



CEDRUS INVEST BANK SAL
SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2015



Building a better
working world

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

We have audited the accompanying separate financial statements of Cedrus Invest Bank SAL (the "Bank"), which comprise the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

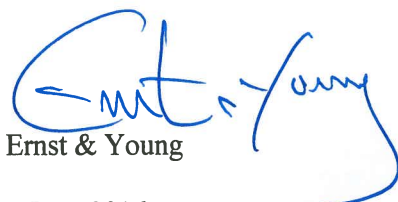
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Ernst & Young

7 June 2016
Beirut, Lebanon



PricewaterhouseCoopers
PricewaterhouseCoopers

Cedrus Invest Bank SAL

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Interest and similar income	3	9,316,520	5,642,964
Interest and similar expense	4	(970,583)	(850,688)
Net interest income		8,345,937	4,792,276
Fee and commission income	5	7,200,538	6,147,946
Fee and commission expense	6	(721,606)	(567,706)
Net fee and commission income		6,478,932	5,580,240
Net gain from financial assets at fair value through profit or loss	7	2,722,556	3,351,942
Gain from sale of financial assets at amortized cost	8	14,696	280,821
Gain on sale of shares in subsidiary	17	783,916	-
Total operating income		18,346,037	14,005,279
Personnel expenses	9	(3,975,479)	(3,203,999)
Depreciation of property and equipment	18	(247,411)	(235,894)
Amortization of intangible assets	19	(149,449)	(89,074)
General and other operating expenses	10	(4,909,669)	(4,437,423)
Total operating expenses		(9,282,008)	(7,966,390)
Profit for the year		9,064,029	6,038,889
Other comprehensive income		-	-
Total comprehensive income for the year		9,064,029	6,038,889

The accompanying notes 1 to 35 form part of these separate financial statements.

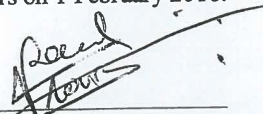
Cedrus Invest Bank SAL

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 LL (000)	2014 LL (000)
Assets			
Cash and balances with the Central Bank of Lebanon	12	6,751,525	6,626,672
Restricted balance with the Central Bank of Lebanon	23	-	60,311,082
Due from a subsidiary	30	1,753,543	-
Due from banks and financial institutions	13	112,970,850	70,764,522
Financial assets at fair value through profit or loss	14	38,095,172	21,234,325
Loans and advances to customers at amortized cost	15	43,688,246	27,400,134
Financial assets at amortized cost	16	28,832,805	18,332,786
Investments in subsidiaries	17	28,704,617	23,970
Property and equipment	18	635,417	700,128
Intangible assets	19	587,673	351,574
Other assets	20	5,461,404	9,589,510
Total assets		267,481,252	215,334,703
Liabilities and equity			
Liabilities			
Due to banks and financial institutions	21	48,159,194	43,419,302
Customers' deposits at amortized cost	22	26,754,491	10,345,543
Restricted accounts for capital increase	23	-	57,031,671
Due to a shareholder	30	10,011,308	-
Deposits from related parties at amortized cost	24	7,915,923	8,632,641
Other liabilities	25	4,844,835	3,498,979
Total liabilities		97,685,751	122,928,136
Equity			
Share capital	26	138,309,707	77,998,626
Share premium	26	11,293,234	-
Non-distributable reserves	27	1,916,184	1,141,382
Distributable reserves	27	8,295,315	3,031,228
Reserve for capital increase	27	-	3,279,410
Retained earnings		917,032	917,032
Profit for the year		9,064,029	6,038,889
Total equity		169,795,501	92,406,567
Total liabilities and equity		267,481,252	215,334,703
Assets under management and administration (off-balance sheet accounts)			
- Assets under management	29	257,281,179	208,088,452
- Assets under External Asset Manager Services	29	193,346,658	174,905,728
- Assets under custody	29	151,531,736	80,781,910
- Fiduciary deposits	29	67,849,047	50,753,577
		670,008,620	514,529,667

The separate financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 1 February 2016.


Raed Kheiry
Chairman and General Manager

The accompanying notes 1 to 35 form part of these separate financial statements.

Cedrus Invest Bank SAL

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital LL (000)	Share premium LL (000)	Non-distributable reserves LL (000)	Distributable reserves LL (000)	Reserve for capital increase LL (000)	Retained earnings LL (000)	Profit for the year LL (000)	Total LL (000)
Balance at 31 December 2013	77,998,626	-	503,016	3,031,228	-	-	4,834,808	86,367,678
Appropriation of profits (note 27)	-	-	638,366	-	-	4,196,442	(4,834,808)	-
Transfer to reserve for capital increase (note 27)	-	-	-	-	3,279,410	(3,279,410)	-	-
Total comprehensive income for the year	-	-	-	-	-	-	6,038,889	6,038,889
Balance at 31 December 2014	77,998,626	-	1,141,382	3,031,228	3,279,410	917,032	6,038,889	92,406,567
Increase in capital (note 26)	60,311,081	11,293,234	-	-	(3,279,410)	-	-	68,324,905
Appropriation of profits (note 27)	-	-	774,802	5,264,087	-	-	(6,038,889)	-
Total comprehensive income for the year	-	-	-	-	-	-	9,064,029	9,064,029
Balance at 31 December 2015	138,309,707	11,293,234	1,916,184	8,295,315	-	917,032	9,064,029	169,795,501

The accompanying notes 1 to 35 form part of these separate financial statements.

Cedrus Invest Bank SAL

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 LL (000)	2014 LL (000)
OPERATING ACTIVITIES		9,064,029	6,038,889
Profit for the year			
Adjustments for:			
Depreciation of property and equipment	18	247,411	235,894
Amortization of intangible assets	19	149,449	89,074
Loss on disposal of property and equipment		-	179
Net gain from sale of financial assets at amortized cost	8	(14,696)	(280,821)
Net revaluation loss (gain) from financial assets at fair value through profit or loss		363,196	(594,662)
		<u>9,809,389</u>	<u>5,488,553</u>
Changes in operating assets and liabilities:			
Balances with Central Bank		(396,397)	(634,324)
Loans and advances to customers at amortized cost		(16,288,113)	(14,986,332)
Financial assets at amortized cost		(10,485,323)	3,455,611
Financial assets at fair value through profit or loss		(17,224,043)	640,555
Customers' deposits at amortized cost		17,051,941	9,380,802
Deposits from related parties at amortized cost		(1,359,711)	6,799,308
Due from banks and financial institutions		41,668,855	16,128,140
Due to banks and financial institutions		4,739,892	11,941,819
Due from a subsidiary		(1,753,543)	-
Other assets		4,128,106	(2,254,032)
Other liabilities		473,652	1,372,356
		<u>30,364,705</u>	<u>37,332,456</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment	18	(182,700)	(37,832)
Purchase of intangible assets	19	(385,548)	(205,929)
Cash injection for capital increase in subsidiary		(12,753,600)	-
Due from banks		-	(8,013,824)
Investment in a subsidiary, net		(15,054,843)	(23,970)
Restricted cash with Central Bank		-	(60,311,082)
Advance on purchase of investment		-	(2,592,900)
		<u>(28,376,691)</u>	<u>(71,185,537)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Cash contribution for capital increase		-	68,324,906
Due to a shareholder		10,011,308	-
		<u>10,011,308</u>	<u>68,324,906</u>
Net cash from financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS		11,999,322	34,471,825
Cash and cash equivalents at beginning of year		42,518,475	8,046,650
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	<u><u>54,517,797</u></u>	<u><u>42,518,475</u></u>

The accompanying notes 1 to 35 form part of these separate financial statements.

1 CORPORATE INFORMATION

Cedrus Invest Bank SAL (the "Bank") is a Lebanese joint stock company (specialized bank) registered at the Commercial Register in Beirut under number 1013830 on 14 June 2011. The Bank is under number 137 in the list of Banks of the Central Bank of Lebanon. The Bank is located in Achrafieh, Sofil Center, Beirut – Lebanon.

The Bank provides all types of allowable financial services in reference to legislative decree No. 50 (dated 7 July 1983) subject to the Lebanese regulations especially the Code of Commerce, Code of Money and Credit and the Laws and Circulars of the Central Bank of Lebanon and the Banking Control Commission.

Accordingly, the Bank's financial services could be summarized as follows:

- The Bank provides Multi-family office services in which it offers 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.
- The Bank offers its clients advisory and discretionary portfolio management services on their accounts at external banks and financial institutions. The Bank obtains rebates on the fees charged by the external banks and financial institutions to the clients.
- The Bank provides brokerage services enabling clients' access 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board "IASB". The separate financial statements of the Bank have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The preparation of separate 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 Bank's accounting policies. Changes in assumptions may have a significant impact on the separate financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's separate 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 separate financial statements are disclosed in note 2.4.

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

The Bank presents its separate 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 separate statement of financial position date (non-current) is presented in note 33 to the separate financial statements

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015.

Although these new standards and amendments have been applied for the first time in 2015, they did not have a material impact on the separate financial statements of the Bank. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Bank has applied these improvements for the first time in these separate financial statements. They include:

IFRS 2 Share-based Payments

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these separate financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

2.3 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 separate financial statements are disclosed below. The Bank intends to adopt these standards and amendments, if applicable, when they become effective and are not expected to have a material effect on the Bank's separate financial statements.

IFRS 9 (2014) Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (IFRS 9 (2014)) which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. In prior years the Bank has early adopted IFRS 9 (2011) which includes the requirements for the classification and measurement. IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 (2014) will have an effect on measuring impairment allowances and on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The Bank is currently assessing the impact of IFRS 9 (2014) and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

2.4 Summary of significant accounting policies

(1) 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 "general and 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.

(2) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

(ii) Classification

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

Amortized cost

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

- the asset is held within a business model whose objective 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.

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

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

The Bank classifies its financial liabilities as measured at amortized cost. Financial liabilities include "Due to Banks and financial institutions" and "deposits from customers and related parties".

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "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, and dividend income is recorded in the same caption when the right to the payment has been established.

(iii) Reclassification

Financial assets

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

The Bank shall not reclassify any financial liability.

(iv) Derecognition

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(v) Offsetting

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

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

(vi) Amortized cost measurement

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

(vii) Impairment of financial assets

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

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

Financial assets carried at amortized cost

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(vii) Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

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

(viii) Fair value measurement

The Bank measures financial instruments, at fair value at each statement of financial position 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 Bank. 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 Bank 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 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 financial statements on a recurring basis, the Bank 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 Bank's accounting policies.

For the purpose of fair value disclosures, the Bank 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) Recognition of income and expenses**

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

(i) Interest and similar income and expenses

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

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

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

(ii) Fee and commission

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 are presented within "net gains on financial assets at fair value through profit or loss".

(4) Cash and cash equivalents

Cash and cash equivalents as referred to in the 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.

(5) Property and equipment

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

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:

Leasehold improvements	5 to 12.5 years
Office furniture and equipment	12.5 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 statement of comprehensive income as an expense.

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the 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 separate 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 Bank. Ongoing repairs and maintenance are expensed.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(6) Intangible assets

Intangible assets consist of computer software licenses. These are measured at amortized cost less accumulated amortization and any impairment loss. 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 Bank. 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.

(7) Investments in subsidiaries

The Bank's investment in subsidiaries is accounted for under the cost method of accounting. Subsidiaries are entities that the Bank controls. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specially, the Bank controls an investee if and only if the Bank has:

- Power over the investee (ie. 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.

(8) 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 separate financial statements, as they are not the assets of the Bank; they are recorded as off-statement of financial position items.

(9) Retirement benefits obligation

The Bank 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 statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the 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.

(10) Provision for risks and charges

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(11) 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 statement of comprehensive income on a straight line basis over the lease term.

(12) 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 statement of financial position are dealt with in the subsequent events note.

(13) Cash and cash equivalents

Cash and cash equivalents comprise balances with maturities of a period of three months or less including cash and balances with the Central Bank, deposits held at call with Banks and financial institutions and other short-term highly liquid investments with original maturities of three months or less.

2.5 Significant accounting judgments and estimates

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

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the separate 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 Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

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

Cedrus Invest Bank SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

3 INTEREST AND SIMILAR INCOME

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Central Bank of Lebanon	10,849	7,225
Due from banks and financial institutions	6,016,972	3,584,721
Debt instruments at amortized cost	1,493,689	1,026,413
Loans and advances to customers	1,795,010	1,024,605
	<u>9,316,520</u>	<u>5,642,964</u>

4 INTEREST AND SIMILAR EXPENSE

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Deposits and accounts held with banks and financial institutions	946,428	796,885
Deposits from related parties (note 30)	11,844	-
Deposits from customers	12,311	53,803
	<u>970,583</u>	<u>850,688</u>

5 FEE AND COMMISSION INCOME

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Brokerage	3,945,426	2,805,034
Account management	1,417,050	1,449,399
Income from multi-family office services	1,258,309	1,062,876
Custody services	579,753	578,838
Management fee (note 30)	-	180,900
Other commissions	-	70,899
	<u>7,200,538</u>	<u>6,147,946</u>

6 FEE AND COMMISSION EXPENSE

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Bank charges	215,685	102,158
Custody fees	259,737	189,251
Brokerage fees and other commissions paid	173,144	117,033
Multi-family office fees	73,040	159,264
	<u>721,606</u>	<u>567,706</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

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

	2015 LL (000)	2014 LL (000)
<i>Debt instruments:</i>		
- Interest and similar income	1,256,818	1,253,979
- Net gain on sale	1,598,335	1,384,677
- Net (loss) gain on revaluation	(454,117)	579,614
	<u>2,401,036</u>	<u>3,218,270</u>
<i>Equity instruments:</i>		
- Net (loss) gain on sale	(1,718)	23,364
- Net gain on revaluation	45,254	48,295
	<u>43,536</u>	<u>71,659</u>
<i>Funds:</i>		
- Net gain on sale	185,345	70,329
- Net gain (loss) on revaluation	92,639	(8,316)
	<u>277,984</u>	<u>62,013</u>
	<u>2,722,556</u>	<u>3,351,942</u>

8 GAIN FROM SALE OF FINANCIAL ASSETS AT AMORTIZED COST

In 2015, and as part of its credit risk management, the Bank sold debt securities with a carrying value of LL (000) 4,718,839 (2014: LL (000) 1,982,690) for a total consideration of LL (000) 4,733,535 (2014: LL (000) 2,263,511) resulting in a gain of LL (000) 14,696 (2014: LL (000) 280,821).

9 PERSONNEL EXPENSES

	2015 LL (000)	2014 LL (000)
Salaries and wages	2,963,443	2,340,895
Bonuses	330,503	283,125
Social security costs	290,173	221,185
Representation fees (note 30)	162,813	145,733
Insurance expenses	84,357	74,585
Transportation allowance	41,792	46,250
Scholarship allowance	31,000	23,000
Pension costs – defined benefit plan	5,342	12,007
Other employee charges	66,056	57,219
	<u>3,975,479</u>	<u>3,203,999</u>

Cedrus Invest Bank SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

10 GENERAL AND OTHER OPERATING EXPENSES

	2015 <i>LL (000)</i>	2014 <i>LL (000)</i>
Board of Directors members' remuneration (note 30)	1,658,250	1,509,722
Legal fees	1,095,371	452,552
Subscription fees	316,151	312,517
Professional fees	228,175	351,608
Rent expense	203,662	203,662
Board of Directors attendance fees (note 30)	196,920	149,111
Fiscal and monetary fees	184,596	86,989
Net realized losses on foreign exchange	154,601	64,940
Life insurance for senior management (note 30)	113,063	113,063
Maintenance and repairs (including IT support)	105,971	109,758
Travel expenses	85,893	118,529
Entertainment and hospitality expenses	80,752	120,177
Taxes on interest received	80,239	44,603
Communication fees	78,407	98,021
Withholding taxes on transactions with non-residents	78,366	48,699
Taxes on prior year board of directors remuneration (note 30)	71,728	388,375
Printing and stationery fees	42,097	34,780
Advertising expenses	15,607	20,455
Insurance expense	14,314	14,314
Training expenses	12,919	18,895
Other expenses	92,587	176,653
	<u>4,909,669</u>	<u>4,437,423</u>

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 financial years starting from the year of its establishment (2011).

12 CASH AND BALANCES WITH THE CENTRAL BANK OF LEBANON

	2015 <i>LL (000)</i>	2014 <i>LL (000)</i>
Cash on hand	11,208	11,880
Balances with the Central Bank of Lebanon:		
- Current accounts	254,371	506,932
- Term deposits	779,682	797,993
Included under cash and cash equivalents (note 31)	<u>1,045,261</u>	<u>1,316,805</u>
Mandatory reserve deposits with Central Bank of Lebanon	5,706,264	5,309,867
	<u>6,751,525</u>	<u>6,626,672</u>

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.

Cedrus Invest Bank SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

13 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Term placements	101,784,143	60,787,650
Margin accounts	8,823,431	9,669,187
Current accounts	2,363,276	307,685
	<u>112,970,850</u>	<u>70,764,522</u>

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Lebanese Government Bonds	19,670,302	18,829,001
Debt securities	1,605,360	1,609,124
Participation in Funds	13,191,752	456
Equity securities	3,627,758	795,744
	<u>38,095,172</u>	<u>21,234,325</u>

15 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Loans against mortgages	2,561,838	2,769,579
Loans against securities	22,075,430	11,094,984
Loans against cash collateral	5,403,171	-
Long term loan to customer	-	142,391
Shareholders' loans against securities (i)	13,659,243	13,392,375
Other loans	2,411	14,652
Collective provision	(13,847)	(13,847)
	<u>43,688,246</u>	<u>27,400,134</u>

- (i) 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 5% share in the Bank. Accordingly, these facilities are not considered as balances with related parties.

16 FINANCIAL ASSETS AT AMORTIZED COST

	<i>2015</i> <i>LL (000)</i>	<i>2014</i> <i>LL (000)</i>
Certificates of deposit (Central Bank of Lebanon)	16,697,540	12,588,011
Asset-backed securities	1,545,461	1,938,641
Lebanese Government Bonds	9,076,774	3,806,134
Lebanese Corporate Bonds	1,513,030	-
	<u>28,832,805</u>	<u>18,332,786</u>

Cedrus Invest Bank SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

17 INVESTMENTS IN SUBSIDIARIES

	Country	Ownership		2015 LL (000)	2014 LL (000)
		2015 %	2014 %		
Cedrus Bank SAL	Lebanon	84.75	-	28,680,647	-
Cedrus Real Estate Management Company SAL ("CREM")	Lebanon	79.9	79.9	23,970	23,970
				<u>28,704,617</u>	<u>23,970</u>

On 27 February 2015, the Bank acquired 1,196,880 shares of Standard Chartered SAL (trade name changed to Cedrus Bank SAL as of 2 March 2015) for an amount of LL (000) 19,487,452 (acquisition price).

Effective 31 May 2015, the Bank sold 179,512 shares to a minority shareholder for an amount of US\$ 2,947,000 (equivalent to LL (000) 4,442,603) resulting in a total gain of LL (000) 1,656,120 of which LL (000) 783,916 were recognized in profit or loss and the balance of LL (000) 872,204 was deferred under other liabilities (note 25). In addition, the Bank agreed with the purchaser to place a balance with the Bank restricted for the future capital increases to be performed at the subsidiary level.

During July 2015 and pursuant to the SPA, the Bank received an amount of LL (000) 749,194 from the seller as an adjustment to the initial consideration.

In December 2015, and pursuant to the Central Bank of Lebanon approval (granted on 10 November 2015), the Bank subscribed in the capital increase of the subsidiary for a cash consideration of LL (000) 12,753,600 (the Bank acquired 1,275,360 shares out of the 1,500,000 newly issued shares).

18 PROPERTY AND EQUIPMENT

	Leasehold improvements LL (000)	Office furniture and equipment LL (000)	Total LL (000)
Cost :			
At 1 January 2015	604,411	778,251	1,382,662
Additions	-	182,700	182,700
At 31 December 2015	<u>604,411</u>	<u>960,951</u>	<u>1,565,362</u>
Depreciation:			
At 1 January 2015	354,645	327,889	682,534
Charge for the year	119,885	127,526	247,411
At 31 December 2015	<u>474,530</u>	<u>455,415</u>	<u>929,945</u>
Net carrying amount: At 31 December 2015	<u>129,881</u>	<u>505,536</u>	<u>635,417</u>

31 December 2015

18 PROPERTY AND EQUIPMENT

	<i>Leasehold improvements LL (000)</i>	<i>Office furniture and equipment LL (000)</i>	<i>Total LL (000)</i>
Cost :			
At 1 January 2014	595,869	749,293	1,345,162
Additions	8,542	29,290	37,832
Disposals	-	(332)	(332)
At 31 December 2014	<u>604,411</u>	<u>778,251</u>	<u>1,382,662</u>
Depreciation:			
At 1 January 2014	235,372	211,421	446,793
Charge for the year	119,273	116,621	235,894
Related to disposals	-	(153)	(153)
At 31 December 2014	<u>354,645</u>	<u>327,889</u>	<u>682,534</u>
Net carrying amount:			
At 31 December 2014	<u><u>249,766</u></u>	<u><u>450,362</u></u>	<u><u>700,128</u></u>

19 INTANGIBLE ASSETS

	<i>Software</i>	
	<i>2015 LL (000)</i>	<i>2014 LL (000)</i>
Cost:		
At 1 January	553,183	347,254
Additions during the year	385,548	205,929
At 31 December	<u>938,731</u>	<u>553,183</u>
Amortization:		
At 1 January	201,609	112,535
Charge for the year	149,449	89,074
At 31 December	<u>351,058</u>	<u>201,609</u>
Net carrying amount:		
At 31 December	<u><u>587,673</u></u>	<u><u>351,574</u></u>

20 OTHER ASSETS

	<i>2015 LL (000)</i>	<i>2014 LL (000)</i>
Mandatory deposit with the Lebanese Treasury (a)	4,500,000	4,500,000
Advance paid on investment (b)	-	2,592,900
Accrued income	753,190	867,140
Prepaid expenses	171,032	159,483
Revaluation loss on fixed position	29,509	29,509
Other debit balances (b)	7,673	1,440,478
	<u><u>5,461,404</u></u>	<u><u>9,589,510</u></u>

Cedrus Invest Bank SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2015

20 OTHER ASSETS (continued)

- (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.
- (b) During 2014, the Bank signed a sales and purchase agreement (SPA) to acquire the shares of Standard Chartered Bank SAL and paid an advance of LL (000) 2,592,900. In addition, the Bank provided a temporary financing to the target in the amount of LL (000) 1,317,101 (through a current account recorded under other debit balances). On 27 February 2015, the Bank completed the acquisition and settled the remaining balance of the agreed consideration (note 17).

21 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2015 LL (000)	2014 LL (000)
Term borrowings	48,159,194	43,419,302

Term borrowings are subject to an annual interest rate ranging from 1.75% to 3.25% as at 31 December 2015 (2014: 0.92% to 3.15%)

22 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2015 LL (000)	2014 LL (000)
Margin accounts against operations in financial markets (futures and options)	26,364,242	10,115,926
Term deposits	390,249	-
Pledged accounts	-	229,617
	<u>26,754,491</u>	<u>10,345,543</u>

The Bank 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).

23 RESTRICTED BALANCE WITH THE CENTRAL BANK OF LEBANON

On 21 July 2014, the Extraordinary General assembly convened to increase the Bank's share capital by LL (000) 60,311,081 (the "Balance").

As of 31 December 2014, the Balance was deposited at the Central Bank of Lebanon in a restricted account for the capital increase. This balance was funded by (i) the shareholders' cash injection in the amount of LL (000) 57,031,671 and (ii) the reserve constituted for the capital increase in the amount of LL (000) 3,279,410.

24 DEPOSITS FROM RELATED PARTIES AT AMORTIZED COST

	2015 LL (000)	2014 LL (000)
Key shareholders' accounts	6,003,819	7,363,530
Related parties' accounts	1,912,104	1,269,111
	<u>7,915,923</u>	<u>8,632,641</u>

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

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25 OTHER LIABILITIES

	2015 LL (000)	2014 LL (000)
Deferred income (note 17)	872,204	-
Accrued Board of Directors members' remuneration	1,733,736	1,509,722
Accrued expenses	1,135,747	632,670
Revaluation gain on foreign currency fixed position	103,266	81,621
Due to the National Social Security Fund	28,278	13,223
Due to the Ministry of Finance	728,859	865,059
Other credit balances	242,745	396,684
	<u>4,844,835</u>	<u>3,498,979</u>

26 SHARE CAPITAL AND SHARE PREMIUM

On 19 January 2015, the extraordinary general assembly of shareholders, verified the capital increase undertaken by the Bank amounting to LL (000) 60,311,081 (note 23). The capital increase was executed through (i) issuance of 34,334 nominal shares for subscription by the current shareholders with nominal value of LL 1,111,725 and a premium of US\$ 79.12 (equivalent to LL 119,285), (ii) 19,916 nominal shares for subscription by third parties with a nominal value of LL 1,111,725 and premium of US\$ 239.73 (equivalent to LL 361,402 per share), and (iii) an amount of LL (000) 3,279,410 transferred from reserve for capital increase to share capital (note 23).

At 31 December 2015, share capital comprised 124,410 nominal shares (2014: 70,160 shares) with a nominal value of LL 1,111,725 per share (2014: the same) and a total share premium of LL (000) 11,293,234.

27 RESERVES

	2015 LL (000)	2014 LL (000)
Reserve for unidentified banking risks (a):		
Opening balance	304,477	149,592
Appropriation from prior year results	170,913	154,885
Ending balance	<u>475,390</u>	<u>304,477</u>
Legal reserve (b):		
Opening balance	836,905	353,424
Appropriation from prior year results	603,889	483,481
Ending balance	<u>1,440,794</u>	<u>836,905</u>
Total non-distributable reserves (a+b)	<u>1,916,184</u>	<u>1,141,382</u>

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 tenth year and 2 percent by the twentieth year. This reserve is considered part of Tier I capital, but is not available for distribution.

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27 RESERVES (continued)**Non-Distributable reserves (continued)***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 appropriations for legal reserve and unidentified banking risks reserve) were appropriated to a general reserve. This reserve is considered part of Tier I capital and is available for distribution.

Retained earnings and reserve for capital increase

On 9 September 2014, the General Assembly decided to keep the net outstanding balance pertaining to the net profits for the year 2013 (i.e. after deducting appropriation to legal and unidentified banking risks) as available for distribution. On 19 December 2014 and as proposed by the Board of Directors, the General Assembly decided to appropriate an amount of LL (000) 3,279,410 from retained earnings to reserve for capital increase.

28 CONTINGENT LIABILITIES AND COMMITMENTS*- Operating lease arrangement*

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

	2015	2014
	LL (000)	LL (000)
Within one year	190,699	190,699
After one year but not more than three years	419,537	440,467
More than three years but less than six years	209,769	419,538
	820,005	1,050,704

- Tax contingencies

Lebanese tax legislation is subject to varying interpretations when being applied to financial transactions and activities. Fiscal years from 2011 to 2015 remain open to review by the authorities.

- Contribution in the proposed capital increase of the subsidiary (Cedrus Bank SAL)

On 1 February 2016, the Board of Directors of the Bank convened to increase the subsidiary's capital by US\$ 11 million (equivalent to LL 16,582 million) through cash injection subject to the approval of the General Assembly of shareholders and the Central Bank of Lebanon.

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29 ASSETS UNDER MANAGEMENT AND ADMINISTRATION

	2015 <i>LL (000)</i>	2014 <i>LL (000)</i>
Assets held on behalf of customers (on non-discretionary basis)		
Deposits with banks	23,599,970	38,559,569
Financial instruments	233,681,209	169,528,883
Fiduciary deposits	67,849,047	50,753,577
	<u>325,130,226</u>	<u>258,842,029</u>
Assets under External Asset Manager Services (i)	<u>193,346,658</u>	<u>174,905,728</u>
Assets under custody	<u>151,531,736</u>	<u>80,781,910</u>
	<u><u>670,008,620</u></u>	<u><u>514,529,667</u></u>

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

30 RELATED PARTY TRANSACTIONS

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

Transactions conducted with related parties for the year were as follows:

	2015 <i>LL (000)</i>	2014 <i>LL (000)</i>
<i>Key management compensation</i>		
Board of Directors members' remuneration	1,658,250	1,509,722
Remuneration of key management personnel	764,250	762,387
Representation fees for key management personnel	162,813	145,733
Board of Directors attendance fees	196,920	149,111
Life insurance	113,063	113,063
Taxes on prior year Board of Directors members' remuneration	71,728	388,375
<i>Key shareholders (a)</i>		
Commissions income – brokerage	697,635	504,947
Accounts management income	457,284	202,632
Management fees (CREM)	-	180,900
	<u><u>697,635</u></u>	<u><u>504,947</u></u>

- (a) These represents transactions with shareholders with ownership of 5% or more.

	2015 <i>LL (000)</i>	2014 <i>LL (000)</i>
Interest expense on deposits from related parties	<u>11,844</u>	<u>-</u>

Balances with related parties are included in notes 17 and 24 to the separate financial statements.

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30 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties as at year-end were as follows:

(i) Off balance sheet accounts

	<i>2015</i>	<i>2014</i>
	<i>LL (000)</i>	<i>LL (000)</i>
Assets under management	57,791,865	59,631,390
Assets under External Asset Manager Services	90,687,936	103,867,608
Assets under custody	81,680,473	54,411,419
Fiduciary deposits (b)	10,548,189	7,887,972
	<u>240,708,463</u>	<u>225,798,389</u>

(b) Included in fiduciary deposits an amount of LL 4,221,000 placed with the subsidiary.

(ii) Deposits with customers at amortized cost

Deposits by key shareholders	6,003,819	7,363,530
Deposits by related parties	1,912,104	1,269,111
	<u>7,915,923</u>	<u>8,632,641</u>

(iii) As at 31 December 2015, due to a shareholder represents other deposits held at the Bank amounting to LL (000) 10,011,308.

(iv) As at 31 December 2015, the Bank held a current account with Cedrus Bank SAL ("subsidiary") amounting to LL (000) 1,753,543.

31 CASH AND CASH EQUIVALENTS

	<i>2015</i>	<i>2014</i>
	<i>LL (000)</i>	<i>LL (000)</i>
Cash and balances with the Central Bank (note 12)	1,045,261	1,316,805
Due from banks and financial institutions	53,472,536	41,201,670
	<u>54,517,797</u>	<u>42,518,475</u>

32 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:

	<i>2015</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>LL (000)</i>	<i>LL (000)</i>	<i>LL (000)</i>	<i>LL (000)</i>
Financials assets at fair value through profit or loss:				
Lebanese Government Bonds	14,364,555	5,305,747	-	19,670,302
Debt securities	-	1,605,360	-	1,605,360
Participation in funds	13,191,752	-	-	13,191,752
Equity securities	1,243,054	2,384,704	-	3,627,758
	<u>28,799,361</u>	<u>9,295,811</u>	<u>-</u>	<u>38,095,172</u>

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32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2014			
	Level 1 LL (000)	Level 2 LL (000)	Level 3 LL (000)	Total LL (000)
Financials assets at fair value through profit or loss:				
Lebanese Government Bonds	18,829,001	-	-	18,829,001
Debt securities	-	1,609,124	-	1,609,124
Participation in funds	456	-	-	456
Equity securities	795,744	-	-	795,744
	<u>19,625,201</u>	<u>1,609,124</u>	<u>-</u>	<u>21,234,325</u>

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

	2015			Total fair value LL (000)	Book value LL(000)
	Level 1 LL (000)	Level 2 LL (000)	Level 3 LL (000)		
Assets for which fair values are disclosed:					
Cash and balances with Central Bank	11,208	6,740,317	-	6,751,525	6,751,525
Due from banks and financial institutions	-	112,970,850	-	112,970,850	112,970,850
Due from a subsidiary	-	1,753,543	-	1,753,543	1,753,543
Financial assets at amortized cost	5,818,001	22,565,717	-	28,383,718	28,832,805
Loans and advances to customers at amortized cost	-	-	43,688,246	43,688,246	43,688,246
Liabilities for which fair values are disclosed:					
Due to banks and financial institutions	-	48,159,194	-	48,159,194	48,159,194
Due to a shareholder	-	10,011,308	-	10,011,308	10,011,308
Customers' deposits at amortized cost	-	26,754,491	-	26,754,491	26,754,491
Deposits from related parties at amortized cost	-	7,915,923	-	7,915,923	7,915,923
	2014			Total fair value LL (000)	Book value LL(000)
	Level 1 LL (000)	Level 2 LL (000)	Level 3 LL (000)		
Assets for which fair values are disclosed:					
Cash and balances with Central Bank	11,880	6,614,792	-	6,626,672	6,626,672
Due from banks and financial institutions	-	70,764,522	-	70,764,522	70,764,522
Financial assets at amortized cost	16,583,584	1,938,641	-	18,522,225	18,332,786
Loans and advances to customers at amortized cost	-	-	27,400,134	27,400,134	27,400,134
Liabilities for which fair values are disclosed:					
Due to banks and financial institutions	-	43,419,302	-	43,419,302	43,419,302
Customers' deposits at amortized cost	-	10,345,543	-	10,345,543	10,345,543
Deposits from related parties at amortized cost	-	8,632,641	-	8,632,641	8,632,641

There were no transfers between levels during 2015 (2014: the same).

Valuation models

The Bank 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.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Due from banks and financial institutions

For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Government bonds, certificates of deposits and other debt securities

The Bank values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest 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.

Due to 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.

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33 RISK MANAGEMENT**33.1 Introduction**

Risk is inherent in the Bank's activities. The Bank is exposed to credit risk, liquidity risk, prepayment risk, operating 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.

33.2 CREDIT RISK

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

Credit quality per class of financial assets

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continuously assessing the creditworthiness of counterparties. The Bank 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.

	2015		
	<i>Resident LL (000)</i>	<i>Non resident LL (000)</i>	<i>Net maximum exposure LL (000)</i>
Balances with the Central Bank	6,740,317	-	6,740,317
Due from banks and financial institutions	102,239,587	10,731,263	112,970,850
Financial assets at fair value through profit or loss	38,095,172	-	38,095,172
Loans and advances to customers at amortized cost	22,203,731	21,484,515	43,688,246
Financial assets at amortized cost	28,832,805	-	28,832,805
Due from a subsidiary	1,753,543	-	1,753,543
Total credit exposure	199,865,155	32,215,778	232,080,933
	2014		
	<i>Resident LL (000)</i>	<i>Non resident LL (000)</i>	<i>Net maximum exposure LL (000)</i>
Balances with the Central Bank	66,925,874	-	66,925,874
Due from banks and financial institutions	59,043,297	11,721,225	70,764,522
Financial assets at fair value through profit or loss	21,234,325	-	21,234,325
Loans and advances to customers at amortized cost	7,720,290	19,679,844	27,400,134
Financial assets at amortized cost	18,332,786	-	18,332,786
Total credit exposure	173,256,572	31,401,069	204,657,641

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33 RISK MANAGEMENT (continued)**33.2 CREDIT RISK (continued)****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.

	2015				Net exposure LL (000)
	Maximum exposure LL (000)	Cash LL (000)	Securities LL (000)	Mortgage LL (000)	
Balances with the Central Bank	6,740,317	-	-	-	6,740,317
Due from banks and financial institutions	112,970,850	-	-	-	112,970,850
Financial assets at fair value through profit or loss	38,095,172	-	-	-	38,095,172
Loans and advances to customers at amortized cost	43,688,246	8,559,873	181,428,010	3,256,200	-
Financial assets at amortized cost	28,832,805	-	-	-	28,832,805
	<u>230,327,390</u>	<u>8,559,873</u>	<u>181,428,010</u>	<u>3,256,200</u>	<u>186,639,144</u>
	2014				Net exposure LL (000)
	Maximum exposure LL (000)	Cash LL (000)	Securities LL (000)	Mortgage LL (000)	
Balances with the Central Bank	66,925,874	-	-	-	66,925,874
Due from banks and financial institutions	70,764,522	-	-	-	70,764,522
Financial assets at fair value through profit or loss	21,234,325	-	-	-	21,234,325
Loans and advances to customers at amortized cost	27,400,134	2,911,367	61,807,380	3,256,200	-
Financial assets at amortized cost	18,332,786	-	-	-	18,332,786
	<u>204,657,641</u>	<u>2,911,367</u>	<u>61,807,380</u>	<u>3,256,200</u>	<u>177,257,507</u>

The main of 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 Bank.

Mortgage

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

Credit quality by class of financial assets

The table below shows the credit quality by asset class for all financial assets with credit risk, based on the past-due status and impaired / non-impaired classification.

	2015			Total LL (000)
	Neither past due nor impaired LL (000)	Past due but not impaired LL (000)	Individually impaired LL (000)	
Balances with the Central Bank	6,740,317	-	-	6,740,317
Financial assets at fair value through profit or loss	38,095,172	-	-	38,095,172
Financial assets at amortized cost	28,832,805	-	-	28,832,805
	<u>66,927,977</u>	<u>-</u>	<u>-</u>	<u>66,927,977</u>
Due from banks and financial institutions	112,970,850	-	-	112,970,850
Loans and advances to customers at amortized cost	43,688,246	-	-	43,688,246
	<u>230,327,390</u>	<u>-</u>	<u>-</u>	<u>230,327,390</u>

33 RISK MANAGEMENT (continued)**33.2 CREDIT RISK (continued)****Credit quality by class of financial assets (continued)**

	2014			Total LL (000)
	Neither past due nor impaired LL (000)	Past due but not impaired LL (000)	Individually impaired LL (000)	
Balances with the Central Bank	66,925,874	-	-	66,925,874
Financial assets at fair value through profit or loss	21,234,325	-	-	21,234,325
Financial assets at amortized cost	18,332,786	-	-	18,332,786
	39,567,111	-	-	39,567,111
Due from banks and financial institutions	70,764,522	-	-	70,764,522
Loans and advances to customers at amortized cost	27,400,134	-	-	27,400,134
	204,657,641	-	-	204,657,641

For accounting purposes, the Bank 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.

Individually assessed allowances

The Bank determines the allowance appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

33.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

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

Credit quality by class of financial assets

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

In accordance with the Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits and commitments in foreign currencies and should not be less than 10% and net liquid assets to Tier 1 Capital should not be less than 40%.

The ratios during the year were as follows:

Liquidity ratio	2015 %	2014 %
Foreign currencies	21.29	53.51
Lebanese Lira	60.13	51.12

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33 RISK MANAGEMENT (continued)**33.3 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.

	31 December 2015				
	Up to 3 months LL (000)	3 to 12 months LL (000)	1 to 5 years LL (000)	Over 5 years LL (000)	Total LL (000)
Financial assets					
Cash and balances with the Central Bank	5,997,438	754,087	-	-	6,751,525
Due from banks and financial institutions	89,732,795	23,238,055	-	-	112,970,850
Due from subsidiary	1,753,543	-	-	-	1,753,543
Financial assets at fair value through profit or loss	132,078	190,411	6,032,080	31,740,603	38,095,172
Loans and advances to customers at amortized cost	7,049,784	4,441,364	29,370,446	2,826,652	43,688,246
Financial assets at amortized cost	45,407	388,886	3,772,180	24,626,332	28,832,805
Total financial assets	104,711,045	29,012,803	39,174,706	59,193,587	232,092,141
Financial liabilities					
Due to banks and financial institutions	39,041,313	9,117,881	-	-	48,159,194
Customers and related parties deposits at amortized cost	33,630,174	1,040,240	-	-	34,670,414
Total financial liabilities	72,671,487	10,158,121	-	-	82,829,608
Net financial assets	32,039,558	18,854,682	39,174,706	59,193,587	149,262,533

	31 December 2014				
	Up to 3 months LL (000)	3 to 12 months LL (000)	1 to 5 years LL (000)	Over 5 years LL (000)	Total LL (000)
Financial assets					
Cash and balances with the Central Bank	63,922,754	3,015,000	-	-	66,937,754
Due from banks and financial institutions	40,546,860	30,217,662	-	-	70,764,522
Financial assets at fair value through profit or loss	128,455	184,127	6,154,188	14,767,555	21,234,325
Loans and advances to customers at amortized cost	4,700,493	5,579,992	11,410,878	5,708,771	27,400,134
Financial assets at amortized cost	235,868	4,874,524	3,780,981	9,441,413	18,332,786
Total financial assets	109,534,430	43,871,305	21,346,047	29,917,739	204,669,521
Financial liabilities					
Due to banks and financial institutions	10,837,434	5,031,082	27,550,786	-	43,419,302
Customers and related parties deposits at amortized cost	18,752,059	226,125	-	-	18,978,184
Total financial liabilities	29,589,493	5,257,207	27,550,786	-	62,397,486
Net financial assets	79,944,937	38,614,098	(6,204,739)	29,917,739	142,272,035

33.4 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.

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33 RISK MANAGEMENT (continued)

33.4 MARKET RISK (continued)

(a) Interest rate risk

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

	2015					Total LL (000)
	Up to 3 months LL (000)	3 to 12 months LL (000)	1 to 5 years LL (000)	More than 5 years LL (000)	Non-interest sensitive LL (000)	
Financial assets						
Cash and balances with the Central Bank	5,728,164	754,087	-	-	269,274	6,751,525
Due from banks and financial institutions	83,702,795	23,238,055	-	-	6,030,000	112,970,850
Due from subsidiary	1,753,543	-	-	-	-	1,753,543
Financial assets at fair value through profit or loss	132,078	190,411	6,032,080	14,919,959	16,820,644	38,095,172
Loans and advances to customers at amortized cost	6,755,796	4,441,364	29,370,446	2,826,652	293,988	43,688,246
Financial assets at amortized cost	45,407	388,886	3,772,180	24,626,332	-	28,832,805
Total financial assets	98,117,783	29,012,803	39,174,706	42,372,943	23,413,906	232,092,141
Financial liabilities						
Due to banks and financial institutions	27,536,683	9,117,881	-	-	11,504,630	48,159,194
Customers' and related parties deposits at amortized cost	33,515,322	1,040,240	-	-	114,852	34,670,414
Total financial liabilities	61,052,005	10,158,121	-	-	11,619,482	82,829,608
Net financial assets	37,065,778	18,854,682	39,174,706	42,372,943	11,794,424	149,262,533
	2014					
	Up to 3 months LL (000)	3 to 12 months LL (000)	1 to 5 years LL (000)	More than 5 years LL (000)	Non-interest sensitive LL (000)	Total LL (000)
Financial assets						
Cash and balances with the Central Bank	63,922,754	3,015,000	-	-	-	66,937,754
Due from banks and financial institutions	30,518,771	30,217,662	-	-	10,028,089	70,764,522
Financial assets at fair value through profit or loss	128,455	184,127	6,154,188	13,971,355	796,200	21,234,325
Loans and advances to customers at amortized cost	4,700,493	5,579,992	11,410,878	5,708,771	-	27,400,134
Financial assets at amortized cost	235,868	4,874,524	3,780,981	9,441,413	-	18,332,786
Total financial assets	99,506,341	43,871,305	21,346,047	29,121,539	10,824,289	204,669,521
Financial liabilities						
Due to banks and financial institutions	2,320,878	5,031,082	27,550,786	-	8,516,556	43,419,302
Customers deposits and related parties at amortized cost	18,752,059	226,125	-	-	-	18,978,184
Total financial liabilities	21,072,937	5,257,207	27,550,786	-	8,516,556	62,397,486
Net financial assets	78,433,404	38,614,098	(6,204,739)	29,121,539	2,307,733	142,272,035

Cedrus Invest Bank SAL

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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33 RISK MANAGEMENT (continued)

33.4 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:

	2015			
	LL LL (000)	USD LL (000)	Other LL(000)	Total LL (000)
Assets				
Cash and balances with the Central Bank	36,698	6,710,516	4,311	6,751,525
Due from banks and financial institutions	91,983,990	19,036,961	1,949,899	112,970,850
Due from subsidiary	207,402	1,529,695	16,446	1,753,543
Financial assets at fair value through profit or loss	5,357,512	32,737,660	-	38,095,172
Loans and advances to customers at amortized cost	159,267	35,857,820	7,671,159	43,688,246
Financial assets at amortized cost	7,603,472	21,229,333	-	28,832,805
Other assets	5,272,831	188,280	293	5,461,404
Total assets	110,621,172	117,290,265	9,642,108	237,553,545
Liabilities and equity				
Liabilities				
Due to banks and financial institutions	437,814	40,328,509	7,392,871	48,159,194
Customers' and related parties' deposits at amortized cost	1,233,418	32,552,313	884,683	34,670,414
Other liabilities	3,288,624	1,525,719	30,492	4,844,835
Total liabilities	4,959,856	74,406,541	8,308,046	87,674,443
Net exposure	105,661,316	42,883,724	1,334,062	149,879,102
	2014			
	LL LL (000)	USD LL (000)	Other LL(000)	Total LL (000)
Assets				
Cash and balances with the Central Bank	60,526,502	6,113,239	298,013	66,937,754
Due from banks and financial institutions	38,591,945	30,906,418	1,266,159	70,764,522
Financial assets at fair value through profit or loss	4,006,411	17,227,914	-	21,234,325
Loans and advances to customers at amortized cost	10,472	20,845,574	6,544,088	27,400,134
Financial assets at amortized cost	3,100,112	15,232,674	-	18,332,786
Other assets	5,615,410	3,974,100	-	9,589,510
Total assets	111,850,852	94,299,919	8,108,260	214,259,031
Liabilities and equity				
Liabilities				
Due to banks and financial institutions	-	42,850,054	569,248	43,419,302
Customers' and related parties' deposits at amortized cost	-	18,015,509	962,675	18,978,184
Other liabilities	2,258,324	1,240,655	-	3,498,979
Total liabilities	2,258,324	62,106,218	1,531,923	65,896,465
Net exposure	109,592,528	32,193,701	6,576,337	148,362,566

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 (000) 39,194,610 (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.

33 RISK MANAGEMENT (continued)**33.5 OPERATIONAL RISK**

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

33.6 PREPAYMENT RISK

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

34 CAPITAL MANAGEMENT

The Bank'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 Bank operates;
- To safeguard the Bank'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 Bank'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 Bank 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 2015 and 2014. 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:

	<i>2015</i> <i>LL million</i>	<i>2014</i> <i>LL million</i>
Tier 1 capital	160,144	82,523
Total capital	160,144	82,523
Risk weighted assets	176,424	87,501
The capital adequacy ratio as of 31 December is as follows:		
	<i>2015</i>	<i>2014</i>
Tier 1 capital ratio	90.77%	94.31%

31 December 2015

34 CAPITAL MANAGEMENT (continued)

In accordance with the Central Bank of Lebanon Main Circular 44, the Bank should maintain the minimum required capital adequacy ratio as follows:

	<u><i>The Bank</i></u>		<u><i>Supervisory</i></u>		<u><i>Basel III</i></u>
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>
Tier 1 Capital Ratio	10%	9.5%	10%	9.5%	6%
Total Capital Ratio	12%	11.5%	12%	11.5%	8%

35 COMPARATIVE INFORMATION

During the year ended 31 December 2015, the Bank reclassified some comparative amounts to improve the quality of the information presented.