

BLC BANK S.A.L.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2015**

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Deloitte.

Deloitte & Touche
Arabia House
131 Phoenicia Street
Ain Mreisseh, Beirut
P.O.Box 11-961
Lebanon

Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

BT 30714/DTT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of BLC BANK S.A.L. (the "Bank"), which comprise the statement of financial position as at December 31, 2015, the statements of profit or loss and other comprehensive income, the statement of changes in equity and the 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of 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 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 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 the existing banking laws in Lebanon. The procedures selected depend on the auditor's 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 financial statements present fairly, in all material respects, the financial position of BLC Bank S.A.L. as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 9, 2016


DFK Fiduciaire du Moyen Orient


Deloitte & Touche

BLC BANK S.A.L.
STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>Notes</u>	<u>December 31.</u>	
		<u>2015</u>	<u>2014</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash and Central Bank	5	992,601,473	859,748,311
Deposits with banks and financial institutions	6	387,388,573	233,169,950
Loan to a bank	7	4,939,568	5,645,220
Investment securities at fair value through profit or loss	9	189,660,511	105,100,853
Loans and advances to customers	8	2,291,310,925	2,200,001,398
Investment securities at amortized cost	9	3,425,909,276	3,171,381,622
Investment securities at fair value through other comprehensive income	9	16,415,311	15,652,141
Customers' liability under acceptances	10	29,599,306	30,903,191
Investments in subsidiaries	11	112,515,459	104,474,144
Assets acquired in satisfaction of loans	12	89,800,699	88,887,519
Property and equipment	13	67,295,642	69,490,588
Intangible assets	14	1,923,902	2,448,652
Deferred assets	15	62,972,190	87,584,283
Other assets	16	<u>22,824,353</u>	<u>24,182,719</u>
Total Assets		<u>7,695,157,188</u>	<u>6,998,670,591</u>
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	36		
Letters of guarantee and standby letters of credit		202,922,355	175,928,725
Letters of credit		28,211,332	32,423,312
Forward exchange contracts		135,675,710	96,198,982
FIDUCIARY ACCOUNTS	37	13,154,163	12,052,500
ASSETS UNDER MANAGEMENT	16	17,302,456	17,004,996

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS

BLC BANK S.A.L.
STATEMENT OF FINANCIAL POSITION

(Continued)

<u>LIABILITIES</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2015</u>	<u>2014</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Deposits from banks	17	42,688,622	107,392,856
Customers' accounts	18	5,943,649,368	5,351,049,837
Liability under acceptances	10	29,599,306	30,903,191
Other borrowings	19	848,034,636	719,222,190
Other liabilities	20	74,116,131	67,321,567
Provisions	21	8,711,687	8,493,304
Total liabilities		<u>6,946,799,750</u>	<u>6,284,382,945</u>
 <u>EQUITY</u> 			
Capital	22	152,700,000	152,700,000
Preferred shares	23	195,975,001	195,975,001
Reserves	24	167,985,167	148,090,151
Regulatory reserve for assets acquired in satisfaction of loans	24	37,436,066	29,750,043
Brought forward retained earnings		120,488,240	115,089,118
Cumulative change in fair value of investments at fair value through other comprehensive income	9	6,864,585	6,265,831
Net profit for the year		66,908,379	66,417,502
Total equity		<u>748,357,438</u>	<u>714,287,646</u>
Total Liabilities and Equity		<u>7,695,157,188</u>	<u>6,998,670,591</u>

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS

BLC BANK S.A.L.
STATEMENT OF PROFIT OR LOSS

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2015</u> <u>LBP'000</u>	<u>2014</u> <u>LBP'000</u>
Interest income	26	427,156,608	405,744,900
Interest expense	27	(270,691,162)	(252,227,774)
Net interest income		<u>156,465,446</u>	<u>153,517,126</u>
Fee and commission income	28	26,432,693	24,689,138
Fee and commission expense	29	(2,744,213)	(3,506,560)
Net fee and commission income		<u>23,688,480</u>	<u>21,182,578</u>
Net interest and other gain /(loss) on investments securities at fair value through profit or loss	30	7,708,664	5,457,809
Gain from derecognition of financial assets measured at amortized cost	9	2,996,538	202,560
Other operating income	31	<u>6,887,631</u>	<u>4,422,361</u>
Net financial revenues		197,746,759	184,782,434
Allowance for impairment of loans and advances (net)	8	(4,966,692)	(5,472,685)
Loans' recovery, net		17,634	318,805
Write-back of discount on purchased loan portfolio	8	<u>352,865</u>	<u>270,600</u>
Net financial revenues after net impairment loss/ write-back		193,150,566	179,899,154
Write down of deferred assets	15	(15,495,266)	(14,800,838)
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	12,13	532,942	3,332,815
Dividend income from subsidiaries	11	1,370,838	1,860,509
Allowance for contingencies	21	(489,938)	(271,350)
Staff costs	33	(58,145,228)	(55,122,369)
General and administrative expenses	34	(32,847,340)	(31,521,563)
Depreciation and amortization	13, 14	(6,851,289)	(6,049,374)
Other non-operating income	32	<u>139,007</u>	<u>3,726,646</u>
Profit before income tax		81,364,292	81,053,630
Income tax expense	20	(14,455,913)	(14,636,128)
Profit for the year		<u>66,908,379</u>	<u>66,417,502</u>

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE
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BLC BANK S.A.L.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2015</u> <u>LBP'000</u>	<u>2014</u> <u>LBP'000</u>
Profit for the year		<u>66,908,379</u>	<u>66,417,502</u>
Other comprehensive income:			
<i>Items that will not be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Net change in fair value of investments			
at fair value through other comprehensive income	9	704,417	1,261,367
Deferred tax liability	20	<u>(105,663)</u>	<u>(489,205)</u>
Total other comprehensive income for the year		<u>598,754</u>	<u>772,162</u>
Total comprehensive income for the year		<u>67,507,133</u>	<u>67,189,664</u>

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE
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BLC BANK S.A.L.
STATEMENT OF CHANGES IN EQUITY

	Capital LBP'000	Preferred Shares and Premiums LBP'000	Legal Reserve LBP'000	Free Reserves LBP'000	Reserve for General Banking Risks LBP'000	Special Reserves for Loans and Advances LBP'000	Regulatory Reserve for Assets Acquired in Satisfaction of Loans LBP'000	Cumulative Change in Fair Value of Investment Securities LBP'000	Retained Earnings LBP'000	Profit for the Year LBP'000	Total LBP'000
Balance - January 1, 2014	152,700,000	195,975,001	32,406,363	61,830,129	35,332,266	-	23,019,272	5,493,669	92,953,469	58,847,034	658,557,203
Allocation of 2013 profit	-	-	5,884,703	-	10,444,907	1,778,478	7,144,076	-	33,594,870	(58,847,034)	-
Dividends paid to preferred shares (Note 25)	-	-	-	-	-	-	-	-	(11,459,221)	-	(11,459,221)
Transfer to free reserves	-	-	-	413,305	-	-	(413,305)	-	-	-	-
Total comprehensive income for the year 2014	-	-	-	-	-	-	-	772,162	-	66,417,502	67,189,664
Balance - December 31, 2014	152,700,000	195,975,001	38,291,066	62,243,434	45,777,173	1,778,478	29,750,043	6,265,831	115,089,118	66,417,502	714,287,646
Allocation of 2014 profit	-	-	6,641,750	945,000	10,990,343	925,000	8,078,946	-	38,836,463	(66,417,502)	-
Dividends paid	-	-	-	-	-	-	-	-	(19,851,000)	-	(19,851,000)
Dividends paid to preferred shares (Note 25)	-	-	-	-	-	-	-	-	(13,586,341)	-	(13,586,341)
Transfer to free reserves	-	-	-	392,923	-	-	(392,923)	-	-	-	-
Total comprehensive income for the year 2015	-	-	-	-	-	-	-	598,754	-	66,908,379	67,507,133
Balance - December 31, 2015	152,700,000	195,975,001	44,932,816	63,381,357	56,767,516	2,703,478	37,436,966	6,864,585	120,488,240	66,908,379	748,557,438

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

BLC BANK S.A.L.
STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31,	
		2015 LBP'000	2014 LBP'000
Cash flows from operating activities:			
Profit for the year		66,908,379	66,417,502
Adjustments for:			
Impairment of loans and advances to customers	8	4,613,827	5,202,085
Depreciation and amortization	13,14	6,851,289	6,049,374
Income originated from contractual future cash flows		(139,007)	(410,146)
Write down of deferred assets	15	15,495,266	14,800,838
Provision for contingencies, (net)	21	489,938	271,350
Provision for staff end-of-service indemnities, (net)	21	391,607	440,585
(Write-back)/provision for loss on foreign currency position	21	(61,620)	63,407
Effect of foreign currency fluctuations		16,307,797	20,336,000
Unrealized loss on investments at fair value through profit or loss	30	1,663,009	116,053
Income tax expense		14,455,913	14,636,128
Gain on disposal of property and equipment	13	(1,690)	(4,443)
Gain on disposal of property acquired in satisfaction of loans	12	(531,252)	(3,328,372)
Dividend income		(2,510,807)	(2,369,750)
Interest expense	27	270,691,162	252,227,774
Interest income	26, 30	(436,374,315)	(411,144,080)
Net increase in loans and advances to customers		(41,750,504)	(36,695,695)
Net (increase) /decrease in investments at fair value through profit or loss		(84,599,566)	39,645,564
Net increase in investments at amortized cost		(255,328,983)	(113,365,726)
Net increase in investments at fair value through other comprehensive income	9, 38	(60,323)	-
Net increase in customers' deposits	18	586,834,453	91,438,015
Net increase in compulsory deposits with Central Bank		(43,076,266)	(42,006,213)
Net increase in term deposits with Central Bank		(75,375,000)	(25,627,500)
Net (increase) /decrease in term deposits with banks and financial institutions		(754,312)	753,846
Net decrease /(increase) in margin with correspondents		768,825	(3,346,650)
Net decrease /(increase) in blocked deposits with a subsidiary		1,727,268	(18,705,474)
Net (decrease) /increase in deposits from banks		(64,682,409)	10,903,975
Net decrease /(increase) in other assets		1,358,366	(4,339,030)
Net increase in other liabilities		6,818,888	3,325,335
Proceeds from disposal of property acquired in satisfaction of loans		2,115,423	4,512,098
Settlements and other adjustments made from provisions		(490,849)	(116,400)
Income tax paid		(53,758,752)	(368,618,818)
Dividends received from subsidiaries		(14,585,900)	(10,035,647)
Dividends received from investments at fair value through profit or loss		1,370,838	1,860,509
Dividends received from investments at fair value through other comprehensive income	30	121,115	95,285
Interest paid	31	1,018,854	413,956
Interest received		(264,968,369)	(247,977,014)
Net cash used in operating activities		<u>435,842,922</u>	<u>421,991,693</u>
		<u>105,040,708</u>	<u>(202,270,036)</u>
Cash flows from investing activities:			
Investments in subsidiaries	11, 38	(9,909,595)	(2,100)
Acquisition of property and equipment	13	(3,806,877)	(5,774,732)
Proceeds from disposal of property and equipment		4,161	47,520
Acquisition of intangible assets	14	(327,187)	(520,088)
Net cash used in investing activities		<u>(14,039,498)</u>	<u>(6,249,400)</u>
Cash flows from financing activities:			
Net decrease in loan to a bank		700,000	700,000
Net increase in other borrowings	19	128,832,906	248,520,677
Dividends paid	25	(33,437,341)	(11,459,221)
Net cash generated from financing activities		<u>96,095,565</u>	<u>237,761,456</u>
Net increase in cash and cash equivalents		187,096,775	29,242,020
Cash and cash equivalents beginning of year	38	<u>357,300,486</u>	<u>328,058,466</u>
Cash and cash equivalents end of year	38	<u>544,397,261</u>	<u>357,300,486</u>

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS

BLC BANK S.A.L.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

1. FORMATION AND ACTIVITIES

BLC Bank S.A.L., (the "Bank"), is a Lebanese joint stock company registered in the Trade Register under No. 1952 and in the Central Bank of Lebanon list of banks under No. 11. The principal activities of the Bank consist of a wide range of commercial banking activities carried on through forty-two branches in Lebanon including Head Office.

The Bank issues separate consolidated financial statements with its subsidiaries.

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

Fransabank SAL is the ultimate parent of the Bank.

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

2.1 Application of New and Revised International Financial Reporting Standards (IFRSs)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRSs in issue but not yet effective

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

<u>New and revised IFRSs</u>	<u>Effective for Annual Periods Beginning on or After</u>
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	January 1, 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	January 1, 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	January 1, 2016
Amendments to IFRS 10 <i>Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities	January 1, 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	January 1, 2016

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

IFRS 15 Revenue from Contracts with Customers

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

- IFRS 16 *Leases*

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture

Effective date deferred indefinitely

Except for IFRS 9 on the provisioning for impairment, the Directors of the Bank do not anticipate that the application of these amendments will have a significant effect on the Bank's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies below:

- Land and buildings acquired prior to 1999 are measured at their revalued amounts based on market prices prevailing during 1999, to compensate for the effect of the hyper-inflationary economy prevailing in the earlier years.
- Financial instruments designated as 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.

Assets and liabilities are grouped according to their nature and presented in the statement of financial position in an approximate order that reflects their relative liquidity.

Summary of significant accounting policies

Following is a summary of the most significant accounting policies applied in the preparation of these financial statements:

A. Foreign Currencies:

The financial statements are presented in Lebanese Pound (LBP) which is the reporting currency. The primary currency of the economic environment in which the Bank operates (functional currency) is the U.S. Dollar. The Lebanese Pound has been constant to the U.S. Dollar since many years. Transactions in currencies other than the Lebanese Pound (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 into Lebanese Pound at the rates prevailing at the reporting 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 are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks that are recognized in other comprehensive income.

B. Recognition and Derecognition of Financial assets and Liabilities:

The Bank 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 Bank 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 Bank 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 Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank 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.

When the Bank enters into transactions whereby it transfers assets recognized on its statement of financial position and retains all risks and rewards of the transferred assets, then the transferred assets are not derecognized, for example, securities lending and repurchase transactions.

The Bank derecognizes financial liabilities when, and only when, the Bank'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.

C. Classification of Financial Assets:

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

Debt Instruments:

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost using the effective interest method, less impairment loss (except for debt instruments 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 Bank 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 Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("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 as at FVTOCI is not permitted if the equity investment is held for trading.

Reclassification:

Financial assets are reclassified between FVTPL and amortized cost or vice versa, if and only if, the Bank'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.

D. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

Debt and equity instruments issued by the Bank 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 Bank 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 using the effective interest method.

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

A financial liability 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 Bank'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.

E. Offsetting:

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

F. Fair Value Measurement of Financial Instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

For financial reporting purposes, fair value measurement are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the asset or liability.

G. Impairment of Financial Assets:

Financial assets carried at amortized cost are assessed for indicators of impairment at the reporting date. Financial assets 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 collateral and guarantees.

The Bank 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.

H. 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.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

- is not measured at fair value with changes in fair value recognized in profit or loss.
- is not an asset within the scope of IFRS 9.

Hedge Accounting

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

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

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

I. 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.

J. Investments in Subsidiaries:

Investments in subsidiaries are accounted for in the separate financial statements of the Bank using the "cost method".

K. Financial Guarantees:

Financial guarantees contracts are contracts that require the Bank 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. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 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 land and advance payments on capital expenditures less their residual values, if any, using the straight-line method as follows:

	<u>Years</u>
Buildings	50
Office improvements and installations	5
Furniture, equipment and machines	12.5
Computer equipment	5
Vehicles	10

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

M. Intangible Assets:

Intangible assets consist mainly of computer software and are amortized on a straight-line basis at the rate of 20%. 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 measured 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 and accumulated in equity.

O. Impairment of Non-Financial Assets:

At the end of each reporting period, the Bank reviews the carrying amounts of its non-financial assets, other than 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).

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 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 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. Deferred Assets:

Deferred assets on business acquisition and against contractual projected cash flows are stated at amortized cost. Such deferred assets are amortized over the period of related benefits deriving from the net return of the invested funds funded through committed structured medium term debt purpose to offset exceptional impairment losses.

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

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff 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 and interest accrued by the Fund.

R. Provisions:

Provision is recognized if, as a result of a past event, the Bank 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.

S. 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 discounts or premiums.

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 and expense presented in the statement of profit or loss include:

- Interest on financial assets and liabilities at amortized cost.
- Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Interest income on financial assets measured at FVTPL are presented in the statement of profit or loss under "Net interest and other gain / (loss) on financial assets at FVTPL" (See below).

Net interest and other net gain / loss on financial assets measured at FVTPL includes:

- Interest income.
- Dividend income.
- Realized and unrealized fair value changes.
- Foreign exchange differences.

Interest expense on financial liabilities designated as at fair value through profit or loss are presented separately in the statement of profit or loss.

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 in accordance with IFRS 9, are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

T. Income Tax:

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of the items that are never taxable or deductible. The Bank'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 the debt securities invested by the Bank 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 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.

U. Fiduciary Accounts:

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

V. Cash and Cash Equivalents:

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

W. Earnings per Share:

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if applicable.

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

In the application of the Bank'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 or in the future periods if the revision affects both current and future periods.

A. Critical accounting judgments in applying the Bank's accounting policies:

Classification of Financial Assets:

Business Model:

The business model test requires the Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank that would be consistent with amortized cost measurement include:

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

Features considered by the Bank 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:

When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model, as described in Note 44.

The inputs in these models are taken from observable markets where possible. 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 sovereign bonds including Central Bank of Lebanon certificates of deposit.

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.

5. CASH AND CENTRAL BANK

This caption consists of the following:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Balance</u>	<u>of which Compulsory/ Regulatory Deposits</u>	<u>Balance</u>	<u>of which Compulsory/ Regulatory Deposits</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Cash on hand	36,220,931	-	32,820,839	-
Blocked accounts with Central Bank of Lebanon under Intermediate Circular No.313	70,563,203	-	53,639,193	-
Current accounts with Central Bank of Lebanon	169,842,104	139,539,680	141,832,147	96,463,414
Term placements with Central Bank of Lebanon	709,490,000	385,506,914	625,190,000	373,843,951
Accrued interest receivable	<u>6,485,235</u>	<u>-</u>	<u>6,266,132</u>	<u>-</u>
	<u>992,601,473</u>	<u>525,046,594</u>	<u>859,748,311</u>	<u>470,307,365</u>

Compulsory deposits under current accounts with Central Bank of Lebanon are in Lebanese Pounds and non-interest earning. These deposits are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions, in accordance with local banking regulations. These deposits are not available for use in the Bank's day-to-day operations.

Regulatory deposits under term placements with Central Bank of Lebanon are made in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and borrowings acquired from non-resident financial institutions.

Blocked accounts with the Central Bank of Lebanon under Intermediate Circular No. 313 represent transitory deposits to be granted to the Bank's customers, pursuant to certain conditions, rules and mechanism following Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments against facilities granted from the Central Bank of Lebanon (Note 19). These deposits and facilities earn/bear a 1% interest rate that is computed annually.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Purchased checks	31,640,387	27,726,082
Current accounts with banks and financial institutions	134,813,971	83,880,663
Current accounts with the parent bank	3,539,254	1,528,288
Current accounts with related banks and financial institutions	20,428,431	18,543,022
Current accounts with subsidiaries	-	124,414
	<u>190,422,043</u>	<u>131,802,469</u>
Term placements with banks and financial institutions	193,642,972	78,594,252
Blocked margins with banks and financial institutions	3,292,003	4,060,828
Blocked deposit with a non-resident subsidiary	-	18,705,474
	<u>196,934,975</u>	<u>101,360,554</u>
Accrued interest receivable	31,555	6,927
	<u>387,388,573</u>	<u>233,169,950</u>

Blocked deposit with a non-resident subsidiary represents the amount which was used to increase the capital of the non-residents subsidiary USB Bank PLC. This deposit is denominated in Euro and non-interest earning.

During the year 2015, the Bank entered in repurchase agreements with a resident financial institution. The agreement consists of loans granted to the resident financial institution, backed by Lebanese Government Bonds in U.S. Dollar and Lebanese Treasury Bills in LBP issued by the Central Bank of Lebanon. The loans are short term in nature and matured during the year. Interest income for the year 2015 amounted to LBP533million (LBP39million during 2014) recorded under "Interest income from deposits with banks and financial institutions" in the statement of profit or loss (Note 26).

7. LOAN TO A BANK

This caption consists of the following:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Regular performing account	4,900,000	5,600,000
Accrued interest receivable	39,568	45,220
	<u>4,939,568</u>	<u>5,645,220</u>

As a guarantee of the above loan, the borrower has pledged in favor of the Bank regular and performing notes receivable against housing loans granted to its customers. The loan principal balance matures over 10 yearly payments of LBP700million each with final payment in year 2022.

8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following:

	December 31, 2015				December 31, 2014			
	Gross Amount LBP'000	Unrealized Interest LBP'000	Discount on Purchased Loan Book LBP'000	Carrying Amount LBP'000	Gross Amount LBP'000	Unrealized Interest LBP'000	Discount on Purchased Loan Book LBP'000	Carrying Amount LBP'000
Regular and Watch List								
Retail Customers:								
- Housing loans	499,538,768	-	-	499,538,768	470,359,598	-	-	470,359,598
- Personal loans	228,761,618	-	-	228,761,618	216,683,379	-	-	216,683,379
- Car loans	155,816,708	-	-	155,816,708	163,737,113	-	-	163,737,113
- Educational loans	17,485,493	-	-	17,485,493	17,177,963	-	-	17,177,963
- Credit cards	15,673,478	-	-	15,673,478	14,460,266	-	-	14,460,266
- Staff loans	8,791,742	-	-	8,791,742	9,438,455	-	-	9,438,455
	<u>926,067,807</u>	-	-	<u>926,067,807</u>	<u>891,856,774</u>	-	-	<u>891,856,774</u>
Regular and Watch List								
Corporate Customers:								
- Corporate	942,631,411	-	-	942,631,411	919,151,178	-	-	919,151,178
- Small and medium enterprises	350,814,848	-	-	350,814,848	341,730,482	-	-	341,730,482
	<u>1,293,446,259</u>	-	-	<u>1,293,446,259</u>	<u>1,260,881,660</u>	-	-	<u>1,260,881,660</u>
Accrued interest receivable	14,598,629	-	-	14,598,629	13,419,852	-	-	13,419,852
	<u>2,234,112,695</u>	-	-	<u>2,221,121,809</u>	<u>2,166,158,286</u>	-	-	<u>2,154,714,819</u>
Allowance for Collectively Assessed Loans:								
- Regular and watch list loans	-	-	-	(12,990,886)	-	-	-	(11,443,467)
Total regular and watch list	-	-	-	(12,990,886)	-	-	-	(11,443,467)
Non-Performing Loans and Advances:								
- Purchased loan book	2,226,266	-	-	2,226,266	2,226,266	-	-	2,226,266
- Substandard	32,784,094	(1,322,480)	-	31,461,614	14,410,022	(1,468,161)	-	12,941,861
- Doubtful	457,379,125	(389,417,913)	(4,490,488)	36,687,866	433,510,415	(366,577,244)	(4,649,985)	34,209,991
- Bad	105,891,965	(64,652,937)	(2,255,634)	-	268,759,497	(221,441,836)	(2,559,612)	680
	<u>598,281,450</u>	<u>(455,393,330)</u>	<u>(6,746,122)</u>	<u>(186,630)</u>	<u>718,906,200</u>	<u>(589,487,241)</u>	<u>(7,209,597)</u>	<u>(4,092,219)</u>
Allowance for collectively Assessed Loans:								
- Doubtful and bad	-	-	-	(186,630)	-	-	-	(4,092,219)
Total non-performing	<u>2,832,394,145</u>	<u>(455,393,330)</u>	<u>(6,746,122)</u>	<u>2,291,310,925</u>	<u>2,885,064,486</u>	<u>(589,487,241)</u>	<u>(7,209,597)</u>	<u>2,200,001,398</u>

The carrying values of loans and advances to customers include accidentally temporary debtors with carrying values amounting to LBP3.4billion as at December 31, 2015 (LBP5.6billion as at December 31, 2014).

Loans granted to related parties amounted to LBP9.5billion as at December 31, 2015 (LBP2.34billion as at December 31, 2014).

In previous years, the Bank acquired a loan portfolio from a local bank. The difference between the original amount of the allocated portion of the purchased loan portfolio and the consideration paid is reflected under discount on purchased loan book.

The movement of unrealized interest was as follows:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Balance January 1	(589,487,241)	(642,677,419)
Additions	(68,869,526)	(66,987,904)
Write back through profit or loss (Note 26)	6,529,273	4,152,100
Write-off	196,172,028	65,064,954
Transfer to allowance for impairment	-	1,576,224
Transfer to off-balance sheet	-	49,050,240
Effect of exchange rates changes	<u>262,136</u>	<u>334,564</u>
Balance December 31	<u>(455,393,330)</u>	<u>(589,487,241)</u>

The movement of the specific allowance for impairment of debts is as follows:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Balance January 1	(72,830,564)	(71,520,317)
Additions through profit or loss	(10,278,776)	(8,188,906)
Write-back through profit or loss	2,965,222	3,620,721
Transfer to off-balance sheet	4,964	2,955,495
Transfer from unrealized interest	-	(1,576,224)
Write-off	14,310,284	1,804,637
Effect of exchange rates changes	<u>62,618</u>	<u>74,030</u>
Balance December 31	<u>(65,766,252)</u>	<u>(72,830,564)</u>

The movement of the collectively assessed allowance for impairment of debts is as follows:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Balance January 1	(15,535,686)	(15,282,987)
Additions through profit or loss	(2,170,800)	(904,500)
Write-back	4,517,662	-
Write-off	<u>11,308</u>	<u>651,801</u>
Balance December 31	<u>(13,177,516)</u>	<u>(15,535,686)</u>

The movement of the discount on purchased loan book was as follows:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Balance January 1	(7,209,597)	(9,308,109)
Additions	-	(23,847)
Write back through profit or loss	352,865	270,600
Transfer to off-balance sheet	-	17,865
Write-off	<u>110,610</u>	<u>1,833,894</u>
Balance December 31	<u>(6,746,122)</u>	<u>(7,209,597)</u>

9. INVESTMENT SECURITIES

This caption consists of the following:

	<u>December 31, 2015</u>			
	<u>Fair Value Through Profit or Loss</u> LBP'000	<u>Amortized Cost</u> LBP'000	<u>Fair Value Through Other Comprehensive Income</u> LBP'000	<u>Total</u> LBP'000
Quoted equity securities	4,702,753	-	-	4,702,753
Unquoted equity securities	915,436	-	16,415,311	17,330,747
Lebanese Treasury bills	10,534,092	1,165,314,480	-	1,175,848,572
Lebanese Government bonds	84,218,154	956,075,791	-	1,040,293,945
Foreign Government bonds	-	358,785	-	358,785
Foreign Eurobonds	29,589,789	-	-	29,589,789
Asset backed securities	-	31,817,268	-	31,817,268
Certificates of deposit issued by Central Bank of Lebanon	<u>56,370,751</u>	<u>1,219,236,690</u>	-	<u>1,275,607,441</u>
	186,330,975	3,372,803,014	16,415,311	3,575,549,300
Accrued interest receivable	<u>3,329,536</u>	<u>53,106,262</u>	-	<u>56,435,798</u>
	<u>189,660,511</u>	<u>3,425,909,276</u>	<u>16,415,311</u>	<u>3,631,985,098</u>

December 31, 2014				
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	4,908,677	-	-	4,908,677
Unquoted equity securities	1,325	-	15,652,141	15,653,466
Lebanese treasury bills	15,143,377	1,272,028,472	-	1,287,171,849
Lebanese government bonds	2,007,871	661,210,128	-	663,217,999
Foreign government bonds	12,985,523	358,785	-	13,344,308
Foreign Eurobonds	31,407,082	-	-	31,407,082
Asset backed securities	-	38,454,818	-	38,454,818
Subordinated bonds	517,793	-	-	517,793
Certificates of deposit issued by Central Bank of Lebanon	36,422,770	1,145,316,107	-	1,181,738,877
	103,394,418	3,117,368,310	15,652,141	3,236,414,869
Accrued interest receivable	1,706,435	54,013,312	-	55,719,747
	<u>105,100,853</u>	<u>3,171,381,622</u>	<u>15,652,141</u>	<u>3,292,134,616</u>

A Investments at Fair Value through Profit or Loss:

December 31, 2015				
	Fair Value	Accrued Interest Receivable	Total Carrying Value	Cumulative Unrealized Gain/(Loss)
	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	4,702,753	-	4,702,753	(3,435,643)
Unquoted equity securities	915,436	-	915,436	-
Lebanese Treasury bills	10,534,092	182,459	10,716,551	317,218
Lebanese Government bonds	84,218,154	1,544,514	85,762,668	(1,855,290)
Foreign Eurobonds	29,589,789	165,542	29,755,331	(76,388)
Certificates of deposit issued by Central Bank of Lebanon	56,370,751	1,437,021	57,807,772	2,054,706
	<u>186,330,975</u>	<u>3,329,536</u>	<u>189,660,511</u>	<u>(2,995,397)</u>

December 31, 2014				
	Fair Value	Accrued Interest Receivable	Total Carrying Value	Cumulative Unrealized Gain/(Loss)
	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	4,908,677	-	4,908,677	(3,171,122)
Unquoted equity securities	1,325	-	1,325	-
Lebanese Treasury bills	15,143,377	243,750	15,387,127	143,377
Lebanese Government bonds	2,007,871	61,008	2,068,879	(33,638)
Foreign Government bonds	12,985,523	78,160	13,063,683	(20,109)
Foreign Eurobonds	31,407,082	216,821	31,623,903	(47,615)
Subordinated bonds	517,793	206	517,999	-
Certificates of deposit issued by Central Bank of Lebanon	<u>36,422,770</u>	<u>1,106,490</u>	<u>37,529,260</u>	<u>1,814,643</u>
	<u>103,394,418</u>	<u>1,706,435</u>	<u>105,100,853</u>	<u>(1,314,464)</u>

The movement of investments at fair value through profit or loss during 2015 and 2014 was as follows:

	2015		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	51,262,414	52,132,004	103,394,418
Acquisition	31,483,991	46,765,471	78,249,462
Swaps	-	43,650,629	43,650,629
Sale	(1,000,000)	(2,282,241)	(3,282,241)
Redemption upon maturity	(15,000,000)	(18,090,000)	(33,090,000)
Unrealized gain/(loss) (Note 30)	413,020	(2,076,029)	(1,663,009)
Amortization of discount/premium	(29,932)	(835,877)	(865,809)
Effect of exchange rates changes	-	(62,475)	(62,475)
Balance December 31	<u>67,129,493</u>	<u>119,201,482</u>	<u>186,330,975</u>
	2014		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	50,715,399	92,440,636	143,156,035
Acquisition	1,608,150	29,646,135	31,254,285
Sale	(1,868,705)	(19,439,896)	(21,308,601)
Redemption upon maturity	-	(48,190,135)	(48,190,135)
Unrealized gain/(loss) (Note 30)	451,768	(567,821)	(116,053)
Amortization of discount/premium	355,802	(1,688,896)	(1,333,094)
Effect of exchange rates changes	-	(68,019)	(68,019)
Balance December 31	<u>51,262,414</u>	<u>52,132,004</u>	<u>103,394,418</u>

Investments at fair value through profit or loss include an amount of LBP914million representing the Bank's share in startups established based on co-sharing agreement with the regulator providing the funding.

B Investments at Amortized Cost:

	December 31, 2015				
	Amortized Cost LBP'000	Accrued Interest Receivable LBP'000	Carrying Value LBP'000	Fair Value LBP'000	Change in Fair Value LBP'000
Lebanese Treasury bills	1,165,314,480	18,915,532	1,184,230,012	1,199,964,865	15,734,853
Lebanese Government bonds	956,075,791	12,711,282	968,787,073	974,525,351	5,738,278
Asset backed securities	31,817,268	120,358	31,937,626	30,342,934	(1,594,692)
Certificates of deposit issued by Central Bank of Lebanon	1,219,236,690	21,359,090	1,240,595,780	1,248,634,234	8,038,454
Foreign Government bonds	358,785	-	358,785	358,785	-
	<u>3,372,803,014</u>	<u>53,106,262</u>	<u>3,425,909,276</u>	<u>3,453,826,169</u>	<u>27,916,893</u>

	December 31, 2014				
	Amortized Cost LBP'000	Accrued Interest Receivable LBP'000	Carrying Value LBP'000	Fair Value LBP'000	Change in Fair Value LBP'000
Lebanese Treasury bills	1,272,028,472	22,402,530	1,294,431,002	1,298,797,403	4,366,401
Lebanese Government bonds	661,210,128	10,851,476	672,061,604	687,912,736	15,851,132
Asset backed securities	38,454,818	105,721	38,560,539	38,560,539	-
Certificates of deposit issued by Central Bank of Lebanon	1,145,316,107	20,616,453	1,165,932,560	1,181,921,936	15,989,376
Foreign Government bonds	358,785	37,132	395,917	395,917	-
	<u>3,117,368,310</u>	<u>54,013,312</u>	<u>3,171,381,622</u>	<u>3,207,588,531</u>	<u>36,206,909</u>

Lebanese treasury bills amounting to LBP402billion (LBP381.7billion in 2014) are pledged against soft loans and credit facilities funded by the Central Bank of Lebanon (Note 19).

Lebanese government bonds amounting to LBP174.3billion (LBP174.3billion in 2014) are pledged against a stand-by line facility funded by the Central Bank of Lebanon (Note 19).

Investments at amortized cost with fixed maturities are segregated over the remaining period to maturity as follows:

Remaining Period to Maturity	December 31, 2015							
	LBP			CV of F/Cy				
	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	Average Rate %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	Average Rate %
Lebanese Treasury bills:								
Up to one year	87,765,500	87,764,191	87,941,158	6.18	-	-	-	-
1 year to 3 years	378,784,000	380,443,504	389,749,446	7.66	-	-	-	-
3 years to 5 years	257,447,074	259,038,625	257,916,698	7.37	-	-	-	-
5 years to 10 years	433,950,000	438,068,160	445,442,031	8.50	-	-	-	-
	<u>1,157,946,574</u>	<u>1,165,314,480</u>	<u>1,181,049,333</u>					
Lebanese Government bonds:								
Up to one year	-	-	-		56,388,038	57,085,083	57,407,183	11.63
1 year to 3 years	-	-	-		139,556,684	139,447,544	140,836,578	7.77
3 years to 5 years	-	-	-		139,353,659	140,811,393	137,916,516	6.14
5 years to 10 years	-	-	-		332,866,553	334,392,009	336,685,741	6.79
Beyond 10 years	-	-	-		282,380,378	284,339,762	288,968,051	6.72
					<u>950,545,312</u>	<u>956,075,791</u>	<u>961,814,069</u>	
Asset backed securities:								
3 years to 5 years	-	-	-		308,063	308,063	313,900	7.00
5 years to 10 years	-	-	-		31,509,205	31,509,205	29,908,676	5.57
					<u>31,817,268</u>	<u>31,817,268</u>	<u>30,222,576</u>	
Certificates of deposit issued by Central Bank of Lebanon:								
Up to one year	171,000,000	172,639,306	173,820,680	7.91	-	-	-	-
1 year to 3 years	257,000,000	257,638,632	262,174,740	7.91	-	-	-	-
3 years to 5 years	42,000,000	41,693,158	42,287,698	7.60	57,888,000	56,839,242	55,982,051	5.30
5 years to 10 years	347,000,000	345,305,897	353,596,367	8.20	45,978,750	44,843,395	44,456,798	5.80
Beyond 10 years	285,000,000	286,860,310	281,482,956	8.87	13,416,750	13,416,750	13,473,854	6.50
	<u>1,102,000,000</u>	<u>1,104,137,303</u>	<u>1,113,362,441</u>		<u>117,283,500</u>	<u>115,099,387</u>	<u>113,912,703</u>	
Foreign Government bonds:								
5 years to 10 years	-	-	-		358,785	358,785	358,785	5.00
					<u>358,785</u>	<u>358,785</u>	<u>358,785</u>	

December 31, 2014

Remaining Period to Maturity	LBP		C/V of F/Cv		Average Rate %
	Nominal Value LBP'000	Amortized Cost LBP'000	Nominal Value LBP'000	Amortized Cost LBP'000	
			Fair Value (Excluding Accrued Interest Receivable) LBP'000	Fair Value (Excluding Accrued Interest Receivable) LBP'000	
Lebanese Treasury bills:					
Up to one year	224,000,000	224,114,223	224,809,927	-	-
1 year to 3 years	203,749,500	203,928,604	205,488,475	-	-
3 years to 5 years	384,147,074	386,145,186	388,976,757	-	-
5 years to 10 years	129,100,000	129,695,721	130,877,739	-	-
Beyond 10 years	325,000,000	328,144,738	326,241,975	-	-
	<u>1,265,996,574</u>	<u>1,272,028,472</u>	<u>1,276,394,871</u>	-	-
Lebanese Government bonds:					
Up to one year	-	-	17,162,888	17,285,718	7.69
1 year to 3 years	-	-	194,979,922	197,797,564	9.65
3 years to 5 years	-	-	101,922,330	101,894,876	5.56
5 years to 10 years	-	-	247,089,803	249,290,896	7.03
Beyond 10 years	-	-	95,527,260	94,941,074	6.54
	-	-	<u>656,682,203</u>	<u>661,210,128</u>	
Asset backed securities:					
5 years to 10 years	-	-	38,454,818	38,454,818	5.60
	-	-	<u>38,454,818</u>	<u>38,454,818</u>	
Certificates of deposit issued by Central Bank of Lebanon:					
Up to one year	48,000,000	48,057,164	48,164,512	30,647,475	7.39
1 year to 3 years	478,000,000	482,345,016	492,089,930	-	7.97
3 years to 5 years	-	-	-	68,742,000	-
5 years to 10 years	336,000,000	332,241,587	339,176,990	45,978,750	8.09
Beyond 10 years	140,000,000	140,000,000	139,662,825	44,697,476	9.04
	<u>1,002,000,000</u>	<u>1,002,643,767</u>	<u>1,019,094,257</u>	<u>142,672,340</u>	
Foreign Government bonds:					
5 years to 10 years	-	-	358,785	358,785	5.00
	-	-	<u>358,785</u>	<u>358,785</u>	

The movement of investments classified at amortized cost during the years 2015 and 2014 is as follows:

	2015		
	<u>LBP</u> <u>LBP'000</u>	<u>F/CY</u> <u>LBP'000</u>	<u>Total</u> <u>LBP'000</u>
Balance January 1	2,274,672,239	842,696,071	3,117,368,310
Acquisition	269,865,577	318,990,887	588,856,464
Swaps	-	(39,663,349)	(39,663,349)
Redemption upon maturity	(272,000,000)	(11,841,504)	(283,841,504)
Sale	-	(4,670,171)	(4,670,171)
Amortization of discount/premium	(3,086,033)	(2,160,703)	(5,246,736)
Balance December 31	<u>2,269,451,783</u>	<u>1,103,351,231</u>	<u>3,372,803,014</u>

	2014		
	<u>LBP</u> <u>LBP'000</u>	<u>F/CY</u> <u>LBP'000</u>	<u>Total</u> <u>LBP'000</u>
Balance January 1	2,056,504,357	946,490,473	3,002,994,830
Acquisition	451,283,982	58,781	451,342,763
Redemption upon maturity	(228,560,000)	(101,320,523)	(329,880,523)
Amortization of discount/premium	(4,556,100)	(2,532,660)	(7,088,760)
Balance December 31	<u>2,274,672,239</u>	<u>842,696,071</u>	<u>3,117,368,310</u>

The Bank has exchanged during 2015 certificates of deposit issued by Central Bank of Lebanon and Lebanese Government bonds with short-term maturities against certificates of deposit, Lebanese Government bonds and Lebanese treasury bills with long term maturities.

In addition during 2015, the Bank executed sales transactions from the amortized cost securities portfolio in foreign currencies, resulting a total gain of LBP3billion (LBP202million during 2014) recorded under "Gain from derecognition of financial assets measured at amortized cost" in the statement of profit or loss.

C Investments at Fair Value through Other Comprehensive Income:

The Bank has designated investments in equity securities as at fair value through other comprehensive income. This classification was chosen as the investments are expected to be held for a long time.

	December 31, 2015			Cumulative Change in Fair Value LBP'000
	Cost	Allowance for Impairment	Carrying Fair Value	
	LBP'000	LBP'000	LBP'000	
Unquoted equity securities	<u>8,339,628</u>	<u>(300)</u>	<u>16,415,311</u>	8,075,983
Deferred tax liability				<u>(1,211,398)</u>
				<u>6,864,585</u>

	December 31, 2014			Cumulative Change in Fair Value LBP'000
	Cost	Allowance for Impairment	Carrying Fair Value	
	LBP'000	LBP'000	LBP'000	
Unquoted equity securities	<u>8,280,875</u>	<u>(300)</u>	<u>15,652,141</u>	7,371,566
Deferred tax liability				<u>(1,105,735)</u>
				<u>6,265,831</u>

The movement of investments at fair value through other comprehensive income during the years 2015 and 2014 is as follows:

	2015		Total LBP'000
	LBP LBP'000	F/CY LBP'000	
Balance January 1	15,084,212	567,929	15,652,141
Additions	-	60,323	60,323
Change in fair value	491,914	212,503	704,417
Effect of exchange rates changes	-	(1,570)	(1,570)
Balance December 31	<u>15,576,126</u>	<u>839,185</u>	<u>16,415,311</u>

	2014		
	LBP	F/CY	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	7,595,442	6,796,517	14,391,959
Transfers	6,030,000	(6,030,000)	-
Change in fair value	1,458,770	(197,403)	1,261,367
Effect of exchange rates changes	-	(1,185)	(1,185)
Balance December 31	<u>15,084,212</u>	<u>567,929</u>	<u>15,652,141</u>

10. 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 statement of financial position for the same amount.

11. INVESTMENTS IN SUBSIDIARIES

		December 31, 2015									
Name	Country of Incorporation	Interest Held %	Carrying Value	Bank's Interest in:						Net Profit/(Loss) LBP'000	
				Assets LBP'000	Liabilities LBP'000	Revenues LBP'000	Equity LBP'000	Equity LBP'000	Profit/(Loss) LBP'000		
BLC Finance S.A.L.	Lebanon	98.99	7,610,110	8,342,237	55,920	247,288	8,286,317		143,767		
BLC Services S.A.L.	Lebanon	90.67	27,200	3,274,492	2,757,521	4,675,407	516,971		308,212		
BLC Invest SAL	Lebanon	99.97	29,990,000	38,386,630	4,866,874	1,515,207	33,519,756		609,674		
USB Bank PLC	Cyprus	98.83	74,888,149	1,045,083,015	968,447,545	68,401,445	76,635,470		(11,856,943)		
			<u>112,515,452</u>	<u>1,095,086,374</u>	<u>976,127,860</u>	<u>74,839,347</u>	<u>118,958,514</u>		<u>(10,795,290)</u>		

		December 31, 2014									
Name	Country of Incorporation	Interest Held %	Carrying Value	Bank's Interest in:						Net Profit/(Loss) LBP'000	
				Assets LBP'000	Liabilities LBP'000	Revenues LBP'000	Equity LBP'000	Equity LBP'000	Profit/(Loss) LBP'000		
BLC Finance S.A.L.	Lebanon	98.99	7,610,110	9,856,504	441,559	2,839,847	9,414,945		1,413,771		
BLC Services S.A.L.	Lebanon	90.67	27,200	2,462,284	2,005,274	4,844,532	457,010		248,251		
BLC Invest SAL	Lebanon	99.97	29,990,000	36,332,418	3,422,336	1,445,514	32,910,082		554,019		
USB Bank PLC	Cyprus	98.39	66,846,834	1,209,904,539	1,149,923,533	88,927,130	59,981,006		(25,753,450)		
			<u>104,474,144</u>	<u>1,258,555,745</u>	<u>1,155,792,702</u>	<u>98,057,023</u>	<u>102,763,043</u>		<u>(23,537,409)</u>		

Dividends received from BLC Finance S.A.L. and BLC Services S.A.L. in 2015 amounted to LBP1.15billion and LBP225million respectively (BLC Finance S.A.L. and BLC Services S.A.L. amounted to LBP1.74billion and LBP116million respectively in 2014).

The adverse economic situation to which Cyprus was exposed and which severely affected its banking system has impacted the financial position and results of operations of the Bank's subsidiary in Cyprus with significant impact on its loan portfolio and investment properties. Accordingly, during 2015 and 2014, the Bank wrote down its investment in USB Bank PLC in the amount of Euro7million and Euro13million respectively (equivalent to LBP1.86billion and LBP25.7billion respectively) which were booked against deferred assets (Notes 15 and 19).

In addition during 2015 and 2014, the Bank increased USB Bank Plc. capital in the amount of Euro10.2million (C/V LBP16.98billion) and Euro20million (C/V LBP41.5billion) respectively.

The movement of investments in subsidiaries during 2015 and 2014 was as follows:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Balance January 1	104,474,144	98,582,092
Adjustments to BLC Finance S.A.L. and BLC Services S.A.L. investments	-	2,100
Capital increase - USB Bank PLC	16,978,206	41,495,400
Additional investment - USB Bank PLC	125,507	-
Adjustment to investment in USB Bank PLC(Note 15)	10,083,886	-
Write down investment in USB Bank PLC (Note 15)	(11,856,950)	(25,753,450)
Adjustment (Note 21)	(299,799)	-
Effect of foreign investment currency exchange difference	(6,989,535)	(9,851,998)
Balance December 31	<u>112,515,459</u>	<u>104,474,144</u>

12. ASSETS ACQUIRED IN SATISFACTION OF LOANS

This section represents foreclosed real estate properties acquired through enforcement of security over loans and advances to customers. According to the Lebanese banking regulations, 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, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 or 20 years as applicable. These assets are carried at cost less impairment allowance.

The movement of assets acquired in satisfaction of loans was as follows:

	<u>Cost</u> LBP'000	<u>Impairment Allowance</u> LBP'000	<u>Carrying Value</u> LBP'000
Balance January 1, 2014	98,012,525	(9,212,848)	88,799,677
Foreclosures	1,271,568	-	1,271,568
Disposals	(1,303,036)	<u>119,310</u>	(1,183,726)
Balance December 31, 2014	97,981,057	(9,093,538)	88,887,519
Foreclosures	2,497,352	-	2,497,352
Disposals	(1,591,640)	<u>7,468</u>	(1,584,172)
Balance December 31, 2015	<u>98,886,769</u>	<u>(9,086,070)</u>	<u>89,800,699</u>

Gain on disposals of assets acquired in satisfaction of loans amounted to LBP532million in 2015 (LBP3.3billion in 2014).

The fair values of the assets acquired in satisfaction of loans exceed their carrying value as at December 31, 2015 and 2014 which have been determined on the basis of real estate market values carried by independent real estate experts.

13. PROPERTY AND EQUIPMENT

The movement of property and equipment was as follows during 2015 and 2014:

	Balance January 1, 2015 LBP'000	Additions LBP'000	Disposals LBP'000	Transfer Between Accounts LBP'000	Transfer to Intangible Assets LBP'000	Balance December 31, 2015 LBP'000
Cost/Revaluation:						
Owned properties	57,640,566	-	-	-	-	57,640,566
Computer hardware	13,379,914	1,012,545	-	164,099	-	14,556,558
Machinery and equipment	4,879,447	440,470	(26,560)	135,663	-	5,429,020
Furniture and fixtures	5,047,178	129,750	-	341,592	-	5,518,520
Vehicles	542,038	-	-	-	-	542,038
Freehold and leasehold improvements	18,391,598	1,131,182	-	2,221,605	-	21,744,385
	99,880,741	2,713,947	(26,560)	2,862,959	-	105,431,087
Accumulated depreciation	(33,459,941)	(5,965,205)	24,089	-	-	(39,401,057)
Allowance for impairment of owned properties	(65,308)	-	-	-	-	(65,308)
	(33,525,249)	(5,965,205)	24,089	-	-	(39,466,365)
Advance payments	3,135,096	1,092,930	-	(2,862,959)	(34,147)	1,330,920
Carrying value	69,490,588					67,295,642

	Balance January 1, 2014 LBP'000	Additions LBP'000	Disposals LBP'000	Transfer Between Accounts LBP'000	Transfer to Intangible Assets LBP'000	Balance December 31, 2014 LBP'000
Cost/Revaluation:						
Owned properties	57,640,566	-	-	-	-	57,640,566
Computer hardware	11,930,684	1,236,974	-	212,256	-	13,379,914
Machinery and equipment	4,380,653	606,484	(103,544)	(4,146)	-	4,879,447
Furniture and fixtures	4,476,836	576,842	(6,500)	-	-	5,047,178
Vehicles	562,462	95,349	(115,773)	-	-	542,038
Freehold and leasehold improvements	15,571,519	2,750,535	-	69,544	-	18,391,598
	<u>94,562,720</u>	<u>5,266,184</u>	<u>(225,817)</u>	<u>277,654</u>	<u>-</u>	<u>99,880,741</u>
Accumulated depreciation	(28,566,912)	(5,075,769)	182,740	-	-	(33,459,941)
Allowance for impairment of owned properties	(65,308)	-	-	-	-	(65,308)
	<u>(28,632,220)</u>	<u>(5,075,769)</u>	<u>182,740</u>	<u>-</u>	<u>-</u>	<u>(33,525,249)</u>
Advance payments	2,904,202	508,548	-	(277,654)	-	3,135,096
Carrying value	<u>68,834,702</u>					<u>69,490,588</u>

14. INTANGIBLE ASSETS

The movement of intangible assets was as follows during 2015 and 2014:

	Carrying Value January 1, 2015 <u>LBP'000</u>	<u>Additions</u> LBP'000	Transfer from Advance Payments under Property and Equipment <u>LBP'000</u>	Amortization for the Year <u>LBP'000</u>	Carrying Value December 31, 2015 <u>LBP'000</u>
Computer software	2,405,437	327,187	34,147	(882,064)	1,884,707
Key money	43,215	-	-	(4,020)	39,195
	<u>2,448,652</u>	<u>327,187</u>	<u>34,147</u>	<u>(886,084)</u>	<u>1,923,902</u>

	Carrying Value January 1, 2015 <u>LBP'000</u>	<u>Additions</u> LBP'000	Transfer from Advance Payments under Property and Equipment <u>LBP'000</u>	Amortization for the Year <u>LBP'000</u>	Carrying Value December 31, 2015 <u>LBP'000</u>
Computer software	2,854,934	520,088	-	(969,585)	2,405,437
Key money	47,235	-	-	(4,020)	43,215
	<u>2,902,169</u>	<u>520,088</u>	<u>-</u>	<u>(973,605)</u>	<u>2,448,652</u>

15. DEFERRED ASSETS

This caption consists of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Deferred assets on business acquisition (a)	1,027,819	2,629,333
Deferred assets against future cash flows (b)	61,944,371	84,954,950
	<u>62,972,190</u>	<u>87,584,283</u>

- (a) In previous years, the Bank acquired the shares of Lati Bank S.A.L. for a total consideration of USD20,037,192. The merger was completed in 2010 and was accompanied by a soft loan of LBP185billion from the Central Bank of Lebanon for a period of 4.5 years, to compensate for the excess consideration paid over the fair value of the net assets acquired. During 2011, and as a result of additional costs incurred by the Bank, another soft loan for the amount of LBP48.8billion was obtained from Central Bank of Lebanon for a period of 5 years.

The soft loans' proceeds were invested in Lebanese treasury bills, pledged in favor of the Central Bank of Lebanon as collateral against the soft loans obtained.

The excess consideration paid over the fair value of the net assets acquired and the related acquisition costs discussed above, amounted to LBP44.9billion. These costs were booked as deferred assets, to be amortized effectively on the starting date of each related soft loan, over their respective terms. Amortization charge is treated as a yield adjustment to the interest income on the pledged Lebanese treasury bills acquired from the soft loans proceeds.

During 2014, the soft loan in the amount of LBP185billion matured and was closed against pledged Lebanese treasury bills.

The movement of deferred assets on business acquisition during the years 2015 and 2014 was as follows:

	<u>LBP'000</u>
Balance, January 1, 2014	12,079,213
Amortization for the year	(9,449,880)
Balance, December 31, 2014	2,629,333
Amortization for the year	(1,601,514)
Balance, December 31, 2015	<u>1,027,819</u>

- (b) Net outstanding deferred assets amounting to LBP62billion correspond to the Bank's Cypriot subsidiary carried over losses incurred since the crisis in Cyprus has occurred up to December 31, 2015. These deferred assets are offset against future economic benefits derived from the low yield funding amounting to LBP300million provided by the Central Bank of Lebanon referred to in Note 19, which were redeemed and replaced by exemption from compulsory reserves up to USD200million. Proceeds of the loan and subsequently the compulsory reserves are invested in fixed income securities. Their return is appropriated to deferred assets.

The movement of deferred assets against future cash flows during the years 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
	<u>Counter value</u>	<u>Counter value</u>
	<u>in LBP</u>	<u>in LBP</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Net carrying value as at January 1,	84,954,950	84,217,433
Deferred assets originated with offset to:		
Present value of contracted future cash flow	11,995,957	26,163,596
Write-back of provision on recovered debt (Note 11)	(10,083,886)	-
Write down during the year	(15,495,266)	(14,800,838)
Effect of foreign currency exchange differences	(9,427,384)	(10,625,241)
Net carrying value as at December 31,	<u>61,944,371</u>	<u>84,954,950</u>

16. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Prepaid charges	12,269,829	13,057,283
Sundry debtors (Net)	10,554,524	11,113,744
Fair value of forward exchange contracts	-	11,692
	<u>22,824,353</u>	<u>24,182,719</u>

Sundry debtors are stated net of impairment allowance of LBP3.24billion as at December 31, 2015 and 2014 against advances made in previous years for renovation of the Bank's branches.

17. DEPOSITS FROM BANKS

This caption consists of the following:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Current deposits of banks and financial institutions	1,127,706	1,735,345
Current deposits - subsidiaries	12,788,718	13,691,846
Current deposits with a related party	-	150,750
Short term deposits	157	49,500,157
Short term deposits - subsidiaries	28,712,852	42,233,744
Cash margins - subsidiaries	25,000	25,000
Accrued interest payable	34,189	56,014
	<u>42,688,622</u>	<u>107,392,856</u>

18. CUSTOMERS' ACCOUNTS

Customer accounts at amortized cost are detailed as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Deposits:		
Current/demand deposits	583,912,504	612,644,519
Term deposits	4,983,033,786	4,470,932,077
Collateral against loans and advances	233,430,875	142,394,811
Margins and other accounts:		
Margins for irrevocable import letters of credit	2,655,076	1,366,906
Margins on letters of guarantee	27,717,368	25,892,617
Other margins	71,828,512	64,592,231
Blocked accounts	6,159,827	4,080,334
Accrued interest payable	<u>34,911,420</u>	<u>29,146,342</u>
Total	<u>5,943,649,368</u>	<u>5,351,049,837</u>

Customers' deposits include related party deposits detailed as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Demand deposits	2,439,040	2,089,851
Term deposits	21,295,205	22,943,642
Collateral against loans and advances	1,497,395	387,424
Margins on letters of guarantee	11,450	1,500
Margins on futures	-	24,874
Accrued interest payable	<u>176,113</u>	<u>44,532</u>
	<u>25,419,203</u>	<u>25,491,823</u>

Brackets of deposits were as follows:

	December 31, 2015			
	LBP		F/Cy	
	Deposits LBP'000	Total Deposits %	Deposits LBP'000	Total Deposits %
Less than LBP250million	756,961,481	30	509,427,408	15
Between LBP250million and LBP1,5billion	805,973,176	32	741,558,470	22
Above LBP1,5billion	988,450,088	38	2,141,278,745	63
	<u>2,551,384,745</u>	<u>100</u>	<u>3,392,264,623</u>	<u>100</u>
				<u>5,943,649,368</u>

	December 31, 2014			
	LBP		F/Cy	
	Deposits LBP'000	Total Deposits %	Deposits LBP'000	Total Deposits %
Less than LBP250million	747,304,570	30	493,936,678	17
Between LBP250million and LBP1,5billion	779,504,745	32	663,715,956	23
Above LBP1,5billion	926,798,911	38	1,739,788,977	60
	<u>2,453,608,226</u>	<u>100</u>	<u>2,897,441,611</u>	<u>100</u>
				<u>5,351,049,837</u>

Deposits from customers include coded deposit accounts in the aggregate of LBP92billion as at December 31, 2015 (LBP133billion as at December 31, 2014). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which stipulates that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include fiduciary deposits received from resident and non-resident banks for a total amount of LBP40billion and LBP374billion respectively as at December 31, 2015 (LBP41billion and LBP198.8billion respectively as at December 31, 2014).

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

<u>Year</u>	<u>Deposits in LBP</u>		<u>Deposits in F/Cy</u>		<u>Cost of Funds LBP</u> <u>LBP'000</u>
	<u>Average Balance of Deposits</u>	<u>Average Interest Rate</u>	<u>Average Balance of Deposits</u>	<u>Average Interest Rate</u>	
	<u>LBP'000</u>	<u>%</u>	<u>LBP'000</u>	<u>%</u>	
2015	2,535,000,000	5.70	3,095,000,000	3.53	253,368,271
2014	2,429,000,000	5.70	2,839,000,000	3.29	232,014,338
2013	2,401,000,000	5.67	2,783,000,000	3.29	228,505,742

19. OTHER BORROWINGS

This caption consists of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Soft loans from Central Bank of Lebanon (a)	66,499,500	66,499,500
Facilities granted from Central Bank of Lebanon (b)	474,949,740	340,257,681
Revolving loan from Central Bank of Lebanon (c)	300,000,000	300,000,000
Other borrowings (d)	2,261,250	8,120,403
Accrued interest payable	<u>4,324,146</u>	<u>4,344,606</u>
	<u>848,034,636</u>	<u>719,222,190</u>

- (a) On August 18, 2011 the Bank was granted a soft loan in the amount of LBP48.8billion from the Central Bank of Lebanon for a period of 5 years maturing on August 11, 2016. This loan is collateralized by Lebanese treasury bills (Note 9 and 15).

On March 29, 2012, the Bank was granted a new soft loan in the amount of LBP17.7billion from the Central Bank of Lebanon for a period of 7 years maturing on March 21, 2019. This loan is collateralized by Lebanese treasury bills (Note 9).

- (b) On July 13, 2011 the Bank obtained a Stand-by Line facility from the Central Bank of Lebanon with a limit reaching USD200million out of which USD110million (C/V LBP165.8billion) have been utilized as at December 31, 2015 and 2014. The facility has a maturity of up to 5 years and is collateralized by Lebanese government bonds (Note 9).

Facilities granted from the Central Bank of Lebanon also include facilities in the amount of LBP309billion (LBP174billion as at December 31, 2014) following Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments including Central Bank Intermediate Circular No. 313 by which the Bank benefited from credit facilities granted against loans the Bank has granted, on their own responsibility, to their customers, pursuant to certain conditions, rules and mechanism. This facility is collateralized by Lebanese treasury bills (Note 9).

- (c) On December 30, 2013, the Bank obtained a revolving loan in the amount of LBP300billion from the Central Bank of Lebanon for a period of one year maturing on December 31, 2014 and renewable for one additional year. This loan bears an average interest rate of 2.5% per annum and is collateralized by Lebanese treasury bills (Note 9). The purpose of this loan is to provide low cost funding that allows the Bank to generate positive spread over short term facilities expandable at the request of the borrower which matured and settled subsequent to the financial position date.
- (d) Other borrowings include a loan for USD5million (C/V LBP7.54billion) obtained from a non-resident specialized investment fund on December 28, 2011. The proceeds of the loan are destined to fund micro, small, and medium enterprises in Lebanon and it is repaid through 10 semi-annual payments of USD500,000 each, starting July 2012 and over 5 years. USD1.5million was outstanding as at December 31, 2015 (USD2.5million as at December 31, 2014)

Other borrowings also include a facility granted from the Arab Trade Financing Program (ATFP) on January 7, 2011 with a limit of USD4million for unconfirmed line of credit. This facility was granted to enhance the trades between Arab countries.

The remaining contractual maturities of all above borrowings are as follows:

	<u>2015</u>	<u>2014</u>
	LBP'000	LBP'000
Up to 1 year	520,422,146	310,203,759
1 to 3 years	753,750	216,851,750
3 to 5 years	17,734,000	17,734,000
Over 5 years	<u>309,124,740</u>	<u>174,432,681</u>
	<u>848,034,636</u>	<u>719,222,190</u>

20. OTHER LIABILITIES

This caption consists of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Withheld taxes	2,800,401	2,725,731
Deferred tax liability on accrued interest receivable	2,100,868	2,190,201
Deferred tax liability on other comprehensive income	1,211,398	1,105,735
Other deferred tax liabilities	21,840	21,840
Due to the National Social Security Fund	633,106	608,765
Checks and incoming payment orders in course of settlement	17,750,575	14,482,870
Blocked capital subscriptions for companies under incorporation	402,194	487,971
Accrued expenses	14,440,634	14,608,598
Financial guarantees	534,530	700,042
Payable to personnel and directors	6,841,742	6,447,386
Sundry accounts payable	19,926,257	16,447,783
Provision for income tax	7,183,590	7,313,577
Deferred income	147,198	181,068
Fair value of forward exchange contracts	121,798	-
	<u>74,116,131</u>	<u>67,321,567</u>

Below is the reconciliation of income tax expense:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Profit before tax	81,364,292	81,053,630
Income tax on enacted applicable rates	14,493,556	14,211,442
Effect of non-deductible expense and non taxable income	(37,643)	424,686
Income tax expense	14,455,913	14,636,128
Less: Tax paid in advance	(9,836,537)	(9,704,844)
Additional recorded provision	2,564,214	2,382,293
Provision for income tax	<u>7,183,590</u>	<u>7,313,577</u>

21. PROVISIONS

Provisions consist of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Provision for staff end-of-service indemnity	5,630,206	5,429,649
Provision for contingencies	3,059,493	2,980,047
Provision for loss on foreign currency position	21,988	83,608
	<u>8,711,687</u>	<u>8,493,304</u>

The movement of the provision for staff end-of-service indemnity was as follows:

	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance, January 1	5,429,649	5,105,464
Additions - net (Note 33)	342,985	384,387
Additions - legal expenses and sundry charges	48,622	56,198
Transfer from a subsidiary	-	30,153
Settlements	(191,050)	(146,553)
Balance, December 31	<u>5,630,206</u>	<u>5,429,649</u>

Additions are netted by LBP901million representing estimated interest income accumulated by the Lebanese National Social Security Fund (LBP863million booked under write-back accounts in 2014).

The movement of the provision for contingencies was as follows:

	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Balance January 1	2,980,047	2,851,121
Additions	489,938	271,350
Write-off against devaluation in investments (Note 11)	(299,799)	-
Effect of exchange rates changes	(110,693)	(142,424)
Balance December 31	<u>3,059,493</u>	<u>2,980,047</u>

22. SHARE CAPITAL

At December 31, 2015 and 2014, the Bank's ordinary share capital consists of 152,700,000 fully paid shares of LBP1,000 par value each.

As at 2015 year-end, the Bank has a fixed exchange position in the amount of USD58,426,898, authorized by the Central Bank of Lebanon, to hedge its equity against exchange fluctuations within the limit of 60% of equity denominated in Lebanese Pound (USD58,426,898 as at 2014 year-end).

23. PREFERRED SHARES

During 2013, the Bank issued 350,000 Tier I Non-Cumulative Perpetual Redeemable "Series C" preferred shares, at an issue price of USD100 per share with a nominal value of LBP1,000 each.

During 2010 and 2011, the Bank issued 400,000 and 550,000 Tier I Non-Cumulative Perpetual Redeemable "Series A" and "Series B" preferred shares respectively, at an issue price of USD100 per share with a nominal value of LBP1,000 each.

24. RESERVES

This caption consists of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Legal reserve (a)	44,932,817	38,291,066
Reserve for general banking risks (b)	56,767,516	45,777,173
Special reserve for loans and advances (c)	2,703,478	1,778,478
Free reserves	62,636,356	62,243,434
General reserve for performing loans (d)	<u>945,000</u>	<u>-</u>
	<u>167,985,167</u>	<u>148,090,151</u>
Regulatory reserve for assets acquired in satisfaction of loans (Note 12)	<u>37,436,066</u>	<u>29,750,043</u>
	<u>205,421,233</u>	<u>177,840,194</u>

- (a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of the yearly net profits. This reserve is not available for distribution.
- (b) 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. The cumulative reserve should not be less than 1.25% at the end of the 10th year (2007) and 2% at the end of the 20th year.

- (c) Based on Central Bank of Lebanon circular 73 and Banking Control Commission memo 12/2010 relating to reserve allocation for doubtful debts, the Bank has allocated an amount of LBP2.7billion to special reserve for the uncovered portion of its doubtful debts outstanding as at June 30, 2003 and not yet resolved.
- (d) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit to general reserve for performing loans the equivalent of:
- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.
 - 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

25. DIVIDENDS PAID

The Bank's General Assembly held on May 12, 2015 resolved to distribute preferred and regular shares earnings in the amount of LBP13.6billion and LBP19.9billion respectively.

The Bank's General Assembly held on April 14, 2014 resolved to distribute preferred shares earnings in the amount of LBP11.5billion.

26. INTEREST INCOME

This caption consists of the following:

	<u>2015</u>	<u>2014</u>
	LBP'000	LBP'000
Interest income from:		
Deposits with Central Bank	21,966,479	20,789,683
Deposits with banks and financial institutions	1,736,559	1,380,408
Deposits with Parent Bank and subsidiaries	5,649	149,073
Loan to a bank	130,008	148,155
Investment securities (excluding FVTPL)	234,556,623	224,087,375
Loans and advances to customers	161,927,277	154,706,358
Loans and advances to related parties	298,731	324,448
Interest realized on non-performing loans and advances to customers (Note 8)	6,529,273	4,152,100
Other	6,009	7,300
	<u>427,156,608</u>	<u>405,744,900</u>

Interest income realized on non-performing loans and advances to customers represents recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery/rescheduling agreements are signed with customers.

27. INTEREST EXPENSE

This caption consists of the following:

	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Interest expense on:		
Deposits and borrowings from banks	173,310	139,636
Soft loans from Central Bank of Lebanon	1,285,513	5,414,141
Revolving loan and facilities granted from Central Bank of Lebanon	13,944,453	12,364,685
Deposits and borrowings from Parent Bank and subsidiaries	1,755,402	2,063,999
Customers' accounts	251,930,144	231,118,411
Customers' accounts – related parties	1,438,127	895,927
Other borrowings	164,213	230,975
	<u>270,691,162</u>	<u>252,227,774</u>

28. FEE AND COMMISSION INCOME

This caption consists of the following:

	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Commission on documentary credits	1,321,790	1,635,459
Commission on letters of guarantee	2,003,123	1,984,866
Commission on transactions with banks	77,832	70,966
Service fees on customers' transactions	10,531,754	9,136,755
Commission on loans and advances	8,034,197	8,201,908
Commission earned on insurance policies	3,184,937	3,317,950
Commission earned on capital market customer's transactions	840,669	76,016
Other	438,391	265,218
	<u>26,432,693</u>	<u>24,689,138</u>

29. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Brokerage fees	1,350,282	1,363,064
Commission on transactions with banks and financial institutions	661,591	674,110
Other	732,340	1,469,386
	<u>2,744,213</u>	<u>3,506,560</u>

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

This caption consists of the following:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Interest income	9,217,707	5,399,180
Dividends received	121,115	95,285
Net unrealized loss (Note 9)	(1,663,009)	(116,053)
Net realized gain	<u>32,851</u>	<u>79,397</u>
	<u>7,708,664</u>	<u>5,457,809</u>

31. OTHER OPERATING INCOME

This caption consists of the following:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Dividend income from investments at fair value through other comprehensive income	1,018,854	413,956
Foreign exchange gain	3,364,038	3,139,135
Miscellaneous income	<u>2,504,739</u>	<u>869,270</u>
	<u>6,887,631</u>	<u>4,422,361</u>

32. OTHER NON-OPERATING INCOME

This caption consists of the following:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Key money - old branch	-	3,316,500
Income originated from contractual future cash flows	<u>139,007</u>	<u>410,146</u>
	<u>139,007</u>	<u>3,726,646</u>

33. STAFF COSTS

This caption consists of the following:

	<u>2015</u> LBP'000	<u>2014</u> LBP'000
Salaries	34,684,238	32,670,219
Board of directors remunerations	5,102,262	4,876,502
Social security contributions	5,261,267	5,028,889
Provision for end-of-service indemnities (Note 21)	342,985	384,387
Other staff benefits and costs	<u>12,754,476</u>	<u>12,162,372</u>
	<u>58,145,228</u>	<u>55,122,369</u>

34. GENERAL AND ADMINISTRATIVE EXPENSES

This caption consists of the following:

	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Fees and taxes	1,144,339	1,067,097
Rent and building services	3,368,193	3,266,420
Legal and professional fees	4,528,673	4,445,457
Telephone and postage	1,230,481	1,272,490
Maintenance and repairs	5,950,161	5,116,185
Electricity and water	691,223	865,745
Heat, light and power	693,956	907,421
Insurance	621,633	623,198
Advertising and publicity	4,808,951	5,409,268
Public relations and entertainment	318,655	295,804
Printing and stationary	1,029,794	818,761
Subscriptions	1,710,210	1,895,057
Travel	385,789	346,072
Donations	52,718	35,425
Software implementation fees	103,789	158,021
Credit card expenses	1,290,586	987,258
Money Transport	1,341,718	894,564
Cleaning	781,525	758,248
Guards Expenses	516,883	535,955
Miscellaneous expenses	<u>2,278,065</u>	<u>1,823,117</u>
	<u>32,847,340</u>	<u>31,521,563</u>

Legal and professional fees include an amount of LBP226million representing various services provided by the parent bank during 2015.

35. EARNINGS PER SHARE

The computation of the basic earnings per share is based on the Bank's net profit before non-recurring income, net of dividends to preferred shareholders and the weighted average number of outstanding shares during each year held by the Bank. The weighted average number of shares to compute basic and diluted earnings per share is 152,700,000 shares in 2015 and 2014.

Basic and diluted earnings per share are LBP339 (LBP345 in 2014).

36. 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 Bank 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 Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipment documents of goods to which they relate and, therefore, have significantly less risks.

Forward exchange contracts outstanding as of December 31, 2015 and 2014 represent positions held for customers' accounts. The Bank entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Bank.

37. FIDUCIARY ACCOUNTS

Fiduciary deposits include deposits invested in back-to-back lending and are related to resident lenders and borrowers in addition to fiduciary deposits held or invested on behalf of the Bank's customers on a non-discretionary basis. The risks and rewards of the related operations belong to the account holders.

38. CASH AND CASH EQUIVALENTS

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Cash on hand	36,220,931	32,820,839
Deposits with Central Bank of Lebanon (excluding compulsory deposits)	100,865,627	99,007,926
Term placements with Central Bank of Lebanon (with original maturity of less than 3 months)	24,000,000	15,075,000
Purchased checks	31,640,387	27,726,082
Current accounts with correspondents	134,813,971	83,880,663
Current accounts with the parent bank	3,539,254	1,528,288
Current accounts with related banks and financial institutions	20,428,431	18,543,022
Current accounts with subsidiaries	-	124,414
Term placements with correspondents (with original maturity of less than 3 months)	<u>192,888,660</u>	<u>78,594,252</u>
	<u>544,397,261</u>	<u>357,300,486</u>

Major non-cash transactions excluded from the statement of cash flows for the years ended December 31, 2015 and 2014 are summarized as follows:

- (a) Assets acquired in satisfaction of loans in the amount of LBP2.5billion (LBP1.3billion in 2014).
- (b) Capital increase of USB Bank PLC in the amount of LBP17billion against decrease in blocked account with a subsidiary (LBP42billion in 2014).
- (c) Positive change in fair value of investments at fair value through other comprehensive income of LBP704million and related deferred tax liability of LBP106million during 2015 (LBP1.3billion during 2014).
- (d) Write-down of investment in USB Bank PLC of LBP11.86billion against deferred assets during 2015 (LBP25.75billion in 2014).
- (e) Transfer of LBP34million from property and equipment to intangible assets in 2015.
- (f) Write-back of provision on recovered debt recorded as deferred asset against in the amount of LBP10billion in 2015.

39. SEGMENT INFORMATION

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank's reportable segments are as follows:

- (a) Corporate banking - Includes services provided in relation to loans and other credit facilities and deposits and current accounts for corporate and institutional customers.
- (b) Retail banking - includes retail lending and deposits, banking services, insurance brokerage services, overdrafts, credit card facilities, and funds transfer facilities.
- (c) Treasury - includes treasury management, correspondent banking, proprietary trading, managing reserve and capital requirements, asset/liability management, and foreign exchange transactions.
- (d) Private banking - includes the operations with private banking clients including fiduciary deposits, equities and bonds trading and others
- (e) Others - includes Bank's capital, income from sale of assets, soft loans and revolving loan from Central Bank of Lebanon, depreciation, and other income and expenses.

Distribution of assets and liabilities by segment:

	December 31, 2015						Total LBP'000
	Corporate Banking LBP'000	Retail Banking LBP'000	Treasury LBP'000	Private Banking LBP'000	Others LBP'000	Elimination LBP'000	
ASSETS							
Cash and banks	-	36,220,931	1,343,769,115	-	-	-	1,379,990,046
Loan to a bank	-	-	4,939,568	-	-	-	4,939,568
Investment securities at FVTPL	-	-	189,660,511	-	-	-	189,660,511
Loans and advances to customers	1,105,789,430	1,154,621,868	-	19,855,302	11,044,325	-	2,291,310,925
Investment securities at amortized cost	31,937,626	2,502,467,260	-	519,395,866	372,108,524	-	3,425,909,276
Investment securities at FVTOCI	-	-	-	-	16,415,311	-	16,415,311
Customers' liability under acceptances	29,599,306	-	-	-	-	-	29,599,306
Investments in subsidiaries	-	27,200	-	7,610,110	104,878,149	-	112,515,459
Other assets	-	-	-	-	244,816,786	-	244,816,786
Inter - segments	-	653,079,126	-	588,943,735	452,700,219	(1,694,723,080)	-
Total Assets	<u>1,167,326,362</u>	<u>4,346,416,385</u>	<u>1,538,369,194</u>	<u>1,135,805,013</u>	<u>1,201,963,314</u>	<u>(1,694,723,080)</u>	<u>7,695,157,188</u>
LIABILITIES							
Deposits from banks	-	-	42,688,622	-	-	-	42,688,622
Customers' accounts	598,956,978	4,208,887,377	-	1,135,805,013	-	-	5,943,649,368
Liability under acceptances	29,599,306	-	-	-	-	-	29,599,306
Other borrowings	173,902,570	137,529,008	165,825,000	-	370,778,058	-	848,034,636
Other liabilities and provisions	-	-	-	-	82,827,818	-	82,827,818
Inter-segments	364,867,508	-	1,329,855,572	-	-	(1,694,723,080)	-
Total Liabilities	<u>1,167,326,362</u>	<u>4,346,416,385</u>	<u>1,538,369,194</u>	<u>1,135,805,013</u>	<u>453,605,876</u>	<u>(1,694,723,080)</u>	<u>6,946,799,750</u>

	December 31, 2014						
	Corporate Banking	Retail Banking	Treasury	Private Banking	Others	Elimination	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash and banks	-	32,820,839	1,060,997,422	-	-	-	1,092,918,261
Loan to a bank	-	-	5,645,220	-	-	-	5,645,220
Investment securities at FVTPL	-	-	105,100,853	-	-	-	105,100,853
Loans and advances to customers	1,093,452,073	1,085,724,909	-	15,087,444	5,736,972	-	2,200,001,398
Investment securities at amortized cost	38,560,539	2,370,078,642	-	390,535,556	372,206,885	-	3,171,381,622
Investment securities at FVTOCI	-	-	-	-	15,652,141	-	15,652,141
Customers' liability under acceptances	30,751,247	151,944	-	-	-	-	30,903,191
Investments in subsidiaries	-	27,200	-	7,610,110	96,836,834	-	104,474,144
Other assets	-	-	-	-	272,593,761	-	272,593,761
Inter - segments	-	540,200,654	-	418,288,184	572,255,618	(1,530,744,456)	-
Total Assets	1,162,763,859	4,029,004,188	1,170,843,495	831,521,294	1,335,282,211	(1,530,744,456)	6,998,670,591
LIABILITIES							
Deposits from banks	-	-	107,392,856	-	-	-	107,392,856
Customers' accounts	490,524,355	4,029,004,188	-	831,521,294	-	-	5,351,049,837
Liability under acceptances	30,903,191	-	-	-	-	-	30,903,191
Other borrowings	8,214,500	-	165,827,996	-	545,179,694	-	719,222,190
Other liabilities and provisions	-	-	-	-	75,814,872	-	75,814,872
Inter-segments	633,121,813	-	897,622,643	-	-	(1,530,744,456)	-
Total Liabilities	1,162,763,859	4,029,004,188	1,170,843,495	831,521,294	620,994,566	(1,530,744,456)	6,284,382,946

The geographical distribution of assets and liabilities is disclosed in Note 41.

Distribution of profit or loss by segment:

	Year Ended December 31, 2015						
	Corporate	Retail	Treasury	Private	Others	Total	
	Banking LBP'000	Banking LBP'000	LBP'000	Banking LBP'000	LBP'000	LBP'000	
Net interest income	62,841,740	71,668,030	15,510,441	(13,873,461)	20,318,696	156,465,446	
Net commission income	6,934,149	16,520,093	(569,127)	888,976	(85,611)	23,688,480	
Net interest and other gain/(loss) on investments at FVTPL	-	-	7,708,664	-	-	7,708,664	
Other operating and non-operating income	111,854	60,048	9,237,111	1,005,511	979,490	11,394,014	
Net impairment on loans and advances to customers	(637,377)	(5,057,856)	-	-	1,099,040	(4,596,193)	
Other (expense) / income - Net	(16,319,039)	(72,800,145)	(5,131,494)	(3,590,891)	(15,454,550)	(113,296,119)	
Income tax expense	(4,500,393)	(2,467,922)	(1,050,142)	48,214	(6,485,670)	(14,455,913)	
Inter-segment	48,430,934	7,922,248	25,705,453	(15,521,651)	371,395	66,908,379	
Residual net income	(28,253,745)	2,209,589	(23,557,429)	15,796,288	33,805,297	-	
	20,177,189	10,131,837	2,148,024	274,637	34,176,692	66,908,379	
	Year Ended December 31, 2014						
	Corporate	Retail	Treasury	Private	Others	Total	
	Banking LBP'000	Banking LBP'000	LBP'000	Banking LBP'000	LBP'000	LBP'000	
Net interest income	63,459,856	68,693,081	29,943,191	(14,156,544)	5,577,542	153,517,126	
Net commission income	7,272,615	15,375,472	(577,327)	94,715	(982,897)	21,182,578	
Net interest and other gain/(loss) on investments at FVTPL	-	-	5,457,809	-	-	5,457,809	
Other operating and non-operating income	625,060	402,123	5,113,777	72,514	3,998,602	10,212,076	
Net impairment on loans and advances to customers	(752,256)	(3,486,028)	-	-	(644,996)	(4,883,280)	
Other (expense) / income - Net	(17,869,711)	(68,910,179)	(18,056,097)	(3,321,061)	3,724,369	(104,432,679)	
Income tax expense	(4,144,873)	(2,381,656)	(3,289,634)	-	(4,819,965)	(14,636,128)	
Inter-segment	48,590,691	9,692,813	18,591,719	(17,310,376)	6,852,655	66,417,502	
Residual net income	(31,692,869)	(2,283,825)	(9,369,064)	13,871,937	29,473,821	-	
	16,897,822	7,408,988	9,222,655	(3,438,439)	36,326,476	66,417,502	

40. COLLATERAL GIVEN

The carrying values of financial assets given as collateral are as follows:

	December 31,				2014
	2015			Amount of Pledged Assets	
	Corresponding Facilities		Amount of Facility		
Amount of Pledged Assets	Maturity Date	Nature of Facility		Amount of Pledged Assets	
	LBP'000	LBP'000	LBP'000		
Lebanese treasury bills	-	-		Soft loan from Central Bank of Lebanon	185,000,000
Lebanese treasury bills	300,000,000	December 31, 2015	300,000,000	Revolving loan from Central Bank of Lebanon	300,000,000
Lebanese treasury bills	48,765,500	August 11, 2016	48,785,000	Soft loan from Central Bank of Lebanon	48,765,500
Lebanese treasury bills	17,734,000	March 21, 2019	17,734,000	Soft loan from Central Bank of Lebanon	17,734,000
Lebanese Government bonds	174,267,000	July 13, 2016	165,825,000	Facilities from Central Bank of Lebanon	174,267,000
Lebanese treasury bills	35,744,910	Revolving	309,124,740	Facilities from Central Bank of Lebanon	15,169,000

41. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Bank is exposed to various risks which are managed and maintained by applying its own processes of identification, measurement and monitoring.

A. Credit Risk

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

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Bank's performance affecting a particular industry or geographical location.

1. Management of Credit Risk

The Board of Directors has the responsibility to approve the general credit policy as recommended by the Credit Committee.

The Credit Committee has the responsibility for the development of the credit function strategy and implementing principles, frameworks, policies and limits.

2. *Measurement of Credit Risk*

(a) **Loans and advances to customers**

The commercial and consumer credit extension divisions manage credit risk based on the risk profile of the borrower, repayment source and the nature of the underlying collateral given current events and conditions.

Assessment of the credit risk profile of an individual counterparty is based on an analysis of the borrower's financial position in conjunction with current industry, economic and macro geopolitical trends. As part of the overall credit risk assessment of a borrower, each credit exposure or transaction is assigned a risk rating and is subject to the Credit Committee's approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are adjusted on an ongoing basis, if necessary, to reflect changes in the obligor's financial condition, cash flows or ongoing financial viability.

The Bank assesses the probability of default of individual counterparties and classifies these commitments to reflect the probability of default as listed below:

Watch List: Debts that are not impaired but for which management determines that they require special monitoring due to a deficiency in the credit file regarding collateral, financial position or profitability.

Past due but not impaired: Debts where contractual interest or principal are past due but management believes that classification as impaired is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed.

Rescheduled debts: Debts that have been restructured after they have been classified as substandard or doubtful and where the Bank has made concessions that it would not otherwise consider. Once a loan is restructured, the last classification as substandard or doubtful does not change.

Substandard debts: Debts that have characteristics such as significant deterioration in profitability and cash flows for a long period and in collateral, the occurrence of recurring delays in settlement of maturing payments, or which facilities are not utilized for the purpose they were intended for.

Doubtful or bad debts: Debts that have the characteristics of substandard debts, in addition to being considered to be at a higher degree of risk due to the continued deterioration of the debtor's situation and the adequacy of collateral, the discontinuity of deposit movement or repayment, or no respect of the maturities of the rescheduling of the debt for a period exceeding 3 months from maturity date. The debt becomes bad when the expected amount to be collected is nil or negligible.

The Bank establishes an allowance for impairment 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 in respect of losses that management considers have been increased but not been identified as loans subject to individual assessment for impairment.

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when it determines it will not be collectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower issuer's financial position such as the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure or financial instrument.

(b) Debt securities

The risk of the debt instruments included in the investment portfolio relates mainly to sovereign risk.

3. Risk Mitigation Policies

The Bank 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

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

4. Financial assets with credit risk exposure and related concentrations

(a) Exposure to credit risk and concentration by counterparty:

The tables below reflect the Bank's exposure to credit risk by counterparty segregated between the categories of deposits with banks and financial institutions and loans and advances:

(a.1) Distribution of deposits with banks and financial institutions by brackets:

	December 31,					
	2015		2014			
	Balance LBP'000	% to Total	No. of Counterparties	Balance LBP'000	% to Total	No. of Counterparties
Less than LBP5billion	26,987,386	7	27	26,526,685	11	46
From LBP5billion to LBP15billion	49,774,754	13	6	49,908,435	21	5
From LBP15billion to LBP30billion	135,407,039	35	8	125,070,810	54	6
From LBP30billion to LBP50billion	175,219,394	45	4	31,664,020	14	1
	<u>387,388,573</u>	<u>100</u>	<u>45</u>	<u>233,169,950</u>	<u>100</u>	<u>58</u>

(a.2) Distribution of performing loans and advances to customers by brackets (regular and watch list):

	December 31,					
	2015		2014			
	Balance LBP'000	% to Total	No. of Counterparties	Balance LBP'000	% to Total	No. of Counterparties
Less than LBP0.5billion	1,077,725,116	48	50,418	1,007,225,432	46	53,605
From LBP0.5billion to LBP1.5billion	214,943,332	10	269	217,571,380	10	268
More than LBP1.5billion	941,444,247	42	150	941,361,474	44	150
	<u>2,234,112,695</u>	<u>100</u>	<u>50,837</u>	<u>2,166,158,286</u>	<u>100</u>	<u>54,023</u>

(a.3) Details of the Bank's exposure to credit risk with respect to loans and advances to customers:

	December 31, 2015										Lesser of Individual Exposure or Total Guarantees LBP'000
	Gross Exposure Net of Unrealized Interest and Discount LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Bank Guarantees LBP'000	Second Degree Mortgage on Properties LBP'000	Equity Securities LBP'000	Debt Securities LBP'000	Others LBP'000	Total Guarantees LBP'000	
Regular loans and advances	2,294,112,695	-	2,294,112,695	209,761,515	74,254,595	1,116,472,782	2,668,305	211,050	413,428,104	1,816,796,351	1,488,795,556
Substandard	31,461,614	-	31,461,614	36,853	1,540,682	25,790,415	-	-	4,415,525	31,783,475	28,452,382
Doubtful	63,470,724	(26,782,858)	36,687,866	139,271	2,279,914	64,408,704	-	-	8,317,694	75,145,583	69,077,417
Loss	38,983,394	(38,983,394)	-	34,529	1,634,762	2,066,136	-	-	12,042,920	15,778,547	9,904,990
Loan portfolio purchased	2,226,266	-	2,226,266	-	-	-	-	-	-	-	2,226,266
Collective provision	-	(13,177,516)	(13,177,516)	-	-	-	-	-	-	-	-
	<u>2,170,214,621</u>	<u>(78,961,768)</u>	<u>2,091,252,853</u>	<u>209,972,168</u>	<u>79,709,953</u>	<u>1,208,238,237</u>	<u>(2,668,305)</u>	<u>(211,050)</u>	<u>438,204,243</u>	<u>1,839,503,956</u>	<u>1,598,456,611</u>
December 31, 2014											
	Gross Exposure Net of Unrealized Interest and Discount LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Bank Guarantees LBP'000	Second Degree Mortgage on Properties LBP'000	Equity Securities LBP'000	Debt Securities LBP'000	Others LBP'000	Total Guarantees LBP'000	Lesser of Individual Exposure or Total Guarantees LBP'000
Regular loans and advances	2,166,198,286	-	2,166,198,286	142,197,277	70,620,369	998,459,252	22,279,209	587,925	475,713,936	1,709,857,968	1,316,414,806
Substandard	12,941,861	-	12,941,861	42,211	2,533,185	7,867,485	-	-	504,948	11,047,829	10,240,792
Doubtful	62,283,186	(28,073,195)	34,209,991	1,821,981	635,202	56,448,158	-	-	18,822,424	77,727,765	67,604,589
Loss	44,758,049	(44,757,369)	680	529	978,444	2,946,800	-	-	3,114,095	7,039,868	6,018,428
Loan portfolio purchased	2,226,266	-	2,226,266	-	-	-	-	-	-	-	2,226,266
Collective provision	-	(15,535,686)	(15,535,686)	-	-	-	-	-	-	-	-
	<u>2,288,367,648</u>	<u>(88,366,250)</u>	<u>2,200,001,398</u>	<u>144,061,998</u>	<u>74,867,200</u>	<u>1,065,721,695</u>	<u>22,279,209</u>	<u>(587,925)</u>	<u>498,155,403</u>	<u>1,803,673,430</u>	<u>1,497,504,881</u>

Overdue but not impaired loans as at December 31, 2015 and 2014 are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2013</u>
	<u>LBP'000</u>	<u>LBP'000</u>
Between 60 and 90 days	63,833,000	15,759,000
Between 90 and 180 days	16,527,000	36,404,000
Between 180 and 360 days	3,578,000	2,272,000
Over 360 days	<u>103,000</u>	<u>681,000</u>
	<u>84,041,000</u>	<u>55,116,000</u>

(a.4) Concentration of major financial assets and liabilities by geographical location:

	<u>December 31, 2015</u>					<u>Total</u> <u>LBP'000</u>
	<u>Lebanon</u> <u>LBP'000</u>	<u>Middle East and Africa</u> <u>LBP'000</u>	<u>North America</u> <u>LBP'000</u>	<u>Eurozone</u> <u>LBP'000</u>	<u>Other</u> <u>LBP'000</u>	
ASSETS						
Cash and Central Bank	992,601,473	-	-	-	-	992,601,473
Deposits with banks and financial institutions	101,938,210	96,943,937	39,266,174	146,829,694	2,410,558	387,388,573
Loan to a bank	4,939,568	-	-	-	-	4,939,568
Investments at fair value through profit or loss	159,905,181	-	-	29,755,330	-	189,660,511
Loans and advances to customers	2,219,510,194	51,566,874	3,749,730	13,508,637	2,975,490	2,291,310,925
Investments at amortized cost	3,425,550,491	-	-	358,785	-	3,425,909,276
Investments at fair value through other comprehensive income	<u>16,415,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,415,311</u>
Total	<u>6,920,860,428</u>	<u>148,510,811</u>	<u>43,015,904</u>	<u>190,452,446</u>	<u>5,386,048</u>	<u>7,308,225,637</u>
LIABILITIES						
Deposits from banks	40,906,701	490,918	9,202	1,281,801	-	42,688,622
Customers' accounts	4,779,026,104	545,363,009	42,047,406	518,182,936	59,029,913	5,943,649,368
Other borrowings	<u>845,727,797</u>	<u>-</u>	<u>-</u>	<u>2,306,839</u>	<u>-</u>	<u>848,034,636</u>
Total	<u>5,665,660,602</u>	<u>545,853,927</u>	<u>42,056,608</u>	<u>521,771,576</u>	<u>59,029,913</u>	<u>6,834,372,626</u>
December 31, 2014						
	<u>Lebanon</u> <u>LBP'000</u>	<u>Middle East and Africa</u> <u>LBP'000</u>	<u>North America</u> <u>LBP'000</u>	<u>Eurozone</u> <u>LBP'000</u>	<u>Other</u> <u>LBP'000</u>	<u>Total</u> <u>LBP'000</u>
ASSETS						
Cash and Central Bank	859,748,311	-	-	-	-	859,748,311
Deposits with banks and financial institutions	58,254,325	37,384,967	51,276,123	85,401,589	852,946	233,169,950
Loan to a bank	5,645,220	-	-	-	-	5,645,220
Investments at fair value through profit or loss	78,389,044	-	-	26,711,809	-	105,100,853
Loans and advances to customers	2,141,780,016	40,813,778	2,603,981	11,522,350	3,281,273	2,200,001,398
Investments at amortized cost	3,170,985,706	-	-	395,916	-	3,171,381,622
Investments at fair value through other comprehensive income	<u>15,652,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,652,141</u>
Total	<u>6,330,454,763</u>	<u>78,198,745</u>	<u>53,880,104</u>	<u>124,031,664</u>	<u>4,134,219</u>	<u>6,590,699,495</u>
LIABILITIES						
Deposits from banks	89,896,674	539,612	13,802	16,942,768	-	107,392,856
Customers' accounts	4,469,360,732	474,022,894	40,376,531	322,342,690	44,946,990	5,351,049,837
Other borrowings	<u>711,007,690</u>	<u>4,372,579</u>	<u>-</u>	<u>3,841,921</u>	<u>-</u>	<u>719,222,190</u>
Total	<u>5,270,265,096</u>	<u>478,935,085</u>	<u>40,390,333</u>	<u>343,127,379</u>	<u>44,946,990</u>	<u>6,177,664,883</u>

B. Liquidity Risk

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

1. Management of liquidity risk

Liquidity management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels due to changes in their business operations or unanticipated events. Through Assets and Liabilities Committee, the Board of Directors is responsible for establishing the liquidity policy as well as approving operating and contingency procedures and monitoring liquidity on an ongoing basis. The treasury department is responsible for planning and executing their funding activities and strategy.

Liquidity management and business unit activities are managed consistent with a strategy of funding stability, flexibility and diversity. It includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met;
- Maintenance of a portfolio of liquid and marketable assets;
- Daily and forecast cash flow management;
- Implementation of long-term funding strategies.

The cumulative impact of these various elements is monitored on at least a monthly basis by ALCO. Monitoring and reporting take the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection data of the financial assets.

2. Exposure to liquidity risk

Regulatory requirements

The Bank ensures that it is in compliance with the liquidity limits in Lebanese Pound and foreign currencies as established by Central Bank of Lebanon.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values). The expected maturities vary significantly from the contractual maturities namely with regard to customers' accounts:

	December 31, 2015					Total LBP'000
	Up to 3 Months LBP'000	3 to12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	
Deposits from banks	37,140,489	5,548,133	-	-	-	42,688,622
Customers' accounts	5,321,466,645	618,236,345	3,207,703	738,675	-	5,943,649,368
Other borrowings	5,077,896	515,344,250	753,750	17,734,000	309,124,740	848,034,636
	<u>5,363,685,030</u>	<u>1,139,128,728</u>	<u>3,961,453</u>	<u>18,472,675</u>	<u>309,124,740</u>	<u>6,834,372,626</u>

	December 31, 2014					Total LBP'000
	Up to 3 Months LBP'000	3 to12 Months LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	
Deposits from banks	107,392,856	-	-	-	-	107,392,856
Customers' accounts	4,449,007,065	896,371,066	3,593,609	2,078,097	-	5,351,049,837
Other borrowings	10,203,759	300,000,000	216,851,750	17,734,000	174,432,681	719,222,190
	<u>4,566,603,680</u>	<u>1,196,371,066</u>	<u>220,445,359</u>	<u>19,812,097</u>	<u>174,432,681</u>	<u>6,177,664,883</u>

C. Market Risk

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

Currency risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign currency-denominated loans, foreign currency-denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions, and foreign-currency denominated debt.

Exposure to foreign exchange risk:

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

	December 31, 2015					
	LBP	USD	Euro	STG	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Bank	451,705,570	535,714,548	3,051,555	2,129,800	-	992,601,473
Deposits with banks and financial institutions	47,271,251	223,227,371	96,817,613	9,483,653	10,588,685	387,388,573
Loan to a bank	4,939,568	-	-	-	-	4,939,568
Investments at fair value through profit or loss	68,748,976	120,911,535	-	-	-	189,660,511
Loans and advances to customers	721,056,154	1,566,844,621	6,238,269	477,635	(3,305,754)	2,291,310,925
Investments at amortized cost	2,307,923,885	1,117,985,391	-	-	-	3,425,909,276
Investments at fair value through other comprehensive income	15,576,227	771,308	67,776	-	-	16,415,311
Customers' liability under acceptances	150,000	16,150,966	6,952,148	276,921	6,069,271	29,599,306
Investments in subsidiaries	37,627,310	-	74,888,149	-	-	112,515,459
Assets acquired in satisfaction of loans	13,466,167	76,334,532	-	-	-	89,800,699
Property and equipment	67,295,642	-	-	-	-	67,295,642
Intangible assets	1,923,902	-	-	-	-	1,923,902
Deferred assets	1,027,819	54,470,155	7,474,216	-	-	62,972,190
Other assets	12,963,680	9,819,468	7,995	17,231	15,979	22,824,353
Total Assets	3,751,676,151	3,722,229,895	195,497,721	12,385,240	13,368,181	7,695,157,188
LIABILITIES						
Deposits from banks	37,408,694	4,124,289	387,688	-	767,951	42,688,622
Customers' accounts	2,551,384,745	3,134,373,456	239,401,324	11,379,213	7,110,630	5,943,649,368
Liability under acceptances	150,000	16,150,966	6,952,148	276,921	6,069,271	29,599,306
Other borrowings	679,880,485	168,154,151	-	-	-	848,034,636
Other liabilities	43,776,421	28,871,238	202,657	1,110,487	33,530	73,994,333
Provisions	6,770,367	1,267,602	673,718	-	-	8,711,687
Total Liabilities	3,319,370,712	3,352,941,702	247,617,535	12,766,621	13,981,382	6,946,677,952
Currency to be received	-	29,962,785	66,659,046	2,623,141	36,430,738	135,675,710
Currency to be delivered	1,514,000	82,535,995	14,443,266	2,232,460	35,071,787	135,797,508
	(1,514,000)	(52,573,210)	52,215,780	390,681	1,358,951	(121,798)
Net assets	430,791,439	316,714,983	95,966	9,300	745,750	748,357,438

	December 31, 2014					
	LBP LBP'000	USD LBP'000	Euro LBP'000	STG LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and Central Bank	359,189,507	496,683,802	2,952,153	922,849	-	859,748,311
Deposits with banks and financial institutions	10,744,478	179,012,424	27,676,060	9,667,434	6,069,554	233,169,950
Loan to a bank	5,645,220	-	-	-	-	5,645,220
Investments at fair value through profit or loss	52,607,124	51,975,730	517,999	-	-	105,100,853
Loans and advances to customers	648,372,199	1,536,621,735	14,187,264	488,957	331,243	2,200,001,398
Investments at amortized cost	2,315,148,685	856,232,937	-	-	-	3,171,381,622
Investments at fair value through other comprehensive income	15,084,313	558,805	9,023	-	-	15,652,141
Customers' liability under acceptances	299,999	20,515,999	6,572,492	1,398,980	2,115,721	30,903,191
Investments in subsidiaries	37,627,310	-	66,846,834	-	-	104,474,144
Assets acquired in satisfaction of loans	13,443,041	75,444,478	-	-	-	88,887,519
Property and equipment	69,490,588	-	-	-	-	69,490,588
Intangible assets	2,448,652	-	-	-	-	2,448,652
Deferred assets	2,629,333	-	84,954,950	-	-	87,584,283
Other assets	13,940,184	10,184,591	19,546	11,311	15,395	24,171,027
Total Assets	3,546,670,633	3,227,230,501	203,736,321	12,489,531	8,531,913	6,998,658,899
LIABILITIES						
Deposits from banks	86,605,293	19,403,903	1,209,586	-	174,074	107,392,856
Customers' accounts	2,453,653,060	2,686,953,517	194,761,028	11,085,744	4,596,488	5,351,049,837
Liability under acceptances	299,999	20,515,999	6,572,492	1,398,980	2,115,721	30,903,191
Other borrowings	545,162,711	174,059,479	-	-	-	719,222,190
Other liabilities	41,862,941	25,029,456	392,114	25,329	11,727	67,321,567
Provisions	6,169,320	1,239,776	1,084,208	-	-	8,493,304
Total Liabilities	3,133,753,324	2,927,202,130	204,019,428	12,510,053	6,898,010	6,284,382,945
Currency to be received	-	46,915,403	18,703,136	4,190,796	26,389,646	96,198,981
Currency to be delivered	6,055,000	40,153,912	18,329,413	4,190,562	27,458,402	96,187,289
	(6,055,000)	6,761,491	373,723	234	(1,068,756)	11,692
Net assets	406,862,309	306,789,862	90,616	(20,288)	565,147	714,287,646

Interest rate risk

Interest rate risk represents exposures to instruments whose values vary with the level of volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading - related assets and liabilities, deposits, borrowings and derivative instruments. Interest rate repricing gap is used to estimate the impact on earnings of an adverse movement in interest rates.

Exposure to Interest rate risk

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

	Weighted Average Effective Interest Rate %	December 31, 2015					Total LBP'000	
		Not Subject to Interest LBP'000	Less than 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000		Over 5 Years LBP'000
ASSETS								
Cash and Central Bank Deposits with banks and financial institutions	2.66	212,548,271	534,083,669	60,969,533	-	-	185,000,000	992,601,473
Loan to a bank	0.80	193,745,602	193,642,971	-	-	-	-	387,388,573
Investments at fair value through profit or loss	2.63	39,568	-	4,900,000	-	-	-	4,939,568
Loans and advances to customers	4.42	8,947,727	-	21,308,343	17,846,078	39,801,562	101,756,801	189,660,511
Investments at amortized cost	7.30	70,189,355	2,109,809,136	111,312,434	-	-	-	2,291,310,925
Investments at fair value through other comprehensive income	6.95	53,465,048	-	317,488,580	777,529,680	498,690,481	1,778,735,488	3,425,909,276
		<u>16,415,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,415,311</u>
		<u>555,350,881</u>	<u>2,837,535,776</u>	<u>515,978,890</u>	<u>795,375,758</u>	<u>538,492,043</u>	<u>2,065,492,289</u>	<u>7,308,225,637</u>
LIABILITIES								
Deposits from banks and financial institutions	3.23	5,548,134	37,140,488	-	-	-	-	42,688,622
Customers' accounts	4.40	402,875,176	4,918,591,469	618,236,345	3,207,703	738,675	-	5,943,649,368
Other borrowings	2.24	4,324,146	535,079,731	308,630,759	-	-	-	848,034,636
		<u>412,747,456</u>	<u>5,490,811,688</u>	<u>926,867,104</u>	<u>3,207,703</u>	<u>738,675</u>	<u>-</u>	<u>6,834,372,626</u>

Weighted Average Effective Interest Rate %	December 31, 2014						Total LBP'000
	Not Subject to Interest LBP'000	Less than 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	
ASSETS							
2.66	185,441,617	439,559,044	49,747,650	-	-	185,000,000	859,748,311
0.80	154,451,284	78,718,666	-	-	-	-	233,169,950
2.63	45,220	5,600,000	-	-	-	-	5,645,220
4.42	8,473,092	-	35,147,383	27,174,888	-	34,305,490	105,100,853
7.30	47,368,684	2,035,865,462	116,767,252	-	-	-	2,200,001,398
6.95	53,907,592	222,194,744	136,646,436	884,071,184	555,191,389	1,319,370,277	3,171,381,622
-	15,652,141	-	-	-	-	-	15,652,141
	<u>465,339,630</u>	<u>2,781,937,916</u>	<u>338,308,721</u>	<u>911,246,072</u>	<u>555,191,389</u>	<u>1,538,675,767</u>	<u>6,590,699,495</u>
LIABILITIES							
3.23	5,880,474	101,512,382	-	-	-	-	107,392,856
4.40	456,715,714	4,389,184,619	499,544,334	3,539,896	2,065,274	-	5,351,049,837
2.24	4,344,606	173,945,403	300,000,000	48,765,500	17,734,000	174,432,681	719,222,190
	<u>466,940,794</u>	<u>4,664,642,404</u>	<u>799,544,334</u>	<u>52,305,396</u>	<u>19,799,274</u>	<u>174,432,681</u>	<u>6,177,664,883</u>

42. COMMITMENTS AND CONTINGENCIES

The Bank is defendant in lawsuits filed by different parties amounting to around USD3.4million. According to the Bank's legal advisors, the outcome of these claims cannot be reliably assessed at present.

The Bank's tax returns for the years 2011 to 2015 and social security declarations for the years 2007 to 2015 are still subject to review by the relevant tax and social security authorities. Any additional tax liability depends on the outcome of such reviews.

43. CAPITAL MANAGEMENT

The Bank manages its capital to comply with the capital adequacy requirements set by Central Bank of Lebanon.

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.

The Bank's capital is split as follows:

Tier I capital : Comprises share capital (common and preferred), premium on preferred shares, reserves from appropriation of profits, retained earnings after deductions for intangible assets and other regulatory adjustments.

Tier II capital : Comprises 50% cumulative change in fair value for investments classified at fair value through other comprehensive income and subordinated bonds.

The Bank's capital adequacy ratio was as follows:

	December 31,	
	<u>2015</u>	<u>2014</u>
	LBPmillion	LBPmillion
Common equity Tier I	478,329	433,446
Additional Tier I capital	<u>196,359</u>	<u>196,205</u>
	674,688	629,651
Tier II capital	<u>4,848</u>	<u>21,512</u>
Total regulatory capital	<u>679,536</u>	<u>651,163</u>
Credit risk	4,006,278	3,814,326
Market risk	178,039	62,128
Operational risk	<u>429,385</u>	<u>411,878</u>
Risk-weighted assets and risk-weighted off-balance sheet items	<u>4,613,702</u>	<u>4,288,332</u>
Equity Tier I ratio	10.37%	10.11%
Tier I capital ratio	14.62%	14.68%
Risk based capital ratio- Tier I and Tier II capital	14.73%	15.18%

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	Notes	Carrying Amount LBP'000	December 31, 2015 Fair Value				Total LBP'000
			Level 1	Level 2	Level 3		
			LBP'000	LBP'000	LBP'000		
Financial assets measured at fair value							
Investments at fair value through profit or loss							
Quoted equity securities	9	4,702,753	4,702,753	-	-	4,702,753	
Unquoted equity securities	9	915,436	-	-	915,436	915,436	
Lebanese Treasury bills	9	10,534,092	-	10,534,092	-	10,534,092	
Lebanese Government bonds	9	84,218,154	-	84,218,154	-	84,218,154	
Foreign Eurobonds	9	29,589,789	-	29,589,789	-	29,589,789	
Certificates of deposit issued by the Central Bank of Lebanon	9	56,370,751	-	56,370,751	-	56,370,751	
Unquoted Equities at fair value through other comprehensive income							
Bancassurance S.A.L.	9	8,530,000	-	-	8,530,000	8,530,000	
Other investments	9	7,885,311	-	-	7,885,311	7,885,311	
		<u>202,746,286</u>	<u>4,702,753</u>	<u>180,712,786</u>	<u>17,330,747</u>	<u>202,746,286</u>	
Financial assets not measured at fair value							
Term placements with Central Bank of Lebanon		185,000,000	-	192,951,248	-	192,951,248	
Loans and advances (net of allowances)	8	2,291,310,925	-	2,300,495,573	-	2,300,495,573	
Investments at amortized cost							
Lebanese Treasury bills	9	1,165,314,480	-	1,181,049,333	-	1,181,049,333	
Lebanese Government bonds	9	956,075,791	-	961,814,069	-	961,814,069	
Foreign Government bonds	9	358,785	-	-	358,785	358,785	
Asset backed securities	9	31,817,268	-	-	30,222,576	30,222,576	
Certificates of deposit issued by the Central Bank of Lebanon	9	1,219,236,690	-	1,227,275,144	-	1,227,275,144	
		<u>3,372,803,014</u>	<u>-</u>	<u>3,370,138,546</u>	<u>30,581,361</u>	<u>3,400,719,907</u>	
Financial liabilities not measured at fair value							
Other borrowings		17,734,000	-	14,371,649	-	14,371,649	
		<u>17,734,000</u>	<u>-</u>	<u>14,371,649</u>	<u>-</u>	<u>14,371,649</u>	

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	Notes	Carrying Amount LBP'000	December 31, 2015				Total LBP'000
			Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Fair Value	
Financial assets measured at fair value							
Investments at fair value through profit or loss							
Quoted equity securities	9	4,702,753	4,702,753	-	-	4,702,753	
Unquoted equity securities	9	915,436	-	-	915,436	915,436	
Lebanese Treasury bills	9	10,534,092	-	10,534,092	-	10,534,092	
Lebanese Government bonds	9	84,218,154	-	84,218,154	-	84,218,154	
Foreign Eurobonds	9	29,589,789	-	29,589,789	-	29,589,789	
Certificates of deposit issued by the Central Bank of Lebanon	9	56,370,751	-	56,370,751	-	56,370,751	
Unquoted Equities at fair value through other comprehensive income							
Bancassurance S.A.L.	9	8,530,000	-	-	8,530,000	8,530,000	
Other investments	9	7,885,311	-	-	7,885,311	7,885,311	
		<u>202,746,286</u>	<u>4,702,753</u>	<u>180,712,786</u>	<u>17,330,747</u>	<u>202,746,286</u>	
Financial assets not measured at fair value							
Term placements with Central Bank of Lebanon		185,000,000	-	192,951,248	-	192,951,248	
Loans and advances (net of allowances)	8	2,291,310,925	-	2,300,495,573	-	2,300,495,573	
Investments at amortized cost							
Lebanese Treasury bills	9	1,165,314,480	-	1,181,049,333	-	1,181,049,333	
Lebanese Government bonds	9	956,075,791	-	961,814,069	-	961,814,069	
Foreign Government bonds	9	358,785	-	-	358,785	358,785	
Asset backed securities	9	31,817,268	-	-	30,222,576	30,222,576	
Certificates of deposit issued by the Central Bank of Lebanon	9	1,219,236,690	-	1,227,275,144	-	1,227,275,144	
		<u>3,372,803,014</u>	-	<u>3,370,138,546</u>	<u>30,581,361</u>	<u>3,400,719,907</u>	
Financial liabilities not measured at fair value							
Other borrowings		17,734,000	-	14,371,649	-	14,371,649	
		<u>17,734,000</u>	-	<u>14,371,649</u>	-	<u>14,371,649</u>	

December 31, 2014

Notes	Carrying Amount LBP'000	Fair Value				Total LBP'000
		Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000		
Financial assets measured at fair value						
Investments at fair value through profit or loss						
9	4,908,677	4,908,677	-	-	-	4,908,677
9	1,325	-	-	1,325	-	1,325
9	15,143,377	-	15,143,377	-	-	15,143,377
9	2,007,871	-	2,007,871	-	-	2,007,871
9	12,985,523	-	12,985,523	-	-	12,985,523
9	31,407,082	-	31,407,082	-	-	31,407,082
9	517,793	-	-	517,793	-	517,793
9	36,422,770	-	36,422,770	-	-	36,422,770
Certificates of deposit issued by the Central Bank of Lebanon						
Unquoted Equities at fair value through other comprehensive income						
9	8,530,000	-	-	8,530,000	-	8,530,000
9	7,122,141	-	-	7,122,141	-	7,122,141
	<u>119,046,559</u>	<u>4,908,677</u>	<u>97,966,623</u>	<u>16,171,259</u>	-	<u>119,046,559</u>
Financial assets not measured at fair value						
Term placements with Central Bank of Lebanon						
8	185,000,000	-	192,036,310	-	-	192,036,310
	2,200,001,398	-	2,210,147,421	-	-	2,210,147,421
Loans and advances (net of allowances)						
Investments at amortized cost						
9	1,272,028,472	-	1,276,394,873	-	-	1,276,394,873
9	661,210,128	-	677,061,260	-	-	677,061,260
9	358,785	-	-	358,785	-	358,785
9	38,454,818	-	-	38,454,818	-	38,454,818
9	1,145,316,107	-	1,161,305,483	-	-	1,161,305,483
	<u>5,502,369,708</u>	-	<u>5,516,945,347</u>	-	<u>38,813,603</u>	<u>5,555,758,950</u>
Certificates of deposit issued by the Central Bank of Lebanon						
Financial liabilities not measured at fair value						
Other borrowings						
	66,499,500	-	60,959,531	-	-	60,959,531
	<u>66,499,500</u>	-	<u>60,959,531</u>	-	-	<u>60,959,531</u>

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

The directors consider that the carrying amounts of cash, compulsory and other short term deposits with Central Bank, deposits from banks and accounts payable approximate their fair values due to the short-term maturities of these instruments. For customers' accounts, this is largely due to their short-term contractual maturities.

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial instruments included in the financial statements, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

<u>Financial instruments</u>	<u>Date of valuation</u>	<u>Valuation technique and Key input</u>	<u>Significant unobservable inputs</u>
Lebanese treasury bills	31-Dec-14&15	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Certificates of deposit in LBP issued by Central Bank of Lebanon	31-Dec-14&15	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Certificates of deposit in foreign currencies issued by Central Bank of Lebanon	31-Dec-14&15	DCF at discount rates determined based on observable yield curves at the measurement date.	N/A
Lebanese Government bonds	31-Dec-14&15	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor	N/A
Term placements with Central Bank of Lebanon	31-Dec-14&15	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor	N/A
		DCF at discount rates determined based on the average rate of return of the receivables bearing fixed interest rate for more than one year	
Foreign Government Bonds	31-Dec-14&15	Quoted prices for similar assets in active markets	N/A
Bancassurance S.A.L.	31-Dec-14&15	Multiple earnings	4.5 times earnings
Other unquoted Equities at fair value through other comprehensive income	31-Dec-14&15	N/A	N/A
Other borrowings	31-Dec-14&15	DCF at discount rates determined based on the average rate of return of the payables bearing fixed interest rate for more than one year	N/A

45. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank carries on transactions with subsidiaries and related parties, balances of which are disclosed in the statement of financial position and in Notes 6, 8, 9, 11, 17 and 18 and in the statement of profit or loss in Notes 26, 27, 33, and 34.

Remuneration to executive management paid during 2015 amounted to LBP5.16billion (LBP4.75billion in 2014).

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2015 were approved by the Board of Directors in its meeting held on May 5, 2016.