

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BYBLOS BANK SAL

We have audited the accompanying consolidated financial statements of Byblos Bank SAL (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Semaan, Gholam & Co.

21 April 2015
Beirut, Lebanon

Byblos Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 LL million	2013 LL million
Interest and similar income	8	1,413,234	1,295,959
Interest and similar expense	9	(1,049,537)	(950,115)
NET INTEREST INCOME		363,697	345,844
Fee and commission income	10	149,631	154,040
Fee and commission expense	10	(13,767)	(15,047)
NET FEE AND COMMISSION INCOME		135,864	138,993
Net gain from financial instruments at fair value through profit or loss	11	66,942	86,098
Net gain from sale of financial assets at amortized cost	12	104,818	79,862
Revenue from financial assets at fair value through other comprehensive income	27	2,736	1,144
Other operating income	13	21,859	23,542
TOTAL OPERATING INCOME		695,916	675,483
Net credit losses	14	(39,428)	(79,132)
NET OPERATING INCOME		656,488	596,351
Personnel expenses	15	(167,617)	(162,226)
Other operating expenses	16	(132,041)	(126,961)
Depreciation of property and equipment	28	(24,882)	(27,218)
Amortisation of intangibles assets	29	(159)	(159)
TOTAL OPERATING EXPENSES		(324,699)	(316,564)
OPERATING PROFIT		331,789	279,787
Net gain on disposal of property and equipment		20	21
PROFIT BEFORE TAX		331,809	279,808
Income tax expense	17	(67,277)	(44,359)
PROFIT FOR THE YEAR		264,532	235,449
Attributable to:			
Equity holders of the parent		252,792	224,683
Non-controlling interests		11,740	10,766
		264,532	235,449
Earnings per share		LL	LL
Equity shareholders of the parent:			
Basic earnings per share	18	363.21	313.68
Diluted earnings per share	18	339.79	298.02

The attached notes 1 to 54 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>LL million</i>	2013 <i>LL million</i>
PROFIT FOR THE YEAR		264,532	235,449
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to the income statement in subsequent periods:</i>			
Exchange difference on translation of foreign operations		(47,460)	(61,299)
Net other comprehensive loss to be reclassified to the income statement in subsequent periods		(47,460)	(61,299)
<i>Items not to be reclassified to the income statement in subsequent periods:</i>			
Net unrealized gain from financial assets at fair value through other comprehensive income		10,657	8,222
Income tax effect		(1,546)	(1,232)
		9,111	6,990
Re-measurement gains on defined benefit plans	37 (a)	977	2,741
Net other comprehensive income not to be reclassified to the income statement in subsequent periods		10,088	9,731
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(37,372)	(51,568)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		227,160	183,881
Attributable to:			
Equity holders of the parent		227,342	203,526
Non-controlling interests		(182)	(19,645)
		227,160	183,881

The attached notes 1 to 54 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>LL million</i>	<i>2013</i> <i>LL million</i>
ASSETS			
Cash and balances with central banks	19	7,048,785	5,809,930
Due from banks and financial institutions	20	2,913,279	3,353,314
Loans to banks and financial institutions and reverse repurchase agreements	21	393,712	614,866
Financial assets given as collateral	22	7,005	7,005
Derivative financial instruments	23	6,715	3,824
Financial assets at fair value through profit or loss	24	155,582	157,447
Net loans and advances to customers at amortized cost	25	7,099,163	6,776,850
Net loans and advances to related parties at amortized cost	47	28,033	23,732
Debtors by acceptances		302,939	445,957
Financial assets at amortized cost	26	10,260,119	10,198,193
Financial assets at fair value through other comprehensive income	27	98,718	86,895
Property and equipment	28	236,379	243,230
Intangible assets	29	652	811
Assets obtained in settlement of debt	30	36,677	36,379
Other assets	31	106,780	107,835
TOTAL ASSETS		28,694,538	27,866,268
LIABILITIES AND EQUITY			
Liabilities			
Due to central banks	32	71,146	51,502
Due to banks and financial institutions	33	911,173	1,392,562
Derivative financial instruments	23	5,427	3,063
Customers' deposits at amortized cost	34	23,377,789	21,970,185
Deposits from related parties at amortized cost	47	312,813	264,477
Debt issued and other borrowed funds	35	445,387	506,489
Engagements by acceptances		302,939	445,957
Other liabilities	36	163,903	195,704
Provisions for risks and charges	37	145,429	138,375
Subordinated debt	38	414,580	412,368
TOTAL LIABILITIES		26,150,586	25,380,682
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	39	684,273	684,273
Share capital – preferred shares	39	4,840	4,840
Share premium – common shares	39	229,014	229,014
Share premium – preferred shares	39	591,083	588,671
Non distributable reserves	40	748,879	672,318
Distributable reserves	41	95,943	97,253
Treasury shares	43	(6,425)	(10,054)
Retained earnings		39,899	52,118
Revaluation reserve of real estate	44	5,689	5,689
Change in fair value of financial assets at fair value through other comprehensive income	45	(7,533)	(16,644)
Net results of the financial period – profit		252,792	224,683
Foreign currency translation reserve		(164,357)	(123,650)
NON-CONTROLLING INTERESTS		69,855	77,075
TOTAL EQUITY		2,543,952	2,485,586
TOTAL LIABILITIES AND EQUITY		28,694,538	27,866,268

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 21 April 2015.

Dr Francois Bassil
Chairman/ General Manager

Mr Ziad El-Zoghbi
Financial and Administrative Manager

The attached notes 1 to 54 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the parent													Non-controlling interests	Total	
	Common shares LL million	Preferred shares LL million	Share premium - common shares LL million	Share premium - preferred shares LL million	Non-distributable reserves LL million	Distributable reserves LL million	Other equity instruments LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Change in fair value of financial assets at fair value through other comprehensive income LL million	Net results of the financial period - profit LL million	Foreign currency translation reserve LL million			Total LL million
Balance at 1 January 2014	684,273	4,840	229,014	588,671	672,318	97,253	-	(10,054)	52,118	5,689	(16,644)	224,683	(123,650)	2,408,511	77,075	2,485,586
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	252,792	-	252,792	11,740	264,532
Other comprehensive income (loss)	-	-	-	-	-	-	-	977	-	-	9,111	-	(35,538)	(25,450)	(11,922)	(37,372)
Total comprehensive income (loss)	-	-	-	-	-	-	-	977	-	-	9,111	252,792	(35,538)	227,342	(182)	227,160
Transfer to retained earnings	-	-	-	-	-	(7,000)	-	-	231,683	-	-	(224,683)	-	-	-	-
Transfer to reserves and premiums	-	-	-	2,412	76,764	4,691	-	-	(83,867)	-	-	-	-	-	-	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,225)	(4,225)
Equity dividends paid (note 54)	-	-	-	-	-	-	-	-	(161,012)	-	-	-	-	(161,012)	-	(161,012)
Treasury shares (note 43)	-	-	-	-	(203)	-	3,629	-	-	-	-	-	-	3,426	-	3,426
Put options on non-controlling interests (note 6)	-	-	-	-	-	999	-	-	-	-	-	-	-	999	2,571	3,570
Acquisition of additional non-controlling interests (note 5)	-	-	-	-	-	-	-	-	-	-	-	-	(5,169)	(5,169)	(5,384)	(10,553)
Balance at 31 December 2014	684,273	4,840	229,014	591,083	748,879	95,943	-	(6,425)	39,899	5,689	(7,533)	252,792	(164,357)	2,474,097	69,855	2,543,952

	Attributable to equity holders of the parent													Non-controlling interests	Total	
	Common shares LL million	Preferred shares LL million	Share premium - common shares LL million	Share premium - preferred shares LL million	Non-distributable reserves LL million	Distributable reserves LL million	Other equity instruments LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Change in fair value of financial assets at fair value through other comprehensive income LL million	Net results of the financial period - profit LL million	Foreign currency translation reserve LL million			Total LL million
Balance at 1 January 2013	684,273	4,840	229,014	586,259	568,145	99,659	14,979	(25,302)	74,024	5,689	(23,634)	246,450	(92,762)	2,371,634	120,172	2,491,806
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	224,683	-	224,683	10,766	235,449
Other comprehensive income (loss)	-	-	-	-	-	-	-	2,741	-	-	6,990	-	(30,888)	(21,157)	(30,411)	(51,568)
Total comprehensive income (loss)	-	-	-	-	-	-	-	2,741	-	-	6,990	224,683	(30,888)	203,526	(19,645)	183,881
Transfer to retained earnings	-	-	-	-	-	-	-	246,450	-	-	-	(246,450)	-	-	-	-
Transfer to reserves and premiums	-	-	-	2,412	104,448	3,346	-	-	(110,206)	-	-	-	-	-	-	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,209)	(3,209)
Translation difference	-	-	-	-	-	-	-	-	(54)	-	-	-	-	(54)	-	(54)
Equity dividends paid (note 54)	-	-	-	-	-	-	-	-	(160,837)	-	-	-	-	(160,837)	-	(160,837)
Treasury shares (note 43)	-	-	-	-	(275)	-	(14,979)	15,248	-	-	-	-	-	(6)	-	(6)
Put options on non-controlling interests (note 6)	-	-	-	-	-	(5,752)	-	-	-	-	-	-	-	(5,752)	(20,243)	(25,995)
Balance at 31 December 2013	684,273	4,840	229,014	588,671	672,318	97,253	-	(10,054)	52,118	5,689	(16,644)	224,683	(123,650)	2,408,511	77,075	2,485,586

The attached notes 1 to 54 form part of these consolidated financial statements.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>LL million</i>	<i>2013</i> <i>LL million</i>
OPERATING ACTIVITIES			
Profit before tax		331,809	279,808
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	28 & 29	25,041	27,377
Provision for loans and advances and direct write offs, net	14	43,361	80,448
Write-back of provision for other doubtful bank accounts, net	14	(446)	(897)
Write-back of provision for financial assets at amortized cost, net	14	(3,487)	(419)
Gain on disposal of property and equipment		(20)	(21)
Gain on disposal of assets obtained in settlement of debt	13	(2,190)	(5,791)
Provisions for risks and charges, net		10,957	14,399
Unrealized fair value gains on financial instruments at fair value through profit or loss		(4,574)	(4,520)
Realized gains from financial assets		(108,936)	(76,407)
Derivative financial instruments		(527)	2,800
Operating profit before working capital changes		290,988	316,777
Changes in operating assets and liabilities			
Due from central banks		(969,530)	(490,715)
Due to central banks		17,911	32,792
Due from banks and financial institutions		(37,020)	(13,231)
Financial assets given as collateral		-	1,918
Financial assets at fair value through profit or loss		10,557	144,527
Due to banks and financial institutions		(76,022)	(33,291)
Net loans and advances to customers and related parties		(369,975)	(670,112)
Assets obtained in settlement of debt	30	(2,563)	(5,687)
Proceeds from sale of assets obtained in settlement of debt		4,455	8,301
Other assets		(6,648)	(9,587)
Customers' and related parties' deposits		1,455,940	2,059,029
Other liabilities		(36,796)	(99,068)
Cash from operations		281,297	1,241,653
Provision for risks and charges paid		(1,816)	(3,748)
Taxation paid		(56,494)	(47,788)
Net cash from operating activities		222,987	1,190,117
INVESTING ACTIVITIES			
Financial assets at amortized cost		46,379	(972,286)
Financial assets at fair value through other comprehensive income		(1,431)	(10)
Loans to banks and financial institutions and reserve purchase agreements		221,154	(156,159)
Purchase of property and equipment and intangible assets		(23,834)	(18,674)
Proceeds from sale of property and equipment		182	237
Net cash from (used in) investing activities		242,450	(1,146,892)
FINANCING ACTIVITIES			
Debts issued and other borrowed funds		(61,102)	(2,222)
Subordinated debt		2,212	1,472
Treasury shares		3,426	(6)
Dividends paid to equity holders of the parent (net)		(161,012)	(160,837)
Dividends paid to non-controlling interests		(4,225)	(3,209)
Acquisition of additional non-controlling interests		(10,553)	-
Net cash used in financing activities		(231,254)	(164,802)
Net effect of foreign exchange		(38,725)	(43,725)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		195,458	(165,302)
Cash and cash equivalents at 1 January		4,455,785	4,621,087
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	46	4,651,243	4,455,785
Operational cash flows from interest and dividends			
Interest paid		(1,043,104)	(925,827)
Interest received		1,415,702	1,306,114
Dividend received		3,293	1,715

The attached notes 1 to 54 form part of these consolidated financial statements.