,181,049,333	-	1,181,049,333
Lebanese Government bonds	9 956,075,791	-	961,814,069	-	961,814,069
Foreign Government bonds	9 224,107,169	-	233,112,360	358,785	233,471,145
Certificates of deposit issued by the Central Bank of Lebanon	9 1,219,236,690	-	1,227,275,144	-	1,227,275,144
Corporate bonds and asset-backed securities	9 62,640,742	-	30,975,790	30,222,576	61,198,366
	<b>6,687,571,767</b>	<b>-</b>	<b>6,711,559,487</b>	<b>30,581,361</b>	<b>6,742,140,848</b>
<b>FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE</b>					
Other borrowings	17,734,000	-	14,371,649	-	14,371,649
	<b>17,734,000</b>	<b>-</b>	<b>14,371,649</b>	<b>-</b>	<b>14,371,649</b>

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

The directors consider that the carrying amounts of cash, compulsory and other short term deposits with Central Bank of Lebanon, deposits from banks and accounts payable approximate their fair values due to the short-term maturities of these instruments. For customers' accounts, this is largely due to their short term contractual maturities.

## 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 instruments included in the consolidated financial statements, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

<i>Financial instruments</i>	<i>Date of valuation</i>	<i>Valuation technique and Key input</i>	<i>Significant unobservable inputs</i>
Lebanese treasury bills	31-Dec-15&16	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Certificates of deposits in LBP issued by Central Bank of Lebanon	31-Dec-15&16	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Certificates of deposits in foreign currencies issued by Central Bank of Lebanon	31-Dec-15&16	DCF at discount rates determined based on observable yield curves at the measurement date.	N/A
Lebanese Government bonds	31-Dec-15&16	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor.	N/A
Term placements with Central Bank of Lebanon	31-Dec-15&16	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor. DCF at discount rates determined based on the average rate of return of the receivables bearing fixed interest rate for more than one year.	N/A
Foreign Government Bonds	31-Dec-15&16	Quoted prices for similar assets in active markets	N/A
Mutual funds	31-Dec-15&16	Net earnings of the fund	Net earnings
Bancassurance S.A.L.	31-Dec-15&16	Multiple earnings	4.5 times earnings
Other unquoted equities at fair value through other comprehensive income	31-Dec-15&16	N/A	N/A
Other borrowings	31-Dec-15&16	DCF at discount rates determined based on the average rate of return of the payables bearing fixed interest rate for more than one year	N/A

## **45. RELATED PARTY TRANSACTIONS**

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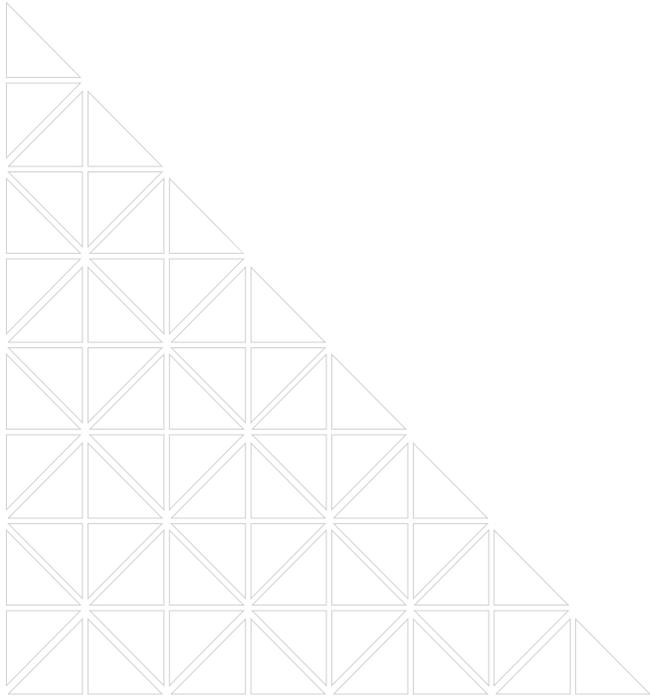
In the ordinary course of business, the Group carries on transactions with subsidiaries and related parties, balances of which are disclosed in the statement of financial position in Notes 6, 8, 17 and 18 and in the statement of profit or loss in Notes 26, 27, 28, 32, and 33.

Remuneration to executive management paid during 2016 amounted to LBP5.1billion (LBP5.67billion in 2015).

## **46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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The consolidated financial statements for the year ended December 31, 2016 were approved by the Board of Directors in its meeting held on June 6, 2017.



# 121 BLC BANK NETWORK

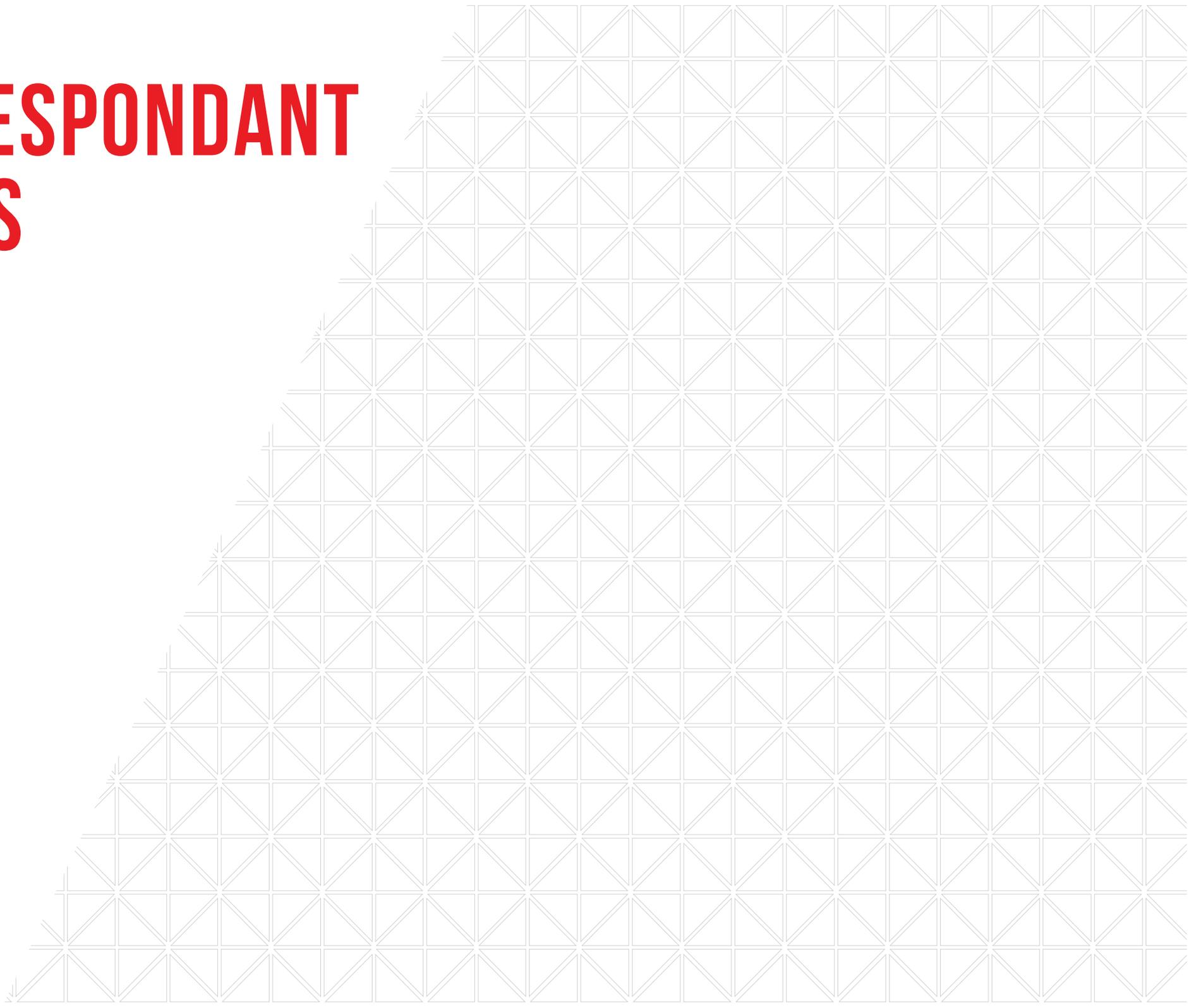


BRANCHES	TELEPHONE	FAX	ADDRESSES	BRANCH MANAGER'S NAME
Adlieh	961-1-387000-429000	961-1-616984	BLC Bank bldg., Adlieh square, Beirut	Roula Korban
Achrafieh	961-1-200990-1	961-339664 Ext: 170	Jerbaka bldg., Adib Ishac str., Sassine square, Achrafieh	Roy Chouccair
Aicha Bakkar	961-1-749135-6-7-8	961-1-749135-6-7-8 Ext: 170	Tabsh bldg., intersection El Isteklal, facing Selim El Hoss Residence, Beirut	Abdel Kader Captan
Aley	961-5-556025 / 557026 / 558027 / 556024	961-5-558027 Ext: 170	Moghtarebeen Hotel bldg., Aley main road, Aley	Abeer Salman
Antelias	961-4-418080 / 417230 / 522018	961-4-522018 Ext: 170	Antelias Square- St. Elie center, Bloc A-GF Antelias	Toufic Abi Jaoude
Baabda	961-5-468084-5	961-5-921820 Ext: 170	Michel Helou bldg., Baabda square, Baabda	Tanios Berberi
Batroun	961-6-642166 / 741599	961-6-742812 Ext: 170	BLC Bank bldg., main road, Batroun	Elie Hajj
Becharre	961-6-671101 / 672767	961-6-671101 Ext: 170	Emile Hanna Geagea bldg., main road, Becharre	Tony Saleh
Beit Chabab	961-4-980840 / 981348	961-4-980840 Ext: 170	BLC Bank bldg., Al Blata area, Beit Chabab	Mirna Kharrat
Bickfaya	961-4-981602 / 981532	961-4-986266 Ext: 170	Municipality bldg., Bickfaya square, Bickfaya	Monique Rahi
Bourj Hammoud	961-1-260855 / 241689	961-1-241689 Ext: 170	Maronite Monks bldg., Tripoli str., Bourj Hammoud	Albert Babikian
Chekka	961-6-540728 / 545028	961-6-540728 Ext: 170	Michel El Hallal bldg., main road, Chekka	Fadwa Gergi
Chiah	961-1-389515 / 387411	961-1-387411 Ext: 170	Awad bldg., Old Saida road, Chiah	Mohamad Dagher
Chtoura	961-8-545422-3-4 / 542450	961-8-545424 Ext:170	BLC Bank bldg., Damascus main road, Chtoura	Ghassan Abou Risk
Dekwaneh	961-1-692060 / 692070	961-1-687647 Ext:170	Kamar center-Sed El Bauchrieh str., Dekwaneh	Raymonde Wazen
Dora	961-264450 / 260856	961-1-260856 Ext: 170	Dora highway, BLC Bank Bldg., Dora	Gaby Kiwan
Furn El Chebbak	961-1-613247 / 613248	961-1-613247 Ext: 170	Fares Younis bldg., Furn El Chebbak	Gaby Kassab
Ghobeiry	961-1-272772 / 548600	961-1-275737	Akil Berro bldg., Ghobeiry str.	Abdullatif Ali
Hadath	961-5-460034 / 467438	961-5-460425 Ext: 170	Michel Kherbawi bldg., Al Ain square	Maria Ghanem
Hamra	961-1-340450 / 350060 / 747913	961-1-348512 Ext: 170	Rassamni bldg., Hamra str., Hamra	Imad Tabbara
Hazmieh	961-5-454722 / 455547	961-5-457177 Ext: 170	Michael Mansour bldg., Damascus main road, Hazmieh	Pierre Bejjani

**BRANCHES****TELEPHONE****FAX****ADDRESSES****BRANCH  
MANAGER'S NAME**

Hermel	961-8-201771 /201772	961-8-201773	Chahine center, opposite Seray bldg.,Hermel	Nabil Hammadeh
Jal El Dib	961-4-723200-1-2-4-5	961-4-723200-1-2-4-5 Ext:170	Yachouhi bldg., main road, Jal El dib	Jeanane Abou Jaoude
Jbeil	961-9-546956 / 540150	961-9-546955 Ext: 170	BLC Bank bldg., main road, Jbeil	Jean-Claude Zakhia
Jounieh	961-9-910800 / 934558	961-9-835219 Ext: 170	Stephan bldg., main road, opposite municipality Jounieh	Elias Nader
Kousba	961-6-510125 / 511132	961-6-510125 Ext: 170	Nicolas center, main road, Kousba	Georges Chehade
Mazraa	961-1-631634 /653403 / 702540-1	961-1-631634 Ext:170	Waef El Roum bldg., Corniche El Mazraa, Beirut	Zeina Chehab
Mazraat Yachouh	961-4-928612-3-4-5	961-4-928612 Ext:170	Hajj bldg., main road, Mazraat Yachouh	Elias Ghanem
Nabatieh	961-7-764780 / 764781	961-7-760234 Ext: 170	City Center bldg., Mahmoud Fakih str., Nabatieh	Mohamad Abdallah
New Jdeideh	961-1-879973-4-5 / 879976	961-1-879973-4-5 Ext: 170	Khoury bldg., New Jdeideh str., New Jdeideh	Charbel Geagea
Saida	961-7-722330 / 722331 / 722332 / 727508	961-7-722330 Ext: 170	BLC Bank bldg., Riad el Solh Str, Saida	Mohamad Ghandour
Sarafand	961-7-260049 / 261170 / 261171 / 260013	961-7-260417	Nour Eddine Center- Sarafand	Nadim Nazzal
Sour	961-7-343100-1	961-7-343313	Issa bldg., Al Massaref str.	Lina Kojok
Mar Elias	961-1-703805-6 / 706248	961-1-703805 Ext: 170	Dar El Baida bldg., Mar Elias str., Beirut	Vacant
Mar Mikhael	961-1-565700-1-2	961-1-565702 Ext: 5360	BLC Bank bldg., Mar Mikhael str., Beirut	Boutross Mouawad
Tabaris-Charles Malek	961-1-200210 / 200211	961-1-200212 Ext: 170	Tabaris 812 bldg., Charles Malek str., Achrafieh	Sami El Koreh
Tripoli - Mina	961-1-215350-60-70	961-6-215340 Ext:170	Shoucair bldg., El Hussein hospital str., Tripoli- Mina	Georges Zablith
Tripoli - Tell	961-6-430210-1	961-6-432896 Ext: 170	BLC Bank bldg., Karm El Kellah str., facing Karameh Palace, Tripoli	Tarek Kayal
Zahle	961-8-829410-20-30-40	961-8-829410- 20 Ext:170	Lawandos center, Zahle boulevard, Hosh El Zarraina, Zahle	Alia Sabboury
Zouk Mikael	961-9-212225-6 / 211473	961-9-211675 Ext:237	Main road, Presidence str., Zouk Mikael	Samia Ghosn
Zouk Mosbeh	961-9-226803 / 226804 / 223710	961-9-226803-4 Ext:170	Charcutier Aoun bldg., main road, Zouk Mosbeh	Vacant

# 124 CORRESPONDANT BANKS



# CORRESPONDENT BANKS

COUNTRY	NAME OF CORRESPONDENT	SWIFT CODE
Australia	Westpac Banking Corporation	WPAC AU 2F
Austria	UniCredit Bank Austria AG	BKAU AT WW
Cyprus	USB Bank Plc	UNVK CY 2N
Denmark	Danske Bank A/S	DABA DK KK
Egypt	Banque Misr SAE	BMIS EG CX
France	Fransabank (France) SA Al Khaliji France SA	FRAF FR PP LICO FR PP
Germany	Commerzbank AG Deutsche Bank AG JP Morgan AG	COBA DE FF DEUT DE FF CHAS DE FX
Italy	Intesa Sanpaolo SpA Unicredit SpA	BCIT IT MM UNCR IT MM
Japan	The Bank of New York Mellon - Tokyo	IRVT JP JX
Jordan	The Housing Bank for Trade & Finance	HBHO JO AX
Kuwait	Al Ahli Bank of Kuwait KSC National Bank of Kuwait SAKP	ABKK KW KW NBOK KW KW
Norway	Danske Bank A/S - Norway	DABA NO 22
Qatar	Qatar National Bank SAQ The Commercial Bank (PQSC)	QNBA QA QA CBQA QA QA
Saudi Arabia	The National Commercial Bank	NCBK SA JE
Spain	Banco de Sabadell SA CaixaBank SA	BSAB ES BB CAIX ES BB
Sri Lanka	Bank of Ceylon	BCEY LK LX
Sweden	Skandinaviska Enskilda Banken AB (Publ)	ESSE SE SS

COUNTRY	NAME OF CORRESPONDENT	SWIFT CODE
Switzerland	Zürcher Kantonalbank	ZKBK CH ZZ
Turkey	AKbank TAS Türkiye Garanti Bankasi AS Türkiye IS Bankasi AS	AKBK TR IS TGBA TR IS ISBK TR IS
United Arab Emirates	Al Khaliji France SA - Dubai Mashreqbank PSC	LICO AE AD BOML AE AD
United Kingdom	JPMorgan Chase Bank NA - London Lloyds TSB Bank Plc	CHAS GB 2L LOYD GB 2L
Unites States of America	JPMorgan Chase Bank NA Standard Chartered Bank, New York The Bank of New York Mellon	CHAS US 33 SCBL US 33 IRVT US 3N

