SOLID ROOTS AS A PRECONDITION FOR **GROWTH**

The roots of IBL Bank are not hidden. It is not only about the origin, tradition and history, though all these play an important role in forming the solidity and strength of the Bank.

The roots are mostly in the relationships of our clients with their Bank. Each of them is important and unique. The stronger they are, the better are our mutual opportunities to grow.

We take pride in our solid basis for strong and functional relations with our clients.

Our clients appreciate and feel it, in any region throughout the Lebanese territory and beyond.

We provide the know-how of a large international Bank, effectively supporting customers in solving their concrete problems, with tailor-made solutions.

And at the end, the most important factor is our own commitment: we take our customers to the markets and the markets to our customers. We see our success in the success enjoyed by our customers.

IBL Bank, where your dreams count!

IBL BANK S.A.L

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Solid Roots

Salim Habib
Chairman General Manager

The Lebanese Economy continued during 2013 its timid growth for the third consecutive year, achieving a mere 1.5% real GDP growth according to the IMF, avoiding hence recession. It was normal that the Lebanese economy got negatively impacted, amidst the regional turmoil, especially in neighboring countries that created a cautious environment for investments, tourism and the export driven sectors in Lebanon.

However, monetary conditions remained favorable and continued to prove its resilience, with BDL foreign currency reserves (excluding gold) reaching USD 35.3 billion in December 2013, with the Foreign Exchange market seeing a stability on the Lebanese Pound over the year. Hence, the ratio of foreign currency reserves to local currency money supply reached 78.3% in December 2013 showing the Central Bank's ability to defend the local currency.

In these challenging economic conditions, the banking sector realized a moderate, yet satisfactory performance in 2013, as evidenced by:

The commercial banks Balance-Sheet increasing by 8% to reach USD 165 billion, mainly thanks to a continuously increasing deposits base.

CHAIRMAN'S LETTER

Total deposits in the Lebanese banking sector increased by USD 11.2 billion during 2013 to reach USD 136 billion. This growth was mainly driven by an expansion in foreign currency denominated deposits, which lead to an increase in the dollarization ratio of deposits from 65% in 2012 to 66% in 2013. In parallel, the banks' lending activity to the private sector recorded a continued growth to reach USD 47.4 Billion in December 2013, meaning a USD 3.9 billion increase during the year. Here it is important to note that this growth did not come at the expense of asset quality, as Lebanese banks' doubtful loans to total loans reached 3.4% in December 2013 comparing favorably to regional and international benchmarks.

At the profitability level, Lebanese Banks' net profit reversed the declining trend seen in the past 2 years and registered an increase of 4.1% in 2013. In this context, IBL Bank registered a strong year 2013 over-performing the sector in most Key Performance Indicators, while continuing in its conservative strategy and strong risk management practices, as evidenced by:

IBL Bank's total assets growing by 8% in 2013, mirroring the Bank's total deposits increase of 8% in 2013. In parallel the Bank's loan book increased slightly during 2013, recording a 4% increase. It is important to note that thanks to IBL Bank's conservative approach, the Bank's net doubtful loans were totally covered by provisions, leading to a coverage ratio of 140%. In addition, the Bank has a strong liquidity as evidenced by IBL Bank registering the second highest net primary liquidity to deposits ratio in the alpha group with 37.6%.

As a consequence of the Bank's strategic directions, IBL Bank realized a 14% growth in Net Income during 2013, leading to the Bank enjoying the second highest Return on Average Equity (ROAE) and the second highest Return on Average Assets (ROAA) in the Lebanese banking sector according to Bankdata.

Finally, following the Bank's healthy risk management framework, and the strong capitalization mainly constituted of core Tier 1 capital, IBL Bank is as at December 2013 fully compliant with the Basel 3 accord and more so with the ratios required in 2015 by the local regulators. In fact, as at December 2013, the Bank's Common Equity Tier I Capital Ratio was 11.37%, the Tier I Capital Ratio was 13.54%, and the Total Capital Ratio was 13.57%.

I would like to close by grabbing this opportunity to thank our customers and correspondent banks for their continuous trust and support as well as the Board of Directors and the entire Group's staff for their precious insights and efforts to push the Bank towards higher summits.

Salim Habib
Chairman General Manager

HISTORY OF THE BANK

The Bank was incorporated on May 5, 1961, as a Société Anonyme Libanaise (joint stock Company) under the name of "Development Bank SAL" with a capital of LBP 8 million for a period of 99 years.

In 1998, the majority of the Bank's shares was purchased by a group of Lebanese and foreign investors.

A year later, in September 1999, the Bank acquired the total share capital of BCP Oriel Bank, and consequently all branches of the acquired bank are to this date operating under Intercontinental Bank of Lebanon (IBL Bank). Mr. Salim Habib has been Chairman-General Manager of the Bank since 1998.

The current group of shareholders that took over the Bank in 1998 pursued a policy towards raising the Bank into the top national banks.

IBL Group's mission is to offer high-quality banking services to its clients while having a geographical presence in Lebanon and the Region, offering proper diversification. Currently, IBL has 20 local branches, one branch in Cyprus, Limassol and three branches in Iraq (Erbil, Baghdad and Basra)

In addition, during 2008, the Board of Directors decided to change the Bank's name and logo from Intercontinental Bank of Lebanon to IBL Bank, in order to boost the Bank's positioning and Brand awareness.

The strong growth the Bank has achieved since 1998, has been accompanied and fostered by continuous investments in Human Capital, either organically through seminars, training and effective Human Resources management or externally by recruiting skilled managers and dynamic young staff.

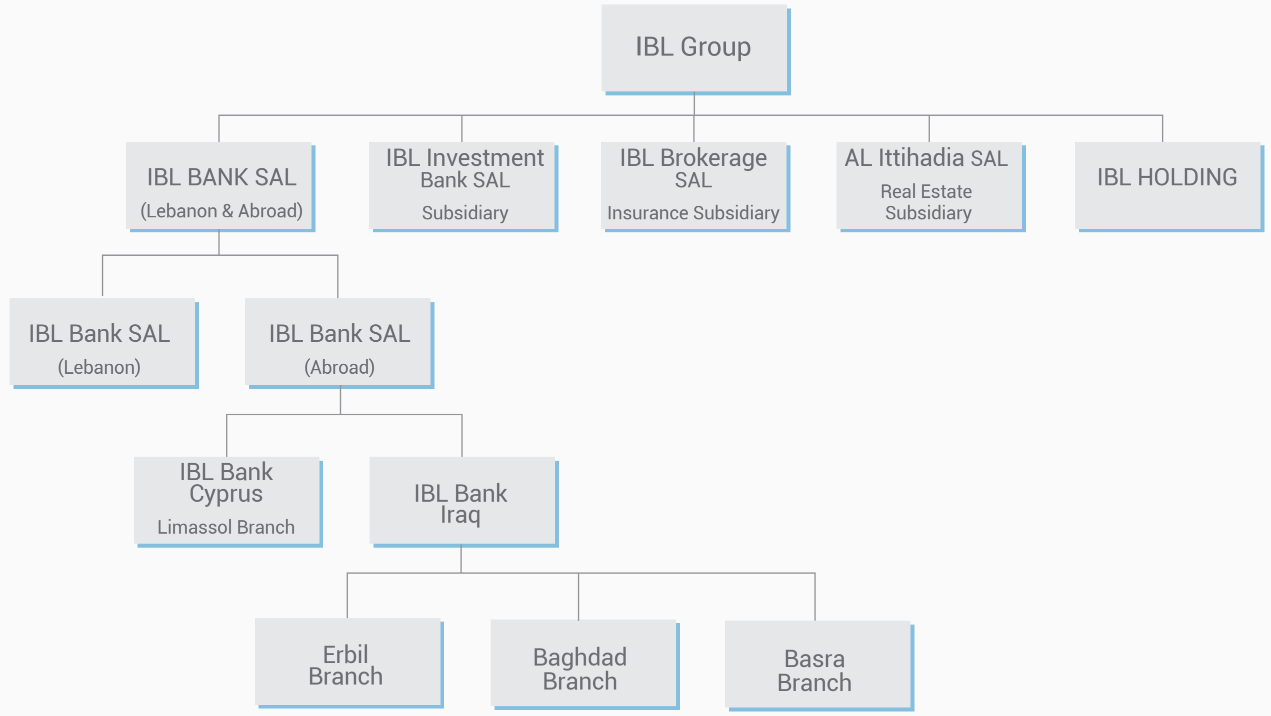
In 2011, the Bank established IBL Investment Bank SAL (IBL Invest), a fully owned Lebanese specialized bank. IBL Invest aims to provide value added investment banking services meeting the needs of its clients and targeting new regional markets, namely the Gulf Markets. The main business line are advisory, corporate finance wealth and asset management services. IBL Invest started its operation during the first quarter of 2011.

Currently, the Bank, strong amid its track record of solid growth, rigorous risk management and adequate Capital levels, is in the process of developing its local and regional network.

The Bank's Head-Office and main branch are located in Achrafieh, Beirut.

CORPORATE GOVERNANCE

GROUP STRUCTURE



Knowing that the consolidated subsidiaries consist of the following:

Name of Subsidiary	Inception Date	IBL BANK Ownership %	Incorporation	Type of Business
Al-Ittihadia Real Estate S.A.L.	31-May-79	99,97	Lebanon	Real Estate Properties
IBL Holding S.A.L.	11-Nov-08	99,70	Lebanon	Holding
IBL Brokerage S.A.L.	14-Mar-06	99,80	Lebanon	Insurance Brokerage
IBL Investment Bank S.A.L.	8-Jan-11	98,00	Lebanon	Investment Bank

IBL Bank is part of the Alpha Group of Banks and is ranked 11th in terms of total assets as at December 2013.

IBL Bank main activities are focused on classical Banking services such as deposits, loans, trade finance, cash management as well as treasury via 20 Branches covering the Lebanese territory, in addition to a European Branch in Limassol/Cyprus and three Branches in Iraq located in Baghdad, Basra and Erbil.

Being concerned by offering universal Banking services, the IBL group launched in 2011 the IBL Investment Bank, having as main activities Private Banking, Investment Banking, and Asset Management.

IBL group Strategy is to extend a wide and diversified range of services to its customers through specialized and independent entities such as IBL Brokerage, insurance consultancy and Al Ittihadia, real estate consultancy and management.

Principles of Corporate Governance

Corporate governance is defined as the process and structure used to direct and manage the business and affairs of the institution towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, taking into account the interests of other stakeholders.

The OECD principles define corporate governance as involving "a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined".

As per the BIS Guidelines on "Principles for Enhancing Corporate Governance", corporate governance involves the allocation of authority and responsibilities, i.e. the manner in which the business and affairs of a Bank are governed by its Board of Directors and senior management, including how they:

- Set corporate objectives and strategy
- Determine the bank's risk tolerance/appetite run the day-to-day operations;
- Align corporate activities and behaviors with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations; and
- Protect the interests of depositors and other stakeholders.

IBL Board of Directors has formulated its corporate governance policy, which includes guidelines covering governance structure, the role and duties of the Board of Directors, Senior Management and Board committees, code of business conduct, conflict-of-interest management, internal controls, and disclosure policy. These Guidelines set out broad principles and minimum standards as well as specific requirements for sound corporate governance, which are expected of IBL Bank SAL and its Group of companies.

The principles of corporate governance are well established in the Bank through the adoption of the Group's Corporate Governance Guidelines that were approved by the Board Risk Committee in August 2012, in compliance with Regulatory Requirements. In addition, there is proper delegation of responsibilities to key managers and to executive committees with clear cut segmentation of duties between Front and Back Office departments thus enhancing accountability. Finally executive board members are present in most of the Bank's Committees.

In addition, in the Bank's structure, the Internal Audit and the Audit Committee are directly attached to the Board while the Risk Management Division is attached to the Chairman and is supervised by the Board Risk Committee. This structure allows proper independence to these two bodies in line with Corporate Governance principles.

Furthermore, the Bank's Head of Risk Management and/or his deputy are members in all the Bank's committees, thus enhancing risk awareness and compliance with the risk appetite of the Bank

Finally, specialized Committees are in place with regards to risk management, internal control, and internal audit:

- Audit Committee (Board of Directors Committee)
- Risk Committee (Board of Directors Committee)
- Management Committee
- ALCO Committee
- Senior Credit Committee
- Junior Credit Committee
- Compliance Committee
- IT Security Committee
- IT Committee
- Procurement Committee
- Follow-up Committee for Branches Abroad

The current members of the Board of Directors of IBL Bank sal were elected at the meeting of the Ordinary General Assembly held on June 12,2014 and serve for a term expiring on the date of the Ordinary General Assembly that will examine the accounts and activity of the financial year 2016. The Board of Directors of IBL Bank sal comprises the following Directors:

Mr. Salim Y. Habib	Chairman, General Manager
His Excellency Mr. Elie N. Ferzli	Member of the Board Member of the Audit Committee
His Excellency Dr. Mohammad Abdel Hamid Baydoun	Member of the Board Member of the Audit Committee
Mr. Kamal A. Abi Ghosn	Member of the Board Deputy General Manager Member of the Risk Committee
Prince Sager Sultan Al Sudairy	Member of the Board
MM. Bicom SAL. Holding (Represented by Mr. Mazen El Bizri)	Member of the Board Member of the Risk Committee
Me. Mounir Kh. Fathallah	Member of the Board Chairman of the Audit Committee
Mr. Tony N. El Choueiri	Independent Member of the Board Chairman of the Risk Committee Member of the Audit Committee
Me. Ziad Ch. Fakhoury	Secretary of the Board

LEGAL ADVISORS AND AUDITORS

Cabinet Me Rizkallah Makhlouf **Me Rizkallah Makhlouf**	Legal Advisor - Lebanon
Fakhoury & Fakhoury Law Firm **(Chawki Fakhoury & Associates)** **Me Ziad Fakhoury**	Legal Advisor - Lebanon
Etude Michel Tueni **Me Michel Tueni**	Legal Advisor - Lebanon
Cabinet Me Mamoun Mahmoud Al Khadi **Me Mamoun Al Khadi**	Legal Advisor - Iraq
Airut Law Offices **Me Charles Airut**	Legal Advisor - Iraq
Chrysses Demetriades & Co LLC **Advocates Legal consultants**	Legal Advisor - Cyprus
MM. Deloitte & Touche.	External Auditors - Lebanon
MM. DFK Fiduciaire du Moyen-Orient	External Auditors - Lebanon
MM. Adel Alhassoun & Co **CPA's & consultants**	External Auditors - Iraq
MM. Deloitte Limited	External Auditors - Cyprus

GENERAL MANAGEMENT

IBL Bank Lebanon

- **Mr. Salim Habib**
  Chairman, General Manager
- **Mr. Kamal Abi Ghosn**
  Director - Deputy General Manager
- **Mr. Nakhlé Khoneisser**
  Assistant General Manager
  Head of Treasury and Capital Markets
- **Mr. Rodolphe Atallah**
  Assistant General Manager
  Head of Operations development
- **Mr. Samir Tawilé**
  Senior Manager
  Head of International Banking Division
- **Mrs. Dolly Merhy**
  Senior Manager
  Head of Accounting & Finance
- **Mrs. Tania Tayah**
  Senior Manager
  Head of Risk Management
- **Dr. Imad Hasbani**
  Deputy Senior Manager
  Deputy Head of Risk Management
- **Mr. Gaby Mezher**
  Senior Manager
  Head of Internal Audit
- **Mr. Habib Lahoud**
  Senior Manager
  Head of Retail Banking Division
- **Mr. Ghassan El Rayess**
  Deputy Senior Manager
  Head of Corporate Banking
- **Mr. Khalil Salameh**
  Manager
  Head of Administrative and Human Resources
- **Mr. Karim Habib**
  Manager
  Head of Financial Control
- **Mr. Antoine Achkar**
  Manager
  Head of Recovery Department
- **Me. Joe Boustany**
  Manager
  Head of Compliance Unit
- **Mr. Walid El Helou**
  Manager
  Operational Development
- **Mr. Naim Bassil**
  Regional Manager
- **Mr. Salim Jabaji**
  Head of Information Security
- **Mr. Elie Hlayel**
  Head of Information Technology
- **Mr. Esber Wehbé**
  Head of Information System Audit
- **Mr. Habib Bou Merhi**
  Head of Operations - Trade Finance
- **Mr. Charbel Eid**
  Senior Operations Manager - Iraqi Branches
  Head of Organization and Methods - H.O.

IBL Bank Abroad

- **Miss Ishtar Zulfa**
  Manager
  Head of Erbil branch - Iraq
- **Mr. Michel Assaf**
  Manager
  Head of Baghdad branch - Iraq
- **Mr. Toufic Mourtada**
  Manager
  Head of Basra branch - Iraq
- **Mrs Ghada Christofides**
  Manager
  Head of Limassol branch - Cyprus

BOARD OF DIRECTORS

- **Mr. Salim Habib**
  Chairman General Manager
- **Mr. Kamal Abi Ghosn**
  Member
- **IBL Bank sal**
  Member
- **Me. Ziad Fakhoury**
  Secretary of the Board

GENERAL MANAGEMENT

- **Mr. Salim Habib**
  Chairman General Manager
- **Mr. Rodolphe Atallah**
  Deputy General Manager
- **Mr. Moussa El Kari**
  Manager
  Head of Private Banking

LEGAL ADVISORS AND AUDITORS

- **Cabinet Me. Rizkallah Makhlouf**
  Me. Rizkallah Makhlouf
  Legal Advisor - Lebanon
- **MM. Deloitte & Touche**
  External Auditors
- **MM. DFK Fiduciaire du Moyen-Orient**
  External Auditors

The Bank operates through a number of committees, set up with clear missions, authorities and responsibilities, as follows:

Audit Committee
(Board of Directors Committee)

The Audit Committee is a Board Committee composed of four members of the Board of Directors. It ensures the existence and the regular enhancement of an adequate system of internal controls. It reinforces the internal and the external audit and ensures the compliance with International Auditing Standards. It reviews all the audit activity reports and discusses the significant recommendations and management plans for their implementation. It revaluates and recommends improvements on the measurement system for assessing the various risks of the Bank.

The Audit Committee reviews also the Bank's contingency plan and ensures the implementation of the operational risk management framework.

Risk Committee
(Board of Directors Committee)

The Risk Committee's objective is to assist IBL Board of Directors in implementing the BOD mission such as planning the risk profile, setting the risk appetite and tolerance, approving and reviewing the risk framework and policies, reviewing the risk reports and overseeing the development of the risk function within the Group. The Committee is composed of one executive member of the Board of Directors and two non-executive members.

The Head of Risk Management will act as coordinator and assist the Committee in planning and organizing its work.

The Committee recommends to the Board the parameters of the Bank's risk management framework in line with the Committee's objective set above.

Management Committee

The Management Committee acts as an advisory body to the Chairman General Manager on all issues relating to the Bank's general policies.

The Management Committee meets at least once a month. It ensures the day-to-day management of the Bank according to prevailing laws, rules, regulations, best practices as well as the effective management of operational risks arising from inadequate or failed internal processes, people and systems or from external events. It proposes to the Board of Directors the Bank's medium and long-term goals and strategies, and the business plan for achieving these goals, and recommends the improvement of the Bank's organization structure in case of need.

Asset-Liability Committee (ALCO)

The ALCO is responsible for setting up and supervising the implementation of an asset-liability management policy, which the Treasury is responsible for executing.

ALCO's primary objective is to oversee the management of the balance sheet structure and liquidity, monitor the market risk levels, analyze the Bank's financial ratios and the reports on the sources and utilizations of funds, and maximize income from interest spread and trading activity within the approved risk and gap parameters.

The ALCO is also responsible for assessing market conditions according to economic and political developments.

Senior Credit Committee

The Senior Credit Committee sets up the framework for credit risks, economic sectors distributions, classification and provisioning policies, subject to the Board of Directors approval.

It is in charge of studying credit applications that exceed the limits of the Junior Credit Committee, loans to financial institutions, recovery processes and credit products proposals. In addition, this committee has for responsibilities to review and take decisions on cases handed over by the commercial banking department (SME, Corporate, Retail) or the recovery department, and follow up on cases handed over to the Legal Department, recommend actions on cases, approve settlements, and propose adequate provisions.

Junior Credit Committee

The Junior Credit Committee evaluates and approves all corporate and commercial loans and facilities with a tenor not exceeding one year provided that they comply with the credit strategy approved by the Board of Directors and provided that the aggregate total cumulative secured and clean facilities granted to one client or group of interrelated names through commercial association and/or through common ownership/ management control do not exceed USD 400,000.

Retail Credit Committee

The role of the Retail Credit Committee is to approve all consumer loans that are not within the products criteria or are exceeding the head of retail limit up to a predefined limit set for each product. It is also responsible for following-up on relevant granted loans and facilities, reviewing and approving amendments, renewals and cancellations of respective loans and facilities.

Compliance Committee

The Compliance Committee is responsible for checking the proper execution as well as the effectiveness of procedures and systems adopted for Fighting Money Laundering and Terrorist Financing. It reviews and updates these procedures, on a regular basis, according to latest applied approaches.

IT Security Committee

The IT Security Committee is responsible for the human security within the Bank's premises.

It works together with the Internal Audit department to make sure all IT security rules are well applied. It implements and monitors security plans and applies the used norms to ensure the correct distribution of tasks among employees. It monitors also the IT security systems and rules as well as the emergency plans. It deals with any security breach and takes appropriate measures to avoid facing it another time.

IT Committee

The mission of the IT committee is to set the IT strategy. It should establish and apply a structured approach regarding the long-range planning process, which should take into account risk assessment results, including business, environmental technology and human resources risks.

COMMITTEES

Procurement Committee

The role of the Procurement Committee is to validate purchasing procedures; Tenders, rules and conditions of settlement, study annual budgets of material resources as fixed assets and general expenses and make recommendations to the Management Committee.

Follow-up Committee for Subsidiaries Abroad

The Follow-up Committee for Subsidiaries Abroad undertakes all tasks mentioned in Central Bank basic circular No. 110 dated August 16, 2007 in order to examine closely the abroad activities of the group, including but not limited to management, strategy, performance, results and risks levels.

Organization and Methods Committee

The role of the Organization and Methods Committee is to review the process modeling and to settle on the right solutions. It suggests the policies and procedures to be applied, optimizes the organization of the Bank, and simplifies the procedures with respect to delegations and formal controls, and reviews the structures with the new technologies and products introduced by the Bank.

Change Management Committee

The Change Management Committee has been formed to review, advice and document the proposed changes required by the IT Security Committee on IBL IT infrastructure including hardware, software and banking applications,and to report its decisions and activities to the General Management.

The Bank has been actively building up its domestic franchise in the last few years, as reflected by the significant rise in total assets and deposits.

The Bank's principal activities are divided into three major areas: Retail Banking; Commercial Banking and Trade finance; Treasury and Capital Market Operations.

Retail Banking

The Bank's management believes that retail banking is an efficient way to diversify earnings and risk, as well as a mean to consolidate its relationship with all its customers, and consequently emphasizes and focuses on this business line.

The retail department has been consistently empowered with Human Capital and has been introducing new products ranging from bancassurance to retail loans to deposits programs, which are regarded as less risky and high yielding.

In keeping with this strategy, our number of ATMs across the country has reached 31 and 5 abroad. Our branch network likewise grew in 2013 to reach 20 local branches, a branch in Limassol, Cyprus, as well as two branches in Iraq : one in Erbil and one in Baghdad.

Commercial Banking and Trade Finance

The Bank provides its clients with a full range of commercial banking services and products, in addition to trade finance services through its network of international correspondent banks.

The Bank's loans are mainly granted in Foreign Currency, and are denominated predominantly in US Dollars, having either a maturity of up to one year with the possibility of renewal, or term loans with generally an interest re-pricing period of 1 year.

Treasury and Capital Markets Operations

The Bank's Treasury operations consist of managing and placing the Bank's liquidity. The Treasury department invests those funds with prime international banks as well as with the Central Bank of Lebanon and other Lebanese banks.

The Bank , in the course of its activity on the Lebanese interbank market, defines individual limits per bank, and deals only with prime banks. The Bank provides its customers with securities brokerage and trading activities.

Management of risk is fundamental to the financial soundness and integrity of the Bank. All risks taken must be identified, measured, monitored and managed within a comprehensive risk management framework.

The following key principles support our approach to risk and capital management:

- The Board of Directors has the overall responsibility of determining the type of business and the level of risk appetite that the Bank is willing to undertake in achieving its objectives.

- Up-to-date policies, procedures, processes and systems to allow the execution of effective risk management.

- The relevant committees' structure enhances the approval and review of actions taken to manage risk.

The Risk Management Division proposes and reviews the overall risk policy of the Bank in anticipation of, and in compliance with, regulatory and international standards. It is responsible of monitoring and controlling all types of risk on a regular basis while the business units are responsible for the continuous management of their risk exposures in order to ensure that the risks are within the specified and acceptable limits.

The Risk Management Division is independent of other business units in the Bank which are involved in risk taking activities. It reports directly to the Chairman General Manager and the Board Risk Committee. As such, it contributes to the growth and profitability of the Bank by ensuring that the risk management framework in place is both sound and effective and complies with the Board's directives.

Acting within an authority delegated by the Board, the Board Risk Committee (BRC) has responsibility for ensuring that an appropriate risk management framework is in place. The BRC receives regular reports on risk management, stress testing, liquidity and capital adequacy. It also approves significant changes to Risk Management policies and Framework.

The Bank's risk management processes distinguish among four kinds of specific risks: credit risk, market risk, liquidity risk and operational risk.

A. Credit Risk Management

Credit Risk is the risk that arises from the inability of the borrowers or counterparties to meet their contractual commitments. We distinguish among three kinds of credit risk: Default Risk, Country Risk and Settlement Risk.

Various factors may affect the ability of borrowers to repay loans in full and many circumstances may affect the Bank's ability to resolve non-performing loans. As a result, actual losses incurred in a problem loan recovery process may also affect the Bank's capital adequacy.

The Board of Directors, the Board Risk Committee and the Senior Credit Committee define the credit risk strategy of the Bank and approve both policy changes as well as other enhancements to the credit risk management framework.

The objective of the Bank's credit risk strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. This strategy is based on three core principles: conservatism, diversification and monitoring.

The Bank has set up clear processes for credit approval that include credit policies and procedures with clear credit concentration limits, approval limits depending on the size of business and/or the size of the credit line as well as credit risk mitigation techniques. Commercial and Corporate lending are largely centralized at Head Office and sanctioned by a Senior and a Junior credit committee depending on the exposure.

The Bank exercises, through the Credit Administration Department, an ongoing review and control of extended credit facilities and their respective guarantees. Regular monitoring and surveillance of the accounts are performed by the account officers.

B. Market Risk Management

Market Risk is the risk of loss resulting from changes in market prices and interest rates, from the correlations between these elements and from their volatility.

The Bank manages market risk through its Market Risk Management framework that specifies the global activity and individual limits, together with, but not limited to, stress testing and scenario analysis.

The Asset/Liability Committee (ALCO) manages interest rate risk, which results from mismatches or gaps in the amounts of its assets and liabilities that mature or re-price within a given period, by matching the re-pricing of assets and liabilities.

C. Liquidity Risk Management

Liquidity Risk is the risk to the Bank's earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity is managed to address known as well as unanticipated cash funding needs.

The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposits withdrawals and loan disbursement, participations in new investments and repayment of borrowings.

Liquidity Management within the Bank focuses on both overall balance sheet structure and the control within prudent limits of risk arising from the mismatch of maturities across the balance sheet and from contingent obligations.

D. Operational Risk Management

By operational risk, the Bank refers to the potential of incurring losses in relation to procedures, human error, internal systems or external events, including events with a low probability of occurrence but a high level of risk. Under this definition, operational risk also includes legal risk but excludes strategic and reputational risks.

The Bank manages its operational risk based on a consistent framework that enables it to determine its operational risk profile in comparison to its risk appetite and to define risk mitigating measures and priorities.

RISK MANAGEMENT REPORT

Operational risk management forms part of the day-to-day responsibilities of management at all levels. Qualitative and quantitative methodologies and tools are applied to identify and assess operational risks and to provide management with information for determining appropriate mitigating measures.

The tools used in operational risk management are being finalized and include:

- A loss database of operational risk events categorised according to the Basel II business lines and operational risk event types;

- A risk and control self-assessment process (RCSA) to analyse business activities and identify operational risks that could affect the achievement of business objectives and

- Key risk indicators (KRIs) which are used to manage operational risk on an ongoing basis. KRIs contribute to an assessment of the operational risk profile. The main purpose is to assist management by providing an early-warning indicator of potential risk exposures and/or a potential breakdown of controls.

E. Stress Testing and ICAAP

IBL Bank complements its regular standardized risk reporting process with stress tests. Stress tests are used to check whether the Bank can withstand specific negative events or economic changes. They examine the effect of possible unfavourable events on the capital and liquidity position of the Bank and provide insight on the vulnerability of the business lines and the portfolios.

Stress tests are part of the ICAAP and an important tool for analysing the Bank's risk profile. They contribute to the setting and monitoring of "risk appetite" and ensure adherence to regulatory requirements.

The ICAAP is based on the level of risks the Bank is prepared to take in order to realise its strategic objectives, or its "risk appetite". The risk appetite indicates the maximum risk that the Bank considers acceptable to implement its business strategy in order to protect itself against events that could have an adverse effect on profitability and capital.

Stress tests are also part of the capital planning process. Stress testing may reveal a reduction in surplus capital or a shortfall in capital under specific scenarios. This may then serve as a leading indicator to the Bank's Board to raise additional capital, reduce capital outflows, adjust the capital structure and/or reduce its risk appetite.

Capital Adequacy Risk Management

Capital Adequacy Risk is the risk that the Bank may not have enough capital and reserves to conduct normal business or to absorb unexpected losses arising from market, credit and operational risk factors.

The Bank's policy aims to ensure that it maintains an adequate level of capital to support growth strategies and to meet market expectations and regulatory requirements. As at December 31, 2013 IBL maintains a ratio of 14.51%.

Internal auditing is a profession and activity involved in helping the bank achieve its stated objectives using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Internal auditing frequently involves measuring compliance with the entity's policies and procedures.

The internal audit activity evaluates risk exposures relating to the organization's governance, operations and information systems, in relation to:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

Internal Audit Function

Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve IBL's operations. It helps IBL accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.

Characteristics Used By The Internal Audit Department

- Clear objectives and enterprise-wide authority for its activities.
- Objective & independent performance of its responsibilities.
- Proper follow up with management on action taken in response to audit findings and recommendations.

INTERNAL AUDIT

Role Of Internal Audit

The role of internal auditing includes the review of the accounting system and related internal controls, monitoring their operations and recommending improvements. It also generally includes a review of the means used to identify, measure, and report financial and operating information and specific inquiry into individual items detailed testing of transactions, balances and procedures.

The Internal Audit role has extended beyond financial controls, playing a more prominent and proactive role in non-financial reporting, risk management, and corporate governance.

Risk Based Internal Auditing

It is a methodology that links internal auditing to the bank's overall risk management framework. Thisallows the internal audit activity to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.

Internal Audit Responsibilities

- Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Bank's objectives and goals to be met.
- Reports risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the Bank's operations, in terms of both efficient and effective performance
- Evaluates information security and associated risk exposures
- Maintains open communication with the management and the audit committee

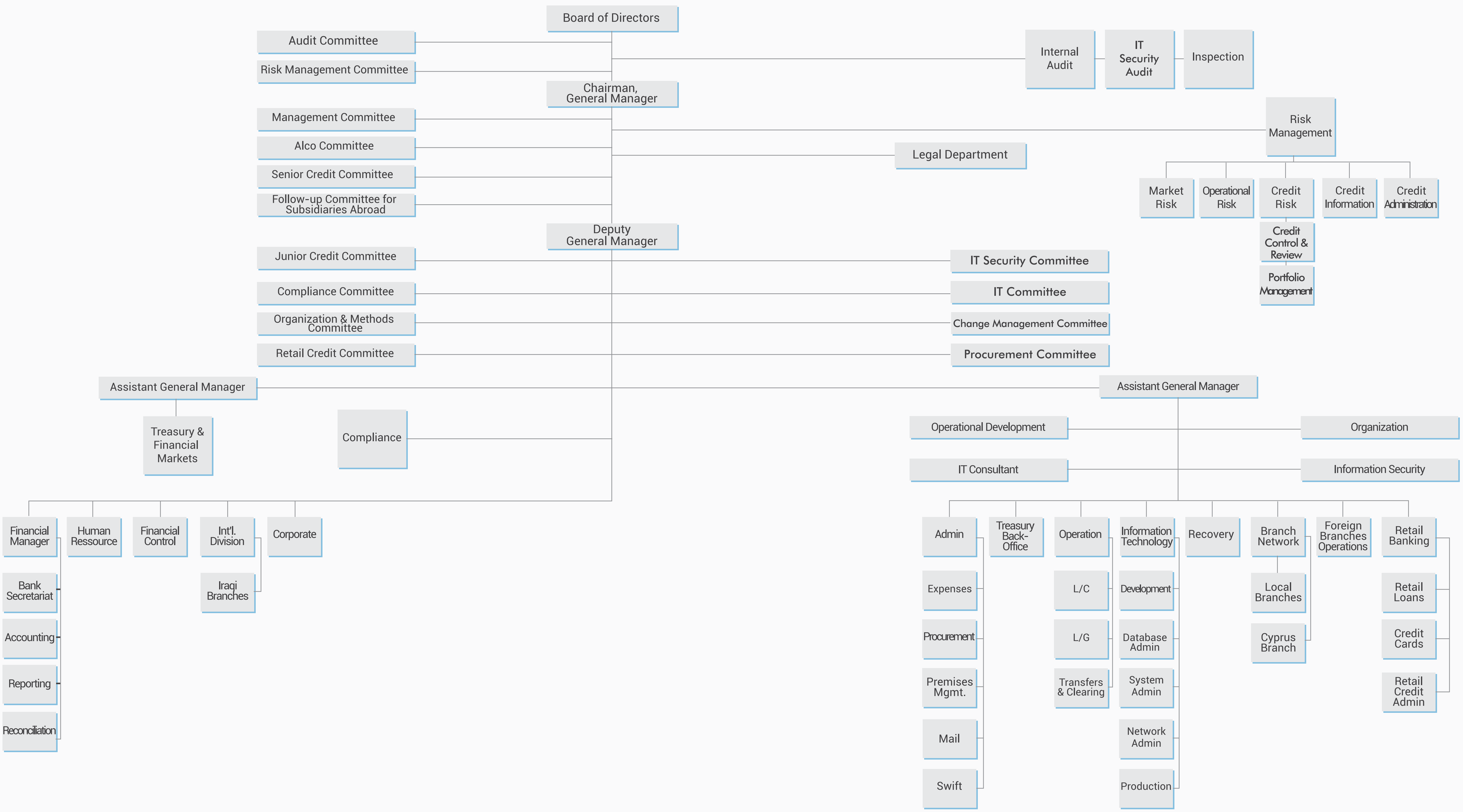
Audit Committee

Relationship between Internal Audit and Audit Committee:

The audit committee of the Board of Directors and the internal auditors are interdependent and mutually accessible, with the internal auditors providing objective opinions, information, support; and the audit committee providing validation and oversight to the internal auditors.

The internal audits provide to the audit committee objective assessment on the state of IBL's risk, control, governance, and monitoring activities.

ORGANIZATIONAL CHART



The Bank's strategy of continuous growth not only quantitatively but also qualitatively is reflected in the following milestones:

Corporate Social Responsibility: IBL Bank's commitment to sustainable growth and the protection of the environment, is highlighted in the Bank's continuous support and actions to help energy efficient programs and actions. As a matter of fact, the Bank received by public vote the Ambassador of the Year Award as the main private company in Lebanon supporting green energy in the country.

Fabriano: In order to promote art, dreams and innovative spirits, IBL Bank sponsored the Fabriano contest for students in all partner Lebanese schools. The winners were given valuable prizes and grants.

Corporate Campaign: IBL Bank launched during 2013 a corporate campaign based on our motto "Where your dreams count". The results of this campaign where highly satisfactory as the bank scored amongst the highest reach and ratings in the post-campaign evaluation.

Champville Basket-Ball Team: We continued our Social involvement in 2013 by the sponsoring of sports and young talents with our support of the Champville Basket-Ball who won the Lebanese basketball championship in its 2012/2013 season.

Byblos Festival: Our commitment in favor of cultural, artistic and touristic events, is a continuing tradition which stems from our aspiration to offer our support to affirm the cultural vocation of Lebanon. IBL Bank continued to be the main sponsor of Byblos International Festival, who is seen as the most renowned and respected Cultural Festival not only in Lebanon but also in the Middle-East.

Order of Engineers and Architects: The Bank signed a tri-partite protocol with the Order of Engineers and Architects and the Lebanese Center for Energy Conservation (LCEC) through which all engineers are pre-approved for a solar water heater loan at 0% interest thanks to BDL subsidy.

Lebanese Dental Association (LDA): The Bank issued a co-branded Visa credit card with the LDA destined to all dentists. This card provides unique privileges to dentists giving them access to an advantageous miles program in addition to many advantages. In addition, it finances thanks to its profit the LDA retirement fund. This card received the recognition by the General Manager of Visa as the Best Card in Lebanon.

Western Union: In addition to the license the bank has acquired as agent of Western Union in Lebanon, we have acquired the same License for Iraq that gives us also the right to sponsor sub-agents.

Finally, during this year, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, 2013 was rich in investments in training and the recruitment of new talents as we make sure to manage our Human Resources in the most effective and efficient manner. Consequently, given our emphasis on staff professional development, over 63 managers and staff, assisted to 108 different external seminars throughout the year in Lebanon and abroad, not counting the continuous internal effort of training and skills enhancement of our staff.

Compliance has become core to conduct banking business within a multifaceted risk environment. In order to counter the multitude of threats encountered daily by the Bank, the Compliance Department has developed a strict body of Compliance doctrines and rules of good conduct that meet with the highest professional, local and international standard that are applied by every staff member in The Bank.

The mission of the Compliance Department is to advice the Management of the Bank, in all issues related to AML & CFT, and Regulatory compliance, in order to prevent any regulatory sanctions, material financial losses, threat to reputation.

Since AML & CFT have always been a key consideration to IBL Bank, continuous efforts and investments are undergone to ensure that the bank remains ahead of the curve in terms of internal controls for this purpose:

- The Compliance Department conducts regular reviews and updates of procedures to ensure that its compliance program remains appropriate to both local regulatory requirements and international standards.

- The Compliance Department worked as previous year on the implementation of the latest version, of automated systems, as the AML Reporter, for screening and monitoring of all Banking transactions, and the DNFS (Designated Names Filtering System) for the filtering of all account opening and entities.

- The Compliance Department installed an automated solution, interfacing between the core banking system and the swift system that allows to filter and screen all swift messages, regarding entities and countries, this control is applied both on the operation department and compliance department level.

- The Bank continuously provides appropriate managers and staff with additional specialized training, especially with our Regulatory Body the SIC (Special Investigation Commission) at the Central Bank of Lebanon.

IBL Bank, official sponsor of
The Byblos International Festival 2014



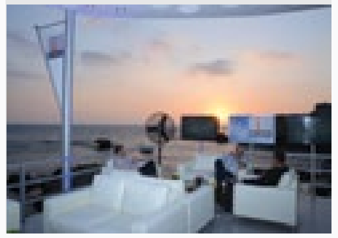












For the 5th year in a row, IBL Bank is proud to be the official sponsor of the Byblos International Festival 2014. This partnership comes in a natural strive to support art, talents, and the Lebanese cultural heritage along with its rich nightlife.

Every evening of the festival, IBL Bank welcomed its guests in its classy lounge overlooking the magnificent bay of Jbeil, with drinks and bites offered in the most delectable ambience.

IBL Bank, where your dreams count

Balamand/UoB card: a rewarding students card

IBL Bank launched its unique and innovative UoB Alumni Credit Card:

Every UoB alumni member can apply for a card specifically designed for him to benefit from many advantages and options: One of the lowest interest rates in the market (1.35% only), the option to choose repayment method: from 5% monthly payment up to 100% of the outstanding limit, a fraud insurance coverage...etc.

Moreover, IBL Bank held several draws with amazing prizes distributed to cardholders!

Night of the AdEaters

For the 5th consecutive year, IBL Bank was proud to be the main official sponsor of the renowned international 'night of the adeaters' by Jean-Marie Bouriscot screened at the Unesco Palace. During the two amazing evenings IBL Bank welcomed all ad lovers at its entrance stand with a special picture booth.
Every attendee could take a "selfie" at the automatic machine, and take the printed picture as a fridge magnet to keep at home as a souvenir of the evening. Each and every time you open that fridge to eat, you'll remember us at the AdEaters!


Cyprus Outdoors Campaign

IBL Bank Cyprus launched a simple striking outdoor campaign in the streets of Limassol announcing the opening of its fully operational branch in the Cypriot city, welcoming its guests in a clear and bright message.

LDA Cocktail

In an unprecedented initiative, IBL Bank has signed a fruitful joint venture with the Lebanese Dental Association and Visa card, launching the 1st credit card in Lebanon specifically designed for dentists, with a wide array of exceptional benefits and the lowest interest rate in the market.

On the occasion of the official launching of the exclusive IBL Dentist Visa Platinum Card, IBL Bank invited eminent personalities and members of the Lebanese Dental Association to a cocktail organized at The Riad Salameh Forum at the 8th floor of the bank's headquarters in Achrafieh.
This event was an opportunity to strengthen the partnership between IBL Bank and the Lebanese Dental Association.

In addition, a protocol of exclusive agreement was signed under the umbrella of the UNDP and through the Lebanese Center of Energy Conservation. The protocol provides members of the Lebanese Dental Association the opportunity to benefit from pre-approved loans guaranteed by the LCEC for the purchase of solar water heaters.

Mr. Salim Habib, CEO of IBL Bank, Professor Elie Maalouf, President of the Lebanese Dental Association, and Mr. Pierre El Khoury, Director of Lebanese Center of Energy Conservation on behalf of the UNDP signed the agreement.

Beirut Energy Forum

IBL Bank participated in the 4th edition of the Beirut Energy forum held on the 26th and the 27th of September 2013, at Le Royal Beirut Hotel, Dbayeh. Attendees could get all kind of information about the unique GREEN LOAN proposed by IBL Bank in our state-of-the-art stand.

EVENTS - ACTIVITIES - LAUNCHING

HeartBeat

IBL Bank was the bronze sponsor of the HeartBeat annual fundraising gala dinner and concerts held in April. This is a heartwarming opportunity to lend our support to children with heart disease, reaching out in an effort to help their parents and their medical team to fulfill their mission and grant them all the health and happiness.

heartbeat
La chaine de l'espoir

Ehmej Festival

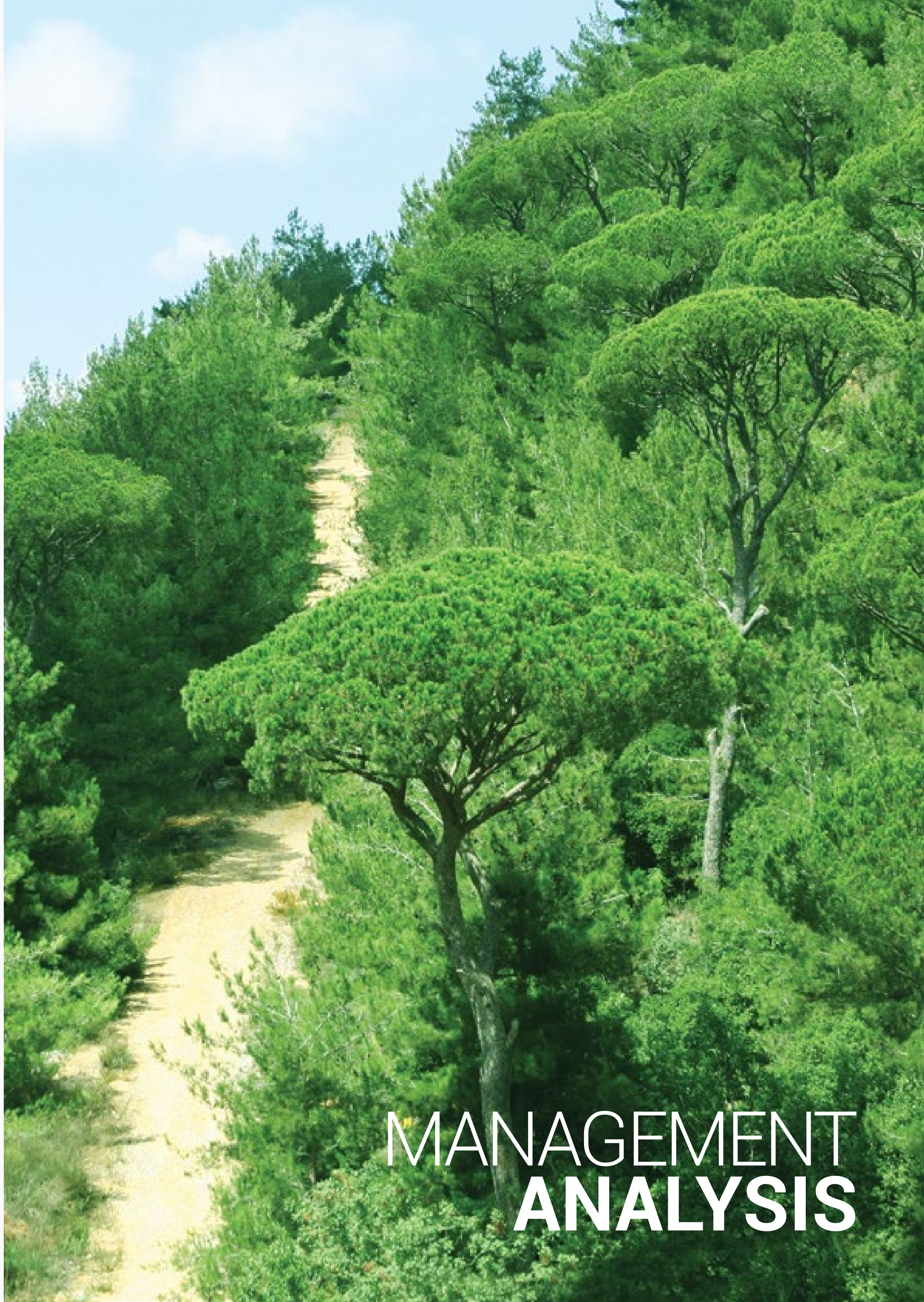
IBL Bank supports the Ehmej festival, welcoming more than 5,000 persons each night in a lively entertainment program.

The Ehmej Festival 2013, with a four-day program, made all fans of Arabic music happy, including performances by Ramy Ayach, Fares Karam, Haifa Wehbe, and Wael Kfoury. Ehmej Festival takes place in a full green zone in Mount Lebanon. The festival's aims are to boost tourism, promote the Lebanese culture, and spread music and art from Jbeil Caza to the rest of the Lebanese area.

Batroun Festival

The Batroun International Festival 2013 program has been set to be a very particular and versatile one; an exceptional experience satisfying all tastes and preferences. Thus, it includes several artistic and cultural activities in addition to the 'on stage' local and international concerts and shows. The Batroun International Festival 2013 took place at the Al Mina area with the ongoing support of IBL Bank.

13 ANNUAL REPORT



Natural Trust

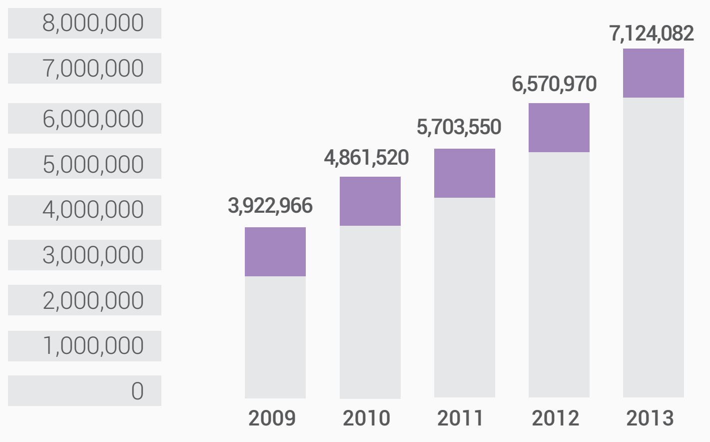
KEY FIGURES

	December 31,								
Key Figures	2013	%GROWTH	2012	%GROWTH	2011	%GROWTH	2010	%GROWTH	2009
	LBP'000	**2012/2013**	**LBP'000**	**2011/2012**	**LBP'000**	**2010/2011**	**LBP'000**	**2009/2010**	**LBP'000**
Total Assets	7,124,082	8.42	6,570,970	15.21	5,703,550	17.32	4,861,520	23.92	3,922,966
Customer Deposits	6,482,583	8.13	5,995,254	15.45	5,192,853	17.53	4,418,332	24.83	3,539,377
Shareholders' Equity	504,848	12.12	450,286	11.74	402,971	22.20	329,767	13.44	290,707
Loans & Advances to Customers & Related Parties	1,355,488	3.86	1,305,121	38.02	945,573	27.73	740,288	85.48	399,120
Income for the Year	80,917	14.28	70,807	14.57	61,800	14.40	54,022	28.60	42,008
Liquidity Ratio in LBP	101.69%		102.50%		102.82%		105.97%		110.01%
Liquidity Ratio in FCY	73.57%		69.87%		74.52%		74.28%		80.79%
Liquidity Ratio in LL & FCY	85.63%		84.59%		87.04%		90.15%		95.32%
Return on Average Assets	1.18%		1.15%		1.17%		1.23%		1.18%
Return on Average Equity	16.94%		16.70%		16.84%		17.41%		18.73%

NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

TOTAL ASSETS

TOTAL ASSETS (In millions of LBP)				
2009	2010	2011	2012	2013
3,922,966	4,861,520	5,703,550	6,570,970	7,124,082



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

IBL Bank's consolidated assets rose from LBP 6,570,970 million as at 31 December 2012 to LBP 7,124,082 million as at 31 December 2013. representing an increase of 8.42%. At the end of 2013, IBL Bank's presence abroad consisted of Limassol in Cyprus and Erbil and Baghdad in Iraq.

The share of our branches abroad in total assets constituted 2.32% as at 31 December 2013 compared to 3.17% as at 31 December 2012.

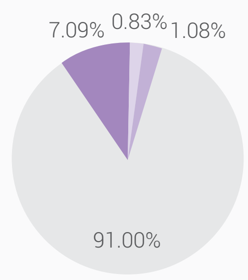
The participation of IBL Investment Bank in total consolidated assets was of 3.92% as at 31 December 2013 compared to 3.71% as at 31 December 2012.

Assets denominated in foreign currencies witnessed a slight increase as at 31 December 2013 to 54.16% of total assets from 53.19% as at 31 December 2012.

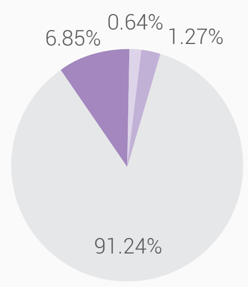
SOURCES OF FUNDS

BALANCE SHEET STRUCTURE - LIABILITIES IN %	END 2013	END 2012
Deposits and borrowings from banks	1.08%	1.27%
Customer's and related parties accounts at amortized cost	91.00%	91.24%
Shareholder's equity	7.09%	6.85%
Other liabilities	0.83%	0.64%
	100.00%	**100.00%**

END 2013



END 2012



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

IBL Bank's sources of funds continue to be principally driven by customers' deposits accounting for 91% of the Bank's total liabilities as at 31 December 2013 as compared to 91.24% as at 31 December 2012.

Shareholders' equity (Tier I and Tier II) constituted 7.09% of total sources of funds in 2013 as compared to 6.85% in 2012.

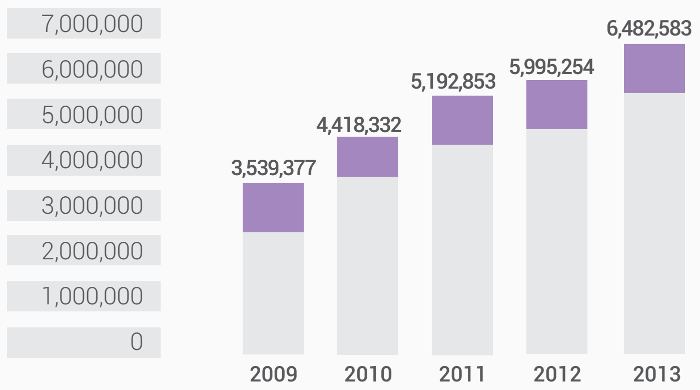
The share of deposits and borrowings from banks amounted to 1.08% as at 31 December 2013 slightly down from 1.27% as at 31 December 2012.

Interest-bearing liabilities as a share of total liabilities remained almost unchanged and represented 92.08% as at 31 December 2013 as compared to 92.51% as at 31 December 2012.

In absolute terms, interest bearing liabilities stood at LBP 6,559,559 million as at 31 December 2013 as compared to LBP 6,079,029 million as at 31 December 2012, registering a growth of 7.90% over the year.

CUSTOMERS' AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

CUSTOMERS' AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST (in millions of LBP)				
2009	2010	2011	2012	2013
3,539,377	4,418,332	5,192,853	5,995,254	6,482,583



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

Customers' deposits recorded an increase of 8.13% during 2013 to reach LBP 6,482,583 million as at 31 December 2013 compared to LBP 5,995,254 million as at 31 December 2012.

The dollarization rate was not impacted by the economic and political tensions in Lebanon or by the "Arab Spring" and their consequences on the country. Therefore, customers'deposits denominated in LBP remained almost unchanged with a slight decrease from 45.21% as at 31 December 2012 to 43% as at 31 December 2013 .

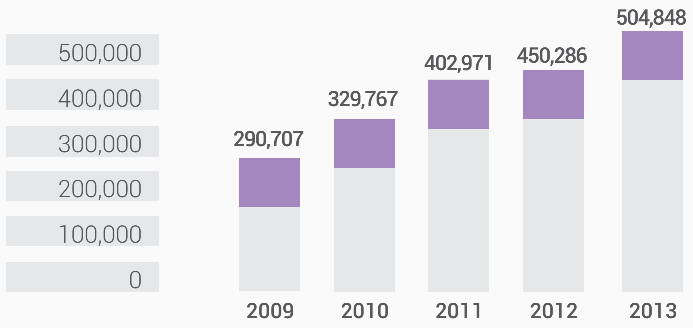
The breakdown of customers' deposits remained stable.Deposits were comprised mostly of term deposits which consisted of 82.10% of total customers' deposits as at 31 December 2013 as compared to 80.46% as at 31 December 2012.

Demand deposits which earn the minimum interest rate offered by the Group, represented 6.95% as at 31 December 2013 as compared to 6.28% as at 31 December 2012.

The major part of the Bank's customers' deposits are short-term with deposits having a remaining maturity of less than One year representing 89.33% of total customers' deposits as at 31 December 2013 as compared to 89.74% as at 31 December 2012.

SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY (In millions of LBP)				
2009	2010	2011	2012	2013
290,707	329,767	402,971	450,286	504,848



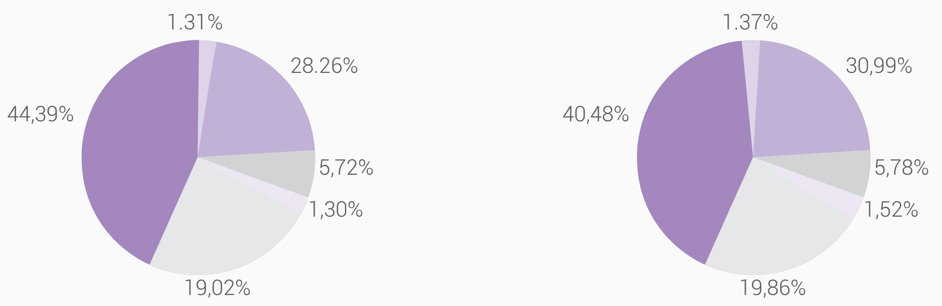
• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

Consolidated shareholders' equity increased by 12.12% year-on-year to reach LBP 504,848 million as at 31 December 2013 moving from LBP 450,286 million as at 31 December 2012, bringing its contribution to total sources of funds to 7.09% from 6.85% as at 31 December 2012.

Tier I capital which is the main source of equity comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings and general reserves. Tier I capital increased by 12.01% to LBP 495,988 million by the end of 2013 following an increase of 11.72% by the end of 2012. Tier I capital increase can be mainly attributed to retained profits of 2012 amounting to LBP 28,431 million after dividend distribution. This measure falls in line with the Bank's strategy of a steady internal capital growth.

Tier II Capital is composed of asset revaluation surplus and reserves for assets acquired in satisfaction of debts. They increased from LBP 7,501 million as at 31 December 2012 to LBP 8,861 million as at 31 December 2013.

BALANCE SHEET STRUCTURE - ASSETS IN %	END 2013	END 2012
Cash and Deposits with Central Banks	28.26%	30.99%
Deposits with Banks and Financial Institutions	5.72%	5.78%
Loans to Banks	1.30%	1.52%
Loans and Advances to customers and related parties	19.02%	19.86%
Investment Securities	44.39%	40.48%
Other Assets	1.31%	1.37%
	100.00%	**100.00%**



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

Maintaining a high asset quality and a strong portfolio of investments is pivotal to IBL Bank's strategy. This is reflected in the return on average assets ratio which stood at 1.18% as at 31 December 2013 as compared to 1.15% as at 31 December 2012.

IBL Bank is ranking Second between the Alpha Group of Banks in terms of Return On Average Assets ratio according to Bank Data.

"Cash and Central Banks" constituted 28.26% of total assets as at 31 December 2013 compared to 30.99% as at 31 December 2012. The share of "Deposits with Banks and Financial Institutions" to total assets slightly decreased from 5.78% as at 31 December 2012 to 5.72% as at 31 December 2013.

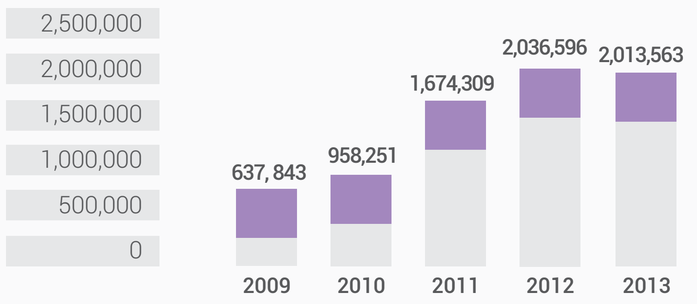
"Loans to banks" as at 31 December 2013 constituted 1.30% of total assets, down from 1.52% as at 31 December 2012. On the other hand, the share of "loans and advances to customers and related parties" to total assets slightly decreased from 19.86 % as at 31 December 2012 to 19.02% as at 31 December 2013.

The Bank's "portfolio securities" constituted 44.39% of total assets as at 31 December 2013 coming from 40.48% as at 31 December 2012. This portfolio includes "investments at Fair Value Through Profit or Loss" in a percentage of 26.45% of total portfolio and 11.74% of total assets.

"Other assets" share of total assets remained almost stable.They accounted for 1.31% as at 31 December 2013 as compared to 1.37% as at 31 December 2012. They are mainly constituted of "property and equipment" in a percentage of 57.02% of total "other assets" and "assets acquired in satisfaction of debts" in a percentage of 21.25% at the year ended December 2013 as compared to 51.95% and 21.85% respectively at the year ended December 2012.

Interest-earning assets represented 95.04% of total assets as at 31 December 2013 as compared to 95.03% as at 31 December 2012.

CASH AND DEPOSITS WITH CENTRAL BANKS (In millions of LBP)				
2009	2010	2011	2012	2013
637,843	958,251	1,674,309	2,036,596	2,013,563



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

"Cash and Deposits with Central Banks" Are Distributed As Follows:

	End of year 2013		End of year 2012	
Cash on hand	55,311	2.75%	51,751	2.54%
Current accounts with Central Banks	205,511	10.21%	184,218	9.05%
Interest earning accounts	1,752,741	87.05%	1,800,627	88.41%
	2,013,563	**100.00%**	**2,036,596**	**100.00%**

As at 31 December 2013 "Cash and Deposits with Central Banks" amounted to LBP 2,013,563 million and constituted 28.26% of total assets as compared to LBP 2,036,596 million and 30.99% of total assets as at 31 December 2012, reflecting a year-on-year slight decrease of 1.14%.

Current accounts with Central banks include compulsory deposits in Lebanese Pounds with the Central Bank of Lebanon not available for use in the Bank's day-to-day operations in the amount of LBP 129,4 billion as at 31 December 2013 as compared to LBP 127,9 billion as at 31 December 2012.

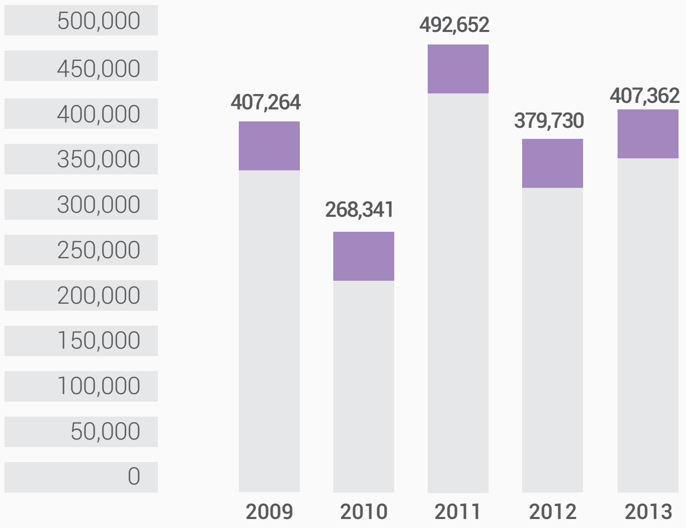
These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

Interest earning accounts are constituted of term placements with the Central Bank of Lebanon that amounted to LBP 1,744,594 million and represented 86.64% of total "Cash and deposits with Central Banks" at the year end December 2013 as compared to LBP 1,800,627 million and 88.41% respectively at the year end December 2012.

Term placements with Central Banks also include the equivalent in foreign currencies of LBP 522 billion as at 31 December 2013 deposited with the Central Bank of Lebanon in accordance with local banking regulations which require banks to maintain interest bearing reserves in foreign currency to the extent of 15% of customers' deposits ,bonds, certificates of deposits and loans acquired from NR financial institutions in foreign currency.

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS (in millions of LBP)				
2009	2010	2011	2012	2013
407,264	268,341	492,652	379,730	407,362



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

"Deposits With Banks And Financial Institutions " Are Distributed As Follows:

	End of year 2013		End of year 2012	
Current accounts with Banks	204,614	50.22%	164,374	43.28%
Term placements with Banks	195,506	47.99%	208,995	55.03%
Pledged deposits with Banks				
Checks in course of collection	7,198	1.76%	6,215	1.63%
Accrued Interest	44	0.03%	146	0.06%
	407,362	**100.00%**	**379,730**	**100.00%**

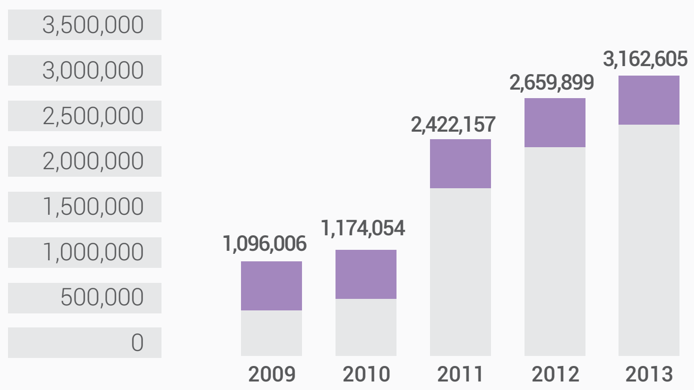
As at 31 December 2013, "Deposits with banks and financial institutions" amounted to LBP 407,362 million and constituted 5.72% of total assets as compared to LBP 379,730 million and 5.78% as at 31 December 2012, reflecting a year-on-year increase of 7.29%. As shown on the breakdown above, term placements constituted 50.22% of total "deposits with banks and financial institutions" as at 31 December 2013 coming from 43.28% as at 31 December 2012.

94.19% of the current and term deposits are denominated in foreign currencies, and all the term deposits as at 31 December 2013 mature during the year 2014.

"Deposits with banks and financial institutions" are geographically distributed as follows: 14.19% in Lebanon and 85.81% in low risk countries mainly in Europe and the USA.

INVESTMENT SECURITIES PORTFOLIO

INVESTMENT SECURITIES PORTFOLIO (In millions of LBP)				
2009	2010	2011	2012	2013
1,096,006	1,174,054	2,422,157	2,659,899	3,162,605



• *NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements*

Investment securities portfolio increased by LBP 502,706 million reaching LBP 3,162,605 million as at 31 December 2013 as compared to LBP 2,659,899 million as at 31 December 2012, corresponding to a growth of 18.90%.

As at 31 December 2013, the investment securities portfolio represented 44.39% of consolidated assets and was predominantly constituted of financial assets classified at Amortized Cost in a percentage of 73.54% of total investment securities portfolio and 26.46% of investments classified at Fair Value Through Profit or Loss as compared to 75.66% and 24.34% as at 31 December 2012 respectively.

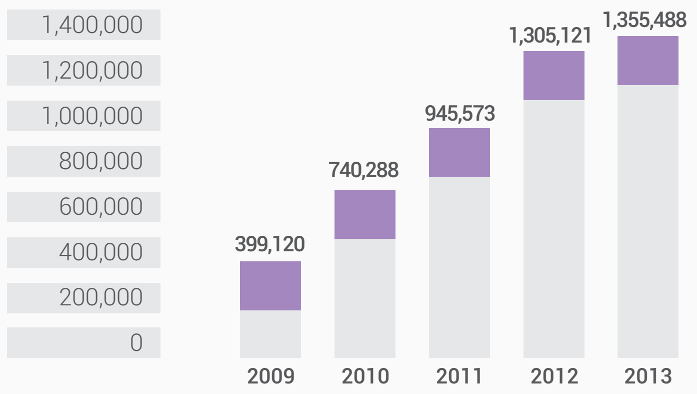
The currency composition of the total portfolio for the year 2013 is 61.85% in Lebanese Pounds and 38.15% in foreign currency as compared to 67.80% in Lebanese Pounds and 32.20% in foreign currency for the year 2012.

Lebanese treasury bills and government bonds, in both LBP and foreign currencies, increased, as a percentage of the bank's total securities portfolio to 42.85% as at 31 December 2013 coming from 34.53% as at 31 December 2012.

Investments in Central Bank certificates of deposits, in both LBP and foreign currencies,represented 56.29% of the total investment securities portfolio as at 31 December 2013 as compared to 64.88% as at 31 December 2012

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES (in millions of LBP)				
2009	2010	2011	2012	2013
399,120	740,288	945,573	1,305,121	1,355,488



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Consolidated customers' loans net of provisions (specific and collective) on doubtful loans and unrealized interests on substandard and doubtful loans grew by 3.86% during the year 2013 to reach LBP 1,355,488 million as at 31 December 2013.

Loans and advances to customers and related parties constituted 19.02% of total assets as at 31 December 2013 as compared to 19.86% as at 31 December 2012.

77.05% of total loans are denominated in foreign currencies and mostly in US dollars. The high dollarization of the Bank's loan portfolio is in line with the loan portfolios of the Bank's peers, and reflects the state of the Lebanese economy for the past decades.

Following IBL Bank's adoption of a conservative loan strategy in order to maintain a high asset quality, the ratio of net loans and advances to total deposits has been maintained at relatively low levels reaching 20.91% as at 31 December 2013 as compared to 21.76% as at 31 December 2012.

Net provisions allocated for doubtful loans decreased by 60.91% to reach LBP 12,838 million as at 31 December 2013 as compared to LBP 32,838 miilion as at 31 December 2012.This decrease is mainly due to the transfer of bad debts for the amount of LBP 17,830 million to off-balance sheet accounts pursuant to the Banking Control Commission circular No 240 dated 2/1/2004 , as well as to recovered provisions amounting to LBP 2,834 million during 2013.

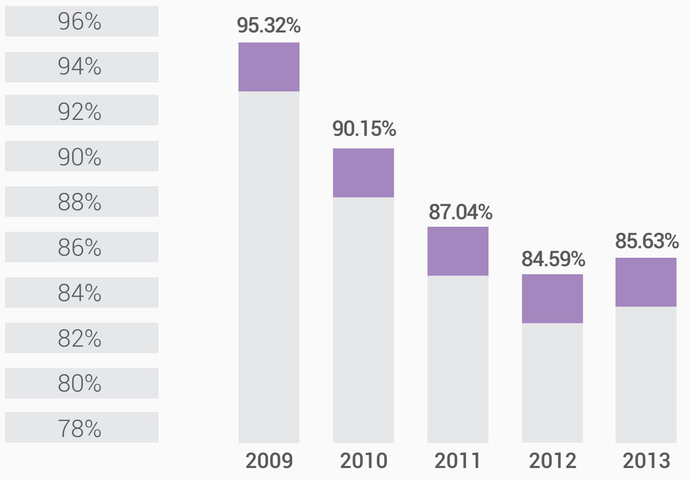
Provisions and unrealized interests for impaired loans, including collective provisions amounted to LBP 58,619 million as at 31 December 2013 as compared to LBP 80,343 million as at 31 December 2012.

It is important to note that the collective provisions the Bank provided for during the year 2013 against any potential deterioration of the loan portfolio, increased by LBP 6,688 million to reach LBP 21,451 million at the end of 2013.

As a consequence, the coverage ratio of the net non performing loans by specific and collective provisions reached 140% at the end of 2013.

LIQUIDITY RATIO

LIQUIDITY RATIO (In LBP & FCY)				
2009	2010	2011	2012	2013
95.32%	90.15%	87.04%	84.59%	85.63%



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

IBL Bank has successfully maintainted ample liquidity in 2013, where overall liquidity stood at 85.63%. As such, the Lebanese Pound Liquidity Ratio (including Lebanese governmental Treasury bills) was 101.69% as at 31 December 2013 reflecting an avaibable liquidity covering Lebanese Pounds deposits in total.

Moreover, the liquidity ratio in foreign currencies accounted to 73.57% as at 31 December 2013 as compared to 69.87% as at 31 December 2012.

Management considers the bank's liquidity position to be strong based on its liquidity ratios as at 31 December 2013 and believes that the Bank's funding capacity is sufficient to meet its On and Off-balance sheet obligations. IBL Bank's financial position structure is run in a way to maintain high diversification and a low concentration among different sources of funds.

The Bank performs liquidity stress tests as part of its liquidity management. The purpose is to always ensure sufficient liquidity for the Bank under different stress conditions.

Maturity mismatch between assets and liabilities which characterises the Lebanese Banking sector was also present at IBL Bank. This mismatch is considered as low risk, especially that maturing deposits do not actually materialize in cash outflows and are generally automatically renewed.

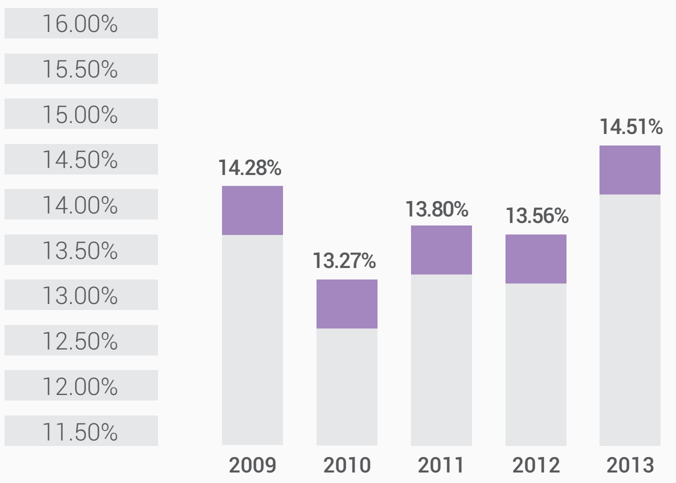
The Alco (Assets and Liabilities Committee) manages the mismatches by maintaining strict liquidity criterias on investments and by following the behavior of deposits which have a proved track record of being recurring and core. All liquidity policies and procedures are subject to review and approval by Alco, the Board Risk Committee and ultimately the Board of Directors.

CAPITAL ADEQUACY RATIO

CAPITAL ADEQUACY RATIO (BASEL II)

** Calculated as per BDL circular no 358 dated 6 March 2014*

2009	2010	2011	*2012	*2013
14.28%	13.27%	13.80%	16.05%	14.51%



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

As at 31 December 2013, IBL Bank's total Capital Adequacy Ratio stood at 14.51% with the Tier I capital and Common Equity Tier One (CET 1) ratios amounting to 14.47% and 12.28% respectively. These ratios are measured according to Basel III requirements and Central bank intermediary circular No 358 dated 6 March 2014 .

IBL Bank consolidated CAR ratios are clearly above the regulatory requirements and exceed the 12% that would be required by the Banking Control Commission of Lebanon by end of 2015.

Ratio	IBL Bank as at 31 Dec. 2013	BDL requirements as at 31 Dec. 2013	BDL requirements as at 31 Dec. 2015
NCE Tier 1	12.28%	6.00%	8.00%
Tier 1 Capital	14.47%	8.50%	10.00%
Total Capital Funds	14.51%	10.50%	12.00%

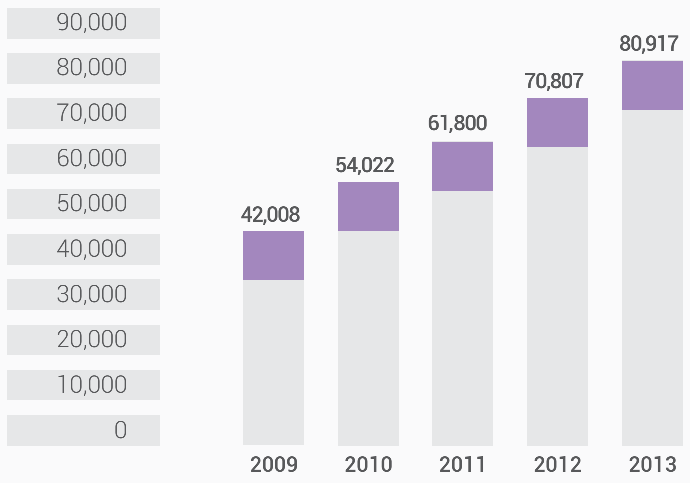
These ratios are calculated in accordance with the standardized Approach for credit risk, the Basic Indicator Approach for operational risk and the standardized measurement for market risk.

Moreover, the Bank has conducted stress tests scenarios to assess the impact on capital and liquidity of higher sovereign risks, increased credit portfolio defaults, and funding outflows, and has found both the Capital buffer and the liquidity buffer to be at satisfactory levels.

PROFITABILITY

PROFITABILITY (in millions of LBP)

2009	2010	2011	2012	2013
42,008	54,022	61,800	70,807	80,917



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

The net consolidated income for the year 2013 amounted to LBP 80,917 million recording an increase of 14.52% compared to LBP 70,807 million for the year 2012.

This growth is mainly due to the increase in net financial revenues, after impairment charge for credit losses, from LBP 136,668 million as at 31 December 2012 to LBP 153,093 million as at 31 December 2013, meaning a rise of 10.01%. This result is realized after deduction of the allowance for loans and advances and collective impairment of LBP 7,389 million that was provided for during 2013 as compared to LBP 7,519 million for the year 2012.

IBL's performance is also reflected in the Bank's high profitability ratios that are among the highest in the Lebanese banking sector.

In fact, IBL Bank's Return on Average Assets (ROAA) stood at 1.18% at the end of 2013 while the Bank's Return on Average Equity (ROAE) reached 16.94%, ranking second in both ratios according to Bankdata.

Staff and Administrative expenses reached LBP 53,648 million as at 31 December 2013, registering a year-on-year increase of 7.59%. Staff expenses increased by 9.57% in 2013 to reach LBP 35,603 million while administrative expenses went up by 3.88% to reach LBP 18,044 million. That said, IBL is still maintaining a low cost to income ratio of 36.2% as at 31 December 2013 ranking First in the Alpha Group whose average was 49.9% as at 31 December 2013.

On the other hand, earnings per share increased to LBP 4,150 (US$ 2.75) in 2013 from LBP 3,631 (US$ 2.40) in 2012.

LIST OF MAIN CORRESPONDENTS - TREASURY & FINANCIAL MARKETS

Correspondent	City	SWIFT Code
National Bank of Abu Dhabi	Abu Dhabi	NBADAEAA
Trade Bank of Iraq	Baghdad	TRIQIQBA
Banco de Sabadell SA	Barcelona	ATLAESMM
Danske Bank A/S	Copenhagen	DABADKKK
Doha Bank	Doha	DOHBQAQA
Al Khaliji France SA	Dubai	LICOAEAD
MashreqBank	Dubai	BOMLAEAD
Deutsche Bank AG	Frankfurt	DEUTDEFF
Commerzbank AG	Frankfurt	COBADEFF
Bankmed (Suisse) SA	Geneva	MEDSCHGG
The National Commercial Bank	Jeddah	NCBKSAJE
The Commercial Bank of Kuwait	Kuwait	COMBKWKW
Bank of Beirut (UK) Ltd	London	BRBAGB2L
Banco Popular Espanol	Madrid	POPUESMM
Intesa Sanpaolo spa	Milano	BCITITMM
Citibank NA	New york	CITIUS33
The Bank of New York Mellon	New York	IRVTUS3N
Bank of Cyprus Public Company LTD	Nicosia	BCYPCY2N
DNB Bank ASA	Oslo	DNBANOKK
Al Khaliji France SA	Paris	LICOFRPP
Banque Audi Saradar (France) SA	Paris	AUDIFRPP
Skandinaviska Enskilda Banken	Stockholm	ESSESESS
Bank of Sydney	Sydney	LIKIAU2S
The Bank of New York Mellon	Tokyo	IRVTJPJX
Sumitomo Mitsui Banking Corporation	Tokyo	SMBCJPJT
Unicredit Bank Austria AG.	Vienna	BKAUATWW

MAIN RESOLUTIONS OF THE ORDINARY GENERAL ASSEMBLY HELD ON JUNE 12, 2014

Resolution 1

The Ordinary General Assembly, after listening to the reports of the Board of Directors and the external Auditors regarding the accounts of the year 2013, and after reviewing the balance sheet and the profit and loss accounts for the same year, decided:

The ratification of the reports, the balance sheets and all other accounts of the Bank relating to the fiscal year ending on 31/12/2013.

Decision taken unanimously.

Resolution 2

The Ordinary General Assembly, after taking note of the net profits realized during 2013, which amounted to LBP 56,133 million decided:

1) The Distribution of US$ 3,750 Thousand of these profits, to the holders of series 2 preferred shares, amount which represents 7.50% of the issue price amounted to US$ 100 for each share , pursuant to the third decision (Item 4, par A) of the Extraordinary General Assembly held on June 9, 2011.

2) The distribution of LBP 22,503,000 Thousand (approximately US$ 14,927 Thousand) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

3) It was also decided to transfer the remaining balance of the net profits of the year 2013 to retained earnings (previous results).

Decision taken unanimously.

Resolution 6

The Ordinary General Assembly, after going through the reports of the Board of Directors and the external Auditors in compliance with article 158 of the Code of Commerce And article 152 paragraph.4 of the Code of Money and Credit, decided:

The ratification of the activities carried out in accordance to the above-mentioned laws, and renewal of the prior authorization given to the Directors to act according to those articles, in addition to the prior authorization of article 159 of the Code of Commerce.

Decision taken unanimously.

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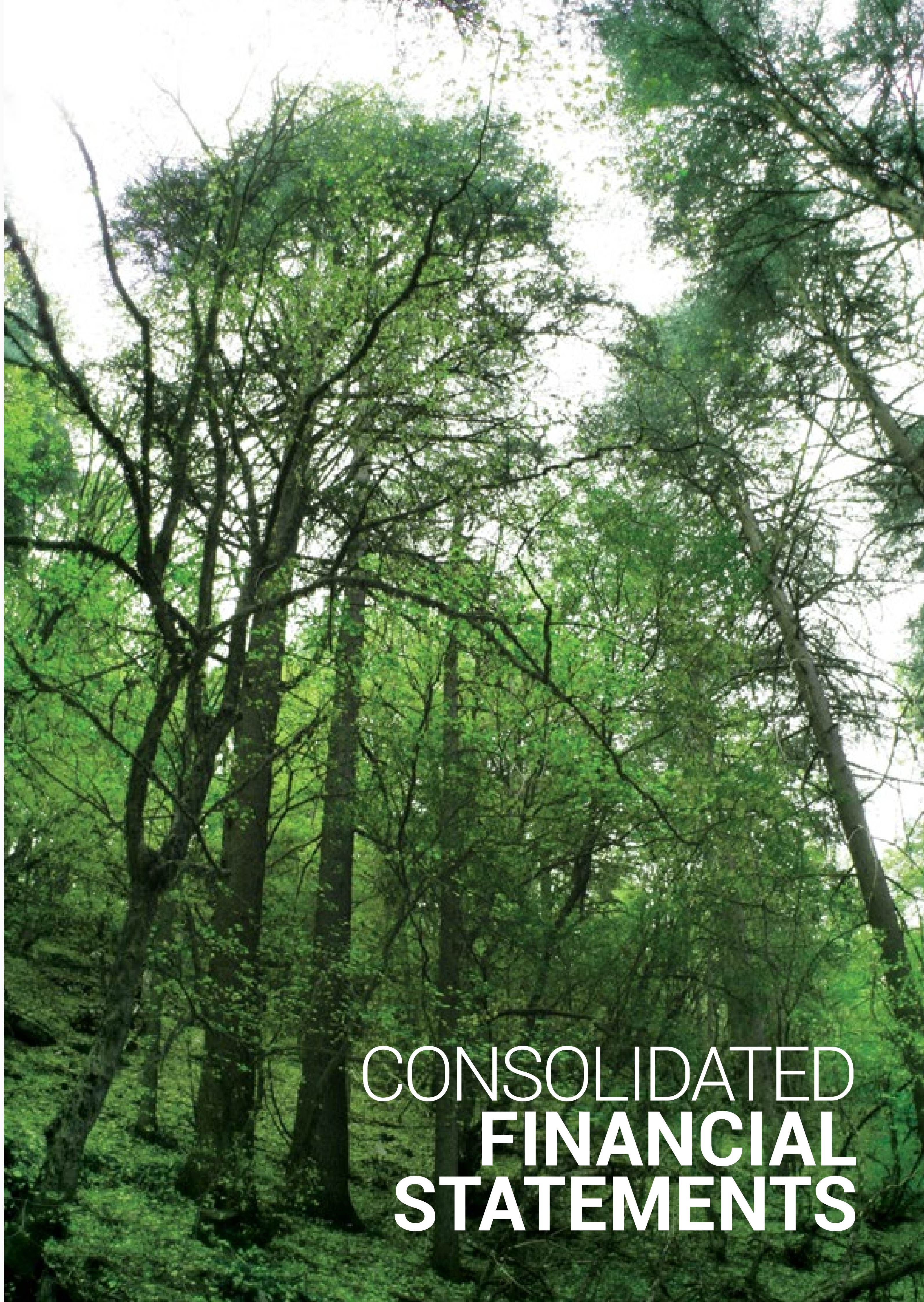

Aiming High

To the Shareholders IBL BANK S.A.L. Beirut, Lebanon

We have audited the accompanying consolidated financial statements of **IBL BANK S.A.L.** (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013, the 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Beirut, Lebanon
May 15, 2014

Deloitte & Touche

DFK Fiduciaire
du Moyen Orient

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Notes	December 31, 2013	December 31, 2012
		LBP'000	LBP'000
Cash and deposits with Central Banks	5	2,013,563,129	2,036,595,511
Deposits with banks and financial institutions	6	407,361,580	379,730,164
Loans to banks	7	92,554,494	99,627,158
Loans and advances to customers	8	1,319,239,857	1,266,250,508
Loans and advances to related parties	9	36,248,078	38,870,115
Investment securities at fair value through profit or loss	10	836,717,749	647,189,743
Investment securities at amortized cost	11	2,325,887,154	2,012,708,994
Customers' liability under acceptances	12	10,136,121	15,201,314
Assets acquired in satisfaction of loans	13	19,666,700	19,666,700
Property and equipment	14	52,752,867	46,758,240
Intangible assets	15	850,369	905,382
Other assets	16	9,103,503	7,466,214
Total Assets		**7,124,081,601**	**6,570,970,043**

Financial Instruments with off-balance sheet risk	Notes	December 31, 2013	December 31, 2012
		LBP'000	LBP'000
Documentary and commercial letters of credit	36	79,693,337	218,251,554
Guarantees and standby letters of credit	36	86,456,051	77,187,572
Forward exchange contracts	36	39,739,038	79,944,746
Fiduciary Deposits		6,391,800	5,185,800

The accompanying notes 1 to 43 form an integral part of the consolidated financial statements

Liabilities	Notes	December 31, 2013	December 31, 2012
		LBP'000	LBP'000
Deposits from banks	17	76,976,299	83,774,443
Customers' accounts	18	6,367,708,615	5,891,008,930
Related parties accounts	18	114,874,010	104,245,365
Liability under acceptances	12	10,136,120	15,201,314
Other borrowings	19	11,474,342	
Other liabilities	20	30,841,437	20,620,273
Provisions	21	7,222,314	5,834,069
Total liabilities		**6,619,233,137**	**6,120,684,394**

Equity	Notes	December 31, 2013	December 31, 2012
		LBP'000	LBP'000
Capital	22	146,250,000	146,250,000
Non-cumulative convertible preferred shares	23	75,356,250	75,356,250
Common shares premium		6,514,784	6,514,784
Reserves	24	57,490,908	42,924,647
Asset revaluation surplus		2,752,680	2,752,680
Regulatory reserve for assets acquired in satisfaction of loans		6,108,067	4,748,712
Retained earnings		128,643,833	100,213,134
Profit for the year		80,804,769	70,710,626
Equity attributable to equity holders of the Bank		503,921,291	449,470,833
Non-controlling interests	26	927,173	814,816
Total Equity		504,848,464	450,285,649
Total Liabilities and Equity		**7,124,081,601**	**6,570,970,043**

The accompanying notes 1 to 43 form an integral part of the consolidated financial statements

IBL BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2013	Year Ended December 31, 2012
		LBP'000	LBP'000
Interest income	27	406,114,535	396,758,684
Interest expense	28	(334,564,698)	(302,087,337)
Net interest income		71,549,837	94,671,347
Fee and commission income	29	12,882,762	9,588,641
Fee and commission expense	30	(730,028)	(1,940,503)
Net fee and commission income		12,152,734	7,648,138
Other operating income	31	7,851,309	9,133,839
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	32	67,438,405	31,488,740
Net financial revenues		**158,992,285**	**142,942,064**
Allowance for impairment of loans and advances (net)	33	(5,898,809)	(6,274,370)
Net financial revenues after impairment charge for credit losses		153,093,476	136,667,694
Staff costs	34	(35,603,398)	(32,490,849)
General and administrative expenses	35	(18,044,258)	(17,369,036)
Depreciation and amortization	14, 15	(3,765,876)	(3,627,486)
Other expenses		(27,182)	(42,789)
Profit before income tax		95,652,762	83,137,534
Income tax expense	20	(14,735,636)	12,330,715
Profit for the year		**80,917,126**	**70,806,819**
Other comprehensive income			
Total comprehensive income		**80,917,126**	**70,806,819**
Attributable to:			
Equity holders of the Bank		80,804,769	70,710,626
Non-controlling interests	26	112,357	96,193
		80,917,126	**70,806,819**

**The accompanying notes 1 to 43 form an integral part of the consolidated financial statements*

	Capital	Non-Cumulative Convertible Preferred Shares	Common Shares Premium	Reserves	Asset Revalutaion Surplus	Regulatory Reserve for Assets Acquired in Satisfaction of Loans	Retained Earnings	Profit for the Year	Total Attributable to the Equity Holders of the Bank	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
	Attributable to Equity Holders of the Bank										
Balance, January 1, 2012	**146,250,000**	**75,356,250**	**6,514,784**	**30,730,719**	**2,752,680**	**3,885,040**	**75,081,363**	**61,681,255**	**402,252,091**	**718,623**	**402,970,714**
Allocation of 2011 profit	-	-	-	12,193,928	-	-	49,487,327	(61,681,255)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	863,672	(863,672)	-	-	-	-
Dividends paid (Note 25)	-	-	-	-	-	-	(23,398,125)	-	(23,398,125)	-	(23,398,125)
Difference in exchange	-	-	-	-	-	-	(93,759)	-	(93,759)	-	(93,759)
Total comprehensive income for the year 2012	-	-	-	-	-	-	-	70,710,626	70,710,626	96,193	70,806,819
Balance as at December 31, 2012	**146,250,000**	**75,356,250**	**6,514,784**	**42,924,647**	**2,752,680**	**4,748,712**	**100,213,134**	**70,710,626**	**449,470,833**	**814,816**	**450,285,649**
Allocation of 2012 profit	-	-	-	14,566,261	-	-	56,144,365	(70,710,626)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	1,359,355	(1,359,355)	-	-	-	-
Other movement	-	-	-	-	-	-	(270,008)	-	(270,008)	-	(270,008)
Dividends paid (Note 25)	-	-	-	-	-	-	(26,108,625)	-	(26,108,625)	-	(26,108,625)
Difference in exchange	-	-	-	-	-	-	24,322	-	24,322	-	24,322
Total comprehensive income for the year 2013	-	-	-	-	-	-	-	80,804,769	80,804,769	112,357	80,917,126
Balance as at December 31, 2013	**146,250,000**	**75,356,250**	**6,514,784**	**57,490,908**	**2,752,680**	**6,108,067**	**128,643,833**	**80,804,769**	**503,921,291**	**927,173**	**504,848,464**

**The accompanying notes 1 to 43 form an integral part of the consolidated financial statements*

IBL BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2013	2012
		LBP'000	LBP'000
Cash flows from operating activities:			
Net profit for the year		80,917,126	70,806,819
Adjustments for:			
Depreciation and amortization	14,15	3,765,876	3,627,486
Unrealized loss/(gain) on investment securities at fair value through profit or loss	32	25,728,072	5,553,151
Allowance for impairment of loans and advances (net)	33	5,898,809	6,274,370
Other adjustments and effect of exchange difference		17,968	(125,370)
Provision for employees' end of service indemnity	21	1,421,236	2,015,198
Loss on disposal of property and equipment		27,089	2,047
Interest expense	28	334,564,698	302,087,337
Interest income	27,32	(470,967,818)	(428,802,576)
Income tax expense		14,735,636	12,330,715
		(3,891,308)	(26,230,823)
Net increase in loans and advances to customers		(59,392,302)	(366,483,353)
Net decrease in loans and advances to related parties		2,622,037	2,075,482
Net increase in investment securities		(492,967,049)	(236,823,470)
Net (decrease) in compulsory reserves and deposits with central banks		(1,573,996)	(693,196,837)
Net decrease/(increase) in loans to banks		7,060,000	(7,940,000)
Net (decrease)/increase in deposits with banks and financial institutions		73,746,897	(59,561,544)
Net Increase/(decrease) in borrowings from banks and financial institutions		(6,859,495)	9,190,585
Net increase in customers' deposits at amortized cost		473,243,916	781,846,097
Net increase in related party deposits at amortized cost		10,628,450	20,152,087
Net (decrease)/increase in other assets		(1,637,289)	702,110
Net (decrease)/increase in other liabilities		3,240,334	(4,415,806)
Settlements made from provisions (net)		(32,992)	(2,576,994)
		4,187,203	(583,262,466)
Interest paid		(331,016,115)	(301,673,124)
Interest received		435,986,008	412,435,589
Income tax paid		(8,024,814)	(8,753,310)
Net cash provided by/(used in)operating activities		101,132,282	(481,253,311)
Cash flows from investing activities:			
Acquisition of property and equipment		(9,402,364)	(6,740,102)
Proceeds from disposal of property and equipment		-	16,696
Acquisition of intangible assets		(323,862)	(178, 555)
Net cash used in investing activities		(9,726,226)	(6,901,961)
Cash flows from financing activities:			
Dividends paid	25	(26,108,625)	(23,398,125)
Increase in other borrowings		11,443,074	-
Net cash used in financing activities		(14,665,551)	(23,398,125)
Net increase/(decrease) in cash and cash equivalents		76,740,505	(511,553,397)
Cash and cash equivalents - Beginning of year		548,749,726	1,060,303,123
Cash and and cash equivalents - End of year	38	625,490,231	548,749,726

**The accompanying notes 1 to 43 form an integral part of the consolidated financial statements*

IBL BANK S.A.L. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

1. General Information

IBL Bank S.A.L. (the "Bank") is a Lebanese joint stock company registered in the Lebanese commercial register under No. 10472 and in the Central Bank of Lebanon under No. 52. The consolidated financial statements of the Bank comprise the financial statements of the Bank and those of its subsidiaries (the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Group operates through a network consisting of 19 branches in Lebanon and a branch in Kurdistan - Erbil District established in 2008, another one in Limassol, Cyprus established in 2009 and a branch in Baghdad, Iraq established and started operations on December 2010. In addition, the Group has established a new branch in Basra, Iraq which has not started its operations yet.

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

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

Name of Subsidiary	Inception Date	Ownership	Country of Incorporation	Type of Business
Al-Itihadiah Real Estate S.A.L.	May 31, 1979	99.97	Lebanon	Real Estate
IBL Holding S.A.L.	November 11, 2008	99.70	Lebanon	Holding
IBL Brokerage S.A.L.	March 14, 2006	99.80	Lebanon	Insurance Brokerage
IBL investment Bank S.A.L.	January 8, 2011	98.00	Lebanon	Investment Bank

2. New And Revised International Financial Reporting Standards (IFRSS)

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

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

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011)

Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
The amendments require to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Income tax on items of other comprehensive income is required to be allocated on the same basis.

Parts of the Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IAS 32 Financial Instruments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

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

The above new and revised Standards resulted in the following impact on the disclosures in these financial statements:

Impact of the application of IFRS 13
IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (See Note 42). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in these consolidated financial statements.

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

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

- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets modify the disclosure requirements in IAS 36 Impairment of Assets regarding the measurement of the recoverable amount of impaired assets and require additional disclosures about the measurement of impaired assets (or group of impaired assets) with a recoverable amount based on fair value less costs of disposal. Effective for annual periods beginning on or after January 1, 2014.

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

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

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

- Annual Improvements to IFRSs 2010-2012 Cycle.

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

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

Assets and liabilities are grouped according to their nature and presented in the consolidated statement of financial position 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 IBL Bank S.A.L. 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 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if 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);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the 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.

Where applicable, 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 Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank'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 Bank 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 Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

B. 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.

C. 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 then 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.

D. 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 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.

Reclassification is not allowed where:

- the "other comprehensive income" option has been exercised for a financial asset, or

- the fair value option has been exercised in any circumstance for a financial instrument.

E. 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.

F. 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.

G. 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.

H. 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.

I. 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.

J. 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.

K. Financial Guarantees

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

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

L. 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:

	Rates
Buildings	2%
Freehold improvements	20%
Furniture and equipment	8%
Computer equipment	20%
Vehicles	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.

M. Intangible Assets

Intangible assets consisting of computer software are amortized on a straight-line basis over 5 years. Intangible assets are subject to impairment testing.

N. Assets acquired in satisfaction of loans

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.

O. Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial, asset 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).

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.

P. Provision for Employees' End-of-Service Indemnity

The provision for employees' termination indemnities is based on the liability that would arise if the employment of all the employees' 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.

Q. 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.

R. 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 discount or premium.

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 are 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 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.

S. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the consolidated income statement 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 income statement 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 debt securities invested in 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.

T. 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.

U. 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 Bank and deposits with banks and financial institutions.

4. Critical Accounting Judgments And Key Sources Of Estimation Uncertainty

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

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

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

Classification of Financial Assets

Business Model

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

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

Characteristics of the Financial Asset

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

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

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

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

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

B. Key Sources of Estimation Uncertainty

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

Allowances for Credit Losses-Loans and Advances to Customers

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

Determining Fair Values

When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model, as described in Note 42.

The inputs in these models are taken from observable markets where possible. Where practical, the discount rate used in the mark-to-model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the sovereign bonds including Central Bank certificates of deposit.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Significant unobservable inputs consist of discount factor for illiquidity applied for the portfolio of government bonds at fair value through profit or loss in accordance with the Group's internal policy.

5. Cash And Deposits With Central Banks

	December 31, 2013	December 31, 2012
	LBP'000	LBP'000
Cash on hand	55,310,742	51,750,696
Current accounts with central banks	205,510,811	184,218,117
Blocked deposit with the Central Bank of Iraq for	-	-
the establishment of Basra Branch	8,148,000	-
Term placements with central banks	1,715,205,840	1,771,373,180
Accrued interest receivable	29,387,736	29,253,518
	2,013,563,129	**2,036,595,511**

Current accounts with central banks include compulsory deposits in Lebanese Pounds with Central Bank of Lebanon not available for use in the Group's day-to-day operations in the amount of LBP129.4 billion (LBP127.9billion in 2012). These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

Term placements with central banks include the equivalent in foreign currencies of LBP522billion (LBP475billion in 2012) deposited with Central Bank of Lebanon in accordance with the prevailing banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, bonds, certificates of deposits and loans acquired from non-resident financial institutions.

Term placements with the Central Bank of Lebanon have the following contractual maturities:

December 31, 2013

	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2014	55,800,000	2.88	97,320,000	1.52
2015	-	-	47,331,090	1.07
2016	-	-	6,030,000	1.14
2017	-	-	3,015,000	1.14
2020	-	-	405,238,500	6.38
2021	600,000,000	8.66	230,982,750	6.25
2022	15,000,000	8.60	-	-
2024	-	-	254,488,500	7.25
	670,800,000		**1,044,405,840**	

December 31, 2013

	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount	Average Interest Rate
	LBP'000	%	LBP'000	%
2013	108,500,000	2.86	33,067,500	2.83
2014	-	-	84,420,000	1.22
2015	-	-	45,852,430	1.18
2016	-	-	6,030,000	1.21
2017	-	-	3,015,000	1.23
2020	-	-	400,889,500	6.38
2021	600,000,000	8.60	224,459,250	6.25
2022	15,000,000	8.60	-	-
2024	-	-	250,139,500	7.25
	723,500,000		**1,047,873,180**	

6. Deposits With Banks And Financial Institutions

	December 31, 2013	December 31, 2012
	LBP'000	LBP'000
Checks for collection	7,198,164	6,214,763
Current accounts with banks and financial institutions	204,613,831	164,373,880
Term placements with banks and financial institutions	195,505,945	208,995,092
Accrued interest receivable	43,640	146,429
	407,361,580	**379,730,164**

Term placements with banks and financial institutions have contractual maturities less than one year.

7. Loans To Banks

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

	December 31, 2013	December 31, 2012
	LBP'000	LBP'000
Regular performing loans	91,920,000	98,980,000
Accrued interest receivable	634,494	647,158
Doubtful bank accounts	79,852	79,337
Less: Allowance for impairment	(79,852)	(79,337)
	92,554,494	**99,627,158**

Loans to banks have the following contractual maturities:

	December 31, 2013		December 31, 2012	
	Amount	Interest Rate	Amount	Interest Rate
	LBP'000	%	LBP'000	%
Up to one year	9,560,000	3.15	7,060,000	3.4
1 till 3 years	21,660,000	3,28	20,160,000	3.21
3 to 5 years	21,200,000	3.26	21,660,000	3.28
Above 5 years	39,500,000	3.23	50,100,000	3.24
	91,920,000		**98,980,000**	

8. Loans And Advances To Customers

This caption consists of the following:

	December 31, 2013	December 31, 2012
	LBP'000	LBP'000
Loans and advances to customers	489,222,222	490,963,405
Discounted bills	8,308,542	7,217,815
Long and medium term loans	820,792,242	759,424,062
Net multi-currency trading	1,682,255	839,034
Creditors accidentally debtors	6,865,841	5,562,367
Substandard loans (net of unearned interest)	5,680,220	6,264,992
Doubtful loans (net of unearned interest)	18,849,587	40,947,501
Less: Provision for doubtful loans	(12,837,763)	(32,837,627)
Allowance for collective impairment	(21,451,439)	(14,763,335)
	1,317,111,707	**1,263,618,214**
Accrued interest receivable	2,128,150	2,632,294
	1,319,239,857	**1,266,250,508**

The movement of substandard loans with related unrealized interest is summarized as follows:

2013	Substandard Loans	Unrealized Interest	Net
	LPB'000	LPB'000	LPB'000
Balance January 1	6,604,513	(339,521)	6,264,992
Additional unrealized interest	635,371	(635,371)	-
Settlements/write-back	(1,428,094)	37,959	(1,390,135)
Write-off	(99,773)	99,773	-
Transfer to doubtful and bad loans	(198,365)	23,006	(175,359)
Transfer from performing loans	957,705	-	957,705
Effect of exchange rates changes	23,200	(183)	23,017
Balance December 31	**6,494,557**	**(814,337)**	**5,680,220**

2012	Substandard Loans	Unrealized Interest	Net
	LPB'000	LPB'000	LPB'000
Balance January 1	1,651,002	(109,472)	1,541,530
Additional unrealized interest	495,321	(495,321)	-
Settlements/write-back	(639,299)	38,517	(600,782)
Write-off	(7,083)	7,083	-
Transfer to doubtful and bad loans	(4,384,351)	219,672	(4,164,679)
Transfer from performing loans	9,488,923	-	9,488,923
Balance December 31	**6,604,513**	**(339,521)**	**6,264,992**

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

2013	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	73,349,757	(32,402,256)	(32,837,627)	8,109,874
Additional unrealized interest and withdrawals	5,776,818	(5,520,249)	-	256,569
Additional allowance for Impairment (Note 33)	-	-	(701,490)	(701,490)
Settlements and write-back (Note 33)	(4,456,972)	464,371	1,579,497	(2,413,104)
Write-off and other movement	(9,672,251)	8,371,625	1,254,747	(45,879)
Direct write-off (Note 33)	(87,704)	-	-	(87,704)
Transfer from substandard loans	198,365	(23,006)	-	175,359
Transfer from regular loans	718,655	-	-	718,655
Transfer to off-balance sheet	(23,360,828)	5,530,267	17,830,561	-
Effect of exchange rates changes	(101,187)	64,182	36,549	(456)
Balance December 31	**42,364,653**	**(23,515,066)**	**(12,837,763)**	**6,011,824**

2012	Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	80,670,798	(38,555,611)	(31,783,274)	10,331,913
Additional unrealized interest and withdrawals	7,784,879	(7,621,205)	-	163,674
Additional allowance for Impairment (Note 33)	-	-	(2,770,792)	(2,770,792)
Settlements and write-back (Note 33)	(10,197,019)	3,536,718	1,244,907	(5,415,394)
Write-off and other movement	(11,189,941)	10,410,376	721,324	(58,241)
Transfer from substandard loans	4,384,351	(219,672)	-	4,164,679
Transfer from regular loans	1,678,561	-	-	1,678,561
Effect of exchange rates changes	218,128	47,138	(249,792)	15,474
Balance December 31	**73,349,757**	**(32,402,256)**	**(32,837,627)**	**8,109,874**

The movement of the allowance for collective impairment during 2013 and 2012 is as follows:

	December 31,	
	2013	**2012**
	LBP'000	LBP'000
Balance January 1	14,763,335	9,949,765
Additions (Note 33)	6,687,903	4,748,335
Transfer from provisions for contingencies (Note 21)	-	65,235
Effect of exchange rates changes	201	-
Balance December 31	**21,451,439**	**14,763,335**

9. Loans And Advances To Related Parties

This caption includes loans and advances granted by the Bank to one of its major shareholders and his related companies in the amount of LBP26.42billion (LBP28.68billion in 2012) covered to the extent of LBP18billion and LBP9billion by cash margin and real estate guarantee respectively.

10. Investment Securities At Fair Value Through Profit Or Loss

	December 31,	
	2013	**2012**
	LBP'000	LBP'000
Quoted equity securities	3,947,868	3,324,853
Unquoted equity securities	160,322	160,322
Lebanese treasury bills	305,095,928	294,949,530
Lebanese Government bonds	97,412,906	121,243,931
Certificates of deposits issued by Central Bank of Lebanon	408,008,106	216,343,357
Accrued interest receivable	22,092,619	11,167,750
	836,717,749	**647,189,743**

11. Investment Securities At Amortized Cost

	December 31,	
	2013	**2012**
	LBP'000	LBP'000
Financial assets classified at amortized cost	2,267,412,034	1,978,776,194
Accrued interest receivable	58,475,120	33,932,800
	2,325,887,154	**2,012,708,994**

The movement of investment securities, exclusive of the related accrued interest, for the year 2013 and 2012 is summarized as follows:

	December 31,	
	2013	**2012**
	LBP'000	LBP'000
Balance January 1	1,978,776,194	2,029,017,056
Additions	1,906,948,492	206,552,662
Sale	(5,276,250)	(68,598,987)
Swaps	(1,351,641,918)	(118,112,625)
Matured	(230,844,515)	(70,524,915)
Effect of unamortized/amortized premium and discount	(33,845,410)	(1,042,701)
Effect of exchange rates changes	3,295,441	1,485,704
Balance December 31,	**2,267,412,034**	**1,978,776,194**

The Bank has exchanged during 2013 certificates of deposit issued by Central bank with short to medium term maturities against time deposits with long term maturity which resulted in premiums which will serve as a yield enhancement of the new instruments over the extended period to maturities. In addition, during 2013 the Group sold Lebanese Government bonds in the amount of LBP5.3billion (LBP68billion in 2012) which resulted in gain of LBP94million (LBP521million in 2012) (Note 31).

This caption consists of the following:

	December 31, 2013					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	**Interest Receivable**	**Fair Value**	**Amortized Cost**	**Interest Receivable**	**Fair Value**
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Lebanese treasury bills	2,243,611	56,076	2,477,107	-	-	-
Lebanese Government bonds	280,205	2,631	298,515	937,071,759	13,084,104	926,357,406
Certificates of deposit issued by Central Bank of Lebanon	1,176,782,755	42,649,853	1,204,277,207	150,279,954	2,627,544	145,820,296
Certificates of deposit issued by banks	-	-	-	753,750	54,912	805,356
	1,179,306,571	**42,708,560**	**1,207,052,829**	**1,088,105,463**	**15,766,560**	**1,072,983,058**

	December 31, 2012					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	**Interest Receivable**	**Fair Value**	**Amortized Cost**	**Interest Receivable**	**Fair Value**
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Lebanese treasury bills	2,209,054	56,455	2,340,521	-	-	-
Lebanese Government bonds	277,314	2,631	281,728	494,737,212	5,069,789	500,987,752
Certificates of deposit issued by Central Bank of Lebanon	1,256,482,068	23,328,824	1,342,430,755	224,316,796	5,420,187	222,342,805
Certificates of deposit issued by banks	-	-	-	753,750	54,914	770,859
	1,258,968,436	**23,387,910**	**1,345,053,004**	**719,807,758**	**10,544,890**	**724,101,416**

Amortized cost investments are segregated over remaining periods to maturity as follows:

	December 31, 2013				December 31, 2013			
	LBP Base Accounts				F/Cy Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:								
3 years to 5 years	2,392,985	2,243,611	2,477,107	8.04	-	-	-	-
	2,392,985	**2,243,611**	**2,477,107**		-	-	-	-
Lebanese Government bonds:								
Up to one year	-	-	-	-	140,735,768	140,290,887	142,009,268	7.48
1 year to 3 years	-	-	-	-	62,405,343	61,588,770	59,279,961	5.42
3 years to 5 years	291,559	280,205	298,515	7.33	208,920,524	205,779,879	200,749,330	6.38
5 years to 10 years	-	-	-	-	497,475,000	484,019,023	479,181,897	6.86
Above 10 years	-	-	-	-	46,732,500	45,393,200	45,136,950	7.08
	291,559	**280,205**	**298,515**		**926,269,135**	**937,071,759**	**926,357,406**	
Certificates of deposit issued by Central Bank of Lebanon:								
1 year to 3 years	-	-	-	-	30,150,000	28,906,524	30,591,413	13.48
5 years to 10 years	178,000,000	174,378,550	177,557,705	8.56	125,876,250	121,373,430	115,228,883	6.26
Above 10 years	1,030,000,000	1,002,404,205	1,026,719,502	9.35	-	-	-	-
	1,208,000,000	**1,176,782,755**	**1,204,277,207**		**156,026,250**	**150,279,954**	**145,820,296**	
Certificates of deposit issued by banks:								
4 years to 5 years	-	-	-	-	753,750	753,750	805,356	6.75
	-	-	-	-	**753,750**	**753,750**	**805,356**	6.75
	1,210,684,544	**1,179,306,571**	**1,207,052,829**		**1,083,049,135**	**1,088,105,463**	**1,072,983,058**	

	December 31, 2012				December 31, 2012			
	LBP Base Accounts				F/Cy Base Accounts			
Contractual Maturity	**Nominal Value**	**Amortized Cost**	**Fair Value**	**Yield**	**Nominal Value**	**Amortized Cost**	**Fair Value**	**Yield**
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:								
4 years to 5 years	2,392,985	2,209,054	2,340,521	8.04	-	-	-	-
	2,392,985	**2,209,054**	**2,340,521**	**8.04**	-	-	-	-
Lebanese Government bonds:								
Up to one year	-	-	-	-	33,469,515	33,454,151	32,913,709	4.86
1 year to 3 years	-	-	-	-	169,297,736	168,970,491	170,587,926	7.11
4 years to 5 years	291,559	277,314	281,728	7.33	122,550,890	122,768,686	127,399,745	7
6 years to 10 years	-	-	-	-	168,078,641	166,528,884	166,965,180	6.41
Above 10 years	-	-	-	-	3,015,000	3,015,000	3,121,192	6.6
	291,559	**277,314**	**281,728**		**496,411,782**	**494,737,212**	**500,987,752**	
Certificates of deposit issued by Central Bank of Lebanon:								
Up to one year	152,000,000	153,426,678	158,204,995	10.31	75,375,000	75,362,374	75,491,747	8.9
1 years to 3 years	1,118,000,000	1,103,055,390	1,184,225,760	9.72	30,150,000	28,104,243	30,362,627	6.06
6 years to 10 years	-	-	-	-	125,876,250	120,850,179	116,488,431	8.42
	1,270,000,000	**1,256,482,068**	**1,342,430,755**		**231,401,250**	**224,316,796**	**222,342,805**	
Certificates of deposit issued by banks:								
6 to 10 years	-	-	-	-	753,750	753,750	770,859	6.75
	-	-	-		**753,750**	**753,750**	**770,859**	
	1,272,684,544	**1,258,968,436**	**1,345,053,004**		**728,566,782**	**719,807,758**	**724,101,416**	

12. Customers' Liability Under Acceptances

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

13. Assets Acquired In Satisfaction Of Loans

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

The movement of assets acquired in satisfaction of loans during 2013 and 2012 was as follows:

	Real Estate
	LBP'000
Cost	
Balance, January 1, 2012	**19,897,865**
Additions	-
Balance, December 31, 2012	**19,897,865**
Additions	-
Balance, December 31, 2013	**19,897,865**
Allowance for Impairment:	
Balance, December 31, 2013 and 2012	**(231,165)**
Carrying Amount:	
December 31, 2013	**19,666,700**
December 31, 2012	**19,666,700**

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 within 2 years from the date of approval, the Group allocates a regulatory reserve for assets acquired in satisfaction of loans from retained earnings. During 2013, the Group allocated LBP 1.4 billion from retained earnings (LBP864million during 2012).

The fair values of the assets acquired in satisfaction of loans exceeds their carrying values as at December 31, 2013 and 2012 which have been determined on the basis of real estate market values carried by independent real estate surveyors during the last three years.

14. Property And Equipment

	Buildings	Freehold Improvements	Furniture & Equipments	Computer Equipments	Vehicles	Advances on Capital Expenditures	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Cost/ Revaluation:							
Balance, January 1, 2012	**28,871,890**	**12,875,104**	**4,517,815**	**4,761,173**	**383,860**	**4,693,867**	**56,103,709**
Additions	150,750	613,697	216,103	314,694	-	5,444,858	6,740,102
Disposal	-	-	(42,381)	(48,020)	-	736	(89,665)
Transfers between categories	-	-	-	189,786	-	(189,786)	-
Other movement	-	16,714	5,085	3,827	1,705	-	27,331
Balance, December 31, 2012	**29,022,640**	**13,505,515**	**4,696,622**	**5,221,460**	**385,565**	**9,949,675**	**62,781,477**
Additions	-	234,706	428,846	557,270	-	8,181,542	9,402,364
Disposals	-	(57,261)	(34,170)	(797,775)	-	(736)	(889,942)
Transfer between categories	-	2,199,932	227,640	2,353	-	(2,429,925)	-
Other movement	-	(3,886)	4,543	892	3,784	-	5,333
Balance, December 31, 2013	**29,022,640**	**15,879,006**	**5,323,481**	**4,984,200**	**389,349**	**15,700,556**	**71,299,232**
Accumulated Depreciation:							
Balance, January 1, 2012	**853,284**	**7,085,008**	**1,397,020**	**3,185,980**	**326,286**	-	**12,847,578**
Additions	154,332	1,830,708	580,266	656,253	24,684	-	3,246,243
Write-off on disposal	-	-	(22,902)	(48,020)	-	-	(70,922)
Other movement	-	5,041	1,081	(6,921)	1,137	-	338
Balance, December 31, 2012	**1,007,616**	**8,920,757**	**1,955,465**	**3,787,292**	**352,107**	-	**16,023,237**
Additions	154,332	2,042,552	605,024	563,575	18,395	-	3,383,878
Write-off on disposal	-	(34,485)	(26,994)	(795,346)	-	-	(856,825)
Other movement	-	1,202	1,891	(10,297)	3,279	-	(3,925)
Balance, December 31, 2013	**1,161,948**	**10,930,026**	**2,535,386**	**3,545,224**	**373,781**	-	**18,546,365**
Carrying Amount:							
Balance, December 31, 2013	**27,860,692**	**4,948,980**	**2,788,095**	**1,438,976**	**15,568**	**15,700,556**	**52,752,867**
Balance, December 31, 2012	**28,015,024**	**4,584,758**	**2,741,157**	**1,434,168**	**33,458**	**9,949,675**	**46,758,240**

Additions to advances on capital expenditures during 2013 represent renovation for several branches namely Jbeil, Jnah, new branch in Achrafieh and a new branch in Basra, Iraq.

15. Intangible Assets

	Purchased Software
	LBP'000
Cost:	
Balance, January 1, 2012	**3,157,695**
Acquisitions	178,555
Translation adjustment	9,244
Balance, December 31, 2012	**3,345,494**
Acquisitions	323,862
Translation adjustment	11,622
Balance, December 31, 2013	**3,680,978**
Amortization:	
Balance, January 1, 2012	**2,054,243**
Amortization for the year	381,243
Translation adjustment	4,626
Balance, December 31, 2012	**2,440,112**
Amortization for the year	381,998
Translation adjustment	8,499
Balance, December 31, 2013	**2,830,609**
Carrying Amounts:	
December 31, 2013	**850,369**
December 31, 2012	**905,382**

16. Other Assets

	December 31,	
	2013	2012
	LBP'000	LBP'000
Accounts receivable - credit cards	1,434,032	1,447,182
Prepaid expenses	2,428,638	1,315,629
Fair value of forward exchange contracts	446,949	-
Regulatory blocked fund	4,500,000	4,500,000
Sundry accounts receivable	293,884	203,403
	9,103,503	**7,466,214**

Regulatory blocked fund represents a non-interest earning compulsory deposit placed with the Lebanese treasury upon establishment of "IBL Investment Bank S.A.L.". This deposit is refundable in case of cease of operations according to Article 132 of the Code of Money and Credit.

17. Deposits From Banks

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

	December 31,	
	2013	2012
	LBP'000	LBP'000
Current deposits of banks and financial institutions	53,644,440	51,831,837
Short term borrowings	23,195,583	31,867,681
Accrued interest payable	136,276	74,925
	76,976,299	**83,774,443**

Short term borrowings matures within one year.

18. Customers' Accounts

Accounts at amortized cost:

	December 31,	
	2013	2012
	LBP'000	LBP'000
Deposits:		
Current/demand deposits	448,124,206	376,674,886
Term deposits	4,888,029,855	4,408,222,548
Fiduciary deposits	308,021,521	298,193,124
Collateral against speculation accounts (Note 8)	14,387,982	16,155,687
Margins and other accounts:		
Margins for irrevocable import letters of credit	10,983,205	60,124,554
Margins on letters of guarantee	7,634,695	6,586,317
Cash collateral	658,249,798	696,230,226
Accrued interest payable	32,277,353	28,821,588
Total	**6,367,708,615**	**5,891,008,930**

Related parties accounts at amortized cost detailed as follows:

	December 31,	
	2013	2012
	LBP'000	LBP'000
Deposit:		
Demand deposits	2,787,601	2,590,858
Term deposits	94,135,478	80,825,872
Collateral against loans and advances	17,914,789	20,792,688
Accrued interest payable	36,142	35,947
	114,874,010	**104,245,365**

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

	December 31, 2013					
	LBP			Counter Value of F/Cy		
Bracket	Total Deposits	Percentage to Total deposits	Percentage to Total No. of Accounts	Total Deposits	Percentage to Total deposits	Percentage to Total No. of Accounts
	LPB'000	%	%	LPB'000	%	%
Less than LBP50million	110,550,243	4	76	73,228,127	2	76
From LBP50million to LBP250million	328,495,882	12	14	195,115,732	5	14
From LBP250million to LBP750million	432,931,041	16	6	280,242,731	8	6
From LBP750million to LBP1.5billion	314,311,267	12	2	302,558,606	8	2
More than LBP1.5billion	1,518,900,177	56	2	2,779,097,456	77	2
	2,705,188,610	**100**	**100**	**3,630,242,652**	**100**	**100**

	December 31, 2012					
	LBP			Counter Value of F/Cy		
Bracket	Total Deposits	Percentage to Total deposits	Percentage to Total No. of Accounts	Total Deposits	Percentage to Total deposits	Percentage to Total No. of Accounts
	LPB'000	%	%	LPB'000	%	%
Less than LBP50million	103,287,457	4	75	64,685,735	2	75
From LBP50million to LBP250million	317,220,708	12	16	186,127,865	6	14
From LBP250million to LBP750million	411,132,375	16	6	249,988,055	8	6
From LBP750million to LBP1.5billion	281,828,873	11	2	262,123,984	8	2
More than LBP1.5billion	1,521,296,086	57	1	2,464,496,204	76	3
	2,634,765,499	**100**	**100**	**3,227,421,843**	**100**	**100**

Deposits from customers at amortized cost include coded deposit accounts in the aggregate amount of LBP214billion (LBP196billion in 2012). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides 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.

The average balance of customers' deposits (including related party deposits) and related cost of funds over the last three years were as follows:

	Average Balance of Deposits			
Year	LBP Base Accounts	F/Cy Base Accounts	Cost of Funds	Average Interest Rate
	LBP'000	LBP'000	LBP'000	%
2013	2,751,711,969	3,444,853,626	333,132,465	5.38
2012	2,483,685,696	3,057,919,585	300,828,688	5.41
2011	2,189,188,113	2,572,756,425	244,435,760	5.13

19. OTHER BORROWINGS

	December 31,	
	2013	2012
	LBP'000	LBP'000
Facilities granted from Central Bank of Lebanon	11,443,074	-
Accrued interest payable	31,268	-
	11,474,342	-

Facilities granted from Central Bank of Lebanon in the amount of LBP11.5billion are made in correction 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 responsibility, to its customers, pursuant to certain conditions, rules and mechanism.

20. OTHER LIABILITIES

This caption consists of the following:

	December 31,	
	2013	2012
	LBP'000	LBP'000
Withheld taxes and property taxes	3,526,931	3,769,649
Income tax payable	6,840,773	3,929,313
Due to the National Social Security Fund	289,889	205,537
Checks and incoming payment orders in course of settlement	4,198,957	2,612,452
Blocked capital subscriptions for companies under incorporation	5,327,925	951,848
Accrued expenses	5,465,588	1,775,771
Dividends payable	172,787	473,800
Payable to personnel and directors	827,080	827,065
Unearned revenues	1,659,165	2,752,569
Fair value of forward exchange contracts	-	369,305
Sundry accounts payable	2,532,342	2,952,964
	30,841,437	**20,620,273**

Income tax payable is computed as follows:

	2013	2012
	LBP'000	LBP'000
Profit before income tax	95,652,762	83,137,534
Income tax on enacted applicable rates	13,739,114	11,584,812
Effect of non-deductible expense and non-taxable income	996,522	745,903
Income tax expense	14,735,636	12,330,715
Less: Tax paid in advance (5%)	(7,767,682)	(8,304,221)
Tax paid on resident subsidiaries	(127,181)	(97,181)
Income tax payable	**6,840,773**	**3,929,313**

The Bank's tax returns for for the years 2009 till 2013 inclusive are still subject to review by the tax authorities and any additional tax liability depends on the outcome of such reviews.

21. Provisions

Provisions consist of the following:

	December 31,	
	2013	2012
	LBP'000	LBP'000
Provision for staff end-of-service indemnity	7,073,678	5,685,434
Provision for contingencies	45,635	45,635
Provision for loss in foreign currency	103,001	103,000
	7,222,314	**5,834,069**

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

	December 31,	
	2013	2012
	LBP'000	LBP'000
Balance, January 1	**5,685,434**	**5,315,464**
Additions (Note 34)	1,421,236	2,015,198
Settlements	(32,992)	(1,645,228)
Balance, December 31	**7,073,678**	**5,685,434**

The movement of provision for contingencies during 2013 and 2012 was as follows:

	2013	2012
	LBP'000	LBP'000
Balance, January 1	**45,635**	**1,045,636**
Settlements	-	(934,766)
Transfer to allowance for collective impairment (Note 8)	-	(65,235)
Balance, December 31	**45,635**	**45,635**

During 2012, the Group used this provision to settle additional penalties and taxes in the amount of LBP934billion as a result of the review by the tax authorities of the years 2006, 2007 and 2008.

22. Capital

The Bank's ordinary share capital consists of 19,500,000 fully paid shares of LBP7,500 par value each.

The Bank hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD6,300,000.

23. Non-Cumulative Convertible Preferred Shares

Non-cumulative convertible preferred shares amounted to LBP75.36billion at December 31, 2013 and 2012 representing 500,000 non-cumulative preferred shares LBP7,500 each, in addition to a premium of USD95 each.

24. Reserves

Reserves consist of the following:

	December 31,	
	2013	2012
	LBP'000	LBP'000
Legal Reserves	23,455,590	16,374,401
Reserve for general banking risks	30,006,318	22,521,246
Other reserves	4,029,000	4,029,000
	57,490,908	**42,924,647**

The legal reserve is constituted in conformity with the requirements of the Lebanese Code of Money and Credit on the basis of 10% of net profit. This reserve is not available for distribution.

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, on condition that the aggregate rate does not fall bellow 1.25% at the end of the tenth year, starting 1998, which is 2007 and 2% at the end of the twentieth year. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution and to be used to cover any annual losses or unexpected losses agreed upon with the banking control commission.

25. Dividends Paid

The following dividends were declared and paid by the Bank:

	2013	2012
	LBP'000	LBP'000
Ordinary shares	20,455,500	17,745,000
Preferred shares	5,653,125	5,653,125
	26,108,625	**23,398,125**

26. Non-Controlling Interests

	December 31,	
	2013	2012
	LBP'000	LBP'000
Capital	600,000	600,000
Retained earnings	199,816	103,623
Reserves	15,000	15,000
Profit for the year	112,357	96,193
	927,173	**814,816**

27. Interest Income

	December 31,	
	2013	2012
	LBP'000	LBP'000
Interest on:		
Deposits with the Central Bank of Lebanon	159,104,594	109,666,014
Deposits with banks and financial institutions	1,453,512	1,419,258
Investment securities (excluding FVTPL)	133,526,260	176,509,548
Loans to banks	3,170,935	3,184,069
Loans and advances to customers	105,760,989	100,256,240
Loans and advances to related parties	2,595,915	2,148,320
Interest realized on non-performing loans	502,330	3,575,235
	406,114,535	**396,758,684**

Accrued interest on impaired loans and advances is not recognized until recovery/rescheduling agreements are signed with customers.

28. Interest Expense

	2013	2012
	LBP'000	LBP'000
Interest on:		
Deposits and borrowings from banks and financial institutions	1,399,319	1,258,649
Customers' accounts at amortized cost	331,949,952	299,681,858
Related parties' accounts at amortized cost	1,182,513	1,146,830
Other borrowings	32,914	-
	334,564,698	**302,087,337**

29. Fee And Commission Income

	2013	2012
	LBP'000	LBP'000
Commission on documentary credits	4,777,731	2,967,725
Commission on letters of guarantee	1,400,500	986,358
Service fees on customers' transactions	5,542,431	4,706,116
Asset management fees	106,713	96,849
Commission earned on insurance policies	264,493	178,633
Other	790,894	652,960
	12,882,762	**9,588,641**

30. Fee And Commission Expense

	2013	2012
	LBP'000	LBP'000
Commission on transactions with banks	560,660	1,728,704
Other	169,368	211,799
	730,028	**1,940,503**

31. Other Operating Income

	2013	2012
	LBP'000	LBP'000
Gain on sale of investment securities at amortized cost	93,749	520,852
Foreign exchange gain	7,099,917	8,009,259
Other	657,643	603,728
	7,851,309	**9,133,839**

32. Net Interest And Other Gain/(Loss) On Investment Securities At Fair Value Through Profit Or Loss

	2013	2012
	LBP'000	LBP'000
Interest income	64,853,283	32,043,892
Net unrealized (loss)/gain	(25,698,652)	(5,553,151)
Net realized gain	28,283,774	4,997,999
	67,438,405	**31,488,740**

33. Provision For Credit Losses (Net)

	2013	2012
	LBP'000	LBP'000
Allowance for impairment loans and advances (Note 8)	701,490	2,770,792
Write back (Note 8)	(1,579,497)	(1,244,907)
Allowance for collective impairment (Note 8)	6,687,903	4,748,335
Direct write-off for doubtful and bad loans (Note 8)	87,704	-
Write-off of performing loans	1,209	150
	5,898,809	**6,274,370**

34. Staff Costs

	2013	2012
	LBP'000	LBP'000
Salaries and related charges	26,418,004	23,284,613
Board of directors remunerations	5,337,762	5,059,216
Social security contributions	2,426,396	2,131,822
Provision for end-of-service indemnities (Note 21)	1,421,236	2,015,198
	35,603,398	**32,490,849**

35. General And Administrative Expenses

	2013	2012
	LBP'000	LBP'000
Professional fees	2,265,095	2,753,863
Rent	1,452,093	965,664
Advertising	6,070,759	5,298,920
Post and Telephone	1,249,379	1,296,232
Repairs and Maintenance	1,159,771	1,034,635
Travel	517,564	842,727
Printing and stationary	509,564	637,104
Water and Electricity	932,591	1,090,264
Insurance	369,101	328,534
Gifts and donations	59,047	51,109
Subscription fees	503,433	429,515
Municipality and other taxes	1,121,356	815,664
Training and seminars	136,851	143,656
Cleaning	252,155	295,301
Licenses	94,725	55,521
Credit card expenses	361,553	241,571
Transportation	218,790	172,445
Miscellaneous expenses	770,431	916,311
	18,044,258	**17,369,036**

36. Financial Instruments With Off-Balance Sheet Risks

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the 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 shipments documents of goods to which they relate and, therefore, have significantly less risks.

37. Related Parties

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, and other key management. Balances with related parties consist of the following:

	2013	2012
	LBP'000	LBP'000
Direct facilities and credit balances:		
Loans and advances	36,248,078	38,870,115
Deposits (Note 18)	114,874,010	104,245,365
Indirect facilities:		
Letters of guarantee	628,221	618,624

Loans and advances to related parties include an exposure of LBP26.42bllion (LBP28.68billion) covered by real estate mortgage to the extent of LBP9billion and by pledged deposits of the respective borrower to the extent of LBP18billion for 2013 and 2012 respectively.

The Board of Directors remunerations and benefits amounted to LBP5.34billion during 2013 (LBP5.1billion in 2012).

38. Cash And Cash Equivalents

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

	2013	2012
	LBP'000	LBP'000
Cash on hand	55,310,742	51,750,696
Checks for collection	7,198,164	6,214,763
Current accounts with central banks	76,071,549	56,352,852
Term placements with Central Bank of Lebanon	86,790,000	120,560,000
Current accounts with banks and financial institutions	204,613,831	164,373,880
Term placements with banks and financial institutions	195,505,945	149,497,535
	625,490,231	**548,749,726**

Term deposits with the Central Bank of Lebanon and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

39. Capital Management

The Group's objectives when managing capital are to comply with the capital requirements set by the Central Bank of Lebanon.

The Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regularly capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad.

The Group's capital is split as follows:

Tier I capital: Comprises share capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of expected dividends distribution) and non-controlling interests after deductions for intangible assets.

Tier II capital: Revaluation surplus of owned properties.

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

	December 31,	
		Represented for Consistency Purposes
	2013	2012
	LBP'000	LBP'000
Common equity Tier 1	340,428	297,275
Additional Tier I capital	75,356	75,356
	415,784	372,631
Tier II capital	1,108	1,109
Total regulatory capital	416,892	373,740
Credit risk	2,683,051	2,188,957
Market risk	528,937	361,141
Operational risk	262,847	217,973
Risk-weighted assets and risk-weighted off-balance sheet items	3,474,835	2,768,071
Equity Tier I ratio	**9.80%**	**10.74%**
Tier I capital ratio	**11.97%**	**13.46%**
Risk based capital ratio-Tier I and Tier II capital	**12.00%**	**13.50%**

40. Segment Information

The following is the financial position and the financial performance by Group entity allocated by geographical location:

Financial Position:

	December 31, 2013			
	Lebanon Operations	Cyprus	Iraq	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and central banks	1,899,033,998	262,088	114,267,043	2,013,563,129
Deposits with banks and financial institutions	405,858,478	298,934	1,204,168	407,361,580
Loans to banks	92,554,494	-	-	92,554,494
Investment securities at fair value through profit or loss	836,717,749	-	-	836,717,749
Loans and advances to customers	1,299,080,801	2,010,180	18,148,876	1,319,239,857
Loans and advances to related parties	36,248,078	-	-	36,248,078
Investment securities at amortized cost	2,325,887,154	-	-	2,325,887,154
Customers' liability under acceptances	10,136,121	-	-	10,136,121
Assets acquired in satisfaction of loans	19,666,700	-	-	19,666,700
Property and equipment	50,634,271	96,558	2,022,038	52,752,867
Intangible assets	775,543	25,296	49,530	850,369
Other assets	8,417,091	31,527	654,885	9,103,503
Total Assets	**6,985,010,478**	**2,724,583**	**136,346,540**	**7,124,081,601**
LIABILITIES				
Deposits from banks	76,888,171	-	88,128	76,976,299
Customers' accounts	6,216,761,653	13,005,940	137,941,022	6,367,708,615
Related parties accounts	114,872,170	-	1,840	114,874,010
Liability under acceptance	10,136,120	-	-	10,136,120
Other borrowings	11,474,342	-	-	11,474,342
Other liabilities	28,848,431	156,865	1,836,141	30,841,437
Provisions	7,222,314	-	-	7,222,314
Total liabilities	**6,466,203,201**	**13,162,805**	**139,867,131**	**6,619,233,137**

	December 31, 2012			
	Lebanon Operations	Cyprus	Iraq	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and central banks	1,952,725,878	772,021	83,097,612	2,036,595,511
Deposits with banks and financial institutions	378,936,419	615,810	177,935	379,730,164
Loans to banks	99,627,158	-	-	99,627,158
Investment securities at fair value through profit or loss	647,189,743	-	-	647,189,743
Loans and advances to customers	1,257,990,786	1,913,545	6,346,177	1,266,250,508
Loans and advances to related parties	38,870,115	-	-	38,870,115
Investment securities at amortized cost	2,012,708,994	-	-	2,012,708,994
Customers' liability under acceptances	15,201,314	-	-	15,201,314
Assets acquired in satisfaction of loans	19,666,700	-	-	19,666,700
Property and equipment	45,179,666	182,182	1,396,392	46,758,240
Intangible assets	710,556	89,664	105,162	905,382
Other assets	7,331,229	28,467	106,518	7,466,214
Total Assets	**6,476,138,558**	**3,601,689**	**91,229,796**	**6,570,970,043**
LIABILITIES				
Deposits from banks	83,774,443	-	-	83,774,443
Customers' accounts	5,697,621,570	75,968,173	117,419,187	5,891,008,930
Related parties accounts	104,245,365	-	-	104,245,365
Acceptance Liabilities	15,201,314	-	-	15,201,314
Other liabilities	19,294,967	93,596	1,231,710	20,620,273
Provisions	5,834,069	-	-	5,834,069
Total liabilities	**5,925,971,728**	**76,061,769**	**118,650,897**	**6,120,684,394**

Profit or Loss:

	Year ended December 31, 2013			
	Lebanon Operations	Cyprus	Iraq	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	402,591,778	1,760,712	1,762,045	406,114,535
Interest expense	(332,962,210)	(1,066,672)	(535,816)	(334,564,698)
Net interest income	**69,629,568**	**694,040**	**1,226,229**	**71,549,837**
Fee and commission income	9,996,897	20,807	2,865,058	12,882,762
Fee and commission expense	(501,589)	(135,723)	(92,716)	(730,028)
Net fee and commission income	**9,495,308**	**(114,916)**	**2,772,342**	**12,152,734**
Other operating income	7,856,933	505	(6,129)	7,851,309
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	67,438,405	-	-	67,438,405
Net financial revenues	**154,420,214**	**579,629**	**3,992,442**	**158,992,285**
Allowance for impairment of loans and advances (net)	(5,656,954)	-	(241,855)	(5,898,809)
Net financial revenues after impairment charge for credit losses	**148,763,260**	**579,629**	**3,750,587**	**153,093,476**
Staff costs	(34,528,351)	(493,791)	(581,256)	(35,603,398)
Administrative expenses	(16,294,738)	(374,312)	(1,375,208)	(18,044,258)
Depreciation and amortization	(3,075,612)	(161,119)	(529,145)	(3,765,876)
Other expenses	(27,182)	-	-	(27,182)
	(53,925,883)	**(1,029,222)**	**(2,485,609)**	**(57,440,714)**
Profit before income tax	94,837,377	(449,593)	1,264,978	95,652,762
Income tax expense	(14,449,719)	-	(285,917)	(14,735,636)
Total comprehensive income	**80,387,658**	**(449,593)**	**979,061**	**80,917,126**

Profit or Loss:

	Year ended December 31, 2013			
	Lebanon Operations	Cyprus	Iraq	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	393,575,406	1,731,550	1,451,728	396,758,684
Interest expense	(298,836,851)	(2,663,352)	(587,134)	(302,087,337)
Net interest income	**94,738,555**	**(931,802)**	**864,594**	**94,671,347**
Fee and commission income	7,068,358	81,551	2,438,732	9,588,641
Fee and commission expense	(1,778,297)	(48,593)	(113,613)	(1,940,503)
Net fee and commission income	**5,290,061**	**32,958**	**2,325,119**	**7,648,138**
Other operating income	9,112,137	4,373	17,329	9,133,839
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	29,269,231	2,219,509	-	31,488,740
Net financial revenues	**138,409,984**	**1,325,038**	**3,207,042**	**142,942,064**
Allowance for impairment of loans and advances (net)	(6,165,698)	-	(108,672)	(6,274,370)
Net financial revenues after impairment charge for credit losses	**132,244,286**	**1,325,038**	**3,098,370**	**136,667,694**
Staff costs	(31,645,258)	(385,142)	(460,449)	(32,490,849)
Administrative expenses	(16,196,013)	(378,427)	(794,596)	(17,369,036)
Depreciation and amortization	(2,962,258)	(163,902)	(501,326)	(3,627,486)
Other expenses	(42,789)	-	-	(42,789)
	(50,846,318)	**(927,471)**	**(1,756,371)**	**(53,530,160)**
Profit before income tax	81,397,968	397,567	1,341,999	83,137,534
Income tax expense	(12,330,715)	-		(12,330,715)
Total comprehensive income	**69,067,253**	**397,567**	**1,341,999**	**70,806,819**

During 2013 and 2012 Cyprus has been exposed to a severe restructuring of its banking system. Considering the Bank's size and business model of international banking operations with little exposure to the domestic market, it was not materially affected by this crisis.

41. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Foreign exchange risk

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Group. Risk committee was established whose role is to supervise the proper implementation of risk management procedures at the Bank and all its branches abroad and subsidiaries, in compliance with the regulations issued or will be issued by the Central Bank of Lebanon and Banking Control Commission.

A. Credit Risk

1. Credit risk management

Credit risk represents the risk of loss due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. The objective of the Group credit risk strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. This strategy is based on three core principles: Conservatism, diversification and monitoring. The Group manages credit risk through underwriting, periodically reviewing and approving credit exposures based on prevailing credit policies and guidelines. Additionally the Group manages credit risk through loan portfolio diversification, limiting exposure to any single industry, risk mitigation, customer and guarantor within various geographical areas.

Corporate and Commercial Lending are largely centralized at head office and are sanctioned by relating credit committees.

2. Loan classification and monitoring

The Group loan classification and internal rating system is derived from the framework of the regulatory classification requirement, and which is consistent with best practices. The loans' classification methodology is as follows:

A. Ordinary accounts:
- Regular
- Watch, for incomplete documentation

B. Special mention accounts.

C. Substandard accounts.

D. Doubtful accounts.

E. Bad or failing accounts.

• Ordinary Accounts: All payments are current and full repayment of interest and principal from normal sources is not in doubt.

• Watch List: Loans and advances rated Watch List are loans that are not impaired nor they show any creditworthiness weakness but for which the Bank determines that they require special monitoring due to certain deficiencies in the credit file with respect to the financial statements, collaterals, profitability, or others.

• Special Mention Accounts: Loans past due but not impaired are loans where contractual interest or principal are past due but believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Bank.

• Substandard loans: There is weakness in the borrower's creditworthiness, profitability, cash flows for a long period and collaterals or uses of the facilities for other purposes. Default has occurred or is likely to occur or the repayment schedule has been restructured. Past due for more than 90 but less than 270 days.

• Doubtful loans: More adverse conditions than those related to the above mentioned classification, with a greater degree of risk associated with the on going deterioration in the client position and sufficiency of collateral and the cease of deposits for greater than 270 days and less than 365 days or the cease of settlements or rescheduled payments for more than 90 days.

• Bad or failing accounts: It covers credits that are regarded as uncollectible, when the delay in payments exceeds 365 days.

Loan account classifications are reviewed periodically by the Credit department. Accounts' classification is monitored based on relevant facts related to the accounts' performance and are up and/or down-graded depending on the credit worthiness of the borrowers and their ability to pay back, taking into consideration the quality of the guarantees. Once Accounts are classified as less then regular, they become closely monitored for debtor's behavior, accounts performance, deterioration in the borrower's solvency, cash generation and overall financial condition. If, however, the borrower's difficulties appear to be more fundamental and/or the collateral no longer adequately covers the facility, whether due to excessive exposure or diminution in the value of the collateral then the account is classified as Class C and interest is discontinued to be recognized in the income statement.

3. Risk mitigation policies

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

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

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally updated every 2 years and when a loan is individually assessed as impaired.

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

A plan of action is determined in relation to each Class C account. If there is no improvement, a provision is taken in respect of the principal based on the expected debt recovery, and the account is then classified as Class D. Once recovery becomes very remote, the full outstanding balance is provided for; the account is down graded to Class E.

Impaired loans
Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are classified C, D and E in the Group's internal credit risk classification.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Allowances for impairment
The Group establishes an allowance for impairment losses 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 for homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes-off a loan or security (and any related allowances for impairment losses) when the Group's management and credit business unit determine that the loans/securities are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Loans and advances to customers consist of the following as at December 31:

	2013			2012		
	Gross Amount Net Of Unrealized Interest	Impairment Allowance	Carrying Amount	Gross Amount Net Of Unrealized Interest	Impairment Allowance	Carrying Amount
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Performing retail loans:						
Mortgage loans	209,809,285	-	209,809,285	185,532,126	-	185,532,126
Personal loans	30,756,470	-	30,756,470	20,323,175	-	20,323,175
Credit card	4,917,088	-	4,917,088	6,315,579	-	6,315,579
Overdrafts	34,079,135	-	34,079,135	20,266,444	-	20,266,444
	279,561,978	-	279,561,978	232,437,324	-	232,437,324
Non-performing retail loans:						
Substandard loans	399,276	-	399,276	51,736	-	51,736
Doubtful loans	1,668,799	(1,243,280)	425,519	2,537,964	(1,671,129)	866,835
	2,068,075	(1,243,280)	824,795	2,589,700	(1,671,129)	918,571
Performing corporate loans:						
Large enterprises	700,758,833	-	700,758,833	731,233,009	-	731,233,009
Small and medium enterprises	346,550,291	-	346,550,291	300,336,350	-	300,336,350
	1,047,309,124	-	1,047,309,124	1,031,569,359	-	1,031,569,359
Non-performing corporate loans:						
Substandard loans	5,280,944	-	5,280,944	6,213,256	-	6,213,256
Doubtful loans	17,180,788	(11,594,483)	5,586,305	38,409,537	(31,166,498)	7,243,039
	22,461,732	(11,594,483)	10,867,249	44,622,793	(31,166,498)	13,456,295
Allowance for collective						
Impairment	-	(21,451,439)	(21,451,439)	-	(14,763,335)	(14,763,335)
Accrued interest receivable	2,128,150	-	2,128,150	2,632,294	-	2,632,294
	1,353,529,059	(34,289,202)	1,319,239,857	1,313,851,470	(47,600,962)	1,266,250,508

Performing corporate loans to large enterprises, outstanding at year end 2013, include an amount of LBP226billion related to a non-resident customer which is covered by LBP234billion cash collateral. Interest income recorded during 2013 for this customer amounted to LBP30.7billion (LBP30.36billion during 2012). Interest expense during 2013 and 2012 amounted to LBP28.83billion.

Loans classified performing include overdue amounts as at December 31, 2013 and 2012 as follows:

	December 31,	
	2013	2012
	LBP'000	LBP'000
Between 30-60 days	402,073	62,745
Between 60-90 days	106,332	1,182,062
Between 90-180 days	640,184	254,203
Beyond 180 days	688,438	334,945
	1,837,027	**1,833,955**

b) Concentration of major financial assets by industry or sector:

	December 31, 2013									
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Trading	Services	Individuals	Others	Allowance for Collective Impairment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and Central Banks	2,013,563,129	-	-	-	-	-	-	-	-	2,013,563,129
Deposits with banks and financial institutions	-	407,361,580	-	-	-	-	-	-	-	407,361,580
Investment securities at fair value through profit or loss	832,609,559	4,108,190	-	-	-	-	-	-	-	836,717,749
Loans to banks	-	92,554,494	-	-	-	-	-	-	-	92,554,494
Loans and advances to customers	-	118,029,974	276,665,172	137,440,502	128,158,943	365,299,402	284,174,909	30,922,394	(21,451,439)	1,319,239,857
Loans and advances to related parties	-	-	-	-	-	36,248,078	-	-	-	36,248,078
Investment securities at amortized cost	2,325,887,154	-	-	-	-	-	-	-	-	2,325,887,154
	5,172,059,842	**622,054,238**	**276,665,172**	**137,440,502**	**128,158,943**	**401,547,480**	**284,174,909**	**30,922,394**	**(21,451,439)**	**7,031,572,041**

	December 31, 2012									
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Trading	Services	Individuals	Others	Allowance for Collective Impairment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and Central Banks	2,036,595,511	-	-	-	-	-	-	-	-	2,036,595,511
Deposits with banks and financial institutions	-	379,730,164	-	-	-	-	-	-	-	379,730,164
Investment securities at fair value through profit or loss	643,704,568	3,485,175	-	-	-	-	-	-	-	647,189,743
Loans to banks	-	99,627,158	-	-	-	-	-	-	-	99,627,158
Loans and advances to customers	-	207,536,080	309,794,625	132,318,408	128,059,781	102,964,093	380,619,615	19,721,241	(14,763,335)	1,266,250,508
Loans and advances to related parties	-	-	-	-	-	38,870,115	-	-	-	38,870,115
Investment securities at amortized cost	2,012,708,994	-	-	-	-	-	-	-	-	2,012,708,994
	4,693,009,073	**690,378,577**	**309,794,625**	**132,318,408**	**128,059,781**	**141,834,208**	**380,619,615**	**19,721,241**	**(14,763,335)**	**6,480,972,193**

c) Concentration of major financial assets and liabilities by geographical area:

December 31, 2013

	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Cash and Central Banks	1,899,033,998	114,267,043	-	262,088	-	2,013,563,129
Deposits with banks and financial institutions	57,810,732	813,843	88,410,681	260,225,234	101,090	407,361,580
Loans to banks	92,554,494	-	-	-	-	92,554,494
Investments securities at fair value through profit or loss	836,717,749	-	-	-	-	836,717,749
Investment securities at amortized cost	2,325,887,154	-	-	-	-	2,325,887,154
Loans and advances to customers	911,093,964	324,950,522	43,051,089	28,890,148	11,254,134	1,319,239,857
Loans and advances to related parties	36,248,078	-	-	-	-	36,248,078
	6,159,346,169	**440,031,408**	**131,461,770**	**289,377,470**	**11,355,224**	**7,031,572,041**
Deposits from banks	49,864,124	16,277,452	-	10,834,723	-	76,976,299
Customers' accounts	4,577,124,571	957,094,361	48,569,615	754,547,168	30,372,900	6,367,708,615
Related parties accounts	114,874,010	-	-	-	-	114,874,010
Other borrowings	11,474,342	-	-	-	-	11,474,342
	4,753,337,047	**973,371,813**	**48,569,615**	**765,381,891**	**30,372,900**	**6,571,033,266**

December 31, 2012

	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Cash and Central Banks	1,952,725,878	83,097,612	-	772,021	-	2,036,595,511
Deposits with banks and financial institutions	35,812,172	1,839,208	62,904,892	278,798,592	375,300	379,730,164
Loans to banks	99,627,158	-	-	-	-	99,627,158
Investments securities at fair value through profit or loss	647,189,743	-	-	-	-	647,189,743
Loans and advances to customers	859,673,817	312,982,411	39,444,854	54,149,426	-	1,266,250,508
Loans and advances to related parties	38,870,115	-	-	-	-	38,870,115
Investment securities at amortized cost	2,012,708,994	-	-	-	-	2,012,708,994
	5,646,607,877	**397,919,231**	**102,349,746**	**333,720,039**	**375,300**	**6,480,972,193**
Deposits from banks	21,993,241	50,998,443	-	10,782,759	-	83,774,443
Customers' accounts	4,269,481,633	885,142,224	-	696,025,086	40,359,987	5,891,008,930
Related parties accounts	104,245,365	-	-	-	-	104,245,365
	4,395,720,239	**936,140,667**	**-**	**706,807,845**	**40,359,987**	**6,079,028,738**

B. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities at a point of time.

1. Liquidity risk management

The Group risk management and monitoring is based on the aggregate structure of the balance sheet through mitigating risks that are directly associated to the mismatch between maturities in the balance sheet and contingent liabilities. The Group's financial position structure is run in a way aimed at maintaining diversification and lowering concentration among different sources of funds. All liquidity policies and procedures are subject to review and approval by ALCO.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values).

December 31, 2013

	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
Deposits and borrowings from banks	20,364	56,612	-	-	-	-	76,976
Customers' accounts	644,022	4,800,127	820,214	101,563	1,416	367	6,367,709
Related parties accounts	-	-	114,874	-	-	-	114,874
Other borrowings	-	138	337	2,106	2,880	6,013	11,474
	664,386	**4,856,877**	**935,425**	**103,669**	**4,296**	**6,380**	**6,571,033**

December 31, 2012

	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
Deposits and borrowings from banks	51,864	31,906	4	-	-	-	83,774
Customers' accounts	-	4,816,045	459,899	365,950	247,773	1,342	5,891,009
Related parties accounts	-	-	104,245	-	-	-	104,245
	51,864	**4,847,951**	**564,148**	**365,950**	**247,773**	**1,342**	**6,079,028**

Concentration of Financial Liabilities by counterparty:

Information regarding the concentration of customers' accounts is disclosed under the respective notes.

C. Market Risks

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and loan diversification.

The Group manages market risks through a framework that defines the global activity and individual limits and sensitivity analysis.

1. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or expected cash flows from income generating financial assets and liabilities. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities.

Large amounts of the Group's financial assets, primarily investments in certificates of deposit and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk.

Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed 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:

	December 31, 2013						
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
FINANCIAL ASSETS							
Cash and Central Banks	272,741	106,418	72,310	53,369	3,015	1,505,710	2,013,563
Deposits with banks and financial institutions	187,608	219,754	-	-	-	-	407,362
Loans to banks	-	3,434	32,000	57,120	-	-	92,554
Investment securities at fair value through profit or loss	21,689	-	-	-	62,498	752,530	836,717
Loans and advances to customers	13,325	579,093	676,829	20,258	17,708	12,027	1,319,240
Loans and advances to related parties	-	-	36,248	-	-	-	36,248
Investment securities at amortized cost	58,474	11	140,281	90,496	209,057	1,827,568	2,325,887
	553,837	**908,710**	**957,668**	**221,243**	**292,278**	**4,097,835**	**7,031,571**
FINANCIAL LIABILITIES							
Deposits from banks	20,364	56,612	-	-	-	-	76,976
Customers accounts	644,022	4,870,714	770,904	80,286	1,416	367	6,367,709
Related parties accounts	-	-	114,874	-	-	-	114,874
Other borrowings	-	138	337	2,106	2,880	6,013	11,474
	664,386	**4,927,464**	**886,115**	**82,392**	**4,296**	**6,380**	**6,571,033**

	December 31, 2012						
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
FINANCIAL ASSETS							
Cash and Central Banks	235,904	140,186	1,512	130,517	9,045	1,519,432	2,036,596
Deposits with banks and financial institutions	170,589	149,514	59,627	-	-	-	379,730
Loans to banks	-	647	2,780	96,200	-	-	99,627
Investment securities at fair value through profit or loss	11,599	-	-	129,585	184,175	321,831	647,190
Loans and advances to customers	17,171	467,119	773,143	8,479	336	3	1,266,251
Loans and advances to related parties	-	-	38,870	-	-	-	38,870
Investment securities at amortized cost	33,915	95,035	167,208	1,300,130	125,255	291,166	2,012,709
	469,178	**852,501**	**1,043,140**	**1,664,911**	**318,811**	**2,132,432**	**6,480,973**
FINANCIAL LIABILITIES							
Deposits from banks	51,864	31,906	4	-	-	-	83,774
Customers accounts	-	4,742,266	1,126,576	20,825	1,342	-	5,891,009
Related parties accounts	-	-	104,245	-	-	-	104,245
	51,864	**4,774,172**	**1,230,825**	**20,825**	**1,342**	**-**	**6,079,028**

2. Foreign Exchange risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.

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

December 31, 2013	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS						
Cash and Central Banks	828,421,507	723,285,617	412,461,701	179,789	49,214,515	2,013,563,129
Deposits with banks and financial institutions	23,699,394	275,903,899	87,922,214	5,333,165	14,502,908	407,361,580
Loans to banks	92,554,494	-	-	-	-	92,554,494
Investment securities at fair value through profit or loss	734,145,991	90,825,486	11,746,272	-	-	836,717,749
Loans and advances to customers	306,897,174	954,702,365	48,937,093	7,579,824	1,123,401	1,319,239,857
Loans and advances to related parties	4,278,691	31,908,934	60,441	12	-	36,248,078
Investment securities at amortized cost	1,222,015,131	990,203,462	113,668,561	-	-	2,325,887,154
Customers' liability under acceptances	-	6,765,047	3,371,074	-	-	10,136,121
Assets acquired in satisfaction of loans	640,985	19,025,715	-	-	-	19,666,700
Property and equipment	44,964,521	5,665,185	101,123	-	2,022,038	52,752,867
Intangible assets	775,543	-	25,296	-	49,530	850,369
Other assets	6,584,628	10,332,197	1,926,297	(8,813,053)	(1,373,515)	8,656,554
Total Assets	**3,264,978,059**	**3,108,617,907**	**680,220,072**	**4,279,737**	**65,538,877**	**7,123,634,652**
LIABILITIES						
Deposits from banks	33,496,188	40,661,446	2,435,128	383,160	377	76,976,299
Customers' accounts	2,727,421,209	2,925,606,766	648,064,559	21,530,754	45,085,327	6,367,708,615
Related parties' accounts	60,320,877	33,452,136	21,099,144	1,838	15	114,874,010
Liability under acceptances	-	6,765,047	3,371,073	-	-	10,136,120
Other borrowings	11,474,342	-	-	-	-	11,474,342
Other liabilities	16,760,236	12,520,618	1,056,312	18,779	485,492	30,841,437
Provisions	5,949,403	1,272,911	-	-	-	7,222,314
Total Liabilities	2,855,422,255	3,020,278,924	676,026,216	21,934,531	45,571,211	6,619,233,137
Currencies to be delivered	-	2,990,283	11,810,280	8,813,053	16,125,422	39,739,038
Currencies to be received	-	(11,395,960)	(13,512,140)	-	(14,383,989)	39,292,089)
	-	(8,405,677)	(1,701,860)	8,813,053	1,741,433	446,949
Net on-balance sheet financial position	**409,555,804**	**79,933,306**	**2,491,996**	**(8,841,741)**	**21,709,099**	**504,848,464**

December 31, 2012	LBP	USD C/V in LBP	Euro C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS						
Cash and Central Banks	881,478,423	724,504,416	397,597,961	115,418	32,899,293	2,036,595,511
Deposits with banks and financial institutions	5,424,189	196,254,315	150,788,479	13,517,026	13,746,155	379,730,164
Loans to banks	99,627,158	-	-	-	-	99,627,158
Investment securities at fair value through profit or loss	521,212,598	87,900,234	38,076,911	-	-	647,189,743
Loans and advances to customers	238,134,016	956,483,153	58,230,686	8,248,514	5,154,139	1,266,250,508
Loans and advances to related parties	4,065,915	34,786,302	17,898	-	-	38,870,115
Investment securities at amortized cost	1,282,356,346	655,426,955	74,925,693	-	-	2,012,708,994
Customers' liability under acceptances	-	14,842,809	358,505	-	-	15,201,314
Assets acquired in satisfaction of loans	640,985	19,025,715	-	-	-	19,666,700
Property and equipment	43,354,305	3,403,935	-	-	-	46,758,240
Intangible assets	905,382	-	-	-	-	905,382
Other assets	6,064,696	(25,839,165)	25,190,906	(1,211,971)	3,261,748	7,466,214
Total Assets	**3,083,264,013**	**2,666,788,669**	**745,187,039**	**20,668,987**	**55,061,335**	**6,570,970,043**
LIABILITIES						
Deposits from banks	3,087,409	72,660,425	6,776,894	21	1,249,694	83,774,443
Customers' accounts	2,653,527,570	2,494,582,197	671,951,477	23,228,751	47,718,935	5,891,008,930
Related parties' accounts	56,271,164	31,877,765	16,079,627	16,788	21	104,245,365
Liability under acceptances	-	14,842,809	358,505	-	-	15,201,314
Provisions	12,029,498	6,665,525	1,326,115	46,328	183,502	20,250,968
Other liabilities	4,778,238	1,055,831	-	-	-	5,834,069
Total Liabilities	2,729,693,879	2,621,684,552	696,492,618	23,291,888	49,152,152	6,120,315,089
Currencies to be delivered	-	41,920,673	14,140,043	1,212,480	22,671,550	79,944,746
Currencies to be received	-	(15,416,677)	(39,070,701)	-	(25,826,673)	(80,314,051)
	-	26,503,996	(24,930,658)	1,212,480	(3,155,123)	(369,305)
Net on-balance sheet financial position	**353,570,134**	**71,608,113**	**23,763,763**	**(1,410,421)**	**2,754,060**	**450,285,649**

42. 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, 2013			
			Fair Value			
	Notes	Carrying Amount	Level 1	Level 2	Level 3	Total
		LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Financial assets measured at fair value:						
Investment securities held at fair value through profit or loss						
Quoted equity securities	10	3,947,868	3,947,868	-	-	3,947,868
Unquoted equity securities	10	160,322	-	-	160,322	160,322
Lebanese treasury bills	10	305,095,928	-	-	305,095,928	305,095,928
Lebanese Government bonds	10	97,412,906	-	-	97,412,906	97,412,906
Certificates of deposit issued by the Central Bank of Lebanon		408,008,106	-	-	408,008,106	408,008,106
		814,625,130	3,947,868	-	810,677,262	814,625,130
Financial assets not measured at fair value:						
Term placements with Central Bank of Lebanon in Lebanese Pound	5	670,800,000	-	690,910,165	-	690,910,165
Term placements with Central Bank of Lebanon in Foreign currencies	5	1,044,405,840	-	655,114,276	-	655,114,276
Customer's loans and advances	8	1,319,239,857	-	1,309,818,606	-	1,309,818,606
Investment securities at amortized costs:						
Lebanese treasury bills	11	2,243,611	-	2,477,107	-	2,477,107
Lebanese Government bonds	11	937,351,964	-	926,655,921	-	926,655,921
Certificates of deposit issued by Central Bank of Lebanon (in LBP)	11	1,176,782,755	-	1,204,277,207	-	1,204,277,207
Certificates of deposits issued by Central Bank of Lebanon (Foreign currencies)	11	150,279,956	-	145,820,296	-	145,820,296
Certificates of deposit issued by other banks	11	753,750	-	805,356	-	805,356
		5,301,857,733	**-**	**4,935,878,934**	**-**	**4,935,878,934**

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

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial instruments included in the consolidated financial statements, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

Financial instruments	Date of valuation	December 31, 2013 Valuation technique And key input	Significant unobservable inputs
Lebanese treasury bills	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	Illiquidity factor for instruments at fair value through profit of loss
Certificates of deposits in LBP issued by Central Bank	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	Illiquidity factor for instruments at fair value through profit of loss
Certificates of deposits in foreign currencies issued by Central Bank	December 31, 2013	DCF at discount rates based on observable yield curves at the measurement date.	N/A
Lebanese Government bonds	December 31, 2013	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	Illiquidity factor for instruments at fair value through profit of loss
Term deposit with Central Bank of Lebanon in Lebanese Pounds	December 31, 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Term deposits with Central Bank of Lebanon in foreign currency	December 31, 2013	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
Loans and advances to customers	December 31, 2013	DCF at discount rates based on average rate of return of the receivables bearing fixed interest rate for more than one year.	N/A
Unquoted Equities at fair value through other comprehensive income	December 31, 2013	N/A	N/A

43. Approval Of The Financial Statements

The financial statements for the year ended December 31, 2013 were approved for issuance by the Board of Directors in its meeting held on May 15, 2014.

13 | ANNUAL REPORT

Spreading Our Branches

CURRENT GEOGRAPHICAL REPRESENTATION OF IBL BANK

The Bank currently has nineteen local operational branches and one branch in Achrafieh, Sioufi which will start its operations during the second semester of 2014: eight branches along with the Head-Office are located in the Greater Beirut region, four branches in the North of Lebanon, two branches in the South of Lebanon, five branches in the Mount Lebanon area and one branch in the Bekaa.

In the past few years, the Bank expanded its branch network by opening nine new branches, seven of which resulted from the acquisition of BCP Oriel Bank in 1999. In 2002, the Bank opened a new branch in the region of Kobayat (North Lebanon). During 2004, the Bank opened two branches, one in Chtaura (Bekaa) and one in Tyr (South of Lebanon), and during the first quarter of 2005, the Bank opened a new branch in Hazmieh (Baabda).

In addition, and in order to ensure a wider presence on the Lebanese territory, two new branches were inaugurated during 2008, one in Verdun (Beirut) and one in Antélias (Mount Lebanon) and a new branch was inaugurated in 2009 in Elissar (Mount Lebanon). In 2011, two new branches were added to the Bank's network one in Balamand (North Lebanon) and one in Byblos (Mount Lebanon). In 2012, a new branch began to operate in the region of Jnah (Beirut). Our new branch in Achrafieh, Sioufi will start its operations during 2014.

In july 2006, the Bank established one representative office in Erbil in the Kurdistan region of the north of Iraq. Following to the more than satisfactory results of our representative office in Erbil, the Board of Directors decided to leverage our first mover advantage in Iraq and to upgrade our representative office in Erbil into a Full Branch that started its operations during 2008. A second new branch was opened in Baghdad - Iraq and started its operations in December 2010. Furthermore, the Bank has obtained the License to open and operate a third new branch in Basra - Iraq, which will start its operations in September 2014.

Following to the successful ventures abroad, IBL Bank decided to open a branch in Europe. In November 2007, the Central Bank of Cyprus has granted IBL Bank the License to operate in Limassol - Cyprus. In 2008, our Branch started its operations on Makarios III Avenue in Limassol.

Finally, the Board of Directors has decided to set up the sister bank IBL Invest's Head-Office in Verdun - Beirut.

The Bank sees its branches abroad as a mean to diversify its stream of deposits, investments and revenues. In fact, the Bank is aiming to attract deposits and banking business through the important Lebanese and Arab communities in European, Arab, and Latin American regions.

HEADQUARTERS

Charles Malek Avenue - Al Ittihadiah Bldg - P.O.Box 11-5292 Beirut
Phone: (01) 200350 - 334102 | Fax: (01) 204524 | Call Center (04) 727244
Swift code: INLELBBE | E-mail: ibl@ibl.com.lb | Domain: www.ibl.com.lb

BRANCHES IN LEBANON

BEIRUT AND SUBURBS

ACHRAFIEH
Charles Malek Avenue - Al Ittihadiah Bldg
P.O.Box 11-5292 Beirut
Phone: (01) 200350 - 334102
Fax: (01) 204524
Manager: Mr. Béchara Mattar

HAMRA
Maamari Sourati Street
P.O.Box 113-6553 - Hamra
Phone (01) 743006/7 - 347822/3
Fax: (01) 350608
Manager: Mr. Omar Hammoud

MOUSSAITBEH
Mar-Elias Street, New Center
P.O.Box 11-5292 Beirut
Phone: (01) 304727 - 313414
Fax: (01) 304727
Manager: Mr. Mohamad Osseiran

DORA
Dora Blvd. - Ghantous Bldg
5th Floor P.O.Box 90263 Dora
Phone (01) 260556 - 260530 / 5
Fax: (01) 255111
Manager: Mr. Ayad Boustany

BAUCHRIEH
St. Joseph Hospital Street - Bakhos Bldg
P.O.Box 11-5292 - Beirut
Phone: (01) 249031 - 248990
Fax: (01) 249031
Manager: Mr. Nabil Abou Jaoude

ANTELIAS
Bouldoukian - Garden Tower Bldg
P.O.Box 11-5292 Beirut
Phone: (04) 407043 - 406916 - 406993
Manager: Mr. Fady Nader

VERDUN
Rachid Karame Street
P.O.Box 11-5292- Beirut
Phone: (01) 797320 / 1/ 2/ 3/ 4
Manager: Mr. Abdel Rahman Zeidan

JNAH
Adnan Al Hakim Street
Near Monoprix - Al Rawan Bldg, GF
PO Box 11-5292 Beirut
Phone: (01) 843442 - Fax: (01) 843449
Manager: Mr. Jules Haidar

ASHRAFIEH - SIOUFI
St. Georges Residences
Achrafieh-Sioufi
PO Box 11-5292 - Beirut
Phone: (01) 322170
Fax: (01) 322173
Manager: Mr. Ara Boghossian

OTHER REGIONS

HAZMIEH
International Road - Beirut Direction
P.O.Box 11 - 5292 Beirut
Phone: (05) 952801/2/3
Fax: (05) 952804
Manager: Mr. Charbel Helou

ELYSSAR
Mazraat Yashou- Main road
Ziad Yashoui Bldg.
P.O. Box 11-5292 Beirut
Phone: (04) 916029/31/32
Fax: (04) 916034
Manager: Mr. Jean-Pierre Abi Doumeth

BATROUN
Main Street - Zakaria Bldg
P.O.Box 11-5292 Beirut
Tel: (06) 642218 / 740552
Fax No: (06) 643218
Manager: Mr. Kisra Bassil

JOUNIEH
Serail Street - Bechara Menassa Bldg
P.O.Box: 1820 Jounieh
Phone & Fax: (09) 915715 - 918438
Manager: Mr. Joseph Chehwan

SAIDA
Jezzine Street, Near EDL Building
P.O.Box 11 - 5292 Beirut
Phone: (07) 723909 - 725701
Fax: (07) 732273
Manager: Mr. Hassan Hachichou

TYR
Boulevard Maritime
P.O.Box 11 - 5292 Beirut
Phone: (07) 346813 - 11
Fax: (07) 346804
Manager: Mr. Youssef Chebli

TRIPOLI
Boulevard Street - Islamic Hospital Bldg
P.O.Box: 240 Tripoli
Phone (06) 440450 - 628228/9
Fax: (06) 628229
Manager: Mr. Hamed Raad

KOBAYAT
Place Zouk Kobayat
Mtanios Mekhael Bldg
P.O.Box 11 - 5292 Beirut
Phone: (06) 351951/5
Fax: (06) 351956
Manager: Mr. Assaad Obeid

CHTAURA
Main Road - Kikano Bldg
P.O.Box 11 - 5292 Beirut
Phone: (08) 546802-4
Fax: (08) 546801
Manager: Mr. Iskandar Joanny

BALAMAND
Balamand - Main Street - Al Kourah
P.O.Box 11-5292 Beirut
Phone: (06) 933041
Fax: (06) 933038
Manager: Mr. Walid Salem

JBEIL
Roman Street, Al Ittihadiah Bldg
P.O.Box 11-5292 Beirut
Phone: (09) 543992
Fax: (09) 543994
Manager: Mr Rabih Abi Ghosn

BRANCHES ABROAD

IRAQ - ERBIL
Dar Al Handasa Bldg
Ankawa road Mahala 319, Bakhteary,
Erbil - IRAQ
Phone: ++964.66.2251342
Direct: +964.66.2561512
Mobile:+964.750.4243876
Manager: Miss Ishtar Zulfa

IRAQ - BAGHDAD
Al Karada, Babel District Nº 929
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Baghdad - Iraq
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e-mail: baghdad@ibl.com.lb
Manager: Mr. Michel Assaf

IRAQ - BASRA
Al Abbas district
Palestine Str. Known as Al Saady Str.
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Phone: + 078 9287177/8
e-mail: infobasra@ibl.com.lb
Manager: Mr. Toufic Mourtada

CYPRUS - LIMASSOL
IDEAL building, 1st Floor,
214 Arch, Makarios III Avenue
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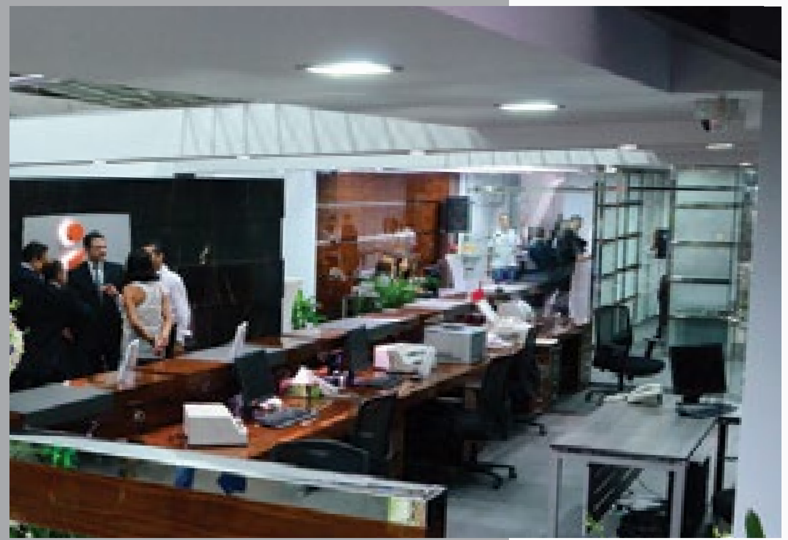
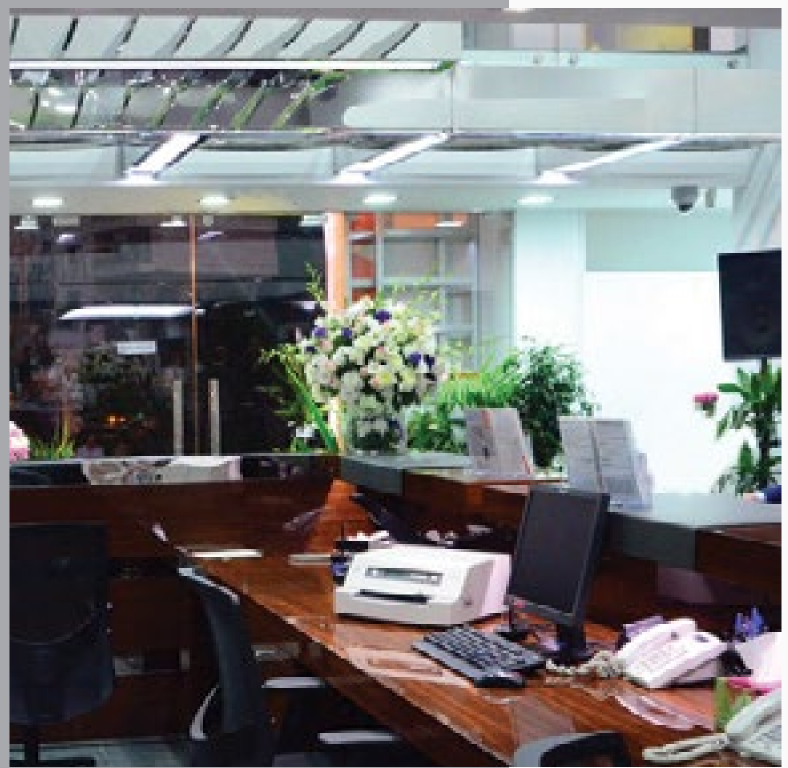
3722 Limassol - CYPRUS
Phone: +357 25 504444
Fax: +357 25 504450
Manager: Mrs Ghada Christofides

IBL INVESTMENT BANK SAL

HEADQUARTERS
Rachid Karame street
Verdun - Beirut
PO Box: 11-5292
Phone: (01) 792035-36-55
Fax: (01) 792038
In charge: Mr. Rodolphe Attallah



JBEIL BRANCH **RELOCATION**



SIOUFI
BRANCH OPENNING

ACHRAFIEH
HEAD OFFICE