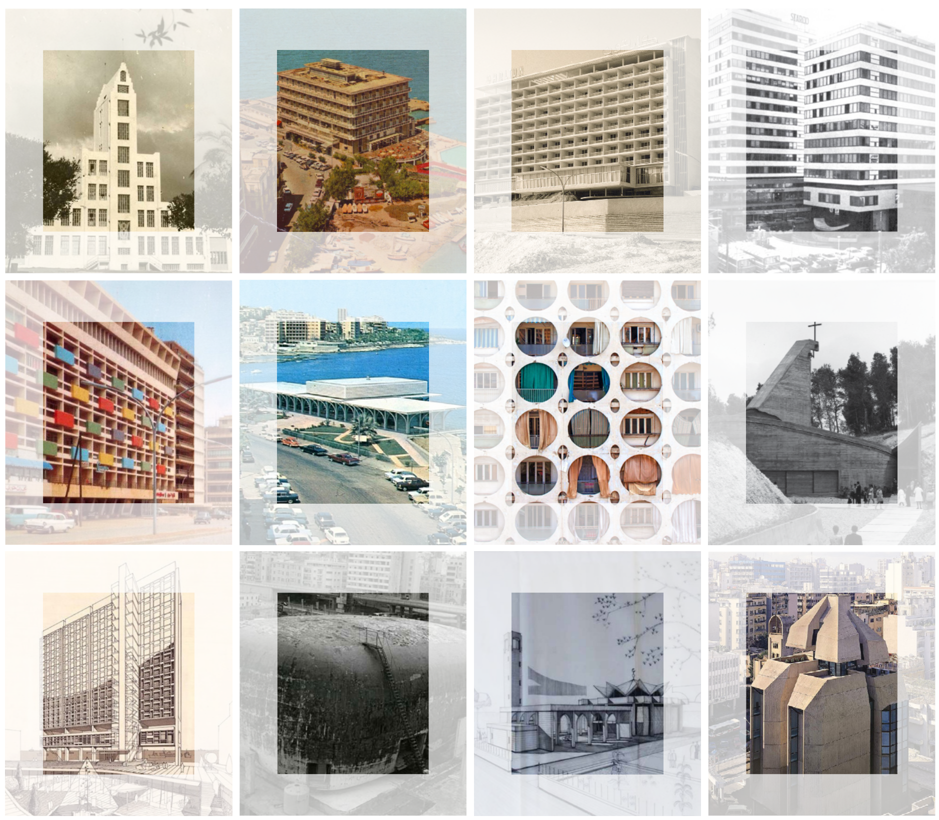
ANNUAL REPORT 2016



BANQUE
LIBANO-FRANÇAISE

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Modern architecture in Lebanon
As part of our cultural heritage

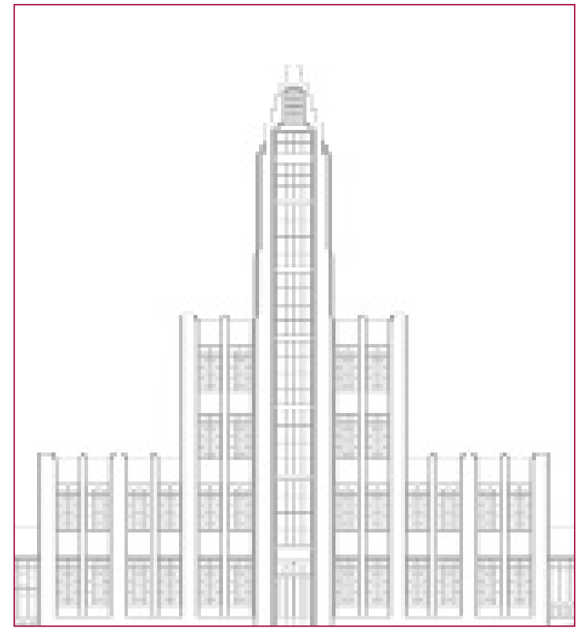
"When we selected the Norwegian-American architecture studio Snøhetta as the winner for our new headquarters competition, we were looking for an architect who would understand our identity, our values and our aspiration for collaborative work spaces. We were also determined to find an architect who would respect the architectural heritage of the city of Beirut and its traditional urban landmark*."

Recognizing the difficulty of impacting the construction landscape of Beirut city through just one building, Banque Libano-Française endeavored to turn the project of its new headquarters into a catalyst for contemporary, meaningful architecture in Lebanon, and to inspire other players through an innovative and enriching process.
Throughout the competition, the architects' visits to Beirut featured gatherings with the Lebanese academic and artistic communities, as well as real estate professionals through conferences, exhibitions, meetings and receptions organized by BLF.
Georges Arbid, the Director of the Arab Center for Architecture was among the professionals met during this productive and intellectually-stimulating period. He had a significant contribution to the theme we chose for this Annual Report, which aims to raise awareness on the often ignored splendor of modern architecture in Lebanon**.
We are pleased to share with you his notes as well as pictures, plans, sketches and studies on twelve landmark projects which influenced the architecture scene and contributed to a real vision of progress and innovation in Beirut between 1926 and 1997.

General Manager Raya Raphaël Nahas, at the announcement of the winning architect of the competition in August 2016.
*****Banque Libano-Française also wishes to extend its thanks to Studio Safar for their contribution to the conception and art design of the theme on Modern Architecture that illustrates this Annual Report.***


Rami Corm archives

1926 - 1929


Rami Corm archives

Charles Corm Building

Charles Corm

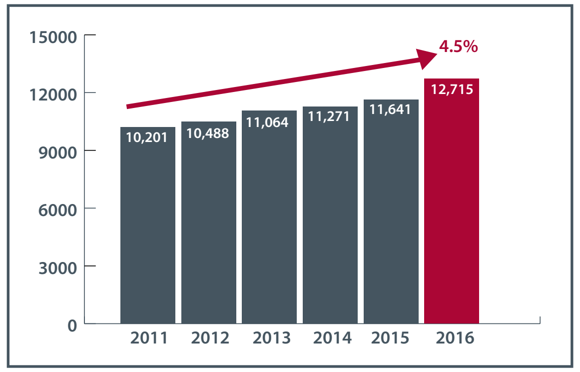
The building located in Ashrafieh in the Hotel Dieu area was built to serve as the Ford cars agency. It was designed by Charles Corm himself who succeeded in being the exclusive Ford cars dealer in the Middle East at a very young age. The Art-Deco structure is inspired by the skyscrapers he saw in New York, recessing from the ground floor to the tenth floor. It remained for many years the tallest structure in the capital. The building's concrete construction system of posts and beams was a forerunner allowing for large openings namely on the ground floor that served as the cars showrooms, while upper floors housed the offices.

The building was turned into the Corm family house in 1936 and later served as the family offices. The Charles Corm Foundation is currently converting it into a cultural center.

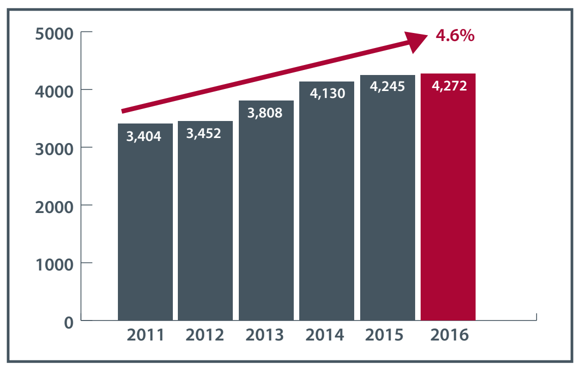

Rami Corm archives

1 Consolidated Financial Highlights

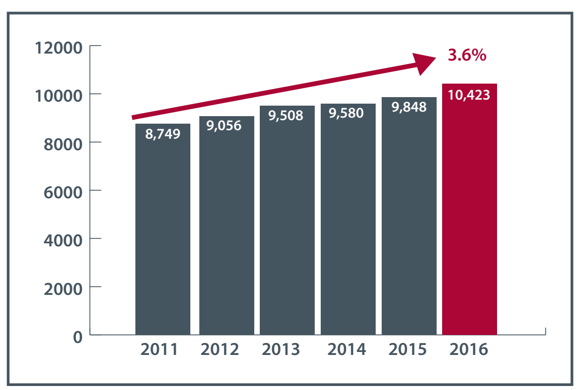
TOTAL ASSETS
In millions of USD — CAGR 11-16



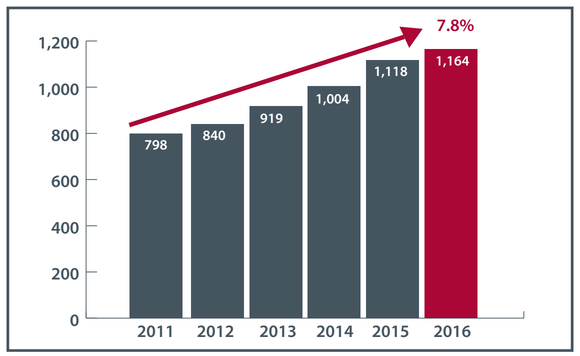
LOANS AND ADVANCES
In millions of USD — CAGR 11-16



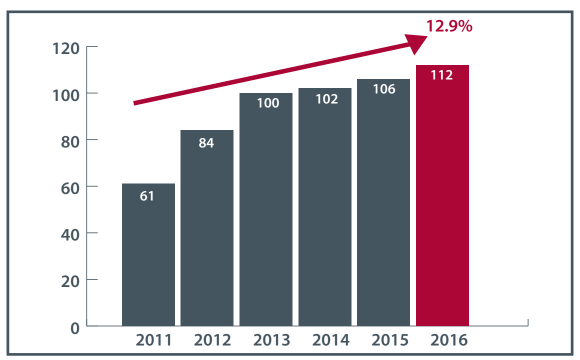
TOTAL CUSTOMERS' DEPOSITS
In millions of USD — CAGR 11 -16



SHAREHOLDERS' EQUITY
In millions of USD — CAGR 11-16



NET INCOME
In millions of USD — CAGR 11-16



BANQUE LIBANO-FRANÇAISE S.A.L.: SELECTED CONSOLIDATED FINANCIAL DATA

In millions of USD and %	2011	2012	2013	2014	2015	2016
Total assets	10,201	10,488	11,064	11,271	11,641	12,715
Total loans	3,404	3,452	3,808	4,130	4,245	4,272
Customers' deposits	8,749	9,056	9,508	9,580	9,848	10,423
Shareholders' equity	798	840	919	1,004	1,118	1,164
Net financial revenues	189	213	236	247	248	264
Net earnings	61	84	100	102	106	112
Number of branches (Group)	54	60	62	65	67	67
Number of staff (Group)	1,232	1,247	1,308	1,428	1,509	1,546
Liquidity and asset quality						
Primary Liquidity / deposits	38.78%	37.91%	37.32%	34.75%	32.33%	38.26%
Liquid assets / deposits	45.55%	45.02%	43.67%	45.82%	51.27%	55.75%
Loans to deposits	38.91%	38.12%	40.05%	43.11%	43.11%	40.99%
Net doubtful loans / net loans	0.58%	1.43%	0.21%	0.54%	0.98%	1.82%
Loan loss provisions / gross doubtful loans	93.02%	75.05%	97.39%	93.18%	88.79%	80.85%
Net doubtful loans / equity	3.91%	5.89%	2.78%	3.80%	4.76%	7.59%
Capital adequacy						
Average equity to assets	8.17%	7.92%	8.16%	8.61%	9.26%	9.37%
Capital adequacy ratio*	11.32%	13.48%	13.13%	12.87%	13.41%	16.76%
Profitability						
ROAA	0.65%	0.81%	0.93%	0.92%	0.92%	0.92%
ROAE	7.90%	10.25%	11.35%	10.65%	9.95%	9.79%
ROAE adjusted with interest on cash contribution to capital	8.14%	10.50%	11.58%	10.85%	10.13%	9.98%
Management efficiency						
Commissions and other financial revenues to net financial income	15.44%	26.68%	26.65%	25.03%	24.21%	22.22%
Cost to income	59.89%	53.01%	51.04%	51.29%	50.27%	49.63%
Footings per branch (in USD million)	233.6	220.1	221.6	223.0	214.4	321.9
footings per staff (in USD million)	10.2	10.6	10.5	10.2	9.5	10.1
Share data						
Common Shares outstanding	21,000,000	21,000,000	21,000,000	21,000,000	22,000,000	23,500,000
Preferred Shares outstanding	2,500,000	2,500,000	2,500,000	2,500,000	3,000,000	3,000,000
Net dividends on Common Shares (in USD million)	19.78	19.78	23.26	23.26	23.35	29.85
Net dividends on Preferred Shares (in USD million)	18.50	18.50	18.50	18.50	21.00	20.44
Earnings per Common Share (in USD)	2.13	3.20	3.99	3.91	3.72	3.73

**As per Basel II requirements for 2011*
As per Basel IIII requirements from 2012

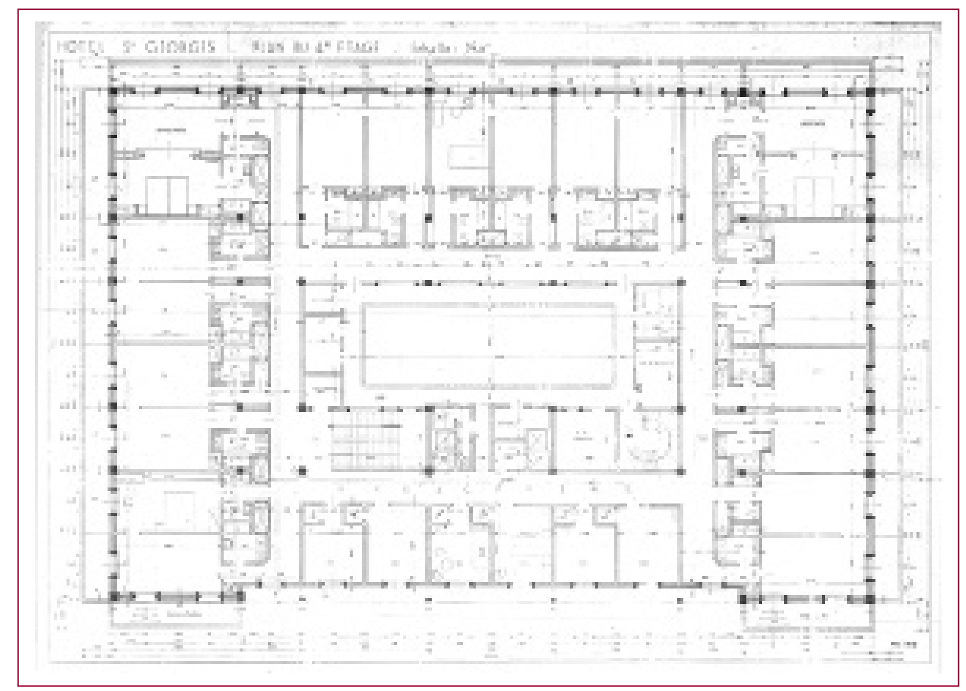
Arab Center for Architecture

1930 - 1932

Saint-Georges Hotel

Poirrier, Lotte and Bordes with engineer-architect Antoine Tabet as architect on site

Strategically located at the tip of the bay of Saint-Georges, this iconic hotel clearly bears the influence of Auguste Perret with its daring use of exposed concrete, rational structure and space organization. The modular plan skillfully adapts to the functional needs. The rooms are organized around an open-air courtyard under which is found the kitchen, located there to avoid the harsh sun while serving both the restaurant and the terraces outside. Hollowed concrete blocks in the balustrades and walls allow for maximum ventilation and view. The massive reinforced concrete water tank displaying the hotel sign in relief was built from the start at roof level, taking into consideration the extension of the third and fourth floors that were added in 1946 by A. Tabet.



Fouad el Khoury archives

2 Statement of the Chairman

After more than two years of political gridlock, 2016 saw the election of a new President and the formation of a national unity government, which hopefully paves the way for long needed administrative, fiscal and economic reforms and more political stability. Economic activity and GDP growth, weighed down by the repercussions of regional crises, political uncertainty and the weight of refugees in Lebanon, remained stagnant with a growth rate of 1%, unchanged from 2015. With the lack of an official fiscal budget for the 12th consecutive year, the budget deficit continued to grow, reaching a record high of USD 4.9 billion in 2016, an increase of 25 percent over the previous year, and pushing Gross Public Debt to USD 74.9 billion and 144.5 percent of GDP.
This continued deterioration of Lebanon's public finances requires far-reaching measures in order to improve administrative efficiency, to reduce budget deficit and to encourage private investment.

Despite the continued deterioration in economic conditions, the Banking Sector remained resilient in 2016. Total assets of banks operating in Lebanon grew by 9.9 percent to USD 204 billion and customer deposits increased by 9.8 percent to USD 166 billion. During 2016, loans to the private sector grew from USD 54.2 billion to USD 57.2 billion, a 5.5 percent compared to 2015. This growth in loans, however, was the lowest witnessed since 2011, when it had peaked at 12.7 percent.

In this challenging environment, Banque Libano-Française achieved excellent results in 2016. Consolidated assets grew by 9.2 percent, from USD 11.6 billion in 2015 to USD 12.7 billion, while customer deposits grew by 5.8 percent to USD 10.4 billion. Consolidated net profits reached USD 112 million at year-end, an increase of 5.9 percent over 2015. This increase in net profits was driven by better cost management, with a Cost to Income ratio that improved from 50.3 percent to 49.6 percent, and a stable net interest margin.

Shareholders' equity increased by 4.1 percent to USD 1.16 billion as at December 31, 2016. This increase is in line with the Bank's longstanding strategy of maintaining a high buffer of equity exceeding regulatory requirements. Our Bank's total Capital Adequacy Ratio as per Basel III guidelines reached 16.76 percent in 2016, compared to 13.41 percent in 2015.

As a Bank that has an undisputed faith in the potential of the youth of Lebanon, we continued to actively use the facilities extended by the Central Bank under Circular 331 to promote the knowledge economy. We invested our quota in six venture capital funds, and we extended loans and facilities to a large number of innovative projects, with the ultimate aim of participating in the creation of a technology hub in Lebanon to service the whole region and to offer employment opportunities to Lebanese youth in order to reverse the human capital drain.

Our investments in the young population and in a sustainable environment are part of our Corporate Social Responsibility, which reflects our five core founding values. Among our many CSR actions, we held in 2016 over 50 awareness workshops on our founding values and on the four pillars of our CSR strategy. These workshops were attended by our Group's entire staff in Lebanon and abroad.

We also continued our support for the advancement and implementation of the ten principles of the United Nations Global Compact, in part through our membership as a founding member of the Lebanon Steering Committee. We also committed to align our bank's activities with the seventeen United Nation's Sustainable Development Goals (SDGs).

During the past few years, we have been expanding our Private Banking and Asset Management capabilities and in 2016 we launched the "Lebanon Income Fund," a fixed income fund denominated in USD and focused on the Lebanese debt markets. In its first six month of operations, the fund generated an annualized return of 8.12%. The Lebanon Income Fund was our second fund after the "LF Total Return Bond Fund," which we launched in 2012. The "LF Total Return Bond Fund" is dedicated to investment grade bonds. Since inception, this fund realized an annual outstanding performance of 5.30% and a return of 6.33% for the year 2016. In 2016, we also successfully launched a new series of Preferred Shares for an amount of USD 150 million, in replacement of the Series 3 Preferred Shares issued in 2011.

In 2016, we continued to strengthen our commitment to compliance and fighting money laundering and in establishing best of class AML standards. Banque Libano-Francaise has always been pro-active on this front and we have recently included fighting corruption in our operating procedures. Banque Libano-Française was fully FATCA-compliant very early on, and is fully prepared to apply all the requirements of the Common Reporting Standards.

Going forward, we hope that regulatory, fiscal and administrative reforms will be implemented in Lebanon as quickly as possible, and that the Government will encourage the private sector to contribute to improving Lebanon's infrastructure in a Private Public Partnership format, taking advantage of the knowledge, capacities and knowhow of the Lebanese. We believe that investment in infrastructure under Private Public Partnership will create tremendous new opportunities for prosperity and growth, while reducing the burden on the public sector and improving livelihoods.

Finally, I would like to reiterate my thanks to the Bank's shareholders, correspondents, clients and employees who have shown an unwavering commitment and who have helped us achieve the significant milestones that we reached in 2016.

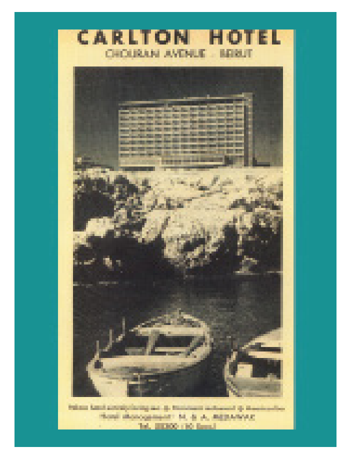
Walid Raphaël
Chairman General Manager

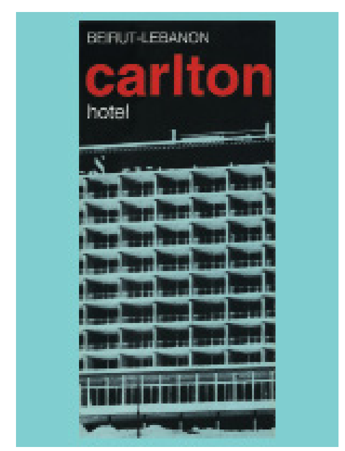
1955 - 1957

Arab Center for Architecture

Arab Center for Architecture

Arab Center for Architecture





Arab Center for Architecture

Carlton Hotel

Karol Schayer, Wassek Adib and Bahij Makdisi

When the Carlton Hotel was built, the corniche by the sea had hardly started to develop. The building was undoubtedly responsible for much of the urbanization that followed in the area. The design *parti* offered 140 rooms with uninterrupted view to the Mediterranean through openings running from wall to wall and floor to ceiling. A 2.6m deep loggia prolonged the room outside. The elegant hotel had very spacious reception and dining areas all facing the outdoor terrace where the memorable kidney shape pool witnessed hundreds of weddings and other venues. The demolition of the hotel in 2008, considered by many as a big loss, triggered a renewed consciousness about the need to preserve modern heritage.

3 Board of Directors

Mr. Walid Raphaël	Chairman
Mr. Elie Nahas	Chairman of Group Banque Libano-Française
Mr. Zafer Chaoui	Member
Mr. Philippe Doré	Member
Dr. Samer Iskandar	Member
Mr. Habib Letayf	Member
Mr. Philippe Lette	Member
Mrs. Raya Raphaël Nahas	Member
Dr. Marwan Nsouli	Member
Raphaël & Associés	Legal Advisor
Deloitte & Touche	Auditors
DFK Fiduciaire du Moyen-Orient	Auditors

CHANGES TO THE BOARD OF DIRECTORS DURING THE YEARS 2016 AND 2017 TO DATE

APRIL 2016

- Reelection of Mrs. Raya Raphaël Nahas for a three year term expiring upon holding of the Ordinary General Meeting of Shareholders that will examine the accounts and activity of the year 2018.

APRIL 2017

- Reelection of Mr. Philippe Doré, Dr. Marwan Nsouli for a three year term expiring upon holding of the Ordinary General Meeting of Shareholders that will examine the accounts and activity of the year 2019.
- Election of Dr. Samer Iskandar for a three year term expiring upon holding of the Ordinary General Meeting of Shareholders that will examine the accounts and activity of the year 2019.

BIOGRAPHIES OF BOARD MEMBERS

Mr. Walid Raphaël

Born in 1971
Chairman since September 2014
Term expires at the 2018 Annual General Meeting of Shareholders
Chairman of the Board
Member of the Board Risk Committee
Member of the Board Compliance Committee

Chairman of the Board of Directors since September 2014 and General Manager of the Bank since March 2010, Chairman and General Manager of Libano-Française Finance and Member of the Board of Banque SBA and LF Finance (Suisse), Mr. Raphaël began his banking career in 1995 at Credit Agricole Indosuez, where he held several positions in both Paris and London, in the International Project Finance Department and in capital markets covering emerging markets. He joined the General Management of the Bank in 2004 and was elected member of the Board of Directors and appointed Deputy General Manager in April 2006. Mr. Raphaël is also member and secretary of the Board of the Association of Banks in Lebanon. He received a Masters degree in Law from Panthéon-Assas University (France), a Masters diploma in Banking and Financial Law from Panthéon-Sorbonne University (France), and a MBA from INSEAD (France).

Mr. Elie Nahas

Born in 1944
Director since April 2006
Term expires at the 2018 Annual General Meeting of Shareholders
Chairman of Group Banque Libano-Française
Member of the Board Risk Committee
Member of the Board Compliance Committee

Member of the Board of Directors since April 2006, Mr. Nahas has been the General Manager of the Bank since 2004 and was Vice-Chairman between 2010 and 2014. He was elected Chairman of Group Banque Libano-Française in September 2014. He began his career in banking with ABN AMRO in 1964 and was Country Manager Lebanon from 1986 to 2002. Mr. Nahas was General Manager and Member of the Board of Directors of Byblos Bank between 2003 and 2004. He was a member of the Board of Directors of the Lebanese Bankers' Association from 1987 to 1990. He was Honorary Consul General of Netherlands in Lebanon from 1988 to 2010. Mr. Nahas was recognized by H.M. Queen Beatrix of the Netherlands as "Grootmeester der orde van Oranje-Nassau" in 1997. He graduated from Saint-Joseph University in Beirut with a degree in Economics and Banking.

Mr. Zafer Chaoui

Born in 1947
Director since June 1991
Term expires at the 2018 Annual General Meeting of Shareholders
Non-Executive Director
Member of the Board Risk Committee
Member of the Corporate Governance and Remunerations Committee

Member of the Board of Directors, Mr. Chaoui is a businessman. He has been Honorary Consul General of Finland in Lebanon since 1996. He is also Chairman and a Board Member of various industrial and commercial companies and acts as an agent in Lebanon and in several Arab countries for major international companies. Mr. Chaoui was recognized as "Commander of the Finnish Lion" in 2001, received the "Finnish Army Medal" in 2001, and the "Medal of the Catholic Church of Jerusalem" in 2006. He graduated from Saint-Joseph University in Beirut with a degree in Economics.

Mr. Philippe Doré

Born in 1966
Director since April 2008
Term expires at the 2020 Annual General Meeting of Shareholders
Independent Non-Executive Director
Chairman of the Board Risk Committee
Chairman of the Corporate Governance and Remunerations Committe
Member of the Audit Committee

Mr. Doré is a Director at Financière de Courcelles a corporate finance advisory firm based in Paris. Mr. Doré was until September 2010, Assistant Director in the International Division at Credit Agricole France. He graduated From Ecole Nationale des Ponts et Chaussées (France) with a degree in Civil Engineering.

Dr. Samer Iskandar

Born in 1967
Director since 2017
Term expires at the 2020 Annual General General Meeting of Shareholders
Independent Non-Executive Director

Dr. Iskandar is an international academic, consultant and investor with more than 20 years of experience in capital markets, corporate finance and corporate governance.
From 1989 to 1994, he was a Fund Manager at BAII in Paris (BNP Paribas Group).
Between 1996 and 2001, Dr. Iskandar was a Senior Writer and Editor at The Financial Times in London, Brussels and Paris.
In 2001-2003, he was an Executive Director at Euronext Group, Europe's largest stock exchange.
Between 2006 and 2009, Dr. Iskandar advised leading companies in the Middle East, such as Solidere International and Medgulf Insurance, on their corporate governance and financial structure.
Since 2010, Dr. Iskandar has been an Affiliate Professor of finance at ESCP Europe in Paris, and teaches regularly at ESA Business School and the Institute for Finance and Governance in Beirut.
He is a graduate of the London School of Economics, holds an Executive MBA from ESCP Europe and a PhD in Finance from Panthéon-Sorbonne University (France).

Mr. Habib Letayf

Born in 1934
First elected to the board in 1979
Term expires at the 2018 Annual General Meeting of Shareholders
Independent Non-Executive Director
Chairman of the Board Compliance Committee

Member of the Board of Directors, Mr. Letayf was the General Manager of the National Council for Touristic Development in Lebanon from 1964 to 1984, Attaché to the Lebanese Embassy in Paris from 1985 to 1992, and Chairman and General Manager of Casino du Liban from 1992 to 1999. Mr. Letayf holds a degree in Economics.

Mr. Philippe Lette

Born in 1948
Director since April 2006
Term expires at the 2018 Annual General Meeting of Shareholders
Non-Executive Director
Member of the Audit Committee
Member of the Corporate Governance and Remunerations Committee

Member of the Board of Directors, Mr. Lette is an international commercial lawyer with offices in Toronto, Montréal, Paris and Geneva. He is a Board Member of various companies. Mr. Lette received a Bachelor of Civil Law from McGill University (Canada), a Masters diploma in Law from University of Bordeaux (France), a Masters diploma in Comparative Private Law from Panthéon-Sorbonne University (France), and a LLM from Faculté Internationale pour l'Enseignement du Droit Comparé (France).

Mrs. Raya Raphaël Nahas

Born in 1973
Director since April 2010
Term expires at the 2019 Annual General Meeting of Shareholders
Executive Director
Member of the Board Risk Committee
Member of the Board Compliance Committee

Member of the Board of Directors since April 2010, she serves as General Manager of the Bank since September 2014. Mrs. Nahas began her career in banking at Banque Libano-Française in 1997 as a Financial Analyst and subsequently, has taken responsibilities in project finance, investment banking, retail banking and bancassurance. She was elected member of the Board of Directors and appointed Deputy General Manager in March 2010. Mrs. Nahas founding Member of LIFE (Lebanese International Finance Executive). She chairs the Promote Pillar of this non-profit association that seeks to channel the influence and expertise of its members to help them connect, promote Lebanon and its economy and nurture the next generation. Mrs. Nahas received a degree in Economics and a Masters in Financial Management from Paris-Dauphine University (France) and a Masters diploma in Money, Banking and Finance from Panthéon-Sorbonne University (France).

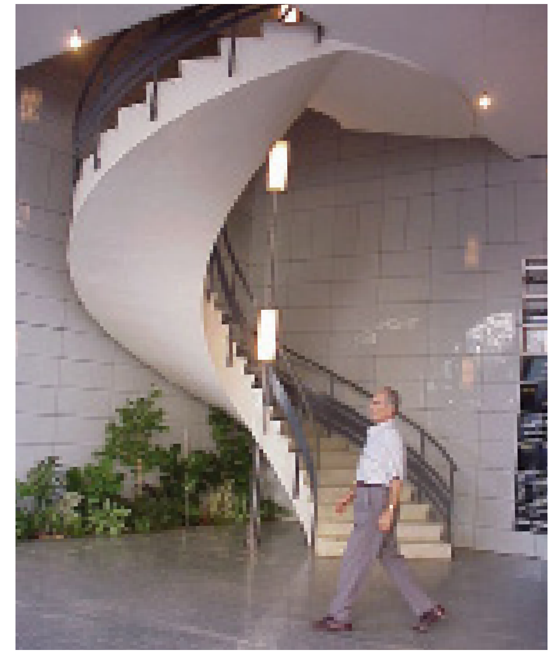
Dr. Marwan Nsouli

Born in 1938
Director since May 2014
Term expires at the 2020 Annual General Meeting of Shareholders
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Board Compliance Committee

Dr. Nsouli is an international lawyer specialized in the Banking and financial sector. Dr. Nsouli was Vice-Governor of the Lebanese Central Bank, "Banque du Liban" from 1998 to 2008. During those years, Dr. Nsouli represented the "Banque du Liban" at the IMF, World Bank and the AMF (Arab Monetary Fund). Prior to joining BDL, he was Chief Counsel for the IFC from 1996 to 1998. Dr. Nsouli holds a Phd degree in Law from Paris V- René Descartes University (France) and a Masters in Comparative Law from New York University (USA).

1955 - 1961

Monde Liban magazine

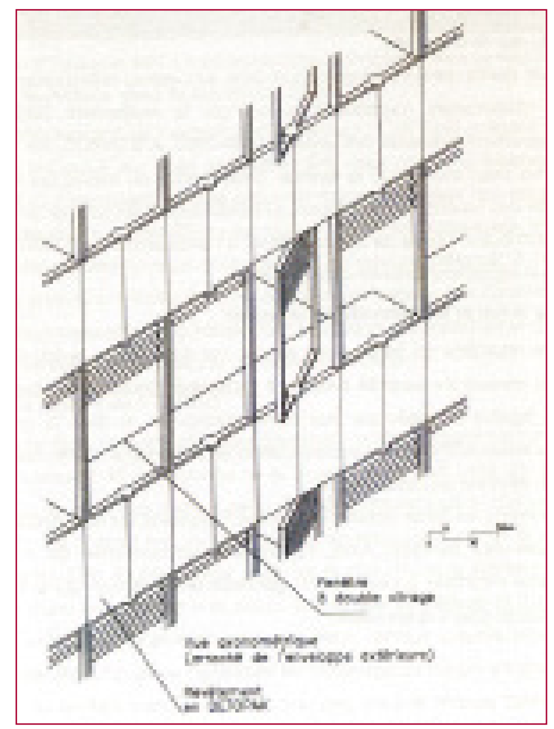


Arab Center for Architecture

Starco Building

Addor and Julliard

This office building and commercial center sits between Rue Georges Picot and Rue Rizkallah located at different levels with a connecting street, thus providing two shopping floors with stairs allowing for comfortable and uninterrupted strolling. Two office towers, the higher one being square in plan, the lower one rectangular, are arranged in a compositional setting. The center was undoubtedly high-tech by the time's standards, fully air-conditioned, with state-of-the-art electrical and mechanical systems. The columns, clad with black sheets of glass, give a floating appearance to the white masses of the two office buildings. The uninterrupted horizontal bands of windows were made of double sheets of glass, with internal micro louvers screening, a device quite new at the time of construction.



Habib Sayah archives

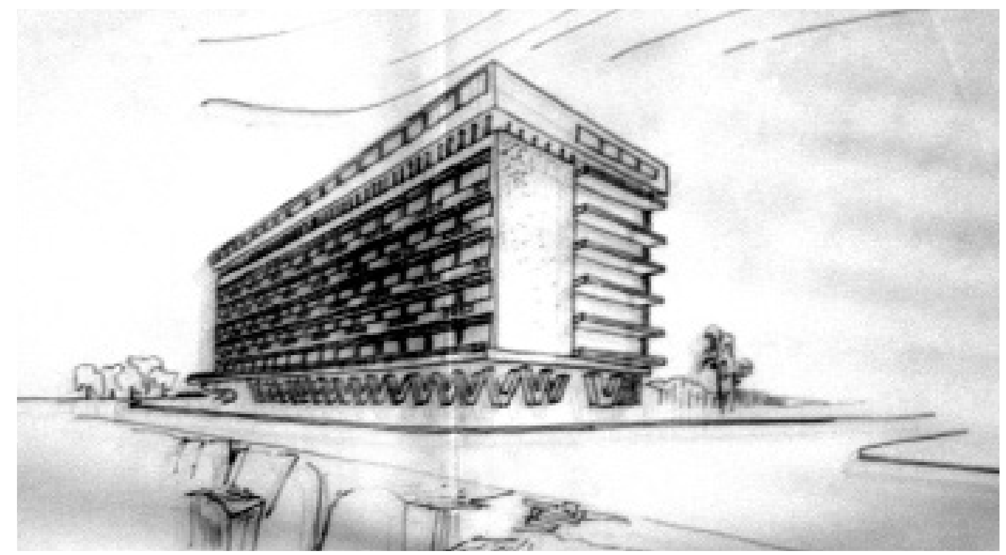
Arab Center for Architecture

1957

Shams Building

Joseph Philippe Karam

Facing the Pigeon Rock, this building epitomizes the exuberant local version of modern architecture; its most distinctive manifestation being the use of a strong palette of colors with 2x2cm enameled *pâte de verre* panels alternating on the façade. A less evident but more important feature is the structure constituted of 34 V-shaped columns, organized in 2 rows, supporting the building and originally intended to give it a floating appearance. The building is crowned with a modern interpretation of the attic roof. Although resolutely modern, the volumetric composition of the building puts it in line with the classical tripartite disposition comprising a base, a body representing typical running floors, and a crowning level on the top.



Joseph Philippe Karam archives

4 Senior Management

EXECUTIVE COMMITTEE

Walid Raphaël
Chairman and General Manager

Elie Nahas
Chairman of Group Banque Libano-Française
and General Manager

Raya Raphaël Nahas
General Manager

Hoda Assi
Assistant General Manager
Head of Corporate Banking

Elie Aoun
Assistant General Manager
Head of Middle-Market Banking

Joséphine Chahine
Assistant General Manager
Chief Risk Officer

Philippe Chartouny
Assistant General Manager
Head of Organization, Information Technology and Security

Maurice Iskandar
Assistant General Manager
Head of International

Georges Khoury
Assistant General Manager
Head of Treasury and Capital Markets

Charles Salem
Assistant General Manager
Global Head of Private Banking and Wealth Management

Marwan Ramadan
Manager
Head of Branch Network

BUSINESS DEVELOPMENT DIVISIONS

Branch Network
Marwan Ramadan

Corporate Banking
Hoda Assi

Middle-Market Banking
Elie Aoun

Treasury and Capital Markets
Georges Khoury

Private Banking and Wealth Management
Charles Salem

International
Maurice Iskandar

Loan Remediation
Moustapha Alwan

Retail Banking Products and Marketing
Ronald Zirka

Cards Services
Myrna Wehbé

SUPPORT DIVISIONS

Risk Management
Joséphine Chahine

Credit Risk
Zahi Azouri

Compliance
Saïd Gebran

Legal Compliance
Maya Abboud

Finance
Walid Issa

Organization, Information Technology and Security
Philippe Chartouny

Information Technology
Ghassan Sawaya

Security
Iskandar Aoun

Operations
Nada Khayat

Communications, CSR and Customer Experience
Tania Rizk

Human Resources
Georges Behlock

BLF Training Academy
Elie Dagher

General Services
Gabriel Rizk

Internal Audit
Fady Lahoud

Fiscal, Administrative and Financial Affairs
Jean Medlege

Legal
Marc de Chadarevian

5 Committees

BOARD COMMITTEES

BOARD AUDIT COMMITTEE

The Board Audit Committee follows up the internal audit reports, keeps updated with the recommendations of the Banking Control Commission and of the Bank's external auditors and ensures compliance with rules and regulations. Headed by an independent non-executive Director, it has three members and meets four times per year.

BOARD RISK COMMITTEE

The Board Risk Committee supervises the proper application of the Risk Management principles, establishes the risk policy of the Group and controls the Group's exposure in terms of credit, market, liquidity, interest rate and operational risks. Headed by an independent non-executive Director, it has five members and meets four times per year.

CORPORATE GOVERNANCE AND REMUNERATIONS COMMITTEE

The Corporate Governance and Remunerations Committee establishes the rules and principles of governance of the Bank and ensures their proper application. It validates the code of conduct and professional ethics that aims to promote healthy governance culture. It also develops a remuneration policy in accordance with regulations of the Central Bank. It has three members, is headed by an independent non-executive director and meets on a semi-annual basis.

BOARD COMPLIANCE COMMITTEE

The Board Compliance Committee assess the procedures guide on the implementation of the AML/CFT Law and the present regulation; Assess and verify the proper implementation and effectiveness of AML/CFT procedures and regulations; Assess and review the reports received from the Compliance Division on suspicious activities as well as assess and review the internal audit investigation results on suspicious transactions and activities.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee discusses strategic issues, takes major decisions and ensures the execution of the Bank's annual plan. It has eleven members, is headed by the Chairman and General Manager and meets on a monthly basis.

MANAGEMENT COMMITTEE

The Management Committee is comprised of the Heads of the Bank's Divisions who share and discuss their ongoing projects. The Management Committee has thirty-four members, is headed by the Chairman and General Manager and meets on a quarterly basis.

CREDIT POLICY AND STRATEGY COMMITTEE

The Credit Policy and Strategy Committee reviews the Credit Policy, taking into account any major changes in the markets and environment. It defines and sets the strategies and risk policies in line with the budget and with local as well as international regulations. It has sixteen members, is headed by the Chairman and General Manager and meets on an annual basis.

CREDIT RISK COMMITTEES

There are three Credit Risk Committees: the Board Credit Committee, the Corporate Credit Committee, and the Middle-Market Credit Committee. The objectives of these Committees are to approve and review loans and credits, and to fix risk limits. The Board Credit Committee is headed by an independent non-executive Director and has five members. The Corporate Credit Committee is comprised of the Chairman and General Manager, the Group Chairman and General Manager, the General Manager, the Chief Risk Officer and his Deputy and four Senior Managers. The Middle-Market Credit Committee is comprised of the Chief Risk Officer and the Head of Middle-Market Banking and their Deputies. These Committees meet weekly except the Board Credit Committee that meets quarterly.

LOAN REMEDIATION COMMITTEES

There are three Loan Remediation Committees: the Corporate Loans Remediation Committee, the Middle-Market Loans Remediation Committee and the Retail Loans Remediation Committee. Loan Remediation cases are assigned to a particular committee on the basis of the nature and size of the credit. Each Loan Remediation Committee is comprised of the members of the corresponding Credit Committees as well as the Head of the Legal Department and the Head of the Loan Remediation Division. The Middle-Market and Corporate Loans Remediation Committees meet on a quarterly basis. The Retail Loans Remediation Committee meets on a semi-annual basis.

ASSET AND LIABILITY MANAGEMENT COMMITTEE

The Asset and Liability Management Committee manages the assets and liabilities of the Bank's balance sheet in terms of interest risk, foreign exchange risk and liquidity risk, determines the Bank's interest rate and cash management policies and approves the launch of new financial products. It has nine members, is headed by the Chairman and General Manager and meets on a monthly basis. A follow-up committee to the Asset and Liability Management Committee meets weekly.

INVESTMENT COMMITTEE

The Investment Committee monitors the economic and financial environments and propose policies and investments for the Bank and its clients. It advises the Bank and its clients on wealth protection and capital appreciation. It has eight members, is headed by the Global Head of Private Banking and meets on a monthly basis.

ORGANIZATION AND STRATEGIC PLANNING COMMITTEE

The Organization and Strategic Planning Committee has several functions related to the Bank's annual plan, including preparing and monitoring the implementation of the annual plan, identifying and initiating projects aimed at improving the Bank's performance and efficiency, creating cross-synergies amongst the Bank's Divisions, ensuring that the Bank's procedures are documented and implemented properly. This Committee has nine members, is headed by the Chairman and General Manager and meets on a quarterly basis.

OPERATIONS AND INFORMATION TECHNOLOGY COMMITTEE

The Operations and Information Technology Committee identifies the needs of the Bank in terms of information technology, prepares a three-to-five year plan, determines the priorities of the Bank and supervises the installation of new software programs, and the security systems. It has thirteen members, is headed by the Chairman General Manager and meets on a quarterly basis.

INTERNAL AUDIT AND OPERATIONAL RISKS COMMITTEE

The Internal Audit Committee approves and monitors the annual plan of the Internal Audit Division, monitors the quality of internal audit reports, monitors the recommendations of the Banking Control Commission and of the Bank's external Auditors and ensures that high risks are well covered by the Bank's Internal Audit function. This Committee has eight members, is headed by the Chairman and General Manager and meets on a semi-annual basis.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee proposes a recruitment policy, prepares career development plans and training programs, formulates employee benefits policies, and supervises the annual employee evaluation process and the Bank's code of conduct. It has eleven members, is headed by the Chairman and General Manager and meets on an annual basis.

COMPLIANCE COMMITTEE

The Compliance Committee sets the Bank's anti-money laundering procedures and guidelines, and monitors issues related to money laundering and reports of suspicious activities on transactions. It has seventeen members, is headed by the Chairman and General Manager and meets on a semi-annual basis.

SECURITY COMMITTEE

The Security Committee sets the Bank's security policy and monitors the anomalies in the realization of any project. It has eleven members, is headed by the General Manager and meets on a quarterly basis.

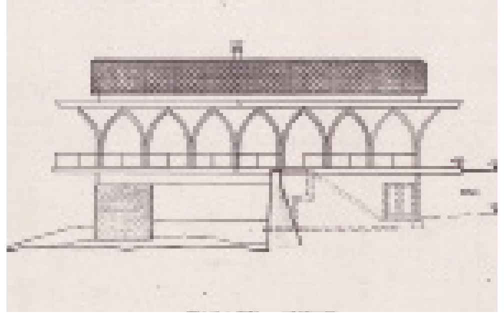
CAREER DEVELOPMENT COMMITTEE

The Career Development Committee discusses the employees' careers and establishes specific training programs for employees that show potential to reach managerial positions. It has four members, is headed by the Human Resources Manager and meets on a monthly basis.

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Planning (BCP) is a complete management process that identifies potential impacts menacing an organization. The BCP Committee ensures that the organization has the proper response to major disruptions threatening its survival and operational capability. It has thirteen members, is headed by the Chairman and General Manager and meets on an annual basis.

Arab Center for Architecture



Arab Center for Architecture

House of the Craftman *(Maison de l'Artisan)*

1963 - 1965

P. Neema, J. Aractingi, J. N. Conan and J. Nassar

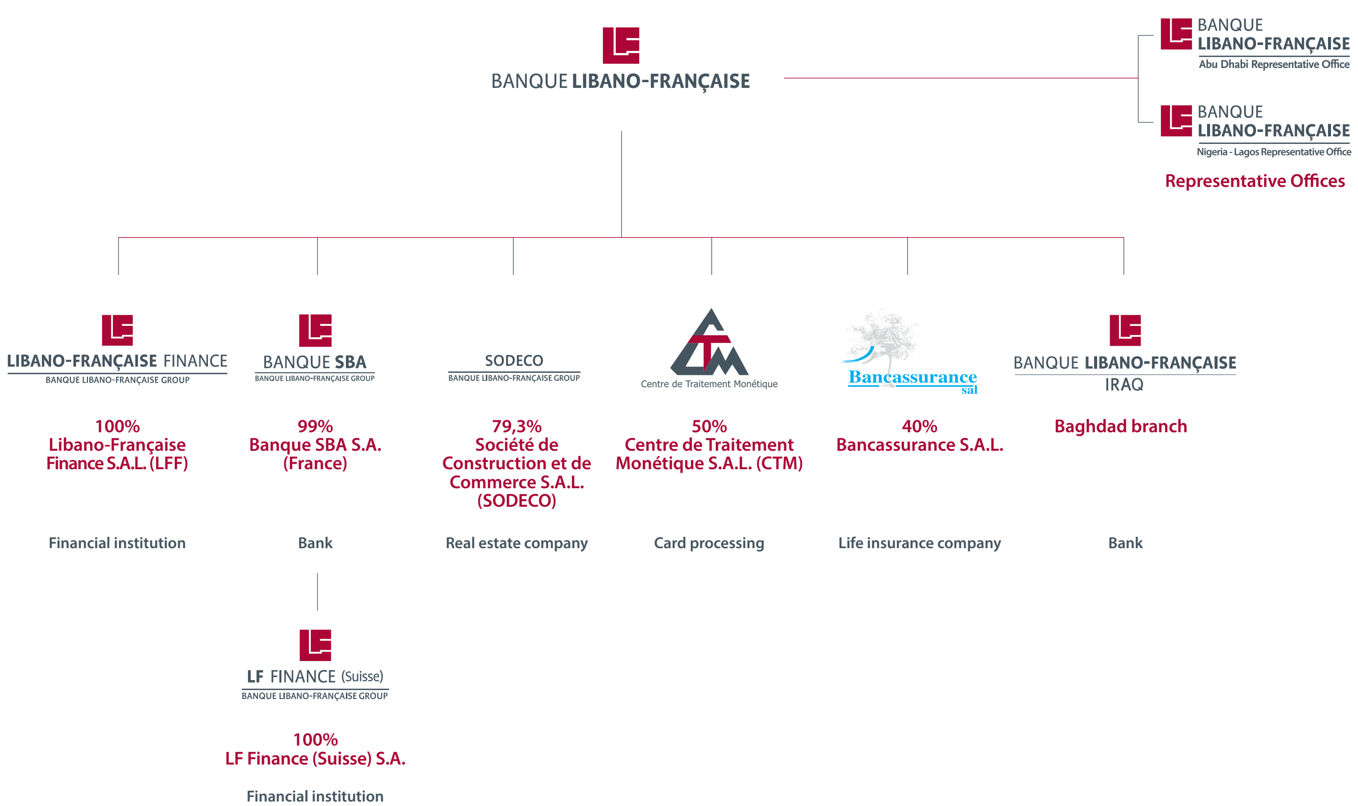
This crafts showroom in Ain el Mreisseh was a T-shaped glass box that ensured maximum transparency on all sides. In order to give the building a "character of Lebanese inspiration", arched columns supported the flat roof. Each supporting point was made of four square steel columns that spread diagonally to meet their counterparts, thus virtually forming the skeleton of a cross vault. As an answer to a delicate program with a need for attention to representation, the commissioner (the CEGP), saw in this project "a clever evocation of tradition". With a subtle suggestion of the familiar arch, the design resolved the paradox of compliance with the wishes of the CEGP (*Conseil Exécutif des Grands Projets*) to have a "Lebanese" building, yet allow for maximum transparency, lightness and polyvalence of exhibition space, all modernist attributes.

Arab Center for Architecture

Arab Center for Architecture

6 Corporate Structure

MAJOR SUBSIDIARIES OF BANQUE LIBANO-FRANÇAISE AS AT DECEMBER 31, 2016



7 Main Business Activities

COMMERCIAL AND CORPORATE BANKING

Banque Libano-Française has historically been one of Lebanon's leading commercial banks, offering services to large and medium-sized private sector businesses and maintaining one of the largest loan portfolios among banks in Lebanon. Commercial banking products and services offered by the Bank include working capital lines and overdrafts, medium-term and long-term loans, trade finance, documentary credits and guarantees and other off-balance sheet facilities and financial consulting services, as well as all traditional term deposits accounts, cash management services and cards services.

Commercial banking activities are carried out through two main commercial divisions: the Corporate Banking Division and the Middle-Market Banking Division.

The Middle-Market Banking Division covers small-or medium-size businesses with a credit exposure at the Bank of up to USD 1.5 million and an annual turnover of less than USD 10 million. As at December 31, 2016, the Middle-Market Banking Division had approximately 2,400 clients spread across the Bank's 56 local branches.

The Middle-Market Banking Division is run by a specialized, fully dedicated team. In addition to the primary products and services outlined above, the Middle-Market Banking Division provides advisory services to its clients. Such advisory services include, among others, the promotion and structuring of a wide array of financing programs such as Kafalat subsidized loans, Banque du Liban subsidized loans, Arab Trade Financing Program facilities, IFC Program facilities, as well as European Investment Bank, Agence Française de Développement and other international financial institutions loan packages. Through these services, the Bank aims to reduce the financing costs of its customers and to offer them various financing options and an easier access to export markets, thereby developing sustained customer relationships.

The Corporate Banking Division was created in 2001 in order to cater to the Bank's largest clients in terms of sales turnover or facilities extended. Corporate clients are currently defined as those with a sales turnover exceeding USD 10 million or whose banking facilities at the Bank exceed USD 1.5 million. As at December 31, 2016, the Corporate Banking Division had around 550 clients.

Corporate client files are distributed among specialized units within the Corporate Banking Division, consisting of Relationship Managers and Junior Officers and headed by a Senior Relationship Manager who work closely with the Branch Manager where the corporate account is held. These specialized teams are divided into six different units focusing on various economic sectors: the General Trading Unit; the General Contracting and Real Estate Unit; the International Trading, Services and Insurance Unit; the Industries Unit; the Africa Unit and the Syndicated, Subsidized and Special Loans Unit.

INVESTMENT BANKING AND GLOBAL MARKETS

The Bank provides general investment banking services, including acting as arranger or participant in loan syndications (generally when the Bank acts as lead lender and agent bank), and placement agent in connection with the issuance of fixed and floating-rate bonds as well as structuring and managing shares and rights issues for corporate clients.

The Bank also structures sophisticated investment products that are offered to both retail and private clients. It also advises its corporate and private banking clients and structures sophisticated hedging solutions. The Bank has a proprietary trading activity in Lebanese and international fixed income securities and foreign currencies.

Since 1996, the Bank has managed and arranged primary-market investment-banking transactions with an aggregate value of over USD 2 billion.

RETAIL BANKING

As at December 31, 2016, the Bank had 56 branches covering all the regions in Lebanon, a network of 152 ATMs and more than 150,000 active customers. This network is managed by the Branch Network Division. This Division has two main objectives: to assume the hierarchical responsibility of the branch network and to implement the Bank's development strategy. It is composed of two departments: the Network Management Department and the Retail Loans Department.

NETWORK MANAGEMENT DEPARTMENT

The Network Management Department is responsible for the coordination between the Branch Network and the various Business Development and support Divisions of the Bank, in order to assist each branch in achieving its objectives, improving its performance and increasing its operational efficiency, while developing the sales skills of branch personnel. The Network Management Department carries out its responsibilities by:

- communicating and implementing the Bank's policies among all branches,
- ensuring the transfer of information from the Branch Network to the Management in an appropriate and timely manner,
- continuously monitoring the sales results and other relevant KPI's of each branch,
- assisting each branch manager in preparing and implementing the annual plan of the Bank,
- ensuring that branch personnel are properly trained on all branch operations and new products,
- rewarding competent and promising employees in the Branch Network.

RETAIL LOANS DEPARTMENT

The Retail Loans Department is in charge of the credit approval and administration of retail credit products, including the Bank's housing loans, Public Corporation for Housing (PCH) loans, housing loans to military personnel or other specialized programs, as well as personal loans and car loans. The Retail Loans Department has created a dedicated Call Center for payment irregularities and has implemented a standardized and efficient retail loans distribution process.

RETAIL BANKING PRODUCTS AND SERVICES

Retail Banking offers a full range of products and services, including traditional products and services, a unique term deposit account featuring significant flexibility, a complete range of debit and credit cards (MasterCard and Visa) in USD, EUR and LBP, a wide network of merchants affiliated to the Bank's cards payment circuit, and electronic banking services (e-banking, phone banking, sms banking, call center). The Bank's phone and internet distribution channels, Point Phone® and Point Com® and its Call Center Point Call®, allow customers to check account balances and movements, obtain answers to their inquires over the phone or internet, and execute certain types of transactions.

In addition, through the Bank's subsidiary, Bancassurance S.A.L., Retail Banking offers life and non-life-insurance, retirement plans and education plans. In 2016, the Bank's customers participating in Bancassurance S.A.L. savings insurance plans benefited from better-than-market returns on their USD investments.

Recently, the Retail Banking Division has concentrated its efforts on quality of service and client satisfaction, the development of new product offerings, the renovation of the Bank's branches, the expansion of the Bank's ATM network Point Cash® to include, among other innovative solutions, check and cash deposits, as well as the training of branch staff and managers.

PERSONAL BANKING

In its continuous drive to offer personalized service to its clients, the Bank launched a Personal Banking Department in 2013 that targets VIP clients of the branch network. The purpose of this new client segment is to improve customer loyalty and satisfaction by assigning a certain number of VIP clients to specific Relationship Managers in each branch, thereby enabling branch-based Relationship Managers to better follow-up, assist and advise clients on their various needs for banking products and services.

PRIVATE BANKING AND WEALTH MANAGEMENT

The Private Banking activities were first launched by the Bank in 2000. In 2008, following a complete reorganization of the activities of Treasury, Capital Markets and Private Banking, the Wealth Management Department was created. It is composed of a team highly skilled of relationship managers whose mission is to explore, identify and attract high networth individuals in order to offer them personalized advice, professional guidance and tailor-made investment solutions. Relationship Managers are backed by product specialists. The priority of Relationship Managers is to offer an integrated and solid approach based on a relationship built on the highest levels of trust, security, confidentiality and integrity.

INTERNATIONAL AND CORRESPONDENT BANKING

The International Division serves the various divisions and entities of the Bank in terms of analyzing and following up counterparty and sovereign risks. It also generates business through the Bank's correspondent banking network, including risk participation activities, forfeiting, and pre-and post-export finance, and coordinates with the Bank's other entities to provide cash management services and foreign exchange, securities brokerage services, locally and internationally.

The Bank maintains relationships and credit lines with a large number of international banks. Such a wide correspondent banking network allows the Bank to provide efficient and competitive services to its clients for all their international banking activities. The Bank's trade finance confirmation lines were strengthened in 2005 when the Bank was the first in Lebanon and the second in the region to join the Global Trade Finance Program (GTFP) of the International Finance Corporation by becoming first an Issuing Bank and later a Confirming Bank in the Program. GTFP gives the Bank a competitive advantage in international trade finance transactions, enhances the Correspondent Banking network and improves the conditions and transparency of trade finance activities. In addition, the Bank's International Division participates in various syndicated loans of foreign banks, and has structured several cross-border transactions as well as long-term borrowings from international and multilateral financial institutions such as AFD (Agence Française de Développement), BEI (Banque Européene d'Investissement), ATFP (Arab Trade Financing Program), OPIC (Overseas Private Investment Corporation), The Arab Investment Guarantee Company and others.

The International Division is in charge of the Group's International expansion plan, and supervises the activities of the Bank's Representative Offices in Abu Dhabi (UAE) and in Lagos (Nigeria) and its Baghdad Branch (Iraq).

© Serge Najjar

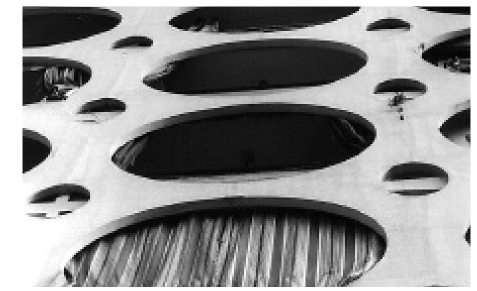
1964

Koujak-Jaber Building

Victor Bisharat

Nicknamed the *Gruyère*, the Koujak Jaber Building in Ramlet el Beida is an apartment building with a main façade covering the building at full height and consisting of a flat surface punched with openings. Large 3m diameter circular holes face windows and terraces. Between them are small elliptical openings disclosing the slabs and sidewalls separating the apartments. For a visitor arriving to the building and looking up, a perspective effect transforms the vertical ellipses into quasi-circles, and the circular openings into horizontal ellipses.

Bisharat, an expressionist architect, called for the freedom of the artist-architect; a creator of form. He stressed on the need to revive individuality in a world becoming dull due to perpetual imitation.



Arab Center for Architecture

Arab Center for Architecture

Arab Center for Architecture

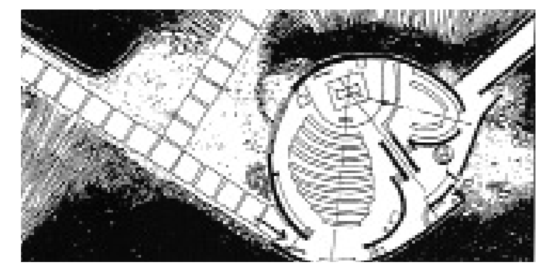
1965 - 1967

Our Lady of Unity *(Notre-Dame de l'Unité)*

Jacques Liger-Belair

This Church located in Yarze is part of the convent of the Clarisses Sisters. The public arrives from one side and the nuns from the other, each having their own space inside the curved structure. The roughness of the exposed concrete *brut de décoffrage* is tempered by the warm wood of the benches and of the doors that are designed to generously open and allow for outdoor masses. Particular attention is placed on the provision of natural light, namely through a slit operated between the walls and the roof, and between the walls of the bell tower facing the altar. The roof represents very well the high level of craftsmanship needed to achieve a perfect hyperbolic paraboloid surface. The synergy between the architect, engineer, contractor, and skilled workers, is best manifested here.

Jacques Liger-Belair archives



Jacques Liger-Belair archives

Jacques Liger-Belair archives

Jacques Liger-Belair archives

8 Subsidiaries

BANQUE SBA S.A.

Banque SBA (SBA) was established in Paris, France, in 1978 under the name of Société Bancaire Arabe by Banque Worms and Arab investors, mainly from Lebanon and Syria. In 2001, after selling Banque Worms, AXA retained a 34-percent participation in SBA through its wholly owned subsidiary Compagnie Financière de Paris. In 2004, AXA and the other main shareholders, together with the management of SBA, hired BNP Paribas to launch a tender offer aimed at selling a controlling stake in SBA. Banque Libano-Française acquired 78.3 percent of SBA in 2006, which increased to 79 percent in 2007 and to 99 percent in 2008.

SBA's headquarters are located in Paris. SBA has a branch in Limassol (Cyprus) and a subsidiary, LF Finance (Suisse) S.A. (formerly Financière SBA (Suisse) S.A.) in Geneva. As at December 31, 2016, SBA had 62 employees and more than 1,800 clients, while LF Finance had 7 employees and more than 170 clients.

SBA specializes in trade finance and private banking. Its trade finance activities cover mainly Europe, the Middle East and Africa. During 2016 trade finance transactions of SBA reached USD 825 million and assets under management reached USD 415 million.

As at December 31, 2016, SBA had total shareholders' equity of EUR 114 million and total assets of EUR 693 million, with an equity-to-assets ratio of 16.4 percent and a capital adequacy ratio of 20.81 percent. As at the same date, SBA had total deposits of EUR 508 million and a loan portfolio of EUR 397 million, accounting for 78.1 percent of customer deposits. For the year ended December 31, 2016, SBA had EUR 21.8 million of net operating income and net profits stood at EUR 5.1 million.

BANK AL-SHARQ S.A.S.

Bank Al-Sharq S.A.S. - a subsidiary of Banque Libano-Française in Syria-was officially established as a Syrian joint stock company in December 22, 2008, with a total share capital of SYP 2.5 billion. It is registered under Nº 19 on the Syrian Banks Register at the Central Bank of Syria.

Bank Al-Sharq's capital is distributed as follows:
- 49% owned by Banque Libano-Française S.A.L.,
- 30.5% owned by a group of prominent Syrian businessmen and investors,
- 20.5% are listed on the Syrian stock exchange

The Bank began its operations in May 3, 2009 from its first branch located in the area of Malke-Abou Remmaneh in Damascus. It opened a branch in Homs in September 2009 and a branch in Aleppo in November 2009. In 2010, the Bank inaugurated its Headquarters in Damascus, in a prime location off Hamra Street (Damascus central business district) and its main branch of Shaalan.

As at year-end 2016, Bank Al-Sharq had 140 employees and 7 branches.

Despite the persisting political uncertainties prevailing in Syria, Bank Al-Sharq consolidated its shareholders' equity to SYP 14,288 million against total assets of SYP 36,133 million accounting for an equity to assets ratio of 39.5 percent and a capital adequacy ratio of 65.32 percent. Customer deposits stood at SYP 16,864 million at end-December 2016, while the loan portfolio declined to SYP 8,418 million, accounting for 49.9 percent of customer deposits.

Being a universal bank, Bank Al-Sharq offers traditional banking services:
- Commercial banking products targeting the business needs of SMEs and large corporate entities, including cash management services (local payments and collection services), trade finance and working capital finance,
- Retail Banking services,
- Treasury services.

Banque Libano-Française (BLF) has a 49% shareholding stake in Bank Al-Sharq, a bank domiciled in Syria. However, in view of persisting negative macroeconomic, political and security conditions, and of strict limitations on banking activities that were preventing the Group from managing the Syrian operations and from implementing decisions on operational and financial levels, our Board of Directors decided in early 2017 to completely review our Bank's involvement with Bank Al-Sharq. Consequently, two members of the Board of Directors of Bank Al-Sharq who represented the Group submitted their resignation from the Board and the Group decided to deconsolidate our investment in that bank by June 2017 at the latest, since conditions for control were no longer met. Although this deconsolidation had a limited impact on BLF's June 30, 2017 consolidated financial statements, in view of the limited contribution of Bank Al-Sharq to the balance sheet and income statement of BLF, the 49% ownership in Bank Al-Sharq was impaired and Bank Al-Sharq was no longer consolidated into the BLF Group.

LIBANO-FRANÇAISE FINANCE
BANQUE LIBANO-FRANÇAISE GROUP

LIBANO-FRANÇAISE FINANCE S.A.L. (LFF)

LFF is a financial company wholly owned by the Bank, registered under N° 14 on the list of financial institutions at "Banque du Liban". It was established in 1995 in Lebanon under the name of Indosuez Capital Moyen-Orient S.A.L. In 1998, its name was changed to Crédit Agricole Indosuez Liban (CAIL). In 1999, the Bank increased its stake to 100 percent of the share capital of CAIL and, in 2003, changed its name to Libano-Française Finance S.A.L.

LFF offers a wide range of brokerage and asset management services, including investment advisory, asset allocation, international and domestic securities brokerage covering equity, fixed-income and derivatives, structured products, offshore investment trusts and all types of investment funds. LFF's activities cover Lebanese and major international financial markets in Europe, the United States, Japan, other parts of Asia and Australia and the GCC.

As at December 31, 2016, LFF employed 16 professionals who operate through two dedicated desks: trading desk and advisory and asset allocation desk.

LFF is recognized for its fast and efficient trading capabilities, superior service quality, strict risk management and competitive brokerage rates.

The Advisory and Asset Allocation Desk offers access to a wide range of mutual and hedge funds and designs tailor-made solutions for high networth clients, as well as structured products to be distributed through the Bank's branch network. Structured products may be based on or linked to equities, interest rate indices or interest-bearing instruments, commodities, credit instruments, foreign currencies and funds and other collective investment schemes.

The Advisory Desk also handles the origination and structuring of sophisticated financial transactions, such as Islamic compliant transactions. Through its Advisory Desk, LFF also acts as an arranger of capital markets transactions for corporate clients and financial institutions.

9 Management Discussion and Analysis

The analysis that follows highlights the consolidated performance of Banque Libano-Française in 2016 compared to 2015. All figures are based on the audited consolidated financial statements of the Bank that have been prepared in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, all figures are expressed in US Dollars (USD). US Dollar amounts are translated from Lebanese Pounds (LBP) at the closing rate of exchange published by the Central Bank of Lebanon at the relevant date, which was LBP 1,507.50 as of each of December 31, 2016 and 2015. Lebanon's economic and banking data and information are derived from the Central Bank of Lebanon, various Lebanese governmental or private sources and the Association of Banks in Lebanon.

The management discussion and analysis starts with a review of the economic and banking conditions that impacted the activity of the Bank in the year 2016 and follows with an analysis of the consolidated financial position and the operating results of the Bank. The last segment includes a review of Human Resources and Corporate Social Responsibility activities during 2016.

ECONOMIC CONDITIONS

The following table sets forth certain key economic and banking indicators for the Lebanese Republic for the years ended December 31, 2011 to 2016.

	In millions of USD	2011	2012	2013	2014	2015	2016
	Nominal GDP	39,684	44,100	47,221	49,514	51,100	51,816
	Real GDP growth	1.5%	2.8%	3.0%	2.0%	1.0%	1.0%
	CPI % change	3.1%	10.1%	1.1%	0.7%	-3.7%	3.1%
Foreign sector	Trade balance	-15,893	-16,797	-17,292	-17,181	-15,116	-15,728
Foreign sector	Capital inflows	13,897	15,259	16,164	15,773	11,762	16,966
Foreign sector	Balance of payments	-1,996	-1,538	-1,128	-1,408	-3,354	1,238
Public finance sector	Government revenues	9,334	9,396	9,420	10,879	9,575	9,923
Public finance sector	Government expenditures	-11,675	-13,321	-13,640	-13,952	-13,528	-14,867
Public finance sector	Budget deficit	-2,341	-3,925	-4,220	-3,073	-3,952	-4,944
Public finance sector	Total net public debt	46,368	49,116	53,201	57,300	61,548	65,422
Public finance sector	- of which in local currency	25,443	24,731	27,076	31,700	34,473	37,320
Public finance sector	- of which in foreign currency	20,925	24,385	26,125	25,601	27,075	28,115
Monetary situation	M2	38,901	43,183	45,605	48,690	52,153	54,679
Monetary situation	M3	97,231	104,011	111,158	117,676	123,622	132,797
Monetary situation	Gold holdings	14,401	15,312	11,104	10,951	9,848	10,705
Monetary situation	FX reserves	30,815	29,972	31,713	32,403	30,638	34,028
Banking sector	Total balance sheet	140,576	151,883	164,821	175,697	185,989	204,311
Banking sector	Total customers' deposits	115,715	124,998	136,206	144,426	151,585	166,446
Banking sector	- of which in LBP	39,433	43,977	46,126	49,524	53,244	59,494
Banking sector	- of which in FCY	76,281	81,021	90,080	94,902	98,342	106,952
Banking sector	Dollarization of deposits	65.9%	64.8%	66.1%	65.7%	64.9%	64.3%
Banking sector	Total loans to customers	39,375	43,452	47,381	50,899	54,224	57,179
Banking sector	- of which in LBP	8,504	9,720	11,116	12,437	13,647	15,660
Banking sector	- of which in FCY	30,871	33,732	36,265	38,462	40,577	41,520
Banking sector	Dollarization of loans	78.4%	77.6%	76.5%	75.6%	74.8%	72.6%

(1) GDP figures from 2011 to 2015 are from the Central Administration of Statistics, for 2016 they are IMF estimates.

Sources: Ministry of finance, Central Bank of Lebanon, Association of Banks in Lebanon as well as public and private organizations.

ECONOMIC OVERVIEW

Lebanon's economy is highly affected by the local and regional geopolitical and security conditions, and those remained highly unstable during 2016. Civil wars in the region, the humanitarian refugee crisis, and local political complications were tough challenges for Lebanese economic growth. Real GDP growth rate has slowed down considerably since the start of the Syrian conflict but remains stable at 1 percent between 2015 and 2016.

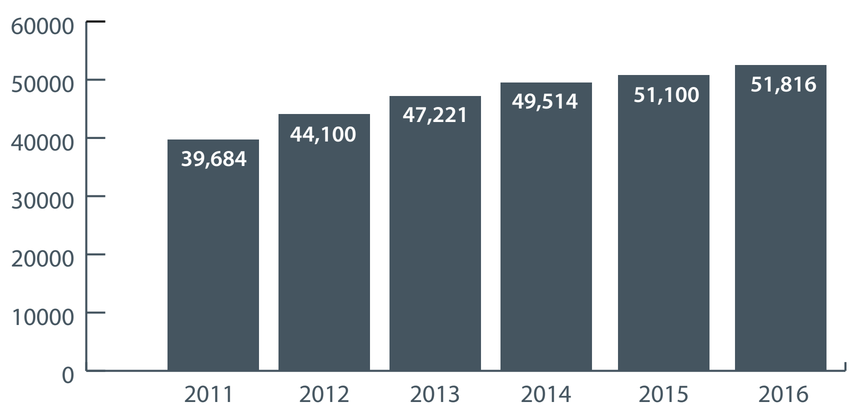
However, October 2016 carried positive news for Lebanon, as the two-and-a-half year political deadlock was unblocked, with the election of a new president and the formation of a new cabinet.

Similar to previous years, the Lebanese banking sector proved its resiliency in spite of the critical political and macroeconomic situation. The total assets of banks operating in Lebanon grew by 9.9 percent between 2015 and 2016, compared to a 5.9 percent year on year growth as at the end of 2015. Customers' deposits also continued to grow, witnessing a 9.8 percent growth rate compared to 5 percent the previous year.

The financial engineering carried out by BDL during 2016 certainly contributed to the growth in assets.

The coincident indicator, a composite measure of economic activity published by the Central Bank of Lebanon and containing information about key sectors, declined by 3.3 percent between December 2015 and December 2016.

Nominal GDP
In millions of USD

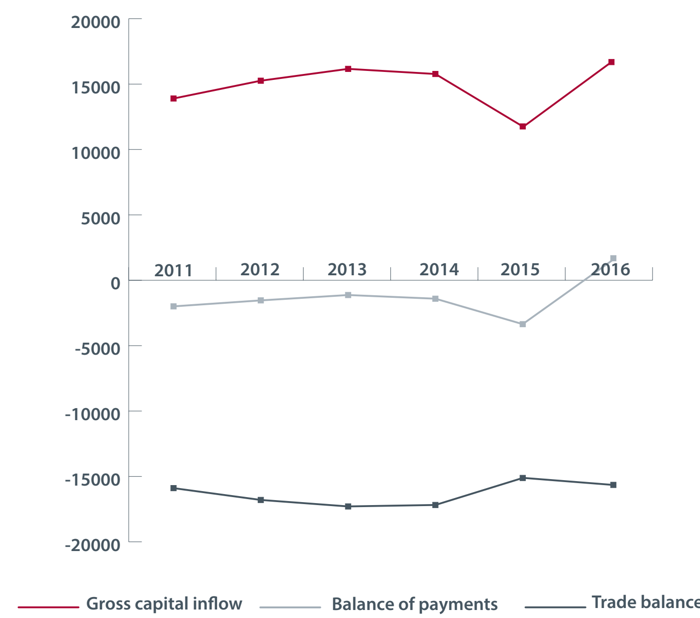


Source: GDP figures from 2010 to 2015 are from the Central Administration of Statistics, for 2016 they are IMF estimates

FOREIGN SECTOR

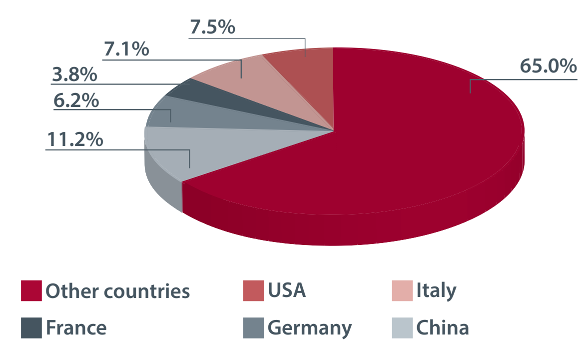
At the foreign sector level, exports and imports increased by 0.8 percent and 3.5 percent respectively. The Trade deficit reached USD 15.7 billion, reporting a 4 percent increase relative to the previous year, and it accounted for 30.4 percent of GDP as at year-end 2016. After a number of years of deficits, the balance of payments reported a surplus of USD 1.2 billion, owing largely to the financial engineering operations conducted between Banque du Liban and commercial banks during the second half of the year.

Balance of Payments
In millions of USD

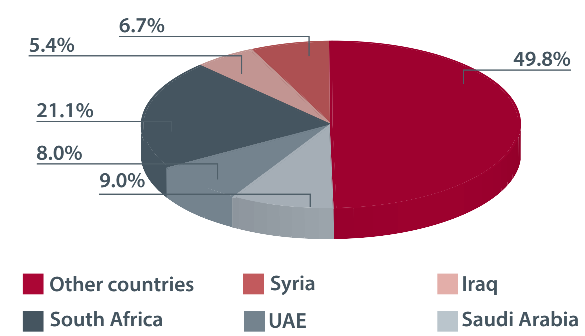


Source: Association of Banks

Imports
by Main Country of Origin



Exports
by Main Country of Destination



Source: Ministry of Finance

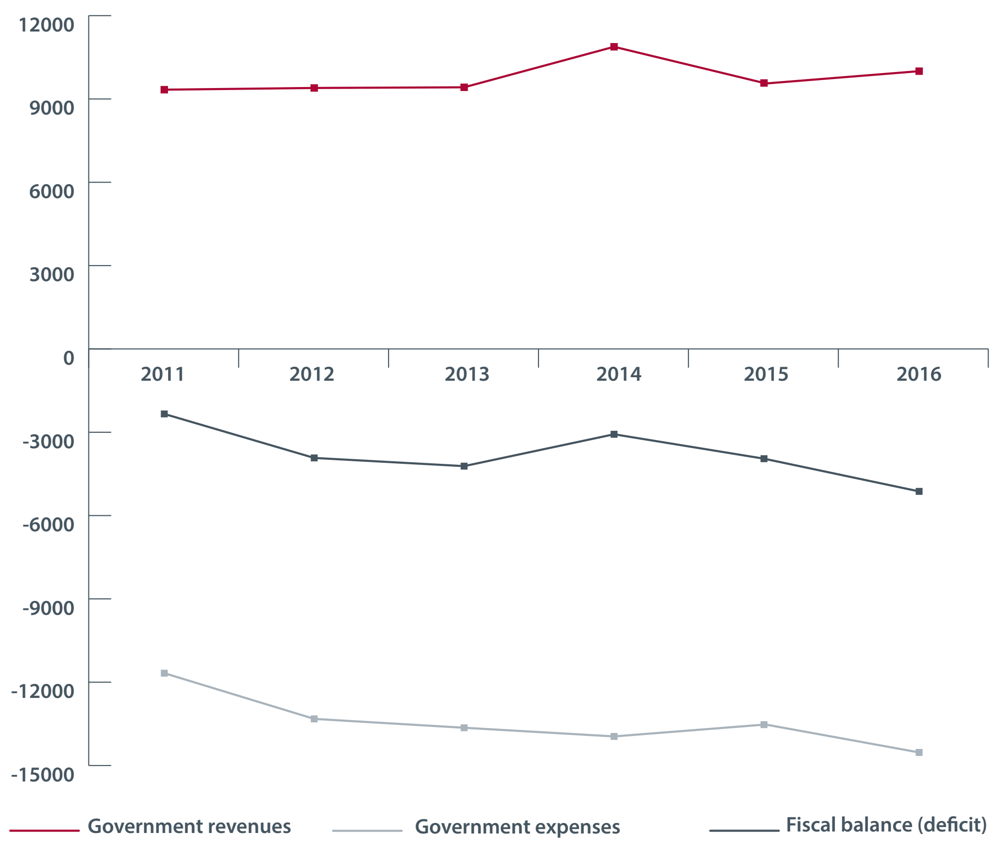
PUBLIC FINANCE

State Budget

Government revenues increased by 3.6 percent to reach USD 9,923 million in 2016, compared to USD 9,575 million in 2015. These revenues include USD 9,279 million of budget revenues and USD 644 million of treasury receipts. In parallel, expenditures rose by 9.9 percent, from USD 13,528 million in 2015 to USD 14,867 million in 2016, driven mainly by a 11.9 percent increase in general budget expenditures and a 6.2 percent increase in interest payments on public debt.

Consequently, the budget deficit widened by 25.1 percent to reach USD 4.9 billion in 2016, accounting for 9.5 percent of GDP compared to 6.2 percent in 2015.

State Budget
In millions of USD



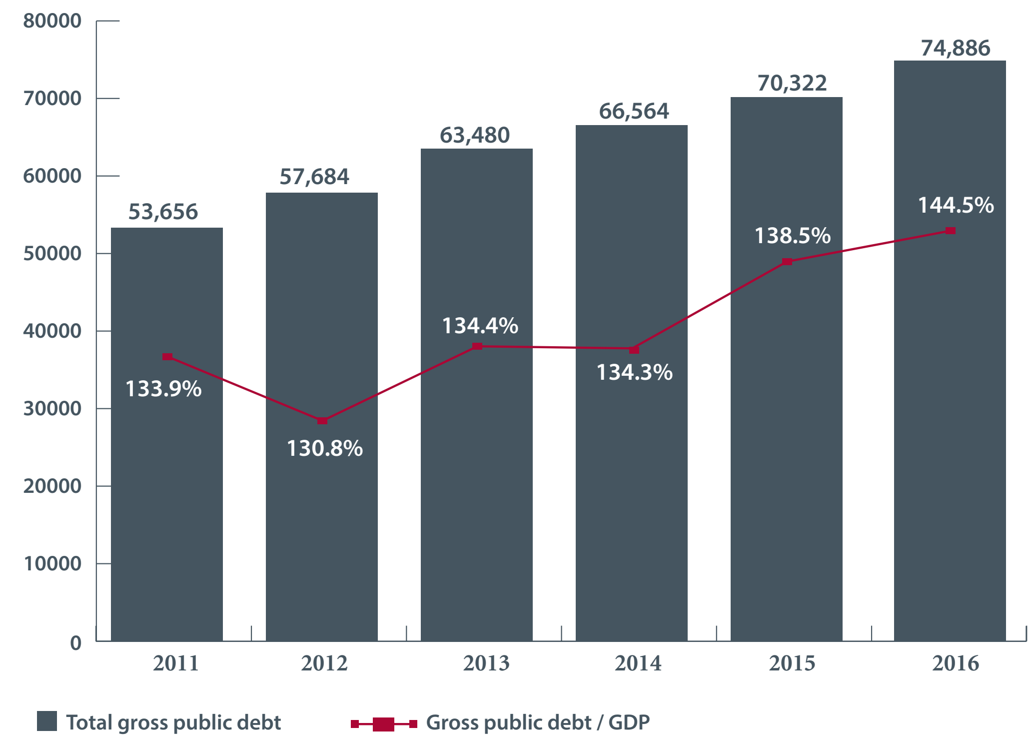
Source: Ministry of Finance

PUBLIC DEBT

Gross public debt reached USD 74.9 billion at the end of December 2016, increasing by 6.5 percent when compared to end of December 2015. Taking into account public sector deposits with the Central Bank, net public debt amounted USD 65.4 billion, rising by 6.3 percent over 2015. Local currency net public debt increased by 8.3 percent to the equivalent of USD 37.3 billion, while public debt denominated in foreign currencies increased by 3.8 percent between 2015 and 2016.

Total gross debt-to-GDP increased from 137.6 percent in 2015 to 144.5 percent in 2016.

Gross Public Debt
In millions of USD

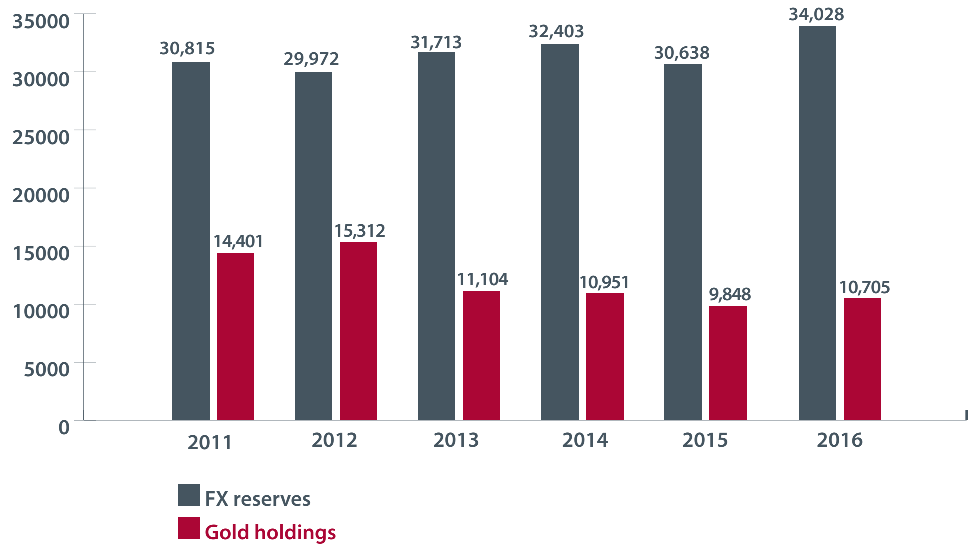


Source: Ministry of Finance

MONETARY SITUATION

During 2016, the Central Bank of Lebanon implemented a financial engineering mechanism as part of its monetary policy objectives, in particular to strengthen its foreign currency reserves, and ensure a stable exchange rate and interest rates. With these transactions, the Central Bank's foreign currency reserves excluding gold reached USD 34.0 billion at the end of 2016 compared to USD 30.6 billion at the end of 2015.

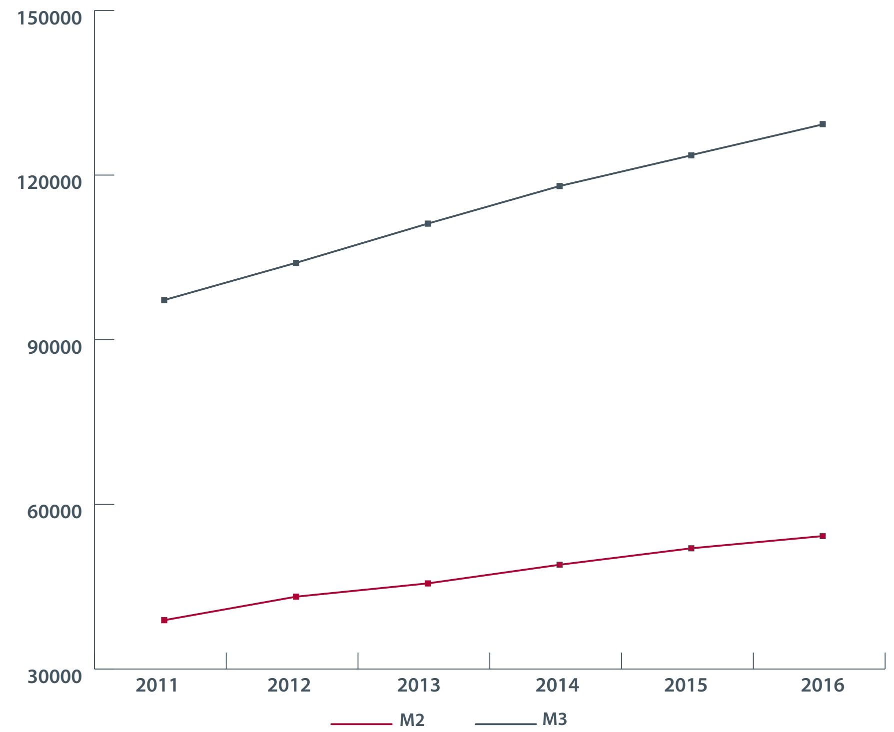
Central Bank FX Reserves and Gold Holdings
In millions of USD



Source: Central Bank of Lebanon

The stock of money and quasi money (M3) reached USD 132.8 billion at the end of December 2016, of which 58.7 percent denominated in foreign currencies, and accounting for a 9.3 percent growth over year-end 2015. This expansion in M3, amounting USD 9.1 billion, resulted from an increase in net claims on public sector USD 4 billion, claims on the private sector USD 2.9 billion, net foreign assets of USD 2.1 billion, and net other items USD 1 billion, against a drop in valuation adjustments of 0.9 USD billion.

M2 - M3 Evolution
In billions of USD



Source: Central Bank of Lebanon

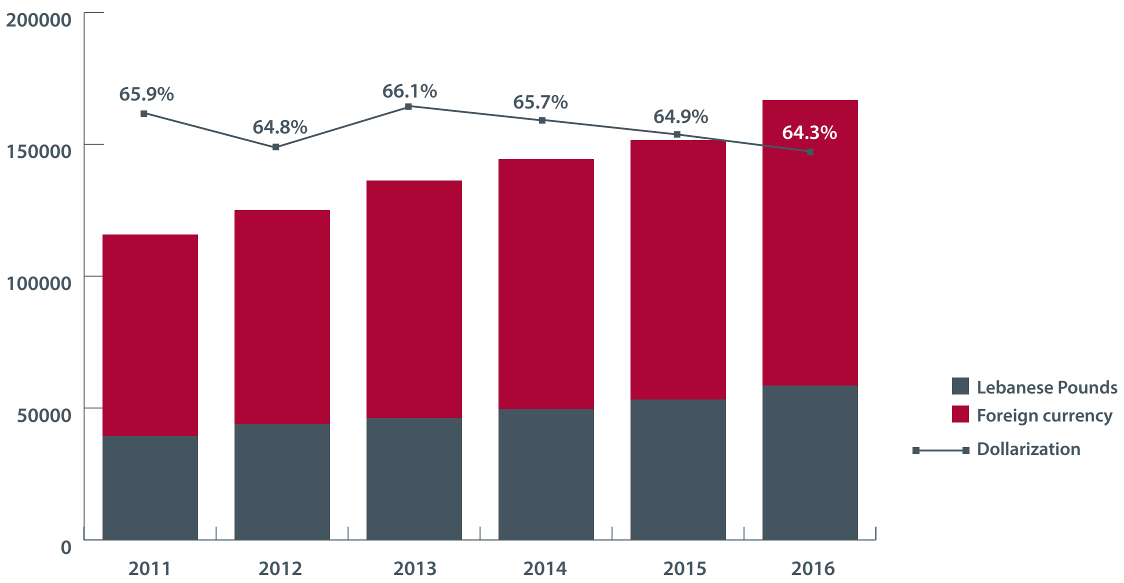
BANKING SECTOR

Despite the economic difficulties that Lebanon encountered during 2016, the total assets of banks operating in Lebanon reached USD 204.3 billion in 2016, increasing by 9.9 percent compared to 2015. Customers' deposits grew by 9.8 percent to reach USD 166 billion.

This growth in deposits was driven by an increase in both local currency and foreign currency deposits, which accounted respectively for 42 percent and 58 percent of the total increase in deposits.

The USD 6.2 billion increase in local currency deposits, compared to the USD 8.6 billion increase in foreign currency deposits, led to a slight decline of the dollarization rate of deposits, which dropped by 0.6 percent, from 64.9 percent in 2015 to 64.3 percent in 2016.

Customers Deposits
In millions of USD



Source: Central Bank of Lebanon

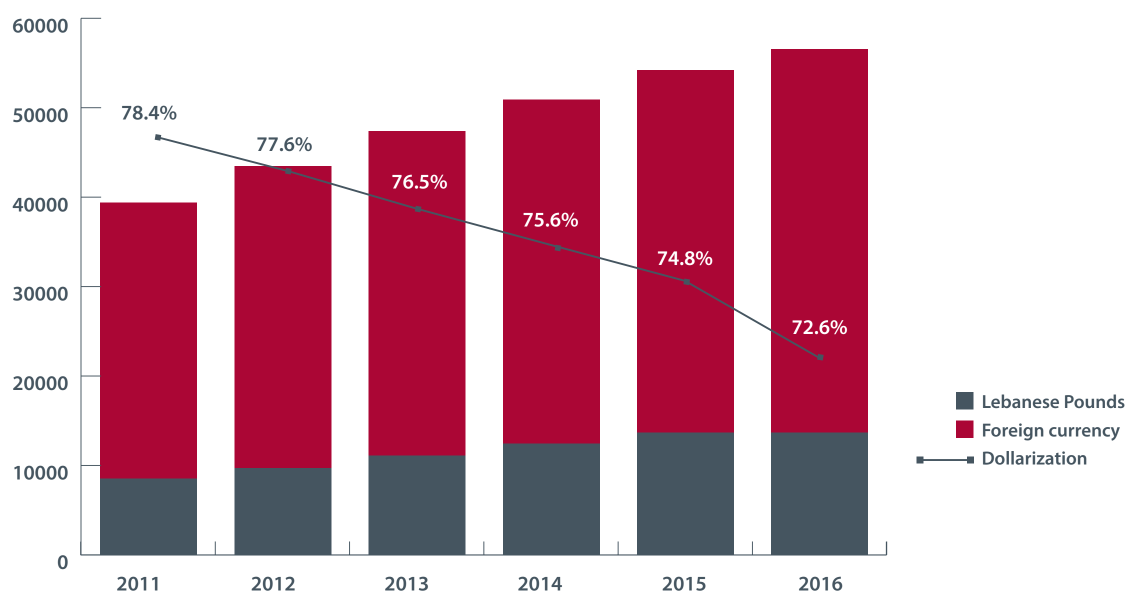
Loans to the private sector stood at USD 57.2 billion as at year-end 2016, compared to USD 54.2 billion as at end of 2015, accounting for a 5.5 percent growth, the lowest witnessed since 2011, when the growth in loans reached 12.7 percent.

This declining growth trend reflects the continuous weak economic environment in Lebanon, but is acceptable in view of the instability in Lebanon and the region.

Lending in Lebanese pounds increased by 14.7 percent between 2015 and 2016, to reach USD 15.7 billion, whereas lending in US dollars increased by 2.3 percent to reach USD 41.5 billion in 2016. This led to a decrease in the dollarization of loans, which dropped to 72.6 percent in December 2016 compared to 74.8 percent in December 2015.

The growth in Lebanese Pound-denominated loans is mainly due to the increase in subsidized loans extended by the commercial banks under central bank incentives for housing, education and sustainable energy finance.

Loans to Customers
In millions of USD



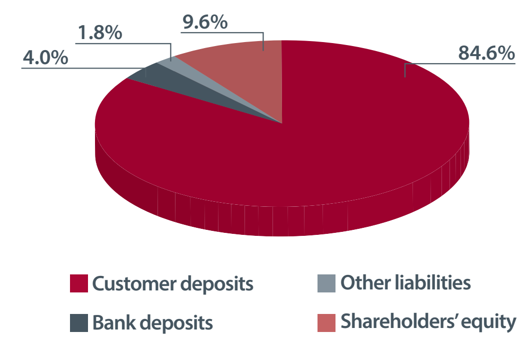
Source: Central Bank of Lebanon

BANQUE LIBANO-FRANÇAISE CONSOLIDATED PERFORMANCE IN 2016

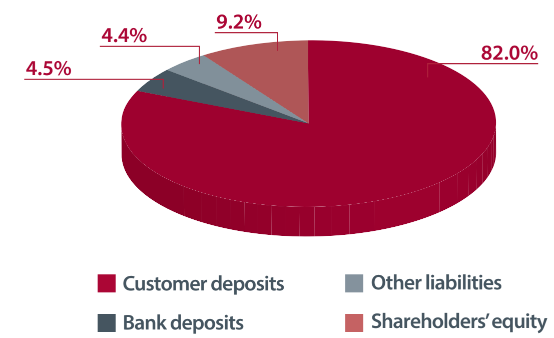
Despite the political uncertainties and the economic slowdown in Lebanon and the region, Banque Libano-Française was able to boost its consolidated assets by 9.2 percent, from USD 11.6 billion in 2015 to USD 12.7 billion at year-end 2016. Customers' deposits also increased by 5.8 percent, reaching USD 10.4 billion at the end of 2016. On the lending side, the loan portfolio grew by 0.4 percent to reach USD 4.2 billion at the end of 2016, against growth rates of 4 percent and 9 percent in 2015 and 2014 respectively.

The breakdown of assets and liabilities in 2015 and 2016 is highlighted in the following charts.

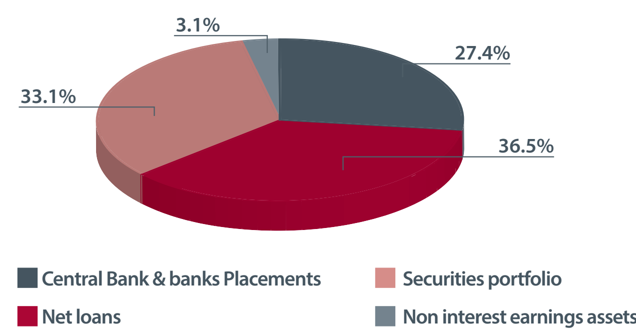
Breakdown of Liabilities in 2015



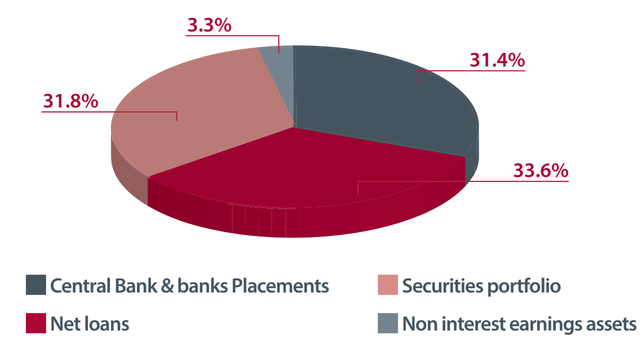
Breakdown of Liabilities in 2016



Breakdown of Assets in 2015



Breakdown of Assets in 2016



BDL FINANCIAL ENGINEERING AND EXTRAORDINARY SURPLUS

During 2016, the Central Bank executed a financial engineering mechanism with the commercial banks, in order to strengthen its foreign currency assets and the capital base of commercial banks, increase liquidity in local currency, improve the government's debt profile and the balance of payments and improve the country's rating and outlook.

In December 2016, BDL issued an Intermediary Circular (446) to regulate the accounting of the surplus generated by the financial engineering.

Banque Libano-Française participated in the financial engineering, and allocated the surplus of USD 295 million, in accordance with BDL guidelines. The Bank therefore increased its collective provisions by USD 75 million, to reach 2 percent of risk-weighted loans, and paid USD 44 million in additional taxes. The residual amount was allocated to deferred liabilities and accounted for as Tier Two capital as per central bank requirements.

LIABILITIES

Similar to other banks in Lebanon, stable and recurrent customer deposits are the main source of funding for the Bank. As indicated above, customer deposits increased by 5.8 percent and reached USD 10.4 billion at the end of 2016. Customer deposits account for 82 percent of total assets.

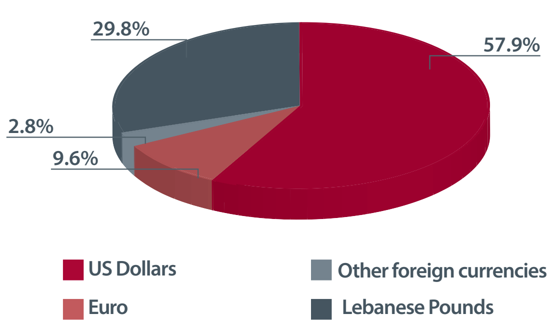
Shareholders' equity increased by USD 46 million and accounted for 9.2 percent of total assets as at end of 2016, while deposits from banks and Financial Institutions, which include current accounts, short-term money market borrowings as well as certain long-term borrowings from major international financial institutions, increased by 20.4 percent between 2015 and 2016 to USD 567 million, and accounted for 4.5 percent of total assets at year-end 2016. The following table provides a breakdown of the Bank's major funding sources as at December 31, 2015 and 2016.

	As at December 31,			
	2015		2016	
	USD million	%	USD million	%
Banks and financial institutions	**471**	**4.1**	**567**	**4.5**
Of which current accounts	103	0.9	148	1.2
Of which short-term borrowings	159	1.4	42	0.3
Of which long-term borrowings	209	1.8	377	3.0
Customer deposits at amortized cost	**9,848**	**84.6**	**10,422**	**82.0**
Of which current accounts and demand deposits	1,631	14.0	1,687	13.3
Of which term deposits	6,880	59.1	7,506	59.0
Of which collateral	918	7.9	900	7.1
Of which margins on L/C's and L/G's	74	0.6	72	0.6
Of which other margins and cash provisions	306	2.6	216	1.7
Accrued interest payable	39	0.3	41	0.3
Total customer deposits	**9,848**	**84.6**	**10,422**	**82.0**
Shareholders' equity	**1,118**	**9.6**	**1,164**	**9.2**
Subtotal: major funding sources	**11,437**	**98.2**	**12,153**	**95.6**
Total assets	**11,641**	**100.0**	**12,715**	**100.0**

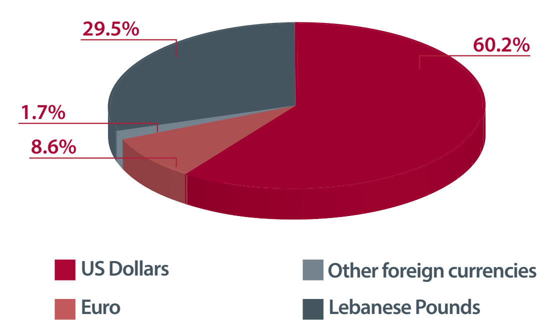
CUSTOMERS' DEPOSITS

In line with the relatively high dollarization of the Lebanese economy, foreign currency deposits account for the biggest share of customer deposits at Lebanese banks in general and at Banque Libano-Française in particular. The majority of these foreign currency deposits are denominated in USD, which accounted for 60.2 percent of total deposits as at year-end 2016 compared to 57.9 percent the previous year.

Deposits by Currency in 2015

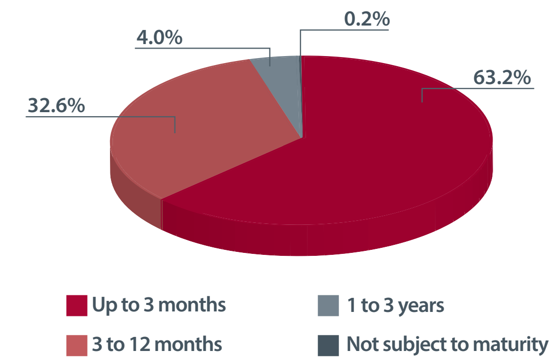


Deposits by Currency in 2016

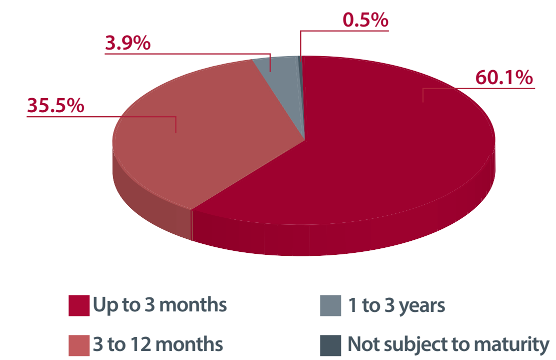


In parallel, customer deposits in LBP decreased slightly from 29.8 percent to 29.5 percent of total deposits between 2015 and 2016.

Deposits by Maturity in 2015



Deposits by Maturity in 2016



Customers' deposits are typically short-term in nature. Deposits maturing within 12 months accounted, as at year-end 2016, for 95.6 percent of total deposits, compared to 95.8 percent the previous year.

SHAREHOLDERS' EQUITY

Shareholders' equity, the Bank's second major funding source, increased by 4.1 percent to USD 1.16 billion as at December 31, 2016 and accounted for 9.4 percent of total assets. The Bank's capital adequacy ratio as per Basel III stood at 16.76 percent at year-end 2016, against 13.41 percent at year-end 2015. This increase is attributed to the Bank's strong internal capital generation and reflects the Bank's longstanding strategy of maintaining a high buffer of equity to meet regulatory ratios and to face political uncertainties. The Bank's payout ratio stood at 40 percent in 2016 against 42 percent in 2015.

PRIMARY LIQUIDITY

The Bank has always maintained a high level of primary liquidity in the form of placements with the Central Bank of Lebanon and with foreign, highly-rated, correspondent banks. As at December 31, 2016, primary liquidity, reached USD 4.0 billion, and accounted for 31.2 percent of total assets and 38 percent of customer deposits.

	As at December 31,			
	2015		2016	
	USD million	%	USD million	%
Cash	35	1.1	36	0.9
Central Bank of Lebanon	2,227	70.3	2,761	69.6
Foreign Central Banks	11	0.3	24	0.6
Financial Institutions	893	28.2	1,144	28.2
Total Primary Liquidity	**3,166**	**100.0**	**3,965**	**100.0**

Placements at the Central Bank of Lebanon (excluding certificates of deposits issued by the Central Bank) accounted for 69.6 percent of primary liquidity as at December 31, 2016 against 70.3 percent at the end of 2015.

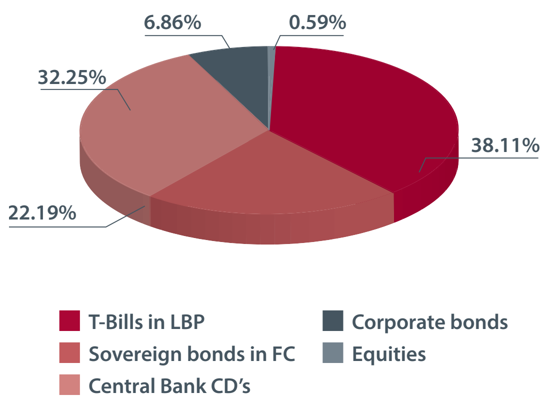
The Bank has a strict and conservative allocation of liquidity. In addition to USD 2.8 billion in local and foreign currency deposits placed at the Central Bank of Lebanon both as reserve requirements and as regular deposits, the Bank maintained, as at year-end 2016, more than USD 1.14 billion in foreign currency, short-term deposits, with its international correspondent banks. The average tenor of the Bank's deposits with its correspondent banks is 23 days.

SECURITIES PORTFOLIO

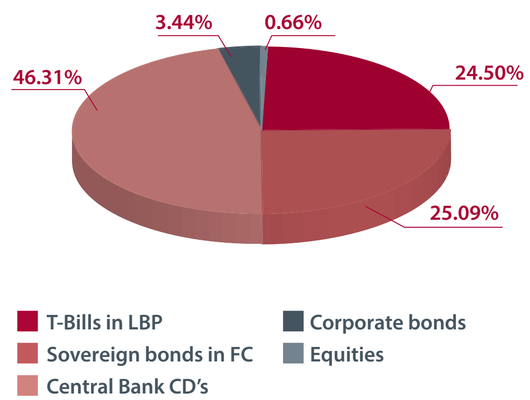
The Bank's investment and trading portfolio includes Lebanese treasury bills, foreign currency sovereign bonds, Central Bank of Lebanon certificates of deposits, highly rated international fixed income securities, as well as shares and other securities with variable income. The Bank's securities portfolio increased by 4.9 percent reaching USD 4 billion in 2016, and accounted for 31.8 percent of total assets, compared to 33.1 percent in 2015.

The following charts highlight the breakdown of the Bank's local and international securities portfolio by instrument and currency, as at December 31, 2015 and 2016.

Securities Portfolio in 2014



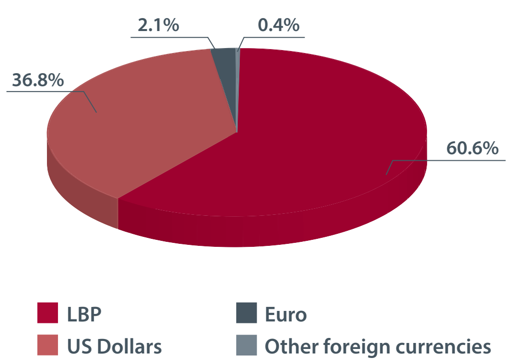
Securities Portfolio in 2015



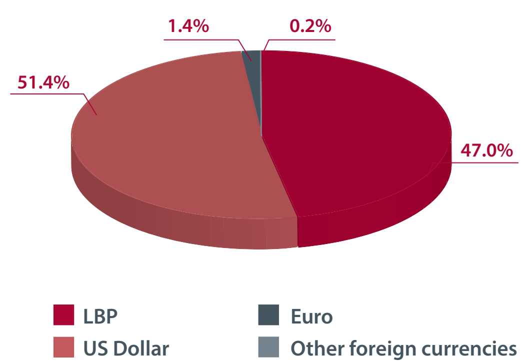
The trading portfolio accounted for 4.3 percent of the total portfolio in 2016, compared to 13.3 percent in 2015. The investment securities in Lebanese pounds totaled USD 1.9 billion at year-end 2016 against USD 2.3 billion at year-end 2015. In line with the Bank's prudent and conservative liquidity policy and asset-liability management strategy, the average tenor of the Lebanese Pounds-denominated securities portfolio as at year-end 2016 stood at 4.6 years with an average yield of 7.2 percent. This policy is also reflected in the portfolio of our foreign currency Eurobonds and CDs , which has an average tenor of 5.8 years and an average yield of 5.6 percent.

The ratio of government bonds in foreign currency to customer deposits in foreign currency decreased from 13.7 percent as at December 31, 2015 to 13.5 percent at year-end 2016, compared to an average of 14.4 percent for the rest of the Lebanese banking sector.

Breakdown Securities Portfolio by Currency in 2015



Breakdown Securities Portfolio by Currency in 2016



LOANS AND ADVANCES

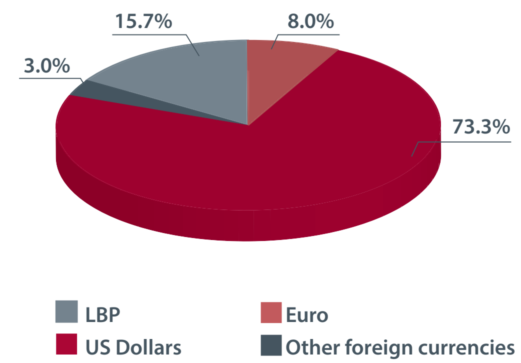
Banque Libano-Française has historically been one of the main contributors to the development of the private sector of Lebanon. The size of the Bank's loan portfolio compared to other banks in Lebanon, both in gross terms and as a percentage of total deposits and total assets, reflects its ongoing commitment and involvement in financing Lebanon's various economic sectors.

As at December 31, 2016, total loans reached USD 4.2 billion, representing a growth of 0.4 percent over 2015. The Bank's loans to deposits ratio decreased slightly, from 42.4 percent as at December 31, 2015 to 40.2 percent as at end of 2016.

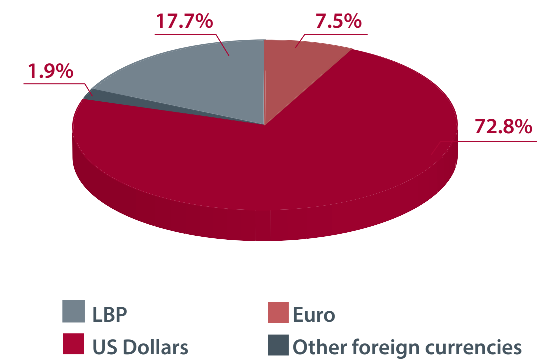
The Bank manages its loan portfolio and credit risk in a conservative manner and the Bank has a long track record in extending loans and in following up its loan book. Provisioning policy is substantially stricter than regulatory requirements and loan-loss provisions more than adequately cover non-performing loans: By year-end 2016, loan loss provisions covered 80.8 percent of doubtful loans, while the ratio of net doubtful loans to total loans remained very low, at 1.8 percent, excluding securities and collateral.

The Bank's loan portfolio is predominately short-term, with 60 percent of the loan portfolio comprised of short-term working capital and trade finance facilities as at December 31, 2016, compared to 56.3 as at December 31, 2015.

Loans by Currency in 2015

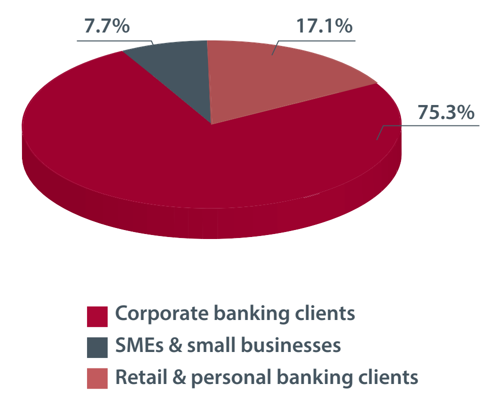


Loans by Currency in 2016

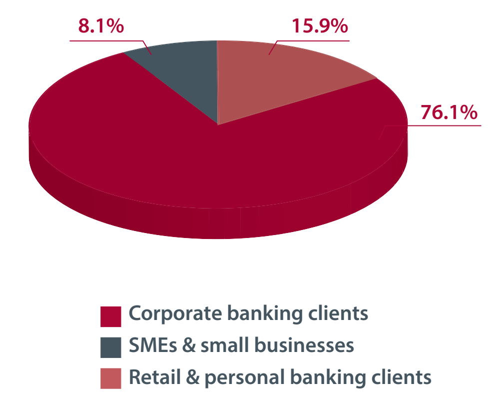


In line with the rest of the banking sector in Lebanon, the loan portfolio is also characterized by a high level of dollarization, which reflects the high level of dollarization of the Lebanese economy. As at December 31, 2016, 72.8 percent of total loans were denominated in US Dollars, compared to 73.3 percent as at December 31, 2015.

Breakdown of Net Loans by Customer Type in 2015

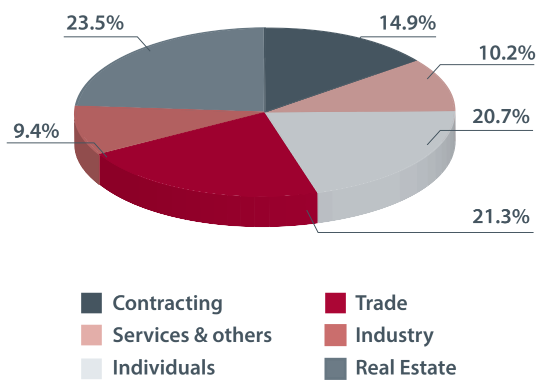


Breakdown of Net Loans by Customer Type in 2016

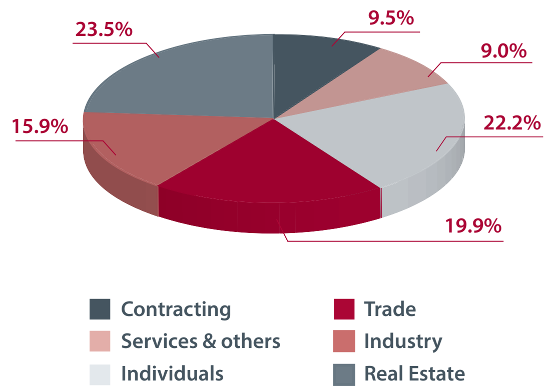


A breakdown of the Bank's consolidated loan portfolio at the end of 2016 by customer type reveals that loans to corporate and SME customers accounted for 84.2 percent of total loans, against 82.9 percent in 2015. The share of retail loans reached 15.8 percent at year-end 2016. This share of the retail loans is in line with the Bank's strategy of diversifying its loan portfolio and developing new and competitive retail products in order to expand the client base, mostly by capturing a bigger market share in mortgage lending and in other asset-backed retail products.

Breakdown of Net Loans by Economic Sector in 2015



Breakdown of Net Loans by Economic Sector in 2016



The Bank strives to diversify the credit risk of its loan portfolio by maintaining a balanced sectorial distribution of loans, with a focus on sectors that are considered to be the most productive and least risky. While the greatest exposure in 2016 was to the real estate sector with 23.5 percent of the loan portfolio, this exposure accounted for less than 4.6 percent of total assets in 2016 compared to 4.9 percent in 2015.

It is important to note however, that the exposure to the real estate sector mentioned above consists of commercial and residential development projects that have high levels of equity funding and of pre-sales, and residential mortgage to private banking clients in Paris and London.

LOAN QUALITY

Net doubtful loans amounted to USD 88.3 million, accounting for 1.9 percent of net loans. During 2016, gross doubtful loans increased by USD 36.9 million while specific provisions increased by USD 1.9 million.

Specific and collective provisions, and reserved interest on non-performing loans, reached USD 328.4 million covering 80.8 percent of total doubtful loans as at December 31, 2016.

In accordance with the Central Bank of Lebanon Intermediary Circular 446, and in anticipation of the adoption of IFRS 9 on January 1, 2018, the Bank allocated a collective provision for credit risk of USD 74.9 million based on 2% of its Credit Risk Weighted Assets maintained under deffered liabilities until implementation of IFRS 9.

The following table highlights the quality of the loan portfolio as well as the provisions for substandard and doubtful loans as at December 31, 2015 and 2016.

	December 31,					
In thousands of USD	2015		2016		Year-on year-change	
	Amount	Percent of gross	Amount	Percent of gross	Amount	Percentage
Regular loans	4,103,891	89.3	4,107,494	88.8	3,603	0.1
Substandard loans	116,802	2.5	103,740	2.2	-13,062	-11.2
Doubtful loans	369,286	8.0	406,226	8.8	36,940	10.0
Accrued interest receivable	6,755	0.1	6,534	0.1	-221	-3.3
Total Gross Loan	4,596,734	100.0	4,623,994	100.0	27,260	0.6
Unearned interest on substandard loans	-23,450	-0.5	-23,391	-0.5	59	-0.3
Unearned interest on doubtful loans	-132,130	-2.9	-151,343	-3.3	-19,213	14.5
Provisions on doubtful loans	-183,950	-4.0	-166,587	-3.6	17,363	-9.4
Collective provisions*	-11,810	-0.3	-10,492	-0.2	1,318	-11.2
Total provisions	-351,340	-7.6	-351,813	-7.6	-473	0.1
Total net substandard loans	93,352	2.0	80,349	1.7	-13,003	-13.9
Total net doubtful loans	53,206	0.9	88,296	1.9	35,090	66.0
Total net loans	4,245,394	92.4	4,272,181	92.4	26,787	0.6
Ratio						
Doubtful loans provisioning ratio	88.8		80.8		-7.9	
Net doubtful loans / Total net loans	1.0		1.8		0.8	

** In 2016, the Bank allocated a collective provision for credit risk of USD 74.9 million based on 2% of its Credit Risk Weighted Assets maintained under deffered liabilities until implementation of IFRS 9.*

CAPITAL ADEQUACY RATIO AS PER BASEL III

The Bank's capital adequacy ratio as per Basel III stood at 16.76 percent at year-end 2016, against 13.41 percent at year-end 2015. Based on the standardized approach, risk weighted assets reached USD 7,249 million as at December 31, 2016 compared to USD 7,431 million as at December 31, 2015. Tier One ratio stood at 14.28 percent as at December 31, 2016 against 13.36 percent in 2015.

The Bank has always maintained healthy capital ratios that exceed the minimum levels required by the Central Bank of Lebanon. These ratios place the Bank in a comfortable and solid capital position to grow its activities and balance sheet.

	December 31,		Year-on-year change	
In millions of USD	2015	2016	Amount	Percentage
Risk-weighted assets - standardized approach	7,431	7,249	(182)	-2.45%
o/w. Credit risk - standardized approach	6,566	6,583	17	0.27%
o/w. Market risk - standardized approach	408	180	(228)	-55.92%
o/w. Operational risk - Basic indicator approach	458	486	28	6.19%
Tier one after allocation of net income	993	1,035	42	4.23%
o/w. Common	652	695	43	6.60%
o/w. Preferred	341	340	(1)	-0.29%
Tier two*	4	179	175	NS
Total regulatory capital after allocation of net income	997	1,214	217	21.81%
Tier one ratio	13.36%	14.28%	0.92%	
o/w. Common	8.77%	9.58%	0.81%	
o/w. Preferred	4.59%	4.69%	0.10%	
Total capital adequacy ratio after allocation of net income	13.41%	16.76%	3.35%	

*Tier Two Capital comprises 50 percent of cumulative favorable change in fair value of assets at fair value through other comprehensive income, regulatory deferred liability less 2 percent of the weighted credit risks, and other regulatory reserves.

PROFITABILITY

NET INCOME

Net income for 2016 amounted to USD 111.7 million, the highest in the bank's history, accounting for an increase of 5.9 percent over 2015.

Return on average equity (ROAE), adjusted for interest paid on cash contribution to capital and return on average assets (ROAA) remained steady at 10.0 and 0.9 percent respectively as at year-end 2016. Earnings per common share, based on the number of shares outstanding as at December 31, 2016, stood at USD 3.7.

	December 31,			
	2015		2016	
	USD thousands	Percent of NFI	USD thousands	Percent of NFI
Interest income	580,376	234.0%	617,763	234.3%
Interest expense	-389,872	-157.2%	-415,445	-157.6%
Net interest income	190,504	76.8%	202,317	76.7%
Fee and commission income	55,711	22.5%	52,423	19.9%
Fee and commission expenses	-11,730	-4.7%	-14,860	-5.6%
Net fee and commission income	43,981	17.7%	37,562	14.2%
Net gain on securities portfolio	21,958	8.9%	5,610	2.1%
Other Operating Income	16,465	6.6%	14,811	5.6%
Net loan loss provisions	-24,898	-10.0%	3,360	1.3%
Net Financial Income after loan loss provisions	248,010	100.0%	263,660	100.0%
Operating expenses	-124,682	-50.3%	-130,855	-49.6%
Income before exceptional items and tax	123,328	49.7%	132,805	50.4%
Deffered tax on subsidiaries pofits	-521	-0.2%	-492	-0.2%
income tax	-17,270	-7.0%	-20,590	-7.8%
Net income	105,536	42.6%	111,723	42.4%

Net Financial Income reached USD 263.7 million as at December 2016 ,31, realizing a growth of %6.3 as compared to the previous year.

The Bank's operating margin, defined as the ratio of income before exceptional items and tax to net financial income, increased from 49.7 percent as at December 2015 ,31 to 50.4 percent as at December 2016 ,31. This increase was the result of a decrease in net loan loss provisions by USD 28.3 million against a decrease in the gain on securities portfolio by USD 13.4 million.

NET INTEREST INCOME

Net interest income before provisions increased by 6.2 percent from USD 190.5 million at year end 2015 to USD 202.3 million at year-end 2016.

AVERAGE BALANCES AND INTEREST RATES

The following table summarizes average balances and interest rates of assets, liabilities and shareholders' equity of the Bank and its consolidated subsidiaries for each of the two years ended December 31, 2015 and 2016.

	December 31,					
In millions of USD	2015			2016		
	Average balance	Interest amount	Average rate	Average balance	Interest amount	Average rate
Loans and placements with Banks	3,348	85	2.53%	3,661	92	2.52%
Loans to customers	4,096	250	6.11%	4,184	254	6.08%
Interest earning securities AC	3,223	213	6.60%	3,602	251	6.96%
Interest earning securities FVTPL	416	33	7.85%	343	20	5.96%
Interest-earning assets	**11,083**	**580**	**5.24%**	**11,789**	**618**	**5.24%**
Other assets	373	-	0.00%	389	-	0.00%
Average assets	**11,456**	**580**	**5.07%**	**12,178**	**618**	**5.07%**
Interbank deposits and long term borrowings	273	6	2.10%	226	5	2.42%
Deposits from customers	9,714	379	3.90%	10,423	402	3.86%
Long term borrowings	165	3	1.71%	293	5	1.81%
Cash contribution to capital (CCC)	40	2	5.53%	40	3	6.36%
Interest-bearing liabilities	**10,192**	**390**	**3.83%**	**10,982**	**415**	**3.78%**
Other liabilities	243	-	0.00%	96	-	0.00%
Shareholders' equity (excluding CCC)	1,021	-	0.00%	1,101	-	0.00%
Average liabilities	**11,456**	**390**	**3.40%**	**12,178**	**415**	**3.41%**

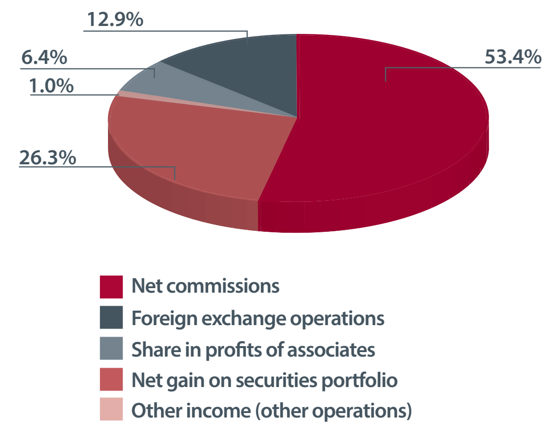
Average interest-earning assets accounted for 96.8 percent of average assets in December 2016, compared to 96.7 percent at the end of 2015, while average interest-bearing liabilities accounted for 87.8 percent of average assets compared to 89.0 percent in December 2015. The average margin, measured by the difference between the average rate earned on assets and the average rate paid on liabilities remained steady at 1.7 percent.

NON-INTEREST INCOME

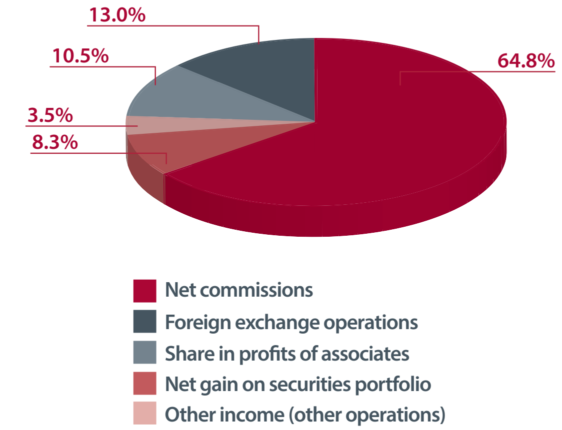
In 2016, Non-interest income amounted to USD 58.0 million. The breakdown of non-interest income continues to reflect the Bank's strong trade finance activity. At the end of 2016, net commissions reached USD 37.6 million and accounted for 64.8 percent of total non-interest income.

Net revenues from foreign currency transactions reached USD 7.5 million, decreasing by 29.2 percent over the same period in 2015, and accounted for 13.0 percent of total non-interest income.

Net Non-Interest Income in 2015



Net Non-Interest Income in 2016



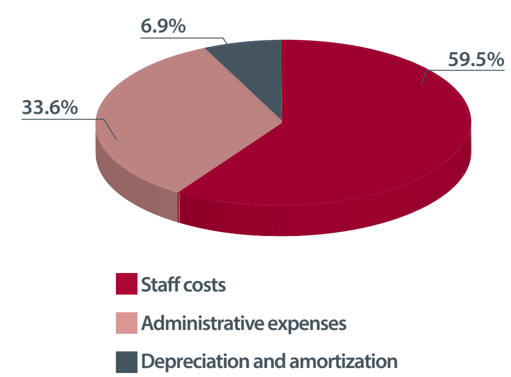
OPERATING EXPENSES

The Bank's total operating expenses reached USD 130.9 million for 2016, a 4.9 percent increase over 2015. Administrative expenses increased from USD 41.9 million in December 2015, to USD 43.8 million in 2016 while Staff Costs increased from USD 74.2 million to USD 78.4 million over the same period.

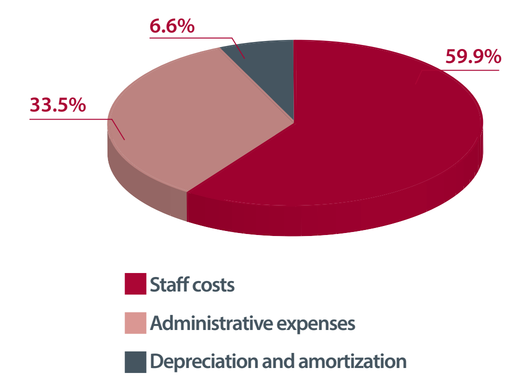
Between 2015 and 2016, the Bank's cost-to-income ratio after loan loss provisions reached 49.6 percent.

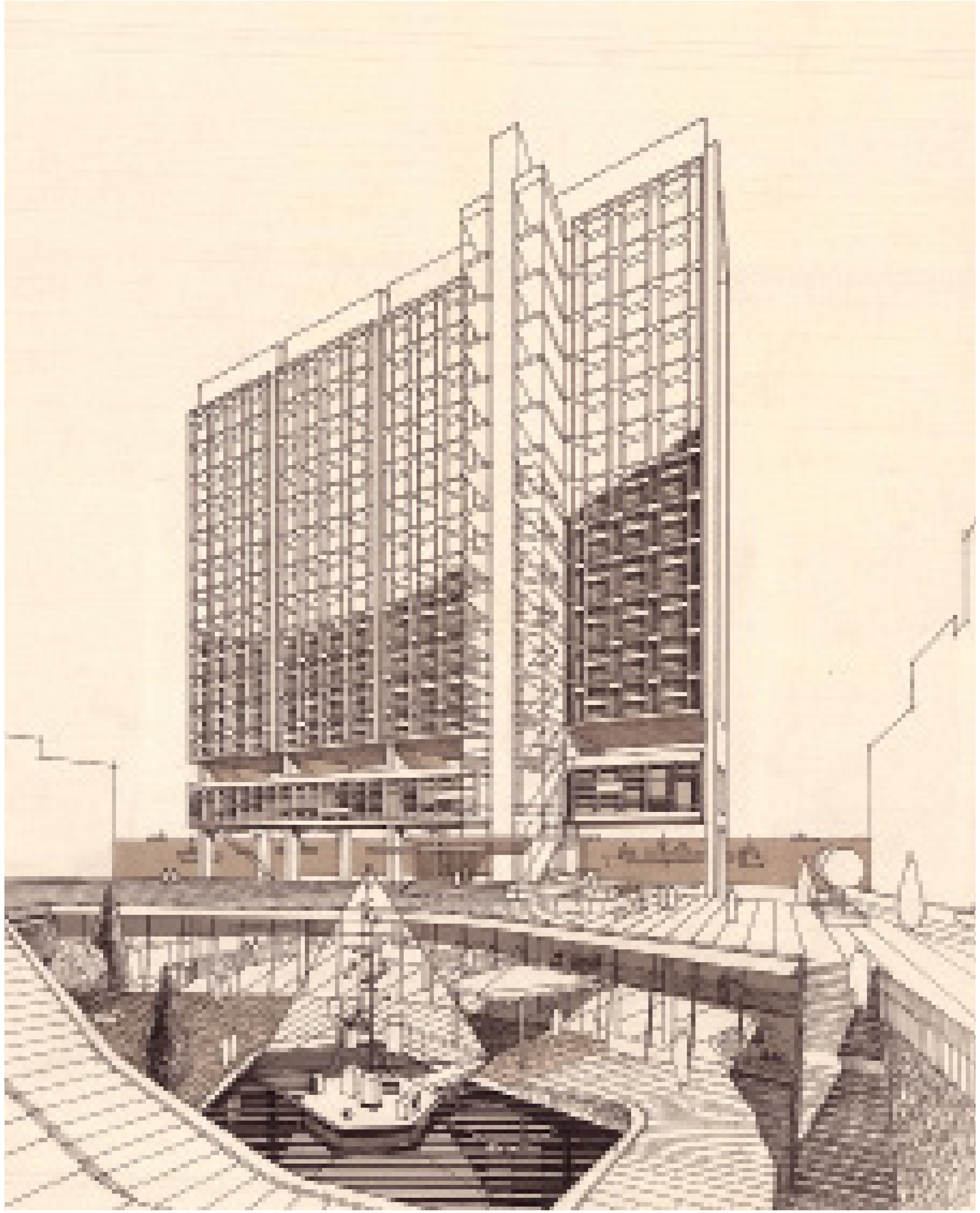
The following pie charts provide a breakdown of the Bank's operating expenses for 2015 and 2016.

Operating Expenses in 2015



Operating Expenses in 2016





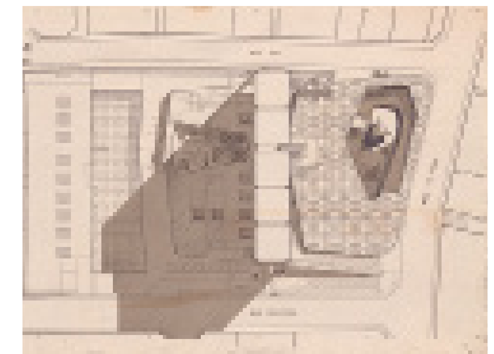
Arab Center for Architecture

1965 - 1972

Electricity of Lebanon *(Electricité du Liban)* Headquarters

P. Neema, J. Aractingi, J. N. Conan and J. Nassar

The building is the result of one of many competitions launched in the 1960s to equip Lebanon with public buildings. It is representative of a successful collaboration between local and foreign engineers and architects. In order to ensure an open view from the main street to the Mediterranean Sea, the architects located the public lobby at a lower level, accessible through a sunken piazza offered to the visitors and the neighborhood. The bulk of the building is raised on four pre-stressed concrete porticos spanning 14m. Given the large spans, it was possible to have a free partitioning of the floors constituted of precast-slabs, a technique available in the country since the 1950s. The design is climate-responsive; dressed on the southern sunny side with a concrete claustra veil while the northern side is exposed to full light.



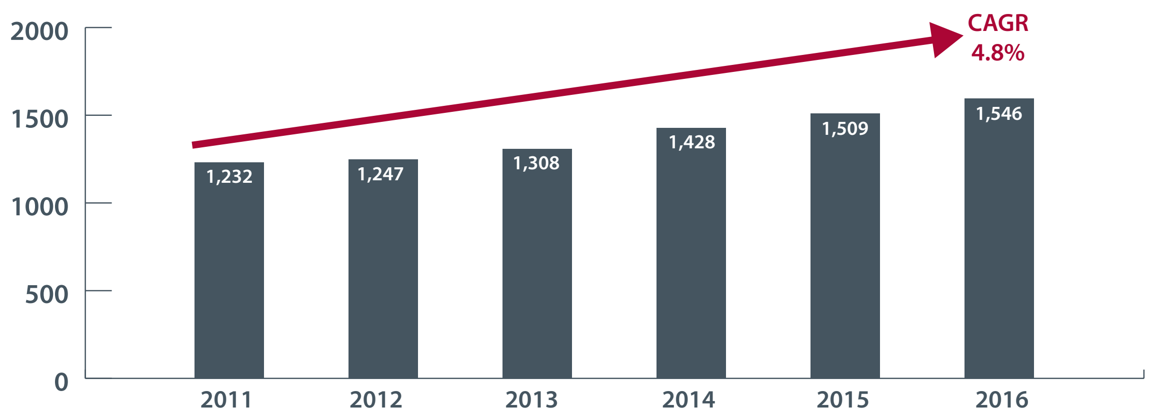
Arab Center for Architecture

10 Human Resources Development

HR DEVELOPMENT

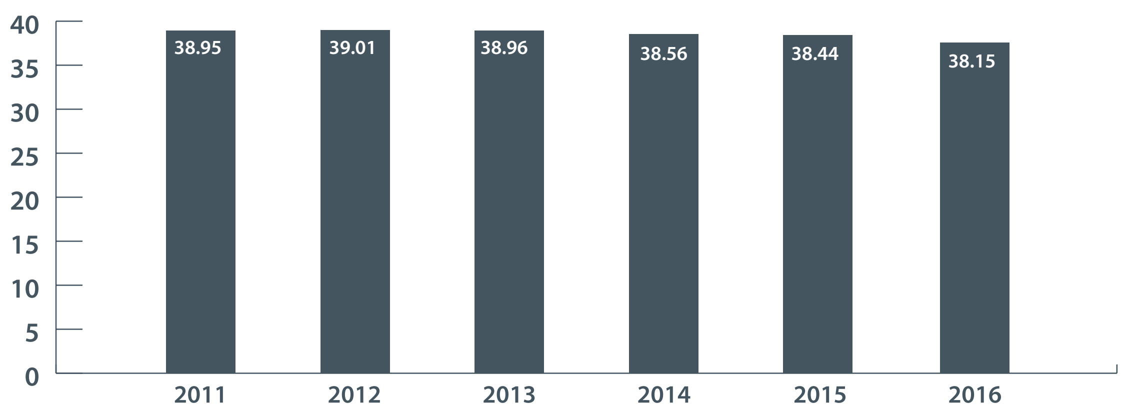
Over the 2011-2016 period, and to accompany the expansion strategy in Lebanon and abroad, employment at Banque Libano-Française has been following an ascending trend.

The number of employees reached 1,546 at the end of 2016, reflecting a 4.7 percent CAGR over the period.



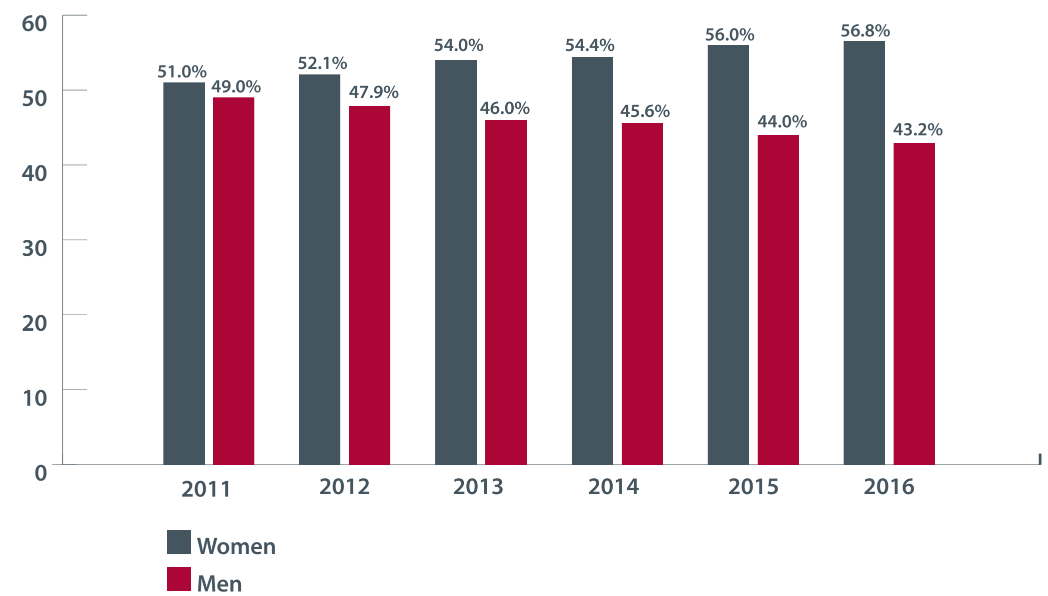
AVERAGE AGE

In line with the Bank's motto "A Partner for your Ambitions", the Human Resources Division continued to attract young and talented individuals. This has resulted in a decreasing average age of the Bank's employees from 38.9 years in 2011 to 38.15 years currently.



EMPLOYEES GENDER COMPOSITION

Along with the increased headcount and the lower average age of the staff, and since gender equality is a key and basic principle for the Human Resources Division's recruitment policy, the percentage of women has been steadily increasing over the past few years: women accounted for 56.8 percent of total staff at the end of 2016.



The Bank's staff is mostly comprised of highly qualified individuals, most of whom have a university degree and strong academic achievements, and many have a successful professional track record.

The Bank strives to provide its employees with the opportunity to develop their potentials and professional skills. In 2016 the Bank provided 35,890 hours of training, equivalent to 23.8 hours of training per employee.

Training is provided both in-house and through external seminars and programs and covers both technical and managerial aspects. Through its in-house training programs, the bank aims to establish a common culture among its employees and to adequately develop their commercial and professional skills and standards.

In order to build a better framework for the training provided to the staff, the Bank established in 2009 a Training Center equipped with state-of-the-art technology, and developed programs covering a wide variety of topics and skills.

1968


An-Nahar archives

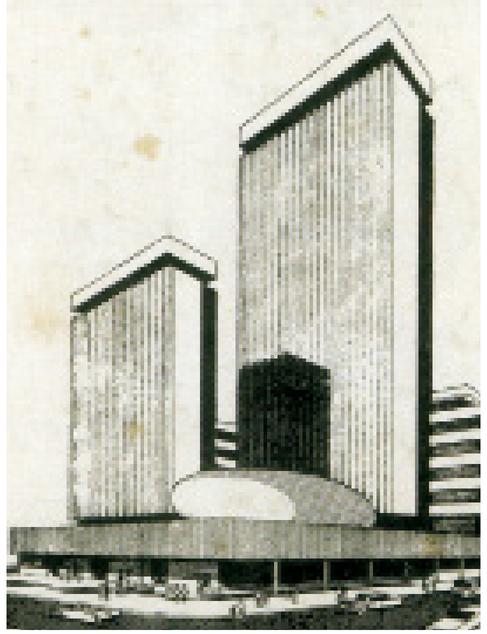
City Center Movie Theater

Joseph Philippe Karam

Located on Bechara el Khoury Street in the Central District of the capital, the City Center or Salha-Samadi complex is mostly distinguished due to its striking movie theater. As the building code forbade to have movie theaters under buildings for safety purposes, the resourceful engineer/architect elevated the theater and provided a large retail area below. The result is a sculptural movie theater 34m long, 23m wide, and 13m high, originally named the City Palace but soon surnamed the egg or the soap. The air conditioning ducts run between the outer and inner skins of the shell.


An-Nahar archives


Arab Center for Architecture


Joseph Philippe Karam archives

1974 - 1982

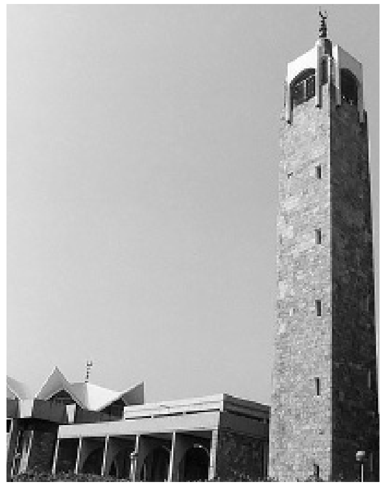
Assem Salam archives

Khashokji Mosque

Assem Salam

This is a meaningful modern contribution to mosque architecture.

The design consists of two parts. The first is an enclosed space of prayer, dressed with sandstone, framed by freestanding concrete columns, and capped with a complex concrete shell made of folded planes, a modern interpretation of the dome. The second is an adjacent outdoor space, surrounded by arched galleries and covered by a concrete slab carried by diagonal beams suggesting an arabesque motif. Surprisingly, the arches are perpendicular to the main elevation facing the Pine Forest, whereas one expects them to participate in the façade. Instead, they offer to the street their profile, reduced here to a simple post. An unadorned square minaret dressed in sandstone completes the composition.



Arab Center for Architecture

11 Corporate Social Responsibility

BANQUE LIBANO-FRANÇAISE: A TRUE PARTNER FOR A SUSTAINABLE COMMUNITY

Throughout the years, Banque Libano-Française has been running its operations by embracing five founding values: Responsibility, Integrity, Competences, Humanism and Engagement. These values are the cornerstone of its Corporate Social Responsibility (CSR) strategy that focuses on four main pillars: Marketplace, Workplace, Community and Environment.

Embedded in its motto, "A Partner for your Ambitions", the Bank's promise is to make an impact on the social and environmental levels while contributing to foster sustainable economic development.

As a result of its CSR commitment, BLF was selected in 2013 by LIBNOR, the Lebanese Standards Institution affiliated to the Ministry of Industry, to participate as a pilot organization in the uptake and use of ISO 26,000 guidelines, an international standard providing organizations with guidance concerning Social Responsibility. Following the conduction of a gap analysis based on seven core subjects (Organizational Governance, Labor Practices, Human Rights, Environment, Fair Operating Practices, Consumer Issues, Community Involvement and Development), BLF developed an action plan to further integrate social responsibility in its behaviors, operations, and interactions with stakeholders. In 2014, it also modified its mission statement to reflect shared value and sustainability and formulated a new strategy aiming at "Leading Sustainable Banking in Lebanon" through: Sustainable Lending, Sustainable Financial Innovation, Sustainable Support to the Community, Sustainable Environmental Strategy, and Sustainable Engagement with Stakeholders. BLF established in 2015 a CSR Committee, headed by its Chairman General Manager to oversee the implementation of the Bank's CSR activities.

During that same year, BLF also signed a Letter of Commitment to join the United Nations Global Compact aligning its operations and strategies with ten universally accepted principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. As a founding member of the AUB-led UNGC Local Network Steering Committee since 2015, BLF pursued in 2016 its support to the advancement and implementation of the ten principles through dialogue, exchange of information and expansion of the Lebanon signatories to the UNGC. BLF also committed in 2016 to align its activities with the United Nation's Sustainable Development Goals (SDGs).

In 2016, the Bank delivered internal awareness sessions to its entire staff. The trainings took place within the framework of "Live our Values Everyday" workshops, providing a vital introduction to CSR and highlighting the relationship between the Bank's core values and social responsibility.

MARKETPLACE

Banque Libano-Française has always played a crucial role in Lebanon's development as it firmly believes in its potential and mission. Therefore, it supported the Lebanese economy during the most difficult periods of its history. In the aftermath of war, BLF was actively involved in Lebanon's reconstruction and extended financing to the country's most important public and private projects and corporates.

BLF strives to propose products and services that cater to the growing needs of its clients. To get closer to them and help them expand their businesses, it is expanding regionally and internationally, and is building a large network in Lebanon covering as many geographic regions as possible to make banking services easily accessible to all Lebanese.

In addition to encouraging entrepreneurship through its support to business incubators and various events such as Horeca, Bader, Berytech and BIAT, BLF is a leader in the financing of start-ups with Kafalat Innovative. The Bank also empowers youth by providing them insights into the working realities of the banking sector through various conferences at universities and open doors at its premises.

On another front, the culture of a transparent and fair relationship with a customer-centric approach has always been a priority at BLF. Established in 2013, BLF's Customer Experience Department constantly monitors its service through quality internal assessments, mystery shoppers and satisfaction surveys. In 2015, the Bank's branch customers' satisfaction reached 94% according to a survey conducted by IPSOS. Moreover, 366 mystery shoppers' visits were carried to assess branches performance in 2016.

WORKPLACE

BLF considers its people as the ambassadors of its brand and thus continuously motivates its staff. The Bank is actively working on fostering a culture of performance, where accomplishments are recognized and rewarded with development opportunities, career advancements, as well as attractive remuneration.

BLF is an equal opportunity employer, noting that women make up 27% of the members of the Executive Committee, 36% of the upper management, 53% of the branch managers and 53% of the Middle Management. Because it also actively promotes a work-life balance, the Bank also set up a short schedule for mothers.

In 2016, BLF provided more than 35,889 hours of internal and external training to its staff, as well as integration seminars - including CSR awareness sessions - for new recruits.

To reinforce the belongingness of its employees and to keep communication lines open with the Bank's Management, BLF has built an internal culture of information and interaction. It keeps employees in the loop through dedicated numerous communication tools such as an employee handbook, an internal newsletter, a daily-updated Intranet site, social media channels, events and campaigns, challenges and rewards, polls…

In addition, BLF is one of the few banks in Lebanon to have established a "Club" which organizes fun team-building activities outside the work premises, and heavily subsidizes employees' participations in various social, cultural and sport events, vacation trips…

COMMUNITY

The community is a key focus of CSR strategy at BLF. As today's environment is undergoing significant change, BLF works to uplift living conditions in many areas.

In 2016, BLF supported 400 projects including charitable causes, community outreach programs and partnerships in arts, culture, youth, schools, health, education, environment, and entrepreneurship activities of major organizations and NGOs.

Examples of supported main projects include Help Lebanon, Beirut Art Center, Mouawad Museum, Arab Image Foundation, Institut Français as well as various festivals...

2016 was also marked by the community involvement of the employees. BLF Club organized for instance a food donation campaign in collaboration with the Lebanese Food Bank. BLF's employee's choir chose to put a smile on the faces of children, disabled and elderly people, by visiting several NGOs and spreading joy with entertainment. Furthermore, winners of internal challenged donated their prizes to NGOs.

ENVIRONMENT

A healthier environment undoubtedly ranks high on Banque Libano-Française' CSR strategy. Its green strategy is based on actively participating in shaping environmental policies, developing eco-friendly products and services, adopting environmentally friendly practices at the workplace (such as the recycling of paper and e-waste), while raising green awareness among its internal and external stakeholders.

As at end of December 2016, BLF had provided more than USD 240 million in funding for green projects that are helping Lebanese companies and home owners cut costs, spur growth, and protect the environment, thanks to its partnership with IFC. Since the begining of the program in 2011, BLF had granted more than 4,128 solar water heater loans grabbing a total market share of 25.8%.

In partnership with UNDP, BLF offered during the annual Earth MasterCard competition, a sum of USD 40,000 to the three winners, bringing the total amount granted to the competition over the past five years to USD 200,000. The 2016 winning projects under the theme of "Solid Waste Management" were "Recycling of organic waste through vermicomposting in Arab Salim" by Baladna and Nidaa el Ard, "ABC3Drecycling" by Collège Elysée Hazmieh and "Sorted Outsmart Your Garbage" mobile application by Little Push.

Moreover, BLF held a panel on "Innovation for Sustainability" during the Beirut Energy Forum, featuring panelists who tackled issues and initiatives pertaining to waste management in Lebanon.

The Bank supported local green initiatives such as the Jabal Moussa Biosphere Reserve, Jouzour Loubnan, and Blue Gold. In 2016, BLF also signed Lebanon Opportunities' Green Pledge, as an expression of its moral commitment to a greener corporate behavior.

In addition, the Bank recycled as at end of December 2016, 412,739 tons of paper the equivalent of saving 7,016 trees, 10,936,758 liters of water, 1,650,956 kilowatt hours of energy, 946,6 cubic meters of landfill space, 825,47 barrels of oil, 2,257 e-waste items. In 2016, the Bank took additional initiatives to limit its impact on the environment (ban of plastic, recycling of metal cans, environmental awareness campaigns…

In 2016, BLF launched a Sustainable Procurement Policy which details how the Bank selects the suppliers to ensure that the products and services it procures have the lowest environmental impact and most positive social and economic impacts possible. It has also integrated a sustainability clause into all its contracts with suppliers to promote ethically, economically, socially and environmentally responsible business practices amongst its network of suppliers.

12 Resolutions of the Annual Ordinary General Meeting

EXTRACT OF THE ANNUAL ORDINARY GENERAL MEETING HELD ON APRIL 27TH, 2017

FIRST RESOLUTION

The Ordinary General Meeting of Shareholders of the Bank approved the Bank's accounts, in particular the balance sheet and the profit and loss statement as at and for the year ended on December 31st, 2016 and granted full discharge to the Chairman and Members of the Board of Directors in respect of their management of the Bank's activities during the year 2016.

This resolution was adopted unanimously.

THIRD RESOLUTION

The Ordinary General Meeting of Shareholders of the Bank notes that the non-consolidated net income for the year ended December 31st, 2016 amounted to LBP 147,011,172,000 and the consolidated net income after tax and minority interests amounted to LBP 162,944,641,000, after setting aside all the provisions and reserves deemed necessary by the Board of Directors.

This resolution was adopted unanimously.

FIFTH RESOLUTION

The Extraordinary General Meeting of Shareholders of the Bank held on February 2nd, 2016 having decided that holders of Series (5) Preferred Shares will receive USD 6.625 (Six Dollars and six hundred twenty-five Cents) per preferred shares for the year 2016,

The Ordinary General Meeting of Shareholders of the Bank approves the distribution to holders of Series (5) Preferred Shares, of a total amount of USD 9,937,500 for the year 2016, equivalent of LBP 14,980,781,250, i.e. USD 6.625 per share.

This amount will be distributed among holders of Series (5) Preferred Shares, after deduction of a 5 percent distribution tax, since the Bank settles the remaining 5 percent of the distribution tax.

The amount of USD 6.29375 per share net of tax shall be paid at the counters of Banque Libano-Française S.A.L. in Beirut beginning April 29th, 2017.

This resolution was adopted unanimously.

FOURTH RESOLUTION

The Extraordinary General Meeting of Shareholders of the Bank held on January 9th, 2015 having decided that holders of Series (4) Preferred Shares will receive USD 7 (Eight Dollars) per preferred shares for the year 2016,

The Ordinary General Meeting of Shareholders of the Bank approves the distribution to holders of Series (4) Preferred Shares, of a total amount of USD 10,500,000 for the year 2016, equivalent of LBP 15,828,750,000, i.e. USD 7 per share.

This amount will be distributed among holders of Series (4) Preferred Shares, after deduction of a 5 percent distribution tax, since the Bank settles the remaining 5 percent of the distribution tax.

The amount of USD 6.65 per share net of tax shall be paid at the counters of Banque Libano-Française S.A.L. in Beirut beginning April 29th, 2017.

This resolution was adopted unanimously.

SEVENTH RESOLUTION

The Ordinary General Meeting of Shareholders of the Bank decides to allocate the non-consolidated profits for the fiscal year 2016 as follows:

In thousand of LBP

Legal reserve	14,579,920
Reserve for fixed assets earmarked for liquidation and acquired in settlement of debt	6,596,682
Reserve for general banking risks	30,250,000
Collective Reserve for Retail Loans in accordance with intermediate circular Nº 383 issued by the Central Bank of Lebanon	830,853
Collective Reserve for other Loans in accordance with intermediate circular Nº 383 issued by the Central Bank of Lebanon	17,105,486
Special reserve	1,550,000
Dividends Preferred Shares Series (4)	15,828,750
Dividends Preferred Shares Series (5)	14,980,781
Dividends Common Shares	45,002,500
Profit Carried Forward for 2016	286,200
	147,011,172

The dividend on common shares amounting LBP 45,002,500,000 will be paid as of April 28th, 2017 at the counters of Banque Libano-Française S.A.L. as LBP 1,915 per common share after deducting the distribution tax of 10 percent.

This resolution was adopted unanimously.

EIGHT RESOLUTION

The "Cash Contribution to Capital" earns interest at annual rate equal to, either 90 percent of the yield (at issuance) of the most recent USD Eurobonds issued by the Lebanese Government during the second half of the previous year, with a maturity of 5 years or more, or to 90 percent of the arithmetic average of the yield – as at December 31st of the previous year-of Lebanese Government USD Eurobonds with residual maturity of 5 years or more.

The most recent USD Eurobonds issued by the Lebanese Government during the second half of the year 2016with a maturity of more than 5 years being executed at the rate (yield) of 6.85 percent, the interest rate of the cash contribution to capital for the 2017 fiscal year is set at 6.165 percent.

This remuneration will be paid within the limit of the Bank's free net income and after the approval of the Banking Control Commission.

This resolution was adopted unanimously.

TENTH RESOLUTION

Noting that the term of office Mr. Philippe Doré has reached its term, the Ordinary General Meeting of Shareholders of the Bank, renews there term in accordance with article 18 of the By-Laws, for three-year terms expiring upon holding of the Ordinary General Meeting of Shareholders that will examine the accounts and activity of the year 2019.

This resolution was adopted unanimously.

ELEVENTH RESOLUTION

Noting that the term of office Dr. Marwan Nsouli has reached its term, the Ordinary General Meeting of Shareholders of the Bank, renews there term in accordance with article 18 of the By-Laws, for three-year terms expiring upon holding of the Ordinary General Meeting of Shareholders that will examine the accounts and activity of the year 2019.

TWELFTH RESOLUTION

The Ordinary General Meeting of Shareholders of the Bank appoints Dr. Samer Iskandar as an Indepedant Member of the Bank for a three-year terms of office that will expire upon holding of the Ordinary General Meeting of Shareholders that will examine the accounts and activity of the year 2019.

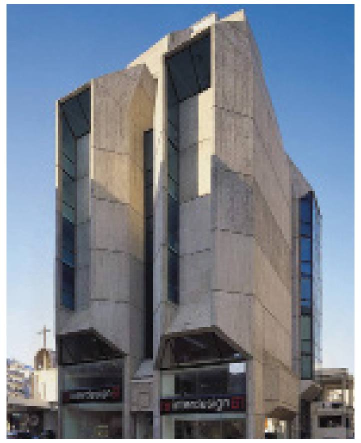
This resolution was adopted unanimously.

1975 - 1997

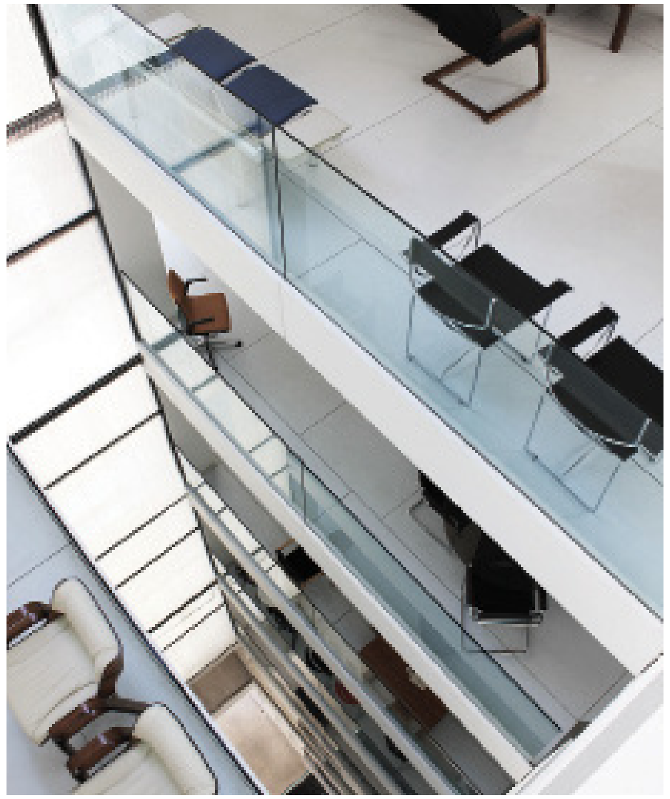
Interdesign

Khalil and Georges Khoury

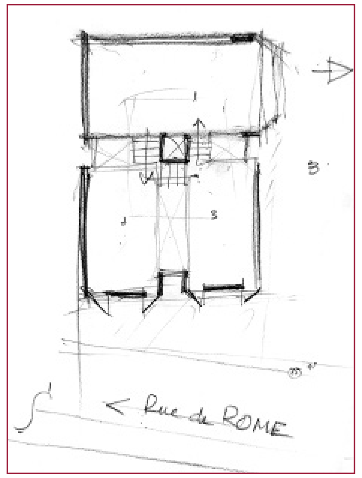
The Interdesign furniture showroom in Wardieh, Hamra, is a *brutalist* building that gives the impression of a vertical spaceship with an odd sharply pointed roof. What seems to be an aggressive urban gesture in fair-faced concrete, is tempered by the serenity of the white walls inside. The layout is a play of levels cascading around the circulation core, with voids between the platforms at full height. The efficient spatial device allows to appreciate vistas from various angles, namely side views onto the armchairs, tables and other furniture. Natural light is controlled by a curtain-wall facing north, while on the east side beveled walls filter light in. Construction had started in 1975 and was interrupted many times due to the war until it was completed in 1997.



Michel Assaf archives



Khalil Khoury archives



Arab Center for Architecture

Khalil Khoury archives

13 Independent Auditor's Report

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To the Shareholders of Banque Libano-Française S.A.L. Beirut, Lebanon

Opinion

We have audited the accompanying consolidated financial statements of Banque Libano-Française S.A.L. (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of a matter

Without qualifying our opinion, we draw attention to Note 10 and Note 19 of the consolidated financial statements, concerning the regulatory restricted contribution at December 31, 2016 amounting to LBP 378 billion, originating from surplus derived from sale of treasury bills in Lebanese pounds against investment in medium and long term Lebanese Government bonds and certificates of deposit in foreign currency issued by the Central Bank of Lebanon, in compliance with Central Bank of Lebanon Circular number 446 dated December 30, 2016. According to this Circular, the restricted contribution which is regulated in nature shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted Credit risks, and that in anticipation of the implementation of IFRS 9 for Impairment, as and when quantified effective on January 1, 2018. By virtue of this Circular, 70% of the remaining residual surplus once recognized over time shall be treated as non-distributable income designated and restricted only for appropriation to capital increase.

Key Audit Matters

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

Key Audit Matters	How our audit addressed the key audit matters?
Regulatory Restricted Contribution During November and December of 2016, the Central Bank of Lebanon issued regulations applicable to all banks operating in Lebanon with respect to the use of the contribution derived from the special and non-conventional securities arrangement deals concluded with the regulator. This is a key audit matter in relation to the use, accounting and taxability of the benefit earned.	We reviewed the accounting use of the benefit associated with the regulated restricted contribution derived from the special and non-conventional securities arrangement deals with the regulator, after deducting the relevant tax, in line with the conditions for the designated purpose setup by the regulator.
Impairment of loans and advances Due to the inherently judgmental nature of the computation of impairment provisions for loans and advances, there is a risk that the amount of impairment may be misstated. The impairment of loans and advances, as disclosed in note 9 to the consolidated financial statements, is estimated by management through the application of judgment and the use of subjective assumptions. Due to the significance of loans and advances and related estimation uncertainty, this is considered a key audit risk. The corporate loan portfolio generally comprises larger loans that are monitored individually by management. The assessment of loan loss impairment is therefore based on management's knowledge of each individual borrower. This includes the analysis of the financial performance of the borrower, historic experience when assessing the likelihood of incurred losses in the portfolios and the adequacy of collateral for secure lending. However, the retail loan portfolio generally comprises much smaller value loans to a much greater number of customers. Therefore, provisions for other than those that are calculated on an individual basis, are determined by grouping by product into homogeneous portfolios. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from collective models, are unsecured or are subject to potential collateral shortfalls.	The risks outlined were addressed by us as follows: We tested the key controls over the valuation of loans and advances and related provisions. These included testing: - System-based and manual controls over the timely recognition of impaired loans and advances. - Controls over the impairment calculation models including data inputs. - Controls over collateral valuation estimates. • For corporate customers, we performed detailed testing on a sample of loans and advances to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner. We challenged the completeness of loans and advances considered to be non-performing and we increased the focus on loans that were not reported as being impaired in sectors that are currently experiencing difficult economic and market conditions. • For collective impairment allowances, we critically assessed the Management estimates and assumptions, specifically in respect to the inputs to the impairment models and the consistency of judgement applied in the use of economic factors, loss emergence periods and the observation period for historical default rates. • For non performing customers, we tested and challenged the valuation model used by management where the expected recoverable amount from the liquidation of collateral discounted is compared to the net carrying value of the customer net exposure. • For retail loans, specific and collective impairment allowances are calculated using a simple model, which are based on a percentage of repayments due but not yet paid. We understood and critically assessed the model used and checked that no undue changes had been made in model parameters and assumptions. We tested the completeness and accuracy of data from underlying systems that is used in this model. We also re-performed the calculation of the modelled impairment allowance.

Other Information
Management is responsible for the other information included in the Annual Report. The other information does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

Beirut, Lebanon

Deloitte & Touche

April 1 1, 2017 | DFK Fiduciaire du Moyen Orient | Deloitte & Touche

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
In thousands of LBP	**Notes**	**2016**	**2015**
Assets			
Cash and deposits at central banks	5	4,286,316,643	3,453,728,965
Deposits with banks and financial institutions	6	1,725,106,126	1,346,652,546
Financial assets at fair value through profit or loss	7	264,320,891	769,935,825
Loans to banks	8	120,226,256	105,489,976
Loans and advances to customers	9	6,320,086,496	6,294,442,344
Investment securities at amortized cost	10	5,801,895,948	5,016,194,469
Investment securities at fair value through other comprehensive income	10	22,769,010	17,913,529
Customers' liability under acceptances	11	229,265,369	139,416,044
Investments in associates	12	33,191,601	28,035,271
Assets acquired in satisfaction of loans	13	108,228,408	99,552,546
Property and equipment and intangible assets	14	177,612,863	181,281,157
Other assets	15	78,517,841	96,855,781
Total assets		**19,167,537,452**	**17,549,498,453**
Financial instruments with off-balance sheet risk			
Documentary and commercial letters of credit	37	155,344,174	214,867,989
Guarantees and standby letters of credit	37	1,335,919,449	1,118,237,743
Notional amount of derivative contracts		834,740,832	540,754,515
Fiduciary deposits		264,926,674	173,671,121
Assets in safekeeping and under management		**1,933,450,267**	**2,236,382,089**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

		December 31,	
In thousands of LBP	**Notes**	**2016**	**2015**
Liabilities			
Deposits from banks and financial institutions	16	286,702,812	394,466,266
Customers' deposits at amortized cost	17	15,711,985,899	14,846,580,664
Liability under acceptances	11	229,265,369	139,416,044
Borrowings	18	568,263,151	315,811,708
Other liabilities	19	594,154,804	148,530,162
Provisions	20	22,549,374	19,484,050
Total liabilities		**17,412,921,409**	**15,864,288,894**
Equity			
Share capital	21	235,000,000	220,000,000
Preferred shares	22	452,250,000	452,250,000
Shareholders' cash contribution to capital	23	60,300,000	60,300,000
Reserves	24	550,855,094	509,353,304
Regulatory reserve for assets acquired in satisfaction of loans	13	31,482,809	26,270,232
Foreign currency translation reserve		(44,206,488)	(16,488,114)
Cumulative change in fair value of financial assets at fair value through other comprehensive income	25	9,852,634	8,868,929
Retained earnings		191,325,180	166,763,250
Profit for the year		162,944,641	155,094,266
Equity attributable to the equity holders of the Group		**1,649,803,870**	**1,582,411,867**
Non-controlling interests	26	104,812,173	102,797,692
Total equity		**1,754,616,043**	**1,685,209,559**
Total liabilities and equity		**19,167,537,452**	**17,549,498,453**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In thousands of LBP	Notes	Year ended December 31, 2016	2015
Interest income	28	900,480,794	825,683,941
Interest expense	29	(626,283,960)	(587,731,867)
Net interest income		**274,196,834**	**237,952,074**
Fee and commission income	30	79,027,238	83,984,070
Fee and commission expense	31	(22,401,806)	(17,682,569)
Net fee and commission income		**56,625,432**	**66,301,501**
Net results on financial instruments at fair value through profit or loss	32	39,019,741	57,710,881
Gain from derecognition of financial assetsmeasured at amortized cost	33	232,987	24,623,267
Other operating income	34	22,327,555	24,821,197
Net financial revenues		**392,402,549**	**411,408,920**
Allowance for impairment of loans and advances	35	5,065,634	(37,534,456)
Net financial revenues after net impairment charge		**397,468,183**	**373,874,464**
Staff costs	36	(118,251,988)	(111,849,898)
General and administrative expenses		(66,070,011)	(63,213,281)
Depreciation and amortization		(12,942,059)	(12,902,696)
Profit before income tax		**200,204,125**	**185,916,695**
Income tax expense	19	(31,039,759)	(26,034,970)
Deferred tax on subsidiaries' undistributed profits		(741,778)	(785,913)
Profit for the year		**168,422,588**	**159,095,812**
Attributable to:			
Equity holders of the Group		162,944,641	155,094,266
Non-controlling interests	26	5,477,947	4,001,546
		168,422,588	**159,095,812**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31, 2016			Year ended December 31, 2015		
In thousands of LBP	Attributable to equity holders of the Group	Non-controlling interest	Total	Attributable to equity holders of the Group	Non-controlling interest	Total
Profit for the year	162,944,641	5,477,947	168,422,588	155,094,266	4,001,546	159,095,812
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation adjustment	(27,718,374)	2,697,560	(25,020,814)	(443,170)	10,734,585	10,291,415
Items that will not be reclassified subsequently to profit or loss:						
Change in fair value of financial assets at fair value through other comprehensive income	983,705	-	983,705	858,784	-	858,784
Total other comprehensive income	**(26,734,669)**	**2,697,560**	**(24,037,109)**	**415,614**	**10,734,585**	**11,150,199**
Total comprehensive income	**136,209,972**	**8,175,507**	**144,385,479**	**155,509,880**	**14,736,131**	**170,246,011**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributed to the equity holders of the Group											
In thousands of LBP	**Share capital**	**Preferred shares**	**Shareholders' cash contribution to capital**	**Regulatory reserve for assets acquired in satisfaction of loans**	**Reserves**	**Currency translation adjustment**	**Retained earnings**	**Cumulative change in fair value of financial assets at FVTOCI**	**Profit for the year**	**Total**	**Non-controlling interests**	**Total**
Balance at January 1, 2015	**210,000,000**	**376,828,349**	**60,300,000**	**21,438,202**	**457,735,098**	**(16,044,944)**	**144,360,540**	**8,010,145**	**151,565,361**	**1,414,192,751**	**98,805,716**	**1,512,998,467**
Total comprehensive income for the year 2015	-	-	-	-	-	(443,170)	-	858,784	155,094,266	155,509,880	14,736,131	170,246,011
Allocation of 2014 profits	-	-	-	5,037,341	61,618,206	-	21,951,064	-	(88,606,611)	-	-	-
Redemption of series 2 preferred shares (Note 22)	-	(150,703,349)	-	-	-	-	-	-	-	(150,703,349)	-	(150,703,349)
Issuance of series 4 preferred shares (Note 22)	-	226,125,000	-	-	-	-	-	-	-	226,125,000	-	226,125,000
Reconstitution of capital (Note 22)	10,000,000	-	-	-	(10,000,000)	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	246,335	-	-	246,335	853,861	1,100,196
Transfer to retained earnings of regulatory reserves on liquidated assets	-	-	-	(205,311)	-	-	205,311	-	-	-	-	-
Dividends paid (Note 27)	-	-	-	-	-	-	-	-	(62,958,750)	(62,958,750)	-	(62,958,750)
Redemption of non-controlling interests in the fund managed by the Group	-	-	-	-	-	-	-	-	-	-	(11,598,016)	(11,598,016)
Balance at December 31, 2015	**220,000,000**	**452,250,000**	**60,300,000**	**26,270,232**	**509,353,304**	**(16,488,114)**	**166,763,250**	**8,868,929**	**155,094,266**	**1,582,411,867**	**102,797,692**	**1,685,209,559**
Total comprehensive income for the year 2016	-	-	-	-	-	(27,718,374)	-	983,705	162,944,641	136,209,972	8,175,507	144,385,479
Allocation of 2015 profits	-	-	-	5,763,529	56,051,790	-	26,421,447	-	(88,236,766)	-	-	-
Redemption of series 3 preferred shares (Note 22)	-	(226,125,000)	-	-	-	-	-	-	-	(226,125,000)	-	(226,125,000)
Issuance of series 5 preferred shares (Note 22)	-	226,125,000	-	-	-	-	-	-	-	226,125,000	-	226,125,000
Reconstitution of capital (Note 22)	15,000,000	-	-	-	(15,000,000)	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	(1,960,469)	-	-	(1,960,469)	(6,580)	(1,967,049)
Transfer to general reserves from regulatory reserves for assets acquired in satisfaction of loans	-	-	-	(450,000)	450,000	-	-	-	-	-	-	-
Transfer to regulatory reserves from retained earnings	-	-	-	157,883	-	-	(157,883)	-	-	-	-	-
Transfer to retained earnings from regulatory reserves on liquidated assets	-	-	-	(258,835)	-	-	258,835	-	-	-	-	-
Dividends paid (Note 27)	-	-	-	-	-	-	-	-	(66,857,500)	(66,857,500)	-	(66,857,500)
Net redemption of non-controlling interests in the fund managed by the Group	-	-	-	-	-	-	-	-	-	-	(6,154,446)	(6,154,446)
Balance at December 31, 2016	**235,000,000**	**452,250,000**	**60,300,000**	**31,482,809**	**550,855,094**	**(44,206,488)**	**191,325,180**	**9,852,634**	**162,944,641**	**1,649,803,870**	**104,812,173**	**1,754,616,043**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of LBP	Notes	Year ended December 31, 2016	2015
Cash flows from operating activities			
Profit for the year before tax		200,204,125	185,916,695
Adjustments for:			
Net allowance for impairment of loans and advances to customers	35	(5,065,634)	37,534,456
Provision for staff termination	20&36	3,013,031	2,413,314
Provision for risks and contingencies	20	1,121,107	3,214,607
Depreciation and amortization		12,942,059	12,902,696
Share in profits of associates	12	(9,151,372)	(7,988,548)
Accretion of treasury bills discount	10	(5,268,433)	(2,228,532)
Unrealized loss/(gain) for securities designated at fair value through profit or loss	7&32	2,656,523	(9,270,826)
Prior period adjustment		(1,198,475)	1,097,715
Net interest income (including interest on trading portfolio and financial assets designated at fair value through profit or loss)		(298,864,170)	(264,785,819)
Dividends income	32&34	(1,516,921)	(709,088)
Gain on disposal of assets acquired in satisfaction of loans	34	(200,727)	(71,590)
Gain on derecognition of investment securities measured at amortized cost	33	(232,987)	(24,623,267)
		(101,561,874)	**(66,598,187)**
Net decrease/(increase) in financial assets at fair value through profit or loss		491,843,417	(282,409,521)
Net (increase)/decrease in loans to banks		(15,745,157)	56,694,982
Net increase in loans and advances to customers	39	(39,260,240)	(391,954,580)
Net decrease in compulsory deposits with Central Banks		19,584,772	556,049
Net increase in deposits with Central Banks, commercial banks and financial institutions		(314,841,330)	(113,021,566)
Proceeds from sale and redemption of investment securities	39	795,587,939	1,583,312,901
Proceeds from sale of assets acquired in satisfaction of loans	39	848,012	599,307
Purchase of investment securities	39	(1,567,973,005)	(1,900,197,406)
Dividends received		5,516,477	4,362,365
Net decrease/(increase) in other assets		17,612,800	(21,941,258)
Net decrease in deposits and borrowings from banks		(99,558,767)	(22,627,365)
Net increase/(decrease) in other liabilities	39	436,504,441	(786,858)
Net decrease in customers' deposits at fair value through profit or loss	-	(88,608)	
Net increase in customers' deposits at amortized cost		926,518,174	616,217,866
Net increase in provisions		(955,805)	(39,453)
		554,119,854	**(537,921,332)**
Interest received		917,220,481	840,675,916
Interest paid		(622,077,379)	(591,007,965)
Income tax paid		(23,187,971)	(29,762,232)
Net cash provided by/(used in) operating activities		**826,074,985**	**(318,015,613)**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

In thousands of LBP	Notes	Year ended December 31, 2016	2015
Cash flows from investing activities:			
Purchase of property and equipment and intangible assets		(9,345,822)	(21,849,673)
Net cash used in used in investing activities		**(9,345,822)**	**(21,849,673)**
Cash flows from financing activities:			
Dividends paid	27	(66,857,500)	(62,958,750)
Net increase in long term borrowings		251,426,195	137,488,411
Redemption of non-controlling interest in fund managed by the group (net of subscription of non-controlling interest in fund managed by the group)		(6,154,446)	(11,598,016)
Issuance of Series 5/Series 4 preferred shares		226,125,000	226,125,000
Redemption of Series 3/Series 2 preferred shares		(226,125,000)	(150,703,349)
Net cash provided by financing activities		178,414,249	138,353,296
Net increase/(decrease) in cash and cash equivalents		**995,143,412**	**(201,511,990)**
Cash and cash equivalents at beginning of period		1,269,377,940	1,506,400,848
Effect of foreign exchange rate changes on cash and cash equivalents		(80,851,756)	(35,510,918)
Cash and cash equivalents at end of period	39	**2,183,669,596**	**1,269,377,940**

The accompanying notes 1 to 44 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

Banque Libano-Française S.A.L. (the "Bank" or "BLF") is a Lebanese joint-stock company registered in the Register of Commerce under Number 19618 and on the Central Bank of Lebanon list of banks under number 10. The Bank's headquarters are located in Hamra Street, Beirut, Lebanon.

The Group provides a full range of corporate and retail banking, investment and private banking and operates through a network of 58 branches throughout the Lebanese territory and a branch in Baghdad, a subsidiary bank in Syria with 6 branches in addition to a subsidiary in Paris having a branch in Limassol and a subsidiary in Geneva, one representative office in Abu Dhabi (UAE), and one representative office in Lagos (Nigeria).

The consolidated financial statements of the Bank comprise the financial statements of the Bank and those of its subsidiaries (the "Group") described under Note 3(A).

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

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

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

• IFRS 14 Regulatory Deferral Accounts

• Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative

• Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations

• Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization

• Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants

• Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements

• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities

• Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealized losses	1 January 2017
• Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities	1 January 2017
• IFRIC 22 Foreign Currency Transactions and Advance Consideration • The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and - the prepayment asset or deferred income liability is	1 January 2018
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities	1 January 2018
• Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2018
• Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
• IFRS 9 Financial Instruments (revised versions in 2013 and 2014) • IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, The Group has early adopted this version of the standard in 2011 • A finalized version of IFRS 9 which contains accounting requirements for financial instruments, was issue in July 2014 replacing IAS 39 Financial Instruments: Recognition and Measurement. The final version of this standard contains requirements in the following areas: - Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk - Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised - Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures - Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39	

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 15 Revenue from Contracts with Customers	
• In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: - Step 1: Identify the contract(s) with a customer. - Step 2: Identify the performance obligations in the contract. - Step 3: Determine the transaction price. - Step 4: Allocate the transaction price to the performance obligations in the contract. - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	January 1, 2018
• Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
• IFRS 16 Leases	
• IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
• Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement

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

- Financial instruments designated at fair value through profit or loss ("FVTPL").
- Investments in equity securities designated at fair value through other comprehensive income ("OCI").
- Derivative financial instruments measured at fair value.

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

The principal accounting policies applied are set out below:

A. Basis of Consolidation

The consolidated financial statements of Banque Libano-Française S.A.L. incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries.

Control is achieved when the Group:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Bank had directly disposed of the related assets or liabilities.

The consolidated subsidiaries consist of the following.

	Country of incorporation	Percentage of ownership		Business activity
		2016	2015	
Compagnie Libanaise pour l'Informatique S.A.R.L.	Lebanon	99.5%	99.5%	Software (limited activity)
Beirut Liberty Plaza S.A.L. Head Office	Lebanon	100%	100%	Real estate – Bank's Premises (dormant)
Société de Construction et de Commerce S.A.L. (Sodeco)	Lebanon	79.32%	79.32%	Real estate
Libano-Française Finance S.A.L.	Lebanon	100%	100%	Financial institution
Banque SBA S.A. and subsidiary	France	99%	99%	Bank having its headquarters in Paris, a branch in Cyprus and a subsidiary in Geneva
Bank Al-Sharq S.A.S. headquarters	Syria	49%	49%	Bank having its in Damascus
LF Funds	Luxembourg	28%	24%	Open ended Fund
Lebanon Income Fund (USD) Segregated Portfolio	Cayman Islands	70.29%	-	Open ended Fund

B. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries and associates are identified separately from the Group's equity therein.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

C. Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates".

D. Foreign Currencies

The consolidated financial statements are presented in Lebanese Pounds which is the Group's reporting currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual Group entity, transactions in foreign currencies are initially recorded at the functional currency rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Cash flows provided by and used in foreign currencies under various activities, as included in the statement of cash flows, are converted into Lebanese Pounds at year-end exchange rates, except for cash and cash equivalents at the beginning of the year which is converted at the prior year closing exchange exchange rates and the effect of currency fluctuation, if any, is disclosed separately.

E. Financial Assets and Liabilities

Recognition and Derecognition of Financial Assets and Liabilities

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

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

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

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

Up on derecognition of a financial asset that is classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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

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

Offsetting

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

Fair Value Measurement of Financial Investments

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing 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 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Impairment of Financial Assets

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets which impacted the estimated future cash flows of the investment.

For certain categories of financial asset, such as loans and advances, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information, as well as observable changes in national or local economic conditions that correlate with default on loans and advances.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

F. Classification of Financial Assets

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

Debt Instruments

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost using the straight line method which results approximate those resulting from the effective interest method, less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

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

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

Equity Instruments

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

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

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

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

A financial asset is held for trading if:

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

Reclassification

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

Reclassification is not allowed where:

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

Designation at Fair Value through Profit and Loss

The Group designates financial assets and liabilities at fair value through profit or loss when either:
- The assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

G. Financial Liabilities and Equity Instruments

Classification as Debt or Equity

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

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

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

Financial Liabilities

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the straight line method which results approximate those resulting from the effective interest method.

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

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

Financial liabilities at FVTPL are stated at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss. Such gains or losses that are recognized in profit or loss incorporate any interest paid on the financial liabilities and are included in the "Net interest and other gains on trading securities" in the consolidated statement of profit or loss.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss.

Financial Liabilities Subsequently Measured at Amortized Cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method.

Financial Guarantee Contract Liabilities

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

H. Derivative Financial Instruments

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, (both written and purchased) are initially measured at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. The resulting gain or loss is recognized in the statement of profit or loss immediately unless the derivative is designated and effective as a hedge instrument in which event the timing of the recognition in the statement of profit or loss depends on the hedge relationship. The Group designates certain derivatives as either hedges of the fair value recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models or pricing models as appropriate as indicated under Note 3E.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:
- is not measured at fair value with changes in fair value recognized in profit or loss.
- is not an asset within the scope of IFRS 9.

Hedge Accounting

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated statement of profit or loss in “Net results on financial instruments at fair value through profit or loss”. For situations where that hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of profit or loss.

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the foreign operation.

I. Loans and Advances

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

J. Investments in Associates

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

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

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The financial statements of the associates are prepared for the same reporting period of the Group.

K. Property and Equipment

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

Depreciation of property and equipment, other than land and advance payments on capital expenditures is calculated using the straight-line method over the estimated useful lives of the related assets using the following annual rates:

Buildings	2% - 5%
Office improvements and installations	6% - 20%
Furniture, equipment and machines	8% - 20%
Computer equipment	15% - 33%
Vehicles	12% - 20%

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

L. Intangible Assets Other than Goodwill

Intangible assets other than goodwill, are amortized on a straight-line basis at the rate of 20%. Intangible assets are subject to impairment testing. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

M. Assets Acquired in Satisfaction of Loans

Policy applicable to Lebanese Group entities: Real estate properties acquired through the enforcement of collateral over loans and advances are stated at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities who require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated statement of profit or loss under "Other operating income" or "Other operating expenses". Gains resulting from the sale of repossessed assets are transferred to reserves to be used for capital increase starting in the following financial year.

For assets which were not disposed of within the specified period of two tears, an amount computed as percentage of their gross carrying value is transferred to "Reverses for assets acquired in satisfaction of loans" in the following financial year.

N. Impairment of Tangible and Intangible Assets (Other than Goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is defined as the higher of:
- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.
- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset

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

The fair value of the Group's owned properties and of properties acquired in satisfaction of loans is the estimated market value as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment for an illiquidity factor and market constraints.

The impairment loss is charged to the consolidated statement of profit or loss.

O. Provision for Employees' End-of-Service Indemnity / Staff Retirement Benefits

Obligations for contributions to defined employees' benefits are recognized as an expense on a current basis.
Employees' End-of-service Indemnities:
(Under the Lebanese Jurisdiction):
The provision for employees' termination indemnities is based on the liability that would arise if the employment of all the employees' were voluntary terminated at the reporting date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months' remunerations and less contributions paid to the Lebanese Social Security National Fund.

Defined benefit plans: (Under other jurisdictions)
Obligations in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted.

P. Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the obligation at the statement of financial position date.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Q. Revenue and Expense Recognition

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

Interest income and expense presented in the statement of profit or loss include:
• Interest on financial assets and liabilities at amortized cost.
• Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Interest income on financial assets measured at fair value through profit or loss and interest income on the trading portfolio are presented separately in the statement of profit or loss.

Net results on financial instruments measured at fair value through profit or loss, other than those held for trading, includes:
• Interest income.
• Interest expense.
• Dividend income.
• Realized and unrealized fair value changes.
• Foreign exchange differences.

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability (e.g. commissions and fees earned on loans) are included under interest income and expense.

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

R. Income Tax

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

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

Part of debt securities invested in by the Group is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

S. Fiduciary Accounts

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

T. Operating Lease Agreements

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

U. Cash and Cash Equivalents

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

V. Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the General Assembly of the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

W. Deferred Restricted Contributions

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Going Concern

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

Classification of Financial Assets

Business Model

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

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:
• The frequency and volume of sales;
• The reasons for any sales;
• How management evaluates the performance of the portfolio;
• The objectives for the portfolio.

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

Features considered by the Group that would be consistent with amortized cost measurement include:
• fixed and / or floating interest rate;
• caps, floors, collars;
• prepayment options.

Features considered by the Group that would be inconsistent with amortized cost measurement include:
• leverage (i.e. options, forwards and swaps);
• conversion options;
• inverse floaters;
• variable rate coupons that reset periodically;
• triggers that result in a significant reduction of principal, interest or both.

B. Key Sources of Estimation Uncertainty

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

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

Allowances for Credit Losses

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

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

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

Determining Fair Values

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

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of market participants. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data.

5. CASH AND DEPOSITS AT CENTRAL BANKS

	Year ended December 31,	
In thousands of LBP	**2016**	**2015**
Cash on hand	54,949,300	52,196,017
Current accounts with Central Banks	94,570,553	56,155,599
Term placements with Central Bank of Lebanon	3,896,322,600	3,127,085,800
Compulsory reserves with central banks	170,769,470	190,354,242
Compulsory reserves with central banks	36,238,005	16,567,552
Accrued interest receivable	33,466,715	27,937,307
	4,286,316,643	3,453,728,965

Compulsory reserves with the Central Bank of Lebanon are non-interest earning cash compulsory deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions, in accordance with the Lebanese banking regulations.
Compulsory reserves with foreign central banks are interest-earning.
Compulsory reserves with central banks are not available for use in the Group's day to day operations.

Term placements with the Central Bank of Lebanon include as of December 31, 2016 the equivalent in foreign currencies of LBP 2,319 billion (LBP 2,789 billion as at December 31, 2015) deposited in accordance with local banking regulations which require banks to maintain interest-earning placements in foreign currencies to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans from non-resident financial institutions.

Term placements with the Central Bank of Lebanon have the following maturities.

	Year ended December 31, 2016		
Maturity	Currency	Amount	Average interest rate
		LBP'000	%
2017	EUR	79,814,500	4.75
2017	LBP	373,500,000	2.86
2017	USD	467,325,000	1.79
2018	USD	113,062,500	3.78
2019	EUR	79,814,500	5.60
2019	USD	309,037,500	2.69
2020	EUR	143,666,100	0.50
2020	USD	67,837,500	1.79
2021	LBP	139,000,000	5.00
2021	USD	643,702,500	2.08
2022	LBP	225,000,000	8.60
2022	USD	226,125,000	6.75
2023	LBP	40,000,000	8.24
2024	USD	188,437,500	7.02
2026	LBP	300,000,000	7.46
2036	LBP	500,000,000	8.00
		3,896,322,600	

	Year ended December 31, 2015		
Maturity	Currency	Amount	Average interest rate
		LBP'000	%
2016	EUR	49,399,200	4.00
2016	LBP	72,750,000	2.91
2016	USD	1,055,250,000	2.89
2017	EUR	82,332,000	4.75
2017	USD	429,637,500	1.48
2018	USD	113,062,500	3.67
2019	EUR	82,332,000	5.60
2019	USD	309,037,500	2.45
2020	EUR	148,197,600	0.64
2020	USD	67,837,500	1.45
2021	USD	37,687,500	5.96
2022	LBP	225,000,000	8.60
2022	USD	226,125,000	6.75
2023	LBP	40,000,000	8.24
2024	USD	188,437,500	7.02
		3,127,085,800	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	Year ended December 31,	
In thousands of LBP	2016	2015
Current accounts	727,258,364	503,742,879
Term placements	984,083,322	840,412,557
Pledged deposits	13,465,430	2,291,400
Accrued interest receivable	299,010	205,710
	1,725,106,126	1,346,652,546

Term placements with banks have maturities of less than one year and earn interest at the average annual interest rate of 0.72% as of December 31, 2016 (0.61% as of December 31, 2015).

Pledged deposits are blocked against trade finance activity.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2016			December 31, 2015		
In thousands of LBP	LBP	Foreign currencies	Total	LBP	Foreign currencies	Total
Equities	3,671,617	13,150,357	16,821,974	4,342,160	13,582,151	17,924,311
Lebanese Treasury bills	485,317	-	485,317	252,815,366	-	252,815,366
Lebanese Government bonds	-	73,145,411	73,145,411	320,463	103,194,305	103,514,768
Certificates of deposit issued by The Central Bank of Lebanon	-	25,600,742	25,600,742	183,250,700	23,053,444	206,304,144
Certificates of deposit issued by banks	-	4,525,687	4,525,687	-	6,916,998	6,916,998
Corporate bonds	-	137,391,986	137,391,986	-	167,798,287	167,798,287
Funds	-	3,180,201	3,180,201	-	1,135,787	1,135,787
	4,156,934	256,994,384	261,151,318	440,728,689	315,680,972	756,409,661
Accrued interest receivable	5,278	3,164,295	3,169,573	9,708,114	3,818,050	13,526,164
	4,162,212	260,158,679	264,320,891	450,436,803	319,499,022	769,935,825

Net interest income, gains and losses on trading assets portfolio are detailed under Note 32.

8. LOANS TO BANKS

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

	December 31,	
In thousands of LBP	2016	2015
Long term loans in LBP to a resident housing bank	33,500,000	39,702,531
Short term loans in foreign currencies to banks	84,975,872	65,435,829
Unearned interest	(106,462)	(24,796)
Accrued interest receivable	1,856,846	376,412
	120,226,256	105,489,976

Long term loans to a resident housing bank represent 12 year financing loans in Lebanese Pounds granted to this bank in 2008, 2009, and 2010. These loans are subject to interest at the annual rate of 40% of the coupon rate on 2 years treasury bills plus 1.75%. Interest is paid semi-annually and reset every 3 years. The loans are payable after a grace period of 2 years from the withdrawal date in 10 annual equal installments. As a guarantee for these loans, the borrower has pledged, in favour of the Group, bills related to housing loans granted to its customers.

Related interest income amounted to LBP 753 million during 2016 (LBP 971 million during 2015) and is recorded under interest income from loans to banks (Note 28).

Short term loans outstanding as of December 31, 2016 and 2015 represent short term trade financing denominated in foreign currencies provided by the Group to the Central Bank of Sudan and other non-resident commercial banks.

9. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are reflected at amortized cost and consist of the following.

	December 31, 2016			December 31, 2015		
In thousands of LBP	Gross amount net of unrealized interest	Gross amount impairment allowance	Carrying amount	net of unrealized interest	Impairment allowance	Carrying amount
Performing Loans (classified low risk and watch list) - Retail:						
- Mortgage loans	763,122,584	-	763,122,584	704,921,109	-	704,921,109
- Personal loans	61,786,027	-	61,786,027	51,322,068	-	51,322,068
- Credit cards	17,918,434	-	17,918,434	16,458,699	-	16,458,699
- Overdrafts	101,223,508	-	101,223,508	77,794,631	-	77,794,631
- Other (car- student-Energy)	138,950,690	-	138,950,690	282,206,510	-	282,206,510
Performing Loans (classified low risk and watch list) - Corporate:						
- Corporates	4,488,384,405	-	4,488,384,405	4,474,700,514	-	4,474,700,514
- Small and medium enterprises	500,434,141	-	500,434,141	473,722,349	-	473,722,349
Accrued interest receivable	9,850,626	-	9,850,626	10,182,705	-	10,182,705
Allowance for collectively assessed loans	-	(15,816,262)	(15,816,262)	-	(17,803,039)	(17,803,039)
Total performing loans	**6,081,670,415**	**(15,816,262)**	**6,065,854,153**	**6,091,308,585**	**(17,803,039)**	**6,073,505,546**
Non-performing loans:						
- Substandard	121,126,584	-	121,126,584	140,728,300	-	140,728,300
- Doubtful and bad	384,236,026	(251,130,267)	133,105,759	357,513,298	(277,304,800)	80,208,498
Total non-performing loans	**505,362,610**	**(251,130,267)**	**254,232,343**	**498,241,598**	**(277,304,800)**	**220,936,798**
	6,587,033,025	**(266,946,529)**	**6,320,086,496**	**6,589,550,183**	**(295,107,839)**	**6,294,442,344**

The movement of unrealized interest related to substandard and doubtful loans during 2016 and 2015 is summarized as follows.

In thousands of LBP	2016	2015
Balance January 1	234,537,425	209,927,242
Realized interest (recognized in profit or loss) - Note 28	(6,597,310)	(22,399,111)
Additions	60,638,527	57,434,945
Restructuring and write-offs	(13,496,577)	(9,244,053)
Transfer to off-balance sheet	(8,449,396)	(255)
Effect of exchange rates changes	(3,221,745)	(1,181,343)
Balance December 31	**263,410,924**	**234,537,425**

The movement of the allowance for impairment of bad and doubtful debts during 2016 and 2015 is as follows.

In thousands of LBP	2016	2015
Balance January 1	277,304,800	255,283,022
Additions (Note 35)	13,599,324	59,730,273
Write-backs (Note 35)	(18,777,996)	(26,468,268)
Transfer from allowance for collectively assessed loans	-	4,460,842
Transfer to off-balance sheet	(7,568,456)	-
Write-offs	(7,792,989)	(14,385,509)
Effect of exchange rates changes	(5,634,416)	(1,315,560)
Balance December 31	**251,130,267**	**277,304,800**

The movement of the allowance for collectively assessed loans during 2016 and 2015 is as follows.

In thousands of LBP	2016	2015
Balance January 1	17,803,039	23,632,972
Additions (Note 35)	2,090,075	2,494,184
Write-backs (Note 35)	(2,475,579)	(2,848,120)
Transfer to allowance for impairment on bad and doubtful debts	-	(4,460,842)
Write-offs	-	(190,195)
Effect of exchange rates changes	(1,601,273)	(824,960)
Balance December 31	**15,816,262**	**17,803,039**

10. INVESTMENT SECURITIES

December 31, 2016							
	Fair value through other amortized cost			Comprehensive income			
In thousands of LBP	LBP	Foreign currencies	Total	LBP	Foreign currencies	Total	Grand total
Equities	-	-	-	14,085,478	8,683,532	22,769,010	22,769,010
Lebanese Treasury bills	1,492,517,927	-	1,492,517,927	-	-	-	1,492,517,927
Lebanese Government Bonds	9,217,362	1,418,128,323	1,427,345,685	-	-	-	1,427,345,685
Certificates of deposit issued by Central bank of Lebanon	1,284,627,730	1,485,563,780	2,770,191,510	-	-	-	2,770,191,510
Corporate bonds	-	12,046,957	12,046,957	-	-	-	12,046,957
	2,786,363,019	2,915,739,060	5,702,102,079	14,085,478	8,683,532	22,769,010	5,724,871,089
Accrued interest receivable	55,501,042	44,292,827	99,793,869	-	-	-	99,793,869
	2,841,864,061	2,960,031,887	5,801,895,948	14,085,478	8,683,532	22,769,010	5,824,664,958

December 31, 2015							
	Fair value through other amortized cost			Comprehensive income			
In thousands of LBP	LBP	Foreign currencies	Total	LBP	Foreign currencies	Total	Grand total
Equities	-	-	-	12,928,178	4,985,351	17,913,529	17,913,529
Lebanese Treasury bills	1,135,718,601	-	1,135,718,601	-	-	-	1,135,718,601
Lebanese Government Bonds	8,846,420	1,335,903,811	1,344,750,231	-	-	-	1,344,750,231
Certificates of deposit issued by Central bank of Lebanon	1,854,278,580	581,132,462	2,435,411,042	-	-	-	2,435,411,042
Corporate bonds	-	12,033,900	12,033,900	-	-	-	12,033,900
	2,998,843,601	1,929,070,173	4,927,913,774	12,928,178	4,985,351	17,913,529	4,945,827,303
Accrued interest receivable	57,501,162	30,779,533	88,280,695	-	-	-	88,280,695
	3,056,344,763	1,959,849,706	5,016,194,469	12,928,178	4,985,351	17,913,529	5,034,107,998

The movement of investment securities is summarized as follows.

2016			
In thousands of LBP	Fair value through other amortized cost	Comprehensive income	Total
Balance January 1, 2016	**4,927,913,774**	**17,913,529**	**4,945,827,303**
Additions	2,405,818,942	3,700,974	2,409,519,916
Derecognitions	(161,130,637)	-	(161,130,637)
Redemptions	(866,728,428)	-	(866,728,428)
Reclassification	287,981,922	-	287,981,922
Amortization of sinking fund bond	(55,477,809)	-	(55,477,809)
Special swap deals	(828,743,715)	-	(828,743,715)
Changes in fair value	-	1,157,300	1,157,300
Accretion of interest	5,268,433	-	5,268,433
Amortization of premiums and discounts	(10,894,539)	-	(10,894,539)
Effect of exchange rates changes	(1,905,864)	(2,793)	(1,908,657)
Balance December 31, 2016	5,702,102,079	22,769,010	5,724,871,089

2015			
In thousands of LBP	Fair value through other amortized cost	Comprehensive income	Total
Balance January 1, 2015	**4,587,477,927**	**13,602,838**	**4,601,080,765**
Additions	1,748,234,054	3,302,396	1,751,536,450
Derecognitions	(391,209,183)	-	(391,209,183)
Redemptions	(895,061,893)	-	(895,061,893)
Reclassification	163,881,605	-	163,881,605
Amortization of sinking fund bond	(55,440,122)	-	(55,440,122)
Swap and Call	(216,976,430)	-	(216,976,430)
Changes in fair value	-	1,010,334	1,010,334
Accretion of interest	2,228,532	-	2,228,532
Amortization of premiums and discounts	(7,531,273)	-	(7,531,273)
Effect of exchange rates changes	(7,689,443)	(2,039)	(7,691,482)
Balance December 31, 2015	4,927,913,774	17,913,529	4,945,827,303

A. Financial assets at amortized cost

	December 31, 2016					
	LBP base accounts			F/Cy base accounts		
In thousands of LBP	Amortized cost	Fair value	Accrued interest receivable	Amortized cost	Fair value	Accrued interest receivable
Lebanese Government bonds	9,217,362	9,236,968	71,039	1,418,128,323	1,384,990,219	17,792,776
Certificates of deposit issued by Central Bank of Lebanon	1,284,627,730	1,313,770,352	34,500,570	1,485,563,780	1,484,497,777	26,473,412
Corporate bonds	-	-	-	12,046,957	12,029,850	26,639
Lebanese Treasury bills	1,492,517,927	1,512,437,020	20,929,433	-	-	-
	2,786,363,019	2,835,444,340	55,501,042	2,915,739,060	2,881,517,846	44,292,827

	December 31, 2015					
	LBP base accounts			F/Cy base accounts		
In thousands of LBP	Amortized cost	Fair value	Accrued interest receivable	Amortized cost	Fair value	Accrued interest receivable
Lebanese Government bonds	8,846,420	8,783,664	56,453	1,335,903,811	1,321,026,874	18,367,009
Certificates of deposit issued by Central bank of Lebanon	1,854,278,580	1,911,479,073	40,186,536	581,132,462	580,387,500	12,385,885
Corporate bonds	-	-	-	12,033,900	11,999,700	26,639
Lebanese Treasury bills	1,135,718,601	1,161,481,801	17,258,173	-	-	-
	2,998,843,601	3,081,744,538	57,501,162	1,929,070,173	1,913,414,074	30,779,533

During the first half of 2016, the Group entered into a sale transaction of Lebanese Treasury Bills in Lebanese Pounds designated at fair value through profit or loss having a nominal value of LBP 150 billion concluded simultaneously with the acquisition of Lebanese Government bonds in U.S. Dollar with longer maturities classified at amortized cost with a nominal value of USD 100 million funded from the Group's treasury in foreign currencies held with correspondent banks.

In addition, during the second half of 2016, the Group entered into other sale transactions of Lebanese Treasury Bills in Lebanese Pounds having a nominal value of LBP 75 billion and certificates of deposit issued by Central Bank of Lebanon in Lebanese Pounds having a nominal value of LBP 750 billion and classified at amortized cost, concluded simultaneously with the acquisition of certificates of deposit issued by Central Bank of Lebanon in U.S. Dollar with a nominal value of USD 550 million maturing in years 2022 and 2023 that were classified at amortized cost funded from the Group's treasury in foreign currencies held with correspondent banks.

The resulting surplus of the inter-related transactions indicated above, derived from the special and non-conventional deals arrangement with the regulator, amounting to LBP 378 billion, net of tax in the amount of LBP 66.65 billion, was credited to "Regulatory deferred liability" under other liabilities in the consolidated statement of financial position. (Refer to Note 19).

Moreover, during the first half of 2016 and as a result of an amendment in the Group's business model, the Group transferred Lebanese Treasury bills and certificates of deposit issued by Central Bank of Lebanon in the amount of LBP 287 billion from fair value through profit or loss portfolio to amortized cost portfolio in order to be consistent with management's intent to hold to maturity the portfolio of securities that are inactive with the intention not to trade or redeem prior to maturity.

Furthermore, the Group sold during 2016 Lebanese Government bonds in the nominal of LBP 162 billion (certificates of deposit, Lebanese Government bonds, and International bonds in the nominal amount of LBP 380 billion in 2015) classified at amortized cost which resulted in a loss of LBP 576 million (gain of LBP 23.22 billion in 2015) recorded under "Gain on de-recognition of financial assets measured at amortized cost in the consolidated statement of profit or loss (Note 33). The Group entered into the above transactions in 2016 and 2015 for the purpose of liquidity and maturity gap and yield management.

During the year 2015, the Group exchanged certificates of deposit issued by Central Bank of Lebanon and Lebanese Eurobonds maturing in 2015 denominated in USD with an aggregate nominal value of LBP 216 billion with bonds maturing in 2030. The difference resulting from the exchange in the amount of LBP 1.4 billion was recorded under "Gain from de-recognition of financial assets measured at amortized cost" in the consolidated statement of profit or loss.

As of December 31, 2016, investments at amortized cost include certificates of deposit issued by Central Bank of Lebanon with an aggregate carrying value of LBP 49.61 billion (LBP 39.5 billion in 2015) pledged against long term borrowings from the Central Bank of Lebanon in the amount of LBP 262.45 billion (LBP 191.95 billion in 2015) (Note 18).

B. Investment Securities Designated at Fair Value Through Other Comprehensive Income

	December 31, 2016					
	LBP	Foreign currencies				
In thousands of LBP	Cost	Carrying fair value	Cumulative change in fair value	Cost	Carrying fair value	Cumulative change in fair value
Unquoted equities	2,494,144	14,085,478	11,591,334	8,683,532	8,683,532	-

	December 31, 2015					
	LBP	Foreign currencies				
In thousands of LBP	Cost	Carrying fair value	Cumulative change in fair value	Cost	Carrying fair value	Cumulative change in fair value
Unquoted equities	2,494,144	12,928,178	10,434,034	4,985,351	4,985,351	-

Investments a fair value through other comprehensive income include an amount of LBP 5.4 billion (LBP 3.2 billion in 2015) representing the Group's share in Lebanese startups established based on co-sharing agreements with the regulator providing the funding.

11. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

12. INVESTMENTS IN ASSOCIATES

In thousands of LBP	Country of Incorporation	Interest held December 31, 2016	Interest held December 31, 2015	Carrying value December 31, 2016	Carrying value December 31, 2015
Bancassurance S.A.L.	Lebanon	40	40	31,361,106	26,289,447
Centre de Traitement Monetique S.A.L.	Lebanon	50	50	1,830,495	1,745,824
				33,191,601	28,035,271

The summarized financial information of the associates is provided below.

December 31, 2016	Total assets	Total liabilities	Net assets	Net profit	Group's share of net assets	Group's share in profit/(loss)
Bancassurance S.A.L.	582,639,581	512,929,266	69,764,315	24,892,872	27,905,726	9,071,215
Centre de Traitement Monetique S.A.L.	5,758,111	2,219,987	3,538,124	178,127	1,769,062	80,157

December 31, 2015	Total assets	Total liabilities	Net assets	Net profit	Group's share of net assets	Group's share in profit/(loss)
Bancassurance S.A.L.	499,147,548	442,985,322	56,162,226	22,306,448	22,464,890	7,999,110
Centre de Traitement Monetique S.A.L.	4,677,832	1,312,035	3,365,797	(21,123)	1,682,899	(10,562)

The movement of investments in associates during 2016 and 2015 is as follows.

In thousands of LBP	2016	2015
Balance January 1	**28,035,271**	**23,697,517**
Prior period adjustments	4,514	2,483
Dividends received	(3,999,556)	(3,653,277)
Share of net profit of associates (Note 34)	9,151,372	7,988,548
Balance December 31	**33,191,601**	**28,035,271**

13. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances. The acquisition of these assets is approved by local banking authorities.

The movement of assets acquired in satisfaction of loans during 2016 and 2015 was as follows.

In thousands of LBP	Real estate	Equity interest	Total
Cost:			
Balance December 31, 2014	**25,870,861**	**22,324,142**	**48,195,003**
Foreclosures	9,955,731	41,937,926	51,893,657
Disposals	(527,717)	-	(527,717)
Effects of exchange rates changes	(8,397)	-	(8,397)
Balance December 31, 2015	35,290,478	64,262,068	99,552,546
Foreclosures	9,969,328	-	9,969,328
Disposals	(647,285)	-	(647,285)
Adjustments	(646,181)	-	(646,181)
Balance December 31, 2016	**43,966,340**	**64,262,068**	**108,228,408**

The acquisition of assets in settlement of loans in Lebanon requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years or 20 years when certain conditions linked to the restructuring of non performing loans' portfolio are met and subject to the approval of the Central Bank of Lebanon. This regulatory reserve is reflected under equity. In this respect, an amount of LBP 5.76 billion was appropriated in 2016 (LBP 5.04 billion in 2015).

During 2016, the Group sold assets acquired in satisfaction of loans which resulted in a gain in the amount of LBP 201 million (LBP 72 million in 2015) recorded in the consolidated statement of profit or loss under "Other operating income" (Note 34) in addition to an amount of LBP 259 million transferred from regulatory reserves to retained earnings (LBP 205 million in 2015). In addition, during 2016 the Group transferred excess in regulatory reserves for assets acquired in satisfaction of loans in the amount of LBP 450 million to special reserves (Note 24).

During 2015, the Group acquired in satisfaction of loans 50% equity stake in four real estate companies for a total consideration of LBP 41.9 billion.

14. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

In thousands of LBP	December 31, 2016	December 31, 2015
Land and buildings	145,597,615	148,101,806
Equipment, furniture, and fixtures	116,758,915	114,441,599
General installations	75,808,148	73,678,866
Vehicles	2,733,901	2,610,148
Advances on capital expenditures	15,202,339	16,024,741
Intangible assets	3,806,051	2,348,497
	359,906,969	357,205,657
Accumulated depreciation and amortization	(182,294,106)	(175,924,500)
	177,612,863	181,281,157

15. OTHER ASSETS

In thousands of LBP	December 31, 2016	2015
Investment properties	318,464	318,464
Deferred interest on deposit instruments with guaranteed capital	346,536	-
Due from National Social Security Fund	10,770,687	11,293,686
Regularization account of foreign currency forward contracts and swaps	96,015	159,698
Prepayments	3,705,003	5,417,112
Regulatory deposits with Central bank of Syria	4,697,590	7,428,703
Checks for collection	57,197,971	46,465,118
Sundry accounts receivable	11,821,735	35,975,440
Allowance for doubtful sundry accounts receivable	(10,436,160)	(10,202,440)
	78,517,841	96,855,781

During the year 2016, the Group set up allowance for doubtful sundry accounts receivable in the amount of LBP 234 million (LBP 516 million in 2015).

Amounts due from the National Social Security Fund represent hospitalization charges paid by the Group on behalf of its employees subject to recuperation from the National Social Security Fund.

The regulatory deposit with Central Bank of Syria is held according to Syrian laws and represents 10% of the subsidiary's (Bank Al Sharq S.A.S.) capital. This deposit is non-interest earning and can only be restituted upon liquidation of the subsidiary.

16. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

In thousands of LBP	December 31, 2016	2015
Current deposits with foreign central banks	4,144,430	4,256,346
Current deposits of banks and financial institutions	214,171,425	146,791,011
Pledged deposits of banks and financial institutions	5,016,150	3,242,791
Other short term borrowings	63,302,057	239,570,545
Accrued interest payable	68,750	605,573
	286,702,812	394,466,266

17. CUSTOMERS' DEPOSITS AT AMORTIZED COST

In thousands of LBP	December 31, 2016	2015
Deposits		
Current/demand deposits	2,542,942,295	2,458,663,463
Term deposits	11,315,626,569	10,371,582,174
Collateral against loans and advances	1,357,394,757	1,384,541,414
	15,215,963,621	14,214,787,051
Margins and other accounts		
Margins on letters of credit	48,702,406	49,730,651
Margins on letters of guarantee	60,194,700	61,728,150
Margins on derivatives and other financial instruments	10,049,468	14,707,429
Other margins	281,095,125	410,863,585
Cash provisions	34,917,410	35,965,506
	434,959,109	572,995,321
Accrued interest payable	61,063,169	58,798,292
	15,711,985,899	14,846,580,664

Deposits from customers at amortized cost are allocated by brackets of deposits as follows.

	December 31, 2016					
	LBP	Foreign currencies				
	Total deposits	% to total deposits	Number of counterparties	Total deposits	% to total deposits	Number of counterparties
	Millions of LBP	%	Millions of LBP	%		
• Less than LBP 200 million	1,371,971	30	81,460	1,230,852	11	94,768
• From LBP 200 million to LBP 1 billion	1,449,802	32	3,712	1,992,389	18	4,558
• From LBP 1 billion to LBP 5 billion	898,332	19	501	2,449,098	22	1,150
• More than LBP 5 billion	892,319	19	57	5,368,286	49	290
Accrued interest payable	27,125	-	-	31,811	-	-
	4,639,549	100	85,730	11,072,436	100	100,766

	December 31, 2015					
	LBP	Foreign currencies				
	Total deposits	% to total deposits	Number of counterparties	Total deposits	% to total deposits	Number of counterparties
	Millions of LBP	%	Millions of LBP	%		
• Less than LBP 200 million	1,319,719	30	79,356	1,328,763	13	93,996
• From LBP 200 million to LBP 1 billion	1,381,321	31	3,486	1,853,188	18	4,279
• From LBP 1 billion to LBP 5 billion	864,327	20	483	2,332,304	22	1,101
• More than LBP 5 billion	832,995	19	54	4,877,101	47	280
Accrued interest payable	24,856	-	-	32,006	-	-
	4,423,218	100	83,379	10,423,362	100	99,656

Deposits from customers include as at December 31, 2016 coded deposit accounts in the aggregate of LBP 137 billion (LBP 183 billion as at December 31, 2015). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers at amortized cost include as at December 31, 2016 fiduciary deposits received from non-resident banks and financial institutions for a total amount of LBP 320 billion (LBP 209 billion as of December 31, 2015).

Cash provisions represent settlements effected to the Group from guarantors of credit risks.

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

	LBP base accounts		Foreign currencies base accounts	
Year	Average balance of deposits	Average interest rate	Average balance of deposits	Average interest rate
	LBP'000	%	LBP'000	%
2016	4,523,277,647	5.76	10,444,570,428	3.22
2015	4,418,008,797	5.59	9,919,985,795	3.13
2014	4,232,634,510	5.64	9,815,717,895	2.90

18. BORROWINGS

Borrowings are reflected at amortized cost and consist of the following.

	December 31,	
In thousands of LBP	2016	2015
European Investment Bank (a)	6,607,404	8,476,662
Govco Inc. / Citibank N.A. (b)	10,660,179	12,598,393
Arab Trade Financing Program (c)	3,709,962	7,537,500
Agence Française de Développement (d)	8,371,454	12,944,462
European Investment Bank (e)	15,385,181	21,134,206
Standard Chartered New York (f)	89,842,750	60,348,723
Banca UBAE-Rome (g)	39,794,231	-
Sumitomo Mitsui Banking Corporation Dubai (h)	36,029,250	-
Korea Development Bank (i)	93,055,369	-
Central Bank of Lebanon-Circular 313 (j)	262,447,782	191,954,082
Accrued interest payable	2,359,589	817,680
	568,263,151	315,811,708

A. European Investment Bank

Borrowings from European Investment Bank through the Central Bank of Lebanon are used to finance loans extended to the Group's customers engaged in tourism, manufacturing and technology.

In thousands of LBP	2016	2015
Balance January 1	8,476,662	10,444,881
Settlements	(1,869,258)	(1,968,219)
Balance December 31	6,607,404	8,476,662

Contractual maturities as at December 31, 2016.

In thousands of LBP	
2017	1,630,839
2018	1,839,845
Thereafter	3,136,720
	6,607,404

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 367 million (LBP 467 million in 2015).

B. Govco/Citibank

During 2007, the Group signed a contract with Govco Inc. to obtain a long term loan in the amount of USD 20 million (c/v LBP 30 billion) fully withdrawn.

In thousands of LBP	
Balance January 1, 2015	14,536,607
Settlements	(1,938,214)
Balance December 31, 2015	12,598,393
Settlements	(1,938,214)
Balance December 31, 2016	10,660,179

Contractual maturities as at December 31, 2016:

In thousands of LBP	
2017	1,938,214
2018	1,938,214
Thereafter	6,783,751
	10,660,179

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 374 million (LBP 437 million in 2015).

C. Arab Trade Financing Program

The Arab Trade Financing Program consists of a confirmed line of credit to the extent of USD 15,000,000. The purpose of this line of credit is to promote trade activities between Arab countries and between Arab and non-Arab countries by financing up to 100% of the value of eligible transactions. The interest charged on each withdrawal is 6 months LIBOR plus a variable margin which depends on the duration of the withdrawal. Each withdrawal should be settled in equal semi-annual installments starting six months after the withdrawal date not to exceed ten installments.

The movement of these borrowings during 2016 and 2015 is as follows.

In thousands of LBP	2016	2015
Balance January 1	7,537,500	7,467,102
Withdrawals	8,353,459	7,537,500
Settlements	(12,180,997)	(7,467,102)
Balance December 31	**3,709,962**	**7,537,500**

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 121 million (LBP 104 million in 2015).

D. Agence Française de Développement

During 2007, the Group signed a contract with "Agence Française de Développement" in order to obtain a concessional loan for the financing or refinancing of loans made by the Group to its customers of small and medium enterprises who encountered economic and financial difficulties following the military conflict in Lebanon in summer 2006. The maximum amount of this credit is EUR 15,000,000 to be disbursed in a minimum of two and a maximum of three tranches with a minimum amount of EUR2,000,000 for each tranche. This loan was fully withdrawn in previous years. A fixed rate is determined for each tranche by the lender. The movement of this borrowing during 2016 and 2015 is as follows.

In thousands of LBP	2016	2015
Balance January 1	12,944,462	19,719,593
Settlements	(4,177,200)	(4,761,848)
Effect of exchange rates changes	(395,808)	(2,013,283)
Balance December 31	**8,371,454**	**12,944,462**

Contractual maturities as at December 31, 2015.

In thousands of LBP	
2017	2,659,768
2018	1,142,337
Thereafter	4,569,349
	8,371,454

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 355 million (LBP 513 million in 2015).

E. European Investment Bank

During 2007, the Group signed a contract with the "European Investment Bank" in order to obtain a loan in an amount equivalent to EUR 20,000,000 for the financing of private sector projects approved by the lender to be carried out by small and medium sized enterprises located in Lebanon. This loan falls under the Framework Agreement signed between the Republic of Lebanon and the lender. The loan contract gives the Group the choice between a fixed or a floating rate for each tranche. The Group has selected a fixed rate for all tranches. The movement of this borrowing during 2016 and 2015 is as follows.

In thousands of LBP	2016	2015
Balance January 1	21,134,206	28,018,419
Settlements	(5,439,058)	(5,501,051)
Effect of exchange rates changes	(309,967)	(1,383,162)
Balance December 31	**15,385,181**	**21,134,206**

Contractual maturities as at December 31, 2016.

In thousands of LBP	
2017	5,439,021
2018	4,086,268
Thereafter	5,859,892
	15,385,181

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 789 million (LBP 1.04 billion in 2015).

F. Standard Chartered Bank

During 2015, the Group signed a contract with "Standard Chartered Bank" in order to obtain a short term loan in the amount of USD 40,032,321 for trade financing. The interest charged on this loan is 3 months LIBOR plus a fixed rate of 1.8%. During 2016, the Group signed another contract with the same bank for similar purpose in the amount of USD 59,597,181 at an interest rate of 3 months LIBOR plus a fixed rate of 1.4738%.

In thousands of LBP	2016	2015
Balance January 1	60,348,723	-
Additions	89,842,750	60,348,723
Settlements	(60,348,723)	-
Balance December 31	**89,842,750**	**60,348,723**

Contractual maturities as at December 31, 2016.

In thousands of LBP	
January 1, 2017	30,134,616
June 1, 2017	59,708,134
	89,842,750

Interest expense above facility for the year ended December 31, 2016 amounted to LBP 1.8 billion (LBP 134 million in 2015).

G- Banca UBAE – Rome

During 2016, the Group signed a contract with "Banca UBAE S.P.A. – Italy" to obtain a short term loan maturing in December 2017 in the amount of USD 27,000,000. The annual interest rate charged on this loan is 1.6% over USD Libor.

In thousands of LBP	
June 1, 2017	39,794,231
	39,794,231

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 614 million.

H- Sumitomo Mitsui Banking Corporation – Dubai

During 2016, the Group signed a contract with "Sumitomo Mitsui Banking Corporation – Dubai" to obtain a short term loan to refinance trade transactions in the amount of USD 23,900,000 maturing in May 2017. The annual interest rate charged on this loan is 1.7% over 6 months USD Libor.

Contractual maturities as at December 31, 2016.

In thousands of LBP	
May 9, 2017	36,029,250
	36,029,250

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 159 million.

I- Korea Development Bank

During 2016, the Group signed a contract with "Korea Development Bank" to obtain a short term loan maturing in March 1, 2017 in the amount of USD 39,719,521 and USD 22,011,750 charged respectively with an annual interest rate of 12 months LIBOR plus a fixed rate of 0.45% and an annual interest rate of 9 months LIBOR plus a fixed rate of 0.45%.

Contractual maturities as at December 31, 2016.

In thousands of LBP	
March 1, 2017	93,055,369
	93,055,369

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 1.13 billion.

J- Central Bank of Lebanon – Circular 313

During 2016 and 2015, the Central Bank of Lebanon granted the Bank pursuant to circular 313 facilities in Lebanese Pounds to be granted to its customers pursuant to certain conditions, rules and mechanism. These facilities bear interest at the rate of 1% computed annually and paid monthly. These facilities have maturities beyond 5 years and their repayment depend on the underlying assets settlement.

Interest expense on above facility for the year ended December 31, 2016 amounted to LBP 2.29 billion (LBP 1.56 billion in 2015).

The Group pledged certificates of deposit in the amount of LBP49.61billion against these facilities (LBP 39.5 billion in 2015) (refer to Note 10).

19. OTHER LIABILITIES

	December 31,	
In thousands of LBP	2016	2015
Regulatory deferred liability (a)	377,690,534	-
Tax on regulatory deferred liability (a)	66,651,271	-
Checks and incoming payment orders in course of settlement	31,847,645	35,686,820
Customers' checks under collection	41,248,102	33,333,680
Accrued expenses	15,863,600	14,308,938
Current income tax liability (b)	12,728,553	8,162,710
Deferred tax liability on cumulative change in fair value of investment securities (Note 25)	1,738,700	1,565,105
Deferred tax liability on future dividends distribution by subsidiaries	7,640,612	7,099,965
Withheld taxes and other taxes payable	5,487,931	6,193,658
Due to the National Social Security Fund	1,066,394	1,010,781
Blocked capital subscriptions for companies under incorporation	528,530	623,612
Regularization account on foreign currency forward contracts and swaps	890,746	534,130
Financial guarantee contracts issued	250,340	321,572
Payables to personnel and directors	3,837,787	2,693,751
Accrued interest payable on shareholders' cash contribution to capital (c) (Note 23)	3,443,432	2,994,076
Sundry accounts payable	23,240,627	34,001,364
	594,154,804	**148,530,162**

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

During the year 2016, as a result of several transactions derived from the special and non-conventional deals arrangement with the Central Bank of Lebanon, the Group received a surplus of LBP377.69billion, net of tax in the amount of LBP 66.65 billion, which was credited to "Regulatory deferred liability" under other liabilities and deferred as restricted contribution in anticipation of expected loss provisions that will be deemed to be necessary along with the application of IFRS 9 in accordance with the Central Bank of Lebanon requirements as indicated above (Refer to note 10).

(b) The regrouping of reconciliations between the average effective tax rate and the enacted tax rates is summarized as follows.

In thousands of LBP	2016	2015
Profit before tax	200,204,125	185,916,695
Income tax at the national enacted tax rates	31,189,091	29,556,787
Tax effect of non-deductible expenses and non-taxable income	(149,332)	(3,521,817)
Income tax expense	31,039,759	26,034,970
Deferred tax assets	-	(797,941)
Less: Tax paid during the year (including the effect of difference in exchange)	(18,311,206)	(17,074,319)
Income tax payable as at December 31	**12,728,553**	**8,162,710**

The Bank's tax returns for years 2012 to 2014 inclusive, are currently subject to review by the tax authorities while the tax returns for the years 2015 and 2016 are still subject to review by tax authorities. Any additional tax liability that might arise, depends on the outcome of these reviews.

During 2015, the Group's branch in Iraq was subject to inspection by the Central Bank of Iraq in respect of its participation in the auction to purchase foreign currency from the Central Bank of Iraq. The inspection resulted in the imposition of a preliminary fine of LBP 1.2 billion, recorded in the statement of profit or loss for the year ended December 31, 2015. The Bank objected officially to the fine and the outcome of its objection is still under review.

(c) Accrued interest payable on shareholders' cash contributions to capital is reflected as of December 31, 2016 and 2015 net of 10% withheld tax.

20. PROVISIONS

In thousands of LBP	December 31, 2016	2015
Provision for staff termination indemnity	15,001,536	12,989,282
Provision for risks and contingencies	6,848,990	5,811,495
Provision for foreign currency fluctuation	698,848	683,273
	22,549,374	19,484,050

The movement of the provision for staff termination indemnity is as follows.

In thousands of LBP	2016	2015
Balance January 1	12,989,282	11,431,595
Additions (Note 36)	3,177,869	2,576,576
Write-backs (Note 36)	(164,838)	(163,262)
Settlements	(960,776)	(706,601)
Effect of exchange rates changes	(40,001)	(149,026)
Balance December 31	15,001,536	12,989,282

The movement of the provision for risks and contingencies is as follows.

In thousands of LBP	2016	2015
Balance January 1	5,811,495	2,717,821
Additions	1,666,090	3,721,123
Write-backs	(544,983)	(506,516)
Write offs	(5,944)	(40,475)
Effect of exchange rates changes	(77,668)	(80,458)
Balance December 31	6,848,990	5,811,495

During year 2015, the French subsidiary set up a provision for off-balance sheet exposure in the amount of LBP 2 billion.

21. SHARE CAPITAL

At December 31, 2016, the authorized, issued and fully paid ordinary share capital of the Bank consists of 23,500,000 nominal shares having a par value of LBP 10,000 each (22,000,000 shares of LBP 10,000 each as of December 31, 2015).

During 2016, the Bank issued additional 1,500,000 nominal shares with a par value of LBP 10,000 each through transfer from reserve for capital increase in order to reconstitute its capital which was decreased by LBP 15 billion as a result of the redemption of preferred shares series 3.

During 2015, the Bank issued additional 1,000,000 nominal shares with a par value of LBP 10,000 each through transfer from reserve for capital increase in order to reconstitute its capital which was decreased by LBP 10 billion as a result of the redemption of preferred shares series 2.

22. PREFERRED SHARES

In thousands of LBP	December 31, 2015	2014
Series 3	-	226,125,000
Series 4	226,125,000	226,125,000
Series 5	226,125,000	-
	452,250,000	452,250,000

Series 2

During 2010, the Bank issued 1,000,000 Series (2) preferred shares with a par value of LBP 10,000 each at an issue price of USD 100 per share.

These preferred shares are perpetual, non-cumulative, redeemable, and paying a return fixed at USD 2.25 per share for the year 2009 and USD 8 per share for the year 2010 and subsequent years.

During 2015, the Bank redeemed all the Series 2 preferred shares at the issue price of USD 100 per share.

Series 3

During 2011, the Bank issued 1,500,000 Series (3) preferred shares with a nominal value of LBP 10,000 each at an issue price of USD 100 per share.

These preferred shares are perpetual, non-cumulative, redeemable and paying a return of US D7 per share.

During 2016, the Bank redeemed all the Series 3 preferred shares at the issue price of USD 100 per share.

Series 4

During 2015, the Bank issued 1,500,000 Series (4) preferred shares with a nominal value of LBP10,000 each at an issue price of USD 100 per share.

These preferred shares are perpetual, non-cumulative, redeemable and paying a return of USD 7 per share.

The Bank may at its option to redeem or cancel all or part (but not less than 20%) of the original size issue within 60 days following the date of the Ordinary General Assembly of Shareholders to be held to approve the accounts of the Bank for the year 2020 and for any subsequent year thereafter at its sole discretion.

Series 5

During 2016, the Bank issued 1,500,000 Series (5) preferred shares with a nominal value of LBP 10,000 each at an issue price of USD 100 per share.

These preferred shares are perpetual, non-cumulative, redeemable and paying a return of USD 6.625 per share.

The Bank may at its option to redeem or cancel all or part (but not less than 20%) of the original size issue within 60 days following the date of the Ordinary General Assembly of Shareholders to be held to approve the accounts of the Bank for the year 2020 and for any subsequent year thereafter at its sole discretion.

23. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital amounting to USD 40 million as of December 31, 2016 and 2015 is subject to an annual interest rate equal to 90% of the yield related to last issue of previous year Lebanese Eurobonds with maturity beyond 5 years. This rate was set at 6.345% in 2016 and 5.517% in 2015 payable from unrestricted profits and after securing the approval of the Banking Control Commission of Lebanon.

Related interest expense for the year ended December 31, 2016 amounted to LBP 3.84 billion (LBP 3.33 billion for 2015) and recorded under "Interest expense" in the consolidated statement of profit or loss (Note 29).

This type of financial instrument is accounted for in foreign currency (USD) and therefore allows for hedging against the national currency exchange fluctuation (LBP). According to the Lebanese banking regulations, cash contribution to capital is considered as Tier I capital.

24. RESERVES

In thousands of LBP	December 31, 2016	2015
Legal reserve (a)	151,053,023	137,074,879
Reserve for general banking risks (b)	238,000,000	207,000,000
General reserve for performing loans (c)	17,213,661	9,211,605
Reserve for capital increase (d)	11,138,410	26,066,820
Special reserve	133,450,000	130,000,000
	550,855,094	509,353,304

a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of net profit of the Bank. This reserve is not available for distribution. Accordingly, an amount of LBP 13.98 billion was appropriated to legal reserve during the year 2016 (LBP 13.36 billion during 2015).

b) The reserve for general banking risks is constituted according to Lebanese banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution. Accordingly, an amount of LBP 31 billion was appropriated to reserve for general banking risks during the year 2016 (LBP 30 billion during 2015).

c) In compliance with the basic circular No 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit to general reserve for performing loans the equivalent of:
• 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.
• 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision exceeds 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.
Accordingly, an amount of LBP 8 billion was appropriated to this reserve during the year 2016 (LBP 9.2 billion during 2015)

d) During 2016, an amount of LBP 15 billion was transferred from reserve for capital increase to reconstitute the capital as a result of the redemption of preferred shares (LBP 10 billion in 2015 (Note 21). In addition, an amount of LBP 71.6 million was appropriated to this reserve during the year 2016 (LBP 1 billion during 2015)

25. CUMULATIVE CHANGE IN FAIR VALUE OF INVESTMENT SECURITIES DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In thousands of LBP	December 31, 2016	2015
Unrealized gain on equity securities (Note 10B)	11,591,334	10,434,034
Deferred tax liability (Note 19)	(1,738,700)	(1,565,105)
Net	9,852,634	8,868,929

26. NON-CONTROLLING INTERESTS

In thousands of LBP	December 31, 2016	2015
Capital	63,972,457	71,978,267
Reserves and retained earnings	35,361,768	26,817,878
Profit for the year (net of deferred tax)	5,477,948	4,001,547
	104,812,173	102,797,692

27. PROFIT FOR THE YEAR

The consolidated profit for the year of the Group is allocated as follows.

	Year-ended December 31, 2016		
In thousands of LBP	Bank's share (after consolidation adjustments)	Non-controlling interests (after consolidation adjustments)	Total
Profit of the Bank	152,823,316	-	152,823,316
Profit/(loss) of subsidiaires:			
Banque SBA S.A.	7,903,343	89,494	7,992,837
SODECO S.A.L.	338,839	88,341	427,180
Libano-Française Finance S.A.L.	(1,574,497)	-	(1,574,497)
Compagnie Libanaise pour l'informatique S.A.L.	254,022	-	254,022
Bank Al Sharq S.A.S.	1,829,625	1,905,160	3,734,785
LF Funds	1,909,773	3,330,121	5,239,894
Lebanon Income Fund	187,262	79,568	266,830
Deferred tax on reported profits of consolidated subsidiaries	(727,042)	(14,737)	(741,779)
	162,944,641	5,477,947	168,422,588

	Year-ended December 31, 2015		
In thousands of LBP	Bank's share (after consolidation adjustments)	Non-controlling interests (after consolidation adjustments)	Total
Profit of the Bank	144,313,435	-	144,313,435
Profit/(loss) of subsidiaries:			
Banque SBA S.A.	8,643,576	85,039	8,728,615
SODECO S.A.L.	(356,325)	(518,737)	(875,062)
Libano-Française Finance S.A.L.	(926,024)	-	(926,024)
Compagnie Libanaise pour l'informatique S.A.L.	257,258	-	257,258
Bank Al Sharq S.A.S.	3,164,032	3,295,042	6,459,074
LF Funds	777,169	1,147,261	1,924,430
Deferred tax on reported profits of consolidated subsidiaries	(778,855)	(7,059)	(785,914)
	155,094,266	4,001,546	159,095,812

The following dividends were declared and paid by the Group during 2016 and 2015.

In thousands of LBP	2016	2015
LBP 1,600 per common share (LBP 1,670 per common share in 2015)	35,200,000	35,070,000
USD 7 per preferred share Series (3) (USD 8 per preferred share Series (2) in 2015)	15,828,750	12,060,000
USD 7 per preferred share Series (4) (USD 7 per preferred share Series (3) in 2015)	15,828,750	15,828,750
	66,857,500	62,958,750

Subsequent to the statement of financial position date, the following dividends were proposed by the Board of Directors of the Bank for the year ended 2016 which still are pending the ratification of the General Assembly of Shareholders.

In thousands of LBP	
LBP 1,915 per common share	45,002,500
USD 7 per preferred share Series (4)	15,828,750
USD 6.625 per preferred share Series (5)	14,980,781
	75,812,031

28. INTEREST INCOME

In thousands of LBP	2016	2015
Interest income from:		
• Deposits with Central Banks	127,270,476	113,279,470
• Deposits with banks and financial institutions	8,700,479	11,034,222
• Loans to banks	3,294,815	3,250,726
• Investment securities at amortized cost	377,939,443	320,570,206
• Loans and advances to customers	376,678,271	355,150,206
• Interest realized on impaired loans and advances to customers (Note 9)	6,597,310	22,399,111
	900,480,794	825,683,941

Interest realized on impaired loans and advances to customers represent recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery or until rescheduling agreement is signed with the customer.

Interest income on financial assets at fair value through profit or loss is included under net results on financial instruments designated at fair value through profit or loss (Note 32).

29. INTEREST EXPENSE

In thousands of LBP	2016	2015
Interest expense on:		
• Deposits from banks and financial institutions	8,228,296	8,617,992
• Customers' deposits at amortized cost	598,803,473	564,441,058
• Long term borrowings	8,007,685	4,258,549
• Premium for the National Institute of guarantee of deposits	7,406,627	7,082,000
• Shareholders' cash contribution to capital (Note 23)	3,837,879	3,332,268
	626,283,960	587,731,867

31. FEE AND COMMISSION INCOME

In thousands of LBP	2016	2015
Commission on documentary credits	8,709,105	11,921,307
Commission on letters of guarantee	13,112,028	13,309,941
Service fees on customers' transactions	26,605,959	28,432,134
Brokerage fees	7,072,318	8,393,928
Commission on debit/credit cards	20,334,087	18,347,050
Asset management fees	2,281,976	2,149,972
Other	911,765	1,429,738
	79,027,238	83,984,070

31. FEE AND COMMISSION EXPENSE

In thousands of LBP	2016	2015
Commissions on transactions with banks	12,461,325	9,106,102
Other	9,940,481	8,576,467
	22,401,806	17,682,569

32. NET RESULTS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In thousands of LBP	2016	2015
Interest income on financial assets at fair value through profit or loss	30,796,395	49,232,857
Dividend income	1,216,892	449,445
Net unrealized (loss)/gain from change in fair value	(2,656,523)	9,270,826
Net realized gain / (loss) upon disposals	9,662,977	(1,242,247)
	39,019,741	57,710,881

33. GAIN ON DERECOGNITION OF INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

	December 31, 2016		
In thousands of LBP	Maturity	Gain/(loss)	Nominal value
Net loss on sale of Lebanese government bonds	2017, 2018, 2019, 2021, 2022 and 2025	(576,129)	161,744,198
Net gain on de-recognition of sinkable fund	2017	809,116	55,477,809
		232,987	217,222,007

	December 31, 2015		
In thousands of LBP	Maturity	Gain/(loss)	Nominal value
Net gain on sale of corporate bonds	2015, 2017, 2018, 2019, 2021, 2022 and 2023	3,626,907	95,897,176
Net loss on sale of corporate bonds	2018	(213,479)	3,154,140
Net gain on sale of Lebanese Treasury bonds	2023 and 2025	8,321,568	118,000,000
Net gain on sale of certificates of deposit	2023, 2024 and 2026	10,622,187	172,000,000
Net gain on de-recognition of sinkable fund	2017	794,704	55,440,121
Net gain on swaps of certificates of deposit	2015	68,250	36,255,375
Net gain on swaps of Lebanese Eurobonds	2015	1,403,130	180,043,740
		24,623,267	660,790,552

During 2016 and 2015, the Group derecognized certain debt instruments classified at amortized cost due to the following reasons:
• Deterioration of the credit rating of corporate bonds below that required by the Group's investment policy.
• Adjustment in investment portfolio to reflect a change in expected duration.
• Early redemption by the issuer.

The nominal value of debt securities disposed of during year 2016 amounts to approximately 3.74% of the portfolio of securities measured at amortized cost as at December 31, 2016 (13% of portfolio of securities measured at amortized cost as at December 31, 2015 for securities disposed of during year 2015).

34. OTHER OPERATING INCOME

In thousands of LBP	2016	2015
Share of profit of associates (Note 12)	9,151,372	7,988,548
Foreign exchange gain (net)	11,328,900	16,007,275
Dividends received on investment securities designated at FVTOCI	300,029	259,643
Gain on disposal of assets acquired in settlement of loans (Note 13)	200,727	71,590
Sundry	1,346,527	494,141
	22,327,555	24,821,197

35. PROVISION FOR CREDIT LOSSES

In thousands of LBP	2016	2015
Allowance for impairment of loans and advances (Note 9)	13,599,324	59,730,273
Write-back of allowance for impairment of bad and doubtful debts (Note 9)	(18,777,996)	(26,468,268)
Allowance for collectively assessed loans for impairment (Note 9)	2,090,075	2,494,184
Write-back of allowance for collectively assessed loans (Note 9)	(2,475,579)	(2,848,120)
Direct write-offs	498,542	4,626,387
	(5,065,634)	37,534,456

36. STAFF COSTS

In thousands of LBP	2016	2015
Salaries	70,041,187	67,359,227
Other benefits	31,182,201	28,579,110
Social Security contributions	13,355,273	13,027,277
Provision for employees' end-of-service indemnities (Net) (Note 20)	3,013,031	2,413,314
Provident fund	660,296	470,970
	118,251,988	111,849,89

37. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the statement of financial position. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

38. BALANCES/TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, and associates. Balances with related parties consist of the following as at December 31.

In thousands of LBP	2016	2015
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
• Loans and advances	8,883,553	8,383,852
• Deposits	228,067,993	183,315,635
• Letters of guarantee	750,590	2,499,714
Associated companies:		
• Loans and advances	57,232,632	41,920,090
• Customers' liability under acceptances	8,479	-
• Deposits	83,334,198	93,552,784
• Letters of credit	13,128,520	2,042,409
• Letters of guarantee	4,111,281	2,648,298

The remunerations of executive management, including incentives, amounted to LBP20.2billion (LBP 19.34 billion in 2015).

Interest income includes approximately LBP3.9 billion for the year ended December 31, 2016 (LBP 4.02 billion for the year ended December 31, 2015) representing interests recognized by the Group from related parties.

Interest expense includes approximately LBP 9.95 billion for the year ended December 31, 2016 (LBP 13 billion for the year ended December 31, 2015) representing interests incurred by the Group to related parties.

Net commission income includes approximately LBP 339 million for the year ended December 31, 2016 (LBP 217 million for the year ended December 31, 2015) representing commissions earned for services rendered by the Group to related parties.

General and administrative expenses include rent fees in the amount of LBP 381 million for the year ended December 31, 2016 and LBP381million for the year ended December 31, 2015 charged by a related party company.

39. CASH AND CASH EQUIVALENTS

	December 31,	
In thousands of LBP	2016	2015
Cash on hand	54,949,300	52,196,017
Current accounts with central banks	94,570,553	56,155,599
Term placements with central banks (original maturity of less than 3 months)	373,500,000	72,750,000
Current accounts with banks and financial institutions	727,258,364	503,742,879
Term placements with banks and financial institutions (original maturity of less than 3 months)	933,391,379	584,533,445
	2,183,669,596	1,269,377,940

In thousands of LBP	2016 Current year change in fair value of investments	Foreclosure of assets	Transfer to general reserves	Increase of capital by transfer from reserves	2015 Current year change in fair value of investments	Foreclosure of assets	Increase of capital by transfer from reserves
Investments designated at FVTOCI (Note 10)	1,157,300	-	-	-	1,010,334	-	-
Loans and advances to customers	-	9,969,328	-	-	-	51,885,260	-
Assets acquired in satisfaction of loans (Note 13)	-	(9,969,328)	-	-	-	(51,885,260)	-
	1,157,300	-	-	-	1,010,334	-	-
Deferred tax liability on cumulative change in fair value of investment securities	(173,595)	-	-	-	(151,550)	-	-
Retained earnings	-	100,952	-	-	-	(338,287)	-
Regulatory reserve for assets acquired in satisfaction of loans	-	(100,952)	(450,000)	-	-	338,287	-
Reserves	-	-	450,000	-	-	-	-
Cumulative change in fair value of investments (Equity)	(983,705)	-	-	-	(858,784)	-	-
Capital	-	-	-	15,000,000	-	-	10,000,000
Reserves	-	-	-	(15,000,000)	-	-	(10,000,000)
	(1,157,300)	-	-	-	(1,010,334)	-	-

40. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by Central Bank of Lebanon, the Group's lead regulator. The subsidiaries of the Group operating abroad are also required to respect particular ratios according to the competent authorities of supervisions.

Furthermore, the Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP 10 billion for the head office and LBP 500 million for each branch in Lebanon and LBP 1.5 billion for each branch outside Lebanon in addition to the minimum regulatory capital required by the host country.

Pursuant to the modification of Central Bank Decision No 6939 dated March 25, 1998 through the intermediary circular No 12348 dated September 30, 2016, all banks operating in Lebanon must gradually reach the following capital ratios.

Ratio	December 31, 2015 %	2016 %	2017 %	2018 %
Common Equity Tier 1 ratio	8.00	8.50	9.00	10.00
Tier 1 ratio	10.00	11.00	12.00	13.00
Total Capital ratio	12.00	14.00	14.50	15.00

The Group's capital is split as follows:
Tier I Capital: Comprises mainly share capital, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (inclusive of current year's net profit after deduction of proposed dividends) and minority interest and intangible assets.

Cumulative unfavorable change in fair value of assets designated at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II Capital: Comprises 50% of cumulative favorable change in fair value of assets at fair value through other comprehensive income, regulatory deferred liability less 2% of the weighted credit risks, and other regulatory reserves.

Investments in associates are deducted from Tier I and Tier II Capital.

Furthermore, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

The Group's capital adequacy ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2016 and 2015 was as follows.

In millions of LBP	December 31, 2016	2015
Common equity Tier I (net)	1,047,302	982,477
Additional Tier I Capital (net)	513,366	514,032
	1,560,668	1,496,509
Net Tier II Capital	270,340	5,909
Total regulatory capital (including remaining net profit after distribution of dividends)	1,831,008	1,502,418
Credit risk	9,923,933	9,897,613
Market risk	271,051	614,849
Operational risk	732,576	689,854
Risk-weighted assets and risk-weighted off-balance sheet items	10,927,560	11,202,316
Common equity Tier I Ratio	9.58%	8.77%
Tier I Ratio	14.28%	13.36%
Risk based Capital Ratio – Tier I and Tier II Capital	16.76%	13.41%

The Group's capital strategy is based on the following constraints:
- Comply with regulatory ratios, on individual and consolidated basis, primarily in respect of the Capital Adequacy Ratio under Basel III.
- Ensure a high return on equity for the common shareholders.
- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

The Group's total equity funding consists of the following.

In thousands of LBP	December 31, 2016	2015
Equity allocated to common shares	1,165,896,370	1,098,504,367
Preferred shares	483,907,500	483,907,500
Total equity	1,649,803,870	1,582,411,867

The Group's strategy is to maintain a satisfactory economic capital beyond the regulatory threshold.

41. RISK MANAGEMENT

Board Risk Committee

In order to ensure sound corporate governance practices and comply with BDL basic circular Nº 118, the Group has broadened the role of the Board Credit Risk Committee.

The Board Risk Committee is headed by a non Executive Board Member and has three members of which two of them are non Executive Board members.

This Committee assists the Board in discharging its risk related responsibilities; where particularly it authorizes and submits to the Board the Group risk policies, reviews the Internal Capital Adequacy Assessment Process and the results of the capital adequacy ratio (QIS), monitors the Group's risk profile for all types of risks, oversees the risk management framework and assesses its effectiveness at the level of the Group (mainly for Banking and financial institution subsidiaries).

Management of Risks

A- Credit Risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks, loans and advances to customers and other banks and investment securities. Credit risk also arises from off-balance sheet financial instruments such as letters of credit and letters of guarantee.

Concentration of credit risk arises from uneven distribution of bank loans to individual borrowers or connected group of borrowers (directly or indirectly per facilities granted or per guarantee provided), concentration of loans in industry sectors and geographical regions.

1- Credit Risk Management

• General Credit Risk Policy

The credit granting activity of the Group is integrated by the general credit policy that establishes the framework for lending and sets standards in order to achieve the Group's strategic objectives.

Sound and prudent practices for Credit Risk Management are established within the Credit Risk Policy of the Group; these practices are in compliance with regulatory requirements and deal with establishing an adequate credit administration, measurement and monitoring process and ensuring a thorough control of Credit Risk.

The Group operates according to defined credit criteria which consist of a clear identification of the target market of the Group, a deep knowledge of the borrower as well as the purpose, structure and source of repayment of the credit.

Moreover the general credit risk policy's prime concern is to ensure a proper diversification of the lending portfolio. With this regard, internal limits have been established at the level of individual borrower, group of connected borrowers and industry, thus maintaining aggregate concentration risk within acceptable levels.

The Group complies with the limits set by the regulatory authorities and the limits set internally depending on total equity and annual profits.

• Authorization process
The Group has established a clear process for approving commercial and retail credits as follows.

Commercial credits and concentration risk.
Loans approvals are assigned to different credit committees according to the nature and the amount of the loan. Credit risk is evaluated and calculated according to the nature of the loan and the global exposure per counter-party, which combines all direct and contingent credit facilities granted to one group of related clients. Credit limits granted to a same group of counter-parties are well established within the credit policies of the Group. A consolidation is done at the Group level for clients that are granted credit facilities by different entities of the Group.

The Board Risk Committee ratifies credits to counter-parties that range between USD 5 million and USD 40 million, and authorizes credits that exceed USD 40 million at Group level.

Reports on concentration risk are based on formulas for identification of concentration risk applied worldwide.

Standardized consumer loans.
Credit decision making for retail customers is based on standardized products established according to well defined criteria and parameters which are approved by a specialized Credit Committee.

The Group has implemented a system for scoring of consumer loans and has customized for each product type a scoring application with the relevant criteria, parameters and workflow. Each credit application is assigned a score that will be the basis for decision making.

The Executive Committee has delegated the decision making privileges to the head of network who is authorized to sub-delegate within his assigned authority the decision making to the Head of Credit Retail Department. The actual authority granted to branch managers is restricted in terms of amount limit and acceptance criteria by product type. Exceptions to delegated authorities in terms of amount or criteria are subject to approval by Credit Risk division and or/ratification by Credit Committee.

• Credit measurement and monitoring procedures
The Credit Administration Department in each of the Group's entities is responsible of permanently guaranteeing the conformity of credits to the Credit Committee's decisions, collecting legal documents and guarantees and disbursement of funds.

The Credit Analysis Division is responsible for monitoring the quality of individual credits as well as the total portfolio. This division receives regular monthly reports from the Group's subsidiaries engaged in banking operations.

The Reporting unit of the Risk Management Division, in coordination with the analysts of the Credit Risk Division, is responsible for the reliability of the reporting and databases.

As for the measurement, the Group has adopted 2 systems for classification of Risk in compliance with BDL requirements (BDL circular Nº 256): The supervisory classification and the loan grading system through internal ratings models. These two systems are reconcilable with the internal risk classification currently adopted by the Group and based upon well defined criteria and parameters.

The Group has adopted a mapping of the risk categories which complies with the regulation of host countries and ensures a consolidation of the risk categories at Group level.

Supervisory risk classification	Loan grading system		BLF internal risk classification
1- Normal	Excellent	1	
	Strong	2	Normal Files with complete documentation.
	Good	3	Files non-renewed for less than 6 months.
	Satisfactory	4	
2- Monitoring	Adequate	5	Files non-renewed for more than 6 months. Files missing documentation and information on the client's activity, purpose of the loan or source of repayment. Files non compliant with BDL guidelines.
3- Watch List	Marginal	6	Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring (weak accounts' movement, delay in payments for 60-90 day, over limit exposures exceeding 10% of authorized limit, rescheduled loans for more than one time, decline in financial performance and delay in the submission of required document …).
	Vulnerable	7	Past due and rescheduled loans. These two categories require an accurate, and periodic monitoring done on monthly basis.
4- Substandard	Substandard	8	Substandard loans represent loans whose interests are barely recoverable. Substandard loans present delays in payments for 90-180 days, decreasing recurring account movement without interest payment for more than 6 month, ongoing decline in financial performance, loss for 3 consecutive years. Debtors downgraded to this category of risk require a particular follow-up and they are transferred to the Loan Remedial Division.
5- Doubtful	Doubtful	9	A credit file is classified as doubtful when a series of criteria are met of which mainly the deterioration of the financial situation of the customer and/or the devaluation of the guarantees received and/or no movement in account for more than 6 months, nonpayment of rescheduled loans for more than 90 days. The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main component of its allowance is specific loss component that relate to individually significant exposures, and a minor part of a collective loan loss.
6- Loss	Loss	10	Total loss with a complete write off (unavailable guarantee or negligible amount of the guarantee, losing contact with client…) The Group writes off a loan (and any related allowances for impairment) when it determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such as the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

On the other hand, establishing the loan grading system will ensure a step toward compliance with Basel III accord in terms of the new capital adequacy ratios requirements (BDL intermediary Circular Nº 282); the ratings assigned to credits will be an integral input in approving and pricing of credits and in assigning loan loss provisions and allocating capital.

A second step toward compliance with Basel III is the ICAAP exercise (Internal Capital Adequacy Assessment Process). An annual qualitative and quantitative risk assessment is performed by the Group. The process assesses the internal governance (role of the Board, policies, procedures, and internal audit), the risk management (identification, measurement and monitoring) and the stress test (assumptions, results, actions) for each type of risk. It also evaluates the capacity of the Group to absorb losses in time of crises.

• Recovery and provisioning procedures for Banque Libano-Française S.A.L.

Non-performing loans and advances are divided into 3 categories, in conformity with the Central Bank's regulation: substandard loans (unrealized interest), doubtful loans (unrealized interest and partial capital provision) and non-recoverable loans (unrealized interest and full capital provisions).

Retail credits are subject to a systematic downgrading based on a predefined cycle set by product and past dues and in compliance with the downgrading and provisioning policy.

Commercial credits are subject to a downgrading and provisioning policy in compliance with BDL guidelines and requirements (Reference BDL circular Nº 256).

Moreover, and starting 2016 (for appropriation of 2015 profits), reserves are set up for performing loans and advances in compliance with basic circular #81.

The Credit Risk Management Division ensures a monthly review for watch list files and a quarterly review for non-performing loans in coordination with the Loan Remedial Division and the Legal Division.

The Loan Remedial Division ensures the follow-up of substandard, doubtful and non recoverable loans with a prime objective of proposing loan restructurings or arrangements with the clients.

Reports are submitted to specialized committees on monthly, quarterly and semi-annual basis.

• For other Group's subsidiaries:

The Group's subsidiaries apply the guidelines and/or policies for internal risk classification and ensure a monitoring and reporting on quarterly basis of non-performing loans and on monthly basis for watch list to be submitted to local committees and escalated to Banque Libano-Française S.A.L.

3- Financial Assets with Credit Risk Exposure and Related Concentrations

a) Exposure to Credit Risk and Concentration by Counterparty

a.1) Loans to banks

	December 31, 2016			
	LBP		Foreign currencies	
Bracket	Amount	Number of counterparties	Amount	Number of counterparties
	LBP'000		LBP'000	
Less than LBP 5 billion	-	-	408	1
Between LBP 5 billion and LBP 15 billion	-	-	7,635,363	1
Between LBP 30 billion and LBP 50 billion	33,669,676	1	78,920,809	2
Between LBP 50 billion and LBP 100 billion	-	-	-	-
	33,669,676	1	86,556,580	4

	December 31, 2015			
	LBP		Foreign currencies	
Bracket	Amount	Number of counterparties	Amount	Number of counterparties
	LBP'000		LBP'000	
Less than LBP 5 billion	-	-	-	-
Between LBP 5 billion and LBP 15 billion	-	-	24,245,034	2
Between LBP 30 billion and LBP 50 billion	-	-	41,542,411	1
Between LBP 50 billion and LBP 100 billion	39,702,531	1	-	-
	39,702,531	1	65,787,445	3

a.2) Loans and advances to customers (net of provisions and unearned interest)

	December 31, 2016					
	LBP			Foreign currencies		
	Amount	% of total counterparties	Number of accounts	Amount	% of total amount	Number of counterparties
	LBP'000	%	LBP'000	%		
Less than LBP 500 million	704,408,101	64	25,457	655,976,415	13	34,183
Between LBP 500 million and LBP 5 billion	190,674,343	17	190	1,103,775,212	21	610
Over LBP 5 billion	207,490,892	19	18	3,447,910,909	66	172
Accrued interest receivable	1,816,556	-	-	8,034,068	-	-
	1,104,389,892	100	25,665	5,215,696,604	100	34,965

	December 31, 2015					
	LBP			Foreign currencies		
	Amount	% of total counterparties	Number of accounts	Amount	% of total amount	Number of counterparties
	LBP'000	%	LBP'000	%		
Less than LBP 500 million	653,806,752	68	25,221	722,627,949	14	33,441
Between LBP 500 million and LBP 5 billion	185,043,973	19	198	1,126,166,266	21	597
Over LBP 5 billion	123,642,549	13	11	3,472,745,360	65	187
Accrued interest receivable	1,656,312	-	-	8,753,183	-	-
	964,149,586	100	25,430	5,330,292,758	100	34,225

a.3) Investment securities

	December 31, 2016				
In thousands of LBP	Designated as at fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Total	Number of counterparties
Quoted equities	16,821,974	-	-	16,821,974	9
Unquoted equities	-	-	22,769,010	22,769,010	16
Lebanese Treasury bills/bonds	73,630,728	2,919,863,612	-	2,993,494,340	1
Central Bank of Lebanon	-	-	-	-	-
Certificates of deposit	25,600,742	2,770,191,510	-	2,795,792,252	1
Certificates of deposits issued by banks	4,525,687	-	-	4,525,687	1
Corporate bonds	137,391,986	12,046,957	-	149,438,943	62
Funds	3,180,201	-	-	3,180,201	1
	261,151,318	5,702,102,079	22,769,010	5,986,022,407	918

	December 31, 2015				
In thousands of LBP	Designated as at fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Total	Number of counterparties
Quoted equities	17,924,311	-	-	17,924,311	8
Unquoted equities	-	-	17,913,529	17,913,529	14
Lebanese Treasury bills/bonds	356,330,134	2,480,468,832	-	2,836,798,966	1
Central Bank of Lebanon	-	-	-	-	-
Certificates of deposit	206,304,144	2,435,411,042	-	2,641,715,186	1
Certificates of deposits issued by banks	6,916,998	-	-	6,916,998	1
Corporate bonds	167,798,287	12,033,900	-	179,832,187	51
Funds	1,135,787	-	-	1,135,787	1
	756,409,661	4,927,913,774	17,913,529	5,702,236,964	77

B- Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

1- Management of Liquidity Risk

Liquidity Risk Management is part of the Assets and Liabilities Management Policy and falls under the responsibility of the Assets and Liabilities Committee (ALCO) as assigned by the Board of Directors.

To address this risk, the Group diversifies its funding resources, maintains sufficient liquidity and subscribes in relatively convertible securities to face an exceptional increase in liquidity needs in the case of liquidity crises. The objectives of the Group's liquidity policy consist of ensuring a well-balanced financing in a way that the Group is capable at any time to honor its obligations towards its customers, to satisfy the standards imposed by the local banking regulator and to maintain the lowest possible level of refinancing cost.

In line with the liquidity policy set by the ALCO, the Treasury department manages the investment in sovereign and/or Central Bank papers; while the Fixed Income division is in charge of actively managing the fixed income instruments by maintaining a low duration, high yield, well diversified portfolio. The International Division is responsible for the management of the interbank borrowings/placements based on a thorough analysis for each correspondent bank.

The Risk Management division role is to ensure that the Group exposure always satisfies the internal limits, as well as the regulatory requirements. The Risk Management actively monitors the Group exposure through periodic reviews, and upholds various stress scenarios when necessary, presenting the results to the Board Risk Committee.

During the past two years and due to the incentives of the Central Bank, the Group has witnessed a important increase in the Medium and Long Term loans granted to different industries. This increase has required a close follow up by the risk management.

Customers' deposits represent the main funding source of the Group.

• Residual Contractual Maturities of Financial Liabilities

The table below shows the allocation of financial liabilities based on the earliest possible contractual maturity. The expected maturity varies significantly from the contractual maturities, namely with regard to customers' deposits.

	December 31, 2016					
	LBP					
In millions of LBP	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Banks and financial institutions	261,604	25,099	-	-	-	286,703
Customers' deposits at amortized cost	9,435,521	5,581,277	620,276	53,538	21,374	15,711,986
Borrowings	91,521	166,031	92,904	87,519	130,288	568,263
Other liabilities	1,141	-	-	-	-	1,141
Total Financial Liabilities	**9,789,787**	**5,772,407**	**713,180**	**141,057**	**151,662**	**16,568,093**

	December 31, 2015					
	LBP					
In millions of LBP	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Banks and financial institutions	333,030	61,436	-	-	-	394,466
Customers' deposits at amortized cost	9,379,256	4,840,725	599,557	7,688	19,355	14,846,581
Borrowings	5,336	268,940	21,057	15,215	5,264	315,812
Other liabilities	856	-	-	-	-	856
Total Financial Liabilities	**9,718,478**	**5,171,101**	**620,614**	**22,903**	**24,619**	**15,557,715**

C- Market Risks

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

The Risk Management Department, in collaboration with the different entities involved, monitors all the market risks that arise from both banks' and clients' activities. A periodic control is performed on the Group Foreign exchange position (structural and operational), the clients derivatives contracts, leveraging and margin calls. Relevant reporting and stress tests are periodically conducted and presented to the Board and the Board Risk Committee.

The Risk Management also guarantees the compliance with internal policies and regulatory requirements.

• Interest Rate Risks

Interest rate risk arises from the possibility that changes in interest rates will affect negatively future earnings or the fair values of the Group's interest-earning assets and interest-bearing liabilities. The Group is exposed to interest rate risk as a result of mismatches in interest rate re-pricing of assets and liabilities and off-balance sheet items that mature or re-price in a given period.

Interest Rate Risk Management is part of the Assets and Liabilities Management Policy and falls under the responsibility of the Assets and Liabilities Committee (ALCO) as assigned by the Board of Directors. The Group's interest rate risk is framed within specific limits defined pertaining to each authorized currency and approved by the ALCO.

A close monitoring of the interest rate risk of the Group is guaranteed through periodic reports and stress tests. Sensitivity analyses are regularly conducted on the global exposure as well as on specific portfolios like the medium and long term loans per currency.

• Exposure to Interest Rate Risk

In millions of LBP	Not subject to interest	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
December 31, 2016							
Financial assets							
Cash and deposits at central banks	389,994,000	561,937,000	358,702,000	501,915,000	994,206,000	1,497,563,000	4,286,317,000
Deposits with banks and financial institutions	741,011,000	984,095,000	-	-	-	-	1,725,106,000
Loans to banks	1,857,000	53,698,000	31,171,000	-	9,500,000	24,000,000	120,226,000
Loans and advances to customers	749,917,000	2,585,178,000	442,679,000	698,055,000	622,482,000	1,221,774,000	6,320,085,000
Financial assets at fair value through profit or loss	23,026,000	11,931,000	4,526,000	30,492,000	14,973,000	179,374,000	264,322,000
Investment securities	159,036,000	224,246,000	405,119,000	920,595,000	975,870,000	3,139,799,000	5,824,665,000
	2,064,841,000	4,421,085,000	1,242,197,000	2,151,057,000	2,617,031,000	6,044,510,000	18,540,721,000
Financial liabilities							
Deposits from banks and financial institutions	183,018,000	78,586,000	25,099,000	-	-	-	286,703,000
Customers' deposits at amortized cost	125,988,000	9,309,533,000	5,581,277,000	620,276,000	53,538,000	21,374,000	15,711,986,000
Borrowings	2,360,000	89,161,000	166,031,000	92,904,000	87,519,000	130,288,000	568,263,000
Other liabilities	1,141,000	-	-	-	-	-	1,141,000
	312,507,000	9,477,280,000	5,722,407,00071	3,180,000	141,057,000	151,662,000	16,568,093,000

In millions of LBP	Not subject to interest	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
December 31, 2015							
Financial assets							
Cash and deposits at Central Banks	326,643,000	122,149,000	1,055,250,000	625,032,000	607,405,000	717,250,000	3,453,729,000
Deposits with banks and financial institutions	450,952,000	836,106,000	59,595,000	-	-	-	1,346,653,000
Financial assets at fair value through profit or loss	32,583,000	3,025,000	5,811,000	19,181,000	62,731,000	646,605,000	769,936,000
Loans to banks	14,731,000	51,259,000	-	-	2,500,000	37,000,000	105,490,000
Loans and advances to customers	450,028,000	2,633,170,000	451,073,000	869,175,000	624,146,000	1,266,850,000	6,294,442,000
Investment securities	139,909,000	254,803,000	304,866,000	1,205,826,000	584,470,000	2,544,234,000	5,034,108,000
	1,414,846,000	3,900,512,000	1,876,595,000	2,719,214,000	1,881,252,000	5,211,939,000	17,004,358,000
Financial liabilities							
Deposits from banks and financial institutions	93,248,000	239,782,000	61,436,000	-	-	-	394,466,000
Customers' deposits at amortized cost	180,563,000	9,198,693,000	4,840,725,000	599,557,000	7,688,000	19,355,000	14,846,581,000
Borrowings	818,000	4,518,000	268,940,000	21,057,000	15,215,000	5,264,000	315,812,000
Other liabilities	856,000	-	-	-	-	-	856,000
	275,485,000	9,442,993,000	5,171,101,000	620,614,000	22,903,000	24,619,000	15,557,715,000

• Foreign Exchange Risk

The current foreign exchange position is always kept below the regulatory limit of 1% of Tier 1 Capital. The Group's equity in Lebanon is hedged against fluctuations of the Lebanese Pound by shareholders' cash contribution to capital of USD 40 million and by a fixed foreign exchange position of USD 212 million as at December 31, 2016 (USD 190 million for Banque Libano-Française S.A.L.; USD 22 million for Bank Al Sharq S.A.S.) (USD 182 million as at December 31, 2015 being USD 160 million for Banque Libano-Française S.A.L. and USD 22 million for Bank Al Sharq S.A.S.).

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

In thousands of LBP	LBP	USD	EUR	GBP	Other	Total
December 31, 2016						
Assets						
Cash and central banks	1,784,585,691	2,079,131,440	364,739,637	562,386	57,297,489	4,286,316,643
Deposits with banks and financial institutions	27,151,820	1,030,677,448	487,339,494	111,591,856	68,345,508	1,725,106,126
Financial assets at fair value through profit or loss	4,162,212	216,945,129	28,625,318	9,761,060	4,827,172	264,320,891
Loans to banks	33,669,676	7,635,771	78,920,809	-	-	120,226,256
Loans and advances to customers	1,104,389,892	4,666,113,655	425,574,314	24,865,578	99,143,057	6,320,086,496
Investment securities	2,855,949,539	2,910,532,713	58,182,706	-	-	5,824,664,958
Customers' liability under acceptances	-	220,142,468	5,963,446	570,815	2,588,640	229,265,369
Investments in associates	33,191,601	-	-	-	-	33,191,601
Assets acquired in satisfaction of loans	229,655	107,998,753	-	-	-	108,228,408
Property and equipment and intangible assets	159,750,132	7,887,006	2,284,491	-	7,691,234	177,612,863
Other assets	32,632,532	67,369,510	6,516,599	27,504	(28,028,304)	78,517,841
Total Assets	**6,035,712,750**	**11,314,433,893**	**1,458,146,814**	**147,379,199**	**211,864,796**	**19,167,537,452**
Liabilities						
Deposits from banks and financial institutions	1,240,945	85,841,163	180,887,311	7,086,068	11,647,325	286,702,812
Customers deposits at amortized cost	4,639,548,298	9,462,198,329	1,347,353,786	102,949,850	159,935,636	15,711,985,899
Liability under acceptances	-	220,142,468	5,963,446	570,815	2,588,640	229,265,369
Borrowings	262,447,782	289,435,201	16,380,168	-	-	568,263,151
Other liabilities	511,195,140	62,978,022	15,334,737	492,529	4,154,376	594,154,804
Provisions	14,898,999	3,818,446	3,582,826	-	249,103	22,549,374
Total liabilities	**5,429,331,164**	**10,124,413,629**	**1,569,502,274**	**111,099,262**	**178,575,080**	**17,412,921,409**
Net Assets	**606,381,586**	**1,190,020,264**	**(111,355,460)**	**36,279,937**	**33,289,716**	**1,754,616,043**

In thousands of LBP	LBP	USD	EUR	GBP	Other	Total
December 31, 2015						
Assets						
Cash and deposits and central banks	538,719,515	2,480,350,773	390,525,597	990,811	43,142,269	3,453,728,965
Deposits with banks and financial institutions	3,924,915	822,097,680	281,513,114	158,027,792	81,089,045	1,346,652,546
Financial assets at fair value through profit or loss	450,436,802	233,787,581	60,030,223	20,881,240	4,799,979	769,935,825
Loans to banks	39,702,531	10,185,937	41,542,412	-	14,059,096	105,489,976
Loans and advances to customers	964,149,586	4,678,643,135	473,108,650	37,664,638	140,876,335	6,294,442,344
Investment securities	3,069,272,941	1,904,500,308	60,197,858	136,891	-	5,034,107,998
Customers' liability under acceptances	-	125,488,508	7,529,360	222,424	6,175,752	139,416,044
Investments in associates	28,035,271	-	-	-	-	28,035,271
Assets acquired in satisfaction of loans	110,450	99,442,096	-	-	-	99,552,546
Property and equipment and intangible assets	154,031,404	10,648,816	2,500,163	-	14,100,774	181,281,157
Other assets	22,980,792	71,525,452	8,896,766	(72,833)	(6,474,396)	96,855,781
Total Assets	**5,271,364,207**	**10,436,670,286**	**1,325,844,143**	**217,850,963**	**297,768,854**	**17,549,498,453**
Liabilities						
Deposits from banks and financial institutions	206,462	255,960,637	112,637,781	491,253	25,170,133	394,466,266
Customers' deposits at amortized cost	4,423,233,470	8,596,979,944	1,418,688,303	174,582,741	233,096,206	14,846,580,664
Liability under acceptances	-	125,488,508	7,529,360	222,424	6,175,752	139,416,044
Borrowings	191,954,081	100,570,893	23,286,734	-	-	315,811,708
Other liabilities	66,609,841	61,905,451	14,896,609	53,910	5,064,351	148,530,162
Provisions	12,724,732	2,711,301	3,769,409	-	278,608	19,484,050
Total liabilities	**4,694,728,586**	**9,143,616,734**	**1,580,808,196**	**175,350,328**	**269,785,050**	**15,864,288,894**
Net Assets	**576,635,621**	**1,293,053,552**	**(254,964,053)**	**42,500,635**	**27,983,804**	**1,685,209,559**

42. MATERIAL PARTLY - OWNED SUBSIDIARY

Bank Al-Sharq S.A.S. is a material partly owned subsidiary of the Group. Financial information of the subsidiary are provided below.

	2016	2015
	%	%
Portion of equity interests held by non-controlling interests	51	51

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

In thousands of LBP	2016	2015
Net interest income	2,165,730	2,922,021
Net fee and commission income	1,960,886	5,104,433
Net results on financial instruments at fair value through profit or loss	880,237	749,311
Other operating income	924,390	2,563,233
Allowance for the impairment of loans and advances to customers (net of write-back)	2,270,909	557,951
Staff costs	(1,341,629)	(1,899,366)
General and administrative expenses	(1,473,284)	(2,150,157)
Depreciation and amortization	(421,031)	(488,810)
Other expenses (net)	(455)	2,173
Income tax expense	(1,230,154)	(899,919)
	3,735,599	6,460,870

Summarized statement of financial position.

In thousands of LBP	2016	2015
Assets		
Cash and deposits at central banks	29,363,712	54,366,116
Deposits with banks and financial institutions	25,733,307	72,177,307
Financial assets at fair value through profit or loss	18,943,403	31,979,219
Loans and advances to customers	24,682,663	66,992,072
Property and equipment and intangible assets	6,356,569	12,057,240
Other assets	293,344	578,458
	105,372,998	238,150,412
Liabilities		
Deposits from banks and financial institutions	10,589,176	16,590,478
Customers' deposits at amortized cost	50,880,124	158,978,069
Other liabilities	2,314,438	4,051,556
Provisions	10,185	34,050
	63,793,923	179,654,153

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The directors consider that the carrying amounts of deposits with central banks, deposits with banks and financial institutions, loans to banks, loans and advances to related parties, customers' acceptance liability, other assets, related parties' deposits at amortized cost, acceptance payable and other liabilities approximate their fair values due to the short-term maturities of these instruments or short-term repricing periods.

			December 31, 2016		
In thousands of LBP	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value through profit or loss:					
Lebanese treasury bills	485,317	-	485,317	-	485,317
Lebanese government bonds	73,145,411	-	73,145,411	-	73,145,411
Certificates of deposit issued by Central Bank of Lebanon	25,600,742	-	25,600,742	-	25,600,742
Quoted corporate bonds	137,391,986	137,391,986	-	-	137,391,986
Shares (quoted equities)	16,821,974	16,821,974	-	-	16,821,974
Certificates of deposit issued by banks	4,525,687	-	4,525,687	-	4,525,687
Funds	3,180,201	-	-	3,180,201	3,180,201
	261,151,318	154,213,960	103,757,157	3,180,201	261,151,318
Fair value through other comprehensive income:					
Unquoted equities	22,769,010	-	-	22,769,010	22,769,010
	22,769,010	-	-	22,769,010	22,769,010
Amortized cost:					
Loans and advances to customers	6,320,086,496	-	5,963,725,191	-	5,963,725,191
Lebanese treasury bills	1,492,517,927	-	1,512,437,020	-	1,512,437,020
Lebanese government bonds	1,427,345,685	-	1,394,227,187	-	1,394,227,187
Certificates of deposit issued by the Central Bank of Lebanon	2,770,191,510	-	2,798,268,129	-	2,798,268,129
Corporate bonds	12,046,957	12,029,850	-	-	12,029,850
Total	12,022,188,575	12,029,850	11,668,657,527	-	11,680,687,377
Financial liabilities					
Amortized cost:					
Long term borrowings	568,263,151	-	567,266,815	-	567,266,81

In thousands of LBP	Carrying amount	Level 1	Level 2	Level 3	Total
	December 31, 2015				
Financial assets					
Financial assets measured at fair value through profit or loss:					
Lebanese treasury bills	252,815,366	-	252,815,366	-	252,815,366
Lebanese government bonds	103,514,768	-	103,514,768	-	103,514,768
Certificates of deposit issued by Central Bank of Lebanon	206,304,144	-	206,304,144	-	206,304,144
Quoted corporate bonds	167,798,287	167,798,287	-	-	167,798,287
Shares (quoted equities)	17,924,311	17,924,311	-	-	17,924,311
Certificates of deposit issued by banks	6,916,998	-	6,916,998	-	6,916,998
Funds	1,135,787	-	-	1,135,787	1,135,787
	756,409,661	185,722,598	569,551,276	1,135,787	756,409,661
Fair value through other comprehensive income:					
Unquoted equities	17,913,529	-	-	17,913,529	17,913,529
	17,913,529	-	-	17,913,529	17,913,529
Amortized cost:					
Loans and advances to customers	6,294,442,344	-	5,843,563,035	-	5,843,563,035
Lebanese treasury bills	1,135,718,601	-	1,161,481,801	-	1,161,481,801
Lebanese government bonds	1,344,750,231	-	1,329,810,538	-	1,329,810,538
Certificates of deposit issued by the Central Bank of Lebanon	2,435,411,042	-	2,491,866,573	-	2,491,866,573
Corporate bonds	12,033,900	11,999,700	-	-	11,999,700
	11,222,356,118	11,999,700	10,826,721,947	-	10,838,721,647
Financial liabilities					
Amortized cost:					
Long term borrowings	315,811,708	-	314,227,980	-	314,227,980

• Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value.
The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used.

	December 31, 2016/2015	
Financial assets at fair value through profit or loss	**Date of valuation**	**Valuation technique and key inputs**
Lebanese treasury bills	December 31, 2016/2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Lebanese government bonds	December 31, 2016/2015	Fair value determined by market makers in inactive market.
Certificates of deposit issued by applicable to Lebanese	December 31, 2016/2015	DCF at a discount rate determined based on Central Bank of Lebanon the yield curve treasury bonds, adjusted for illiquidity.
Funds	December 31, 2016/2015	Reported Net Asset Value (NAV) of the related funds.
At fair value through other comprehensive income		
Unquoted equities	December 31, 2016/2015	Management estimates based on unobservable input related to market volatility and liquidity.
At amortized cost		
Loans and advances to customers	December 31, 2016/2015	DCF at a discount rate extrapolated across the maturity spectrum and in line with average market rates.
Lebanese treasury bills	December 31, 2016/2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Lebanese Government bonds	December 31, 2016/2015	Fair value determined by market makers in inactive market.
Certificates of deposit issued by Central Bank of Lebanon	December 31, 2016/2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Financial liabilities at amortized cost		
Long term borrowings	December 31, 2016/2015	DCF at a discount rate determined at the rate of 12 month Euribor.

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

44. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2016 were approved for issue by the Board of Directors on April 10, 2017.

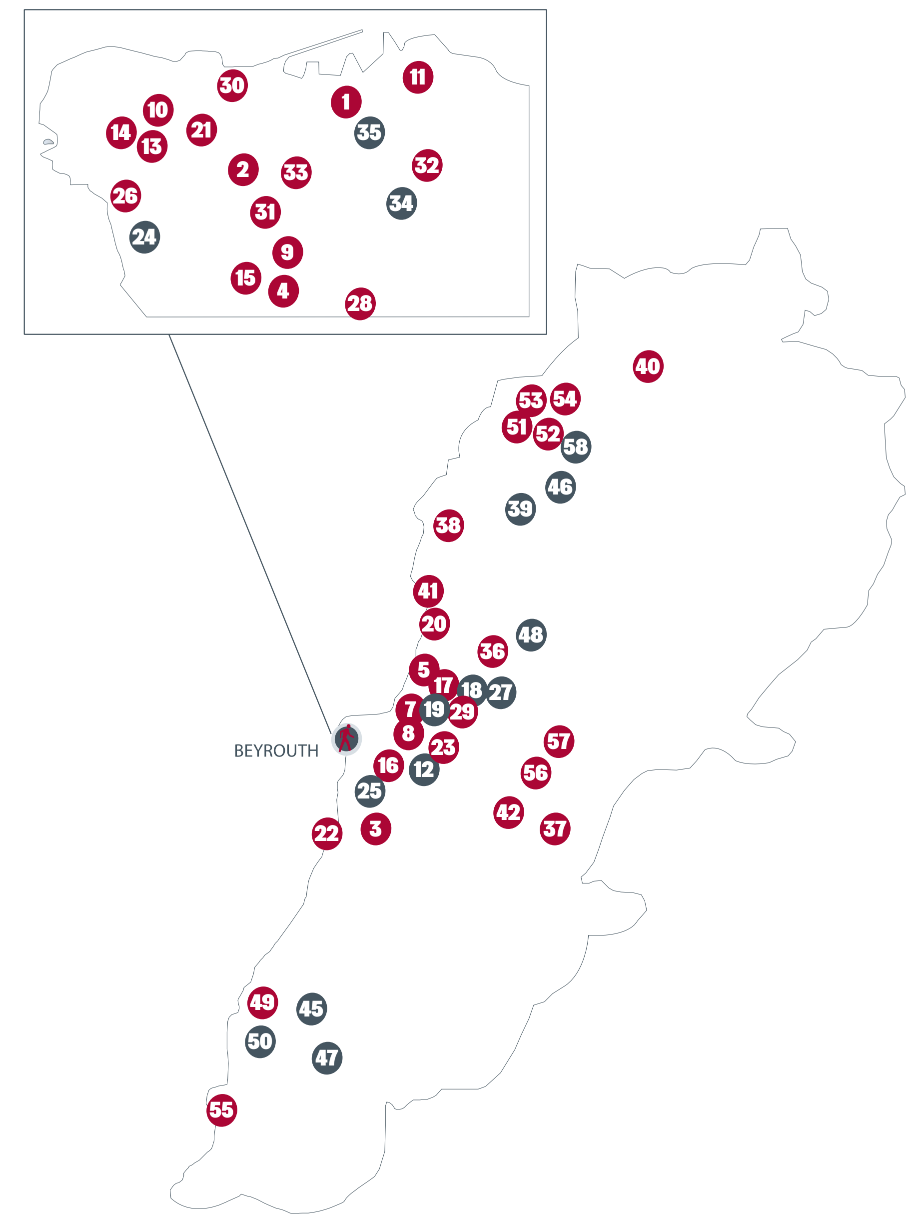
15 Map of Branch Locations

GREATER BEIRUT

1. Accaoui
2. Bechara El-Khoury
3. Bir Hassan
4. Chyah
5. Dbayeh
6. Dekwaneh
7. Dora
8. Dora Bourj-Hammoud
9. Galaxy
10. Gefinor
11. Geitawi
12. Hadat
13. Hamra
14. Hamra Maamari
15. Haret-Hreik
16. Hazmieh
17. Jal El-Dib
18. Jal El-Dib Centre
19. Jdeideh
20. Jounieh
21. Kantari
22. Khaldeh
23. Mansourieh
24. Mar Elias
25. Mar Takla
26. Mazraa
27. Mazraat Yachouh
28. Mreijeh
29. Rabieh
30. Saifi
31. Sami El-Solh
32. Sassine
33. Sin El-Fil
34. Sioufi
35. Sodeco
36. Zouk Mosbeh

OUTSIDE GREATER BEIRUT

37. Bar Elias
38. Batroun
39. Dahr El-Ain
40. Halba
41. Jbeil
42. Jdita-Chtaura
43. Kaslik
44. Kousba
45. Lebaa
46. Mizyara
47. Nabatieh
48. Reyfoun
49. Saida
50. Saida Boulevard
51. Tripoli El-Mina
52. Tripoli Tebbaneh
53. Tripoli Tell
54. Tripoli Zehrieh
55. Tyre
56. Zahleh
57. Zahleh Boulevard
58. Zghorta



Opened since 2013
Opened before 2013

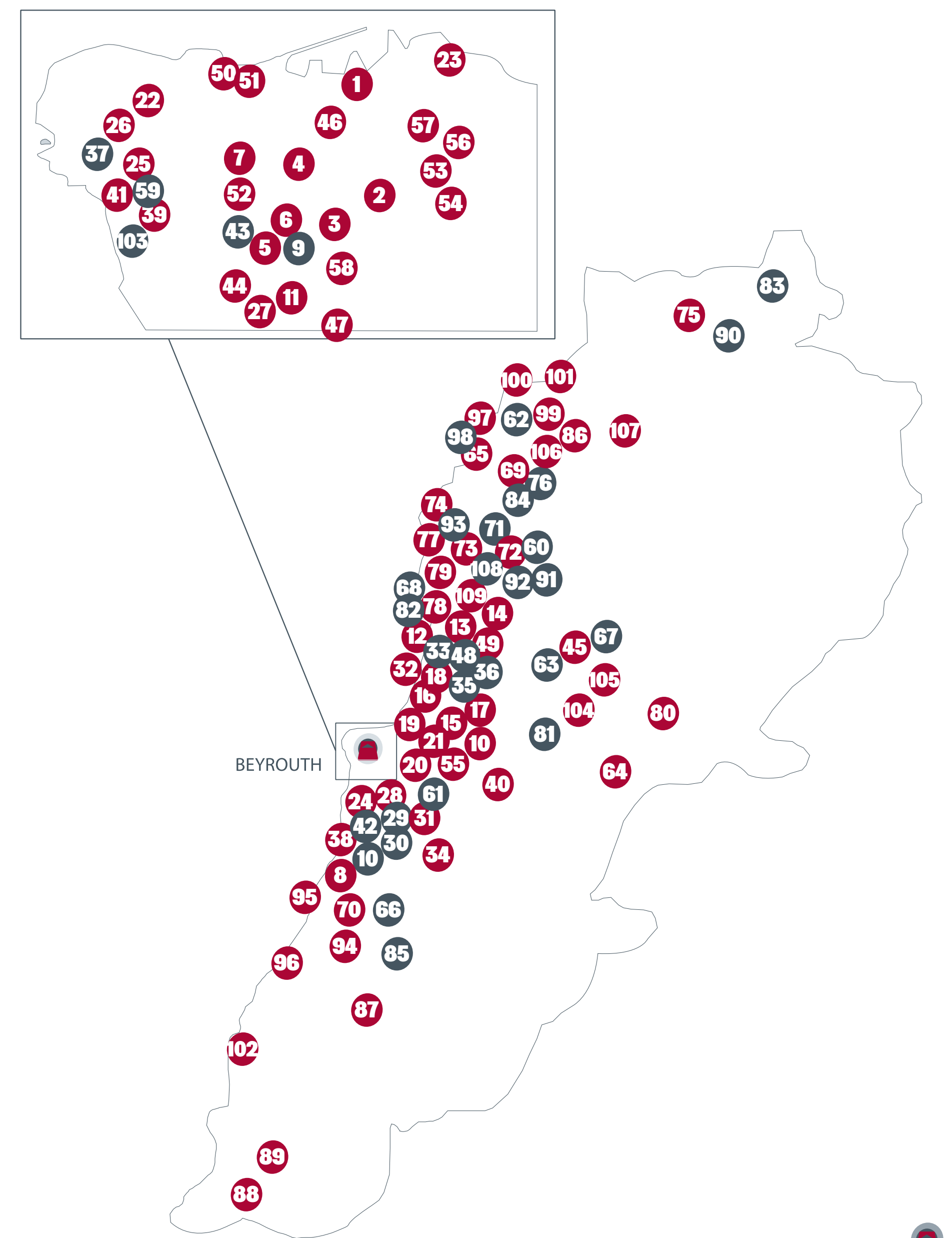
16 Map of ATM Locations

GREATER BEIRUT

1. Accaoui*
2. Achrafieh / ABC
3. Achrafieh / Grand Lycée
4. Achrafieh / Total
5. Adliyeh / Auto Mall (drive through)
6. Adliyeh / Lawyers House
7. Bechara El-Khoury*
8. Bir Hassan*
9. Chevrolet / Medco
10. Choueifat / SpotMall
11. Chyah*
12. Dbayeh*
13. Dbayeh / ABC
14. Dbayeh / Le Mall
15. Dekwaneh*
16. Dora*
17. Dora Bourj-Hammoud*
18. Dora / City Mall
19. Dora / Medco
20. Furn El-Chebbak / Sagesse
21. Galaxy*
22. Gefinor*
23. Geitawi*
24. Hadat*
25. Hamra
26. Hamra Maamari
27. Haret-Hreik*
28. Hazmieh*
29. Hazmieh / Backyard
30. Hazmieh / Beirut City Center
31. Hazmieh / Sacré-Cœur Hospital
32. Jal El-Dib*
33. Jal El-Dib Centre*
34. Jamhour / Total
35. Jdeideh*
36. Jdeideh / A.N. Boukhater
37. Kantari*
38. Khaldeh*
39. Koraitem / Collège Protestant
40. Mansourieh*
41. Mar Elias
42. Mar Takla*
43. Mathaf / USJ
44. Mazraa*
45. Mazraat Yachouh*
46. Monot
47. Mreijeh*
48. Naccache / Advanced eye care
49. Rabieh*
50. Saifi*
51. Saifi / Medco
52. Sami El-Solh*
53. Sassine*
54. Sassine ATM
55. Sin El-Fil*
56. Sioufi*
57. Sodeco*
58. Tayouneh / Beirut Mall
59. Verdun / ABC

OUTSIDE GREATER BEIRUT

60. Aintoura
61. Aley / Medco
62. Anfeh / Las Salinas
63. Baabdat / Baabdat Municipality
64. Bar Elias
65. Batroun*
66. Beit El Dine / Total
67. Bikfaya / Total
68. Bouar - Wardieh station
69. Dahr El-Ain*
70. Damour / Total
71. Dlebta
72. Feytroun / Bou Khalil
73. Ghazir / Total
74. Halat / Indevco
75. Halba*
76. Hasroun
77. Jbeil*
78. Jounieh*
79. Jounieh / Casino du Liban
80. Jdita-Chtaura*
81. Kab Elias
82. Kaslik*
83. Kawachra
84. Kousba*
85. Lebaa*
86. Mizyara
87. Nabatieh*
88. Nacoura / Campus FINUL
89. Nacoura / Green Hill FINUL
90. Rahbeh
91. Reyfoun*
92. Reyfoun / Phoenicia
93. Sahel El Alma / Sakr Real Estate
94. Saïda*
95. Saida Boulevard*
96. Saida / Municipality garden
97. Tripoli El-Mina*
98. Tripoli Square
99. Tripoli Tebbaneh
100. Tripoli Tell*
101. Tripoli Zehrieh*
102. Tyre*
103. UNESCO / Phoenicia
104. Zahleh*
105. Zahleh Boulevard*
106. Zghorta*
107. Zghorta / Bnachii Lake
108. Zouk / MBC
109. Zouk Mosbeh*



Installed since 2013
Installed before 2013

* Internal ATM also available 24/7 (night secured lobby accessible to cardholders)

17 Directory

1. HEADQUARTERS

Banque Libano-Française S.A.L.
Member of the Association of Banks in Lebanon
Capital: LBP 265,000,000,000
Shareholders' Equity:
LBP 1,800,819,700,000
(as at June 30th, 2017)
C.R. 19618 Beirut
List of Banks Nº 10

5, Rome Street
Beirut Liberty Plaza
Hamra, Beirut, Lebanon
P.O. Box 11-0808
Postal Address Riad El-Solh, Beirut, 1107 2060
Phone +961 (1) or (3) 79 13 32
Fax +961 (1) 75 34 61
Swift BLFSLBBX
E-mail info@eblf.com
www.eblf.com

2. BRANCH NETWORK

In alphabetical order

Beirut and suburbs

Accaoui
Dr. Saliby Building, Michel Boustros Street
Phone +961 (1) or (3) 79 13 32 ext. 2111
Fax +961 (1) 44 01 02
Branch Manager:
Ms. Kareen Karam

Achrafieh - Sassine
Khourafi Building, Sassine Square
Phone +961 (1) or (3) 79 13 32 ext. 2211
Fax +961 (1) 44 01 40
Branch Manager:
Mr. Walid Gebran

Achrafieh - Sioufi
5133 Building, Amine Gemayel Street
Phone +961 (1) or (3) 79 13 32 ext. 5211
Fax +961 (1) 44 01 38
Branch Manager:
Ms. Muriel Sayegh

Bechara El-Khoury
Béchara El-Khoury Tower, Béchara El-Khoury Road
Phone +961 (1) or (3) 79 13 32 ext. 2711
Fax +961 (1) 44 01 05
Branch Manager:
Ms. Hussein Mehdi

Bir Hassan
Jnah, Kuwait Embassy Roundabout
Phone +961 (1) or (3) 79 13 32 ext. 7511
Fax +961 (1) 44 01 06
Branch Manager:
Ms. Chaza Diab

Bourj Hammoud
Moucarri Center, Dora Highway
Phone +961 (1) or (3) 79 13 32 ext. 2311
Fax +961 (1) 44 01 07
Branch Manager:
Ms. Rita Avedikian

Chyah
Awada Center, Mar Mikhael Roundabout
Phone +961 (1) or (3) 79 13 32 ext. 2811
Fax +961 (1) 44 01 08
Branch Manager:
Ms. Hala Hachem

Dbayeh
591 Building, Dbayeh Highway
Phone +961 (1) or (3) 79 13 32 ext. 4711
Fax +961 (1) 44 01 11
Branch Manager:
Ms. Souad Haddad

Dekwaneh
Housing Building, Main Road
Phone +961 (1) or (3) 79 13 32 ext. 4811
Fax +961 (1) 44 01 12
Branch Manager:
Mr. Antoine Ficani

Dora
Awada Center, Dora Roundabout
Phone +961 (1) or (3) 79 13 32 ext. 2411
Fax +961 (1) 44 01 13
Branch Manager:
Ms. Rita Darwiche

Galaxy
Galaxy Center, Camille Chamoun Boulevard
Phone +961 (1) or (3) 79 13 32 ext. 2611
Fax +961 (1) 44 01 15
Branch Manager:
Ms. Bouchra Farhat

Gefinor
Géfinor Center, Clémenceau Street
Phone +961 (1) or (3) 79 13 32 ext. 1111
Fax +961 (1) 44 01 16
Branch Manager:
Mr. Hilal Daouk

Geitawi
Banque Libano-Française Building, Saint Louis Street
Phone +961 (1) or (3) 79 13 32 ext. 3111
Fax +961 (1) 44 01 17
Branch Manager:
Ms. Lama Abi-Raad

Hadat
Jean Mikhael Building, Hamra Street intersection, Main Road
Phone +961 (1) or (3) 79 13 32 ext. 2011
Fax +961 (1) 44 01 52
Branch Manager:
Ms. Sarah Haykal

Hamra - Main Branch
Beirut Liberty Plaza, Rome Street
Phone +961 (1) or (3) 79 13 32 ext. 1211
Fax +961 (1) 44 01 18
Branch Manager:
Mr. Marwan El-Khalil

Hamra - Maamari
Idriss Building, Maamari Street
Phone +961 (1) or (3) 79 13 32 ext. 1511
Fax +961 (1) 44 01 26
Branch Manager:
Ms. Nisrine Hajj-Chahine

Haret - Hreik
Camelia Center, Roueiss Street
Phone +961 (1) or (3) 79 13 32 ext. 1711
Fax +961 (1) 44 01 20
Branch Manager:
Ms. Rana Farhat

Hazmieh
Tabet Center, Damascus International Road
Phone +961 (1) or (3) 79 13 32 ext. 5111
Fax +961 (1) 44 01 21
Branch Manager:
Ms. Corinne Harmouche

Hazmieh - Mar Takla
Les Oliviers Building, Said Freiha / Military School Roads Intersection
Phone +961 (1) or (3) 79 13 32 ext. 4011
Fax +961 (1) 44 01 94
Branch Manager:
Ms. Carole Bou Saba

Jal El-Dib
William Zard Building, Jal El-Dib Highway
Phone +961 (1) or (3) 79 13 32 ext. 4211
Fax +961 (1) 44 01 22
Branch Manager:
Mr. Fouad Bartelmaos

Jal El-Dib Centre
Al Moudir Center, Main inside Road
Phone +961 (1) or (3) 79 13 32 ext. 5640
Fax +961 (1) 44 01 51
Branch Manager:
Ms. Joyce Khalil

Jdeideh
Jdeideh Tower, Mar Sarkis street
Phone +961 (1) or (3) 79 13 32 ext. 5011
Fax +961 (1) 44 01 97
Branch Manager:
Mr. Elie Bakhos

Kantari
Commerce et Finance Building, Kantari
Phone +961 (1) or (3) 79 13 32 ext. 7811
Fax +961 (1) 44 01 53
Branch Manager:
Ms. Lara Moukarzel

Khaldeh
Fawaz Abbas Building, Khaldeh - Shoueifat Main Road
Phone +961 (1) or (3) 79 13 32 ext. 7411
Fax +961 (1) 44 01 25
Branch Manager:
Mr. Talal Saab

Mar Elias
Hamoud Center, Mar Elias Main Road
Phone +961 (1) or (3) 79 13 32 ext. 4611
Fax +961 (1) 44 01 28
Branch Manager:
Mr. Ramy Fayad

Mansourieh
Gerges Building, Main Road
Phone +961 (1) or (3) 79 13 32 ext. 4311
Fax +961 (1) 44 01 27
Branch Manager:
Mr. Charbel Karaa

Mazraa
Tarraf Kojok Building, Unesco Crossroad
Phone +961 (1) or (3) 79 13 32 ext. 1611
Fax +961 (1) 44 01 29
Branch Manager:
Ms. Dalal Ramadan

Mreijeh
Haidar Mrad Building, Hadi Nasrallah Boulevard
Phone +961 (1) or (3) 79 13 32 ext. 4411
Fax +961 (1) 44 01 32
Branch Manager:
Ms. Souad Hamdane

Saifi
Andraos Building, Arz Street.
Phone +961 (1) or (3) 79 13 32 ext. 2911
Fax +961 (1) 44 01 37
Branch Manager:
Ms. Rita Bechara

Sodeco
Alieh Building, Main Road
Phone +961 (1) or (3) 79 13 32 ext. 5511
Fax +961 (1) 44 01 41
Branch Manager:
Ms. Carine Chiniara

Sami El-Solh
Helene Abou Sleiman Building, Sami El-Solh Boulevard
Phone +961 (1) or (3) 79 13 32 ext. 1811
Fax +961 (1) 44 01 39
Branch Manager:
Ms. Carine Abboud

Sin El-Fil
Rizkallah & Ibrahim Building, Sin El-Fil Roundabout
Phone +961 (1) or (3) 79 13 32 ext. 1911
Fax +961 (1) 44 01 42
Branch Manager:
Ms. Tania Rached

Mount Lebanon

Jbeil
Waqf Mar Yaacoub Building, Main Road
Phone +961 (1) or (3) 79 13 32 ext. 6511
Fax +961 (1) 44 01 23
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Branch Manager:
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Branch Manager:
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Branch Manager:
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Nabatieh

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3. REPRESENTATIVE OFFICES

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18 Main Correspondent Banks

EURO zone

Country	City	Bank name	Nostro
Austria	Vienna	Unicredit bank Austria	Eur
Belgium	Brussels	KBC bank	Eur
Cyprus	Nicosia	Banque SBA-Cyprus	
Finland	Helsinki	Nordea Bank Finland	Eur
	Pohjola Bank		
	Skandinaviska Enskilda Banken		
	SwedBank		
France	Paris	Banque SBA	Eur
	Credit Agricole	Eur	
	Natixis		
Germany	Frankfurt	Commerzbank	Eur
	Deutsche Bank	Eur	
	ABC international bank		
Italy	Milan	Intesa SanPaolo	Eur
	Unicredit		
Netherlands	Amsterdam	ABN AMRO Bank	
	ING Bank		
	Utrecht	Rabobank Nederland	
Spain	Sabadell	Banco de Sabadell	Eur
	Barcelona	CaixaBank	
Portugal	Porto	Banco Commercial Portugues (Millennium bcp)	

Other countries

Country	City	Bank name	Nostro
Australia	Sydney	Commonwealth Bank of Australia	AUD
	Melbourne	ANZ Bank	
Bahrein	Manama	Ahli United Bank	BHD
	Bank Muscat		
Canada	Montreal	National bank of Canada	CAD
	Bank of Montreal		
China	Beijing	Bank of China limited	CNY
	Agricultural Bank of China		
	China Construction Bank Corporation		
	Industrial and Commercial Bank of China		
Denmark	Copenhagen	Danske Bank	DKK
	Nordea Bank Danmark		
	Skandinaviska Enskilda Banken		
Egypt	Cairo	National Bank of Egypt	

Country	City	Bank name	Nostro
Japan	Tokyo	Sumitomo Mitsui Banking Corporation	JPY
	The Bank of Tokyo-Mitsubishi UFJ		JPY
	Mizuho Bank		
Jordan	Amman	Arab Bank	JOD
Kingdom of Saudi Arabia	Riyadh	Banque Saudi Fransi	SAR
	Riyad Bank	SAR	
	Jeddah	The National Commercial Bank	SAR
Kuwait	Kuwait City	Commercial Bank of Kuwait	KWD
	Al Ahli Bank of Kuwait	KWD	
	National Bank of Kuwait		
Norway	Oslo	DNB bank	NOK
	Nordea Bank Norge		
Omman	Muscat	BankMuscat	OMR
Philippines	Manila	Philippine National Bank	
Qatar	Doha	Qatar National Bank	QAR
	The Commercial Bank	QAR	
	Al Khalij Commercial Bank		
Sri Lanka	Colombo	Hatton National Bank	
Sweden	Stockholm	Skandinaviska Enskilda Banken	SEK
	Nordea Bank		
	SwedBank		
Switzerland	Zurich	Credit Suisse	CHF
	UBS		
Turkey	Istanbul	Yapi ve Kredi Bankasi	TRY
	Akbank		
	Finansbank		
	Turkiye Garanti Bankasi		
	Turkiye Is Bankasi		
United Arab Emirates	Abu Dhabi	Abu Dhabi Islamic Bank	AED
	Abu Dhabi	Al Hilal Bank	
	Abu Dhabi	National Bank of Abu Dhabi	
	Dubai City	Commercial Bank of Dubai	AED
	Dubai City	MashreqBank	AED
	Sharjah	Bank of Sharjah	
	Sharjah	InvestBank	
United Kingdom	London	Barclays Bank	GBP
	Standard Chartered Bank	GBP	
	ABC international bank		
United States of America	New York	Citibank	USD
	Deutsche Bank Trust Company Americas		USD
	Standard Chartered Bank	USD	
	The Bank of New York Mellon		USD