INTRODUCTION

A timid growth remains better than standing still, especially amidst all the regional turmoil we are witnessing locally and in the surrounding region.

Since, despite everything around us, we find our strength within ourselves, and within our respectful and effective family spirit and teamwork, this year's Annual Report's sections are illustrated by various quotes and tips from renowned author Stephan Covey, who promotes in his best-seller book "the seven habits of highly effective people" what he labels "The Character Ethic": aligning one's values with so-called "universal and timeless" principles.

We, at IBL Bank, are proud to remain true to our values, and independent of any outer negative issues.

IBL BANK S.A.L

Annual Report 2012

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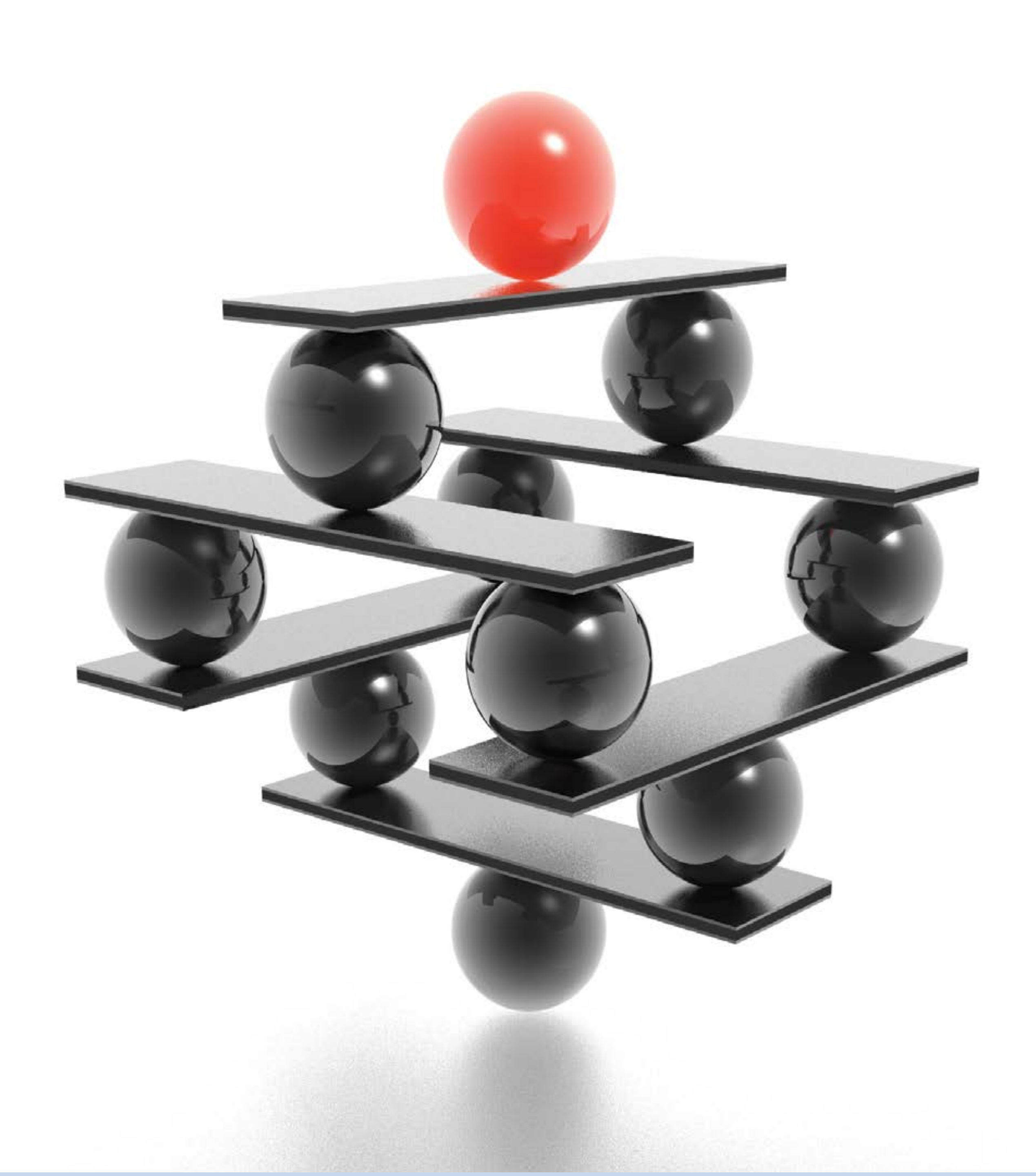


Put First Things First

"Prioritize, plan, and execute your week's tasks based on importance rather than urgency. Enrich the roles and relationships."

Stephen R. Covey

IBL BANK

CHAIRMAN'S LETTER

Salim Habib
Chairman General Manager

The Lebanese economy got negatively impacted, amidst the regional turmoil, especially in neighboring countries that created a cautious environment for investments and tourism in Lebanon. Fortunately, the spillover effect was partly mitigated by the relative good performance of some defensive sectors, such as the household consumption that was supported by the Lebanese expatriates. As a result, the Lebanese Economy during 2012 has recorded a timid growth for the second consecutive year, achieving a mere 2% real GDP growth in 2012 according to the IMF, avoiding hence recession.

Regarding the public sector indebtedness, Lebanon's gross public debt reached USD 57.7 billion. Lebanon's Debt to GDP ratio stagnated in 2012, reaching 135%, while the fiscal deficit reached its highest level since more than 10 years, increasing by 68% as compared to 2011, and closing at USD 3.9 billion.

Notwithstanding the amelioration of the trade activity in Lebanon by 5.5% in 2012, Lebanon witnessed during 2012 a growing trade deficit at a pace of 5.7% despite a weaker rise than in 2011

CHAIRMAN’S LETTER

that showed an increase of 15.9%. This trade deficit, despite an amelioration of 10% in financial inflows that reached USD 15.3 billion, lead to a second consecutive deficit in the balance of payment of USD 1.5 billion in 2012 coming from USD 2 billion in 2011. However, more importantly, monetary conditions remained favorable, with BDL foreign currency reserves (excluding gold) reaching USD 35.7 billion in December 2012, with the Foreign Exchange market seeing a net conversion in favor of the Lebanese pound over the year. Hence, the ratio of foreign currency reserves to local currency money supply reached 83.7% in December 2012 showing the Central Bank’s ability to defend the local currency.

In these challenging economic conditions, the banking sector realized a moderate, yet satisfactory performance in 2012, as evidenced by:

The commercial banks Balance-Sheet increasing by 8% mainly thanks to a continuously increasing deposits base, to reach USD 152 billion in December 2012. In parallel, the banks’ lending activity to the private sector recorded a continued growth to reach USD 43.5 Billion in December 2012, meaning a USD 4.1 billion increase during the year. Here it is important to note that this growth did not come at the expense of asset quality, as Lebanese banks’ doubtful loans to total loans reached 3.5% in December 2012 comparing favorably to regional and international benchmarks.

Finally, at the profitability level, Lebanese Banks’ net profit registered a marginal decline of 0.2% in 2012 after a 3.4% decrease in 2011. This is due to the continued pressure on interest margins, the slower non-interest income generations opportunities, and growing provisioning.

In this context, IBL Bank registered a strong year 2012 over-performing the sector in most Key Performance Indicators, while continuing in its conservative strategy and strong risk management practices, as evidenced by:

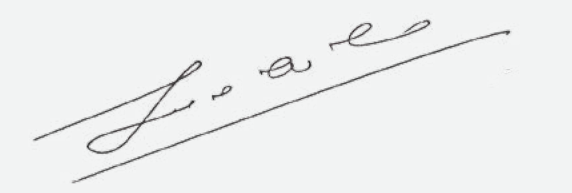
IBL Bank total assets growing by 15% in 2012 as compared to 8% for the sector, mirroring the Bank’s total deposits increase by 15% in 2012 as compared to 8% for the sector.

In parallel the Bank’s loan book continued its expansion during 2012, recording a 38% increase as compared to 10% increase for the sector. In addition, thanks to IBL Bank’s conservative approach, the Bank’s net doubtful loans were totally covered by provisions. In addition, the Bank has a strong liquidity as evidenced by IBL Bank scoring the highest net primary liquidity to deposits in the alpha group with a 40.75% ratio.

As a consequence of the Bank’s strategic directions, IBL Bank realized a 15% growth in Net Income during 2012 as compared to the negative growth of the sector, leading to IBL Bank enjoying the second highest Return on Average Equity (ROAE) and the third highest Return on Average Assets (ROAA) in the Lebanese banking sector.

Finally, following to the Bank’s healthy risk management framework, and the strong capitalization mainly constituted of core Tier 1 capital, IBL Bank is as at December 2012 fully compliant with the Basel 3 accord and more so with the ratios required in 2015 by the local regulators. In fact, as at December 2012, the Bank’s Common Equity Tier I Capital was 11.23%, the Tier Capital Ratio was 13.52%, and the Total Capital Ratio was 13.56%.

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



Salim Habib
Chairman General Manager

HISTORY OF THE BANK

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

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

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

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

IBL Group's mission is to offer high-quality banking services to its clients while having a geographical presence in Lebanon and the Region, offering proper diversification. Currently, IBL has 19 local branches, one branch in Cyprus – Limassol and two branches in Iraq (Erbil and Baghdad). And soon we will open a new branch in Basra - Iraq.

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

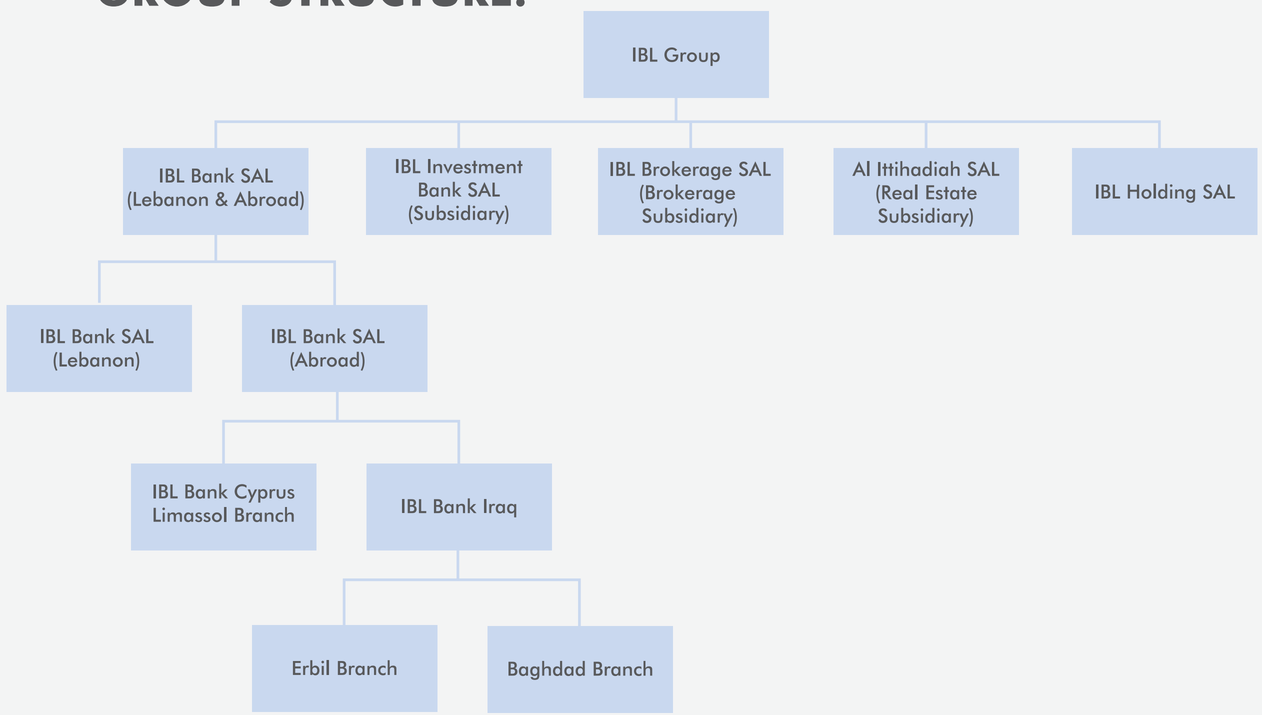
The strong growth the Bank has achieved since 1998, has been accompanied and fostered by continuous investments in Human Capital, either organically through seminars, training and effective Human Resources management or externally by recruiting skilled managers and dynamic young staff.

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

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

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

GROUP STRUCTURE:



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

IBL Bank SAL (hereafter referred to as the "Bank") is part of the Alpha Group of Banks and is ranked 11th in terms of total assets as at December 2012. IBL Bank SAL main activities are focused on classical Banking services such as deposits, loans, trade finance, cash management as well as treasury via 19 Branches covering the Lebanese territory, in addition to a European Branch in Limassol/Cyprus and two Branches in Iraq located in Baghdad and Erbil.
Being concerned by offering universal banking services, the IBL group launched in 2011 the IBL Investment Bank, having as main activities Private Banking, Investment Banking, and Asset Management.

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

PRINCIPLES OF CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

- Internal Audit Committee (Board of Directors Committee)
- Risk Committee (Board of Directors Committee)
- Senior Credit Committee
- Junior Credit Committee
- Compliance Committee
- ALCO Committee
- IT Security Committee
- Management Committee
- IT Committee
- Procurement Committee

BOARD OF DIRECTORS

The current members of the Board of Directors of IBL Bank sal were elected at the meeting of the Ordinary General Assembly held on June 9, 2011 and serve for a term expiring on the date of the Ordinary General Assembly that will examine the accounts and activity of the financial year 2013. The Board of Directors of IBL Bank sal comprises the following Directors:

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

LEGAL ADVISORS AND AUDITORS

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

GENERAL MANAGEMENT

Mr. Salim Habib
Chairman, General Manager

Mr. Kamal Abi Ghosn
Director - Deputy General Manager

Mr. Nakhlé Khoneisser
Assistant General Manager
Head of Treasury and Financial Markets

Mr. Rodolphe Atallah
Assistant General Manager
Head of Operations development

Mr. Samir Tawilé
Senior Manager
Head of International Banking Division

Mrs. Dolly Merhy
Senior Manager
Head of Accounting & Finance

Mrs. Tania Tayah
Senior Manager
Head of Risk Management

Dr. Imad Hasbani
Deputy Senior Manager
Deputy Head of Risk Management

Mr. Habib Lahoud
Senior Manager
Head of Retail Banking Division

Mr. Ghassan El Rayess
Deputy Senior Manager
Head of Corporate Banking

Mr. Khalil Salameh
Manager
Head of Human Resources

Mr. Elias El Khazen
Manager
Head of Internal Audit

Mr.Walid El Helou
Manager
Operational Development

Mr. Naim Bassil
Regional Manager

Mr. Salim Jabaji
Advisor-Information Technology

Mr. Elie Hlayel
Head of Information Technology

Mr. Esber Wehbé
Head of Information Security

Mr. Habib Abou Merhi
Head of Operations – Trade Finance

Mr. Charbel Eid
Head of Organization and methods

Miss Ishtar Zulfa
Manager
Head of Erbil branch
Iraq

Mr. Michel Assaf
Manager
Head of Baghdad branch
Iraq

Mrs Ghada Christofides
Manager
Head of Limassol branch
Cyprus

IBL INVESTMENT BANK SAL

BOARD OF DIRECTORS (Elected on January 5, 2011)

Mr. Salim Habib
Chairman General Manager

Mr. Kamal Abi Ghosn
Member

IBL Bank sal
Member

Me Ziad Fakhoury
Secretary of the Board

GENERAL MANAGEMENT

Mr. Salim Habib
Chairman General Manager

Mr. Moussa El Kari
Manager
Head of Private Banking

Mr. Jimmy Azar
Manager
Head of Asset Management

LEGAL ADVISORS AND AUDITORS

Cabinet Me. Rizkallah Makhlouf
Me. Rizkallah Makhlouf
Legal Advisor - Lebanon

MM. Deloitte & Touche
External Auditors

MM. DFK Fiduciaire du Moyen-Orient
External Auditors

COMMITTEES

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

AUDIT COMMITTEE (BOARD OF DIRECTORS COMMITTEE)

The Audit Committee is a Board Committee composed of three members of the Board of Directors. It ensures the existence and the regular enhancement of an adequate system of internal controls.

It reinforces the internal and the external audit and ensures the compliance with International Auditing Standards. It reviews all the audit activity reports and discusses the significant recommendations and management plans for their implementation. It revaluates and recommends improvements on the measurement system for assessing the various risks of the Bank.

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

RISK COMMITTEE (BOARD OF DIRECTORS COMMITTEE)

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

The Committee is composed of one executive member of the Board of Directors and two non-executive members.The Head of Risk Management will act as coordinator and assist the Committee in planning and organizing its work.

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

MANAGEMENT COMMITTEE

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

The Management Committee meets at least once a month. It ensures the day-to-day management of the Bank according to prevailing laws, rules, regulations, best practices as well as the effective management of operational risks arising from inadequate or failed internal processes, people and systems or from external events.

It proposes to the Board of Directors the Bank's medium and long-term goals and strategies, and the business plan for achieving these goals, and recommends the improvement of the Bank's organization structure in case of need.

ASSET-LIABILITY COMMITTEE (ALCO)

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

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

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

SENIOR CREDIT COMMITTEE

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

It is in charge of studying credit applications that exceed the limits of the Junior Credit Committee, loans to financial institutions, recovery processes and credit products proposals.

In addition, this committee has for responsibilities to review and take decisions on cases handed over by the commercial banking department (SME, Corporate, Retail) or the recovery department, and follow up on cases handed over to the Legal Department, recommend actions on cases, approve settlements, and propose adequate provisions.

JUNIOR CREDIT COMMITTEE

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

RETAIL CREDIT COMMITTEE

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

COMPLIANCE COMMITTEE

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

IT COMMITTEE

The mission of the IT committee is to set the IT strategy.

It should establish and apply a structured approach regarding the long-range planning process, which should take into account risk assessment results, including business, environmental technology and human resources risks.

IT SECURITY COMMITTEE

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

It works together with the Internal Audit department to make sure all IT security rules are well applied. It implements and monitors security plans and applies the used norms to ensure the correct distribution of tasks among employees.

It monitors also the IT security systems and rules as well as the emergency plans. It deals with any security breach and takes appropriate measures to avoid facing it another time.

PROCUREMENT COMMITTEE

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

COMMITTEES

ORGANIZATION AND METHODS COMMITTEE

The role of the Organization and Methods Committee is to review the process modeling and to settle on the right solutions.

It suggests the policies and procedures to be applied, optimizes the organization of the Bank, and simplifies the procedures with respect to delegations and formal controls, and reviews the structures with the new technologies and products introduced by the Bank.

FOLLOW-UP COMMITTEE FOR SUBSIDIARIES ABROAD

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

CHANGE MANAGEMENT COMMITTEE

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

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

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

RETAIL BANKING

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

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

In keeping with this strategy, our number of ATMs across the country has reached 31 and 5 abroad. Our branch network likewise grew in 2011 to reach 19 local branches, a branch in Limassol, Cyprus, 2 branches in Iraq: one in Erbil, one in Baghdad, and one branch under construction in Basra - Iraq.

COMMERCIAL BANKING AND TRADE FINANCE

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

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

TREASURY AND FINANCIAL MARKETS OPERATIONS

The Bank's Treasury operations consist of managing and placing the Bank's liquidity.

The Treasury department invests those funds with prime international banks as well as with the Central Bank of Lebanon and other Lebanese banks.

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

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

The following key principles support our approach to risk and capital management:
- The Board of Directors has the overall responsibility of determining the type of business and the level of risk appetite that the Bank is willing to undertake in achieving its objectives.
- Up-to-date policies, procedures, processes and systems to allow the execution of effective risk management.
- The relevant committees' structure enhances the approval and review of actions taken to manage risk.

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

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

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

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

A. CREDIT RISK MANAGEMENT

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

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

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

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

The Bank has set up clear processes for credit approval that include credit policies and procedures with clear credit concentration limits, approval limits depending on the size of business and/or the size

RISK MANAGEMENT REPORT

of the credit line as well as credit risk mitigation techniques. Commercial and Corporate lending are largely centralized at Head Office and sanctioned by a Senior and a Junior credit committee depending on the exposure.

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

B. MARKET RISK MANAGEMENT

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

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

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

C. LIQUIDITY RISK MANAGEMENT

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

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

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

D. OPERATIONAL RISK MANAGEMENT

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

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

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

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

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

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

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

E. STRESS TESTING AND ICAAP

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

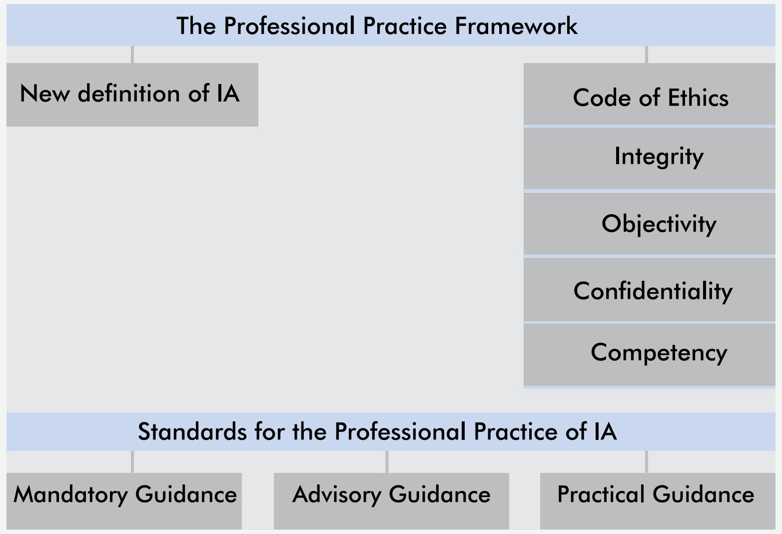
Stress tests are part of the ICAAP and an important tool for analysing the Bank's risk profile.
The ICAAP is based on the level of risks the Bank is prepared to take in order to realise its strategic objectives, or its 'risk appetite'. The risk appetite indicates the maximum risk that the Bank considers acceptable to implement its business strategy in order to protect itself against events that could have an adverse effect on profitability and capital.

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

CAPITAL ADEQUACY RISK MANAGEMENT

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

The Bank's policy aims to ensure that it maintains an adequate level of capital to support growth strategies and to meet market expectations and regulatory requirements. Under Basle 2 and as at December 31, 2012 IBL maintains a ratio of 11.40%, way above the notional 8% set by Basle.



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

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

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

INTERNAL AUDIT FUNCTION

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

CHARACTERISTICS USED BY THE INTERNAL AUDIT DEPARTMENT

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

INTERNAL AUDIT

ROLE OF INTERNAL AUDIT

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

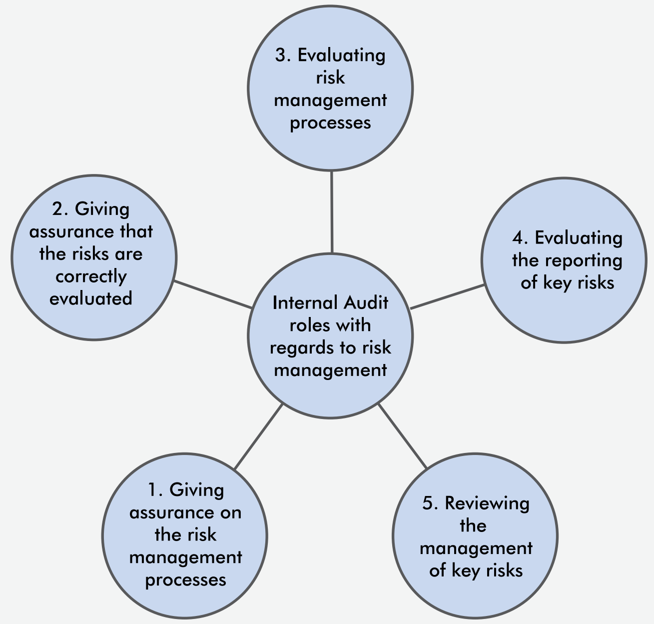
The Internal Audit role has extended beyond financial controls, playing a more prominent and proactive role in non-financial reporting, risk management, & corporate governance.

INTERNAL AUDIT RESPONSIBILITIES

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

RISK BASED INTERNAL AUDITING

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



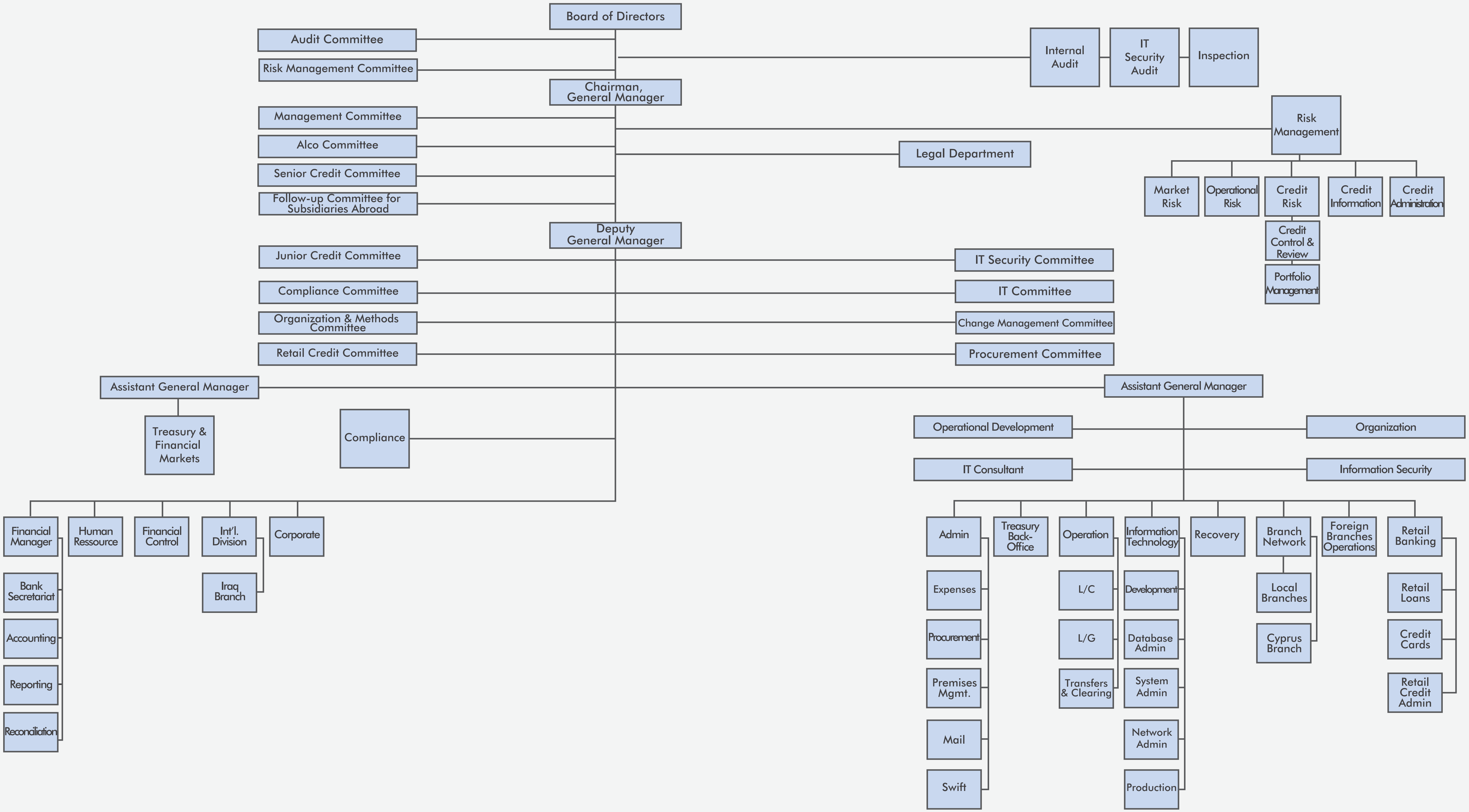
AUDIT COMMITTEE

Relationship between Internal Audit and Audit Committee:

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

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

ORGANIZATIONAL CHART



BOARD OF DIRECTORS REPORT

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

Corporate Social Responsibility: IBL Bank's commitment to sustainable growth and the protection of the environment, is highlighted in the Bank's continuous support and actions to help energy efficient programs and actions. As a matter of fact, the Bank received an Acknowledgment by the Ministry of Energy and Water, the UNDP, the Lebanese Center for Energy Conservation (LCEC), and the Global Environmental Facility (GEF) for its efforts in Reducing Carbon Emissions through IBL financing programs. In addition, as part of the Bank's partnership with Lions Club International, IBL Bank sponsored the development of a reef under the waters of Abdeh to promote bio-diversity and the enrichment of fish stoking levels.

Corporate Campaign: IBL Bank launched during 2012 its first corporate campaign based on our motto "Where your dreams count". The results of this campaign where highly satisfactory as the bank scored amongst the highest reach and ratings in the post-campaign evaluation.

Visa Cards: Following the acquisition by the Bank of an Associate License from Visa International, the Bank started issuing its own Visa cards that were coupled with an extremely competitive mileage program in partnership with Nakhal, Club Med, Costa croisieres, etc

Champville Basket-Ball Team: We continued our Social involvement in 2012 by the sponsoring of sports and young talents with our support of the Champville Basket-Ball Team who has won the 2012 highly competitive and most loved and watched sport event in Lebanon: the Basket-Ball Championship.

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

Finally, during this year, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, 2012 was rich in investments in training and the recruitment of new talents as we make sure to manage our Human Resources in the most effective and efficient manner. Consequently, given our emphasis on staff professional development, over 95 managers and staff, assisted to 135 different external seminars throughout the year in Lebanon and abroad, not counting the continuous internal effort of training and skills enhancement of our staff.

COMPLIANCE & AML

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

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

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

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

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

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

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

Byblos International Festival 2013 is held with the support of IBL Bank












In a natural strive to support our rich heritage, art and culture, and to raise the name of our country higher, IBL Bank is proud to be the official sponsor of the 2013 Byblos International Festival for the fourth year in a row.

During the whole period of the festival, IBL Bank welcomed its guests in its classy lounge overlooking the magnificent bay of Byblos, with drinks and bites on the house.

With an impressive eclectic program in the enchanting venue of Byblos, everyone who attended the shows this year left with a festive heart and a dreamful head!

IBL Bank, where your dreams count

IBL BANK S.A.L

Red Cross

During the month of November 2012, IBL Bank offered a donation to the Lebanese Red Cross in a humanitarian initiative aiming at helping to purchase a new ambulance to serve the citizens. IBL Bank congratulates the Red Cross for their ongoing commitment in serving the community by giving their time, effort and valuable patience in saving lives every day.

HeartBeat

IBL Bank was the Bronze sponsor of the HeartBeat annual fundraising gala dinner and concerts held on April 19, 20 and 21 under the theme of "time machine". This was a unique opportunity to lend our support to saving children with heart disease while reaching out to the community. The concerts were held at Casino du Liban Theatre, and the prestigious and exclusive gala dinner at the "Salle des Ambassadeurs".

Since 2005, more than 25,000 persons attended the HeartBeat events, participating in saving the lives of over 1,200 children with heart disease.

heartbeat
La chaîne de l'espoir

Ehmej Festival

IBL Bank supports the Ehmej Festival, held from the 16th until the 19th of August 2012 and welcoming more than 5,000 persons each night in ten thousand square meters boasting a great festive ambience reviving the tourism and supporting the growth of the region. Renowned artists were among the scheduled entertainment such as Melhem Zein, Hisham El Hajj, Mouin Shreif and Najwa Karam.

"Anta Akhi" Dinner Sponsorship

IBL BANK proudly sponsored the dinner of the Lebanese association "Anta Akhi", (you, my brother), working at the service of dignity for the person living with disability. The dinner was attended by more than 1500 persons. IBL Bank was present as silver sponsor.

Night of the Adeaters

For the 4th year in a row, IBL Bank was the main official sponsor of the renowned "night of the adeaters" by Jean-Marie Bouriscot screened at the Unesco Palace. During this event, IBL Bank welcomed all guests in its special stand at the entrance and offered every attendee the opportunity to take a special personalized picture home in a nice frame as a souvenir of the evening.

EVENTS - ACTIVITIES - LAUNCHING

Batroun Festival

In its constant strive to support cultural activities all across the country, IBL Bank supported The Batroun International Festival 2012 which boasts a versatile particular program and various festivities, concerts and events that extend throughout the months of July and August in a joyful atmosphere.

Launching of Visa cards

IBL Bank introduced its new VISA cards, The Platinum card, and The INFINITE CARD, a prestigious sign of distinction.

The Visa Infinite Card is a premium product characterized by its superior features and carefully chosen benefits. It provides its distinguished customers with a platform meeting the highest level of service.

Simply upon issuing your infinite card, you are granted with instant gifts, even before starting to make any purchase! Moreover, the benefits are amazing, and the reward program unparalleled, as you can redeem your points with Miles or cash back, with no minimum amount required and no expiry date.

Annual Report 2012

MANAGEMENT ANALYSIS

Think Win-Win

"Value and respect people by understanding a "win" for all is ultimately a better long-term resolution than if only one person in the situation had gotten his way."

Stephen R. Covey

IBL BANK

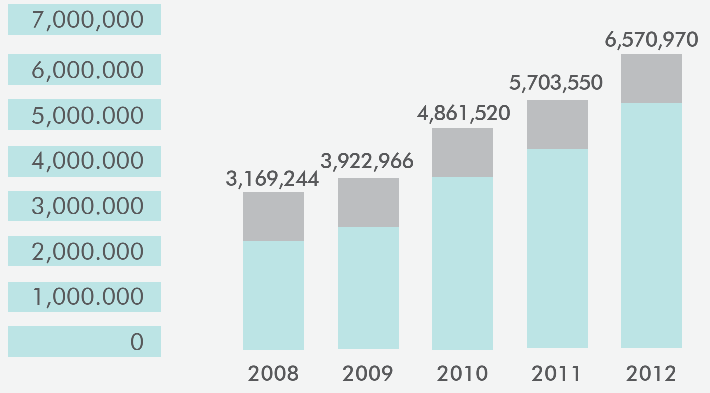
KEY FIGURES

As at 31 December (In millions of LBP)	2012	% GROWTH 2011/2012	2011	% GROWTH 2010/2011	2010	% GROWTH 2009/2010	2009	% GROWTH 2008/2009	2008
Total Assets	6,570,970	15.21	5,703,550	17.32	4,861,520	23.92	3,922,966	23,78	3,169,244
Customer Deposits	5,995,254	15.45	5,192,853	17.53	4,418,332	24.83	3,539,377	24.11	2,851,705
Shareholders' Equity	450,286	11.74	402,971	22.20	329,767	13,44	290,707	21.77	238,742
Loans & Advances to Customers & Related Parties	1,305,121	38.02	945,573	27.73	740,288	85.48	399,120	-15.23	470,849
Income for the Year	70,807	14.57	61,800	14.40	54,022	28.60	42,008	8.25	38,808
Liquidity Ratio in LBP	102.50%		102.82%		105,97%		110.01%		111.49%
Liquidity Ratio in FCY	69.87%		74.52%		74.28%		80.79%		71.26%
Liquidity Ratio in LL & FCY	84.59%		87.04%		90.15%		95.32%		90.50%
Return on Average Assets	1.15%		1.17%		1.23%		1.18%		1.32%
Return on Average Equity	16.70%		16.84%		17.41%		18.73%		22.88%

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

TOTAL ASSETS

TOTAL ASSETS (In millions of LBP)				
2008	2009	2010	2011	2012
3,169,244	3,922,966	4,861,520	5,703,550	6,570,970



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

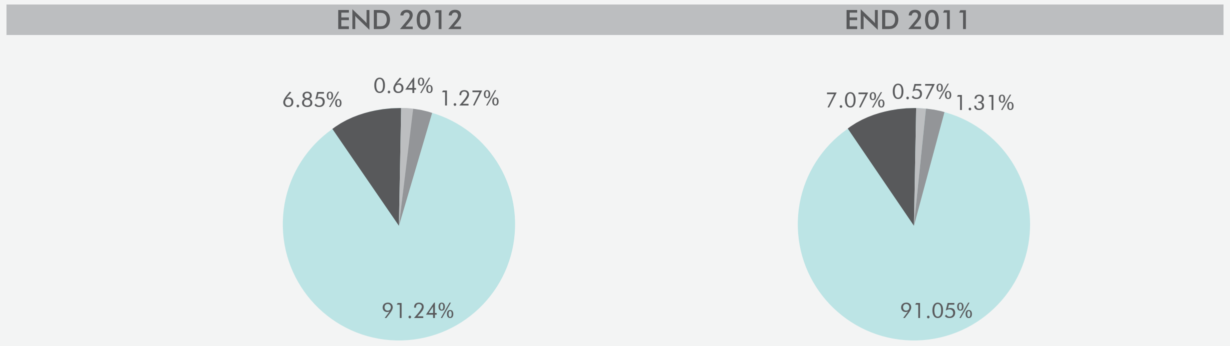
Despite a difficult external environment due to the aftermath of the recent turmoil, 2012 was another successful year for IBL Bank.

Total consolidated assets rose by LBP 867,420 million during the year 2012 to reach LBP 6,570,970 million as at 31 December 2012 comparing to LBP 5,703,550 million as at 31 December 2011, meaning an increase of 15.21%, while the average growth in total assets in the Alpha Group of Lebanese Banks stood at 8% during the year 2012.

The share of our branches abroad in total assets constituted 3.17% as at 31 December 2012 compared to 2.02% as at 31 December 2011, and the participation of IBL Investment Bank in total consolidated assets was of 3.71% as at 31 December 2012 compared to 3.60% as at 31 December 2011 Assets denominated in foreign currencies remained almost stable and constituted 53.19% of total assets as at 31 December 2012 as compared to 53.85% as at 31 December 2011.

SOURCES OF FUNDS

BALANCE SHEET STRUCTURE - LIABILITIES IN %	END 2012	END 2011
Deposits and borrowings from banks	1.27%	1.31%
Customers' and related parties accounts at amortized cost	91.24%	91.05%
Shareholders' equity	6.85%	7.07%
Other liabilities	0.64%	0.57%
	100.00%	100.00%



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

Similar to all Lebanese Banks, IBL Bank is structurally oriented towards deposits activity that is regarded as a stable source of funding.

The Group's customers and related parties accounts represented 91.24% of total liabilities at the end of 2012 as compared to 91.05% at the end of 2011.

Shareholders' equity (Tier I and Tier II) constituted 6.85% of total sources of funds in 2012 as compared to 7.07% in 2011.

The share of deposits and borrowings from banks amounted to 1.27% as at 31 December 2012 slightly down from 1.31% as at 31 December 2011.

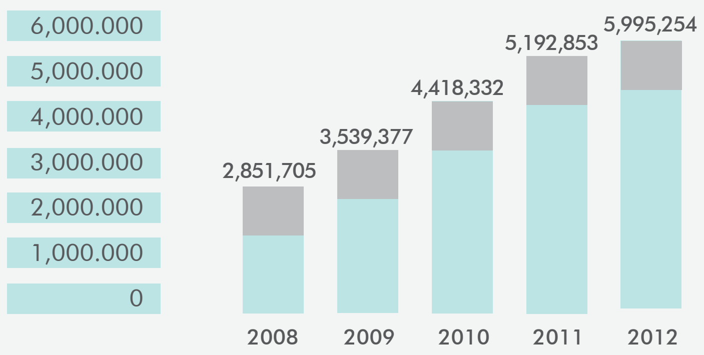
Interest-bearing liabilities as a share of total liabilities remained almost unchanged and represented 92.51% as at 31 December 2012 as compared to 92.36% as at 31 December 2011.

In absolute terms, interest bearing liabilities stood at LBP 6,079,029 million as at 31 December 2012 as compared to LBP 5,267,425 million as at December 2011, registering a growth of 15.40% over the year.

CUSTOMERS' AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

CUSTOMERS' AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST (in millions of LBP)

2008	2009	2010	2011	2012
2,851,705	3,539,377	4,418,332	5,192,853	5,995,254



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

Constituting the main funding source, costumers' deposits recorded a continuous growth over the year 2012 to reach LBP 5,995,254 million as at 31 December 2012 representing an increase of 15.45% as compared to LBP 5,192,853 million as at 31 December 2011, outperforming the average growth in total deposits of the Lebanese Banking sector which stood at 8% during the year 2012.

IBL Bank had the third highest growth rate in terms of deposits in 2012 among the Alpha Group of Banks.

A detailed analysis by currency reveals that the portion of Lebanese Pounds deposits remained almost unchanged between 2011 and 2012 with a slight increase from 44.23% in 2011 to 45.21% of total deposits in 2012. The dollarization ratio of IBL Bank was not impacted by the political and economic tensions prevailing in the region.

It moved from 55.77% to 54.78% over the period, while the dollarization rate in commercial Banks in Lebanon reached 64.80% as at 31 December 2012 down from 66% as at 31 December 2011.

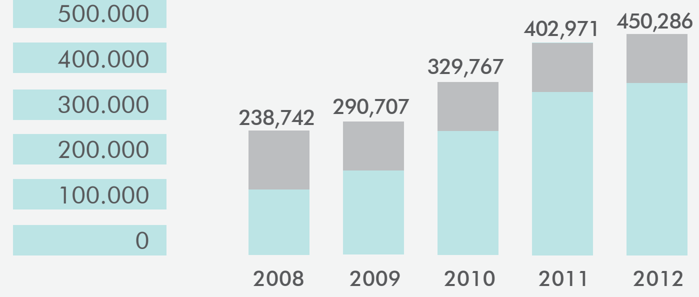
The composition of customers' deposits stood almost stable. They were comprised mostly of term deposits which consisted of 78.77% of total customers' deposits as at 31 December 2012 as compared to 79.21% as at 31 December 2011. Demand deposits which earn the minimum interest rate offered by the Group, represented 6.28% as at 31 December 2012 as compared to 10.90% as at 31 December 2011.

The major part of the Bank's customers' deposits are short-term with deposits having a remaining maturity of less than one year representing 89.74% of total customers' deposits as at 31 December 2012 as compared to 99.58% as at 31 December 2011.

SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY (In millions of LBP)

2008	2009	2010	2011	2012
238,742	290,707	329,767	402,971	450,286



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

As a percentage of total assets, shareholders' equity represented 6.85% as at 31 December 2012 as compared to 7.07% as at 31 December 2011.

Shareholders' equity moved from LBP 402,971 million as at 31 December 2011 to LBP 450,286 million as at 31 December 2012, reflecting a year-on-year increase of 11.74%.

Tier I Capital which is the main source of equity comprises common shares Capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings and general reserves. Tier I Capital rose from LBP 396,333 million as at 31 December 2011 to LBP 442,784 million as at 31 December 2012.

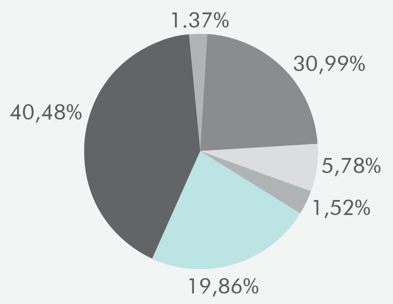
Tier I increase can be mainly attributed to the incorporation of 2012 net profits.

Tier II Capital is composed of asset revaluation surplus and reserve for assets acquired in satisfaction of debts. They increased from LBP 6,637 million as at 31 December 2011 to LBP 7,501 million as at 31 December 2012.

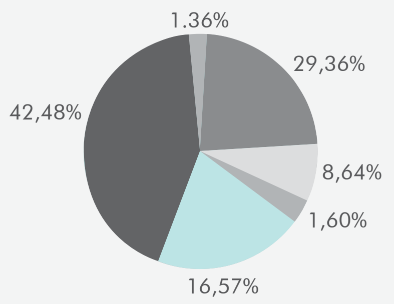
USES OF FUNDS

BALANCE SHEET STRUCTURE - ASSETS IN %	END 2012	END 2011
Cash and Central Banks	30.99%	29.36%
Deposits with Banks and Financial Institutions	5.78%	8.64%
Loans to Banks	1.52%	1.60%
Loans and Advances to customers and related parties	19.86%	16.57%
Investment Securities	40.48%	42.47%
Other Assets	1.37%	1.36%
	100.00%	100.00%

END 2012



END 2011



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

Within the overall uses of funds," Cash and Central Banks" constituted 30.99% of total assets as at 31 December 2012 compared to 29.36% as at 31 December 2011.

The share of "Deposits with Banks and Financial Institutions" to total assets decreased from 8.64% as at 31 December 2011 to 5.78 % as at 31 December 2012.

"Loans to banks" as at 31 December 2012 constituted 1.52% of total assets, slightly down from 1.60% as at 31 December 2011.

On the other hand, the share of "loans and advances to customers and related parties" to total assets increased from 16.57% as at 31 December 2011 to 19.86% as at 31 December 2012.

The Bank's "portfolio securities" constituted 40.48% of total assets as at 31 December 2012 down from 42.47% as at 31 December 2011.

The portfolio includes "investments at Fair Value Through Profit or Loss" in a percentage of 24.33% of total portfolio and 9.84% of total assets.

"Other assets" share of total assets remained almost stable. They accounted for 1.37% as at 31 December 2012 as compared to 1.36% as at 31 December 2011.

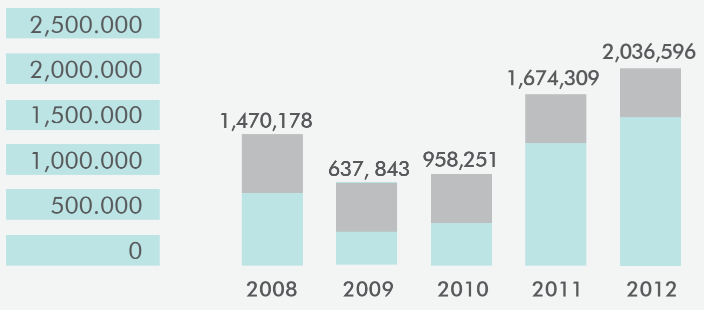
They are mainly constituted of "property and equipment" in a percentage of 51.95% of total "other assets" and "assets acquired in satisfaction of debts" in a percentage of 21.85% at the year ended December 2012 as compared to 55.87% and 25.40% respectively at the year ended December 2011.

Interest-earning assets represented 95.03% of total assets as at 31 December 2012 as compared to 95.16% as at 31 December 2011.

CASH AND CENTRAL BANKS

Cash and Central Banks (In millions of LBP)

2008	2009	2010	2011	2012
1,470,178	637,843	958,251	1,674,309	2,036,596



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

	End of year 2012		End of year 2011	
Cash on hand	51,751	2.54%	38,762	2.32%
Non-interest earning accounts	184,218	9.05%	198,668	11.86%
Interest earning accounts	1,800,627	88.41%	1,436,879	85.82%
	2,036,596	100.00%	1,674,309	100.00%

As at 31 December 2012 "Cash and Central Banks" amounted to LBP 2,036,596 million and constituted 30.99% of total assets as compared to LBP 1,674,309 million and 29.36% as at 31 December 2011, reflecting a year-on-year increase of 21.64%.

Non-interest earning accounts constituted 9.05% of total "Cash and Central Banks" as at 31 December 2012 down from 11.86% as at 31 December 2011.

These accounts represent balances held by the Bank at the Central Bank of Lebanon in compliance with the obligatory reserve requirements for all banks operating in Lebanon on commitments in Lebanese Pounds calculated on the basis of 25% of sight and 15% on term commitments, in addition to the current account with the Central Bank of Kurdistan,Iraq and the Central Bank of Cyprus, Limassol. This decrease is the consequence of the incentives loan mechanism put in place by the Central Bank of Lebanon (BDL) allowing banks to use these obligatory reserves to finance certain sectors.

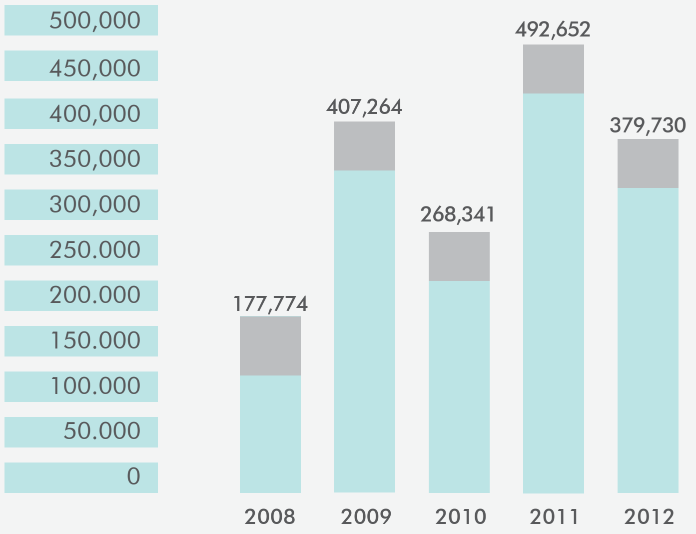
Interest earning accounts are constituted of term placements with the Central Bank of Lebanon that amounted to LBP 1,800,627 million and represented 88.41% of total "Cash and Central Banks" at the year end December 2012 as compared to LBP 1,436,879 million and 85.82% respectively at the year end December 2011.

Term placements also include the equivalent in foreign currencies of LBP 1028 billion as at 31 December 2012 deposited in accordance with local banking regulations which require banks to maintain interest bearing reserves in foreign currency to the extent of 15% of customers' deposits in foreign currency.

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS (in millions of LBP)

2008	2009	2010	2011	2012
177,774	407,264	268,341	492,652	379,730



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

"Deposits with Banks and Financial Institutions " are distributed as follows:

	End of year 2012		End of year 2011	
Current accounts with Banks	164,374	43.28%	124,523	25.28%
Term placements with Banks	208,995	55.03%	368,568	74.81%
Pledged deposits with Banks			37	0.01%
Checks in course of collection	6,215	1.63%	-521	-0.11%
Accrued Interest	146	0.06%	45	0.01%
	379,730	100.00%	492,652	100.00%

As at 31 December 2012, "deposits with banks and financial institutions" amounted to LBP 379,730 million and constituted 5.78% of total assets as compared to LBP 492,652 million and 8.64% as at 31 December 2011, reflecting a year-on-year decrease of 22.92%.

As shown on the breakdown above, term placements constituted 55.03% of total "deposits with banks and financial institutions" as at 31 December 2012 down from 74.81% as at 31 December 2011.

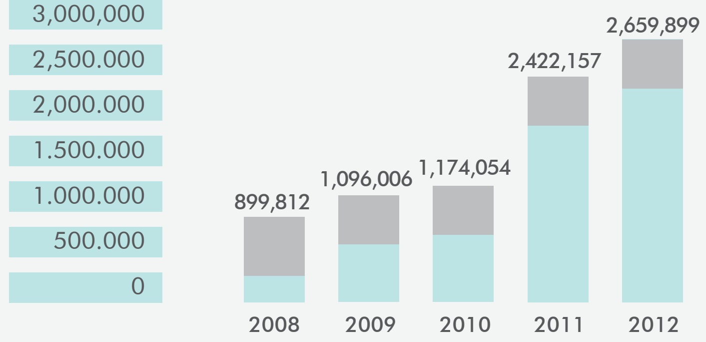
98.58% of the current and term deposits are denominated in foreign currencies, and all the term deposits as at 31 December 2012 mature during the year 2013.

"Deposits with banks and financial institutions" are geographically distributed as follows: 9.43% in Lebanon and 90.57% in low risk countries mainly in Europe and the USA.

INVESTMENT SECURITIES PORTFOLIO

INVESTMENT SECURITIES PORTFOLIO (In millions of LBP)

2008	2009	2010	2011	2012
899,812	1,096,006	1,174,054	2,422,157	2,659,899



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

As a percentage of total assets, the Bank's securities portfolio represented 40.48% as at 31 December 2012 as compared to 42.47% as at 31 December 2011. In compliance with circular 265 of the Lebanese Banking Control Commission, issued on September 2010, IBL Bank's Group adopted, effective 1st of January 2011, phase 1 of IFRS 9.

IFRS 9 introduced new classification and measurement requirements for financial assets and financial liabilities. It requires all financial assets related to debt securities to be classified and subsequently measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets. It also cancelled all previous categories under IAS 39, namely held for trading, available for sale, held to maturity, as well as financial assets classified as loans and receivables.

As at 31 December 2012, Investment securities portfolio was predominantly made up of financial assets classified at amortized cost in a percentage of 75.66% of total investment securities portfolio and 24.34% of investments classified at Fair Value Through Profit or Loss, as compared to 85.09% and 14.91% as at 31 December 2011.

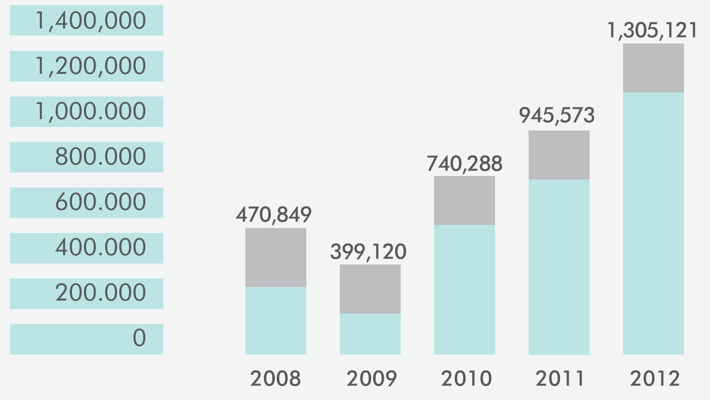
The currency composition of the total portfolio for the year 2012 is 67.80% in Lebanese Pounds and 32.20% in foreign Currency as compared to 64.62% in Lebanese Pounds and 35.39% in Foreign Currency for the year 2011.

As at 31 December 2012, investments in Central Bank Certificates of Deposit represented 65.05% of the total Bank's securities portfolio, Lebanese government bonds and treasury bills represented 34.78%. Equities constituted 0.17% of the total portfolio.

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES(in millions of LBP)

2008	2009	2010	2011	2012
470,849	399,120	740,288	945,573	1,305,121



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

During the year 2012, the Bank successfully grew its commercial and retail lending portfolio. Accordingly, loans and advances to customers and related parties, net of unrealized interests for Non performing Loans increased from LBP 945,573 million as at 31 December 2011 to LBP 1,305,121 million as at 31 December 2012, reflecting a growth of 38.02%.

Loans and advances to customers and related parties constituted 19.86% of total assets as at 31 December 2012 as compared to 16.57% as at 31 December 2011.

81.45% of total loans are denominated in foreign currency and mostly in US Dollars. The high dollarization of the Bank's loan portfolio is in line with loan portfolios of the Bank's peers, and reflects the state of the Lebanese economy for the past decades. In common with the Bank's peers, IBL adopts a conservative lending policy as a result of the current difficult and volatile environment in Lebanon and in order to maintain a high asset quality.

The growth in the Group's loans portfolio reflected primarily the extention of housing loans to individuals and commercial facilities to SMEs and Corporates.

Driven by a stronger growth in loans to customers than in customers' deposits, the loans-to-deposits ratio increased over the period from 18.21% to 21.76%. This was the result of the Bank's strategy to expand its loan book that was coupled by the easing of local reserve requirements of the Central Bank.

To support and reinforce the loans portfolio, IBL Bank's Group improved the level of provisions set against Non Performing Loans, increasing those from the amount of LBP 5,233 million for the year 2011 to LBP 7,519 million for the year 2012 as provision charge, before deduction of the write-back provisions.

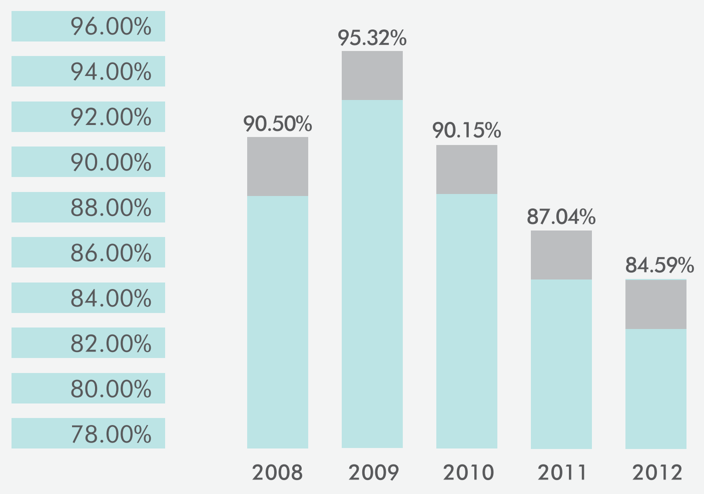
Provisions and unrealized interest for impaired loans including collective provisions amounted to LBP 80,343 million as at 31 December 2012 compared to LBP 80,398 as at 31 December 2011.

Collective provisions, that the Bank provided for during the year 2012 against any potential deterioration of the loan portfolio ,increased by LBP 4,748 million to reach LBP 14,763 million at the end of 2012.

LIQUIDITY RATIO

LIQUIDITY RATIO

2008	2009	2010	2011	2012
90.50%	95.32%	90.15%	87.04%	84.59%



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

During 2012, IBL Bank maintained a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2012, overall liquidity stood at 84.59% as compared to 87.04% as at 31 December 2011.

As such, the Lebanese Pound liquidity ratio, including Lebanese Government treasury bills, was 102.50% reflecting an available liquidity covering Lebanese Pounds deposits in total.

Moreover, the liquidity ratio in foreign currencies accounted to 69.87% as at 31 December 2012 as compared to 74.52% as at 31 December 2011.

The liquidity position is assessed and managed under a variety of scenarios, giving the consideration to stress factors relating to both the market in general and specifically to the Group. IBL Bank's financial position structure is run in a way to maintain a high diversification and a low concentration among different sources of funds.

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

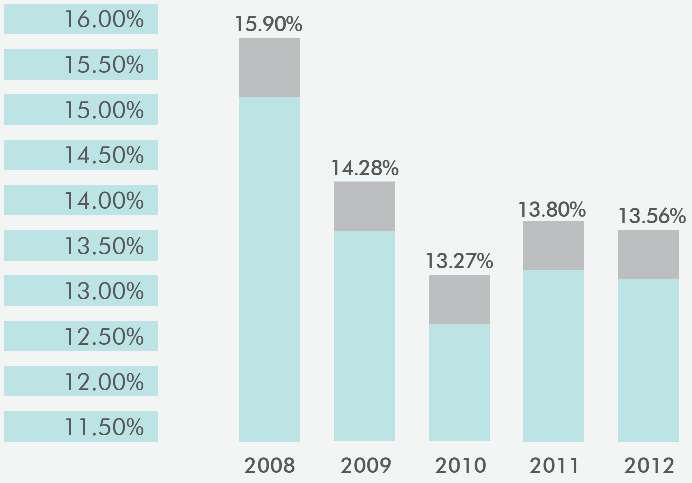
In 2012, the maturity gap position was negative in the maturities from 0 month to 1 year, and afterwards, the maturity gaps turned back positive for time brackets greater than 1 year.

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

CAPITAL ADEQUACY RATIO

CAPITAL ADEQUACY RATIO (BASEL II)

2008	2009	2010	2011	2012
15.90%	14.28%	13.27%	13.80%	13.56%



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

IBL Bank's total Capital Adequacy Ratio as at 31 December 2012 is 13.56%, 2012 profit included, as compared to 13.80% as at 31 December 2011. The Capital Adequacy Ratio is calculated according to Central Bank of Lebanon guidelines which are in line with the recommendations of Basel III Accord. The statutory minimum total Capital Adequacy Ratio required by Central Bank of Lebanon is 10%.

The ratio calculation was based on the Banking Control Commission of Lebanon requirements amended following the Basel III directives issued by the Basel Committee on Banking Supervision in June 2011. Three Capital Adequacy Ratios were introduced and Lebanese Banks are required to abide by the minimum set limits by end of 2015:

- Net Common Equity Tier I (NCE T I) / Total risk weighted assets
- Tier I / Total risk weighted assets
- Total Capital Funds / Total risk weighted assets

The strong capitalization our Bank enjoys, that is mainly constituted of core Tier I capital, lead us to be already fully compliant with the Basel III Accord and more so with the ratios required in 2015 as evidenced by the following figures as at 31 December 2012:

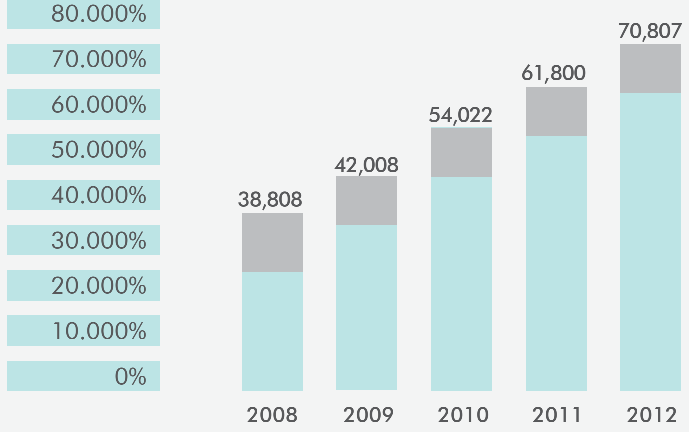
Ratio	IBL Bank as at 31 Dec. 2012	BDL requirements as at 31 Dec. 2012	BDL requirements as at 31 Dec. 2015
NCE Tier 1	11.23%	5.00%	8.00%
Tier 1 Capital	13.52%	8.00%	10.00%
Total Capital Funds	13.56%	10,00%	12.00%

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

PROFITABILITY

PROFITABILITY (in millions of LBP)

2008	2009	2010	2011	2012
38,808	42,008	54,022	61,800	70,807



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

IBK Bank recorded net profits of LBP 70,807 million as at 31 December 2012 increasing by 14.57% compared to the year 2011 where net profits stood at LBP 61,800 million.

This growth is mainly due to the increase in net financial revenues, after impairment charge for credit losses, from LBP 116,249 million as at 31 December 2011 to LBP 136,668 million as at 31 December 2012, meaning a rise of 17.56% as compared to 15.23% between 2010 and 2011. This result is realized after deduction of the allowance for collective impairement of LBP 7,519 million that was provided for during 2012 as compared to LBP 5,233 million for the year 2011.

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

In fact, IBL Bank's Return on Average Assets (ROAA) stood at 1.15% at the end of 2012 while the Bank's Return on Average Equity (ROAE) reached 16.70%, ranking third and second respectively according to Bankdata.

Staff and Administrative expenses reached LBP 49,860 million as at 31 December 2012, registering a year-on-year increase of 25.25%. Staff expenses increased by 20.37% in 2012 to reach LBP 32,018 million while administrative expenses went up by 35.09% to reach LBP 17,842 million. That said, IBL is still maintaining a relatively low cost to income ratio of 38.20% as at 31 December 2012 ranking second in the Alpha Group whose average was 47.80% as at 31 December 2012.

On the other hand, earnings per share increased to LBP 3,631 (US$ 2.40) in 2012 from LBP 3,169 (US$ 2.10) in 2011.

LIST OF MAIN CORRESPONDENTS - TREASURY & FINANCIAL MARKETS

CORRESPONDENT	CITY	SWIFT CODE
National Bank of Abu Dhabi	Abu Dhabi	NBADAEAA
The Housing Bank for Trade & Finance	Amman	HBHOJOAX
Jordan Ahli Bank PLC	Amman	JONBJOAX
Al Rafidain Bank	Baghdad	RAFBIQBA
Rasheed Bank	Baghdad	RDBAIQBB
Trade Bank of Iraq	Baghdad	TRIQIQBA
North Bank for Finance And Investment	Baghdad	NRTTIQBA
Iraqi Middle East Investment Bank	Baghdad	IMEBIQBA
Bank of Baghdad	Baghdad	BABIIQBA
Investment Bank of Iraq	Baghdad	IVBIIQBA
Banco de Sabadell SA	Barcelona	ATLAESMM
Danske Bank A/S	Copenhagen	DABADKKK
Doha Bank	Doha	DOHBQAQA
Al Khaliji France SA	Dubai	LICOAEAD
Mashreq Bank	Dubai	BOMLAEAD
Deutsche Bank AG	Frankfurt	DEUTDEFF
Commerz bank AG	Frankfurt	COBADEFF
Bankmed (Suisse) SA	Geneva	MEDSCHGG
The National Commercial Bank	Jeddah	NCBKSAJE
The Commercial Bank of Kuwait	Kuwait	COMBKWKW
Wells Fargo Bank N.A.	London	PNBPGB2L
Banco Popular Espanol	Madrid	POPUESMM
Intesa Sanpaolo spa	Milano	BCITITMM
The Bank of New York Mellon	New York	IRVTUS3N
Wells Fargo Bank N.A.	New York	PNBPUS3NNYC
Bank of Cyprus Public Company LTD	Nicosia	BCYPCY2N
DNB Nor Bank ASA	Oslo	DNBANOKK
Al Khaliji France SA	Paris	LICOFRPP
Banque Audi Saradar (France) SA	Paris	AUDIFRPP
Skandinaviska Enskilda Banken	Stockholm	ESSESESS
Bank of Sydney	Sydney	LIKIAU2S
The Bank of New York Mellon	Tokyo	IRVTJPJX
Sumitomo Mitsui Banking Corporation	Tokyo	SMBCJPJT
Unicredit Bank Austria AG.	Vienna	BKAUATWW

Main Resolutions of the Ordinary General Assembly Held on June 6, 2013

Resolution 1

The Ordinary General Assembly, after listening to the reports of the Board of Directors and the external Auditors regarding the accounts of the year 2012, and after reviewing the balance sheet and the profit and loss accounts for the same year, decided:

The ratification of the reports, the balance sheets and all other accounts of the Bank relating to the fiscal year ending on 31/12/2012.

Decision taken unanimously.

Resolution 2

The Ordinary General Assembly, after taking note of the net profits realized during 2012, which amounted to LBP 51,188 million decided:

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

2) The distribution of LBP 20,455 million (approximately US$ 13,570 Thousand) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

3) It was also decided to transfer the remaining balance of the net profits of the year 2012 to retained earnings (previous results).

Decision taken unanimously.

Resolution 5

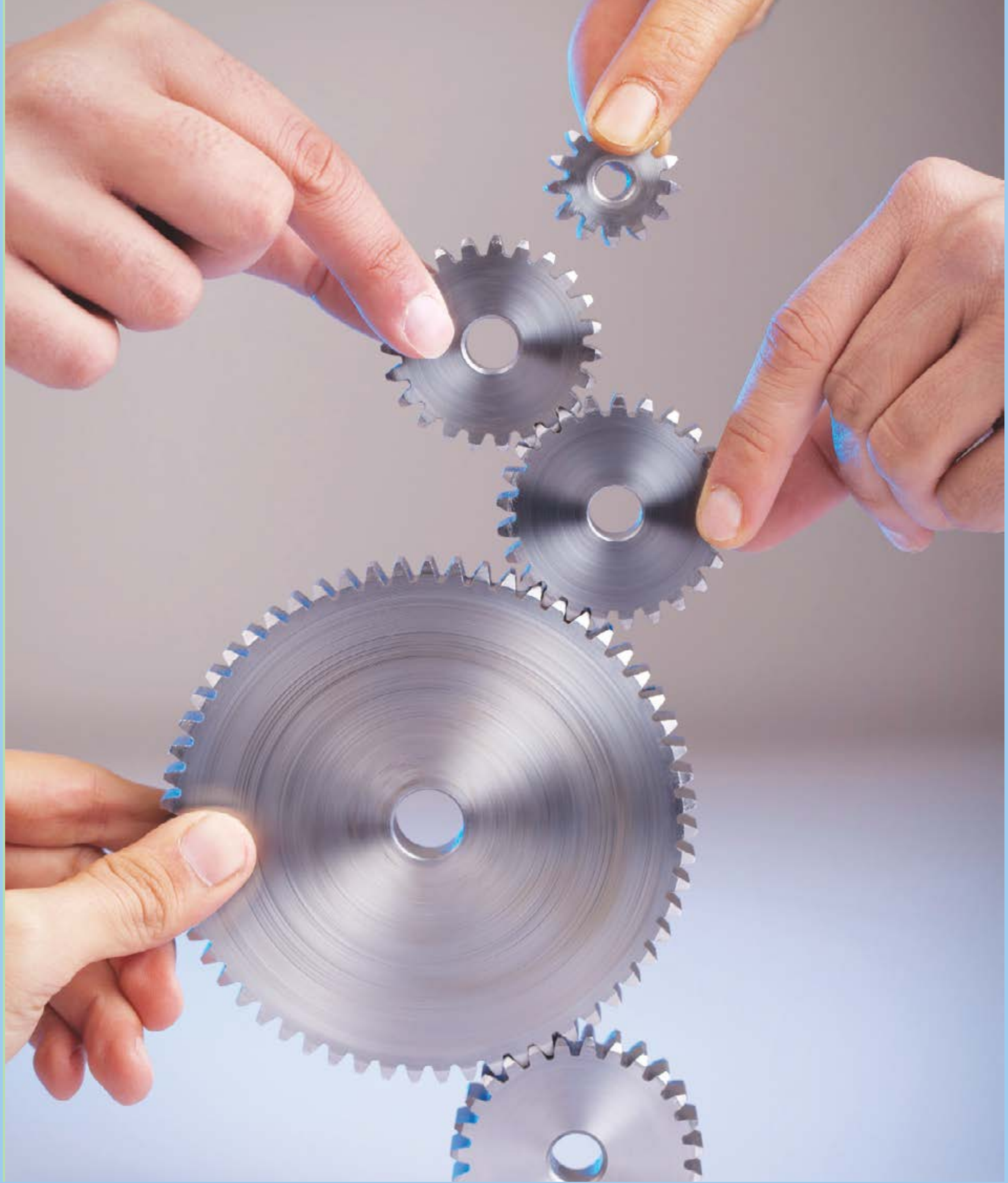
The Ordinary General Assembly, after going through the reports of the Board of Directors and the external Auditors in compliance with article 158 of the Code of Commerce And article 152 paragraph.4 of the Code of Money and Credit, decided:

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

Decision taken unanimously.

2012 Annual Report

CONSOLIDATED FINANCIAL STATEMENTS



SYNERGIZE

"Combine the strengths of people through positive teamwork, so as to achieve goals no one person could have done alone."

Stephen R. Covey

BT 32289/DTT INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of IBL BANK S.A.L. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of local banking laws. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2012, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 23, 2012

Deloitte & Touche	DFK Fiduciaire du Moyen Orient

IBL BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
Assets	Notes	2012	2011
		LBP'000	LBP'000
Cash and Central Banks	5	2,036,595,511	1,674,309,302
Deposits with banks and financial institutions	6	379,730,164	492,651,922
Loans to banks	7	99,627,158	91,429,994
Loans and advances to customers	8	1,266,250,508	904,627,852
Loans and advances to related parties	9	38,870,115	40,945,597
Investments at fair value through profit or loss	10	647,189,743	361,348,083
Investment securities at amortized cost	11	2,012,708,994	2,060,808,887
Customers' liability under acceptances	12	15,201,314	5,233,506
Assets acquired in satisfaction of loans	13	19,666,700	19,666,700
Property and equipment	14	46,758,240	43,256,131
Intangible assets	15	905,382	1,103,452
Other assets	16	7,466,214	8,168,324
Total Assets		**6,570,970,043**	**5,703,549,750**

Financial Instruments With Off-Balance Sheet Risk:

Documentary and commercial letters of credit	35	218,251,554	133,387,867
Guarantees and standby letters of credit	35	77,187,572	79,065,145
Forward exchange contracts	35	79,944,746	43,575,669
Fiduciary Deposits		5,185,800	5,185,800

THE ACCOMPANYING NOTES 1 TO 43 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		December 31,	
Liabilities	Notes	2012	2011
		LBP'000	LBP'000
Deposits from banks	17	83,774,443	74,572,775
Customers' accounts at amortized cost	18	5,891,008,930	5,108,759,703
Related parties accounts at amortized cost	36	104,245,365	84,093,278
Liability under acceptances	12	15,201,314	5,233,506
Other liabilities	19	20,620,273	21,458,674
Provisions	20	5,834,069	6,461,100
Total liabilities		**6,120,684,394**	**5,300,579,036**

Equity			
Common shares	21	146,250,000	146,250,000
Non-cumulative convertible preferred shares	22	75,356,250	75,356,250
Common shares premium		6,514,784	6,514,784
Reserves	23	42,924,647	30,730,719
Asset revaluation surplus		2,752,680	2,752,680
Regulatory reserve for assets acquired in satisfaction of loans	13	4,748,712	3,885,040
Retained earnings		100,213,134	75,081,363
Profit for the year		70,710,626	61,681,255
Total equity attributable to equity holders of the Bank		**449,470,833**	**402,252,091**
Non-controlling interest	25	814,816	718,623
Total Equity		450,285,649	**402,970,714**
Total Liabilities and Equity		**6,570,970,043**	**5,703,549,750**

THE ACCOMPANYING NOTES 1 TO 43 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

		Year Ended	
		December 31,	
	Notes	2012	2011
		LBP'000	LBP'000
Interest income	26	396,758,684	298,856,385
Interest expense	27	(302,087,337)	(247,099,484)
Net interest income		94,671,347	51,756,901
Fee and commission income	28	9,588,641	7,270,472
Fee and commission expense	29	(1,940,503)	(3,151,319)
Net fee and commission income		7,648,138	4,119,153
Other operating income	30	9,133,839	3,579,313
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	31	31,488,740	60,604,027
Net financial revenues		142,942,064	120,059,394
Allowance for impairment of loans and advances (net)	32	(6,274,370)	(3,810,853)
Net financial revenues after impairment charge for credit losses		136,667,694	116,248,541
Provisions	20		(1,000,000)
Staff costs	33	(32,017,789)	(26,599,279)
Administrative expenses	34	(17,842,096)	(13,207,143)
Depreciation and amortization	14, 15	(3,627,486)	(2,815,570)
Other expenses		(67,103)	(81,184)
		(53,554,474)	(43,703,176)
Profit before income tax		83,113,220	72,545,365
Income tax expense		12,306,401	(10,745,487)
Profit for the year		70,806,819	61,799,878
Other comprehensive income			
Total comprehensive income		70,806,819	61,799,878
Attributable to:			
Equity holders of the Bank		70,710,626	61,681,255
Non-controlling interests		96,193	118,623
		70,806,819	61,799,878

THE ACCOMPANYING NOTES 1 TO 43 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares LBP'000	Preferred Shares LBP'000	Common Shares Premium LBP'000	Reserves LBP'000	Asset Revaluation Surplus LBP'000	Cumulative Change in Fair Value of Investment Securities LBP'000	Regulatory Reserve for Assets Acquired in Satisfaction of Loans LBP'000	Retained Earnings LBP'000	Income for the year LBP'000	Total Attributable to the Equity Holders of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Balance, January 1, 2011	113,700,000	37,957,500	6,514,784	20,039,297	2,752,680	22,780,579	2,846,649	69,153,528	54,022,111	329,767,128	-	329,767,128
Effect of IFRS 9 adoption	-	-	-	-	-	(22,780,579)	-	17,915,958	-	(4,864,621)	-	(4,864,621)
Prior year adjustments	-	-	-	-	-	-	-	415,252	-	415,252	-	415,252
Restated balance January 1, 2011	113,700,000	37,957,500	6,514,784	20,039,297	2,752,680	-	2,846,649	87,484,738	54,022,111	325,317,759	-	325,317,759
Allocation of 2010 retained earnings	-	-	-	16,991,422	-	-	-	37,030,689	(54,022,111)	-	-	-
Issuance of common shares	32,550,000	-	-	(6,300,000)	-	-	-	(26,250,000)	-	-	-	-
Issuance of preferred shares - Series 2 (Note 22)	-	75,356,250	-	-	-	-	-	-	-	75,356,250	-	75,356,250
Redemption of preferred shares - Series 1	-	(37,957,500)	-	-	-	-	-	-	-	(37,957,500)	-	(37,957,500)
Dividends paid (Note 24)	-	-	-	-	-	-		(22,295,880)	-	(22,295,880)	-	(22,295,880)
Regulatory reserve for assets acquired in satisfaction of loans (Note 13)	-	-	-	-	-	-	1,038,391	(1,038,391)	-	-	-	-
Difference in exchange	-	-	-	-	-	-		150,207	-	150,207	-	150,207
Non-controlling interest share in subsidiary (Note 25)	-	-	-	-	-	-	-	-	-	-	600,000	600,000
Total comprehensive income for the year 2011	-	-	-	-	-	-	-	-	61,681,255	61,681,255	118,623	61,799,878
Balance at December 31, 2011	146,250,000	75,356,250	6,514,784	30,730,719	2,752,680	-	3,885,040	75,081,363	61,681,255	402,252,091	718,623	402,970,714
Allocation of 2011 retained earnings	-	-	-	12,193,928	-	-	-	49,487,327	(61,681,255)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	-	863,672	(863,672)	-	-	-	-
Dividends paid (Note 24)	-	-	-	-	-	-	-	(23,398,125)	-	(23,398,125)	-	(23,398,125)
Difference in exchange	-	-	-	-	-	-	-	(93,759)	-	(93,759)	-	(93,759)
Total comprehensive income for the year 2012	-	-	-	-	-	-	-	-	70,710,626	70,710,626	96,193	70,806,819
Balance at December 31, 2012	146,250,000	75,356,250	6,514,784	42,924,647	2,752,680	-	4,748,712	100,213,134	70,710,626	449,470,833	814,816	450,285,649

THE ACCOMPANYING NOTES 1 TO 43 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Notes	Year Ended December 31, 2012	2011
		LBP'000	LBP'000
Cash flows from operating activities:			
Net profit for the year		70,806,819	61,799,878
Adjustments for:			
Depreciation and amortization	14,15	3,627,486	2,815,570
Unrealized loss/(gain) on investments at fair value through profit or loss	31	5,553,151	(1,101,941)
Allowance for impairment of loans and advances (net)	32	6,274,370	4,810,853
Other adjustments and effect of exchange difference		(125,370)	(150,207)
Provision for employees' end of service indemnity	20	2,023,679	1,046,445
Provision for contingencies	20	-	1,000,00
Loss on disposal of property and equipment		2,047	12,243
Interest expense		302,087,337	247,099,484
Interest income		(428,802,576)	337,182,370)
Income tax expense		12,306,401	10,745,487
		(26,246,656)	(9,104,558)
Net increase in loans and advances to customers		(366,418,118)	(211,595,079)
Net decrease/(increase) in loans and advances to related parties		2,075,482	(1,248,302)
Net increase/(decrease) in investment securities		(236,823,470)	318,653,752
Net increase in compulsory reserves and deposits with central banks		(693,196,837)	(433,142,807)
Net Increase in loans to banks		(7,940,000)	(22,940,000)
Net (decrease)/increase in deposits with banks and financial institutions		(59,561,544)	7,873,681
Net Increase/(decrease) in borrowings from banks and financial institutions		9,190,585	(1,623,603)
Net increase in customers' deposits at amortized cost		781,846,097	765,202,553
Net increase in related party deposits at amortized cost		20,152,087	7,988,493
Net decrease/(increase) in other assets		702,110	(5,227,080)
Net (decrease)/increase in other liabilities		(4,415,806)	6,455,855
Settlements made from provisions (net)		(2,650,710)	(138,325)
		(583,286,780)	421,154,580
Interest paid		(301,673,124)	(245,766,551)
Interest received		412,435,589	331,857,003
Income tax paid		(8,728,996)	(11,542,936)
Net cash (used in)/provided by operating activities		(481,253,311)	495,702,096
Cash flows from investing activities:			
Acquisition of property and equipment		(6,740,102)	(12,105,177)
Proceeds from disposal of property and equipment		16,696	22,719
Acquisition of intangible assets		(178, 555)	(537,410)
Disposal of Intangible assets		-	4965
Net cash used in investing activities		(6,901,961)	(12,614,903)
Cash flows from financing activities:		-	-
Dividends paid		(23,398,125)	(22,295,880)
Issuance of preferred shares		-	75,356,250
Redemption of preferred shares		-	(37,957,500)
Changes in non-controlling interests		-	600,000
Net cash (used in)/provided by financing activities		(23,398,125)	15,702,870
Net (decrease)/increase in cash and cash equivalents		(511,553,397)	498,790,063
Cash and cash equivalents - Beginning of year		1,060,303,123	561,513,060
Cash and and cash equivalents - End of year	37	548,749,726	1,060,303,123

THE ACCOMPANYING NOTES 1 TO 43 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IBL Bank S.A.L. (the "Bank") is a Lebanese joint-stock company registered in the Lebanese commercial register under No. 10472 and in the list of banks published by the Central Bank of Lebanon under No. 52. The consolidated financial statements of the Bank as at December 31, 2012 comprise the Bank and its subsidiaries (the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Group operates through a network consisting of 19 branches in Lebanon and a branch in Kurdistan - Erbil District established in 2008, another one in Limassol, Cyprus established in 2009 and a branch in Baghdad, Iraq established and started operations on December 2010.

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

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

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

There are no new Standards, amendments to Standards and Interpretations that are effective for the first time for the financial year beginning on January 1, 2012 that had a material impact on the Group's financial statements.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012 and have not been applied in preparing these consolidated financial statements, except for IFRS 9 Financial Instruments which was early applied by the Group during 2011 with date of initial application January 1, 2011. Those new and amended standards and interpretations which are applicable to the Group's operations or might have an effect on the consolidated financial statements of the Group in the period of initial application are set out below:

- IFRS 10 Consolidated Financial Statements uses control as the single basis for consolidation, irrespective of the nature of the investee and includes a new definition of control. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. IAS 27 Consolidated and Separate Financial Statements and IAS 28 Associates and Joint Ventures have been amended for the issuance of IFRS 10 and SIC-12 Consolidation Special Purpose Entities will be withdrawn upon the effective date of IFRS 10 (Annual periods beginning on or after January 1, 2013).

- IFRS 11 Joint Arrangements establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of the parties to the joint arrangement, rather than its legal form. Joint control involves the contractual agreed sharing of control, and arrangements subject to joint control are classified as either a joint venture or a joint operation. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenues and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. IAS 28 Investments in Associates and Joint Ventures has been amended for the issuance of IFRS 11 and SIC-13 Jointly Control Entities will be withdrawn upon the effective date of IFRS 11 (Annual periods beginning on or after January 1, 2013).

- IFRS 12 Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

• Amendment to IFRSs 10, 11 and 12 on transition guidance: These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. Effective for annual periods beginning on or after 1 January 2013.

• IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. IFRS 13 is applicable for both financial and non-financial items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements, except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

• Amendments to IAS 32 Financial Instruments Presentation: relating to application guidance on the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, with retrospective application needed.

• Amendments to IFRS 7 Financial Instruments Disclosures: enhancing disclosures about offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2013, and disclosures should be provided retrospectively for all comparative periods.

• IAS 27 Separate Financial Statements (revised 2011) includes the requirements relating to separate financial statements and outlines the accounting requirements for dividends and contains numerous disclosure requirements. IAS 27 (revised 2011) is effective for annual periods beginning on or after January 1, 2013.

• IAS 28 Associates and Joint Ventures (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. IAS 28 (revised 2011) is effective for annual periods beginning on or after January 1, 2013.

• Annual improvements to IFRSs 2009 – 2011 Cycle. These include:

- Amendment to IAS 1 Presentation of Items of Other Comprehensive Income. The amendment requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Income tax on items of other comprehensive income is required to be allocated on the same basis. Also the amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS1, the "statement of comprehensive income" is renamed to "statement of profit or loss and other comprehensive income" and the income statement is renamed to "statement of profit or loss". Amendment is effective for annual periods beginning on or after July 1, 2012.

- Amendments to IAS 32 Financial Instruments, clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. (Effective for annual periods beginning or after January 1, 2013).

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for the following measured at fair value:
- Financial instruments designated at fair value through profit or loss.
- Investments in equities.
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.
- Derivative financial instruments.

The principal accounting policies applied are set out below:

A. Basis of Consolidation:

The consolidated financial statements of IBL Bank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries). Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
The consolidated subsidiaries consist of the following:

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

B. Foreign Currencies:

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

Exchange differences on monetary items are recognized in the consolidated statement of income 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 the consolidated statement of income on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, when this is a reasonable approximation of rates at the dates of the transactions. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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 reattributed to non-controlling interests and are not recognized in the consolidated statement of income.

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

C. Recognition and Derecognition of Financial Assets and Liabilities:

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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

D. Classification of Financial Assets:

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

Debt Instruments

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost, 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").

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

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

E. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

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

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

Repurchase of the Bank'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 Bank's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost.
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

F. Offsetting:

Financial assets and liabilities are set-off and the net amount is presented in the 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.

G. Fair Value Measurement of Financial Instruments:

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction. When published price quotations exist, the Group measures the fair value of a financial instrument that is traded in an active market using quoted prices for that instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.
If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument, adjusted for any other factors such as liquidity risk.

H. Impairment of Financial Assets:

Financial assets carried at amortized cost are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collaterals and guarantees.

The Group considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

I. Derivative Financial Instruments:

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

J. Loans and Advances

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

K. Financial Guarantees:

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

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

L. Property and Equipment:

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any.

Depreciation is recognized so as to write off the cost or valuation of property and equipment (other than advance payments on capital expenditures) less their residual values, if any, over their useful lives, using the straight-line method as follows:

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

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

M. Intangible Assets:

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

N. Assets acquired in satisfaction of loans:

Real estate properties acquired through the enforcement of collateral over loans and advances are 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.

O. Impairment of Non-Financial Assets:

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial, asset other than investment properties and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

The provision for employees' termination indemnities is based on the liability that would arise if the employment of all the employees' were voluntary terminated at the reporting date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months' remunerations and less contributions paid to the Lebanese Social Security National Fund.

Q. Provisions:

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

R. Revenue and Expense Recognition:

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

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

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

Interest income on investment securities at fair value though profit or loss is presented separately in the income statement.

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 presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

S. Income Tax:

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

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

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

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

T. Fiduciary Accounts:

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

U. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised 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 Judgments in Applying the Accounting Policies:

Classification of Financial Assets

Business Model:

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

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

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

Characteristics of the Financial Asset:

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

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

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

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

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

B. Key Sources of Estimation Uncertainty:

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

Allowances for Credit Losses - Loans and Advances to Customers:

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

Determining Fair Values:

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 3G. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainly of market factors, pricing assumptions and other risks affecting the specific instrument.

Where available, management has used market indicators in its mark to model approach for the valuation of the Lebanese government debt securities and Central Bank certificates of deposits at fair value.

The IFRS fair value hierarchy allocates the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The hierarchy used in the determination of fair value consists of three levels of input data for determining the fair value of financial instrument as follows:

Level 1- quoted prices for identical items in active, liquid and visible markets such as stock exchanges,
Level 2- observable information for similar items in active or inactive markets,
Level 3- unobservable inputs used in situations where markets either do not exist or are illiquid.

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 a market participant that holds the asset or owes the liability.

Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data. Where practical, the discount rate used in the mark to model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the Lebanese Government debt securities and Central Bank certificates of deposit.

5. CASH AND CENTRAL BANKS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Cash on hand	51,750,696	38,762,594
Current accounts at central banks	184,218,117	198,668,117
Term placements with Central Bank of Lebanon	1,771,373,180	1,415,683,530
Accrued interest receivable	29,253,518	21,195,061
	2,036,595,511	1,674,309,302

Current accounts with central banks include compulsory deposits in Lebanese Pounds with Central Bank of Lebanon not available for use in the Group's day-to-day operations in the amount of LBP127.9billion (LBP139.2billion in 2011). These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

Term placements with Central Bank of Lebanon include the equivalent in foreign currencies of LBP1,028billion (LBP826billion in 2011) deposited in accordance with prevailing banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, bonds, certificates of deposits and loans acquired from non-resident financial institutions.

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

	December 31, 2012			
	LBP Base Accounts		F/Cy Base Accounts	
		Average	Counter Value of	Average
Maturity (Year)	Amount	Interest Rate	Amount in LBP	Interest Rate
	LBP'000	%	LBP'000	%
2013	108,500,00	2.86	33,067,500	2.83
2014	-	-	84,420,000	1.22
2015	-	-	45,852,430	1.18
2016	-	-	6,030,000	1.21
2017	-	-	3,015,000	1.23
2020	-	-	400,889,500	6.38
2021	600,000,000	8.6	224,459,250	6.25
2022	15,000,000	8.6	-	-
2024	-	-	250,139,500	7.25
	723,500,000		1,047,873,180	

	December 31, 2011			
	LBP Base Accounts		F/Cy Base Accounts	
		Average	Counter Value of	Average
Maturity (Year)	Amount	Interest Rate	Amount in LBP	Interest Rate
	LBP'000	%	LBP'000	%
2012	489,500,000	7.57	804,324,780	5.15
2016	-	-	6,783,750	1.22
2021	100,000,000	8.6	15,075,000	6.25
	589,500,000		826,183,530	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31	
	2012	2011
	LBP'000	LBP'000
Checks in course of collection	6,214,763	(521,408)
Current accounts with banks and financial institutions	164,373,880	124,523,355
Term placements with banks and financial institutions	208,995,092	368,567,533
Pledged deposits with banks and financial institutions	-	37,023
Accrued interest receivable	146,429	45,419
	379,730,164	492,651,922

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

7. LOANS TO BANKS

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

	December 31	
	2012	2011
	LBP'000	LBP'000
Regular performing loans	98,980,000	91,040,000
Accrued interest receivable	647,158	389,994
Doubtful bank accounts	79,337	78,442
Less: Allowance for impairment	(79,337)	(78,442)
	99,627,158	91,429,994

Loans to banks have the following contractual maturities:

	December 31, 2012		December 31, 2011	
		Interest		Interest
	LBP	Rate	LBP	Rate
	LBP'000	%	LBP'000	%
Up to 1 year	7,060,000	3,40	7,060,000	3.83
1 year to 3 years	20,160,000	3.21	16,620,000	3.62
4 years to 5 years	21,660,000	3.28	18,660,000	3.42
Beyond 5 years	50,100,000	3.24	48,700,000	3.24
	98,980,000		91,040,000	

8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following:

	December 31	
	2012	2011
	LBP'000	LBP'000
Loans and advances to customers	490,963,405	427,616,280
Discounted bills	7,217,815	7,768,215
Long and medium term loans	759,424,062	456,762,955
Net multi-currency trading	839,034	946,427
Creditors accidentally debtors	5,562,367	8,456,911
Substandard loans (net of unrealized interest)	6,264,992	1,541,530
Doubtful loans (net of unrealized interest)	40,947,501	42,115,187
Less: Provision for doubtful loans	(32,837,627)	(31,783,274)
Allowance for collective impairment	(14,763,335)	(9,949,765)
	1,263,618,214	903,474,466
Accrued interest receivable	2,632,294	1,153,386
	1,266,250,508	904,627,852

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

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

	2011		
	Substandard	Unrealized	
	Loans	Interest	Net
	LBP'000	LBP'000	LBP'000
Balance January 1	2,148,531	(813,380)	1,335,151
Additional unrealized interest	255,752	(255,752)	-
Settlements	(468,885)	98,684	(370,201)
Write-off/(write-back)	(3,919)	3,919	-
Transfer to/from doubtful and bad loans	(1,322,427)	856,691	(465,736)
Transfer from performing loans	1,024,323	-	1,024,323
Effect of exchange rates changes	17,627	366	17,993
Balance December 31	1,651,002	(109,472)	1,541,530

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

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

	2011			
	Doubtful and	Unrealized	Allowance for	
	Bad Loans	Interest	Impairment	Net
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	84,081,315	(36,725,943)	(34,757,059)	12,598,313
Additional unrealized interest and withdrawals	7,937,065	(7,816,536)	-	120,529
Additional allowance for impairment	-	-	(376,302)	(376,302)
Settlements and write-back	(4,095,889)	344,886	422,192	(3,328,811)
Write-off and other movement	(8,303,771)	6,521,357	2,581,798	799,384
Transfer from substandard loans	1,322,427	(856,691)	-	465,736
Transfer from regular loans	60,533	-	-	60,533
Effect of exchange rates changes	(330,882)	(22,684)	346,097	(7,469)
Balance December 31	80,670,798	(38,555,611)	(31,783,274)	10,331,913

The movement of the allowance for collective impairment during 2012 and 2011 is as follows:

	2012 LBP'000	2011 LBP'000
Balance January 1	9,949,765	6,401,544
Additions	4,748,335	3,548,221
Transfer from provisions for contingencies (Note 20)	65,235	-
Balance December 31	14,763,335	9,949,765

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption includes loans and advances granted by the Bank to one of its major shareholders and his subsidiaries in the amount of LBP28.68billion (LBP24billion in 2011) covered to the extent of LBP18billion by cash margin and real estate guarantee to the extent of LBP9billion.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2012	2011
	LBP'000	LBP'000
Quoted equity securities	3,324,853	3,682,284
Unquoted equity securities	160,322	160,322
Lebanese treasury bills	294,949,530	-
Lebanese Government bonds	121,243,931	72,328,474
Certificates of deposits issued by Central Bank of Lebanon	216,343,357	278,339,732
Accrued interest receivable	11,167,750	6,837,271
	647,189,743	361,348,083

11. INVESTMENT SECURITIES AT AMORTIZED COST

	December 31	
	2012	2011
	LBP'000	LBP'000
Financial assets classified at amortized cost	1,978,776,194	2,029,017,056
Accrued interest receivable	33,932,800	31,791,831
	2,012,708,994	2,060,808,887

The movement of investment securities, exclusive of the related accrued interest, for the year 2012 and 2011 is summarized as follows:

	2012 LBP'000	2011 LBP'000
Balance January 1	2,029,017,056	-
Reclassification due to initial application of IFRS9	-	1,906,964,569
Additions	206,552,662	368,598,807
Sale	(68,598,987)	-
Swaps	(118,112,625)	(82,707,246)
Matured	(70,524,915)	(140,849,410)
Effect of amortization or premium and discount	(1,042,701)	(21,431,234)
Effect of exchange rates changes	1,485,704	(1,558,430)
Balance December 31	1,978,776,194	2,029,017,056

During 2012, the Group exchanged certificates of deposit issued by Central Bank of Lebanon in the amount of USD78.35million equivalent to LBP118.1billion (LBP82.7billion in 2011) which resulted in a premium of LBP5.8billion.

In addition, during 2012 the Group sold Lebanese Government bonds in the amount of LBP68billion which resulted in gain of LBP521million (Note 30).

This caption consists of the following:

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

	December 31, 2011					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	Interest Receivable	Fair Value	Amortized Cost	Interest Receivable	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Government Bonds	-	-	-	541,332,757	5,460,567	543,245,878
Certificates of deposit issued by the Central Bank of Lebanon	1,257,943,311	22,854,291	1,376,230,231	221,182,675	3,393,123	228,445,780
Certificates of deposit issued by banks	-	-	-	8,558,313	83,850	8,625,714
	1,257,943,311	22,854,291	1,376,230,231	771,073,745	8,937,540	780,317,372

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

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

	December 31, 2011				December 31, 2011			
	LBP Base Accounts				F/Cy Base Accounts			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Average Coupon	Nominal Value	Amortized Cost	Fair Value	Average Coupon
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government Bonds:								
- Up to 1 year	-	-	-	-	24,798,375	24,690,395	24,092,866	4.59
- 1 year to 3 years	-	-	-	-	177,295,658	178,471,774	180,506,576	6.23
- 4 years to 5 years	-	-	-	-	72,927,693	72,398,658	70,829,834	5.98
- 6 years to 10 years	-	-	-	-	213,654,096	213,085,095	216,020,035	6.76
- Beyond ten years	-	-	-	-	53,546,400	52,686,835	51,796,567	6.45
	-	-	-		542,222,222	541,332,757	543,245,878	
Certificates of deposit issued by the central bank of Lebanon:								
- Up to 1 year	-	-	-	-	148,262,625	145,745,230	151,249,711	9.15
- 1 year to 3 years	1,270,000,000	1,251,944,367	1,369,866,327	9.79	75,375,000	75,437,445	77,196,069	8.91
- 6 years to 10 years	6,000,000	5,998,944	6,363,904	7.90	-	-	-	
	1,276,000,000	1,257,943,311	1,376,230,231		223,637,625	221,182,675	228,445,780	
Certificates of deposit issued of banks:								
- Up to 1 year	-	-	-	-	7,836,000	7,804,563	7,866,898	7.75
- 6 years to 10 years	-	-	-	-	753,750	753,750	758,816	6.75
	-	-	-		8,589,750	8,558,313	8,625,714	
	1,276,000,000	1,257,943,311	1,376,230,231		774,449,597	771,073,745	780,317,372	

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

13. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances.
The movement of assets acquired in satisfaction of loans during 2012 and 2011 was as follows:

	Real Estate
	LBP'000
Cost:	
Balance, January 1, 2011	17,085,494
Additions	2,812,371
Balance, December 31, 2011	19,897,865
Additions	-
Balance, December 31, 2012	19,897,865
Allowance for Impairment:	
Balance, December 31, 2012 and 2011	(231,165)
Carrying Amount:	
December 31, 2012	19,666,700
December 31, 2011	19,666,700

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation within 2 years from the date of approval, the Group allocates a regulatory reserve for assets acquired in satisfaction of loans from retained earnings. During 2012, the Group allocated LBP864million from retained earnings (LBP1.038billion during 2011).

14. PROPERTY AND EQUIPMENT

	Buildings	Freehold Improvements	Furniture and Equipments	Computer Equipments	Vehicles	Advances on Capital Expenditures	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Gross/Revalued Amount:							
Balance, January 1, 2011	24,553,758	9,499,514	3,567,818	4,070,307	354,200	2,300,775	44,346,372
Additions	4,318,132	1,911,442	374,582	775,339	31,815	4,693,867	12,105,177
Disposal	-	(167,494)	(87,000)	(82,855)	(30)	-	(337,379)
Transfers between categories	-	1,635,155	665,620	-	-	(2,300,775)	-
Other movement	-	(3,513)	(3,205)	(1,618)	(2,125)	-	(10,461)
Balance, December 31, 2011	28,871,890	12,875,104	4,517,815	4,761,173	383,860	4,693,867	56,103,709
Additions	150,750	613,697	216,103	314,694	-	5,444,858	6,740,102
Disposals	-	-	(42,381)	(48,020)	-	736	(89,665)
Transfer between categories	-	-	-	189,786	-	(189,786)	-
Other movement	-	16,714	5,085	3,827	1,705	-	27,331
Balance, December 31, 2012	29,022,640	13,505,515	4,696,622	5,221,460	385,565	9,949,675	62,781,477
Accumulated Depreciation:							
Balance, January 1, 2011	774,526	5,791,528	1,170,116	2,665,082	283,683	-	10,684,935
Additions	78,758	1,462,068	293,498	598,445	42,752	-	2,475,521
Write-off on disposal	-	(167,207)	(66,033)	(76,093)	(30)	-	(309,363)
Other movement	-	(1,381)	(561)	(1,454)	(119)	-	(3,515)
Balance, December 31, 2011	853,284	7,085,008	1,397,020	3,185,980	326,286	-	12,847,578
Additions	154,332	1,830,708	580,266	656,253	24,684	-	3,246,243
Write-off on disposal	-	-	(22,902)	(48,020)	-	-	(70,922)
Other movement	-	5,041	1,081	(6,921)	1,137	-	338
Balance, December 31, 2012	1,007,616	8,920,757	1,955,465	3,787,292	352,107	-	16,023,237
Carrying Amount:							
Balance, December 31,2012	28,015,024	4,584,758	2,741,157	1,434,168	33,458	9,949,675	46,758,240
Balance, December 31,2011	**28,018,606**	**5,790,096**	**3,120,795**	**1,575,193**	**57,574**	**4,693,867**	**43,256,131**

Additions to advances on capital expenditures during 2012 represent renovation of Jbeil building. Addition to buildings during 2011 includes the purchase of a new branch in Jnah for the amount of LBP4.1billion while the additions in the advances on capital expenditures are the expenditures for the new branch in Achrafieh.

15. INTANGIBLE ASSETS

	Purchased Software
Cost:	
Balance, January 1, 2011	2,627,880
Acquisitions	537,410
Other movement	(7,595)
Balance, December 31, 2011	3,157,695
Acquisitions	178,555
Other movement	9,244
Balance, December 31, 2012	3,345,494
Amortization:	
Balance, January 1, 2011	1,716,606
Amortization for the year	340,049
Other movement	(2,412)
Balance, December 31, 2011	2,054,243
Amortization for the year	381,243
Other movement	4,626
Balance, December 31, 2012	2,440,112
Carrying Amounts:	
December 31, 2012	905,382
December 31, 2011	1,103,452

16. OTHER ASSETS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Accounts receivable- Credit cards	1,447,182	2,200,940
Prepaid expenses	1,315,629	1,108,499
Fair value of forward exchange contracts	-	75,429
Regulatory blocked fund	4,500,000	4,500,000
Sundry accounts receivable	203,403	283,456
	7,466,214	8,168,324

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

"Accounts receivable-Credit cards" represents client withdrawals on the credit cards that the Group has settled.

17. DEPOSITS FROM BANKS

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

	December 31,	
	2012	2011
	LBP'000	LBP'000
Current deposits of banks and financial institutions	51,831,837	34,433,411
Short term borrowings	31,867,681	40,075,522
Accrued interest payable	74,925	63,842
	83,774,443	74,572,775

Short term borrowings mature within one year.

18. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2012		
		Counter Value	
	LBP	of F/CY	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current/demand deposits	57,414,806	319,260,083	376,674,889
- Term deposits	2,207,512,384	2,189,645,114	4,397,157,498
- Fiduciary deposits	14,400,000	294,858,174	309,258,174
- collateral against speculation			
accounts (Note 8)	10,564,987	5,590,700	16,155,687
	2,289,892,177	2,809,354,071	5,099,246,248
Margins and other accounts:			
- Margins for irrevocable import letters			
of credit	-	60,124,554	60,124,554
- Margins on letters of guarantee	1,749,455	4,836,862	6,586,317
- Other margins	343,123,867	353,106,359	696,230,226
	344,873,322	418,067,775	762,941,097
Accrued interest payable	18,762,071	10,059,514	28,821,585
Total	2,653,527,570	3,237,481,360	5,891,008,930

	December 31, 2011		
		Counter Value	
	LBP	of F/CY	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current/demand deposits	52,898,141	499,920,291	552,818,432-
- Term deposits	1,892,563,617	1,893,022,888	3,785,586,505
- Fiduciary deposits	9,000,000	331,979,041	340,979,041
- collateral against speculation			
accounts (Note 8)	12,092,267	4,034,918	16,127,185
	1,966,554,025	2,728,957,138	4,695,511,163
Margins and other accounts:			
- Margins for irrevocable import letters			
of credit	-	12,151,714	12,151,714
- Margins on letters of guarantee	1,553,967	4,600,463	6,154,430
- Other margins	269,899,470	96,624,471	366,523,941
	271,453,437	113,376,648	384,830,085
Accrued interest payable	18,980,087	9,438,368	28,418,455
Total	2,256,987,549	2,851,772,154	5,108,759,703

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

	December 31, 2012					
	LBP			Counter Value of F/Cy		
			Percentage			Percentage
		Percentage	to Total		Percentage	to Total
	Total	to Total	No. of	Total	to Total	No. of
Bracket	Deposits	Deposits	Accounts	Deposits	Deposits	Accounts
	LBP'000	%		LBP'000	%	
Less than LBP50million	103,287,457	4	75	64,685,735	2	75
From LBP50million to LBP250million	317,220,708	12	16	186,127,865	6	14
From LBP250million to LBP750million	411,132,375	16	6	249,988,055	8	6
From LBP750million to LBP1500million	281,828,873	11	2	262,123,984	8	2
More than LBP1,500million	1,521,296,086	57	1	2,464,496,207	76	3
	2,634,765,499	100	100	3,227,421,846	100	100

	December 31, 2011					
	LBP			Counter Value of F/Cy		
			Percentage			Percentage
		Percentage	to Total		Percentage	to Total
	Total	to Total	No. of	Total	to Total	No. of
Bracket	Deposits	Deposits	Accounts	Deposits	Deposits	Accounts
	LBP'000	%		LBP'000	%	
Less than LBP50million	93,641,382	4	74	60,400,101	2	74
From LBP50million to LBP250million	288,093,625	12	16	162,201,437	6	15
From LBP250million to LBP750million	369,727,066	17	6	231,164,763	8	6
From LBP750million to LBP1500million	240,513,815	11	2	251,574,819	9	2
More than LBP1,500million	1,246,031,574	56	2	2,136,992,666	75	3
	2,238,007,462	100	100	2,842,333,786	100	100

Deposits from customers at amortized cost include coded deposit accounts in the aggregate amount of LBP196billion (LBP172billion in 2011). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

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

	Average Balance of Deposits			Average
	LBP Base	F/Cy Base	Cost	Interest
Year	Accounts	Accounts	of Funds	Rate
	LBP'000	LBP'000	LBP'000	%
2012	2,483,685,696	3,057,919,585	299,681,858	5.41
2011	2,189,188,113	2,572,756,425	244,435,760	5.13
2010	1,989,610,735	1,998,143,868	213,240,882	5.35

19. OTHER LIABILITIES

This caption consists of the following:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Withheld taxes and property taxes	3,003,379	5,616,818
Income tax payable	3,994,878	417,473
Due to the Social Security National Fund	205,537	309,182
Checks and incoming payment orders in course of settlement	2,612,452	5,132,245
Blocked capital subscriptions for companies under incorporation	951,848	1,709,290
Accrued expenses	2,258,178	2,048,708
Dividends declared and payable	473,800	170,680
Payable to personnel and directors	827,065	730,360
Unearned revenues	2,752,569	1,748,686
Fair value of forward exchange contracts	369,305	-
Sundry accounts payable	3,171,262	3,575,232
	20,620,273	21,458,674

The tax returns since 2009 inclusive are still subject for review by the tax authorities and any additional tax liability depends on the outcome of such review.

20. PROVISIONS

Provisions consist of the following:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Provision for staff end of service indemnity	5,685,434	5,315,464
Provision for contingencies	45,635	1,045,636
Provision for loss in foreign currency position	103,000	100,000
	5,834,069	6,461,100

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

	December 31,	
	2012	2011
	LBP'000	LBP'000
Balance, January 1	5,315,464	4,407,344
Additions (Note 33)	2,023,679	1,046,445
Settlements	(1,653,709)	(138,325)
Balance, December 31	5,685,434	5,315,464

The movement of provision for contingencies during 2012 and 2011 was as follows:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Balance, January 1	1,045,636	45,636
Additions	-	1,000,000
Settlements	(934,766)	-
Transfer to allowance for collective impairment (Note 8)	(65,235)	-
Balance, December 31	45,635	1,045,636

A provision for contingencies in the amount of LBP1billion was booked during 2011. During 2012, the Group used this provision to settle additional penalties and taxes in the amount of LBP934billion as a result of the review by the tax authorities on the years 2006, 2007 and 2008.

21. SHARE CAPITAL

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

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

22. NON-CUMULATIVE CONVERTIBLE PREFERRED SHARES

Non-cumulative convertible preferred shares amounted to LBP75.36billion at December 31, 2012 and 2011 representing 500,000 non-cumulative preferred shares LBP7,500 each, in addition to a premium of USD95 each.

23. RESERVES

Reserves consist of the following:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Legal reserve	16,374,401	10,336,401
Reserve for general banking risks	22,521,246	16,506,318
Other reserves	4,029,000	3,888,000
	42,924,647	30,730,719

The legal reserve is constituted in conformity with the requirements of the Lebanese Code of Money and Credit on the basis of 10% of net profit. This reserve is not available for distribution. The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end, on condition that the aggregate rate does not fall bellow 1.25% at the end of the tenth year, starting 1998, which is 2007 and 2% at the end of the twentieth year. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution and to be used to cover any annual losses or unexpected losses agreed upon with the banking control commission.

24. DIVIDENDS PAID

The following dividends were declared and paid by the Bank during the year according to the decision of the General Assembly meeting:

	December 31,	
	2012	2011
	LBP'000	LBP'000
Ordinary shares	17,745,000	17,737,200
Preferred shares	5,653,125	4,558,680
	23,398,125	22,295,880

25. NON-CONTROLLING INTERESTS

	December 31,	
	2012	2011
	LBP'000	LBP'000
Capital	600,000	600,000
Retained earnings	103,623	-
Reserves	15,000	-
Income for the year	96,193	118,623
	814,816	718,623

26. INTEREST INCOME

	2012	2011
	LBP'000	LBP'000
Deposits with the Central Bank of Lebanon	109,666,014	49,563,739
Deposits with banks and financial institutions	1,419,258	2,246,878
Investment securities (excluding FVTPL)	176,509,548	182,943,284
Loans to banks	3,184,069	3,079,223
Loans and advances to customers	103,831,475	58,536,536
Loans and advances to related parties	2,148,320	2,486,725
	396,758,684	298,856,385

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

27. INTEREST EXPENSE

	2012	2011
	LBP'000	LBP'000
Deposits and borrowings from banks and financial institutions	1,258,649	1,875,191
Customers' accounts at amortized cost	299,681,858	244,435,760
Related parties accounts at amortized cost	1,146,830	788,533

28. FEE AND COMMISSION INCOME

	2012	2011
	LBP'000	LBP'000
Commission on documentary credits	2,967,725	2,174,544
Commission on letters of guarantee	986,358	1,003,000
Service fees on customers' transactions	4,706,116	3,067,373
Asset management fees	96,849	223,633
Commission earned on insurance policies	178,633	143,838
Other	652,960	658,084
	9,588,641	7,270,472

29. FEE AND COMMISSION EXPENSE

	2012	2011
	LBP'000	LBP'000
Commission on transactions with banks	1,728,704	2,979,262
Other	211,799	172,057
	1,940,503	3,151,319

30. OTHER OPERATING INCOME

	2012	2011
	LBP'000	LBP'000
Gain on sale of investment securities at amortized cost	520,852	-
Foreign exchange gain	8,009,259	3,532,749
Other	603,728	46,564
	9,133,839	3,579,313

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

	2012	2011
	LBP'000	LBP'000
Interest income	32,043,892	38,325,985
Net unrealized (loss)/gain	(5,553,151)	1,101,941
Net realized gain	4,997,999	21,176,101
	31,488,740	60,604,027

32. PROVISION FOR CREDIT LOSSES (NET)

	2012	2011
	LBP'000	LBP'000
Allowance for impairment loans and advances (Note 8)	2,770,792	376,302
Write-back (Note 8)	(1,244,907)	(422,192)
Allowance for collective impairment (Note 8)	4,748,335	3,548,221
Write-off of loans	150	308,522
	6,274,370	3,810,853

33. STAFF COSTS

	2012	2011
	LBP'000	LBP'000
Salaries and related changes	27,891,279	23,540,809
Social Security contributions	2,102,831	2,012,025
Provision for end-of-service indemnities (Note 20)	2,023,679	1,046,445
	32,017,789	26,599,279

34. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
	LBP'000	LBP'000
Professional fees	2,753,886	2,851,367
Rent	965,664	969,157
Advertising	5,304,572	2,683,330
Post and Telephone	1,221,577	1,076,378
Repairs and Maintenance	1,035,879	958,490
Travel	842,727	635,191
Printing and stationary	637,104	434,414
Water and Electricity	1,090,264	834,601
Insurance	329,439	253,714
Gifts and donations	51,109	44,757
Subscription fees	429,515	358,457
Municipality and other taxes	816,121	475,097
Miscellaneous expenses	2,364,239	1,632,190
	17,842,096	13,207,143

35. 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.

36. RELATED PARTIES

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

	December 31,	
	2012	2011
	LBP'000	LBP'000
Direct facilities and credit balances:		
Loans and advances	38,870,115	40,945,597
Deposits	104,245,365	84,093,278
Indirect facilities:		
Letters of guarantee	618,624	918,860

Loans and advances are mainly covered by real estate mortgage to the extent of LBP9billion and by pledged deposits of the respective borrowers to the extent of LBP18billion for 2012 and 2011 respectively.

The remunerations of executive management amounted to LBP3.99billion during 2012 (LBP3.52billion during 2011). Board of directors attendance fees amounted to LBP448million (LBP425million in 2011).

37. CASH AND CASH EQUIVALENTS

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

	December 31,	
	2012	2011
	LBP'000	LBP'000
Cash	51,750,696	38,762,594
Current account at Central Banks	56,352,852	59,560,242
Term deposits with the Central Bank of Lebanon	120,560,000	469,410,807
Current accounts with banks and financial institutions	164,373,880	124,523,355
Checks in course of collection	6,214,763	(521,408)
Term deposits with banks and financial institutions	149,497,535	368,567,533
	548,749,726	1,060,303,123

Term deposits with and from the Central Bank and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less. The following non-monetary transactions were excluded from the consolidated statement of cash flows:

(a) Increase in assets acquired in satisfaction of loans for the amount of LBP2.8billion against loans and advances to customers for the year ended December 31, 2011.

(b) Effect of early adoption of IFRS 9 in 2011

38. CAPITAL MANAGEMENT

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

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

The Group's capital is split as follows:

Tier I capital: Comprises share capital, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits and retained earnings after deductions for intangible assets and other regulatory adjustments.

Tier II capital: Comprises redeemable preferred shares, qualifying subordinated liabilities, allowance for collective provision, 50% of cumulative favorable change in fair value of investment securities through other comprehensive income and revaluation surplus of owned properties.

The Group's consolidated capital adequacy ratio as per Basle 2 amounted to 11.4% and 11.74% respectively, and is determined as follows:

	December 31,	
	2012	2011
	LBPmillion	LBPmillion
Total capital	373, 740	344, 821
Credit risk	2,847,480	2,555,853
Market risk	257,549	207,192
Operational risk	174,093	174,085
Total risk-weighted assets	3,279,122	2,937,130
Capital adequacy ratio - Tier I and Tier II	11.40%	11.74%

40. SEGMENT INFORMATION

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

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

	December 31, 2011			
	Lebanon Operations	Cyprus	Iraq	Total
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000
Cash and central banks	1,604,299,820	1,172,863	68,836,619	1,674,309,302
Deposits with banks and financial institutions	492,148,905	244,823	258,194	492,651,922
Loans to banks	91,429,994	-	-	91,429,994
Loans and advances to customers	903,484,265	2,824	1,140,763	904,627,852
Loans and advances to related parties	40,945,597	-	-	40,945,597
Investments at fair value through profit or loss	309,803,547	51,544,536	-	361,348,083
Investment securities at amortized cost	2,059,027,051	-	1,781,836	2,060,808,887
Customers' liability under acceptances	5,233,506	-	-	5,233,506
Assets acquired in satisfaction of loans	19,666,700	-	-	19,666,700
Property and equipment	41,301,929	264,428	1,689,774	43,256,131
Intangible assets	779,153	152,431	171,868	1,103,452
Other assets	8,042,812	28,639	96,873	8,168,324
Total Assets	5,576,163,279	53,410,544	73,975,927	5,703,549,750
LIABILITIES				
Deposits from banks	74,572,775	-	-	74,572,775
Customers' accounts at amortized cost	4,987,853,447	63,767,661	57,138,595	5,108,759,703
Related parties' accounts at amortized cost	84,093,278	-	-	84,093,278
Customers' acceptance liability	5,233,506	-	-	5,233,506
Other liabilities	21,197,456	102,483	158,735	21,458,674
Provisions	6,461,100	-	-	6,461,100
Total Liabilities	5,179,411,562	63,870,144	57,297,330	5,300,579,036

	Year Ended December 31, 2012			
	Lebanon Operations	Cyprus	Iraq	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	393,575,406	1,731,550	1,451,728	396,758,684
Interest expense	(298,836,851)	(2,663,352)	(587,134)	(302,087,337)
Net interest income	94,738,555	(931,802)	864,594	94,671,347
Fee and commission income	7,068,358	81,551	2,438,732	9,588,641
Fee and commission expense	(1,778,297)	(48,593)	(113,613)	(1,940,503)
Net fee and commission income	5,290,061	32,958	2,325,119	7,648,138
Other operating income	9,112,137	4,373	17,329	9,133,839
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	29,269,231	2,219,509	-	31,488,740
Net financial revenues	138,409,984	1,325,038	3,207,042	142,942,064
Allowance for impairment of loans and advances (Net)	(6,165,698)	-	(108,672)	(6,274,370)
Net financial revenues after impairment charge for credit losses	132,244,286	1,325,038	3,098,370	136,667,694
Staff costs	(31,172,198)	(385,142)	(460,449)	(32,017,789)
Administrative expenses	(16,669,073)	(378,427)	(794,596)	(17,842,096)
Depreciation and amortization	(2,962,258)	(163,902)	(501,326)	(3,627,486)
Other expenses	(67,103)	-	-	(67,103)
	(50,870,632)	(927,471)	(1,756,371)	(53,554,474)
Profit before income tax	81,373,654	397,567	1,341,999	83,113,220
Income tax expense	(12,306,401)	-	-	(12,306,401)
Total comprehensive income	69,067,253	397,567	1,341,999	70,806,819

	Lebanon Operations LBP'000	Cyprus LBP'000	Iraq LBP'000	Total LBP'000
	Year Ended December 31, 2011			
Interest income	294,521,37	1 3,528,785	806,229	298,856,385
Interest expense	(244,083,552)	(2,946,492)	(69,440)	(247,099,484)
Net interest income	50,437,819	582,293	736,789	51,756,901
Fee and commission income	6,485,200	46,834	738,438	7,270,472
Fee and commission expense	(3,091,574)	(48,073)	(11,672)	(3,151,319)
Net fee and commission income	3,393,626	(1,239)	726,766	4,119,153
Other operating income	3,318,252	4,782	256,279	3,579,313
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	60,128,284	475,743	-	60,604,027
Net financial revenues	117,277,981	1,061,579	1,719,834	120,059,394
Allowance for impairment of loans and advances (Net)	(3,786,097)	-	(24,756)	(3,810,853)
Net financial revenues after impairment charge for credit losses	113,491,884	1,061,579	1,695,078	116,248,541
Provisions	(1,000,000)	-	-	(1,000,000)
Staff costs	(25,976,682)	(284,174)	(338,423)	(26,599,279)
Administrative expenses	(12,161,816)	(360,825)	(684,502)	(13,207,143)
Depreciation and amortization	(2,355,658)	(149,451)	(310,461)	(2,815,570)
Other expenses	(81,184)	-	-	(81,184)
	(41,575,340)	(794,450)	(1,333,386)	(43,703,176)
Profit before income tax	71,916,544	267,129	361,692	72,545,365
Income tax expense	(10,745,487)	-	-	(10,745,487)
Total comprehensive income	61,171,057	267,129	361,692	61,799,878

Subsequent to the balance sheet date, Cyprus has been exposed to a severe restructuring of its banking system led by the Troika as a condition precedent to provide the state of Cyprus a financial bailout to support servicing its foreign debts. In the light of the above, there could be adverse economic consequences that may arise from the prevailing situation, a matter of uncertainty that cannot be determined at present. Management is of the opinion that considering the Bank's size and business model of international banking operations with little exposure to the domestic market, it will not be materially affected by the current crisis.

41. FINANCIAL RISK MANAGEMENT

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

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

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Group. During its meeting held on October 11, 2011, the Bank's Board of Directors decided to initiate risk committee whose role is to supervise the proper implementation of risk management procedures at the Bank and all its branches aboard and subsidiaries, in compliance with the regulations issued or will be issued by the Central Bank of Lebanon and Banking Control Commission.

A. Credit Risk

1. Credit risk management

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

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

2. Loan classification and monitoring

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

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

B. Special mention accounts.
C. Substandard accounts.
D. Doubtful accounts.
E. Bad or failing accounts.

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

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

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

- **Substandard loans**: There is weakness in the borrower's creditworthiness, profitability, cash flows for a long period and collaterals or uses of the facilities for other purposes.

Default has occurred or is likely to occur or the repayment schedule has been restructured. Past due for more than 90 but less than 270 days.

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

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

Loan account classifications are reviewed periodically by the Credit department. Accounts' classification is monitored based on relevant facts related to the accounts' performance and are up and/or down-graded depending on the credit worthiness of the borrowers and their ability to pay back, taking into consideration the quality of the guarantees. Once Accounts are classified as less then regular, they become closely monitored for debtor's behavior, accounts performance, deterioration in the borrower's solvency, cash generation and overall financial condition.

If, however, the borrower's difficulties appear to be more fundamental and/or the collateral no longer adequately covers the facility, whether due to excessive exposure or diminution in the value of the collateral then the account is classified as Class C and interest is discontinued to be recognized in the income statement.

3. Risk mitigation policies

Collateral:

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

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

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

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

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

Impaired loans

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

Past due but not impaired loans

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

Allowances for impairment

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

Write-off policy

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

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

	2012			2011		
	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing retail loans:						
- Mortgage loans	185,532,126	-	185,532,126	130,089,392	-	130,089,392
- Personal loans	20,323,175	-	20,323,175	23,944,075	-	23,944,075
- Credit card	6,315,579	-	6,315,579	2,010,027	-	2,010,027
- Overdrafts	20,266,444	-	20,266,444	10,793,478	-	10,793,478
	232,437,324	-	232,437,324	166,836,972	-	166,836,972
Non-performing retail loans:						
- Substandard loans	51,736	-	51,736	1,345,046	-	1,345,046
- Doubtful loans	2,537,964	(1,671,129)	866,835	1,577,757	(1,047,924)	529,833
	2,589,700	(1,671,129)	918,571	2,922,803	(1,047,924)	1,874,879
Performing corporate loans:						
- Large Enterprises	731,233,009	-	731,233,009	400,513,011	-	400,513,011
- Small and medium enterprises	300,336,350	-	300,336,350	334,200,805	-	334,200,805
	1,031,569,359	-	1,031,569,359	734,713,816	-	734,713,816
Non-performing corporate loans:						
- Substandard loans	6,213,256	-	6,213,256	196,484	-	196,484
- Doubtful loans	38,409,537	(31,166,498)	7,243,039	40,537,430	(30,735,350)	9,802,080
	44,622,793	(31,166,498)	13,456,295	40,733,914	(30,735,350)	9,998,564
Allowance for collective impairment	-	(14,763,335)	(14,763,335)	-	(9,949,765)	(9,949,765)
Accrued interest receivable	2,632,294	-	2,632,294	1,153,386	-	1,153,386
	1,313,851,470	(47,600,962)	1,266,250,508	946,360,891	(41,733,039)	904,627,852

Performing corporate loans to large enterprises, outstanding at year end 2012, include an amount of LBP226billion related to a non-resident customer which is covered by LBP234billion cash collateral.

Interest income and expense recorded during 2012 for this customer amounted to LBP30.36billion and LBP28.83billion respectively.

Loans classified performing include overdue amounts as at December 31, 2012 and 2011 as follows:

	December 31,	
	2012	2011
	LBP000	LBP000
Between 30-60 days	62,745	3,664,162
Between 60-90 days	1,182,062	11,283
Between 90-180 days	254,203	433,418
Beyond 180 days	334,945	996,074
	1,833,955	5,104,937

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

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

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

	December 31, 2011						December 31, 2011				
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Real Estate Trading	Private Services	Individuals	Other	Allowance for Collective Impairment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and central banks	1,674,309,302	-	-	-	-	-	-	-	-	-	1,674,309,302
Deposits with banks and financial institutions	-	492,651,922	-	-	-	-	-	-	-	-	492,651,922
Investments at fair value through profit or loss	357,505,477	3,842,606	-	-	-	-	-	-	-	-	361,348,083
Loans to banks	-	91,429,994	-	-	-	-	-	-	-	-	91,429,994
Loans and advances to customers	302,988	191,687,459	176,782,476	89,943,081	125,066,643	2,914,602	105,681,083	214,943,877	7,255,408	(9,949,765)	904,627,852
Loans and advances to related parties	-	-	-	-	-	-	40,945,597	-	-	-	40,945,597
Investment securities at amortized cost	2,060,808,887	-	-	-	-	-	-	-	-	-	2,060,808,887
	4,092,926,654	779,611,981	176,782,476	89,943,081	125,066,643	2,914,602	146,626,680	214,943,877	7,255,408	(9,949,765)	5,626,121,637

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

December 31, 2012						
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'0000	LBP'000	LBP'000
Cash and central banks	1,952,725,878	83,097,612	-	772,021	-	2,036,595,511
Deposits with banks and financial institutions	35,812,172	1,839,208	62,904,892	278,798,592	375,300	379,730,164
Loans to banks	99,627,158	-	-	-	-	99,627,158
Loans and advances to customers	859,673,817	312,982,411	39,444,854	54,149,426	-	1,266,250,508
Loans and advances to related parties	38,870,115	-	-	-	-	38,870,115
Financial assets at fair value through profit or loss	647,189,743	-	-	-	-	647,189,743
Investment securities at amortized cost	2,012,708,994	-	-	-	-	2,012,708,994
	5,646,607,877	397,919,231	102,349,746	333,720,039	375,300	6,480,972,193
Deposits from banks	21,993,241	50,998,443	-	10,782,759	-	83,774,443
Customers' accounts	4,269,481,633	885,142,224	-	696,025,086	40,359,987	5,891,008,930
Related parties' accounts	104,245,365	-	-	-	-	104,245,365
	4,395,720,239	936,140,667	-	706,807,845	40,359,987	6,079,028,738

December 31, 2012						
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'0000	LBP'000	LBP'000
Cash and central banks	1,604,299,820	68,836,619	-	1,172,863	-	1,674,309,302
Deposits with banks and financial institutions	9,594,968	1,505,275	220,440,456	260,791,779	319,444	492,651,922
Loans to banks	91,429,994	-	-	-	-	91,429,994
Loans and advances to customers	766,368,998	117,300,083	301,500	20,657,271	-	904,627,852
Loans and advances to related parties	40,945,597	-	-	-	-	40,945,597
Financial assets at fair value through profit or loss	361,348,083	-	-	-	-	361,348,083
Investment securities at amortized cost	2,060,808,887	-	-	-	-	2,060,808,887
	4,934,796,347	187,641,977	220,741,956	282,621,913	319,444	5,626,121,637
Deposits from banks	27,949,756	31,923,401	2,341,718	12,357,900	-	74,572,775
Customers' accounts	3,651,754,735	752,622,378	30,430,482	632,207,289	41,744,819	5,108,759,703
Related parties' accounts	84,093,278	-	-	-	-	84,093,278
	3,763,797,769	784,545,779	32,772,200	644,565,189	41,744,819	5,267,425,756

B. Liquidity Risk

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

1. Liquidity risk management

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

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

December 31, 2012							
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
Deposits and borrowings from banks	51,864	31,906	4	-	-	-	83,774
Customers' accounts	-	4,816,045	459,899	365,950	247,773	1,342	5,891,009
Related parties' accounts	-	-	104,245	-	-	-	104,245
	51,864	4,847,951	564,148	365,950	247,773	1,342	6,079,028

December 31, 2011							
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
Deposits and borrowings from banks	28	67,005	7,540	-	-	-	74,573
Customers' accounts	4,226	4,597,863	489,342	17,329	-	-	5,108,760
Related parties' accounts	-	84,093	-	-	-	-	84,093
	4,254	4,748,961	496,882	17,329	-	-	5,267,426

Concentration of Financial Liabilities by counterparty:

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

C. Market Risks

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

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

1. Interest rate risk

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

Large amounts of the Group's financial assets, primarily investments in certificates of deposits and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk. Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed interest rates.

• Exposure to interest rate risk

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

	December 31, 2012						
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
FINANCIAL ASSETS							
Cash and central banks	235,904	140,186	1,512	130,517	9,054	1,519,423	2,036,596
Deposits with banks and financial institutions	170,589	149,514	59,627	-	-	-	379,730
Loans to banks	-	647	2,780	96,200	-	-	99,627
Loans and advances to customers	17,171	467,119	773,143	8,479	336	3	1,266,251
Loans and advances to related parties	-	-	38,870	-	-	-	38,870
Financial assets at fair value through profit or loss	11,599	-	-	129,585	184,175	321,831	647,190
Investment securities at amortized cost	33,915	95,035	167,208	1,300,130	125,255	291,166	2,012,709
	469,178	852,501	1,043,140	1,664,911	318,820	2,132,423	6,480,973
FINANCIAL LIABILITIES							
Deposits from banks	51,864	31,906	4	-	-	-	83,774
Customers' accounts	-	4,742,266	1,126,576	20,825	1,342	-	5,891,009
Related parties' accounts	-	-	104,245	-	-	-	104,245
	51,864	4,774,172	1,230,825	20,825	1,342	-	6,079,028

December 31, 2011	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
FINANCIAL ASSETS							
Cash and central banks	38,762	520,867	1,114,680	-	-	-	1,674,309
Deposits with banks and financial institutions	(521)	493,173	-	-	-	-	492,652
Loans to banks	-	390	-	41,040	50,000	-	91,430
loans and advances to customers	14,203	202,365	658,533	13,744	6,016	9,767	904,628
Loans and advances to related parties	-	-	40,946	-	-	-	40,946
Financial assets at fair value through profit or loss	1,322	1,054	-	101,383	3,818	253,771	361,348
Investment securities at amortized cost	-	-	178,862	1,533,307	72,992	275,648	2,060,809
	53,766	1,217,849	1,993,021	1,689,474	132,826	539,186	5,626,122
FINANCIAL LIABILITIES							
Deposits from banks	28	67,005	7,540	-	-	-	74,573
Customers' accounts	4,226	4,597,863	489,342	17,329	-	-	5,108,760
Related parties' accounts	-	84,093	-	-	-	-	84,093
	4,254	4,748,961	496,882	17,329	-	-	5,267,426

2. Foreign Exchange risk

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

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

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

December 31, 2011						
					Other	
		USD	Euro	GBP	Currencies	
	LBP	C/V in LBP	C/V in LBP	C/V in LBP	C/V in LBP	Total
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
ASSETS						
Cash and central banks	751,677,499	622,680,687	285,943,320	28,315	13,979,481	1,674,309,302
Deposits with banks						
and financial institutions	60,971	225,820,194	250,905,849	544,429	15,320,479	492,651,922
Loans to banks	91,429,994	-	-	-	-	91,429,994
Loans and advances to customers	174,311,060	687,195,195	35,722,081	5,624,531	1,774,985	904,627,852
Loans and advances						
to related parties	899,248	39,993,139	52,969	241	-	40,945,597
Financial assets at fair						
value through profit or loss	284,355,281	76,992,802	-	-	-	361,348,083
Investment securities						
at amortized cost	1,280,797,602	704,886,338	73,343,111	-	1,781,836	2,060,808,887
Customers' liability						
under acceptances	-	2,748,459	2,454,136	-	30,911	5,233,506
Assets acquired in satisfaction						
of loans	640,985	19,025,715	-	-	-	19,666,700
Property and equipment	40,280,598	1,021,331	264,428	-	1,689,774	43,256,131
Intangible assets	779,153	-	152,431	-	171,868	1,103,452
Other assets	6,475,360	3,239,972	1,573,864	(12,323,390)	9,127,088	8,092,894
Total Assets	2,631,707,751	2,383,603,832	650,412,189	(6,125,874)	43,876,422	5,703,474,320
LIABILITIES						
Deposits from banks	6,561,654	64,614,694	3,390,042	1	6,384	74,572,775
Customers' accounts	2,256,987,549	2,182,906,979	629,633,615	18,515,797	20,715,763	5,108,759,703
Related parties' accounts	39,697,976	32,298,031	12,095,555	1,689	27	84,093,278
Liability under acceptances	-	2,748,459	2,454,136	-	30,911	5,233,506
Other liabilities	12,654,272	6,566,949	1,882,366	9,583	345,504	21,458,674
Provisions	5,608,781	852,319	-	-	-	6,461,100
Total Liabilities	2,321,510,232	2,289,987,431	649,455,714	18,527,070	21,098,589	5,300,579,036
Currencies to be delivered	-	10,401,116	7,015,694	12,323,878	13,834,981	43,575,669
Currencies to be received	-	(12,916,265)	(7,756,330)	-	(22,827,644)	(43,500,239)
Total Liabiilties	-	(2,515,149)	(740,636)	12,323,878	(8,992,663)	75,430
Net on-balance sheet						
financial position	310,197,519	91,101,252	215,839	(12,329,066)	13,785,170	402,970,714

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; an illiquidity discount, at variable degrees based on circumstances, is applied for prices quoted in inactive market, to compensate for illiquidity factor.

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

The summary of the Group's classification of each class of financial assets and liabilities covered by IAS 39 and IFRS 9, and their fair values are as follows:

December 31, 2012					
	Financial				
	Assets at Fair		Other Accounts	Total	
	Value Through	Amortized	at Amortized	Carrying	Total
	Profit or Loss	Cost	Cost	Value	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS					
Cash and central banks	-	-	2,036,595,511	2,036,595,511	2,036,595,511
Deposits with banks					
and financial institutions	-	-	379,730,164	379,730,164	379,730,164
Loans to banks					
Loans and advances to customers	-	-	1,266,250,508	1,266,250,508	1,269,102,084
Loans and advances					
to related parties	-	-	38,870,115	38,870,115	38,870,115
Financial assets at fair					
value through profit or loss	647,189,743	-	-	647,189,743	647,189,743
Investment securities					
at amortized cost	-	2,012,708,994	-	2,012,708,994	2,103,087,220
Total	647,189,743	2,012,708,994	3,721,446,298	6,381,345,035	6,474,574,837
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	-	-	83,774,443	83,774,443	83,774,443
Customers' accounts	-	-	5,891,008,930	5,891,008,930	5,891,008,930
Related parties' accounts	-	-	104,245,365	104,245,365	104,245,365
Total	-	-	6,079,028,738	6,079,028,738	6,079,028,738

	December 31, 2011					
		Trading Assets				
		at Fair Value		Other Accounts	Total	
	Trading	Through	Amortized	at Amortized	Carrying	Total
	Assets	Profit or Loss	Cost	Cost	Value	Fair Value
	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000	LBP'000 000
FINANCIAL ASSETS						
Cash and central banks	-	-	-	1,674,309,302	1,674,309,302	1,674,309,302
Deposits with banks						
and financial institutions	-	-	-	492,651,922	492,651,922	492,651,922
Trading assets at fair value through						
profit or loss	-	361,348,083	-	-	361,348,083	361,348,083
Loans and advances to customers	-	-	-	904,627,852	904,627,852	905,551,240
Loans and advances to related parties	-	-	-	40,945,597	40,945,597	40,945,597
Investment securities at amortized cost	-	-	2,060,808,887	-	2,060,808,887	2,156,547,603
Total	-	361,348,083	2,060,808,887	3,112,534,673	5,534,691,643	5,631,353,747
FINANCIAL LIABILITIES						
Deposits and borrowings from banks	-	-	-	74,572,775	74,572,775	74,572,775
Customers' accounts	-	-	-	5,108,759,703	5,108,759,703	5,108,759,703
Related parties' accounts						
cost	-	-	-	84,093,278	84,093,278	84,093,278
Total	-	-	-	5,267,425,756	5,267,425,756	5,267,425,756

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable;

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS				
Trading assets at fair value through				
profit or loss:				
Quoted equity securities	3,324,853	-	-	3,324,853
Unquoted equity securities	-	-	160,322	160,322
Lebanese treasury bills	-	-	294,949,530	294,949,530
Lebanese Government bonds	-	121,243,931	-	121,243,931
Certificates of deposit issued by				
the Central Bank of Lebanon	-	216,343,357	-	216,343,357
	3,324,853	337,587,288	295,109,852	636,021,993

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS				
Trading assets at fair value through				
profit or loss:				
Quoted equity securities	3,682,284	-	-	3,682,284
Unquoted equity securities	-	-	160,322	160,322
Lebanese Government bonds	-	72,328,474	-	72,328,474
Certificates of deposit issued by				
the Central Bank of Lebanon	-	278,339,732	-	278,339,732
	3,682,284	350,668,206	160,322	354,510,812

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2012 were approved for issuance by the Board of Directors on May 13, 2013.

Annual Report 2012

BRANCHES

> Begin with the End in Mind
>
> "Self-discover and clarify your deeply important character values and life goals. Envision the ideal characteristics for each of your various roles and relationships in life."
>
> Stephen R. Covey

IBL BANK

CURRENT GEOGRAPHICAL REPRESENTATION OF IBL BANK

The Bank currently has nineteen local operational branches: seven branches along with the Head-Office are located in the Greater Beirut region, four branches in the North of Lebanon, two branches in the South of Lebanon, five branches in the Mount Lebanon area and one branch in the Bekaa.

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

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

In July 2006, the Bank established one representative office in Erbil in the Kurdistan region of the north of Iraq. Following the more than satisfactory results of the representative office in Erbil, the Board of Directors decided to leverage its first mover advantage in Iraq and to upgrade its representative office in Erbil into a Full Branch that started its operations during 2008.
A second new branch was opened in Baghdad-Iraq and started its operations in December 2010. Furthermore, the Bank has obtained the License to open and operate a third new branch in Basra – Iraq, which is actually under constitution and which should start its operations before the end of 2013.

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

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

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

HEADQUARTERS

Charles Malek Avenue - Al Ittihadiah Bldg - P.O.Box 11-5292 Beirut
Phone: (01) 200350 - 334102 | Fax: 961 01 204524 | Call Center (04) 727244
Swift code: INLELBBE | E-mail: ibl@ibl.com.lb | Domain: www.ibl.com.lb

BRANCHESINLEBANON

BEIRUT AND SUBURBS

ACHRAFIEH

Charles Malek Avenue - Al Ittihadiah Bldg
P.O.Box 11-5292 Beirut
Phone: (01) 200350 - 334102
Fax: 961 01 204524
Manager: Mr. Béchara Mattar

HAMRA

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

MOUSSAITBEH

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

DORA

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

BAUCHRIEH

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

ANTELIAS

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

VERDUN

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

JNAH

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

OTHERREGIONS

HAZMIEH

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

ELYSSAR

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

BATROUN

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

JOUNIEH

Serail Street - Bechara Menassa Bldg
P.O.Box: 1820 Jounieh
Phone & Fax: (09) 915715 - 918438
Fax: (06) 351956
Manager: Mr Joseph Chehwan

SAIDA

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

TYR

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

TRIPOLI

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

KOBAYAT

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

CHTAURA

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

BALAMAND

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

JBEIL

Voie 13, Kordahi Bldg
P.O.Box 11-5292 Beirut
Phone: (09) 543992
Fax: (09) 543994
Manager: Mr. Rabih Abi Ghosn

BRANCHES ABROAD

IRAQ - ERBIL

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Ainkawa road Mahala 319, Bakhteary,
Erbil – IRAQ
Phone: +964.66.2251342,
Direct: +964.66.2561512,
Mobile:+964.750.424376
Swift: INLELBBE
Manager: Miss Ishtar Zulfa

IRAQ - BAGHDAD

Al Karada, Babel District N° 929
Street N° 18, Building No 24,
Baghdad – Iraq
Mobile: +964 7809 552 911
Swift: INLELBBE
http: // www.ibl.com.lb
e-mail: baghdad@ibl.com.lb
Manager: Mr. Michel Assaf

CYPRUS – LIMASSOL

IDEAL building, 1st Floor,
214 Arch, Makarios III Avenue
3030 Limassol, CYPRUS .
P.O.BOX 54273
3722 Limassol - CYPRUS
Phone: +357 25 504444
Fax: +357 25 504450
Manager: Mrs Ghada Christofides

IBL INVESTMENT BANK SAL

HEADQUARTERS

Rachid Karame street
Verdun – Beirut
PO Box: 11-5292
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In charge: Mr. Rodolphe Attallah