CEDRUS GROUP
ANNUAL REPORT

2017

CEDRUS BANK

CEDRUS
INVEST BANK S.A.L

In 2017,

The Cedrus Group worked towards creating value-centric innovation.

Corporate governance was prioritized within both institutions, Cedrus Invest Bank and Cedrus Bank, influencing decision-making processes, systems and procedures. As a result Cedrus Invest Bank received the Best Bank Governance Award in Lebanon for 2017, by Capital Finance International (CFI.co).

Growth was achieved beyond set targets. More branches were added to the already fast-growing network. An expanded suite of offerings catered to the increasing needs of clients, located across the Middle East and North Africa (MENA) region. Banking operations shifted to both online and mobile platforms, providing prompt access to individuals and corporations to manage their accounts.

In 2017, the Cedrus family grew.

These are our numbers, transparently yours...

All the images in the Annual Report have been taken at the Cedrus Invest Bank and Cedrus Bank premises. The teams featured in the images are from different departments and functions. The aim was to bring to life the internal culture of the Banks, through the buildings, spaces and teams.

LETTER FROM **THE CHAIRMAN** OF THE BOARD

Dear valued partners and clients,

On behalf of the Board of Directors, I am very pleased to share with you the Annual Report for 2017, combining the financial figures, achievements and growth areas of both Cedrus Invest Bank and Cedrus Bank.

The market environment in 2017 posed many challenges, with numerous transformations unfolding across the Middle East and North Africa (MENA) region. As a result, businesses and banks operating in the region, have been tried and tested. Yet, despite these challenges, institutions that were eager to identify opportunities in the midst of an uncertain climate and adopt preventive and proactive strategic internal policies, were able to prosper.

In Lebanon in particular, many changes took place on a national and regional level, which impacted the country. In 2017, we saw the subsequent outcomes of the election of a new President and the newly-formed cabinet develop, which translated into an improved outlook in the first three quarters of 2017. These political advancements however, did not seem to stabilize the economic situation which was further dampened by political issues that surfaced in November of 2017. Public debt at the end of 2017, was equivalent to 150 percent of GDP, with projected GDP growth expected to remain below 2% in 2018. However, despite these figures, foreign reserves at the Central Bank Of Lebanon have continued to grow to exceed USD35 billion, inflows to the banking sector have remained positive allowing total deposits to exceed USD170 billion and total assets at USD220 billion. The sustained commitment of Lebanese expatriates towards their homeland is a major driver in this regard.

In spite of all this, the Cedrus family has prospered. Headquartered in Lebanon, a prominent financial hub with a strong banking system, Cedrus Invest Bank and Cedrus Bank have recorded exceptional numbers in 2017, growing the balance sheet and off-balance sheet business in both banks and further solidifying the commitment to corporate responsibility, transparency and innovative growth strategies across all levels.

I am proud to shed light on the productive year which the teams of both banks, led by highly engaged management teams, driven by a solid universal vision and mission, have realized, in the midst of an uncertain economic climate. 2017 marked a year of excelling across all levels. With total assets valued at USD1.3 billion and total customer deposits standing at USD602 million, the Cedrus family has grown beyond borders. In addition, we marked the launching of internet and mobile banking services, to enhance our clients' Cedrus experience.

As a result, Cedrus Group is the fastest growing banking group and a key player in the Lebanese banking sector, with shareholders' equity exceeding USD330 million, a total balance sheet exceeding USD1.3 billion and an off-balance sheet business exceeding USD1 billion, on consolidated basis.

The combined Cedrus Bank and Cedrus Invest Bank Annual Report, captures the growth of both entities, and our commitment to create value both for our clients and the communities in which we operate. We are geared towards investing in value-centric innovation, to stimulate the economy.

On that note, we would like to extend our sincere gratitude to the shareholders, clients, partners and members of the community that have extended their trust to us over the years. It is through their confidence and belief in our innovative strategies and expertise, that the Cedrus family has grown to become a pivotal player in the Lebanese market.

What we are communally responsible for now, is the future of the country and its economy. To safeguard the economy and work towards a prosperous future, we must develop long-term plans that are actually implemented and monitored. The banking and financial services industry remains at the core of these developments.

Honestly yours,

Fadi Assali, CFA

Chairman - General Manager

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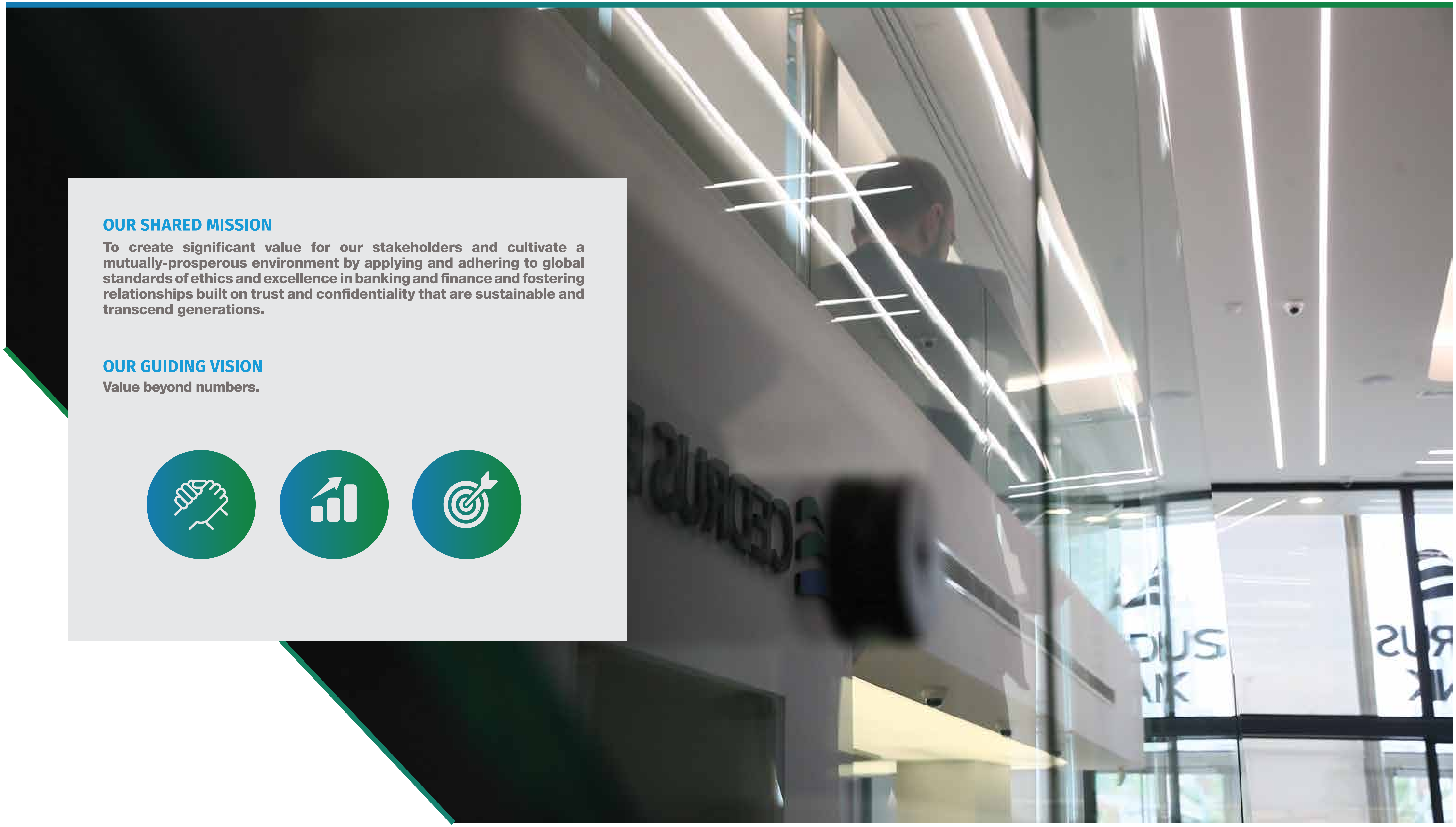
Our Corporate Culture

Mission & Vision



OUR SHARED MISSION

To create significant value for our stakeholders and cultivate a mutually-prosperous environment by applying and adhering to global standards of ethics and excellence in banking and finance and fostering relationships built on trust and confidentiality that are sustainable and transcend generations.

OUR GUIDING VISION

Value beyond numbers.

Our Institutional Values

Our institutional values of trust, quality, transparency, innovation and diversity are the foundational pillars upon which both our mission and our vision are built.

Trust

Ethical practices, integrity in our work and a commitment towards our team and our customers.

Quality

Visible throughout the lifespan of every transaction through efficient, best of class services and products.

Transparency

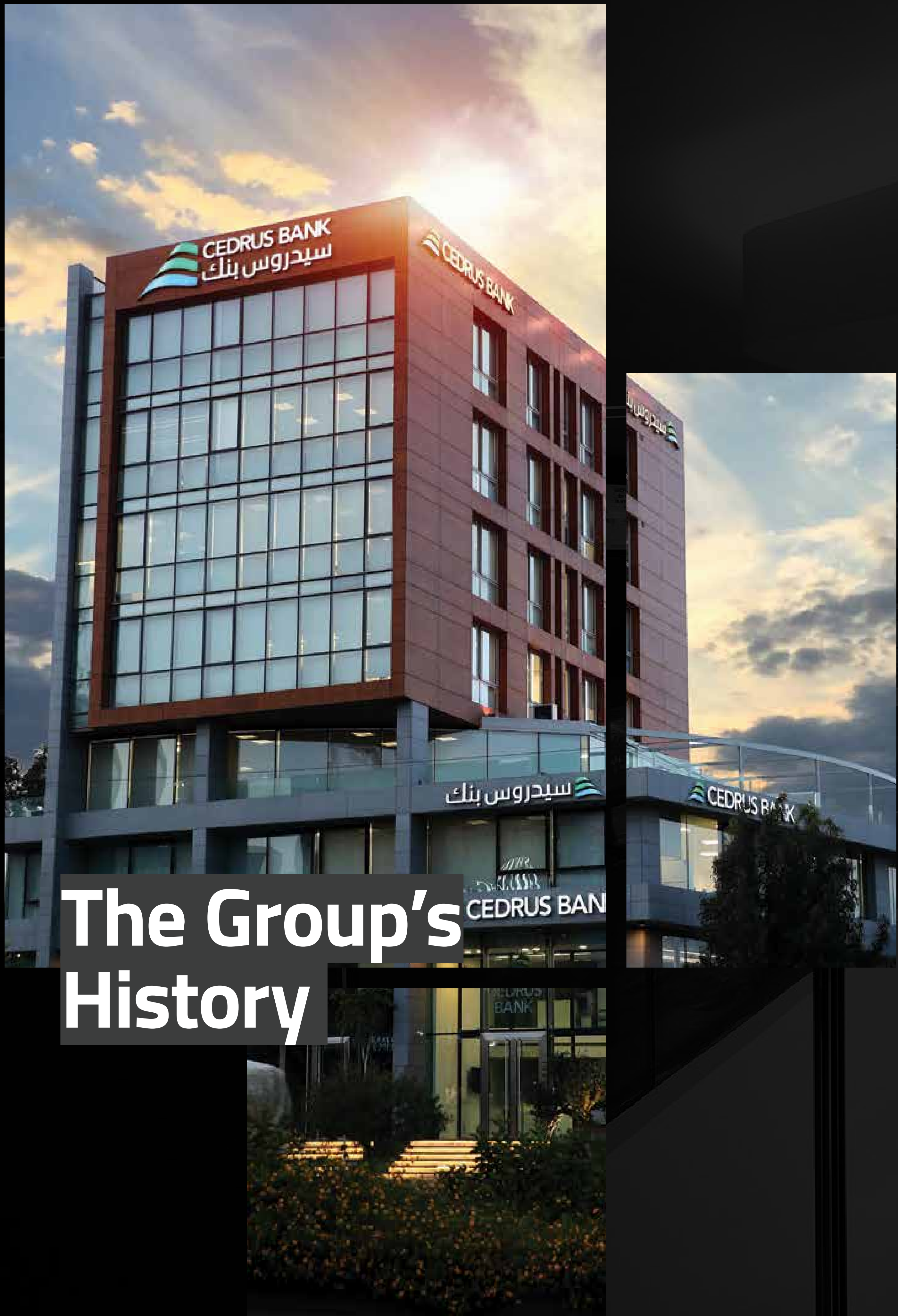
Honesty and straightforwardness in customer service at all times.

Innovation

Commitment to embrace change translated via our spirit of adaptability, flexibility and creativity.

Diversity

An Inclusive and multi-faceted culture.



The Group’s History

History

Founded in Beirut in 2011, Cedrus Invest Bank is a dynamic boutique investment bank, offering supreme financial services, catering to the growing demands of today's investors. Founded by two Lebanese bankers with extensive global and regional experience, Fadi Assali and Raed Khoury, Cedrus Invest Bank has evolved into a fast-growing institution, offering exceptional services and products to clients across the Middle East and North Africa (MENA) region.

At present, Cedrus Invest Bank is the largest Specialized Bank in Lebanon in terms of capitalization, with a shareholders' equity exceeding USD330 million, and with Assets under management amounting to around USD1 billion.

It offers best-of-class services in Wealth Management, Multi-Family Office Management, Capital Markets and Investment Banking. Through these services, the specialized team at Cedrus Invest Bank addresses the needs of high-net-worth individuals and families, as well as corporate entities in the MENA region.

The founders envisioned a Bank that would bridge the gap between the growing needs of regional clients, and the offerings of globally operating banks. This vision has been realized.

Shareholders' equity

+
$330 million

Total consolidated assets

+
$1.3 billion

History

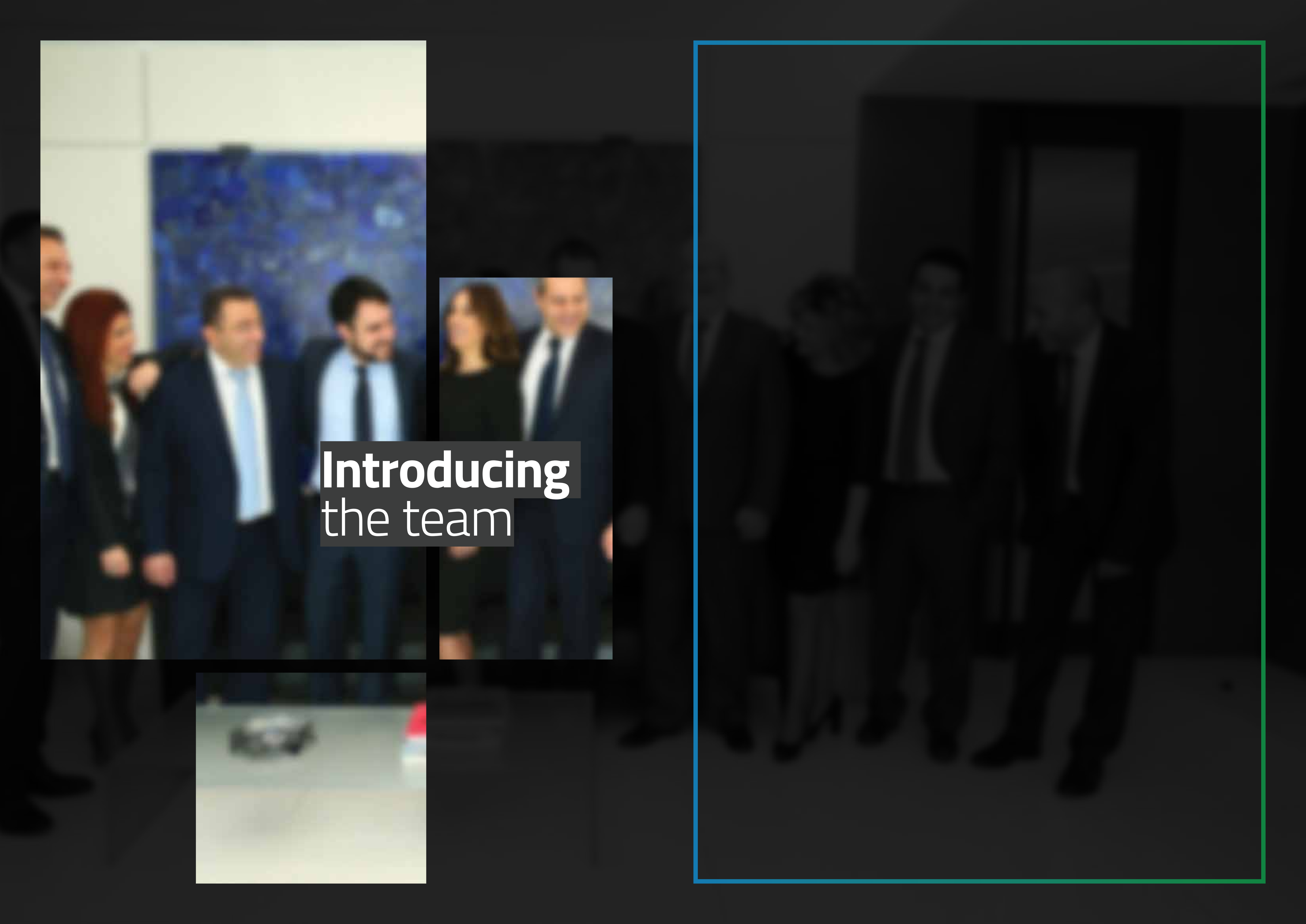
CEDRUS BANK

Since the acquisition of Standard Chartered Bank's operations in Lebanon in 2015, Cedrus Bank has developed into a full-fledged banking institution, offering diversified banking services, catering to both individuals and corporations.

In 2017, Cedrus Bank grew its operations, offering clients mobile and online banking services. In addition, Cedrus Bank grants customers a full suite of loans, covering mortgages, cars, the creation and expansion of business ventures, as well as personal loans.

The network and reach of the Bank was further strengthened via alternative delivery channels for customers to settle payments in over 900 locations, as well as point-of-sales terminals in stores all over Lebanon.

Introducing the team



Shareholders

CEDRUS INVEST BANK SAL

Shareholder	%
Said Fayez Khalaf	9.38
Nicolas Chammas	8.99
Ibrahim Bin Abdul Aziz Bin Ibrahim Al Jammaz	8.26
Elias Farhat Abou Farhat	8.19
Georges Salim El Atik	5.16
Nabil Al Zahlawi	4.92
Jamil Fouad El Agha Kasbah	3.39
Eric Amin Daaboul	3.21
Michel Tanios Choueiry	2.74
Samir Chaghouri	2.41
Mutlak Bin Saleh Bin Mutlak Al Hanaky	2.40
Samir Georges Aoun	1.92
Saleh Bin Mohammed Bin Saleh Al Hajjaj	1.80
CSC Holding SAL	1.76
ASD Holding SAL	1.69
Tony Saliba	1.64
Fadlo Tanios Touma	1.64
Raed Fouad Khoury	1.55
Capanama Holding SAL	1.52
Fadi Mosbah Assali	1.45
Others	25.98%

TOTAL: 100.00%

CEDRUS BANK SAL

Shareholder	%
Cedrus Invest Bank SAL	84.916
Nicolas Chammas	14.976
Others	0.108

TOTAL: 100.00%

Board of Directors

CEDRUS INVEST BANK

FADI ASSALI, CFA
CHAIRMAN OF THE BOARD

Fadi is a founder of Cedrus Invest Bank SAL. He comes with extensive experience in the banking industry, with focus on wealth management and capital markets. Prior to founding Cedrus Invest Bank, Fadi was a Director at Barclays Wealth, covering the MENA region. His professional experience also includes assuming various key positions with Bank Audi Saradar Group, where he spent more than 12 years servicing clients across the MENA region.

RAED KHOURY, CFA
EXECUTIVE BOARD MEMBER

Raed is a founder of Cedrus Invest Bank SAL, with extensive experience in the banking industry, with focus on wealth management and brokerage. Prior to founding Cedrus Invest Bank, Raed was a Director at Barclays Wealth, covering the MENA region. He also assumed various key positions with Bank Audi Saradar Group where he spent more than 7 years servicing clients across the MENA region. His professional experience also includes four years at Fidus – Societe Generale Group.

GHASSAN AYACHE
INDEPENDENT MEMBER

Dr. Ayache served as an Advisor to Bank Audi from 1993 to 2011 and Head of the Bank's GCC Desk for several years. He played a major role in the establishment of Bank Audi Qatar, where he was a Member of the Board until 2011. Prior to joining Bank Audi, he was Vice Governor of the Central Bank of Lebanon from 1990 to 1993. He authored five books on the financial and banking sectors, in addition to regular specialized editorials and articles on finance and economics.

Each of the Banks have a dedicated Board of Directors that are entrusted with the overall responsibility to direct affairs, create and preserve value through operations, and to uphold shareholders and other stakeholders' interests. In addition to the aforementioned responsibilities, the Board of Directors are also accountable to delegate roles to the upper management, including the definition, scope, frequency and nature of its powers.

Cedrus Invest Bank's Board of Directors consists of eight Board Members, of which two are Executive members, two are non-Executive members and four are independent members.

Cedrus Bank's Board of Directors consists of seven Board Members, of which two are Executive members, three are non-Executive Members and two are independent members.

Board of Directors

CEDRUS INVEST BANK

ELIAS ABOU FARHAT
NON-EXECUTIVE MEMBER

Elias is the CEO of TRIACTA (NIG.) Ltd., a contracting company specialized in the construction and rehabilitation of roads in the Northern part of Nigeria, a position he has held since 1995. In his capacity as CEO, Elias helped take the company from a yearly turnover of USD300,000 in 1995 to more than USD120 million in 2010, making it one of the fastest growing companies in its field.

GHAZI YOUSSEF
INDEPENDENT MEMBER

Dr. Youssef is a former Professor of Economics at the American University of Beirut. Currently, he is a member of the Lebanese Parliament and of the Finance & Budget Parliamentary Committee, acting as a major contributor in ratifying the newly enacted Financial Markets Law in Lebanon. He is also serves as the CEO of Middle East Airport Services, a corporation entrusted to maintain and operate the Rafic Hariri International Airport in Lebanon.

IBRAHIM AL JAMMAZ
NON-EXECUTIVE MEMBER

Ibrahim is the Vice President of Al Jammaz Group, a family and business group in Saudi Arabia, covering a multitude of activities in agricultural products, software development, telecommunications and food. The Group also handles distribution agreements with different international brands, such as Alcatel, Acer, and Cisco, and is the sole agent for Domino's Pizza and Wendy's across the Middle East. Other activities of the group include real estate investment and development, and equity investments in Saudi Arabia and Lebanon.

ASSAAD RAZZOUK
INDEPENDENT MEMBER

Assaad is the Co-founder of Sindicatum Group, a leading operator of clean energy projects worldwide and producer of sustainable resources from natural products and waste, founded in 2002. As the Group Chief Executive in charge of the Company's strategy and project investments, he has helped expand the Group to China, the US, South East Asia and India. Prior to 2002, he was a former Investment Banker at Nomura International PLC in London, where he assumed various managerial positions.

MICHEL T. CHOUEIRY
INDEPENDENT MEMBER

Michel is the Founder and Managing Partner of Abou Haidar & Choueiry Law Firm, working as a lawyer and legal advisor to several Lebanese and foreign companies, focusing on legal structure to achieve external growth and restructuring. He is also the Co-founder and Partner of The Back Office, a prominent accounting and related services provider company that assists companies in organizing their businesses in an effective manner. Michel is a member of the Board of Directors of various local and foreign companies with diversified activities.

Board of Directors

FADI ASSALI, CFA
CHAIRMAN OF THE BOARD

RAED KHOURY, CFA
NON-EXECUTIVE MEMBER

GHASSAN AYACHE
INDEPENDENT MEMBER

NICOLAS CHAMMAS
VICE CHAIRMAN

Nicolas is the Vice Chairman of the Board of Directors at Cedrus Bank SAL and owns 15% of the shares of the Bank. He is also the President of the Beirut Traders Association and a Managing Partner at Elie D. Chammas & Co. Nicolas is a renowned economist and strategy consultant, and the President of the MIT Alumni Association worldwide. He has issued numerous publications and participates in frequent media appearances.

ANTOINE GOUGASSIAN
INDEPENDENT MEMBER

Antoine is an independent member of the Board of Directors at Cedrus Bank SAL. He oversees a new startup venture based in Dubai, UAE, established in 2013, that focuses on the areas of loyalty, rewards and customer analytics, which are closely linked to the card payment business. Prior to starting this new venture Antoine was at Visa Inc. (formerly known as Visa International) based in Dubai, UAE, where he led all aspects of Visa's business in the Levant region (Lebanon, Jordan, Syria, Palestine and Iraq). Before Visa Inc., Antoine was the Marketing Head for the payment cards business at Bank Audi.

GEORGES EL ATIK*
NON-EXECUTIVE MEMBER

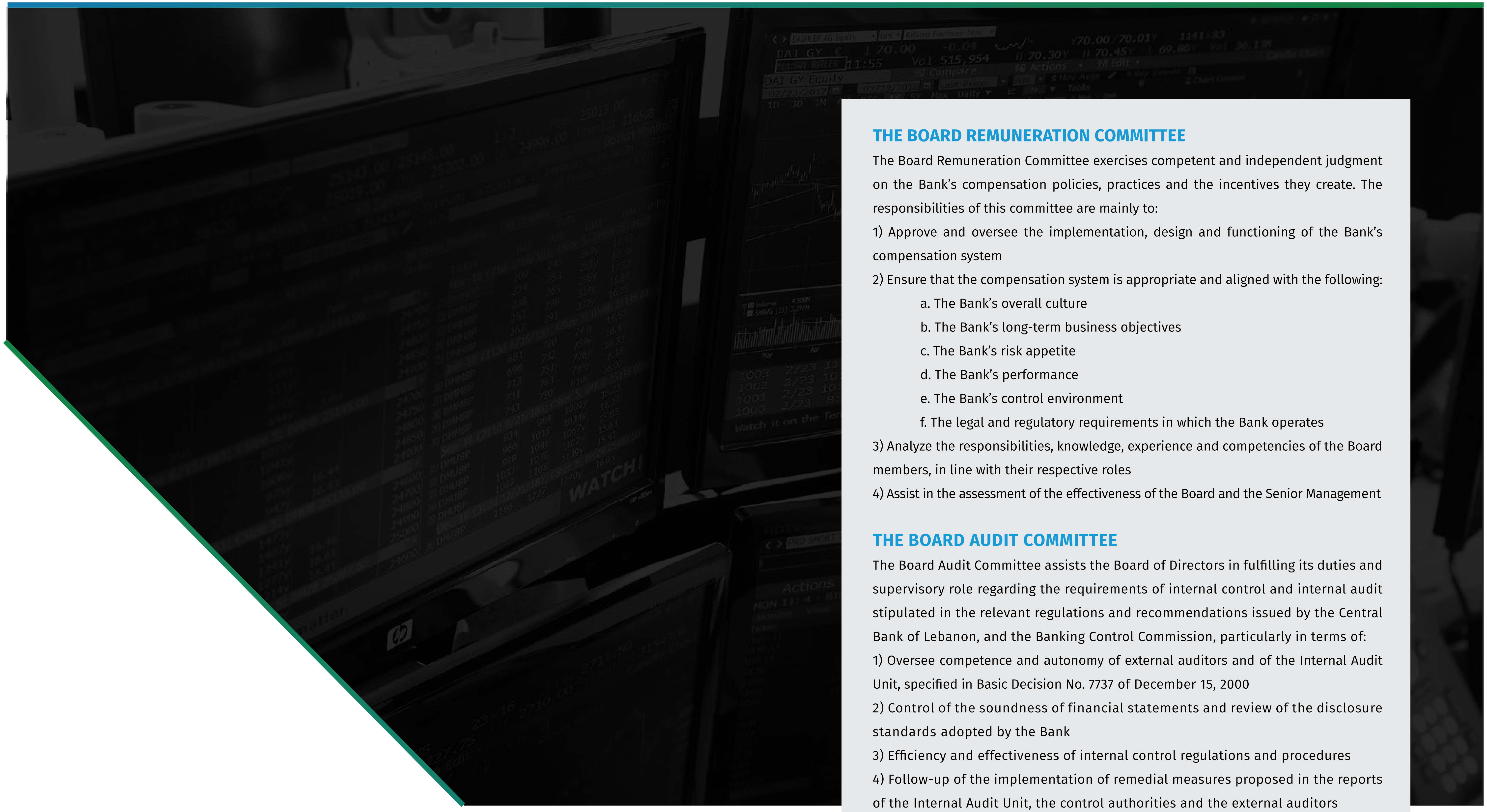
Georges is a Non-Executive Director at Cedrus Invest Bank. In the 1980s, he left his lengthy judicial career, to co-found Contracting and Construction Enterprises Ltd. (CCE), a leading contracting company based in Saudi Arabia, specialized in electrical, mechanical and civil engineering for residential, commercial and governmental buildings, as well as infrastructural works and industrial support facilities. Georges is also a partner and co-founder of Saudi Company for Prefabricated Buildings (Newfab) and Saudi Irem (a joint venture with Irem, Italy), a company specialized in the oil, gas, chemical and petrochemical fields.

*awaiting regulatory approval

MICHEL N. CHOUEIRY
EXECUTIVE MEMBER

Michel is a Director since 2007 and Chief Financial Officer since 2004. He is a seasoned finance expert with over 20 years of banking experience, having held senior level finance and risk management positions in HSBC and other banks in Lebanon. He has also worked on Peer Reviews in Standard Chartered Thailand and was the Executive in charge of the amalgamation of the Amex Rep Office with Standard Chartered Lebanon in 2008. In 2013 and 2014, he worked on the bidding process managed by Standard Chartered London, for the sale of Standard Chartered Bank SAL, Lebanon and played an integral role in the negotiations and the completion of the transaction.

The Board Committees



THE BOARD REMUNERATION COMMITTEE

The Board Remuneration Committee exercises competent and independent judgment on the Bank's compensation policies, practices and the incentives they create. The responsibilities of this committee are mainly to:

1) Approve and oversee the implementation, design and functioning of the Bank's compensation system

2) Ensure that the compensation system is appropriate and aligned with the following:

- a. The Bank's overall culture
- b. The Bank's long-term business objectives
- c. The Bank's risk appetite
- d. The Bank's performance
- e. The Bank's control environment
- f. The legal and regulatory requirements in which the Bank operates

3) Analyze the responsibilities, knowledge, experience and competencies of the Board members, in line with their respective roles

4) Assist in the assessment of the effectiveness of the Board and the Senior Management

THE BOARD AUDIT COMMITTEE

The Board Audit Committee assists the Board of Directors in fulfilling its duties and supervisory role regarding the requirements of internal control and internal audit stipulated in the relevant regulations and recommendations issued by the Central Bank of Lebanon, and the Banking Control Commission, particularly in terms of:

1) Oversee competence and autonomy of external auditors and of the Internal Audit Unit, specified in Basic Decision No. 7737 of December 15, 2000

2) Control of the soundness of financial statements and review of the disclosure standards adopted by the Bank

3) Efficiency and effectiveness of internal control regulations and procedures

4) Follow-up of the implementation of remedial measures proposed in the reports of the Internal Audit Unit, the control authorities and the external auditors

5) Monitor the Bank's compliance with the regulations and recommendations issued by the Central Bank of Lebanon and the Banking Control Commission

The Board Committees

THE BOARD RISK COMMITTEE

The Board Risk Committee is in charge of assisting the Board in managing the Bank's current and potential risks, and ensuring availability of proper capital to all risk exposures. Risks include: credit risk, market risk, operational risk, legal risk, compliance risk and reputational risk. The main responsibilities of the committee are the following:

1) Recommend to the Board, the Bank's risk appetite and tolerance
2) Advise the Board on the Bank's overall risk profile
3) Review the Bank's risk policies to ensure inclusion of best sound practices and report to the Board their implementation
4) Oversee the implementation of the risk management rules and limits as detailed in the regulations issued by the Central Bank of Lebanon and the Banking Control Commission

THE BOARD ANTI-MONEY LAUNDERING (AML) AND COUNTER FINANCING OF TERRORISM (CFT) COMMITTEE

The Board Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Committee ensures the presence of an effective and efficient control environment to protect the Bank against risks of money laundering and the financing of terrorism. This is furthered through the implementation and adherence to a robust compliance program.

The responsibilities of this committee are mainly to:

1) Review the reports submitted by the Compliance and Internal Audit Units on adopted procedures, unusual operations, high risk accounts etc.
2) Review the reports submitted by the Compliance Unit to the Special Investigation Commission regarding suspicious accounts and/or suspicious operations
3) Review the External Audit reports related to compliance and the corrective actions taken in this regard
4) Review and approve the Compliance Program
5) Review and approve the AML/CFT manual
6) Review the Know Your Client (KYC) forms submitted by the Compliance Unit
7) Support the Board of Directors in its functions and supervisory role in fighting money laundering and the financing of terrorism
8) Assist the Board of Directors in taking the appropriate decisions with regards to fighting money laundering and the financing of terrorism

CEDRUS INVEST BANK

		Committees			
Name	BOD Type	Audit	Risk	Remuneration	AML/CFT
Fadi Assali	Chairman		Member		Member
Raed Khoury	Executive		Member		Member
Ghazi Youssef	Independent	Chairman		Member	
Michel T. Choueiry	Independent				Chairman
Assaad Razzouk	Independent		Chairman	Chairman	
Ghassan Ayache	Independent	Member			Member
Ibrahim Al Jammaz	Non-Executive	Member		Member	
Elias Abou Farhat	Non-Executive		Member		

CEDRUS BANK

		Committees			
Name	BOD Type	Audit	Risk	Remuneration	AML/CFT
Fadi Assali	Executive		Member		Member
Nicolas Chammas	Non-Executive	Member			
Raed Khoury	Non-Executive	Member	Member	Member	Member
Ghassan Ayache	Independent		Chairman	Member	Chairman
Antoine Gougassian	Independent	Chairman		Chairman	
Georges El Atik	Non-Executive				
Michel N. Choueiry	Executive		Member		Member

Management Committees

FADI ASSALI, CFA

Chairman – General Manager
Cedrus Invest Bank
Cedrus Bank

The Senior Management Committee's primary role is to assist the Board of Directors in setting the Group's strategy and to monitor its implementation. The Committee's responsibilities include helping to define the Group's long-term goals and strategy, review risk exposure in coordination with the Risk Management department, assist in reviewing the Group's budget and business plans, and sub-delegate related responsibilities across the Group.

Management Committees

CEDRUS INVEST BANK

NADA HITTI
Assistant General Manager – Chief Financial Officer

EMILE ALBINA
Assistant General Manager – Head of Investment Advisory & Multi Family Office

LOUIS KARAM
Director - Head of Trading Desk

EDDY IMAD
Director - Private Banking

CHRISTELLE WAKIM
Head of Compliance

ZIAD EL HOUT
Head of Internal Audit

SIMON ABDALLAH
Head of Risk Management

MALAKE HALABI
Head of Back Office

Management Committees

CEDRUS BANK

MICHEL NASRI CHOUEIRY
Assistant General Manager - CFO/COO

RAOUL CHERFANE
Assistant General Manager – Head of Branches

TONY FENIANOS
Group Chief Credit & Risk Officer

JOUMANA RIZK
Group Head of Compliance

FADI NAHRA
Group Head of Internal Audit

RONY FARAH
Head of Finance

MAY DIAB
Deputy Head of Operations

ELIE BARAKAT
Group Chief Information Officer

CHARBEL GHARIOS
Assistant General Manager – Head of Treasury & Correspondent Banking

JACQUELINE MELHEM
Group Head of Human Resources

KARIM BADREDDINE
Acting Head of Retail Banking

JOSEPH AZAR
Deputy Head of Commercial Lending

BEDROS AMOGHLIAN
Head of Strategic Planning & Organization

ROSIE AZZI ABOU KHALIL
Head of Marketing & Communications

Management Committees

OPERATIONAL RISK COMMITTEE

The Operational Risk Committee ensures the effective management of Operational Risk throughout the Bank in accordance with the risk directives and limits set by the Board of Directors.

It ensures the effective implementation of the Operational Risk policies and procedures and that the operational risk identification, measurement and monitoring techniques, systems, and resources are in place.

The Committee also verifies that all operational incidents are reported in an accurate, exhaustive and timely manner to the Operational Risk Department. Its role also includes:

- Major operational risks are reported to the Board of Directors promptly
- Appropriate and efficient controls, mitigations, or transfers of risks are put in place
- Appropriate action is taken in response to material events, risk issues or themes that come to the Committee's attention
- Material operational risk exposures and key external trends are monitored in accordance with operational risk policies and procedures

CEDRUS INVEST BANK MEMBERS

Name	Role	Name	Role	Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN	Simon Abdallah Head of Risk Management	MEMBER	Malake Halabi Head of Back Office	MEMBER
Nada Hitti Assistant General Manager - Chief Financial Officer	MEMBER	Christelle Wakim Head of Compliance	MEMBER	Ziad El Hout Head of Internal Audit	MEMBER
Louis Karam Director - Head of Trading Desk	MEMBER	Francoise Lebnan Head of Operational Risk	MEMBER		

CEDRUS BANK MEMBERS

Name	Role	Name	Role	Name	Role
Fadi Assali Chairman- General Manager	CHAIRMAN	Tony Fenianos Group Chief Credit & Risk Officer	ALTERNATE CHAIRMAN	Rony Farah Head of Finance	MEMBER
Michel Choueiry Assistant General Manager - CFO/COO	MEMBER	May Diab Deputy Head of Operations	MEMBER	Joumana Rizk Group Head of Compliance	MEMBER
Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER	Elie Barakat Group Chief Information Officer	MEMBER	Fadi Nahra Group Head of Internal Audit	MEMBER
Jacqueline Melhem Group Head of Human Resources	MEMBER	Karim Badreddine Acting Head of Retail Banking	MEMBER	Francoise Lebnan Head of Operational Risk	MEMBER

ASSET AND LIABILITY COMMITTEE (ALCO)

The role of the Asset and Liability Committee (ALCO) is to maintain a strong balance sheet (Capital & Liquidity) which supports business objectives and complies with regulatory requirements.

It ensures the efficient implementation of balance sheet management policies, as directed by the Board of Directors, reviews reports on liquidity, market risk and capital management and oversees the adherence to applicable limits, policies and regulatory requirements.

The Committee also:

- Identifies balance sheet management issues that are leading to underperformance in specific areas, and refers those that cannot be resolved, to the Board of Directors
- Ensures that business activity is consistent with the structural integrity of the balance sheet
- Manages the balance sheet efficiently, taking a forward-looking view of changes to economic, regulatory and competitive actions
- Reviews asset and deposit pricing strategies

CEDRUS INVEST BANK MEMBERS

Name	Role	Name	Role	Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN	Simon Abdallah Head of Risk Management	MEMBER	Charbel Gharios Assistant General Manager – Head of Treasury & Correspondent Banking	MEMBER
Nada Hitti Assistant General Manager - Chief Financial Officer	MEMBER	Christelle Wakim Head of Compliance	MEMBER		
Louis Karam Director - Head of Trading Desk	MEMBER	Emile Albina Assistant General Manager – Head of Investment Advisory & Multi Family Office	MEMBER		

CEDRUS BANK MEMBERS

Name	Role	Name	Role	Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN	Karim Badreddine Acting Head of Retail Banking	MEMBER	Rony Farah Head of Finance	MEMBER
Michel Choueiry Assistant General Manager - CFO/COO	MEMBER	Tony Fenianos Group Chief Credit & Risk Officer	MEMBER	Charbel Gharios Assistant General Manager – Head of Treasury & Correspondent Banking	MEMBER
Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER				

Management Committees

ANTI-MONEY LAUNDERING (AML) AND COUNTER FINANCING OF TERRORISM (CFT) COMMITTEE

The Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Committee prepares and ascertains the proper implementation of policies and procedures, applying the provisions of the Law on Fighting Money Laundering and Counter Terrorism Financing, and the requirements issued by the Regulatory Authorities.

It also reviews the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits, withdrawals and transfers, and the links between these operations and economic activities.

The Committee is also responsible to inform the Special Investigation Commission of any suspicious operations which may have occurred on clients' accounts.

CEDRUS INVEST BANK MEMBERS

Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN
Nada Hitti Assistant General Manager - Chief Financial Officer	MEMBER
Ziad El Hout Head of Internal Audit	MEMBER
Simon Abdallah Head of Risk Management	MEMBER
Christelle Wakim Head of Compliance	MEMBER
Malake Halabi Head of Back Office	MEMBER
Emile Albina Assistant General Manager – Head of Investment Advisory & Multi Family Office	MEMBER

CEDRUS BANK MEMBERS

Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN
Michel Choueiry Assistant General Manager - CFO/COO	MEMBER
Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER
Joumana Rizk Group Head of Compliance	DEPUTY CHAIRMAN
Karim Badreddine Acting Head of Retail Banking	MEMBER
May Diab Deputy Head of Operations	MEMBER
Tony Fenianos Group Chief Credit & Risk Officer	MEMBER
Fadi Nahra Group Head of Internal Audit	MEMBER

INFORMATION SECURITY COMMITTEE

The Information Security Committee assists the Board of Directors and Management in fulfilling their responsibilities by overseeing and reviewing the internal controls to protect information and proprietary assets, as well as the IT governance structure, including related risk policies.

The Committee also reviews and appraises the Bank's adopted IT security governance structure, key policies and critical risk tolerances.

CEDRUS INVEST BANK MEMBERS

Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN
Nada Hitti Assistant General Manager - Chief Financial Officer	MEMBER
Ziad El Hout Head of Internal Audit	MEMBER
Simon Abdallah Head of Risk Management	MEMBER
Christelle Wakim Head of Compliance	MEMBER
Daniel Koberssi Senior Information Security Officer	MEMBER
Elie Barakat Group Chief Information Officer	MEMBER

CEDRUS BANK MEMBERS

Name	Role
Fadi Assali Chairman - General Manager	CHAIRMAN
Michel Choueiry Assistant General Manager - CFO/COO	MEMBER
Elie Barakat Group Chief Information Officer	MEMBER
Tony Fenianos Group Chief Credit & Risk Officer	MEMBER
May Diab Deputy Head of Operations	MEMBER
Daniel Koberssi Senior Information Security Officer	MEMBER
Fadi Nahra Group Head of Internal Audit	MEMBER
Francoise Lebnan Head of Operational Risk	MEMBER
Hisham Salameh Head of Information Technology	MEMBER

Management Committees

THE CREDIT COMMITTEE

The Credit Committee is responsible for:

- Monitoring the performance and quality of the Bank's credit portfolio through the review of selected measures of credit quality and trends
- Overseeing the administration, effectiveness of, and compliance with the credit policies by reviewing such processes, reports and other information as it deems appropriate
- Reviewing and approving granted loans, taking into consideration applied internal requirements and those set by the Central Bank of Lebanon
- Annually reviewing the leverage limits applied internally, taking into consideration updated circulars from the Central Bank of Lebanon
- Reviewing the management's assessment of the credit losses and the methodology of review and follow up of problematic loans
- Studying and approving counterparties trading limits

CEDRUS INVEST BANK MEMBERS

Fadi Assali Chairman - General Manager	CHAIRMAN	Simon Abdallah Head of Risk Management	MEMBER	Emile Albina Assistant General Manager – Head of Investment Advisory & Multi Family Office	MEMBER
Nada Hitti Assistant General Manager - Chief Financial Officer	MEMBER	Christelle Wakim Head of Compliance	MEMBER		
Louis Karam Director - Head of Trading Desk	MEMBER	Malake Halabi Head of Back Office	MEMBER		

THE INVESTMENT COMMITTEE

The Investment Committee is responsible for:

- Monitoring investment performance and economic trends
- Providing recommendations concerning the tolerance for risk of the different categories of clients
- Ensuring that investments are made in line with the Bank's investment outlook
- Discussing investment recommendations to be provided by the advisory service in accordance with each client's risk/return profile and investment objectives
- Reviewing the discretionary accounts and setting the investment strategies
- Reviewing the status of the securities portfolio, including gains or losses, maturity profile, rate sensitivity etc.
- Monitoring the management of the investment portfolio, including the purchase, sale, exchange and other disposition of investments taking into consideration the market outlook, clients' risk tolerance and suitability principles
- Ensuring clients' portfolios do not exceed the acceptable levels of risk
- Ensuring that returns from investment are sufficient to cover the risk assumed
- Monitoring trends in the economy in general and interest rates in particular with a view toward limiting any potential adverse impact on clients' portfolios from changes in interest rates
- Approving investment strategies and asset allocation for discretionary accounts for different categories of clients
- Following-up on the implementation of these strategies and asset allocation
- Monitoring compliance and adherence to regulatory frameworks with the Central Bank of Lebanon, the Banking Control Commission (BCC) and Capital Markets Authority regulations

CEDRUS INVEST BANK MEMBERS

Fadi Assali Chairman - General Manager	CHAIRMAN	Simon Abdallah Head of Risk Management	MEMBER	Emile Albina Assistant General Manager – Head of Investment Advisory & Multi Family Office	MEMBER
Nada Hitti Assistant General Manager - Chief Financial Officer	MEMBER	Christelle Wakim Head of Compliance	MEMBER		
Louis Karam Director - Head of Trading Desk	MEMBER	Eddy Imad Director - Private Banking	MEMBER		

Management Committees

PROCEDURES APPROVAL COMMITTEE

The Procedures Approval Committee ensures the presence and proper update of a set of policies and procedures that covers the whole spectrum of services, products and other workflows carried out by the Bank, in line with the applicable laws and regulations. Their role is to also preserve the efficiency and effectiveness of operations while maintaining a controlled environment in line with the Bank's risk appetite.

CEDRUS INVEST BANK MEMBERS

Nada Hitti Assistant General Manager - Chief Financial Officer	CHAIRMAN	Simon Abdallah Head of Risk Management	MEMBER	Christelle Wakim Head of Compliance	MEMBER
Marcelle Zeidouni Policy and Procedure Manager	DEPUTY CHAIRMAN SECRETARY	Malake Halabi Head of Back Office	MEMBER	Ziad El Hout Head of Internal Audit	MEMBER

CEDRUS BANK MEMBERS

Michel Choueiry Assistant General Manager - CFO/COO	CHAIRMAN	Bedros Amoghlian Head of Strategic Planning & Organization	DEPUTY CHAIRMAN	Joumana Rizk Group Head of Compliance	MEMBER
Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER	Tony Fenianos Group Chief Credit & Risk Officer	MEMBER	Fadi Nahra Group Head of Internal Audit	MEMBER

MANAGEMENT RETAIL CREDIT COMMITTEE

The Management Retail Credit Committee is authorized to take decisions related to all direct and indirect credit exposures with individuals for financing needs that are personal, related to housing, and other similar needs.

CEDRUS BANK MEMBERS

Fadi Assali Chairman - General Manager	CHAIRMAN	Karim Badreddine Acting Head of Retail Banking	MEMBER	Tony Fenianos Group Chief Credit & Risk Officer	MEMBER
Michel Choueiry Assistant General Manager - CFO/COO	MEMBER	Ziad Saarti Head of Sales	MEMBER		
Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER	Sally Ayoub Retail Credit Risk Head	MEMBER		

MANAGEMENT COMMERCIAL CREDIT COMMITTEE

The Management Commercial Credit Committee is authorized to take decisions related to all direct and indirect commercial and business credit exposures, across all types of borrowers and counterparties.

CEDRUS BANK MEMBERS

Fadi Assali Chairman - General Manager	CHAIRMAN	Michel Choueiry Assistant General Manager - CFO/COO	MEMBER	Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER
Tony Fenianos Group Chief Credit & Risk Officer	MEMBER				

HUMAN RESOURCES COMMITTEE

The Human Resources Committee creates and oversees Talent Management procedures and processes when required and identifies any potential risks posed by employees, assessing their probable impact on the business, to the members, and if required to the Risk Committee.

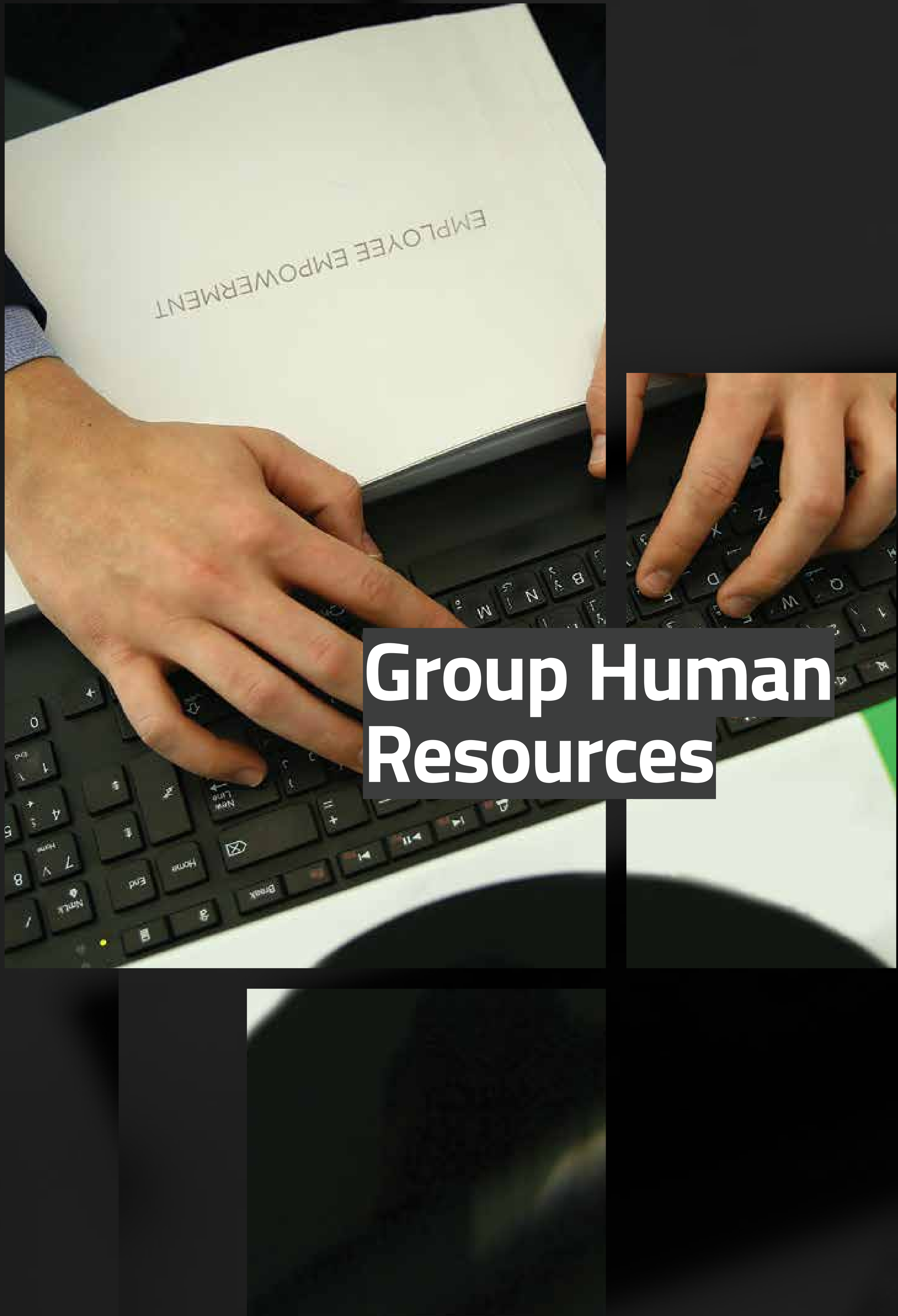
It develops and implements training and educational strategies for the organization's employees, relevant to their specific needs and ensures that a proper Individual Learning Development Plan (ILDP) is set for each employee.

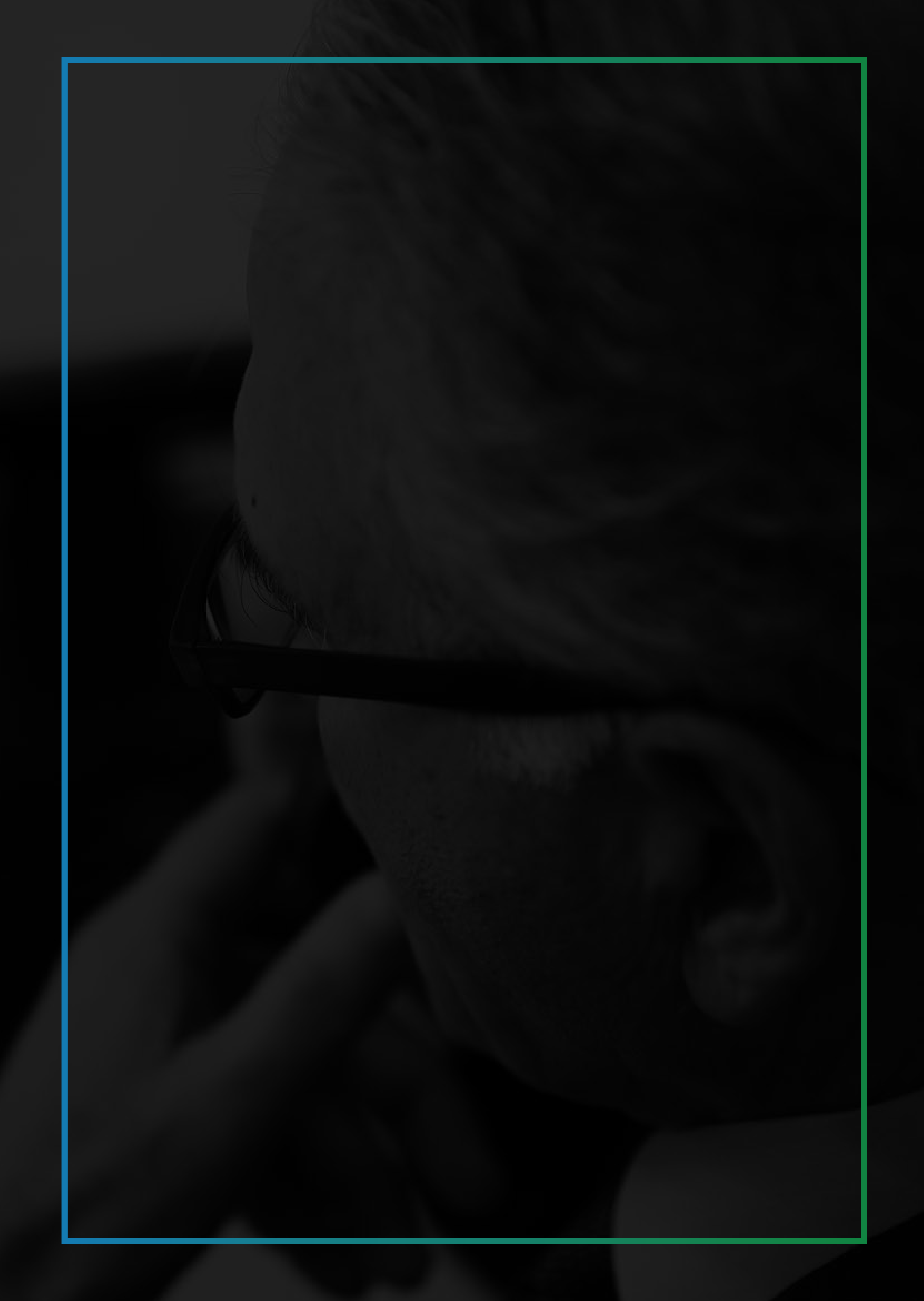
The Committee also reviews the assignment of staff in critical roles and develops succession plans to be put in place.

CEDRUS BANK MEMBERS

Jacqueline Melhem Group Head of Human Resources	CHAIRMAN	Fadi Assali Chairman- General Manager	MEMBER	Tony Fenianos Group Chief Credit & Risk Officer	MEMBER
Michel Choueiry Assistant General Manager - CFO/COO	MEMBER	Raoul Cherfane Assistant General Manager - Head of Branches	MEMBER		

Group Human Resources





Group Human Resources

Cedrus Bank is an institution that is business driven. We seek to attract dynamic talents and support them at all levels, to develop their strengths and capture their potential. We expect our teams to adopt and represent the Bank's values in every transaction, dealing or event, be it with customers, colleagues, regulators and in the communities in which we operate.

Cedrus Bank aspires to become the Employer of Choice and embed a performance-driven culture, that recognizes top talent, and retains them.

Our values are integral to the way that we operate. The carefully designed Code of Conduct is vital, as it outlines the internal culture and expectations of the Bank from its team to ensure the highest levels of corporate governance and conduct across all functions.

The policies and programs which the Bank has developed, to recognize and retain top talent, include:

REWARDING PERFORMANCE

The Bank's Reward policy aims to maintain a robust pay system to enhance the performance-based culture and ensure appropriate and competitive rewards to strengthen and sustain performance. Performance is viewed as both what has been delivered and how it has been delivered.

The Bank's performance, rewards and benefit programs, support and drive forward the business strategy and reinforce the values in the context of a clearly articulated risk appetite and a cascaded 'One Bank' framework.

Thus, a competitive advantage is gained from this internal culture, that is reflected in how the Bank's talent is rewarded.

INTERNAL ACADEMY

The Bank continues to invest in the learning and development of its team, in line with the overarching Vision, Mission and Values to enable them to carry out their roles effectively, reach and develop their performance potential, and to provide optimal quality services to stakeholders. The Bank also places continuous education at the forefront of its efforts, solidified with the Internal Academy. The Internal Academy is an institution specialized in in-house learning, that provides a series of training sessions conducted by certified and qualified employees covering all professional topics including: Compliance, FATCA, Anti-Money Laundering, Risk Mitigation and Management, Retail Banking products and Commercial Lending products.

EXTERNAL TRAININGS

The Bank responds to the growing and demanding business needs of a competitive environment, by enrolling team members in external trainings and workshops. Formal trainings constitute an integral part of an employee's learning curve and development plan throughout the year.

Group Risk Management

Risk Management & Outlook

Risk Management is at the forefront of our operations, to safeguard the interests of stakeholders and protect the Group from any internal or external issues. The risk environment in which both Cedrus Bank and Cedrus Invest Bank operate in, continually changes, influenced by a range of factors, whether transactional, macroeconomic or political, both on a national and regional level. As such, the function of the Risk Management department is to foresee and mitigate potential risks, requiring ongoing monitoring and assessment.

Accordingly, appropriate risk management practices are conceptualized and implemented in Cedrus Bank and Cedrus Invest Bank. The enhancement of the internal risk culture is continuous.

The risk management principles, followed and actively practiced in both banks include:

- A functional and active role to identify and mitigate risk, through the Board Risk Committees and other delegated Committees. These include the Credit Committee, the Asset-Liability Committee (ALCO), and the Operational Risk Committees. Their role is to assume overall responsibility for risk oversight within each Bank and across the Group as a whole.

- The risk management approach is proactively centered on three lines of defense:
    1. The risk-taking business units:
        Responsible for the day-to-day management of inherent risks, in their respective business activities.
    2. The risk control units:
        Responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, controlling and testing of all risks.
    3. The Internal Audit:
        The Internal Audit function provides independent assurance of the effectiveness of the risk management approach.

The Risk Management teams in each Bank are functionally and organizationally independent of the Business Units and the other risk-taking units within each Bank. The team, which is headed by the Group Chief Credit and Risk Officer and supported by several experienced Risk Managers and Officers, assume the independent responsibility of reviewing and issuing recommendations on all activities of the various Business Units, which could expose either Bank to potential risks.

The Risk Management departments provide risk oversight and consultancy to all lines of business in all risk categories including credit risk, market risk, liquidity risk and operational risk.

Capital Adequacy under the Basel Accord

The Basel Accord is an international standard of risk and capital management practices and is intended to strengthen risk management practices and processes within financial institutions, stipulating a minimum regulatory capital requirement given the risk profile of the institution.

The Central Bank of Lebanon has been spearheading this movement, to ensure that the Lebanese Banking sector adopts and implements the best practices that the Basel Accords propose and has issued various guidelines in this regard.

The Basel framework consists of three mutually re-enforcing pillars which, acting together, are intended to bring soundness and consistency of practices across the financial industry.

The Basel II framework came into effect on January 1, 2008 as per the Central Bank of Lebanon guidelines. Accordingly, Cedrus Group, and both Banks within the Group, monitor the adequacy of its capital using capital adequacy standards and their underlying ratios as set and regimented by the Central Bank of Lebanon. These standards and ratios measure capital adequacy by comparing the Bank's eligible capital with its Risk Weighted Assets (RWA).

In addition, the Internal Capital Adequacy Assessment Process (ICAAP) is designed to capture capital requirements for Pillar-II risks, both, on a present and forward-looking basis, taking into consideration the Bank's current exposures and future growth plans. The ICAAP also assesses the resilience of the Bank's business and capital models under various levels of plausible stress scenarios. Cedrus Invest Bank and Cedrus Bank each prepare a separate ICAAP on annual basis.

The table below illustrates the various approaches that are adopted at a Group level, for capital requirements calculation under Basel II in relation to the various risk types under Pillar I:

Credit Risk	Market Risk	Operational Risk
The Standardized Approach	The Standardized Measurement Approach	The Basic Indicator Approach

The table below summarizes the Capital Adequacy Ratio (CAR) of Cedrus Group based on the financial statements as at December 31, 2017:

Risk Weighted Assets and Eligible Equity (Amounts in LBP million)

The Standardized Approach	Cedrus Group
Total risk weighted assets (for Credit Risk, Market Risk, and Operational Risk)	1,150,683
Net Tier 1 Capital	428,967
Tier 1 Capital Adequacy Ratio	37,28%
Net Common Equity Tier 1 Capital	428,967
Common Equity Tier 1 Capital Adequacy Ratio	37,28%
Total Capital	433,597
Total Capital Adequacy Ratio	37,68%

CAPITAL MANAGEMENT

A strong capital position is essential to the Group's business strategy and for it to maintain its competitive position. The Group's capital strategy focuses on long-term stability, which aims to build and invest in core banking activities. The Group seeks to maintain adequate levels of capital to:

- Support the underlying risks of both Cedrus Invest Bank and Cedrus Bank;
- Optimize growth; and
- Withstand capital demands under market shocks and stress conditions.

The Group ensures that risks are properly identified and assessed based on its risk appetite. Thus, the levels of capital needed are one of the major focuses of the Group's shareholders and the Management Teams of each Bank. Accordingly, the Group maintains one of the highest capitals in Lebanon's banking sector.

Group Compliance

Compliance Statement

Cedrus Group offers a variety of financial services. These services, although offered with the best intent, may be attractive to money launderers and criminals who are constantly seeking new means to access the financial system and conceal the true nature of their money.

In that respect, Cedrus Group is committed to the highest standards of Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT). Management and employees are bound to adhere to these standards to prevent the misuse of the Group's products and services for illegal purposes. Cedrus Group maintains an effective AML/CFT program, one that complies with local regulatory requirements and reflects international standards. This program is revised and amended—if need be—on an annual basis to ensure its alignment with the Board of Director's strategic vision.

Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT)

Complying with local regulations and international legislation on money laundering and financing of terrorism, Cedrus Group has put in place effective policies, procedures, and management controls that encompass the following:

- Structuring a self-governing Compliance Department—independent from Cedrus Invest Bank and Cedrus Bank's executive and operational activities—with a direct reporting line to the AML/CFT Board Committee and the Chairman - General Manager
- Designating an AML Reporting Officer
- Setting up a compliance program that is approved by the Board of Directors
- Issuing a Know Your Client (KYC) policy that includes:
    - Client Acceptance Policy: a guide that specifies the types of accounts Cedrus Invest Bank and Cedrus Bank accept to deal with and the types that are not acceptable
    - Customer Due Diligence: a proactive program that sets the requirements for proper client identification, name screening, and identification of ultimate beneficial owners, the purpose of an account, and the projected activity of an account. This program allows Cedrus Invest Bank and Cedrus Bank to detect any unusual activity
    - Risk-based approach: a process by which clients are classified according to the money laundering and financing of terrorism risks the Bank is exposed to. Such classification allows the Bank to effectively identify, assess, manage and mitigate areas of client risk before applying the appropriate levels of due diligence
- Monitoring transactions continuously to detect any unusual, irregular or unexpected activity
- Establishing a process for internal and external reporting of unusual transactions
- Performing continuous and updated AML/CFT training for all employees
- Testing the Compliance Program periodically and independently by the internal audit, external audit and regulators

Sanctions

Cedrus Group follows and applies the sanction programs established mainly by the United Nations, the United States and the European Union. The Group screens all names to ensure that no transactions transpire with stated parties on the Specially Designated Nationals (SDN) list.

Cedrus Group neither conducts business with, derives revenue from, nor has assets in or affiliations to sanctioned countries, mainly Syria, North Korea, Iran and Myanmar.

Anti-bribery and Corruption

In 2009, Lebanon ratified the United Nations Convention against Corruption (UNCAC). Cedrus Group follows this convention and has strict prohibitions against bribery and corruption when dealing with both clients and suppliers.

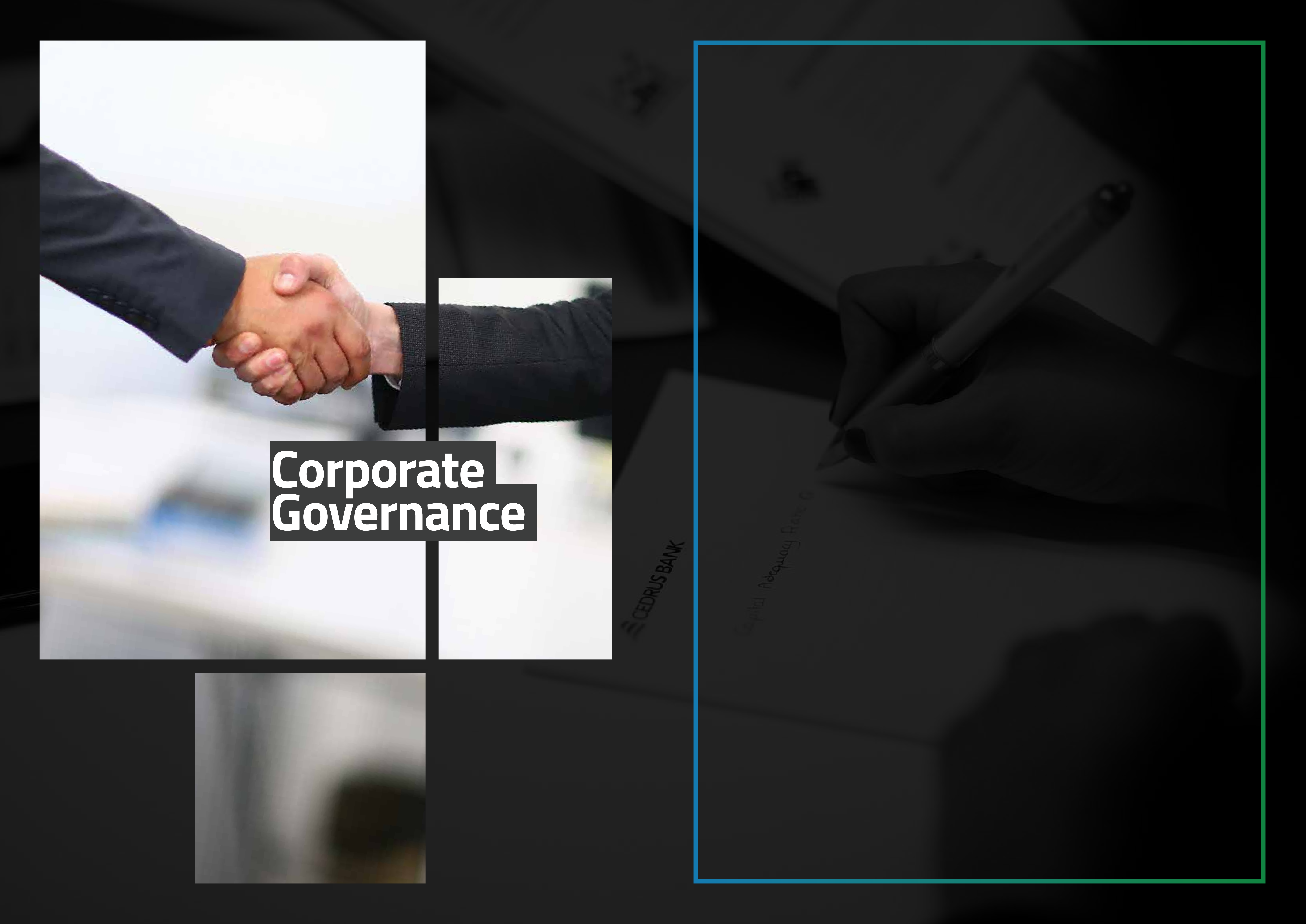
Tax Compliance

In terms of the Foreign Account Tax Compliance Act (FATCA), Cedrus Invest Bank is a Participating Foreign Financial Institution (PFFI) under GIIN NIVZ7H.00000.LE.422 and Cedrus Bank is a Participating Foreign Financial Institution (PFFI) under GIIN NIVZ7H.00001.ME.422. In terms of Common Reporting Standard (CRS), the Group is operating in a participating jurisdiction. Cedrus Group is committed to be fully FATCA and CRS compliant, and this commitment is reflected by its internal FATCA and CRS policies and procedures and by a technical infrastructure that detects reportable accounts.

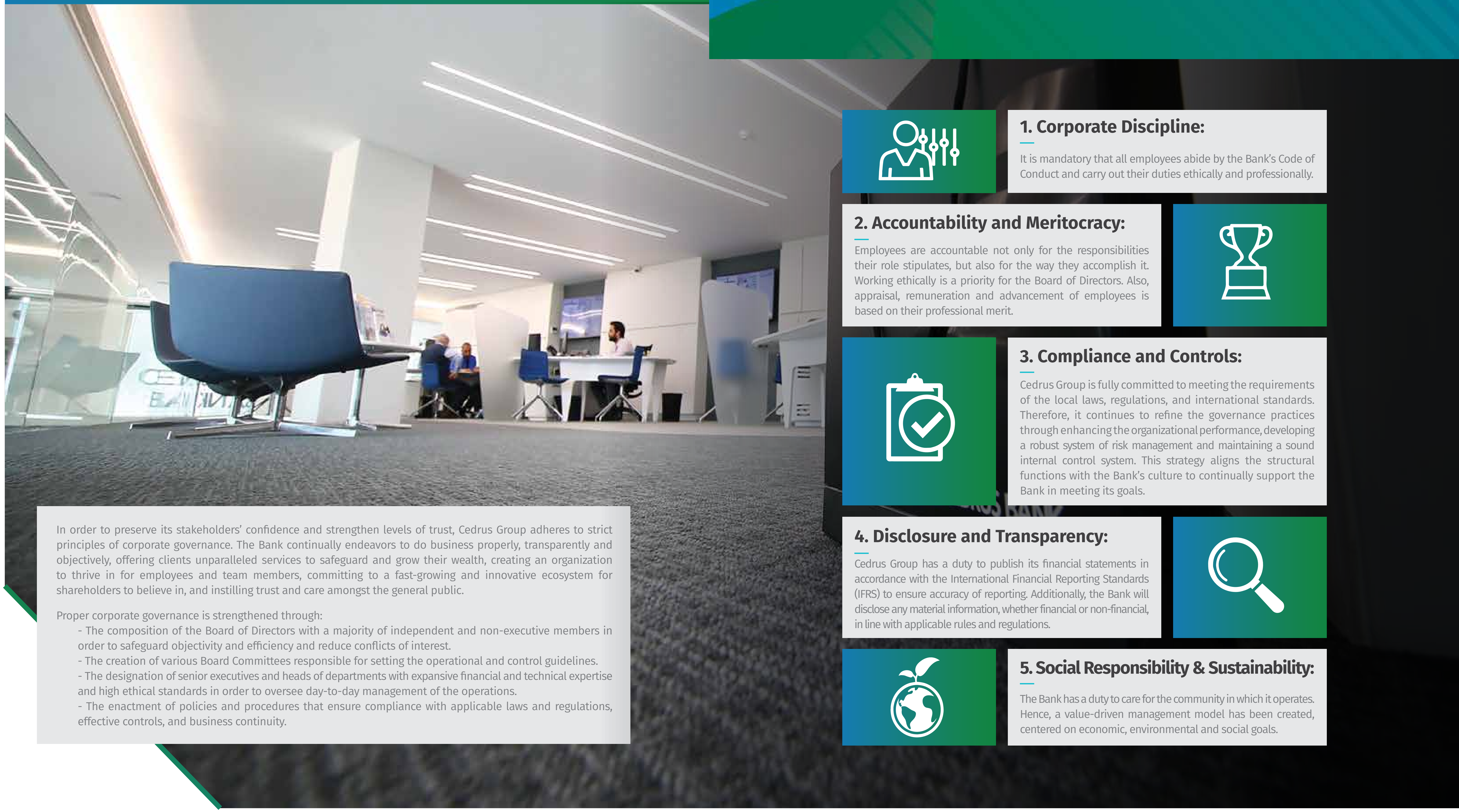
Relationships with Correspondent Banks

The stringent customer due diligence measures that Cedrus Group performs on each cross border transaction ensure that such transactions are justified by the profile of the customer or by reliable supporting documents. In addition to this, Cedrus Group is fully committed to respecting all the international standards that govern these relationships — mainly Wolfsberg Transparency Principles — and to responding to all the enquiries or demands of the correspondent banks in a prompt, clear, and accurate manner.

Corporate Governance



Corporate Governance



In order to preserve its stakeholders' confidence and strengthen levels of trust, Cedrus Group adheres to strict principles of corporate governance. The Bank continually endeavors to do business properly, transparently and objectively, offering clients unparalleled services to safeguard and grow their wealth, creating an organization to thrive in for employees and team members, committing to a fast-growing and innovative ecosystem for shareholders to believe in, and instilling trust and care amongst the general public.

Proper corporate governance is strengthened through:

- The composition of the Board of Directors with a majority of independent and non-executive members in order to safeguard objectivity and efficiency and reduce conflicts of interest.
- The creation of various Board Committees responsible for setting the operational and control guidelines.
- The designation of senior executives and heads of departments with expansive financial and technical expertise and high ethical standards in order to oversee day-to-day management of the operations.
- The enactment of policies and procedures that ensure compliance with applicable laws and regulations, effective controls, and business continuity.

Cedrus Group's governance framework is based on several pillars, which include:

1. Corporate Discipline:

It is mandatory that all employees abide by the Bank's Code of Conduct and carry out their duties ethically and professionally.

2. Accountability and Meritocracy:

Employees are accountable not only for the responsibilities their role stipulates, but also for the way they accomplish it. Working ethically is a priority for the Board of Directors. Also, appraisal, remuneration and advancement of employees is based on their professional merit.

3. Compliance and Controls:

Cedrus Group is fully committed to meeting the requirements of the local laws, regulations, and international standards. Therefore, it continues to refine the governance practices through enhancing the organizational performance, developing a robust system of risk management and maintaining a sound internal control system. This strategy aligns the structural functions with the Bank's culture to continually support the Bank in meeting its goals.

4. Disclosure and Transparency:

Cedrus Group has a duty to publish its financial statements in accordance with the International Financial Reporting Standards (IFRS) to ensure accuracy of reporting. Additionally, the Bank will disclose any material information, whether financial or non-financial, in line with applicable rules and regulations.

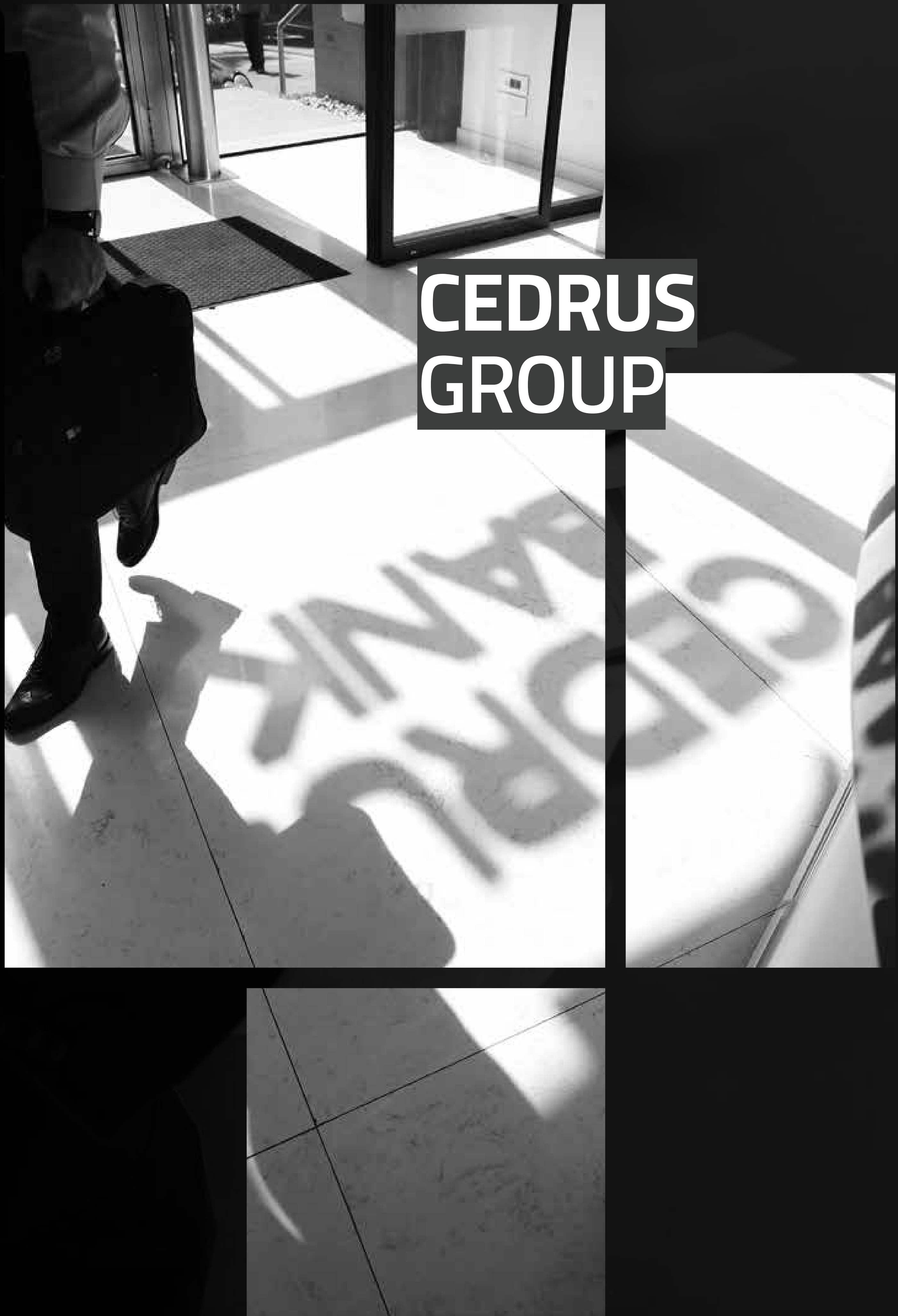
5. Social Responsibility & Sustainability:

The Bank has a duty to care for the community in which it operates. Hence, a value-driven management model has been created, centered on economic, environmental and social goals.

CFI AWARD

Cedrus Invest Bank received the Best Bank Governance Award in Lebanon for 2017 by Capital Finance International (CFI.co). The award recognized the Bank's commitment in implementing the best Corporate Governance practices at every level, to safeguard the interests of all stakeholders.

CEDRUS GROUP



The offerings at Cedrus Invest Bank are headed by a team of highly qualified individuals, with experience in the realms of wealth management, financial advisory, family offices, capital markets, private equity and real estate investment.

The entity is a dynamic boutique investment bank, offering supreme financial services, catering to the growing demands of today's investors.

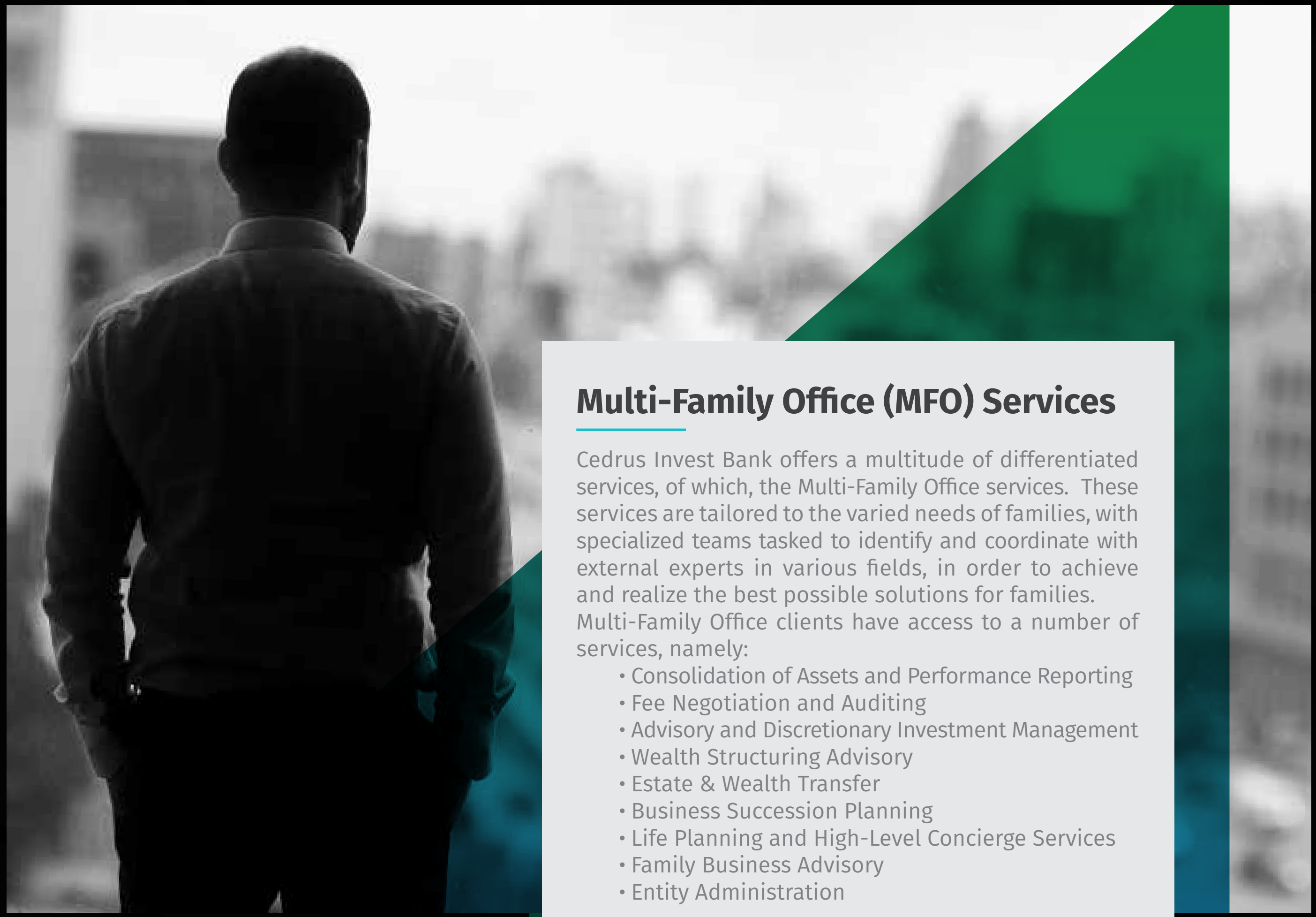
The service and product suite include:

Wealth Management

The Wealth Management division is dedicated to finding inventive solutions to complex situations, posed by clients with various, growing demands. The team's responsibilities extend beyond simply processing deposits and extending loans. Rather, the specialized Wealth Management team is dedicated to aiding clients, whether High Net-Worth Individuals (HNWI) and/or their respective families, manage their current wealth, create new sources of wealth and manage their portfolio for future generations.

- A distinctive approach
  - Each seasoned Relationship Officers at Cedrus Invest Bank is assigned a number of clients with whom he or she would work closely, so as to understand their needs and identify their financial and non-financial goals. Accordingly, the team then derives solutions personalized to each client's exact business and personal requirements.
  - The investment advisors and portfolio managers have extensive experience in managing investments based on market knowledge, technical analysis and depth of experience.
  - An independent point of view is offered, while taking into consideration the research of international banks, and maintaining an open architecture model.
  - Clients have the choice to select their preferred asset booking center — whether locally with Cedrus Invest Bank, or abroad with any of the major banks (mainly in Switzerland) that Cedrus Invest Bank has concluded cooperation agreements with. The dedicated team is responsible to oversee and/or manage the clients' accounts, in both cases.
- Two types of Investment Mandates
  - Discretionary Management: This approach is designed for clients who either lack the time or resources to monitor the global financial markets themselves. The team works closely with clients to define the investment strategy, taking into account the client's risk profile and other factors. The client then delegates daily investment decisions to the team, who provide continuous updates in this regard.
  - Advisory Mandate: This approach allows the client to benefit from the expansive knowledge and access to information that the team provides. The team solely plays an advisory role, with actual investment decisions left to the client's discretion.

  In both cases, clients are informed of the portfolio composition and evolution of investments through regular reporting.



Multi-Family Office (MFO) Services

Cedrus Invest Bank offers a multitude of differentiated services, of which, the Multi-Family Office services. These services are tailored to the varied needs of families, with specialized teams tasked to identify and coordinate with external experts in various fields, in order to achieve and realize the best possible solutions for families.
Multi-Family Office clients have access to a number of services, namely:

- Consolidation of Assets and Performance Reporting
- Fee Negotiation and Auditing
- Advisory and Discretionary Investment Management
- Wealth Structuring Advisory
- Estate & Wealth Transfer
- Business Succession Planning
- Life Planning and High-Level Concierge Services
- Family Business Advisory
- Entity Administration

Capital Markets & Brokerage Services

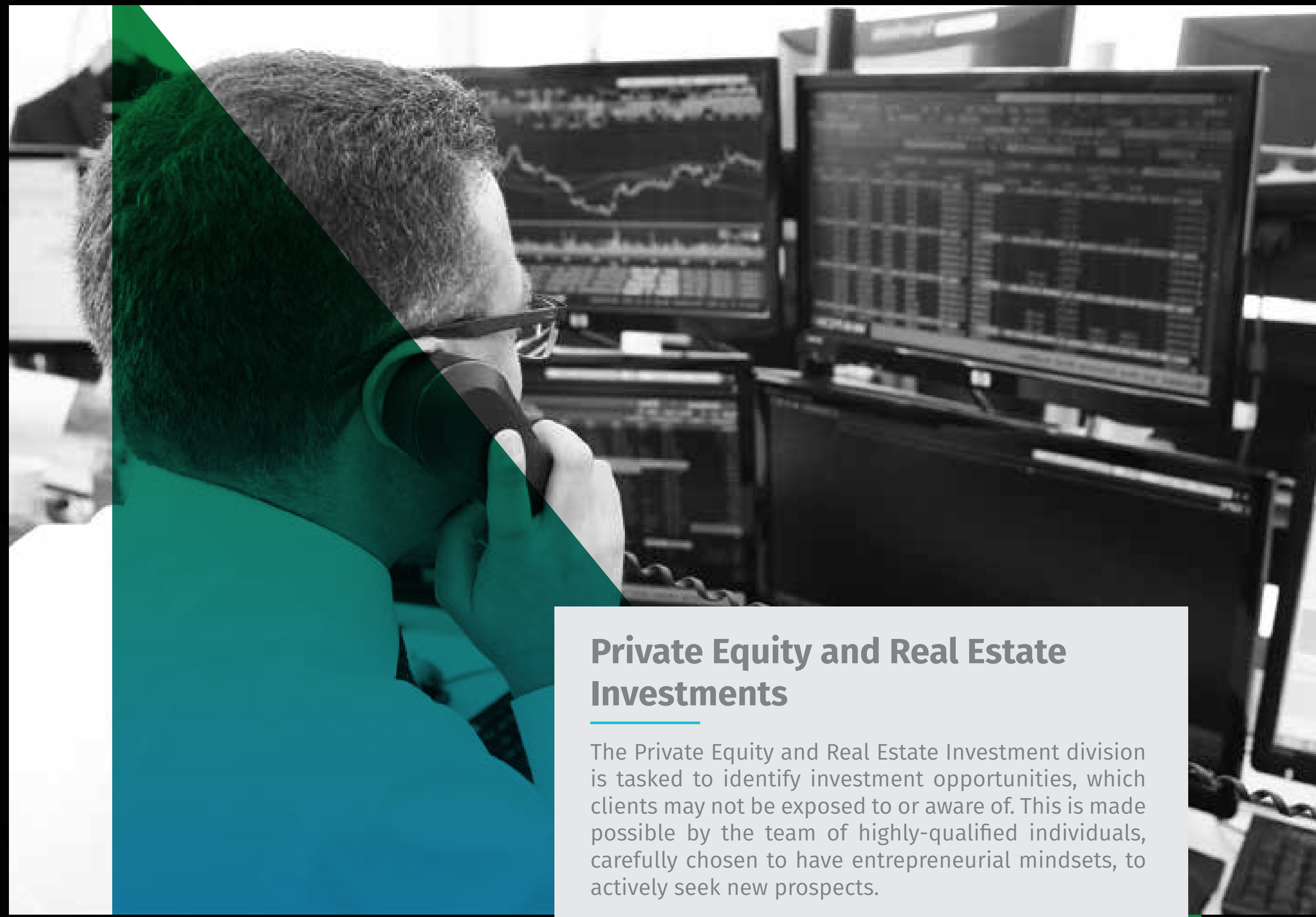
The Capital Markets & Brokerage team offers a range of services to experienced investors. Services are offered in a swift manner, whereby the team only handles the execution of the transactions. These services are ideal for experienced investors who are aware of the risks and benefits of conducting transactions in different financial markets and do not require investment advice.
Cedrus Invest Bank has a state-of-the-art trading platform, which provides instant access to all asset classes, covering major global and regional markets at very competitive fee schedules.
Best execution is guaranteed for trading in: Equities, Mutual Funds, ETFs, Structured Products, Futures & Options, Fixed Income instruments and others.

Investment Banking

The specialized Investment Banking Division (IBD) at Cedrus Invest Bank is focused on helping clients achieve their strategic goals through the provision of best-in-class advice and the execution of the simplest to the most complex transactions.
The team delivers personalized, expert strategic advice—including advice on mergers and acquisitions, financing, and other advisory services.

1. Corporate Finance Services include:
- Merger and Acquisition (M&A) Advisory
  - Advisory and representation services for asset purchase, disposition and restructuring
  - Deal structuring and negotiation support
- Financing
  - Raising capital for new projects
  - Private placements
  - Structured solutions including Structured Finance

2. Financial Advisory Services include:
- Financial Due Diligence
- Feasibility Studies
- Business Plans
- Financial Modeling
- Valuations
- Other Advisory Services: Independent Business Reviews, Portfolio Advisory and Commercial Diligence



Private Equity and Real Estate Investments

The Private Equity and Real Estate Investment division is tasked to identify investment opportunities, which clients may not be exposed to or aware of. This is made possible by the team of highly-qualified individuals, carefully chosen to have entrepreneurial mindsets, to actively seek new prospects.

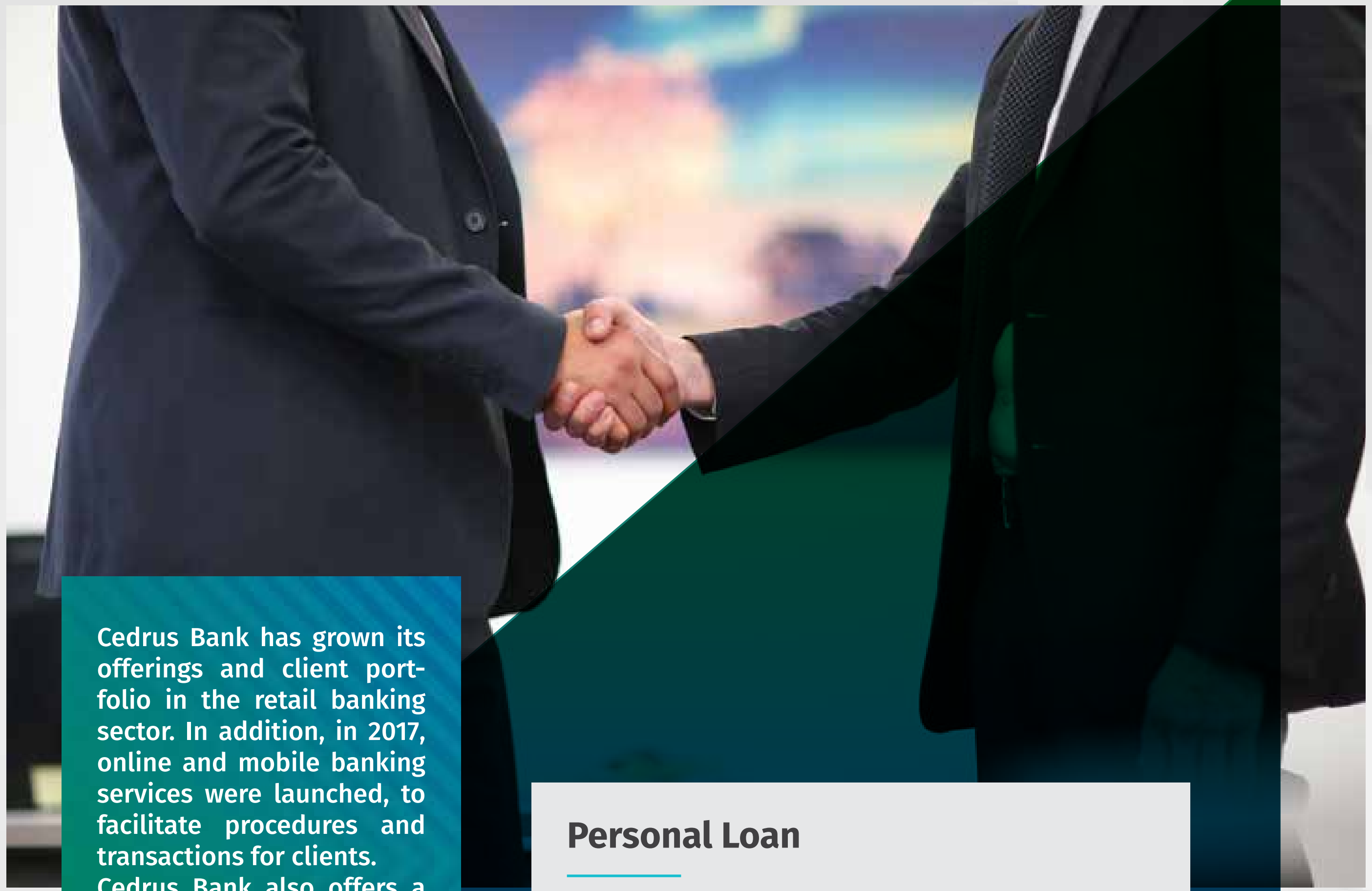
The team is focused on seizing opportunities for clients through direct investment vehicles, be it in private equity or real estate.

- Private Equity

Clients can benefit from the privileged positioning of Cedrus Invest Bank, to invest in select private equity funds, as well as in off-market single investment opportunities.

- Real Estate

Through this service, clients are granted access to real estate investment opportunities, both locally and internationally, including vacant lands with developmental potential and assets in high-growth areas.
Furthermore, in light of its commitment to support clients and showcase the confidence which exists in investment decisions proposed, Cedrus Invest Bank participates in the equity of the projects it sponsors.



Cedrus Bank has grown its offerings and client portfolio in the retail banking sector. In addition, in 2017, online and mobile banking services were launched, to facilitate procedures and transactions for clients. Cedrus Bank also offers a Door to Door service.

The products and services include:

Personal Loan

The Cedrus Bank Personal Loan is available in both LBP and USD, and is designed to be flexible to meet the diverse needs of clients. It can be used for any personal financial needs such as: to settle tuition fees, furnish a home, cover wedding expenses or for loan consolidation.

- USD50,000 maximum loan amount
- 6 years maximum loan tenor
- Free platinum credit card with every personal loan

Mortgage Loan

The Cedrus Bank Mortgage Loan aids clients to turn equity into cash. It is a personal loan against a mortgage of property.

- Loan amount is up to 50% of the appraised value of the asset
- USD150,000 maximum loan amount
- 10 years maximum loan tenor
- Property Mortgage in favor of Cedrus Bank
- Free platinum credit card with every Mortgage loan

Car Loan

The Cedrus Bank Car Loan offers clients the ability to finance their vehicle of choice.

- Customer's Benefits:
  - Finance a new or a pre-owned car with a comfortable repayment scheme
  - All risk insurance and life insurance with additional features are included
  - Fast approval process
- Product details
  - Maximum loan amount: decided on a case by case basis
  - Minimum down payment: 25% of car price (minimum required by the Central Bank of Lebanon)
  - Maximum loan duration: 6 years for new cars and 5 years for pre-owned cars

Housing Loans

Cedrus Bank offers customers a range of housing loans, to suit their financial background, home type and financing preferences. They include subsidized loans by the Central Bank of Lebanon, as well as the Public Corporation for Housing.
Each type of housing loan serves a specific segment of clients, to ease their purchase of a new residence, over an extended period of time.

Central Bank of Lebanon Subsidized Housing Loan

Cedrus Bank offers clients, residents and non-residents, the opportunity to purchase and finance their primary residence, with the Central Bank of Lebanon Subsidized Housing Loan. The Subsidized Housing Loan is offered at a 4.75% interest rate, with no file fees or bank commission charged. Cedrus Bank finances up to 75% of the home value, with a maximum loan amount of LBP1,200,000,000. The Housing Loan repayment period is granted for up to 30 years.

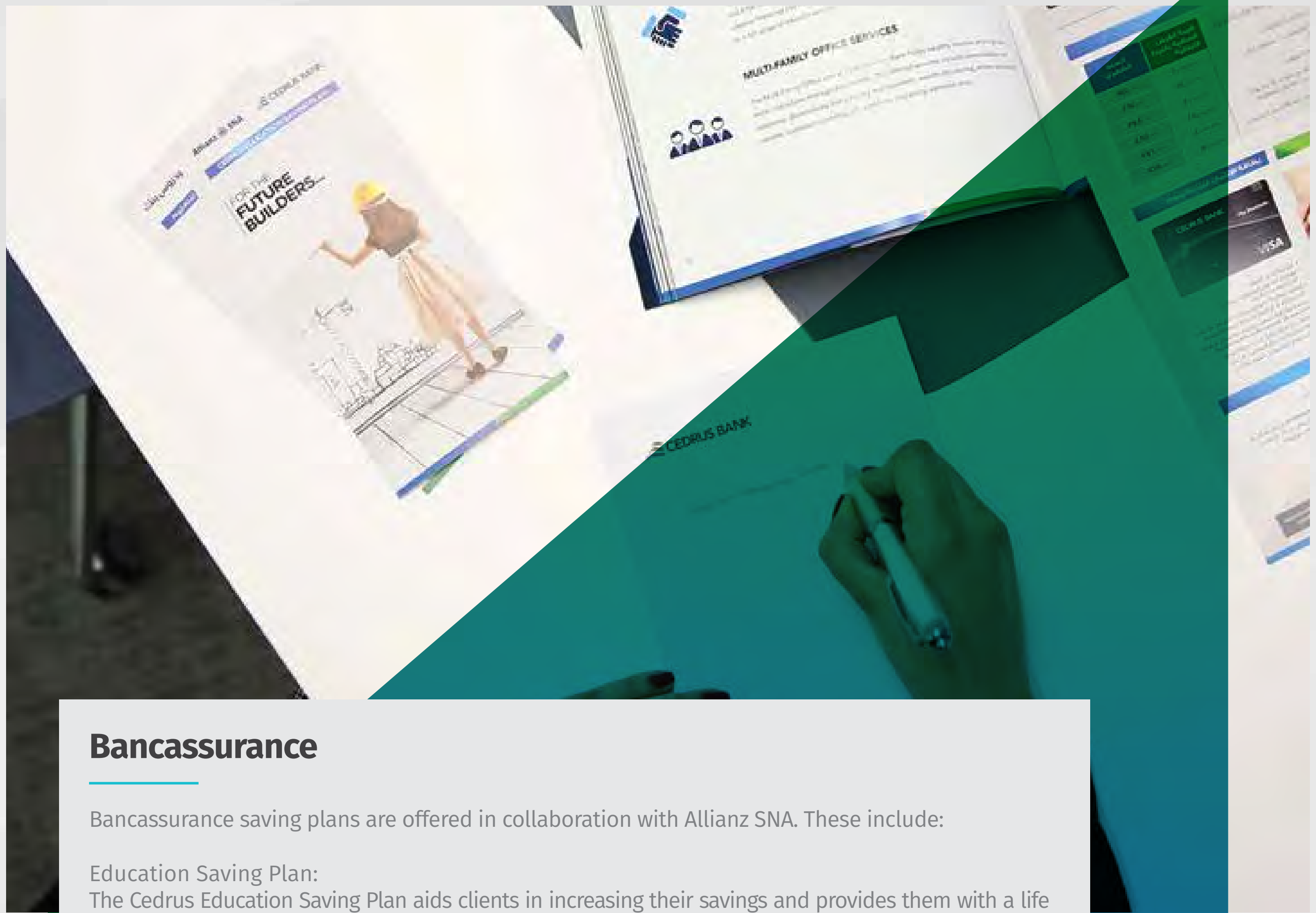
Public Corporation For Housing

In collaboration with the Public Corporation for Housing, Cedrus Bank offers a housing loan to individuals and households (with a salary not exceeding LBP6.75 million), the opportunity to purchase a home. The Housing Loan is competitive, at a 3.78% interest rate, and exempts the customer from registration, mortgage and stamp fees. In addition, zero file fees and commission are charged. Cedrus Bank finances up to 90% of the home value, with a maximum loan amount of LBP270 million. The repayment period spans over an extended period, up to 30 years, divided into two equal periods, which are:

- Period 1 – Repayment of principal loan amount to the Bank
- Period 2 – Repayment of Interest Due to the Public Corporation for Housing

Cedrus Bank Housing Loan

Cedrus Bank offers a tailored housing loan to Lebanese residents and non-residents to support them in choosing and financing their desired residence. The Bank finances up to 75% of the home value. An interest rate of BRR + 1% minimum 7.5%, applies, covering a repayment period up to 25 years.



Bancassurance

Bancassurance saving plans are offered in collaboration with Allianz SNA. These include:

Education Saving Plan:
The Cedrus Education Saving Plan aids clients in increasing their savings and provides them with a life insurance policy and a high return on investment for a minimum of a USD50 premium per month.

- Allianz SNA finances the child's university tuition or school tuition (optional), in the event of:
  - Death (natural or accidental)
  - Total Permanent Disability (TPD) – Optional
  - Passive war – Optional

  or at the plan's maturity

Retirement Saving Plan:
Cedrus Retirement Saving Plan helps clients increase their savings and provides them with a life insurance policy and a high return on investment for a minimum of a USD50 premium per month.

- Allianz SNA provides beneficiaries with the set insurance capital or the invested amount (whichever is higher) in the event of:
  - Death (natural or accidental)
  - Total Permanent Disability (TPD) – Optional
  - Passive war – Optional
- Allianz SNA provides the policy holder with the invested amount and return at the policy maturity.

CEDRUS BANK

RETAIL BANKING OFFERINGS

The Credit Cards which Cedrus Bank offers are VISA branded, and designed to cater to the diverse needs of clients.

Classic Credit Card
(available in USD & LBP)

• Primary Card Fee: USD50
• Supplementary Card Fee: USD25
• Monthly Interest rate on purchases: 1.95%
• Monthly Interest rate on cash withdrawals: 2.15%
• Minimum repayment: 5% or USD50 whichever is higher.
• Up to 50 days grace period in case of full settlement before due date (cash withdrawals excluded)
• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network.

• Reward Program
(Every dollar spent = 0.5 points earned)
• Free phone bills domiciliation
• Flexible repayment options (OMT & LibanPost)
• Secure online purchases through 3D secure
• Latest Pin & Chip technology

Platinum Credit Card
(available in USD, LBP & Euro)

• Primary Card Fee: USD125
• Supplementary Card Fee: USD50
• Monthly Interest rate on purchases: 1.8%
• Monthly Interest rate on cash withdrawals: 2.15%
• Minimum repayment: 5% or USD50 whichever is higher
• Up to 50 days grace period in case of full settlement before due date (cash withdrawals excluded)
• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network.

• Reward Program
(Every dollar spent = 0.5 points earned)
• Free phone bills domiciliation
• Flexible repayment options (OMT & LibanPost)
• Access to 25 airport lounges (6 free visits/year)
• Secure online purchases through 3D secure
• Latest Pin & Chip technology
• Purchase Protection and Extended Warranty

Signature Credit Card
(available in USD & LBP)

• Primary Card Fee: USD225
• Supplementary Card Fee: USD100
• Monthly Interest rate on purchases: 1.5%
• Monthly Interest rate on cash withdrawals: 2%
• Minimum repayment: 5% or USD50 whichever is higher.
• Up to 50 days grace period in case of full settlement before due date (cash withdrawals excluded)
• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network.

• Reward Program
(Every dollar spent = 1 point earned)
• Free phone bills domiciliation
• Flexible repayment options (OMT & LibanPost)
• Access to 650 airport lounges for free
• Free Travel insurance
• Fraud Insurance up to USD2,500
• Secure online purchases through 3D secure
• Latest Pin & Chip technology
• Purchase Protection and Extended Warranty

Infinite Credit Card
(available in USD & LBP)

• Primary Card Fee: USD350
• Supplementary Card Fee: USD125
• Monthly Interest rate on purchases: 1.5%
• Monthly Interest rate on cash withdrawals: 2%
• Minimum repayment: 5% or USD50 whichever is higher.
• Up to 50 days grace period in case of full settlement before due date (cash withdrawals excluded)
• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network.

• Reward Program
(Every dollar spent = 1.5 points earned)
• Free phone bills domiciliation
• Flexible repayment options (OMT & LibanPost)
• Access to 650 airport lounges for free
• Free Travel insurance
• Fraud Insurance up to USD3,000
• Secure online purchases through 3D secure
• Latest Pin & Chip technology
• Purchase Protection and Extended Warranty

Internet Card

Cedrus Bank offers a prepaid internet card dedicated for online shopping.
The card is not linked to client's accounts, and can be topped up with any amount required.

Classic Debit Card
(available in USD & LBP)

• Direct Access to your account

• Free cash withdrawals at more than 350 ATMs in Lebanon

• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network

• Daily POS limit: USD5,000
• Daily Cash limit: USD1,500

• Safety feature (latest Pin & Chip technology)

Platinum Debit Card
(available in USD & LBP)

• Direct Access to your account
• Free cash withdrawals at more than 350 ATMs in Lebanon

• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network

• Daily POS limit: USD7,500
• Daily Cash limit: USD2,500

• Purchase Protection & Extended Warranty
• Reward program (USD 1 spent= 0.5 point)
• Safety feature (latest Pin & Chip technology)
• Contactless Payment

"The Executive" Credit Card
(available in USD & LBP)

• Card Fee: ranging from USD150 to USD225 depending on number of cards
• Monthly Interest rate on purchases: 1.5%
• Monthly Interest rate on cash withdrawals: 2%
• Minimum repayment: 5% or USD50 whichever is higher.
• Up to 50 days grace period on purchases in case of full balance settlement before the due date (cash withdrawals excluded)
• Can be used for withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network

Company Benefits:
• Corporate Liability Waiver Insurance
• Easy Reporting Tool and Payment Control
• Secure online purchases through 3D secure
• Fraud Insurance up to USD2,500
• Latest Pin & Chip technology

Employee Benefits:
• Rewards Program
(Every dollar spent = 1 point earned)
• Flexible repayment options (OMT & LibanPost)
• Access to 650 airport lounges for free
• Free Travel Insurance
• Purchase Protection and Extended Warranty

Rewards Program

Returns on spending

Cedrus Bank offers clients exceptional returns on every amount spent. Clients can:

- Earn up to 1.5 Cedrus Blu Points for every USD1 spent depending on the card type
- Redeem points by choosing from an array of gifts, listed on the rewards website www.cedrusbank-rewards.com or by downloading the Cedrus Bank Rewards application
- Choose from a wide array of products and gift cards (delivered within 2 days)
- Redeem points for travel packages, airline tickets, hotel bookings, card fees and car rentals
- Book flights on more than 900 airlines worldwide, tax inclusive

Clients can also:

- Pay the difference in points using their credit card
- Accumulate points faster by combining them with Blu Points
- Transfer points to friends or family
- Check their points balance online

Earn Points

Redeem

Enjoy

www.cedrusbank-rewards.com

Cedrus Bank Mobile Banking Application

CEDRUS BANK

The range of services from Cedrus Bank have been conceptualized to ease the lives of clients and facilitate transactions both online and offline.
They include:

Mobile Banking

BANKING ANYWHERE. LITERALLY.
The Cedrus Mobile Banking application allows clients to enjoy and make use of safe, smart and efficient services. These services include:

- View accounts and bank statements
- Check all transactions related to accounts
- Transfer money domestically to Cedrus Bank & non-Cedrus Bank accounts
- Transfer money to international accounts
- Settle bills
- Request a checkbook or a statement of account
- Manage credit card repayments
- Locate the closest Cedrus Branch or ATM nearest to them
- Get in direct touch with the Cedrus Bank team directly

Download the Cedrus Mobile Banking Application to enter a new world of online banking.

Nationwide Reach: 900+ locations

The network and reach of the Bank was further strengthened via strategic alliances with local partners, enabling customers to settle payments in over 900 OMT locations, as well as Point Of Sale (POS) terminals found in stores all over Lebanon.

Cedrus Bank clients can visit any of the 900 locations across Lebanon and settle:
- Payments and bills
- Credit card dues, personal loans or phone domiciliation payments in LBP or USD

More information:
- OMT offices adhere to an extended opening hour policy, with some locations open around the clock
- OMT service fees for amounts from USD0.01 to USD1,000: USD2
- OMT service fees for amounts from USD1,001 to USD2,000: USD3

Point of Sale Extended Coverage

The latest Point of Sale (POS) terminals, equipped with dial-up, Bluetooth, GPRS and Wi-Fi technologies are now available across stores and merchants in Lebanon. The POS terminal can be integrated with the merchants' cashier system, to improve the efficiency of transactions and reduce errors.
The POS terminals are ideal for all types of businesses, from restaurants, delivery service companies, taxi companies, to exhibition and events and gas stations etc. They can be used both in-store and for wireless payments for deliveries, at kiosks and vending machines.
The wireless POS machines are available in 3 forms: Bluetooth, GPRS and Wi-Fi enabled.

Transactions can be processed for Visa, MasterCard and American Express cards. In addition, 'Tap and Pay' contactless payments (NFC contactless technology), are supported.

'Transaction reversal' and 'refund to card' features are available on POS machines.

Stores and merchants receive customized reports of all transactions. Quarterly reports showing market comparison in terms of spending on POS machines by industry are shared.

E-Commerce Facilitation

Created for merchants, the E-commerce platforms from Cedrus Bank, aid in expanding sales and reach, offering the most secure online payment gateway.

The E-Commerce and Online payment features include:
- The ability to embed online payments on the merchant's website or mobile application.
- Acceptance of transaction processing for Visa, MasterCard and American Express cards.
- 3D security system services available for fraud protection (i.e.: 'Verified by Visa', 'Mastercard Secure Code' and 'Amex Safe Key').
- Safely and securely processing of recurring payments, eliminating the need to store cardholder payment information.

Door to Door Service

Cedrus Group offers door-to-door banking solutions, allowing you the luxury of the Bank visiting you, to handle needed paperwork. The dedicated team visits your premises (whether home or office), at your convenience and finalizes all matters related to signing documents, opening accounts etc.

CEDRUS BANK

COMMERCIAL LENDING
CORPORATE AND SMES FACILITIES

Cedrus Bank's main objective is to satisfy and maintain long-term relationships with carefully selected and like-minded customers by offering them innovative banking solutions and supreme services.

The Bank is powered by a highly professional, experienced and dedicated commercial team, which delivers thoroughly crafted and efficient services and unmatched products, in a timely manner.

With dedicated Relationship Managers specialized in identifying the needs of prospective clients, the Bank offers unparalleled advisory and guidance, and designs a proper line of credit that suits their needs.

The partnerships with commercial clients are based on a robust platform that provides a wide range of financial services and products. The focus of the Bank is to enhance and augment the operations of startups, supporting existent businesses in all fields such as trade, industry, real estate development, agriculture, services and tourism.

Our portfolio covers two main categories:

- Corporate Banking
- Small and Medium Enterprises (SMEs)

Overdraft facilities	To finance the working capital and the business' operating expenses.
Short, medium and long term loans	To finance specific capital expenditure and real estate business development.
Goods financing facilities	Offered either totally or partially for the purchasing of goods or raw materials and provide support to the business' receivables.
Letters of credit	Covers the import and export activities of a firm, at sight (within 5 to 10 days) or deferred payments, with the possibility of covering invoices post-financing, based on the activity.
Bank guarantees and bonds	Encompasses the issuance of a variety of bonds such as: bids, performance, payments, advance payments, etc.
Discounted bills	To provide liquidity to the clients based on their receivables.
Foreign exchange facilities	Offers timely, as well as forward-looking or future foreign exchange transactions.
Subsidized loans	Granted in collaboration with the circulars issued by the Central Bank of Lebanon, and offered in four main sectors: Industry, agriculture, tourism, new technologies and real estate.
Incentive loans	To finance the acquisition of commercial business premises and the purchase of several fixed assets necessary for the business activity, in collaboration with the Central Bank of Lebanon, with an acceptable debit interest rate.
Energy and green loans	To finance different kinds of projects involved in the ecological enhancement and sustainable energy.
Media subsidized loan	To finance media production in collaboration with the Central Bank of Lebanon.
Project financing	To finance the execution of different projects in various fields, such as: Real estate, construction, hospitality, tourism, industry, trade and others.
Kafalat loans	All Kafalat programs are offered by the Bank. These include: Basic, Plus, Innovative, Startup, Agriculture and Energy. These programs provide the opportunity of affordable financing to the initiation of new projects or the expansion of existing businesses in different suitable economic sectors.

CEDRUS BANK

TREASURY DEPARTMENT

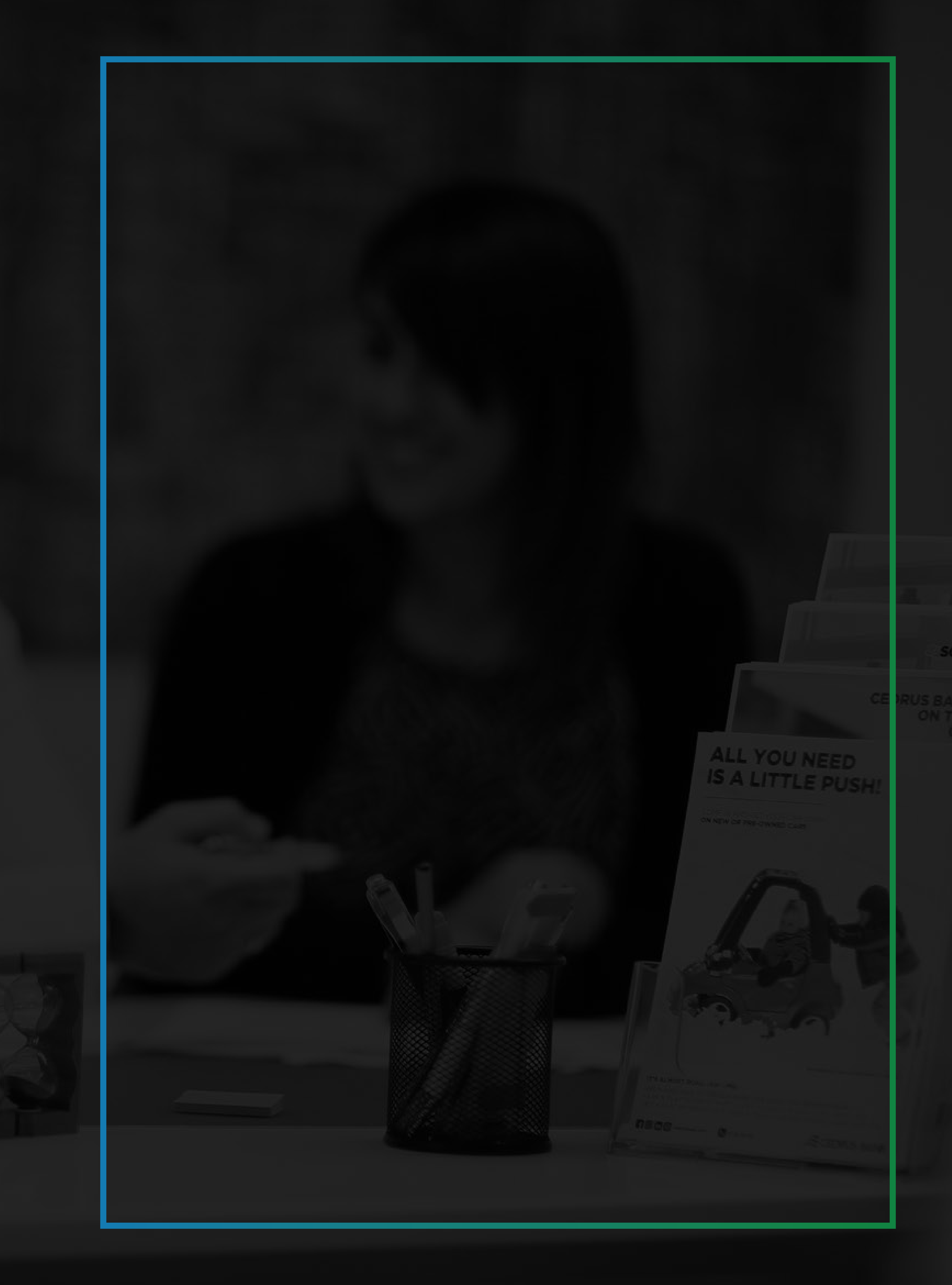
The Treasury Department offers a wide range of products, customized based on the diverse needs of every customer. The specialized team develops innovative strategies, evaluates and monitors customer activity and protects investments in a fluctuating marketplace. The Treasury team handles the execution of all transactions and monitors them, to mitigate any potential risks and safeguard accounts.

The product range covers simple Foreign Exchange (FX) transactions, to more complex derivatives to meet customers' needs, and hedge their currency exposure.

In the current market climate, with volatile and unanticipated currency fluctuations, companies and individuals may be exposed to uncalculated risks. As such, the FX team offers multiple products that hedge losses and allows clients to retain control. The products include:

· Forward
· Vanilla Options
· Exotic Options
· DCDs
· TGFs

2017 A YEAR In Review



A Year in Review - 2017

2017 was an eventful year for Cedrus Bank and Cedrus Invest Bank.
Here are the milestones...

Committed to Sustainability

NETWORK LEBANON

Cedrus Group adopts 3 UN Global Compact Sustainable Development Goals

The United Nations Global Compact (UNGC), is a principle-based framework for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The Cedrus family has joined this initiative as of September, 2017, and adopted 3 Sustainable Development Goals (SDGs) that are aligned with its core values. They are:

- Gender Equality
- Peace & Strong Institutions
- Industry, Innovation & Infrastructure

The UNGC is the world's largest sustainability initiative. Being part of the global movement reaffirms Cedrus Group's commitment to work towards positive change and its devotion to promote responsible practices within and beyond the Banks' premises.

Cedrus Invest Bank and Cedrus Bank were both founded on an innate culture that supports and promotes equality, innovation and growth, contributing to a happier, healthier and more engaged environment.

A Year in Review - 2017

+35% Growth in the workforce

47% of the team are WOMEN

Launching of MOBILE BANKING:

BANKING ANYWHERE. LITERALLY.

25 000

Hit the 25,000 MARK – social media followers in less than a **year**

Received BEST BANK GOVERNANCE AWARD

Special offers to support our HEROES - the ARMY

BACK TO SCHOOL campaign draw

LBP9,000,000 SCHOLARSHIP awarded

68 FREE PLATINUM CARDS

USD200 worth of SCHOOL STATIONARY for 68 STUDENTS

A team *growing* stronger

SMALL DEEDS GO A LONG WAY
CSR ACTIVITIES

Partner in LIFE with CHILDREN'S CANCER CENTER (monthly donations from the team)

ASSAMEH Birth & Beyond

Sponsored BIRTH AND BEYOND (aiding underprivileged children get the medical help they need)

Ran the MARATHON with the ALZHEIMER'S ASSOCIATION

Supported ATHLETES for the WORLD FITNESS FEDERATION (WFF) CHAMPIONSHIP

The Cedrus family donated to the Lebanese Army and Cedrus Bank matched the donations raised by a 3:1 ratio.

Total amount raised USD18,000

Forum des Metiers in Jamhour (introducing them to the world of banking)

3D mapping event in Christmas

COMMITTED TO SMES SPONSORED THE SME Forum 2017

Gold sponsor at the Lebanese National Energy - LNE FORUM

GOT THE CONVERSATION GOING:

AUB's 1st CAREER CONVERSATIONS:

Initiated by our Chairman

Consolidated Financial Statements

EY Building a better working world

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CEDRUS INVEST BANK SAL

Opinion

We have audited the consolidated financial statements of Cedrus Invest Bank SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated Statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addresses the key audit matter
Impairment of Loans and Advances	
Due to the inherently judgmental nature of the computation of impairment provisions for loans and advances, there is a risk that the amount of impairment may be misstated. The impairment of loans and advances is estimated by management through the application of judgement and the use of subjective assumptions. Due to the significance of loans and advances and related estimation uncertainty, this is considered a key audit risk. The corporate loan portfolio generally comprises larger loans that are monitored individually by management. The assessment of loan loss impairment is therefore based on management's knowledge of each individual borrower. This includes the analysis of the financial performance of the borrower, historic experience when assessing the likelihood of incurred losses in the portfolios and the adequacy of collateral for secure lending. However, consumer loans generally comprise much smaller value loans to a much greater number of customers. Provisions are not calculated on an individual basis, but are determined by grouping by product into homogeneous portfolios. The portfolios are then monitored through delinquency statistics, which drive the assessment of loan loss provision. Note 15 to the consolidated financial statements provides details relating to the impairment of loans and advances.	These risks were addressed by us as follows: • For corporate customers, we tested the key controls over the credit grading process, to assess if the risk grades allocated to the counterparties were appropriate. We then performed detailed credit assessment of all loans in excess of a defined threshold and loans in excess of a lower threshold in the watch list category and impaired category together with a selection of other loans. • Where impairment allowance was calculated on a collective basis for performing corporate loans, we tested the completeness and accuracy of the underlying loan information used in the impairment model by agreeing details to the Bank's source systems as well as re-performing the calculation of the modelled impairment allowances. For the key assumptions in the model, we assessed whether those assumptions were appropriate in the circumstances. • For consumer loans, specific and collective impairment allowances are calculated using a simple model, which are based on a percentage of repayments due but not yet paid. We understood and critically assessed the model used and checked that no undue changes had been made in model parameters and assumptions. We tested the completeness and accuracy of data from underlying systems that is used in this model. We also re-performed the calculation of the modelled impairment allowance.

Other information included in the group's 2017 annual report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we perform, we conclude that there is a material misstatement of this other information, we are required to report this fact.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

The partners in charge of the audit resulting in this independent auditors' report are Ramzi Ackawi for Ernst & Young and Andre Rohayem for PricewaterhouseCoopers.

Ernst & Young | PricewaterhouseCoopers

28 March 2018
Beirut, Lebanon

Consolidated Financial Statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **LL million**	2016 LL million
Interest and similar income	3	**79,083**	33,881
Interest and similar expense	4	**(32,370)**	(12,235)
Net interest income		**46,713**	21,646
Fee and commission income	5	**7,599**	9,353
Fee and commission expense	6	**(2,237)**	(1,605)
Net fee and commission income		**5,362**	7,748
Net gain from financial assets at fair value through profit or loss	7	**44,088**	5,867
Gain from sale of financial assets at amortized cost	8	**5,212**	6,020
Write-back of provision (provision) for credit losses, net Revenue	15	**567**	(1,415)
from financial assets at fair value through other comprehensive income		**34**	-
Foreign exchange gain		**82**	-
Total operating revenue		**102,058**	39,866
Personnel expenses	9	**(16,492)**	(12,744)
Depreciation of property and equipment	19	**(1,100)**	(531)
Amortization of intangible assets	20	**(728)**	(687)
General and other operating expenses	10	**(19,957)**	(14,746)
Total operating expenses		**(38,277)**	(28,708)
Profit for the year		**63,781**	11,158
Other comprehensive income			
Unrealized gain on financial assets at fair value through other comprehensive income		**42**	63
Total comprehensive income for the year		**63,823**	11,221
Attributable to:			
Equity holders of the parent		**63,497**	11,020
Non-controlling interests		**326**	201
		63,823	11,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	**2017** **LL million**	2016 LL million
Assets			
Cash and balances with the Central Bank of Lebanon	12	**806,270**	133,933
Due from banks and financial institutions	13	**66,650**	61,867
Financial assets at fair value through profit or loss	14	**58,916**	38,359
Loans and advances to customers at amortized cost	15	**252,106**	147,140
Loans and advances to associates at amortized cost	18	**518**	-
Financial assets at amortized cost	16	**803,342**	369,159
Financial assets at fair value through other comprehensive income	17	**24,959**	13,003
Debtors by acceptance		**1,932**	-
Investments in associates	18	**5**	-
Goodwill		**11,021**	11,021
Property and equipment	19	**8,715**	7,175
Intangible assets	20	**2,268**	2,692
Non-current assets held for sale		**1,314**	1,314
Other assets	21	**7,925**	8,590
Total assets		**2,045,941**	794,253
Liabilities and equity			
Liabilities			
Due to the Central Bank of Lebanon	22	**519,983**	117,069
Due to banks and financial institutions	23	**87,891**	82,991
Customers' deposits at amortized cost	24	**906,946**	352,406
Due to shareholders	32	**-**	22,071
Engagements by acceptances		**1,932**	-
Deposits from related parties at amortized cost	25	**2,952**	13,049
Provision for risks and charges	26	**-**	939
Other liabilities	27	**25,073**	23,023
Total liabilities		**1,544,777**	611,548
Equity			
Share capital	28	**337,913**	138,310
Share premium	28	**66,326**	11,293
Non-distributable reserves	29	**5,630**	3,185
Distributable reserve	29	**25,365**	16,153
Accumulated losses		**(3,050)**	(2,401)
Profit for the year		**63,455**	10,966
		495,639	177,506
Non-controlling interest		**5,525**	5,199
Total equity		**501,164**	182,705
Total liabilities and equity		**2,045,941**	794,253
Off-balance sheet accounts:			
Assets under management and administration			
- Assets under management	31	**219,127**	218,309
- Assets under External Asset Manager Services	31	**148,511**	158,242
- Assets under custody	31	**329,372**	142,690
- Fiduciary deposits	31	**53,814**	233,304
		750,824	752,545

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 28 March 2018.

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Fadi Assali
Chairman and General Manager

Consolidated Financial Statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2017

	Share capital LL million	*Share premium LL million*	*Non-distributable reserves LL million*	*Distributable reserve LL million*	*(Accumulated losses) retained earnings LL million*	*Profit for the year LL million*	*Non-controlling interest LL million*	*Total LL million*
Balance at 1 January 2016	138,310	11,293	1,916	8,295	4,732	1,931	2,054	168,531
Increase in capital of subsidiary	-	-	-	-	-	-	2,942	2,942
Appropriation of profits (note 29)	-	-	1,260	7,804	(7,133)	(1,931)	-	-
Reserve for capital increase (note 29)	-	-	9	-	-	-	2	11
Total comprehensive income for the year	-	-	-	54	-	10,966	201	11,221
Balance at 31 December 2016	138,310	11,293	3,185	16,153	(2,401)	10,966	5,199	182,705
Increase in capital (note 28)	199,603	55,033	-	-	-	-	-	254,636
Appropriation of profits (note 29)	-	-	1,557	9,170	239	(10,966)	-	-
Transfer to reserves (note 29)	-	-	888	-	(888)	-	-	-
Total comprehensive income for the year	-	-	-	42	-	63,455	326	63,823
Balance at 31 December 2017	**337,913**	**66,326**	**5,630**	**25,365**	**(3,050)**	**63,455**	**5,525**	**501,164**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	***2017*** ***LL million***	*2016* *LL million*
OPERATING ACTIVITIES			
Profit for the year		**63,781**	11,158
Adjustments for:			
Depreciation of property and equipment	19	**1,100**	531
Amortization of intangible assets	20	**728**	687
Write-off of property and equipment	10	**102**	-
Gain from sale of financial assets at amortized cost		**(5,212)**	(6,020)
Net (gain) loss from financial assets at fair value through profit or loss		**(706)**	514
(Write-back of provision) provision for credit losses		**(567)**	1,415
Gain on disposal of property and equipment		**-**	(41)
Provision for risks and charges		**(939)**	(639)
		58,287	7,605
Changes in operating assets and liabilities:			
Balances with the Central Bank of Lebanon		**(658,568)**	(88,011)
Loans and advances to customers at amortized cost		**(104,399)**	(46,998)
Loans and advances to associates at amortized cost		**(518)**	-
Financial assets at amortized cost		**(428,971)**	(126,473)
Financial assets at fair value through profit or loss		**(19,851)**	(14,074)
Financial assets at fair value through other comprehensive income		**(11,914)**	(12,073)
Customers' deposits at amortized cost		**554,540**	144,962
Deposits from related parties at amortized cost		**(10,097)**	(3,887)
Due from banks and financial institutions		**(1,696)**	47,032
Due to banks and financial institutions		**4,900**	18,312
Other assets		**665**	(50)
Other liabilities		**2,050**	14,274
Net cash used in operating activities		**(615,572)**	(59,381)
INVESTING ACTIVITIES			
Purchase of property and equipment	19	**(2,742)**	(6,277)
Purchase of intangible assets	20	**(304)**	(574)
Proceeds from disposal of property and equipment		**-**	41
Investments in associates		**(5)**	-
Net cash used in investing activities		**(3,051)**	(6,810)
FINANCING ACTIVITIES			
Cash contribution to capital increase		**254,636**	-
Due to the Central Bank of Lebanon		**402,914`**	43,576
Due to shareholders		**(22,071)**	12,060
Non-controlling interest		**-**	2,953
Net cash from financing activities		**635,479**	58,589
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**16,856**	(7,602)
Cash and cash equivalents at beginning of year		**56,983**	64,585
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	**73,839**	56,983

The principal non-cash transaction during the year ended 31 December 2016 was the transfer of LL 13,296 million from the fair value through profit or loss category into the amortized cost (note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Cedrus Invest Bank SAL ("the Bank") and its subsidiaries (together "the Group") provide retail, corporate and specialised financial services. The Bank is a Lebanese joint stock company (specialized bank) registered at the Commercial Register in Mount Lebanon under number 2048969 on 04 April 2017. The Bank is under number 137 in the list of Banks of the Central Bank of Lebanon. The Bank is located in Dora, Dora Highway, Cedrus Bank Building, 6th floor – Lebanon.

The Bank's specialised financial services could be summarized as follows:

- Multi-family office services: comprehensive oversight of various financial assets through consolidated performance reporting, fee negotiation, documentation, record keeping, accountability detection and investment advisory including asset allocation and security selection. The Bank charges clients a quarterly fee as a percentage of the total assets under this service.

- Advisory and discretionary portfolio management services. With external banks and financial institutions.

- Brokerage services providing access to clients to international financial markets and trade execution services.

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

The Group comprises the Bank together with its subsidiaries as follows:

	Activities	Country of Incorporation	Percentage Ownership
Cedrus Bank SAL	Commercial Bank	Lebanon	84.78%
Cedrus Real Estate Management SAL	Services	Lebanon	79.90%
Lebanese Insurance Brokers SAL	Insurance	Lebanon	69.70%

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements of the Group have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.5.

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

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in note 35 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

The consolidated financial statements comprise the financial statements of Cedrus Invest Bank SAL and its subsidiaries as at 31 December 2017.

2.2 Basis of consolidation

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

When the Group makes an acquisition meeting the definition of a business under IFRS 3, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash– generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Control and subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Bank may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Where the Group loses control of a subsidiary but retains an interest in it, then such interest is measured at fair value at the date that control is lost with the change in carrying amount recognised in profit or loss. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As such, amounts previously recognised in other comprehensive income are transferred to consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interest in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017.

Although these new standards and amendments have been applied for the first time in 2017, they did not have a material impact on the consolidated financial statements of the Group but may affect the accounting for future transactions or arrangements. The nature and the impact of each new standard or amendment are described below:

Standard	Description	Effective date (early adoption permitted)
Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative	The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The adoption of this amendment had no significant impact on the amounts reported in these financial statements.	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Bank applied amendments retrospectively. However, their application has no effect on the Bank's financial position and performance.	1 January 2017
Annual Improvements Cycle - 2014-2016 Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Bank's financial statements.	1 January 2017

Consolidated Financial Statement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

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

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments and all previous versions of IFRS 9 (2009, 2010 and 2013). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new version, IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date along with the provisions of the Central Bank of Lebanon ('BDL') basic circular number 143 and the Banking Control Commission ('BCC') circular number 293.

In accordance with the transition provisions of IFRS 9 (2014), the Group will apply this standard retrospectively. The changes in measures arising on initial application will be incorporated through an adjustment to opening retained earnings or reserves (as applicable) as at 1 January 2018.

Estimated impact of the adoption of IFRS 9 on the opening equity at 1 January 2018:
- Based on assessments undertaken to date, the expected increase in impairment allowances when measured in accordance with IFRS 9 expected credit losses model (see II below) compared to IAS 39 incurred loss model is estimated at approximately LL 5,856 million, which is already covered by the Group's excess collective provisions disclosed in note 27. Accordingly, there will be no impact on the Group's equity from the adoption of the IFRS 9 impairment requirements.

The above assessment is preliminary because not all transition work has been finalized. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:
- IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete;
- Although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period;
- The Group has not finalized the testing and assessment of control over its new IT systems and changes to its governance framework;
- The Group is refining and finalizing its models for ECL calculations; and
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.

I. Classification and measurement	The Group has early adopted classification and measurement requirements as issued in IFRS 9 (2009) and IFRS 9 (2010). In the July 2014 publication of IFRS 9, the new measurement category FVTOCI was introduced for financial assets that satisfy the contractual cash flow characteristics (SPPI test). This category is aimed at portfolio of debt instruments for which amortized cost information, as well as fair value information is relevant and useful. This will be the case if these assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. At the date of application of IFRS 9 (2014), the Group reassessed the classification and measurement category for all financial assets debt instruments that satisfy the contractual cash flow characteristics (SPPI test) and classified them within the category that is consistent with the business model for managing these financial assets on the basis of facts and circumstances that existed at that date. The classification and measurement requirements for financial assets that are equity instruments or debt instruments that do not meet the contractual cash flow characteristics (SPPI test) and financial liabilities remain unchanged from previous versions of IFRS 9. The Group does not expect a material impact on the classification of the Group's financial assets nor their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

II. Impairment	The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current model of IAS 39. The ECL model contains a three-stage approach, which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL. <u>Stage 1</u> 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months. <u>Stage 2</u> Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. <u>Stage 3</u> Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets. Key Considerations Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are: *Assessment of Significant Increase in Credit Risk* The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group existing risk management processes. Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2: 1. We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition. 2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk. 3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

II. Impairment (continued)	*Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios* The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward- looking information will require significant judgment. PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts published by our internal economics group. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities. *Definition of default* The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. *Expected Life* When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

II. Impairment (continued)	*Governance* In addition to the existing risk management framework, we have established an internal Committee to provide oversight to the IFRS 9 implementation. The Committee is comprised of senior representatives from Finance and Risk Management and will be responsible for reviewing and approving staging of financial assets and other key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance to be provided for Expected Credit Losses. The expected impact on the Group's statement of financial position and equity is discussed above.
III. Hedge accounting	IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. IFRS 9 does not cover guidance on macro hedge accounting as IASB is working on it as a separate project. IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Group, however, has elected to adopt the new hedge accounting provisions of IFRS 9. The existing hedging relationships will continue to qualify and be effective under the IFRS 9 hedge accounting provisions and will not have any transition impact on the Group financial statements.
IV. Financial instruments: disclosures (IFRS 7)	The Group will be amending the disclosures for 2018 to include more extensive qualitative and quantitative disclosure relating to IFRS 9 such as new classification categories, three stage impairment model, new hedge accounting requirements and transition provisions.

Standard	Description	Effective date (early adoption permitted)
IFRS 15, 'Revenue from contracts with Customers'	This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Standard	Description	Effective date (early adoption permitted)
IFRS 16, 'Leases'	The IASB issued the new standard for accounting for leases in January 2016. • The new standard does not significantly change the accounting for leases for lessors. However, it does require most leases on their balance sheets as lease liabilities, with the • lessees to recognise corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, • but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.	1 January 2019

2.4 Summary of significant accounting policies

(1) Investments in associates

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

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

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor separately tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(1) Investments in associates (continued)

The financial statements of associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is transferred to consolidated income statement where appropriate. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(2) Foreign currency

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. Revaluation differences are recorded under "other operating expenses" in the statement of comprehensive income.

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

(ii) Group companies

On consolidation, the assets and liabilities of subsidiaries are translated into the Bank's presentation currency at the rate of exchange as at the reporting date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

(3) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

(ii) Classification

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

Amortized cost

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(3) Financial assets and financial liabilities (continued)

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

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

The Group classifies its financial liabilities as measured at amortized cost. Financial liabilities include “Due to Banks and financial institutions”, “deposits from customers and related parties” and “other liabilities”.

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

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

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in “Gain or loss on financial assets at fair value through profit or loss”.

Interest earned or incurred is accrued within the same caption using the effective interest rate, while dividend income is recorded in the same caption when the right to the payment has been established.

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

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

(iii) Reclassification
Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

The Group shall not reclassify any financial liability.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(3) Financial assets and financial liabilities (continued)

(iv) Derecognition (continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(3) Financial assets and financial liabilities (continued)

(vii) Impairment of financial assets (continued)

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

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Credit loss expense".

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

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

(ii) Renegotiated loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(3) Financial assets and financial liabilities (continued)

(viii) Fair value measurement

The Group measures financial instruments, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in the notes.

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(3) Financial assets and financial liabilities (continued)

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

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

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

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

(ii) Fee and commission
Fees and commission income (include account servicing fees, investment management, sales commission, placement fees, etc.) are recognized as the related services are performed.
Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are rendered.

(iii) Dividend income
Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments at fair value through profit or loss are presented within "net gains on financial assets at fair value through profit or loss".

(5) Cash and cash equivalents
Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise balances with original maturities of a period of three months or less including: Cash and balances with the Central Bank and deposits with banks and financial institutions.

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

Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Buildings and leasehold improvements	5 to 12.5 years
Office furniture and equipment	4 to 12.5 years
Fixtures and installations	5 years
Vehicles	4 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

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

If significant parts of an item of property and equipment have different useful lives, then they are accounted as consolidated items (major component) of property and equipment.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will follow to the Group. Ongoing repairs and maintenance are expensed.

(7) Intangible assets
Intangible assets consist of computer software licenses. These are measured at amortized cost less accumulated amortization and any impairment losses. Subsequent costs are capitalized only when it can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. All other expenditure is expensed as incurred.

The useful life of these intangible assets is assessed to be finite and is amortized over their useful economic life. These intangible assets are amortized over a period of five years using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, subject to impairment testing.

(8) Non-current assets held for sale
Properties acquired through enforcement of security over loans and advances to customers are accounted for in accordance with the directives issued by the Central Bank of Lebanon. A reserve is recognized against assets not disposed of within two years. The accumulated reserve is classified under equity.

(9) Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(9) Impairment of non-financial assets (continued)
The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(10) Asset management
The Bank provides advisory and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity and under management (discretionary and/or non-discretionary) are not reported in the consolidated financial statements, as they are not the assets of the Bank; they are recorded as off-balance sheet items.

(11) Retirement benefits obligation

The Group is subscribed to the compulsory defined benefit plan of the National Social Security Fund.

IAS 19 'Employee benefits' requirements:
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation. The liability recognised in the consolidated statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the consolidated statement of financial position date less contributions to the fund. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related pension liability.

Local requirements:
The compulsory defined benefit plan varies according to each employee's final salary and length of service, subject to the completion of a minimum service period. The provision is calculated based on the difference between total indemnities due and total monthly contributions paid to National Social Security Fund ("NSSF"), End-of-Service Indemnity contributions paid to NSSF represents 8.5 percent of employee benefits.

The difference between the carrying amount of the provision and its value in accordance with IAS 19 'Employee benefits' is not significant.

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

(13) Operating lease arrangement
Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the consolidated statement of comprehensive income on a straight line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(14) Share capital

(a) Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note.

2.5 Significant accounting judgments and estimates

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

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

Business model (in reference to IFRS 9 – Phase I)
In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

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

Contractual cash flows of financial assets (In reference to IFRS 9 – Phase I)
The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. INTEREST AND SIMILAR INCOME

	2017 LL million	2016 LL million
Financial assets at amortized cost	**44,226**	18,323
Loans and advances to customers	**13,949**	9,309
Due from banks and financial institutions	**6,049**	4,583
Central Bank of Lebanon	**14,859**	1,441
Financial assets at fair value through profit or loss	**-**	225
	79,083	33,881

4. INTEREST AND SIMILAR EXPENSE

	2017 LL million	2016 LL million
Deposits from customers at amortized cost	**25,126**	8,573
Deposits and accounts held with banks and financial institutions	**2,546**	2,078
Central Bank of Lebanon	**2,502**	1,501
Certificate of deposits issued by the Group	**2,196**	-
Deposits from related parties at amortized cost	**-**	83
	32,370	12,235

5. FEE AND COMMISSION INCOME

	2017 LL million	2016 LL million
Brokerage	**2,923**	3,783
Commissions on banking transactions	**1,787**	1,733
Account management	**1,370**	1,809
Custody services	**801**	698
Income from multi-family office services	**646**	1,319
Other commissions	**72**	11
	7,599	9,353

6. FEE AND COMMISSION EXPENSE

	2017 LL million	2016 LL million
Brokerage fees and other commissions fees paid	**1,734**	1,053
Bank charges	**335**	285
Custody fees	**168**	181
Multi-family office fees	**-**	86
	2,237	1,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 LL million	2016 LL million
Debt instruments:		
- Net gain on sale	**41,882**	3,786
- Interest and similar income from debt instruments	**527**	534
- Net gain on revaluation	**15**	142
	42,424	4,462
Equity instruments:		
- Net (loss) gain on revaluation	**(694)**	345
- Net (loss) gain on sale	**(440)**	293
- Dividend income	**867**	228
	(267)	866
Funds:		
- Net gain on sale	**1,958**	512
- Net (loss) gain on revaluation	**(27)**	27
	1,931	539
	44,088	5,867

During the year ended 31 December 2017, the Group executed several transactions, which resulted in a net gain on sale of Lebanese securities of LL 42,416 million net of associated costs

8. GAIN FROM SALE OF FINANCIAL ASSETS AT AMORTIZED COST

	2017 LL million	2016 LL million
Realized portion of deferred surplus	**2,900**	6,165
Gain (loss) on sale	**2,312**	(145)
	5,212	6,020

During 2016, the Group entered into certain financial transactions with the Central Bank of Lebanon relating to treasury bills and certificates of deposit denominated in Lebanese Pounds. These transactions were available to banks provided that they are able to reinvest an amount equivalent to the nominal value of the sold instruments in Eurobonds issued by the Lebanese Republic or Certificates of Deposit issued by the Central Bank of Lebanon denominated in US Dollars and purchased at their fair values. During 2017, the Bank transferred an amount of LL 2,900 million from deferred surplus to gain from sale of financial assets at amortized cost in the statement of comprehensive income. The net gains from such trades on financial instruments amounted to LL 16,088 million, of which LL 7,023 million (2016: LL 9,923 million) was not recognized in the profit or loss (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. PERSONNEL EXPENSES

	2017 LL million	2016 LL million
Salaries and wages	**9,924**	8,633
Management fees (note 32)	**1,899**	1,432
Social security costs	**1,745**	1,033
Bonuses	**998**	427
Insurance expenses	**538**	333
Transportation allowance	**318**	250
Scholarship allowance	**297**	325
Other employee charges	**773**	311
	16,492	12,744

10. GENERAL AND OTHER OPERATING EXPENSES

	2017 LL million	2016 LL million
Board of Directors members' remuneration (note 32)	**5,757**	3,039
Taxes and related fees	**2,309**	1,322
Legal fees	**2,171**	1,428
Rent expense	**1,831**	2,363
Maintenance and repairs (including IT support)	**1,195**	1,042
Advertising expenses	**880**	364
Professional fees	**647**	1,591
Subscription fees	**639**	428
Board of Directors attendance fees (note 32)	**470**	109
Fiscal and monetary	**240**	-
Entertainment and hospitality	**225**	195
Printing and stationary fees	**208**	208
Insurance expense	**188**	259
Life insurance for senior management (note 32)	**113**	113
Write-off of property and equipment (note 19)	**102**	-
Travel expenses	**88**	273
Others	**2,894**	2,012
	19,957	14,746

11. INCOME TAX

As per the provisions of legislative decree no. 50 dated 15 July 1983, the Bank is exempt from income taxes on profits stipulated in legislative decree no.144 dated 12 June 1959 for a period of 7 years starting from 2011, the year of its establishment. As of year 2018, the Bank's taxable profits are subject to a tax rate of 17% according to law no. 64 dated 28 October 2017.

The Bank's subsidiaries are subject to the applicable Lebanese Income Tax Law. The subsidiaries did not incur any income tax expenses for 2017 as they had carried forward taxable losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. CASH AND BALANCES WITH THE CENTRAL BANK OF LEBANON

	2017 LL million	2016 LL million
Cash on hand	**3,802**	2,585
Balances with the Central Bank of Lebanon:		
Current accounts	**14,779**	4,489
Term deposits (with original maturities not exceeding three months)	**2,261**	-
Included under cash and cash equivalents (note 33)	**20,842**	7,074
Time deposits (with original maturities exceeding three months)	**655,924**	68,701
Interest receivable	**3,994**	490
Mandatory reserve deposits with the Central Bank of Lebanon	**125,510**	57,668
	806,270	133,933

As stipulated by the Central Bank of Lebanon circulars, the Bank is required to hold interest bearing mandatory reserves at the Central Bank of Lebanon on the basis of 15% of the weekly average of deposits denominated in foreign currencies. Mandatory reserves are not available for use in the Bank's day to day operations.

13. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2017 LL million	2016 LL million
Current accounts	**43,486**	17,223
Margin accounts	**3,502**	11,937
Term placements (with original maturities not exceeding three months)	**6,009**	20,749
Term placements (with original maturities exceeding three months)	**13,481**	11,737
Interest receivable	**172**	221
	66,650	61,867

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 LL million	2016 LL million
Lebanese government bonds	**11,714**	3,793
Debt securities	**1,508**	1,508
Participation in funds	**41,883**	24,714
Equity securities	**3,811**	8,344
	58,916	38,359

15. LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2017 LL million	2016 LL million
Retail loans	**120,200**	84,429
Corporate loans	**128,270**	67,177
	248,470	151,606
Loans against mortgages	**1,594**	2,079
Loans against securities (i)	**4,879**	15,436
Loans against cash collateral (note 22)	**51,242**	24,799
Shareholders' loans against securities (ii)	**13,038**	7,677
Other loans	**-**	504
	319,223	202,101
Impairment allowance	**(6,913)**	(7,235)
Collective provision	**(2,796)**	(2,816)
Unrealized interest	**(57,408)**	(44,910)
	252,106	147,140

(i) The Group provides facilities to its customers (third parties and shareholders) to finance the acquisition of approved financial securities and within authorized thresholds as defined by the Central Bank of Lebanon (basic circular no. 51 dated 22 October 1998).

(ii) With reference to the Code of Money and Credit, article 152, these facilities are not subject to approval by the General Assembly as these facilities are provided to shareholders with less than 2% share in the Bank and its subsidiaries. Accordingly, these facilities are not considered balances with related parties.

Movement in impairment allowance for the year ended 31 December is as follows:

	2017 LL million	2016 LL million
Balance at 1 January	**7,235**	7,116
Charge for the year	**20**	501
Write-back during the year	**(342)**	(382)
Balance at 31 December	**6,913**	7,235

Movement in unrealized interest during the year ended 31 December is as follows:

	2017 LL million	2016 LL million
Balance at 1 January	**44,910**	35,415
Suspended during the year	**13,387**	10,362
Charge for the year	**-**	44
Write-back during the year	**(225)**	(340)
Write-off during the year	**(664)**	(571)
Balance at 31 December	**57,408**	44,910

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15. LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

"Movement in collective provision during the year ended 31 December is as follows:"

	2017 LL million	2016 LL million
Balance at 1 January	**2,816**	1,224
Charge for the year	**-**	1,592
Write-back during the year	**(20)**	-
Balance at 31 December	**2,796**	2,816

"During the year ended 31 December 2016, the Group booked collective provision in the amount of LL 1,565 million to comply with the provisions of Central Bank of Lebanon Intermediary Circular number 436 dated 8 November 2016 and 446 dated 30 December 2016 associated with Basic Decision number 7776 dated 21 February 2001 (note 27)."

16. FINANCIAL ASSETS AT AMORTIZED COST

	2017 LL million	2016 LL million
Certificates of deposits (Central Bank of Lebanon)	**99,630**	95,137
Lebanese government bonds	**701,441**	270,238
Lebanese corporate bonds	**2,271**	3,784
	803,342	369,159

Included under Lebanese government bonds, are treasury bills with a nominal amount of LL 152.7 billion (2016: LL 85.4 billion) pledged as collateral against the term loans granted by the Central Bank of Lebanon (note 22).

During January 2016, Management decided to amend its business model (under IFRS 9) whereby Lebanese Government Bonds with a carrying value of US$ 8,820,000 (equivalent to LL 13,296 million) were transferred from fair value through profit and loss category into amortized cost category.

The Bank reclassified financial assets so that they are measured at amortised cost; accordingly, their fair value at the reclassification date became their new carrying amount.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017 LL million	2016 LL million
Equity securities	**24,959**	13,003

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18. INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership 2017 %	Ownership 2016 %	2017 LL million	2016 LL million
Cedrus Film Holding SAL – (a)	Lebanon	**12.91**	-	**4**	-
Capharnaoum Film Holding SAL – (b)	Lebanon	**2.45**	-	**1**	-
				5	**-**

During 2017, the Group acquired 12.91% of Cedrus Film Holding SAL for a total consideration of LL (000) 3,891. The Bank granted the associate a loan amounting to LL 292 million.

During 2017, the Group acquired 2.45% of Capharnaoum Film Holding SAL for a total consideration of LL (000) 730. The Bank granted the associate a loan amounting to LL 226 million.

19. PROPERTY AND EQUIPMENT

	Buildings and Leasehold improvements LL million	Fixtures and installations LL million	Office furniture and equipment LL million	Vehicles LL million	Work in progress LL million	Total LL million
Cost :						
Balance at 1 January 2017	2,667	2,711	5,633	223	1,896	13,130
Additions	-	196	445	-	2,101	2,742
Transfers	235	2,323	1,207	-	(3,765)	-
Write-offs	(9)	-	(189)	-	-	(198)
At 31 December 2017	2,893	5,230	7,096	223	232	15,674
Depreciation:						
Balance at 1 January 2017	595	1,133	4,004	223	-	5,955
Depreciation for the year	45	492	563	-	-	1,100
Relating to write-offs	(2)	-	(94)	-	-	(96)
At 31 December 2017	638	1,625	4,473	223	-	6,959
Net carrying amount:						
At 31 December 2017	**2,255**	**3,605**	**2,623**	**-**	**232**	**8,715**

	Buildings and Leasehold improvements LL million	Fixtures and installations LL million	Office furniture and equipment LL million	Vehicles LL million	Work in progress LL million	Total LL million
Cost :						
Balance at 1 January 2016	604	2,936	5,067	223	551	9,381
Additions	2,063	1,509	809	-	1,896	6,277
Transfers	-	-	551	-	(551)	-
Disposals	-	(1,734)	(794)	-	-	(2,528)
At 31 December 2016	2,667	2,711	5,633	223	1,896	13,130
Depreciation:						
Balance at 1 January 2016	475	2,804	4,450	223	-	7,952
Depreciation for the year	120	63	348	-	-	531
Relating to disposals	-	(1,734)	(794)	-	-	(2,528)
At 31 December 2016	595	1,133	4,004	223	-	5,955
Net carrying amount:						
At 31 December 2016	2,072	1,578	1,629	-	1,896	7,175

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20. INTANGIBLE ASSETS

	Software LL million	Work in progress LL million	Total LL million
Cost:			
At 1 January 2017	3,730	-	3,730
Additions during the year	304	-	304
Write-offs	(1)	-	(1)
At 31 December 2017	4,033	-	4,033
Amortization:			
At 1 January 2017	1,038	-	1,038
Charge for the year	728	-	728
Related to write-offs	(1)	-	(1)
At 31 December 2017	1,765	-	1,765
Net carrying amount:			
At 31 December 2017	**2,268**	**-**	**2,268**

	Software LL million	Work in progress LL million	Total LL million
Cost:			
At 1 January 2016	939	2,217	3,156
Additions during the year	574	-	574
Transfers	2,217	(2,217)	-
At 31 December 2016	3,730	-	3,730
Amortization:			
At 1 January 2016	351	-	351
Charge for the year	687	-	687
At 31 December 2016	1,038	-	1,038
Net carrying amount:			
At 31 December 2016	**2,692**	**-**	**2,692**

21. OTHER ASSETS

	2017 LL million	2016 LL million
Mandatory deposit with the Lebanese Treasury (a)	**4,500**	4,500
Prepaid expenses	**1,335**	1,883
Accrued income	**1,066**	739
Revaluation loss on fixed position	**30**	30
Other debit balances	**994**	1,438
	7,925	8,590

(a) This deposit represents a blocked amount with the Lebanese Treasury made by the Bank on its constitution (with reference to Article 132 (b) of the Code of Money and Credit) recovered without interest upon the Bank's liquidation.

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22. DUE TO THE CENTRAL BANK OF LEBANON

	2017 LL million	2016 LL million
Term loans	**492,024**	110,332
Other loans	**26,047**	6,526
Accrued interest	**1,912**	211
	519,983	117,069

Term loans include:

- A term loan amounting to LL 73,157 million was granted by the Central Bank of Lebanon on 19 November 2015 to cover certain costs incurred by the Group. The loan is subject to an annual interest rate of 2% payable on a semiannual basis. The principal amount of the loan is payable after 5 years from the drawing date. The balance of the loan was used to fund the purchase of Lebanese treasury bills for a nominal amount of LL 73,157 million with a 6.74% coupon (note 16).
- Term loans totaling to LL 213,960 million as at 31 December 2017 (2016: nil) were granted by the Central Bank of Lebanon. The term loans are subject to a 2% interest rate payable on an annual basis. These term loans are secured by the pledge on Lebanese treasury bills with a nominal value of LL 53,842 million included under financial assets at amortized cost and the pledge of long-term placements held with the Central Bank of Lebanon amounting to LL 160,118 million (note 16).
- During 2016, the Central Bank of Lebanon has granted the Group a loan, in accordance with BDL intermediary circular No. 416. The loan, secured by the pledge on Lebanese treasury bills with a nominal value of LL 12.4 billion included under financial assets at amortized cost pledged as collateral (note 16), is subject to an interest of 1% and is payable through quarterly installments starting 31 October 2020. The proceeds of this loan were used in accordance with the provisions of the previously mentioned circular to finance a loan granted to a third party customer having a balance amounting to LL 24,784 million as at 31 December 2017 (31 December 2016: LL 24,799 million). This loan is subject to an effective interest rate of 1.08%.
- During 2017, the Central Bank of Lebanon has granted the Group a loan, in accordance with BDL intermediary circular No. 416. The loan, secured by the pledge on Lebanese treasury bills with a nominal value of LL 13.3 billion included under financial assets at amortized cost pledged as collateral (note 16), is subject to an interest of 1% and is payable through monthly installments starting 31 December 2019. The proceeds of this loan were used in accordance with the provisions of the previously mentioned circular to finance a loan granted to a third party customer having a balance amounting to LL 26,458 million as at 31 December 2017. This loan is subject to an effective interest rate of 1.08%.
- Term loans totaling to LL 128,732 million as at 31 December 2017 (2016: nil) were granted by the Central Bank of Lebanon against long term placements denominated in US$ with the latter. The term loans are subject to a 2% interest rate payable on a monthly basis

23. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2017 LL million	2016 LL million
Current borrowings	**55,740**	44,719
Term borrowings	**28,597**	38,272
Deposits from banks	**3,554**	-
	87,891	82,991

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24. CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2017 LL million	2016 LL million
Term deposits	**589,343**	175,635
Deposits originating from fiduciary contracts (a)	**123,334**	84,505
Current accounts	**66,104**	52,163
Pledged accounts	**61,555**	21,579
Certificate of deposits issued by the Group (b)	**43,548**	-
Margin accounts against operations in financial markets (futures and options)	**21,810**	16,215
Incoming payment order	**1,252**	2,309
	906,946	352,406

The Group provides facilities to its customers (third parties and shareholders) to finance the acquisition of approved financial securities and within authorized thresholds as defined by the Central Bank of Lebanon (basic circular no. 51 dated 22 October 1998).

(a) Deposits originating from fiduciary contracts represent deposits from other banks on behalf of their customers.

(b) During the year ended 31 December 2017, Cedrus Bank SAL issued Certificates of deposits amounting to LL 43.5 billion. Cedrus Bank SAL has obtained the approval of the Capital Market Authority on 25 October 2016 for the issuance of certificates of deposits at par up to a ceiling of US$ 100 million subject to a fixed interest rate of 5.5% per annum for the six-month period starting on the issue date (first interest period), 6% per annum for the six-month period starting the last day of the first interest period (second interest period), and 6.5% per annum for the six-month period starting on the last day of the second interest period (third interest period) and matures in 18 months.

25. DEPOSITS FROM RELATED PARTIES AT AMORTIZED COST

	2017 LL million	2016 LL million
Key Shareholders' accounts	**1,939**	2,790
Related parties' accounts	**1,013**	10,259
	2,952	13,049

Key shareholders represent shareholders holding 5% or more in the Bank's share capital.

26. PROVISION FOR RISKS AND CHARGES

	2017 LL million	2016 LL million
Provision for protocol costs	**-**	939

Provision for protocol costs represents the unsettled portion of the protocol costs pertaining to employees of the subsidiary (Cedrus Bank SAL) who are expected to be terminated within 30 months from the acquisition date based on management's decision.

27. OTHER LIABILITIES

	2017 LL million	2016 LL million
Deferred surplus (a)	**7,023**	9,923
Accrued Board of Directors members' remuneration	**6,030**	2,757
Accrued expenses	**5,050**	4,003
Due to the Ministry of Finance	**3,409**	1,660
Due to the National Social Security Fund	**1,085**	870
Revaluation gain on foreign currency fixed position	**96**	105
Other credit balances	**2,380**	3,705
	25,073	23,023

a) During 2016, the Central Bank of Lebanon issued Intermediate Circular number 446 dated 30 December 2016 defining the accounting treatment for the surplus realized by banks from the transactions made with the Central Bank of Lebanon. In accordance with the provisions of this circular, banks should recognize in the income statement, only part of the gain net of tax, caped to the extent of the losses recorded to comply with certain regulatory provisioning requirements, the impairment losses on subsidiaries and goodwill recorded in accordance with IAS 36 and IFRS 3 respectively and the shortage needed to comply with the capital adequacy requirements, if any. Banks may further recognize up to 70% of the remaining balance of the gain realized in the income statement as non-distributable profits to be appropriated to reserves for capital increase, qualifying for inclusion within regulatory Common Equity Tier One. The remaining balance of the gain net of tax should be maintained within deferred revenue and qualifies for inclusion within regulatory Tier 2 Capital in accordance with the provisions of the circular.

During 2016, as a result of an operation with BDL consisting of the sale of treasury bills denominated in Lebanese Lira with a nominal value of LL 30,030 million and the simultaneous purchase of certificates of deposits (BDL) in US dollars for a nominal value of US$ 20 million and the sale of certificates of deposits (BDL) denominated in Lebanese Lira with a nominal value of LL 18,000 million and the simultaneous purchase of certificates of deposits (BDL) in US dollars for a nominal value of US$ 12 million, the Group received a surplus of LL 16,008 million which was credited to other liabilities. This surplus was used by the Bank to provide for the collective provision of 2% on risk weighted loans for an amount of LL 1,565 million (notes 8 and 15) and to meet the capital adequacy requirements for an amount of LL 4,600 million (note 8).

During 2017, the Group transferred an amount of LL 2,900 million (note 8) from deferred surplus to gain from sale of financial assets at amortized cost in the statement of comprehensive income. The deferred surplus amounting to LL 7,023 million as at 31 December 2017 includes an amount of LL 5,856 million in excess of the provisioning requirements of IAS 39 to comply with the Central Bank of Lebanon Intermediate Circular number 439 dated 8 November 2016.

28. SHARE CAPITAL

On 6 March 2017, the extraordinary general assembly of shareholders, verified the capital increase undertaken by the Bank amounting to LL 230,550 million. The capital increase was executed through (i) issuance of 136,473 nominal shares for subscription by the current shareholders with nominal value of LL 1,111,725 and a premium of US$ 203.33 per share (equivalent to LL 306,516 per share), (ii) 26,088 nominal shares for subscription by third parties with a nominal value of LL 1,111,725 and premium of US$ 203.33 per share (equivalent to LL 306,516 per share).

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28. SHARE CAPITAL (continued)

On 26 May 2017, the extraordinary general assembly of shareholders, verified the capital increase undertaken by the Bank amounting to LL 24,086 million. The capital increase was executed through (i) issuance of 10,677 nominal shares for subscription by the current shareholders with nominal value of LL 1,111,725 and a premium of US$ 203.33 per share (equivalent to LL 306,516 per share), (ii) 6,306 nominal shares for subscription by third parties with a nominal value of LL 1,111,725 and premium of US$ 203.33 per share (equivalent to LL 306,516 per share).

At 31 December 2017, share capital comprises 303,954 nominal shares (31 December 2016: 124,410 nominal shares) with a nominal amount of LL 1,111,725 per share (31 December 2016: the same) and a total share premium of LL 66,326 million (31 December 2016: LL 11,293 million).

29. RESERVES

	2017 LL million	2016 LL million
Reserve for unidentified banking risks (a):		
Opening balance	**838**	475
Appropriation from prior year results	**484**	354
Others	**888**	9
Ending balance	**2,210**	838
Legal reserve (b):		
Opening balance	**2,347**	1,441
Appropriation from prior year results	**1,073**	906
Ending balance	**3,420**	2,347
Non-distributable reserves (a + b)	**5,630**	3,185

(a) *Reserve for unidentified banking risks*
In compliance with the Central Bank of Lebanon basic circular no. 50, banks are required to appropriate from annual profits an amount ranging between 2 per mil and 3 per mil of the total risk-weighted assets (on and off balance sheet) ("RWA") as a reserve for unidentified banking risks. The said reserve should reach 1.25 percent of RWA by the year 2020 and 2 percent by the year 2030. This reserve is considered part of Tier I capital, but is not available for distribution.

(b) *Legal reserve*
In compliance with the requirements of the Code of Money and Credit (article no. 132), banks are required to appropriate 10% of their annual profits as legal reserve. This reserve is not available for distribution to the shareholders.

Distributable reserve

(c) *General reserve*
In accordance with the General Assembly decisions, the net outstanding balance pertaining to the net profits for previous years (i.e. after required appropriation for legal and unidentified banking risks) were appropriated to a general reserve. This reserve is considered part of Tier I capital and is available for distribution.

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30. CONTINGENT LIABILITIES AND COMMITMENTS

- *Operating lease arrangement*

Future minimum lease payments under operating leases as at 31 December are as follows:

	2017 **LL million**	2016 LL million
Within one year	**1,872**	1,405
After one year but not more than three years	**7,251**	4,493
More than three years but less than six years	**13,365**	12,690
	22,488	18,588

- *Income tax contingencies*

Lebanese tax legislation is subject to varying interpretations when being applied to financial transactions and activities. Fiscal years from 2011 to 2017 of the Bank remain open to review by the authorities, while Cedrus Bank SAL has its books open for the years from 2013 till 2017 (inclusive). Management believes that any such reviews will not result in any material financial loss to the Group.

- *Financial commitments*

	2017 **LL million**	2016 LL million
Foreign currencies to receive against foreign currencies to deliver	**14,873**	15,827
Foreign currencies to deliver against foreign currencies to receive	**14,854**	15,898
Guarantees issued to customers	**2,080**	1,402
Letters of credit issued to customers	**454**	138

- *Legal claims*

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages can be reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its consolidated financial statements. Based on advice from legal counsel, management believes that legal claims will not result in any material financial loss to the Group.

- *Other commitments*

Financial investments at amortized cost include Lebanese government bonds amounting to LL 152.7 billion (2016: LL 85.4 billion) pledged to the Central Bank of Lebanon against term loans

31. CONTINGENT LIABILITIES AND COMMITMENTS

	2017 **LL million**	2016 LL million
Assets held on behalf of customers (on non-discretionary basis)		
Deposits with banks	**56,954**	37,810
Financial instruments	**162,173**	180,499
Fiduciary deposits	**53,814**	233,304
	272,941	451,613
Assets under external asset manager services (i)	**148,511**	158,242
Assets under custody	**329,372**	142,690
	750,824	752,545

(i) These represents clients' assets that are held with non-resident banks and financial institutions and are managed by the Bank through a power of attorney.

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32. RELATED PARTY TRANSACTIONS

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

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

	2017 **LL million**	2016 LL million
Key management compensation		
Board of Directors members' remuneration (note 10)	**5,757**	3,039
Remuneration of key management personnel	**618**	894
Representation fees for key management personnel	**38**	75
Board of Directors attendance fees (note 10)	**470**	109
Life insurance for senior management (note 10)	**113**	113
Taxes on Board of Directors members' remuneration	**406**	83
Management fees (note 9)	**1,899**	1,432
Key shareholders (i)		
Commissions income – brokerage	**254**	295
Accounts management income	**287**	556

(i) These represents shareholders with ownership exceeding 5%.

	2017 **LL million**	2016 LL million
Interest expense on deposits from related parties	**399**	196

Other balances with related parties are disclosed below:

	2017 **LL million**	2016 LL million
Due from related parties		
Loans to related parties at amortized cost	**439**	504
Due to related parties		
Shareholders' balances	**-**	22,071
Deposits by key shareholders	**1,939**	2,790
Deposits by related parties	**1,013**	10,259
	2,952	35,120

Related party balances reported in the off-balance sheet as at 31 December are as follows:

	2017 **LL million**	2016 LL million
Assets under management	**59,675**	45,488
Assets under External Asset Manager Services	**23,142**	25,500
Assets under custody	**152,155**	72,298
Fiduciary deposits	**10,730**	14,925
	245,702	158,211

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33. CASH AND CASH EQUIVALENTS

	2017 LL million	2016 LL million
Cash and balances with the Central Bank of Lebanon (note 12)	**20,842**	7,074
Due from banks and financial institutions	**52,997**	49,909
	73,839	56,983

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	2017			
	Level 1 LL million	**Level 2 LL million**	**Level 3 LL million**	**Total LL million**
Financials assets at fair value through profit or loss:				
Lebanese Government Bonds	**198**	**11,516**	**-**	**11,714**
Debt securities	**-**	**1,508**	**-**	**1,508**
Participation in funds	**41,883**	**-**	**-**	**41,883**
Equity securities	**3,811**	**-**	**-**	**3,811**
	45,892	**13,024**	**-**	**58,916**
Financial assets at fair value through other comprehensive income:				
Equity securities	**-**	**-**	**24,959**	**24,959**

	2016			
	Level 1 LL million	Level 2 LL million	Level 3 LL million	Total LL million
Financials assets at fair value through profit or loss:				
Lebanese Government Bonds	3,695	98	-	3,793
Debt securities	-	1,508	-	1,508
Participation in funds	24,714	-	-	24,714
Equity securities	8,344	-	-	8,344
	36,753	1,606	-	38,359
Financial assets at fair value through other comprehensive income:				
Equity securities	-	-	13,003	13,003

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

	2017				
	Level 1 LL million	**Level 2 LL million**	**Level 3 LL million**	**Total fair value LL million**	**Book value LL million**
Assets for which fair values are disclosed:					
Cash and balances with Central Bank of Lebanon	**3,785**	**802,485**	**-**	**806,270**	**806,270**
Due from banks and financial institutions	**-**	**66,650**	**-**	**66,650**	**66,650**
Financial assets at amortized cost	**337,625**	**452,582**	**-**	**790,207**	**803,342**
Loans and advances to customers at amortized cost	**-**	**-**	**252,106**	**252,106**	**252,106**
Loans and advances to associates at amortized cost	**-**	**-**	**518**	**518**	**518**
Liabilities for which fair values are disclosed:					
Due to Central Bank of Lebanon	**-**	**519,983**	**-**	**519,983**	**519,983**
Due to banks and financial institutions	**-**	**87,891**	**-**	**87,891**	**87,891**
Customers' deposits at amortized cost	**-**	**906,946**	**-**	**906,946**	**906,946**
Deposits from related parties at amortized cost	**-**	**2,952**	**-**	**2,952**	**2,952**

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34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2016				
	Level 1 LL million	Level 2 LL million	Level 3 LL million	Total fair value LL million	Book value LL million
Assets for which fair values are disclosed:					
Cash and balances with Central Bank of Lebanon	2,585	131,348	-	133,933	133,933
Due from banks and financial institutions	-	61,867	-	61,867	61,867
Financial assets at amortized cost	149,276	218,988	-	368,264	369,159
Loans and advances to customers at amortized cost	-	-	147,140	147,140	147,140
Liabilities for which fair values are disclosed:					
Due to Central Bank of Lebanon	-	117,069	-	117,069	117,069
Due to banks and financial institutions	-	82,991	-	82,991	82,991
Customers' deposits at amortized cost	-	361,426	-	361,426	361,426
Deposits from related parties at amortized cost	-	4,029	-	4,029	4,029

There were no transfers between levels during 2017 (2016: the same).

Valuation models
The Group measures fair value using the following fair value hierarchy, which reflects the significance of the market inputs used in making these measurements:

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

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

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

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

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

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

Assets and liabilities carried at fair value using a valuation technique with significant unobservable inputs (Level 3)

Equity shares of non-listed entities
The Group's investments at fair value through other comprehensive income are not traded in active markets. These are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Group determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Government bonds, certificates of deposits and other debt securities
The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest and credit spreads.

Loans and advances to customers
For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers
In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short- term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

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

35. RISK MANAGEMENT

35.1 Introduction
Risk is inherent in the Group's activities. The Bank is exposed to credit risk, liquidity risk, prepayment risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. The Board of Directors is ultimately responsible for identifying and controlling risks.

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

Credit quality per class of financial assets
The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continuously assessing the creditworthiness of counterparties. The Group seeks to manage its credit risk exposure through diversification to avoid undue concentrations of risks with counter parties in specific locations or businesses.

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

The following table shows the maximum exposure to credit risk for the component of the statement of financial position by resident and non-resident.

	2017		
	Resident LL million	***Non resident LL million***	***Net maximum Exposure LL million***
Balances with the Central Bank of Lebanon	**802,468**	**-**	**802,468**
Due from banks and financial institutions	**23,351**	**43,299**	**66,650**
Financial assets at fair value through profit or loss	**58,916**	**-**	**58,916**
Loans and advances to customers at amortized cost	**236,480**	**15,626**	**252,106**
Loans and advances to associates amortized cost	**518**	**-**	**518**
Financial assets at amortized cost	**803,342**	**-**	**803,342**
Financial assets at fair value through other comprehensive income	**24,959**	**-**	**24,959**
Total credit exposure	**1,950,034**	**58,925**	**2,008,959**

35. RISK MANAGEMENT (continued)

35.2 CREDIT RISK (continued)

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

	2016		
	Resident LL million	*Non resident LL million*	*Net maximum Exposure LL million*
Balances with the Central Bank of Lebanon	131,348	-	131,348
Due from banks and financial institutions	33,023	28,844	61,867
Financial assets at fair value through profit or loss	37,741	618	38,359
Loans and advances to customers at amortized cost	131,901	15,239	147,140
Financial assets at amortized cost	369,159	-	369,159
Financial assets at fair value through other comprehensive income	13,003	-	13,003
Total credit exposure	716,175	44,701	760,876

Analysis to maximum exposure to credit risk and collateral

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

	2017				
	Maximum exposure LL million	***Cash LL million***	***Securities LL million***	***Mortgage LL million***	***Net exposure LL million***
Balances with the Central Bank of Lebanon	**802,468**	**-**	-	**-**	**802,468**
Due from banks and financial institutions	**66,650**	**-**	-	**-**	**66,650**
Financial assets at fair value through profit or loss	**58,916**	**-**	**-**	**-**	**58,916**
Loans and advances to customers at amortized cost	**252,106**	**72,743**	**17,896**	**1,594**	**159,873**
Loans and advances to associates at amortized cost	**518**	**-**	**-**	**-**	**518**
Financial assets at amortized cost	**803,342**	**-**	-	**-**	**803,342**
Financial assets at fair value through other comprehensive income	**24,959**	**-**	-	**-**	**24,959**
	2,008,959	**72,743**	**17,896**	**1,594**	**1,916,726**

	2016				
	Maximum exposure LL million	*Cash LL million*	*Securities LL million*	*Mortgage LL million*	*Net exposure LL million*
Balances with the Central Bank of Lebanon	131,348	-	-	-	131,348
Due from banks and financial institutions	61,867	-	-	-	61,867
Financial assets at fair value through profit or loss	38,359	-	-	-	38,359
Loans and advances to customers at amortized cost	147,140	58,103	25,782	3,600	59,655
Financial assets at amortized cost	369,159	-	-	-	369,159
Financial assets at fair value through other comprehensive income	13,003	-	-	-	13,003
	760,876	58,103	25,782	3,600	673,391

The main collateral obtained are as follows:

Cash
Cash is obtained from customers and shareholders in the form of pledged deposits against loans granted to formers.

Securities
The balances shown above represent the fair value of securities pledged by the clients and shareholders against loans obtained from the Group.

Mortgage
The Group holds in some cases mortgages over properties. The value shown above reflects the fair value of the property limited to the related mortgaged amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. RISK MANAGEMENT (continued)

35.2 CREDIT RISK (continued)

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings.

	2017			
	Neither past due nor impaired	*Past due but not impaired*	*Individually impaired*	*Total*
	LL million	*LL million*	*LL million*	*LL million*
Balances with the Central Bank of Lebanon	802,468	-	-	802,468
Financial assets at fair value through profit or loss	58,916	-	-	58,916
Financial assets at amortized cost	803,342	-	-	803,342
Financial assets at fair value through other comprehensive income	24,959	-	-	24,959
	887,217	-	-	887,217
Due from banks and financial institutions	66,650	-	-	66,650
Loans and advances to customers at amortized cost	254,115	787	64,321	319,223
Loans and advances to associates at amortized cost	518	-	-	518
	2,010,968	787	64,321	2,076,076

	2016			
	Neither past due nor impaired	*Past due but not impaired*	*Individually impaired*	*Total*
	LL million	*LL million*	*LL million*	*LL million*
Balances with the Central Bank of Lebanon	131,348	-	-	131,348
Financial assets at fair value through profit or loss	38,359	-	-	38,359
Financial assets at amortized cost	369,159	-	-	369,159
Financial assets at fair value through other comprehensive income	13,003	-	-	13,003
	420,521	-	-	420,521
Due from banks and financial institutions	61,867	-	-	61,867
Loans and advances to customers at amortized cost	148,901	1,473	52,145	202,519
	762,637	1,473	52,145	816,255

For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the counterparty;
- A breach of contract such as a default of payment;
- It becomes probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Observable data that suggests that there is a decrease in the estimated future cash flows from the asset.

35.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

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

The Group maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flows. The Group also has committed lines of credit that it can access to meet liquidity needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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35. RISK MANAGEMENT (continued)

35.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

Analysis of Financial Assets and Liabilities by Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial assets and liabilities as at 31 December.

	2017				
	Up to 3 months LL million	*3 to 12 months LL million*	*1 to 5 years LL million*	*Over 5 years LL million*	*Total LL million*
Financial assets					
Cash and balances with the Central Bank of Lebanon	95,081	166,600	105,540	439,049	806,270
Due from banks and financial institutions	54,215	12,435	-	-	66,650
Financial assets at fair value through profit or loss	22,736	151	-	36,029	58,916
Loans and advances to customers at amortized cost	96,963	14,702	59,340	81,101	252,106
Loans and advances to associates at amortized cost	-	-	518	-	518
Financial assets at amortized cost	1,212	3,336	219,160	579,634	803,342
Financial assets at fair value through other comprehensive income	993	-	-	23,966	24,959
Total financial assets	271,200	197,224	384,558	1,159,779	2,012,761
Financial liabilities					
Due to Central Bank of Lebanon, banks and financial institutions	135,943	166,757	141,781	163,393	607,874
Customers and related parties deposits at amortized cost	666,428	178,861	26,304	38,305	909,898
Total financial liabilities	802,371	345,618	168,085	201,698	1,517,772
Net financial assets	(531,171)	(148,394)	216,473	958,081	494,989

	2016				
	Up to 3 months LL million	*3 to 12 months LL million*	*1 to 5 years LL million*	*Over 5 years LL million*	*Total LL million*
Financial assets					
Cash and balances with the Central Bank of Lebanon	19,387	6,495	45,222	62,829	133,933
Due from banks and financial institutions	50,209	11,658	-	-	61,867
Financial assets at fair value through profit or loss	19,752	23	-	18,584	38,359
Loans and advances to customers at amortized cost	82,014	18,408	37,424	9,294	147,140
Financial assets at amortized cost	1,044	7,534	135,810	224,771	369,159
Financial assets at fair value through other comprehensive income	-	-	-	13,003	13,003
Total financial assets	172,406	44,118	218,456	328,481	763,461
Financial liabilities					
Due to Central Bank of Lebanon, banks and financial institutions	42,184	1,102	111,023	45,751	200,060
Customers and related parties deposits at amortized cost	288,460	96,246	2,775	45	387,526
Total financial liabilities	330,644	97,348	113,798	45,796	587,586
Net financial assets	(158,238)	(53,230)	104,658	282,685	175,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. RISK MANAGEMENT (continued)

35.4 MARKET RISK

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

(a) Interest rate risk

The Group's interest sensitivity gap based on the earlier of contractual re-pricing or maturity date at 31 December was as follows:

	2017					
	Up to 3 months LL million	*3 to 12 months LL million*	*1 to 5 years LL million*	*More than 5 years LL million*	*Non-interest sensitive LL million*	*Total LL million*
Financial assets						
Cash and balances with the Central Bank of Lebanon	159,569	166,600	10,553	439,032	30,516	806,270
Due from banks and financial institutions	35,787	12,432	-	-	18,431	66,650
Financial assets at fair value through profit or loss	22,736	151	-	11,440	24,589	58,916
Loans and advances to customers at amortized cost	96,920	14,702	59,340	81,100	44	252,106
Loans and advances to associates at amortized cost	-	-	518	-	-	518
Financial assets at amortized cost	1,212	3,336	219,160	574,264	5,370	803,342
Financial assets at fair value through other comprehensive income	-	-	-	-	24,959	24,959
Total financial assets	316,224	197,221	289,571	1,105,836	103,909	2,012,761
Financial liabilities						
Due to Central Bank of Lebanon, banks and financial institutions	135,943	164,388	136,010	171,533	-	607,874
Customers deposits and related parties at amortized cost	601,123	153,239	17,230	51,296	87,010	909,898
Total financial liabilities	737,066	317,627	153,240	222,829	87,010	1,517,772
Net financial assets	(420,842)	(120,406)	136,331	883,007	16,899	494,989

	2016					
	Up to 3 months LL million	*3 to 12 months LL million*	*1 to 5 years LL million*	*More than 5 years LL million*	*Non-interest sensitive LL million*	*Total LL million*
Financial assets						
Cash and balances with the Central Bank of Lebanon	47,754	6,495	6,000	62,829	10,855	133,933
Due from banks and financial institutions	31,082	11,658	-	-	19,127	61,867
Financial assets at fair value through profit or loss	19,752	23	-	3,616	14,968	38,359
Loans and advances to customers at amortized cost	81,436	18,408	37,424	9,294	578	147,140
Financial assets at amortized cost	1,044	7,534	135,810	220,598	4,173	369,159
Financial assets at fair value through other comprehensive income	-	-	-	-	13,003	13,003
Total financial assets	181,068	44,118	179,234	296,337	62,704	763,461
Financial liabilities						
Due to Central Bank of Lebanon, banks and financial institutions	3,198	1,102	111,023	45,751	38,986	200,060
Customers deposits and related parties at amortized cost	241,751	94,319	2,489	-	48,967	387,526
Total financial liabilities	244,949	95,421	113,512	45,751	87,953	587,586
Net financial assets	(63,881)	(51,303)	65,722	250,586	(25,249)	175,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. RISK MANAGEMENT (continued)

35.4 MARKET RISK (continued)

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Breakdown of assets and liabilities by currency as at 31 December:

	2017			
	LL LL million	*USD LL million*	*Other LL million*	*Total LL million*
Assets				
Cash and balances with the Central Bank of Lebanon	327,997	400,415	77,858	806,270
Due from banks and financial institutions	19,663	39,152	7,835	66,650
Financial assets at fair value through profit or loss	21,537	37,379	-	58,916
Loans and advances to customers at amortized cost	107,668	130,376	13,062	251,106
Loans and advances to associates at amortized cost	-	518	-	518
Financial assets at amortized cost	383,795	419,547	-	803,342
Financial assets at fair value through other comprehensive income	970	23,989	-	24,959
Total assets	861,630	1,051,376	98,755	2,011,761
Liabilities and equity				
Liabilities				
Due to Central Bank of Lebanon and banks on financial institutions	515,225	42,531	50,118	607,874
Customers' and related parties' deposits at amortized cost	110,150	761,902	37,846	909,898
Total liabilities	625,375	804,433	87,964	1,517,772
Net exposure	236,255	246,943	10,791	493,989

	2016			
	LL LL million	*USD LL million*	*Other LL million*	*Total LL million*
Assets				
Cash and balances with the Central Bank of Lebanon	74,793	46,991	12,149	133,933
Due from banks and financial institutions	32,572	21,398	7,897	61,867
Financial assets at fair value through profit or loss	9,602	28,139	618	38,359
Loans and advances to customers at amortized cost	44,744	97,746	4,650	147,140
Financial assets at amortized cost	136,408	232,751	-	369,159
Financial assets at fair value through other comprehensive income	920	12,083	-	13,003
Total assets	299,039	439,108	25,314	763,461
Liabilities and equity				
Liabilities				
Due to Central Bank of Lebanon	123,382	69,266	7,412	200,060
Customers' and related parties' deposits at amortized cost	59,199	307,912	20,415	387,526
Total liabilities	182,581	377,178	27,827	587,586
Net exposure	116,458	61,930	(2,513)	175,875

The Bank's exposure to currency risk

As part of the management of the currency exposure, the Bank holds a fixed position with the Central Bank of Lebanon in US Dollars amounting to LL 160,868 million (2016: LL 39,195 million)(as converted at year end rate). Balances denominated in US Dollars are not considered to constitute a significant currency risk as the exchange rate of the Lebanese Lira against the US Dollar has remained stable in recent years.

35.5 OPERATIONAL RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. RISK MANAGEMENT (continued)

35.6 PREPAYMENT RISK

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

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are regularly managed by the Group's management, employing techniques, as requested by the Central Bank of Lebanon, (based on the guidelines developed by the Basel Committee). The required information is filed with the regulator on a semi-annual basis.

The regulatory capital requirements are strictly observed when managing economic capital. The Group complied with all capital ratios requirements throughout the period.

The table below summarises the composition of regulatory capital ratios for the years ended 31 December 2017 and 2016. The computation of the capital adequacy ratio was performed in accordance with the directives issued by the Banking Control Commission of Lebanon (BCCL memo no. 5/2016).

Regulatory capital

At 31 December, the capital consists of the following:

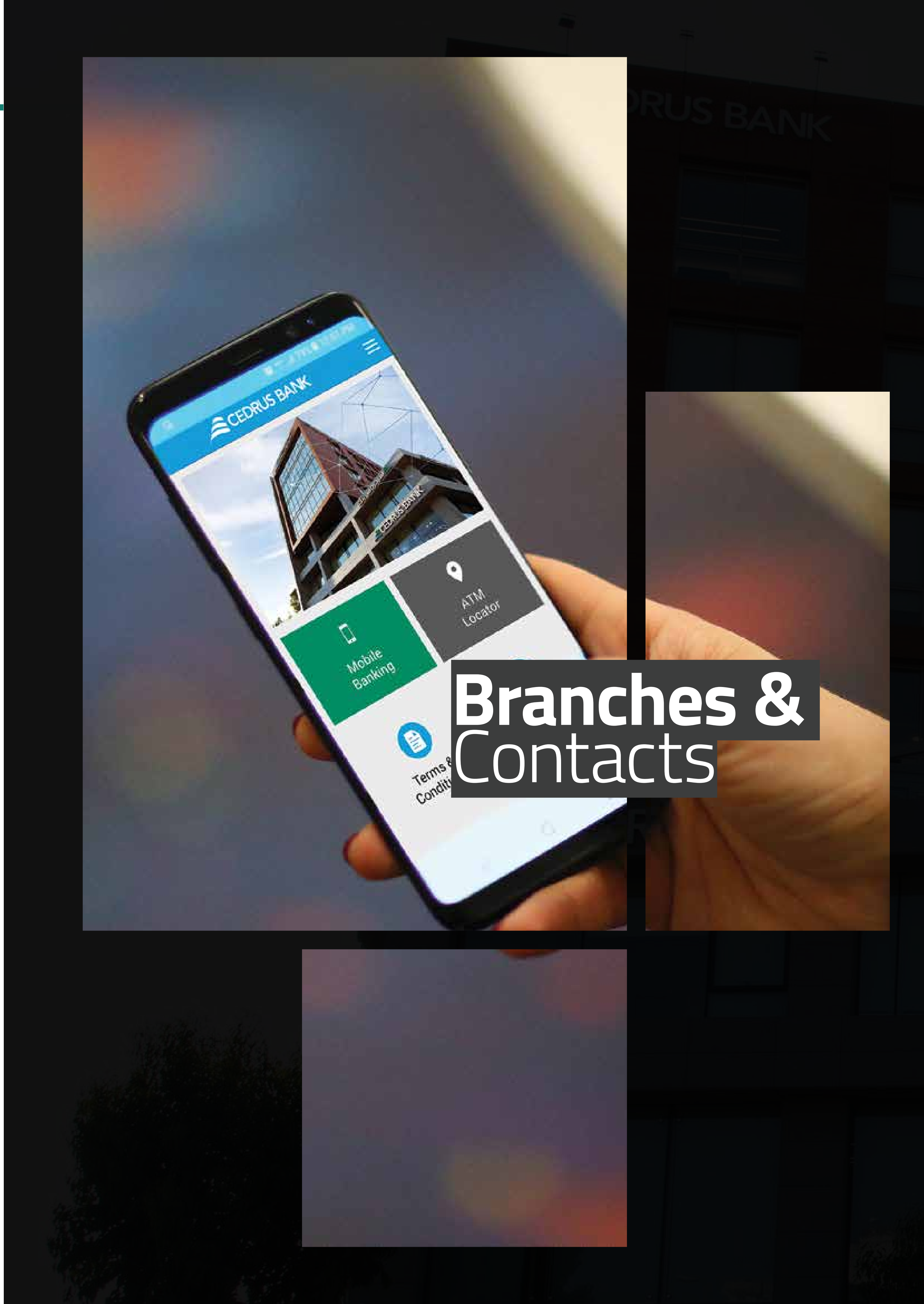
	2017 LL million	*2016 LL million*
Tier 1 capital	**428,967**	149,007
Tier 2 capital	**4,630**	7,225
Total capital	**433,597**	156,232
Risk weighted assets	**1,150,683**	453,931

The capital adequacy ratio as of 31 December is as follows:

	2017	*2016*
Tier 1 capital ratio	**37.28%**	32.83%

37. COMPARATIVE INFORMATION

During the year ended 31 December 2017, the Bank reclassified some comparative amounts to improve the quality of the information presented.



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