بنك بيروت ش.م.ل.

Bank of Beirut s.a.l.

Banking Beyond Borders

Annual Report 2015

ANNUAL REPORT 2015

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Chairman´s Message

Chairman's Message

I am privileged to be in a position to highlight the Bank of Beirut Group achievements and the value it has accomplished in 2015.

Our endeavor to sustain our future business both locally and internationally has been well achieved through successfully executing our strategy and by enhancing our status as a strong and trusted institution.

2015, and indeed the last decade was an extraordinary period for our Bank. Once again we delivered strong financial results in challenging operating environments. The Bank strengthened its franchise through good average growth in total assets and deposits underpinned by good performance of its international business and sustained growth within the Lebanese market. The achieved growth has been in line with the long-term strategy adopted by the Bank to diversify its business activities towards a universal banking model and to expand regionally and internationally in profitable and relatively low-risk countries.

The performance was characterized by remarkable growth in all main financial indicators. Capitalizing on the large branch network and the diversified product range, the Bank has achieved gains in market shares in both commercial and retail businesses, while maintaining its position as a leader in the Trade Finance line of business.

On consolidated basis, the Bank's total assets reached as at 31st December 2015 USD 16.2 billion, growing by 8.27% year-on-year. The growth in size was mainly funded by the increase in deposits and equity. Total Shareholders' equity reached around USD 2 billion, while profits amounted to USD 187 million.

And, each year our Bank has been getting stronger. We continue to identify lucrative opportunities to invest for the future in our efforts to support the Lebanese economy and that of the countries of our presence.

Building on our 23-year history in business, our exemplary growth and achievements have helped us advance further towards our vision of becoming an icon in the not too distant future. I am particularly pleased that this exemplary growth was recognized by Banker Middle East Magazine through conferring on Bank of Beirut many awards, to mention a few; Best Cash Management, Best Commercial Bank in Lebanon, Best Home Finance Product, Best Transaction Bank in the Levant, Best Fund, and most humbly, Banker for the year 2015 in the MENA Region.

We continued to assist individuals and institutions in fulfilling their aspirations. From small businesses to key projects in countries of our presence, our Bank is assisting their own journey of success. Our strong operating performance was reflected by income growth and a modest increase in costs. Our growth has been strategic, focused and well targeted on Lebanon; our promising market segment in Australia, our European subsidiaries, Africa and the Gulf Region, with a most favorable outlook within the global economy. Our vision encompasses enabling expansion across multiple geographically selected regions as a gateway to Lebanon, thus creating sustainable value for our customers and shareholders.

While the world's economy faces a number of challenges, we are very thankful for the firm Central Bank of Lebanon's commitment, rules and regulations imposed on the banking sector. On behalf of our Board of Directors, I express our deep appreciation to the Governor of the Central Bank of Lebanon, H.E. Riad Salame, for his dedicated efforts to promote Lebanon's banking sector, through the enforcement of strict control over banking institutions.

I am deeply grateful to our customers, business partners and staff members who jointly constitute a cornerstone of our many successes. Our management team and employees have built an exceptional Bank that is one of the most trusted and respected financial institutions in the region. It fills me with tremendous pride to say that had it not been for their dedication, perseverance and fortitude this would not have been possible. With this strong support, our strategy for our future development is well positioned in the long run to maximize shareholder returns.

Salim G. Sfeir
Chairman of the Board - CEO

Bank of Beirut at a Glance

Brief History

With a well-targeted focus, Bank of Beirut has not only grown to become one of today's leading commercial banks in Lebanon, but has also proved to be the pioneer in more than one field. After taking the lead in "Super Affluent Net-Worth Specific Services in Lebanon" according to Euromoney Private Banking and Wealth Management Survey; and receiving Zawya Funds Ranking Award for its "Beirut Golden Income Fund II and winning the "Best CSR Initiative", Bank of Beirut was recognized in 2014 as the "Fastest Growing Bank in Lebanon" by "Banker Middle East" magazine. 2015 brought the Bank further recognitions: Bank of Beirut was recognized by Banker ME as "Best Transaction Bank in the Levant" and "Best Commercial Bank in Lebanon" and its Chairman-CEO was voted "Banker for the year 2015 in the MENA Region".

Bank of Beirut adopted its present name in 1970, 7 years following its establishment as a commercial bank. In 1993, the 5-branch Bank was acquired by a group of businessmen and bankers, headed by the current Chairman - CEO, Salim G. Sfeir. Its strategic alliances with regional Arab banking institutions and acquisitions have enhanced its market position and leveraged its expertise into local and regional markets. Bank of Beirut, rating 35th bank in Lebanon in 1993, and one of Lebanon's five banks listed on the Beirut Stock Exchange since 1997, has climbed up to reach the 3rd position by equity, 3rd by profits, and 6th by assets, with 62 branches in Lebanon and 24 spanning 4 continents.

In 2005, Bank of Beirut established "BOB Finance s.a.l.", a wholly owned financial institution regulated by the Central Bank of Lebanon; in 2007, Bank of Beirut Invest s.a.l., an independent wholly owned specialized banking subsidiary, was created; in 2009, BoB Finance was appointed one of two exclusive Agents of Western Union in Lebanon; and in 2011, "Beirut Life Co.", an insurance company offering a full array of life insurance services, was initiated. In 2012, the new (corporate identity and logo) reflecting the restyled brand image were adopted, and in 2013, B-Smart, the first virtual branch, opened its doors. In 2014, the Bank initiated a new representative office in Accra, Ghana, and in 2016 a new Branch in Barkaa, the Sultanate of Oman.

The primary activities of Bank of Beirut include retail banking services; commercial, corporate and correspondent banking services; as well as trade finance and asset management services targeting high net-worth customers in both domestic and regional markets. Acknowledged in the list of the "Fastest Movers" banks worldwide, Bank of Beirut is the leading provider of cash management services to commercial clients in Lebanon.

On the international level, Bank of Beirut provides commercial banking services in the United Kingdom and throughout Europe through its wholly owned subsidiary, Bank of Beirut (U.K.) Ltd, regulated by the Financial Conduct Authority (FCA). The Bank also operates a branch in Germany (Frankfurt); a branch in Cyprus (Limassol) regulated by the Central Bank of Cyprus; five branches in the Sultanate of Oman (Muscat, Ghubrah , Sohar, the Waves and Barkaa) regulated by the Central Bank of Oman; a representative office in the United Arab Emirates (Dubai) to service the Gulf region; a representative office in Nigeria (Lagos) and a representative office in Ghana (Accra), in addition to a subsidiary in Australia, Bank of Sydney LTD., previously Beirut Hellenic Bank Ltd. with a network of 16 branches located in Sydney, Melbourne, and Adelaide, regulated by the Australian Prudential Regulatory Authority ("APRA").

Mission and Values

Integrity and Trust are our guiding values.
We abide by the highest ethical standards and the strictest privacy and confidentiality when conducting any kind of transaction.
We strive to build long-lasting relationships by satisfying the evolving needs of our customers.
We attempt to meet the requirements of our clients by developing first-class services and products.
We make every effort to upgrade our services to reach the highest level of excellence.
We offer our most valuable asset, our second-to-none dedicated staff, a congenial work environment and development opportunities.
We strive to be a leading participant in the regional economic development of the community wherever Bank of Beirut is present.

Corporate Governance

Corporate Governance and Business Principles

Bank of Beirut has consistently operated under corporate governance policies and practices that are designed to ensure that the Bank's performance is always geared towards maximizing long-term shareholder value.

The Governance framework of the Bank is documented through the formally adopted "Corporate Governance Guidelines" and the Board and Management committees' Charters, which are subject to continual updating and refinement as the Board may deem necessary in view of adapting to its needs and to the expectations of depositors, regulators, investors and the markets generally.
The Board of Directors has overall responsibility for Bank of Beirut, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values; and ensuring that adequate, effective, and independent controls are in place.
In bearing his share of the collective responsibilities of the board, each board member has a "duty of care" and a "duty of loyalty" to the Bank.

Under the direction of the Board, the Senior Management ensures that the Bank's activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the Board.

In discharging its overall responsibilities, the Bank of Beirut Board of Directors:

- Approves the overall business strategy of the Bank, taking into account its long-term financial interests and safety.
- Approves and oversees the implementation of the Bank's overall risk strategy and policy and approves the Bank's risk management framework.
- Approves the compliance policy and the internal control systems.
- Approves significant corporate actions, and recommends to the General Meeting of Shareholders to pass the appropriate resolutions in this respect whenever required.
- Regularly reviews major policies, processes and controls with Senior Management and/or internal control functions.
- Ensures that the control functions are properly positioned, staffed and resourced and are carrying out their responsibilities independently and effectively.
- Ensures that related party transactions are performed at arm's length and approved by the Board and the shareholders in compliance with applicable laws and regulations.
- Adopts a set of corporate values and a code of conduct.
- Approves credit lines that exceed the internal lending limit.

Board of Directors

The Bank's articles of incorporation and bylaws state that there should be at least three members comprising the Board, each holding a minimum of 100 shares, and that the majority of the Directors should be of Lebanese nationality and may be legal entities represented by a person designated in this respect.

Directors are expected to advise the Chairman of the Board in advance of accepting any directorship on the board of directors of any other company and to obtain the approval of the General Meeting of Shareholders pursuant to the provision of Article 159 of the Code of Commerce, when applicable. It is the Board's policy to have only two Managing Directors, with the majority of Directors being independent, non-executive members of the Board.

The business address of all the Directors in their capacity as directors is the registered office of the Bank, Bank of Beirut s.a.l., Foch Street, Beirut Central District, Beirut - Lebanon.

Members of the Board of Directors of Bank of Beirut s.a.l. were elected by the General Assembly of shareholders held on April 23, 2014 for a term expiring in 2016. On January 7, 2016, two new independent Board members were elected by the General Assembly of shareholders, Mr. Ramzi Saliba and Mr. Robert Sursock.

The Board of Directors is currently composed of nine members. The following table sets forth the names of the members of the Board, the date of their appointment and the expiration date of their current term.

Name	Position	Date of initial election	Credit Committee	Audit Committee	Risk and Compliance Committee	Remuneration and Nomination Committee
Dr. Salim G. Sfeir	Chairman CEO	1993	Chairman	-	-	-
Mr. Adib S. Millet	Vice-Chairman non-executive member	1999	Member	Member	-	Member
Mr. Fawaz H. Naboulsi	Member Deputy CEO	1993	Member	-	Member	-
Mr. Antoine A. Abdel Massih	Non-Executive	1993	Member	-	Member	-
Emirates NBD Bank P.J.S.C	Non-Executive	1998	Member	-	Member	-
H.E. Anwar M. El-Khalil	Non-Executive	2002	-	-	-	-
Mr. Rashid S. Al-Rashid	Independent	2010	-	Member	-	-
Mr. Antoine Y. Wakim	Independent	2011	-	Member	Chairman	-
Mr. Krikor E. Sadikian	Independent	2011	-	Chairman	-	Member
Mr. Robert K. Sursock	Independent	2016	-	Member	-	Member
Mr. Ramzi N. Saliba	Independent	2016	-	-	Member	Chairman

Date of last election: all Board Members were last elected in 2014, except for Messrs. R. Sursock and R. Saliba who were elected in 2016. Expiry date for all Board Members is on the date when the Ordinary General Assembly of shareholders convenes to approve the Bank's audited accounts for the fiscal year 2016.

The majority of the Board of Directors members consist of non-executive/independent Directors; the criteria for the selection of new Directors include unquestionable integrity and character, successful professional background, and the ability and willingness to commit adequate time to the Bank.

The Bank´s Committees

The Bank's day-to-day activities are managed through various Committees, which have been established with specific missions, authorities and responsibilities.

The Bank has twenty one Committees including, among others, the Board Credit Committee, the Board Audit Committee, the Board Risk and Compliance Committee and the Remuneration and Nominations Committee as more fully described below. The Board is fully apprised of all important decisions governing the Bank's overall operations, as submitted and recommended by the various Committees.

Board Committees

1. Board Credit Committee
2. Board Audit Committee
3. Board Risk and Compliance Committee
4. Remuneration and Nominations Committee

Management Committees

5. ALCO
6. Credit Committee
7. Credit Committee for Financial Institutions
8. AML and CFT Compliance Committee
9. Asset Recovery Committee
10. Real Estate Committee
11. Foreign Affiliates Committee
12. Retail and Branches Committee
13. Marketing and Communication Committee
14. HR Committee
15. IT Committee
16. Investment Committee for Funds & Structured Products & Derivatives
17. Cross Selling Committee
18. Products & Packages Committee
19. Corporate Business Continuity

Sub-Committees

20. ORMC
21. Corporate Information Security

Board Audit Committee

Meetings
The Board Audit Committee meets on a quarterly basis.

Members
- Four independent non-executive Board of Directors members
- Vice Chairman (Non-Executive Board Member)

Main Functions
- Validates the Audit Charter developed by the Internal Audit Department, including the mission and scope of work, independence, responsibility and authority of Internal Audit function, as well as the reporting lines to the Board of Directors.
- Reviews and agrees on the annual Audit Plan (once a year).
- Agrees on the appointment and remuneration of the Head of Internal Audit.
- Agrees on the Internal Audit budget and resources to support the necessary audit effort.
- Assesses the findings and recommendations raised in by the Internal Audit Department.
- Ensures the adequacy and the effectiveness of the Bank's internal control systems.
- Ensures that internal control policies and procedures (including Anti-Money Laundering procedures) have been developed and study recommendations for their enhancement.

- Assesses the reliability and accuracy of the financial information reported to management and external users.
- Ensures that a proper follow-up has been established to implement Board of Directors decisions, and that Management is monitoring the effectiveness of the internal control system.
- Reviews on a regular basis, the relationship between Management and Internal & External Auditors.
- Discusses external auditors' findings as well as the conclusions and the recommendations raised in their reports.
- Evaluates the external auditor's performance for the preceding fiscal year, and the review of their fees.
- Reviews the Bank's compliance with legal and regulatory provisions, its articles of association, charter, and the directives established by the Board of Directors.

Board Risk and Compliance Committee

Meetings
The Board Risk and Compliance Committee meets on a quarterly basis.

Members
- Four independent non-executive Board of Directors members
- Deputy Chief Executive Officer

Main Functions
- Formulates a strategy for the assumption of risk and the management of capital in order to be in line with the business objectives of the Bank.
- At least annually reviews and recommends to the Board the Internal Capital Adequacy Assessment Process (ICAAP) document.
- Develops an internal Risk Management Framework and ensures that sound policies are implemented for the management of the 8 risk areas, which are: credit, liquidity, market, operational, legal, strategic, business and reputation risks.
- Manages the risks not covered by the ALCO or by the Credit Committee, such as country risk, credit portfolio risk, operational risk, legal risk, reputational risk and strategic risk.
- Ensures that adequate procedures are set for all the Bank's activities as well as the entire group and that they are strictly implemented.
- Ensures that the Bank is always in conformity with the Basel requirements.
- Reviews regularly the progress in the implementation of the risk strategy and submits recommendations for remedial action in the event that it identifies any weaknesses in the implementation.
- Reviews the Annual Report set by the Head of the Risk Management Division and which is addressed to the Board.
- Reviews the AML/CFT policy & procedures on implementing the provisions of the Law on fighting money laundering and other applicable Central Bank of Lebanon rules and regulations;
- Reviews Compliance reports prepared by the Head of Compliance, which include the extent to which the Bank is compliant with various laws & regulations.

Board Credit Committee

Meetings
The Committee meets on need basis depending on the number of commercial credit files with facilities that are above USD 3,000,000.

Members
- Chairman - Chief Executive Officer
- Deputy Chief Executive Officer
- Vice Chairman (Non-Executive Board Member)
- 2 non-executive Board of Directors members

Main Functions
- Decides (for ratification) on all credit applications above USD 3,000,000 based on a summary on each Customer prepared by the Credit Division, including the existing facilities versus proposed, Outstanding balances, conditions, securities, highlights on financials, account activity with BOB and briefing on customer's activities and need for facilities, in addition to Guarantors net worth (where applicable).
- Forms and delegates all or a portion of its authorities to subcommittees (such as the Credit Committee).

Board Remuneration and Nominations Committee

Meetings
The Board Remuneration and Nomination Committee meets on a semi-annual basis.

Members
- Three Independent Non-Executive Directors
- One Non-Executive Director

Main Functions
- Sets the over-arching principles and parameters of the remuneration policy for Bank of Beirut s.a.l.
- Approves the annual staff bonus pool
- Recommends to the Board of Directors the remuneration scheme of the CEO and the Executive Board members to be further submitted to the General Assembly for approval
- Approves the remuneration arrangement of the C-Level and perform periodic reviews accordingly
- Exercises oversight for remuneration issues
- Advises the Chairman and the Board on the profile and credentials to consider for newly admitted Board members
- Assists the Chairman of the Board in assessing the role and effectiveness of the Board performance as a whole
- Exercises oversight in assisting and advising the Chairman in connection to Board related matters and compliance with the prevailing laws & regulations governing Board responsibilities.
- Assists the Chairman and the Board in promoting culture of good corporate governance and risk management

Group Risk Management

Group Risk Management Framework

Bank of Beirut s.a.l. manages its business activities within risk management guidelines as established by the Group's Risk Management framework approved by its Board of Directors. The Bank recognizes the role of the Board of Directors and Executive Management in the risk management process as set out in Banking Control Commission circulars (242 and 262) and Central Bank of Lebanon basic circulars (104, 118 and 119) and their related intermediary circulars and amendments.

In particular, the ultimate responsibility for establishing effective risk management practices and culture lies with the Board of Directors, as does the setting up of the Bank's risk appetite and tolerance levels. The Board of Directors charges the Chief Risk Officer with the day-to-day responsibility of establishing and monitoring risk management processes across the Bank's Group.

The Board's Risk & Compliance Committee has the mission to periodically (1) review and assess the Risk Management & Compliance functions of the Group, (2) review the adequacy of the Bank's capital and its allocation within the Group, (3) review risk limits and reports and make recommendations to the Board, and (4) oversee the Group's Anti-Money Laundering & Counter Financing of Terrorism policies and procedures, as well as their implementation across the Group.

The Bank has an independent Group Risk Management function with authority, stature, independence, resources and access at the board level through the Board Risk & Compliance Committee (BRCC). The Group Risk Management function aids executive management in controlling and actively managing the Group's overall risk. The department mainly ensures that:
- Risk policies and methodologies are consistent with the Group's risk appetite;
- Limits and risks across banking activities are monitored throughout the Group;
- A proper framework for identifying, measuring, monitoring, controlling or mitigating, and reporting on risk exposures is functioning at the Group level. This encompasses all risks to the Bank, on-and off-balance sheet and at a Group-wide, portfolio and business-line levels.

The Bank has ensured through its planning and budgeting processes that the risk management function has adequate resources to assess risk, including personnel, with access to information technology systems, system development resources, and to internal information.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Group's Risk Management Framework and its related risk management policies, as well as the Internal Capital Adequacy Assessment Process (ICAAP). Any discrepancies, breaches or deviations are escalated to executive management for appropriate action.

In addition to the Group's Risk Management in Beirut, Chief Risk Officers and Risk Managers assigned within the Group's foreign subsidiaries or branches continuously coordinate with and report to Group - Head Office and executive senior management in a timely manner, thus ensuring:
• Standardization of risk management functions and systems developed across the Group.
• Global/consolidated consistency of conducted business in line with the Board's approved risk appetite and tolerance, as identified in its yearly ICAAP.

Group Risk Management Strategy

Bank of Beirut's Risk Management Strategy is focused on ensuring awareness, measurement and appropriate oversight to the management of Material Risks across the Group. Material Risks at Bank of Beirut are defined as follows:

- Credit Risk
- Market & Investment Risk
- Liquidity Risk
- Operational Risk (including Legal Risk & Reputational Risk)
- Strategic Risks (risks arising from strategic objectives and plans)
- Other Risks (risks singly or combined with different risks, which may pose a material impact on the institutions)

The key tenet in articulating Bank of Beirut Risk Management Strategy is to govern risk strategy and strategic planning via a Three-Line-Defense (3LOD) risk governance model. 3LOD (as detailed in Figure 1) enables the Bank to allocate specific roles and responsibilities across all areas of the organization. Key attributes of 3LOD at Bank of Beirut include:

First Line of Defense – Business units to ensure that a risk and control environment is established as part of day-to-day operations. Line management should be adequately skilled to create risk controls, understand the risk embedded therein, and formulate their own risk assessments and attestations.

Second Line of Defense – Sets the Bank's Risk Capacity/Tolerances and operating boundaries. Provide guidance and challenge first-line processes and risks and, where possible, support any operational efficiencies aligned with the Bank's risk appetite statement and Risk Management Framework. Second Line may conduct reviews and challenge efforts by testing any established quality assurance program.

Third Line of Defense – Provides independent, objective and consultant activities that are designed to add value and to improve Bank of Beirut operations. The Third Line is required to evaluate and improve the effectiveness of risk management control and governance in an efficient manner.

Interplay between the levels within an organisation and the risk function

Figure 1: Bank of Beirut Three Lines of Defense Model

Risk Management Department

The overall responsibility of the monitoring and the analytical measurement/management of the Bank-wide risks lies with the Group's Risk Management Department, which comprises a team of professionals spread between the Department's main functions of portfolio credit risk (borrowers/banks/countries), market/liquidity risk, middle office and operational risk.

- Credit Risk Management

In relation to portfolio credit risk, Group Risk Management Department is responsible for monitoring the risk profile of the Bank's loan portfolio; producing senior management reports highlighting any exposure of concern in corporate commercial and consumer lending; and examining the level of concentration, whether by credit quality, client groupings or economic sector, collateral coverage, past due loans and provisioning needs. For the second consecutive year, the Bank is internally rating its commercial borrowers, using Moody's Risk Analyst, a state-of-the-art credit analysis and rating system for corporate and SME borrowers. Further enhancements in the risk-rating system are planned in the coming two years to enhance credit risk measurement and expected loss estimates. Consequently we will be better prepared to adopt the IFRS 9 impairment standards in January 2018 and thereafter move to internal rating-based measurements under Basel 3 credit risk directives. The credit risk team oversees the implementation and administration of the Moody's Risk Analyst system to ensure proper internal ratings while working on the required model calibrations for the estimation of probabilities of default for its commercial borrowers.

In relation to Retail Credit Risk, the Credit Risk Unit is supervising the implementation of FICO retail application scoring models (unsecured and secured) to be then incorporated into the retail granting decision policies and procedures. In order to comply with regulatory requirements and adopt the industry best practices, significant progress has been made in 2015 to develop scorecards, allowing us to assess creditworthiness of retail applicants in an objective manner.

Furthermore, the Banks & Countries' Unit monitors consolidated Bank of Beirut Group banks and countries exposures versus set limits and the level of concentration risk by credit quality, banks' grouping and their proper coverage. The Unit monitors Group exposures versus set limits, while alerting senior management to any breaches. In addition, the Unit is in charge of proposing Country Limits on a biannual basis to Group ALCO and to conducting the needed analysis for all country exposures, including unrated and risky countries. The Unit adopts a scoring model (EIU) for assessing country risk and setting respective limits to ensure the implementation of periodic stress tests on country and Bank's exposures based on their material impact.

- Market Risk/Liquidity Risk Management

This department generates internal reports quantifying the Bank's liquidity risk, earnings-at-risk (1yr) and equity-at-risk due to extreme movements in interest rates. It monitors daily the sensitivity of the Bank's trading and investment portfolio of fixed income securities to changes in market prices and/or market parameters. Interest rate sensitivity and liquidity gaps are periodically reported to management and to the regulatory bodies, whenever required. Market Risk Management monitors compliance with all limits set within the Market Risk, Liquidity and Investment policies of the Bank targeting permissible investments, stop loss limits, VAR limits (Securities & FX), earnings-at-risk (1yr) limits, equity-at-risk limits and liquidity coverage and gap limits. The Market Risk Unit, alongside Treasury and Finance Departments, monitors on-and-off balance sheet risks through daily processing of its state-of-the-art Sungard ALM system, allowing full asset/liability management, along with daily measurement and analysis from static and dynamic ALM perspectives, with stress testing and extensive scenario analysis in market interest rates and FX rates.

In Liquidity Risk, the Unit utilizes methods, such as, Basel's Liquidity Coverage Ratio to measure and monitor liquidity under different conditions, not dictated by the regulatory weightings but instead reflective of the Bank management's own view under different scenarios in the relevant jurisdiction. The Bank performs liquidity stress tests to ensure sufficient liquidity for the Bank under both idiosyncratic (firm-specific) and market-wide stress conditions.

The Bank has established indicators to alert of impending liquidity problems. Should such situations arise, a contingency funding plan is triggered to restore the going-concern status as soon as possible, while simultaneously avoiding any unnecessary measures that could aggravate the impact and lead to contagion of the wider market.

- Operational Risk Management

The Operational Risk Unit manages the "risk of loss resulting from inadequate or failed internal processes, systems, people or external events", as defined by the Basel Committee. The Unit implements a set of tools to identify, measure, assess and monitor operational risks. To support the unit in its functions, the Bank adopted an automated state-of-the-art operational risk system which facilitates incident reporting and loss collections across the Group's operating activities in Lebanon and abroad. In 2015, the system was upgraded and enhanced with operational risk and control libraries.

The unit conducts risk and control self-assessments (RCSAs) on Head Office Departments and branches according to a best-practice methodology aimed at proactively identifying and acting upon operational risk exposures. Moreover, the Key Risk Indicators framework (established in 2013) is closely integrated with the RCSA process, whereby all key risks identified through RCSAs are compared against credible thresholds that would trigger corrective action upon any breach.

The Unit maintains the Bank's operational loss/near miss database in line with CBL, BCC and Basel Committee directives. The loss/near miss data collection process is supported by periodic training and awareness provided for employees involved in the process, to encourage consistent and coherent reporting. These losses/near misses are stored in a database with the purpose of regularly analyzing loss and events information, determining which loss events have the highest impacts across the Bank and which business line is most vulnerable to operational risk. The ultimate goal is to control and eliminate such risks by enhancing controls, procedures and other mitigation factors while optimizing banking processes.

In 2015, the Operational Risk Unit concluded the implementation of the Group Operational Risk Management Framework and launched the RCSA and KRI processes across the Group's foreign entities.

In order to provide further oversight by executive management, the Bank established a dedicated Operational Risk Management Committee which meets quarterly to discuss operational risk exposures (across Bank of Beirut's Group), approve conducted RCSAs and Key Risk Indicators, and endorse proposed enhancement to the control environment of the Bank.

- Information Security & Business Continuity

Bank of Beirut is continuously working toward providing greater access to information and electronic banking services to customers. As these capabilities increase, information security becomes more of prime importance. For this reason, many security initiatives were undertaken and great strides made to implement necessary safeguards by utilizing top security technologies to protect customers against ID theft, electronic fraud, information disclosure and other common threats encountered by today's banking customers.

The Information Security & Business Continuity Department continues to improve its processes, policies, procedures and systems to ensure that all areas relating to technology risk and information assurance are adequately covered. Based on well documented security assessments, several technical security solutions were either newly adopted or updated, most of which relate to the protection of electronic banking services, data encryption technologies, data leak prevention processes, intrusion prevention systems, authentication services for mobile banking, corporate and consumer online banking users, network security systems, end point control systems with anti-malware capabilities, and security event management solutions for complete monitoring, metric creation and early detection of attacks.

Bank of Beirut also signed contracts with major international companies for the protection of the Group brands against phishing, mobile attacks, rogue applications and Trojan attacks. Extra emphasis was given to bolster internal network security across all Lebanon offices with major investments in internal network access controls to ensure that a layered security architecture is deployed all through. Additionally, the ISBC department increased its involvement with Bank of Beirut Group subsidiaries and ensured that standardized prevention systems are deployed across all Group entities to protect against external network attacks.

Realizing the importance of the human factor in protecting against cyber threats, and since InfoSec believes the human factor can be the weakest link when it comes to information security, InfoSec provided awareness training to Bank of Beirut staff in operations, Contact Center, and client-facing positions. These tailored workshops addressed common security attacks and threats that personnel might encounter in their day-to-day business tasks.

The ISBC department updated all incident handling and business continuity processes in accordance with ISO 22301, the newly adopted international standard. ISBC also polished all Business Continuity Plans and Business Impact Assessments for Bank of Beirut Group and its offshore entities. In addition to formulating the necessary business continuity plans in coordination with concerned business units and IT, ISBC was able to plan and execute successful Disaster Recovery and Business Continuity tests for Bank of Beirut Group and offshore entities, utilizing the deployed alternative processing sites.

Group Information Security and Business Continuity Department (ISBC)

- ISBC Governance

Bank of Beirut recognizes that information security is a business enabler to be aligned with the business strategy. It serves the business by keeping it secure and running without interruption. That is why, and in accordance with international corporate governance practices and Central Bank of Lebanon circulars, the Board of Directors and top management established the Information Security & Business Continuity (ISBC) Committee responsible for the oversight and implementation of information security programs and initiatives across Bank of Beirut Group. The information security function within Bank of Beirut is independent and reports to Group Risk Management and the ISBC Committee.

- ISBC Mission Statement

To protect Bank of Beirut Group against external and internal cyber threats; to support the Bank business lines by providing proactive security and business continuity services; to develop robust security architectures; and to promote security awareness in the Bank.

- ISBC Vision Statement

To become a business enabler providing Bank of Beirut with growth opportunities, and to increase customer and counterparty confidence in the Bank's financial and banking services.

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank views ICAAP as an important internal assessment rather than just a regulatory requirement. Thus ICAAP has become an integral part of the Bank's strategic decision-making process and an essential tool applied by executive management for capital planning. It acts as an important exercise that steers the Bank towards developing and improving its internal risk models and techniques.

The Bank continues to enhance and refine its various risk methodologies to include more sensitive risk measures. During 2015, both consolidated and individual ICAAPs of the Group's foreign entities were conducted, with minor changes in required internal capital charges from previous ICAAP projections. The Capital Planning figures and the effects of stress test scenarios were estimated on the basis of the Bank's 5-year business plan for the period 2014-2018. The results of the ICAAP reflected that, taking all relevant and material risks (pillar 1 and pillar 2 risk) into account, Bank of Beirut's capital adequacy ratio for ICAAP remained safe and sound above the minimum requirement for 2015 as per Central Bank of Lebanon regulations.

Bank of Beirut at a Glance

Compliance

Compliance is an independent control function devised to protect the Bank, not only by managing adherence to applicable laws, regulations and other standards of conduct, but also by promoting business behavior and activities consistent with global standards.

Principal responsibility for compliance rests with each and every person in the Bank. All employees are responsible for protecting the reputation of the Bank by (i) understanding and adhering to the compliance requirements applicable to their day-to-day activities, including the Bank's Code of Conduct and other policies, standards and procedures; and (ii) seeking advice from the Compliance Function with queries regarding compliance requirements and promptly reporting violations of laws, rules, regulations, and the Bank's policies or any relevant ethical standards. Compliance risk management commences with the Bank's Board of Directors and senior management, who establish the atmospere from the top by promoting a firm culture of ethics, compliance and control.

- Challenges

Ongoing regulatory changes result in higher regulatory and compliance risks. If implementation of the required compliance regime were not consistent with regulatory expectations or requirements, the Bank could become subject to increased compliance risks and costs, coupled with potential reputational harm. Therefore, we continue to invest in Compliance as part of our effort to ensure that our controls and processes are among the very best in the industry.

- Mission

The mission of the Compliance Function at Bank of Beirut is to ensure that the Bank is compliant with laws, regulations, rules, internal policies and procedures, and the code of conduct applicable to its banking activities. This particularly includes specific areas such as the prevention of money laundering and terrorist financing.

To achieve its mission, Compliance seeks to (i) understand the regulatory environment, requirements and expectations to which the Bank's activities are subject, (ii) assess the compliance risks of business activities and set mitigating controls, (iii) detect, report on, escalate and remediate key compliance risks and control issues, and (iv) advise and train the Bank's personnel across businesses, functions, and affiliates in what manner to comply with laws, regulations and other standards of conduct.

- AML/CFT Compliance:

The Bank continues to maintain a global Anti-Money Laundering (AML) Policy, designed to make certain that the Bank and all its overseas branches and subsidiaries are compliant with applicable laws, rules and regulations related to anti-money laundering and counter financing of terrorism.

The Bank maintains AML Compliance Program which mainly provides for (1) AML Procedures designed to implement the Bank's Customer Identification Program; (2) the designation of an Anti-Money Laundering Compliance Officer responsible for coordinating and monitoring day-to-day compliance with the Anti-Money Laundering Policy and applicable laws, rules and regulations; (3) recordkeeping and reporting practices in accordance with the Anti-Money Laundering Policy and applicable laws, rules and regulations; (4) appropriate methods of monitoring transactions and account relationships to identify potential suspicious activities; (5) reporting suspicious activities to competent authorities in accordance with the Anti-Money Laundering Policy and applicable laws, rules and regulations; (6) on-going training of appropriate personnel with regard to anti-money laundering and counter financing of terrorism issues and their responsibilities for compliance; and (7) independent testing to ensure that the Anti-Money Laundering Compliance Program has been implemented and continues to be appropriately maintained.

- Legal/Regulatory Compliance:

The Bank has established a legal compliance function which main role is to ensure the Bank is compliant with relevant banking laws and regulations. Additionally, its mission is to track new and altered regulations; to monitor business activities and identify violations of rules through adequate tests; and to advise senior management compliance level with applicable laws and regulations.

- FATCA Compliance:

The Bank is compliant with the Foreign Account Tax Compliance Act (FATCA) – the US Law enacted in 2010 to combat tax evasion – and its related policy and procedures. This includes the implementation of FATCA provisions across the Bank's Group in coordination with all stakeholders; designing, developing, and delivering training to increase overall awareness; and communicating any new FATCA requirements to all those concerned.

The Group

Organisational Structure

Bank of Beirut s.a.l.

Branches

- 62 Branches (Lebanon)
- 5 Branches (Sultanate of Oman)
- 1 Branch (Cyprus)

Representative offices

- Dubai (UAE)
- Lagos (Nigeria)
- Accra (Ghana)

Subsidiaries

Bank of Beirut Invest (Lebanon - Investment Bank)	100%
BoB Finance (Lebanon - Financial institution)	100%
Beirut Brokers Co. (Lebanon - Insurance Brokerage)	100%
Beirut Life (Lebanon - Life Insurance)	90%
Bank of Sydney Ltd. (Australia - Commercial Bank)	100%
Bank of Beirut (UK) (UK- Commercial Bank)	100%

Frankfurt Branch 100% (of Bank of Beirut (UK))

Management Abroad

Subsidiaries

United Kingdom
Bank of Beirut (UK) Ltd.
Managing Director and CEO: Sophoklis Argyrou

Germany (UK subsidiary branch)
Bank of Beirut UK Ltd. – Frankfurt Branch
General Manager: Karl-Friedrich Rieger

Australia (16 branches in Sydney, Melbourne and Adelaide)
Bank of Sydney Ltd., (Previously Beirut Hellenic Bank Ltd.)
CEO: Miltiades Michaelas

Branches

Cyprus
Bank of Beirut – Cyprus Branch
Manager: Walid K. Gholmieh

Sultanate of Oman
Bank of Beirut – Sultanate of Oman Branches
(Ghubrah, Shatti al Qurum, Sohar, Barka and The Wave Muscat)
CEO: Remy F. Zambarakji

Representative Offices

UAE
Bank of Beirut Dubai Representative Office
Chief Representative in UAE for the Gulf Region:
Balsam H. Al Khalil

Nigeria
Bank of Beirut Representative Office (Nigeria) Ltd.
Manager: Camille R. Chidiac

Ghana
Bank of Beirut Representative Office (Ghana) Ltd.
Manager: Camille R. Chidiac

The Subsidiaries and Foreign Branches

Bank of Beirut Group Entities and Subsidiaries

Beirut Broker Company s.a.r.l.

Beirut Broker Company s.a.r.l. is a limited liability company established in 1995 and acquired by the Bank in 1998. The Bank owns 99.8 per cent of the capital of Beirut Broker Company s.a.r.l., the remaining balance of shares are held by the directors.

Beirut Broker Company s.a.r.l. is a private insurance brokerage firm that represents the Bank's one of the insurance arms and provides insurance services for corporate, institutional and individual customers. Beirut Broker Company s.a.r.l. work out its portfolio with leading national, regional and international insurance companies operating in Lebanon, each according to its line of expertise.

BOB Finance s.a.l.

BOB Finance s.a.l. is a Lebanese joint-stock company established in 2005. The Bank owns 99.99 per cent of the share capital of BOB Finance s.a.l., the remaining balance of shares are held by the directors.

BOB Finance s.a.l. is a financial institution governed by articles 178 to 182 of the Code of Money and Credit as well as Central Bank regulations. As a financial institution, BOB Finance s.a.l.is authorised to engage in lending, brokerage activities, and portfolio and asset management.

The core business of this entity is the Western union money transfer, which consist of:
• Outbound transfers: from Lebanon to any foreign country
• Inbound transfers: from any foreign country to Lebanon
• Intra transfers: from Lebanon to Lebanon

BOB Finance s.a.l. expanded in terms of services offered & network and is currently offering a variety of bill settlements (Telephone & others) and has more than 700 active subagent locations in Lebanon.

Bank of Beirut Invest s.a.l.

Bank of Beirut Invest s.a.l. is a Lebanese joint-stock company established in 2006 and opened for operations starting November 1st 2007. The Bank owns 98 per cent of the share capital of Bank of Beirut Invest s.a.l, the balance of 2% being owned by the directors. Bank of Beirut Invest s.a.l. is a specialised bank governed by legislative decree no. 50/83 and the Code of Money and Credit as well as Central Bank regulations. As a specialised bank, Bank of Beirut Invest s.a.l. can engage into long-term lending, brokerage activities, and portfolio and asset management.

Beirut Life s.a.l.

Beirut Life s.a.l. is a Lebanese joint-stock Company established in 1998 by the decision of the Ministry of Economy and Trade number 235 to carry out general and life insurance business and is registered in the Beirut Commercial Register under number 74004. In 2002, the Company surrendered its general insurance license to the Ministry of Economy and Trade and continued to carry out life insurance business only. Currently, the Company's insurance portfolio consists of individual and group term life insurance. The Company has no saving and retirement life insurance contracts.

International Operations, Regional Expansion and Development

The Bank, together with its banking subsidiaries and branches, is also engaged in a wide range of banking and financial activities outside Lebanon, in the United Kingdom, through its wholly owned subsidiary; in Germany through the branch of Bank of Beirut (UK) Ltd., Cyprus and Sultanate of Oman through its branches; in Australia through its wholly owned subsidiary “Bank of Sydney Ltd.”; and through its representative offices in the United Arab Emirates, Nigeria, and Ghana.

Foreign subsidiaries

Bank of Beirut (UK) Ltd.

Bank of Beirut (U.K.) Ltd. is incorporated in the United Kingdom and started its operations on December 9, 2002 when it acquired all of the business activities, assets and liabilities of the United Kingdom branch of Beirut Riyadh Bank s.a.l. The Bank owns 100 per cent. of the share capital of Bank of Beirut (U.K.) Ltd.

Bank of Beirut (U.K.) Ltd. is authorised, regulated and registered by the Financial Conduct Authority (FCA) under authorisation number 219523. The Bank is a member of the Financial Services Compensation Scheme and is subject to the jurisdiction of the Financial Ombudsman Services. Bank of Beirut (UK) Ltd. is the only Lebanese owned bank with a full Deposit Taking licence to operate in the UK. Bank of Beirut (U.K.) Ltd. conducts its business activities through its office located at 17, A. Curzon Street, London W1.

Bank of Beirut (UK) Ltd. opened a full service office in Frankfurt – Germany in October 2009. Operating as a branch of the London-based subsidiary, Bank of Beirut (UK) Ltd - Frankfurt office is the only branch of a Lebanese-owned bank in Germany. It holds a full banking license granted by the FCA in UK and the Federal Financial Supervisory Authority (BaFin) in Germany and primarily focuses on corporate trade finance and correspondent banking services.

The principal activity of the Bank is the provision of trade finance, commercial and correspondent banking services. The Bank provides comprehensive services in all aspects of trade finance including the provision of short term financing. In addition the Bank provides traditional bank lending through its client banking relationships and via the syndications market.

Bank of Sydney Ltd.

Bank of Sydney Ltd. (formerly Beirut Hellenic Bank Ltd.) has operated as a full service retail bank since 2001 with branches in Sydney, Melbourne and Adelaide. Since its inception the Bank has earned the reputation of working closely with its customers to understand and meet their individual needs. Offering customers highly competitive banking with personal service continues to be the Bank’s competitive advantage. Bank of Sydney Ltd. is incorporated in Australia and is regulated by the Australian Prudential Regulation Authority (APRA).

During the first quarter 2011, Bank of Beirut s.a.l. acquired 85% of Laiki Bank (Australia) shares with additional equity funding of AUD 80 million representing the consideration of further issuance of ordinary shares, which increased Bank of Beirut stake to 92.50%. In 2013, Bank of Beirut acquired the remaining 7.50% of the share capital and become the sole shareholder.

After the acquisition, the name was changed to Beirut Hellenic Bank Ltd and in 2013, the name was changed again to “Bank of Sydney Ltd.” with currently 16 operating branches in various major Australian cities and locations with an expansion plan to open new branches in high attractive locations.

The Bank’s success lies in its highly competitive deposit products, flexible lending facilities and relationship focused business banking. As an Australian deposit taking institution, the Bank is eligible for the Australian Government Deposit Guarantee.

The steady introduction of new targeted products such as SmartNet, SuperLend, APEX Saver and ResiSec Business and Commercial Loans, complements its market leading personal and business retail banking products and ensures its competitive position into the future. Bank of Sydney Ltd. has recently introduced a highly experienced trade finance division with an in-depth understanding of the Middle Eastern and Mediterranean regions.

The Bank’s corporate social responsibility program supports a wide range of educational, sporting, cultural and artistic endeavours. It supports the fundraising for Radio marathon, which helps children with special needs live a richer quality of life. Each year, Radio marathon Australia supports a range of organisations that facilitate the learning and therapy required by children suffering from severe physical and mental disabilities.

Foreign Branches

Cyprus Branch

The Cyprus branch was opened in Limassol - Cyprus in 2002 as an offshore international banking unit. It was subsequently transformed into an onshore branch. Main activities of the Cyprus branch are trade finance and commercial lending activities.

Oman Branch

On April 9, 2006, the Bank was granted the approval of the Central Bank of Oman to open a branch in the Sultanate of Oman. The Omani branch opened on December 12, 2006 in Muscat. The Bank operates five branches in Sultanate of Oman.

Bank of Beirut – Oman branches provide trade financing for Omani firms through lines of credit and pre-export facilities and by providing direct loans to the various economic sectors, participating thus to the country’s growth. The Bank focuses on three main lines of business (i) Corporate Banking, (ii) Retail Banking, and (iii) International Banking.

The Bank’s rationale for opening branches in Oman was driven by the potentially positive prospects for Oman’s economy due to the on-going program of privatization, by the potential for diversification of revenues and by the presence of a growing Lebanese and Arab (non-GCC) workforce in Oman, which Management believed were underserved and could form the base of a niche market for a start-up operation. The results obtained from the first years of operations affirmed this strategy as the branches in Oman were able to derive net profit starting from its first financial year.

Foreign Representative Offices

In addition to its foreign subsidiaries and its foreign branches, the Bank also has a representative office located in Dubai, United Arab Emirates, to service the Gulf region (opened in 2001); a representative office located in Lagos, Nigeria (opened in 2004) and a representative office located in Accra, Ghana (opened in 2014).

Management Discussion and Analysis

INTRODUCTION

Bank of Beirut s.a.l. ("BOB") is a full-fledged Bank offering universal banking products and services covering Corporate, Commercial, Individual and Private Banking services to a diversified client base. The Bank has operations in Lebanon, Europe, Australia, Middle East and Africa region. The Bank was incorporated as a commercial Bank on August 19, 1963, under the name of "Realty Business Bank s.a.l". The Bank is registered in the Beirut Commercial Register under No. 13187 and on the Banks' List at the Central Bank of Lebanon, under No. 75. The Bank's Head Office is located in Foch Street, Bank of Beirut Building, Beirut Central District, Lebanon.

The Bank is one of the leading banks in Lebanon. At the end of 2015, the Bank ranked sixth among Lebanese banks as per major banking aggregates, namely in Assets, Deposits and Loans, and third in Equity and Net Profit.

The Bank, together with its banking and other subsidiaries, is engaged in a wide range of banking and financial activities in Lebanon and a number of countries, the United Kingdom, Germany, Cyprus, the United Arab Emirates, Sultanate of Oman, Australia, Nigeria, and Ghana. Through its presence in these countries, the Bank has been able to expand and diversify its income, assets and loan portfolio outside Lebanon through broadening the sources of its deposit base.

The Bank maintains one of the largest branch networks in Lebanon, with currently 62 branches, as well as one branch in Cyprus and five branches in Sultanate of Oman ("Oman"). Bank of Beirut (U.K.) Ltd. the Bank's wholly owned subsidiary based in the United Kingdom has one branch in London and another branch in Frankfurt. Bank of Sydney, in Australia, (previously Beirut Hellenic Bank), is a fully owned subsidiary that was acquired in early 2011 and currently operates 16 branches. The Bank also operates a representative office located in Dubai, United Arab Emirates, to service the Gulf region; two representative offices located in Lagos, Nigeria and Accra, Ghana to cater for West Africa. The Bank has currently four wholly owned subsidiaries in Lebanon, BOB Finance SAL, Bank of Beirut Invest SAL, Beirut Broker Company SARL, Cofida Holding SAL, the latter owns 90% of Beirut Life SAL.

BASIS OF PRESENTATION

The analysis that follows highlights the Bank of Beirut consolidated performance for the year ended December 31, 2015, as compared to year 2014.

Financial information included in this report has, unless otherwise indicated, been derived from the Bank's audited consolidated financial statements as at and for the year ended December 31, 2015.

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee. Deloitte & Touche and DFK Fiduciare du Moyen-Orient have audited the Bank's consolidated financial statements for the year ended December 31, 2015.
The consolidated financial statements of Bank of Beirut s.a.l. include the Bank's financial statements, its foreign branches (Oman & Cyprus) and enterprises controlled by the Bank (its subsidiaries).

The consolidated subsidiaries consist of the following:

Subsidiary	Country of incorporation	Year of acquisition or incorporation	Percentage of Ownership	Business Activity
Bank of Beirut (UK) Ltd.	United Kingdom	2002	100%	Banking
Bank of Beirut Invest s.a.l.	Lebanon	2007	100%	Investment Banking
Beirut Broker compnay s.a.r.l.	Lebanon	1999	100%	Insurance brokerage
BOB Finance s.a.l.	Lebanon	2006	100%	Financial Institution
Cofida Holding s.a.l.	Lebanon	2008	100%	Holding
Beirut Life s.a.l.	Lebanon	2010	90%	Insurance (Life)
Bank of Sydney Ltd	Australia	2011	100%	Banking
Medawar 247 s.a.l.	Lebanon	2015	100%	Real Estate
Medawar 1216 s.a.l.	Lebanon	2015	100%	Real Estate

Mutual Fund	Country of incorporation	Year of acquisition or incorporation	Date of Liquidation
Beirut Lira Fund II	Lebanon	2009	Feb-14
Beirut Golden Income II	Lebanon	2009	Aug-14
Beirut Opportunities Fund	Lebanon	2009	Oct-14
Optimal Investment Fund	Lebanon	2010	-
Beirut Preferred Fund II	Cayman Island	2013	-
BOB LBP Growth Fund	Lebanon	2015	-

Unless otherwise indicated, all figures are expressed in LBP

References to the Bank's peer group are to the Alpha Bank Group consisting of the 14 banks with total deposits in excess of USD 2.0 billion each, as determined by Bankdata Financial Services WLL (publishers of Bilanbanques).

YEAR 2015 PERFORMANCE OVERVIEW

Despite the economic slowdown in Lebanon, Bank of Beirut strengthened its franchise through good average growth in total assets and deposits underpinned by good performance of its international business and sustained growth within the Lebanese market. Over the years, the Bank has built an international presence which supports its ability to be the leading trade finance Bank in the country and to cater to Lebanese expatriate communities.

The achieved growth has been in line with the long-term strategy adopted by the Bank to diversify its business activities towards a universal banking model and to expand regionally and internationally in profitable and relatively low-risk countries. It is to be noted that the Bank's long-term strategy is to attain a balanced breakdown of profits through activities in Lebanon and abroad.

The performance was characterized by remarkable growth in all main financial indicators. Capitalizing on the large branch network and the diversified product range, the Bank has achieved gains in market shares in both commercial and retail businesses, while maintaining its position as a leader in the Trade Finance line of business.

On consolidated basis, the Bank's total assets reached as at December 31, 2015 LBP 24,345 billion (USD 16.2 billion), growing by 8.27% year-on-year. The growth in size was mainly funded by the growth in deposits and equity.

	Balances		Growth	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%
Total Assets	22,484	24,345	1,860	8.27%
Customers' deposits	16,804	18,372	1,568	9.33%
Loans to Customers	6,292	6,408	115	1.84%
Shareholders' Equity	2,735	3,001	265	9.71%
Net profit	265	281	16	6.13%

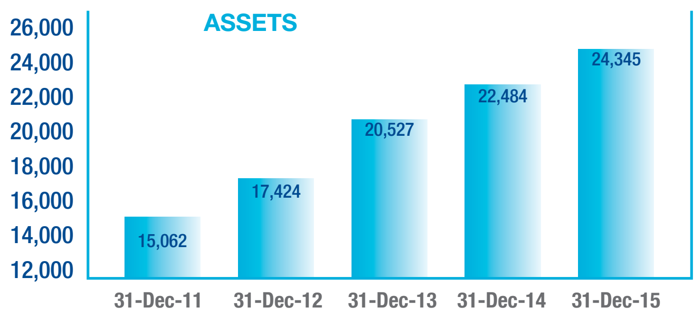
PEER GROUP ANALYSIS

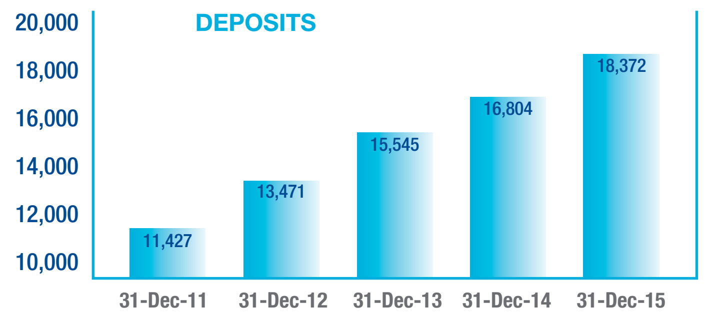
Bank of Beirut has been able to improve its peer group shares in most indicators and improved its ranking within the Alpha Group of Banks:

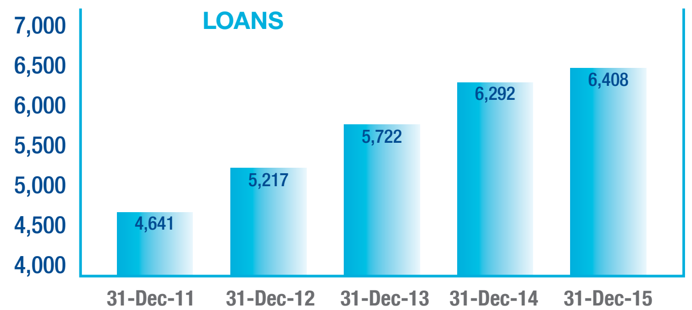
	Year 2015 Growth		BOB Group Share		BOB Ranking	
Description %	BOB	Peer	2014	2015	2014	2015
Total Assets	8.27%	4.76%	7.67%	7.93%	7	6
Customers' deposits	9.33%	4.55%	6.92%	7.24%	7	6
Loans to Customers	1.84%	5.67%	6.92%	6.67%	6	6
Shareholders' Equity	9.71%	6.13%	10.57%	10.92%	4	3
Net profit	6.13%	8.61%	9.38%	9.17%	3	3

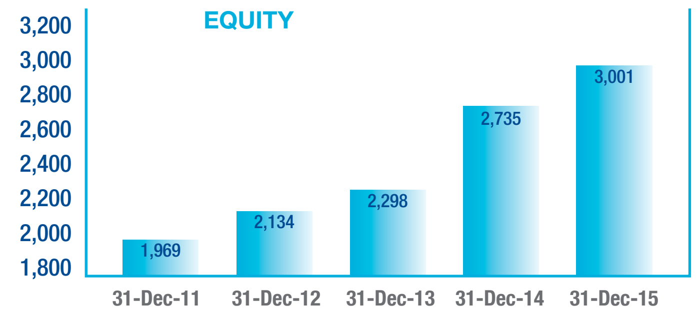
On the other hand, Bank of Beirut has been able to achieve the following outstanding rankings as at 31st December 2015 within the peer group:

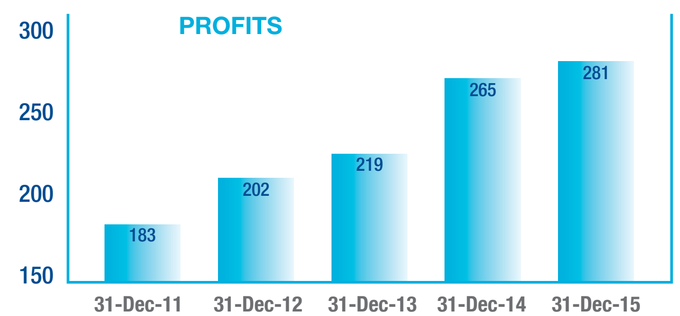
- Ranking 1st in "Equity to Asset ratio", indicating the high level of capitalization
- Ranking 1st in loan portfolio quality ratios, namely "Gross doubtful loans to gross loans", "Gross NPLs to Gross Loans", denoting the conservative management of the credit risk.
- Ranking 1st in Letters of Credit Openings, with a peer group share of 27.42%, evidencing the leading position in the Trade Finance business in the market.
- Ranked 3rd in Return on Average Assets.
- Ranked 4th in Cost to Income ratio.











A- BALANCE SHEET MANAGEMENT

The composition and size of the balance-sheet and contingent liabilities reflect the Board of Directors overall growth objectives and the risk appetite/tolerance for the group. The group strategy targets a sustainable growth, good financial standing while adopting a conservative risk management framework and adequate corporate governance guidelines.

a- Sources and Uses of Funds

Sources of Funds

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Deposit from banks and Fis*	1,688	1,731	43	2.56%	7.51%	7.11%
Customers' deposits	16,804	18,372	1,568	9.33%	74.74%	75.47%
Liabilities under acceptance	382	293	(90)	-23.48%	1.70%	1.20%
Other borrowings	484	608	125	25.75%	2.15%	2.50%
Certificates of Deposit	1	1	(0)	-2.51%	0.00%	0.00%
Other liabilities & provisions	390	339	(51)	-13.12%	1.73%	1.39%
Shareholders' equity	2,735	3,001	265	9.71%	12.17%	12.33%
Total	22,484	24,345	1,860	8.27%	100.00%	100.00%

* Financial Institutions

The main source of funds was generated from customers' deposits which represented at the end of year 2015 around 75.47% of the funding sources, as compared to 74.74% at the end of 2014.

The customers' deposit base grew by LBP 1,568 billion in 2015 (+9.33%) while the Equity caption increased by LBP 265 billion (+9.71%) and its share increased to 12.33% at end of December 2015, as compared to 12.17% at year-end 2014. The increase in "Other borrowings" caption was mainly derived from facilities by central banks. The funding from banks and financial institutions increased during the year by only LBP 43 billion.

Uses of Funds

The Bank's strategy places emphasis on maintaining high asset quality and a strong investment securities portfolio. While each entity of the group is abiding by the local regulations, and as part of the group risk management framework, the assets structure is subject to internal limits in terms of business lines, financial instruments, counter-party concentration and geographical distribution.

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Cash and deposits at Central Banks	4,273	4,803	530	12.41%	19.00%	19.73%
Deposit with banks and Fis*	2,298	2,294	(4)	-0.17%	10.22%	9.42%
Loans and Advances	6,292	6,408	115	1.84%	27.99%	26.32%
Customers' acceptance liability	382	293	(90)	-23.48%	1.70%	1.20%
Investment securities	8,884	10,113	1,229	13.83%	39.51%	41.54%
Property and equipment	151	214	63	41.86%	0.67%	0.88%
Other assets	115	131	16	14.12%	0.51%	0.54%
Goodwill	89	89	(0)	-0.09%	0.40%	0.37%
Total	22,484	24,345	1,860	8.27%	100.00%	100.00%

* Financial institutions including loans to banks

The main utilization of funds was:

Loans to customers
Growing by LBP 115 billion, a growth of 1.84%, the share of the loan portfolio represented 26.32% of total assets as at December 31, 2015, as compared to 27.99% at the end of 2014. The achieved growth was less than the peer group growth in 2015 (i.e. 5.67%)

Cash & Central Banks
Increasing during the year by LBP 530 billion (+12.41%) and representing 19.73% of total assets as at December 31, 2015, as compared to 19.00% at year-end 2014.

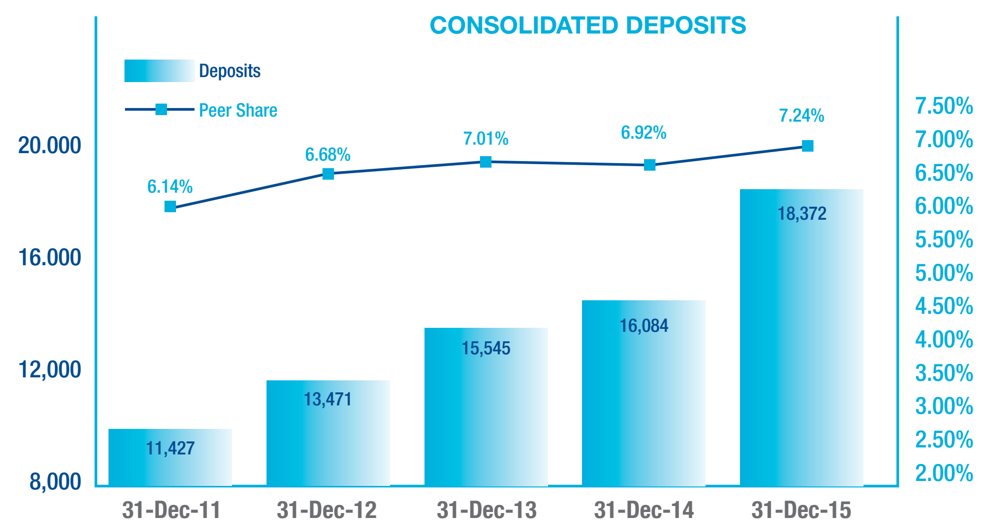
Due from banks and financial institutions
Decreasing slightly during the year by LBP 4 billion (-0.17%) and representing 9.42% of total assets as at December 31, 2015 as compared to 10.22% at year-end 2015. However, its share is higher than the peer group which stood at 8.49% as at December 31, 2015.

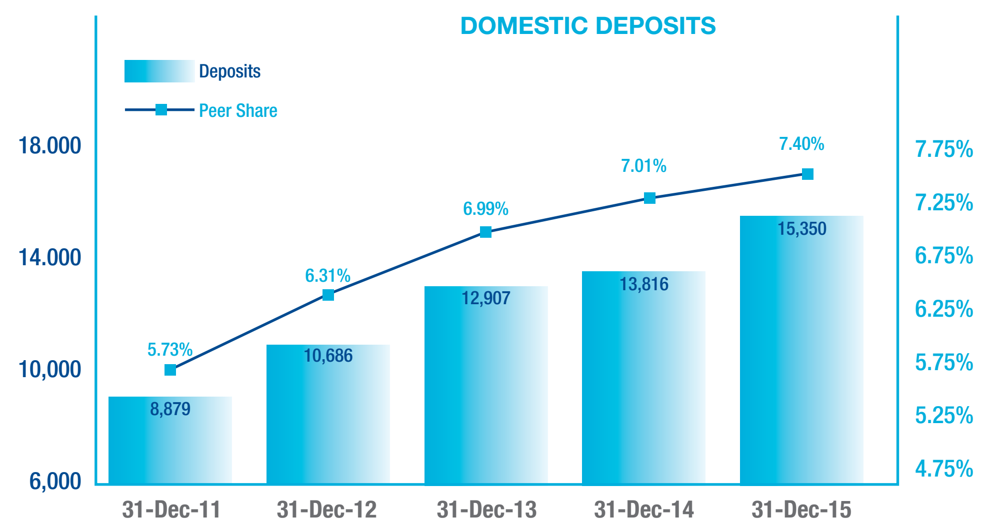
Investment Securities
Increasing by LBP 1,229 billion (+13.83%) and representing 41.54% of total assets as at December 31, 2015 as compared to 39.51% at year-end 2014.

b- Customers' Deposits

Constituting the main funding source, the consolidated deposits base increased during year 2015 by LBP 1,568 billion, a year-on-year growth of 9.33%.

On consolidated basis, Bank of Beirut Group clearly outperformed the Alpha Group growth rate of 4.55%. Consequently, the Bank has been able to increase its peer group share from 6.92% as at December 31, 2014 to 7.24%, as at December 31, 2015. devaluation of the AUD against the USD.

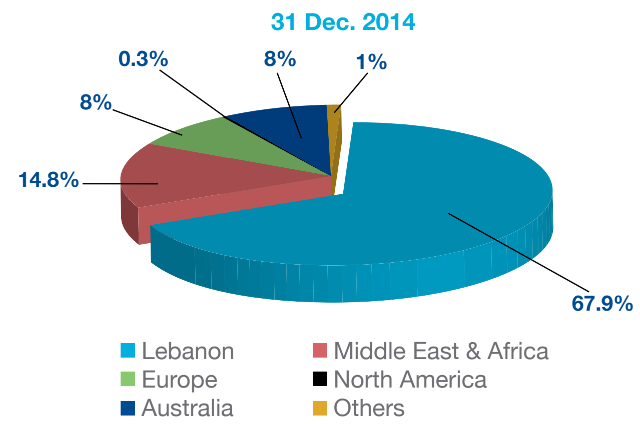


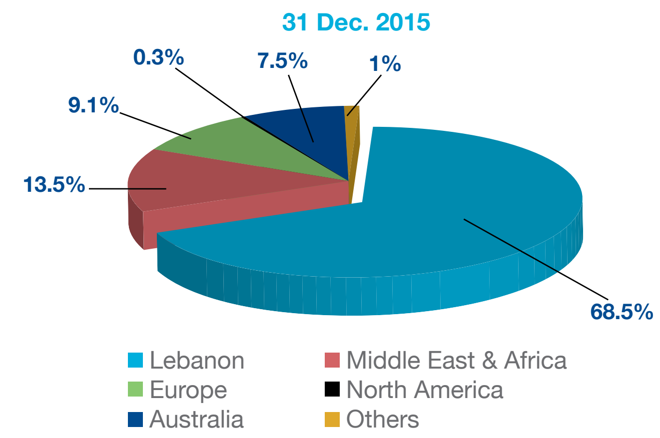


Geographical distribution of deposits

An analysis of customers' deposits by geographical area distribution reveals that the growth was largely contributed to Lebanon with a LBP 1,181 billion (+10.35%) with a remarkable growth in Europe for 24.61%.
The slight increase in the deposits in Australia is mainly due to the devaluation of the AUD against the LBP (-10.64%), in fact, the deposits in Australia have increased by AUD 159 million (+13.87).

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Lebanon	11,410	12,591	1,181	10.35%	67.90%	68.53%
Middle East & Africa	2,484	2,477	(7)	-0.29%	14.78%	13.48%
Europe	1,338	1,667	329	24.61%	7.96%	9.08%
North America	58	60	2	3.66%	0.35%	0.33%
Australia	1,338	1,387	49	3.67%	7.96%	7.55%
Others	176	190	14	7.87%	1.05%	1.03%
Total	16,804	18,372	1,568	9.33%	100.00%	100.00%





Distribution by Type of Deposits

The breakdown of deposits by type has been relatively stable in 2015, with term deposits continuing to reflect the lion's share of 82.01% of total deposits as at December 31, 2015:

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Demand deposits	2,055	1,832	(224)	-10.88%	12.23%	9.97%
Term Deposits	13,503	15,066	1,563	11.58%	80.36%	82.01%
Collateral against loans	971	946	(25)	-2.56%	5.78%	5.15%
Margins on LCs	35	44	9	25.08%	0.21%	0.24%
Margins on LGs	100	335	235	234.86%	0.59%	1.82%
Other Margins	43	48	6	13.17%	0.25%	0.26%
Accrued interest	97	101	4	4.48%	0.58%	0.55%
Total	16,804	18,372	1,568	9.33%	100.00%	100.00%

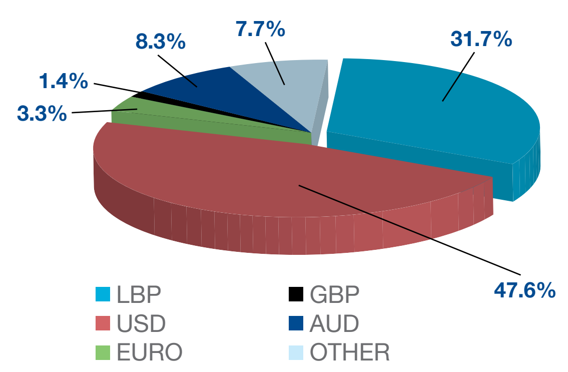
Deposits Distribution by Currency

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
LBP	5,323	5,735	412	7.74%	31.68%	31.22%
USD	8,000	8,956	956	11.96%	47.61%	48.75%
Euro	559	728	170	30.36%	3.32%	3.96%
GBP	228	244	15	6.62%	1.36%	1.33%
AUD	1,392	1,440	48	3.46%	8.28%	7.84%
Other	1,302	1,269	(33)	-2.54%	7.75%	6.90%
Total	16,804	18,372	1,568	9.33%	100.00%	100.00%

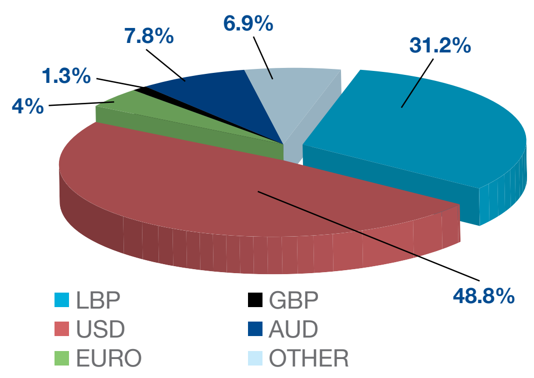
The LBP denominated deposits augmented by LBP 412 billion in 2015, recording an annual growth rate of 7.74%. From a foreign currency viewpoint, the USD continued to hold the largest share and registered a significant growth during 2015 by LBP 956 billion.

The foreign currency denominated deposits stood at 68.78% at the end of year 2015, as compared to 68.32% at year-end 2014 and as compared to 70.04% for the peer group as at December 31, 2015.

31 Dec. 2014



31 Dec. 2015



c- Loans to Customers

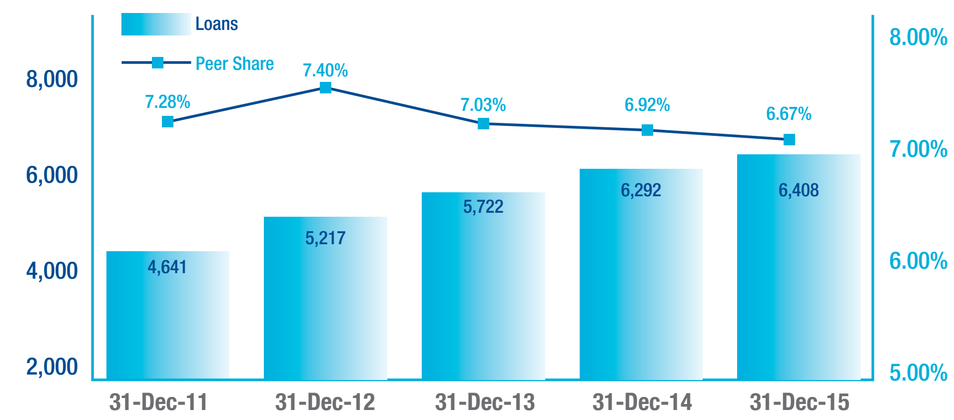
The loan to customers portfolio increased by LBP 115 billion in 2015, reaching LBP 6,408 billion, compared to LBP 6,292 billion at the end of year 2014.

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Regular loans to customers	6,182	6,317	135	2.18%	98.26%	98.59%
Regular loans to related parties	105	94	(11)	-10.15%	1.66%	1.47%
Substandard loans (net)	16	28	12	70.51%	0.26%	0.43%
Doubtful and bad loans (net)	49	48	(1)	-2.71%	0.77%	0.74%
Collective provisions	(60)	(79)	(19)	31.44%	-0.95%	-1.23%
Total	6,292	6,408	116	1.84%	100.00%	100.00%

As clearly shown, the increase was mainly derived from the regular loans to customers.

The Bank's year-on-year growth of 1.84% underperformed the 5.67% peer group growth rate achieved in 2015. Consequently, the peer group share has been declined from 6.92% at year-end 2014 to 6.67% at year-end 2015.

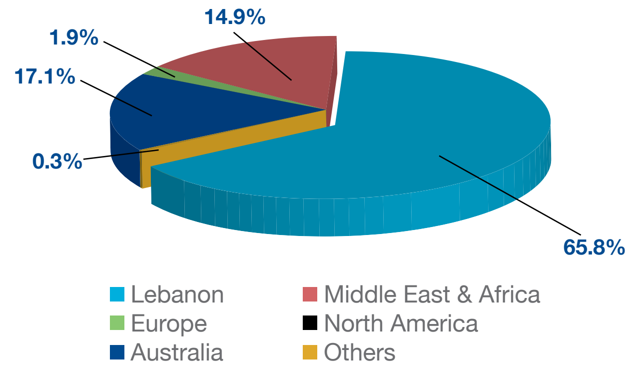
CONSOLIDATED LOANS



Distribution by Geographical Area

	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Lebanon	4,143	4,248	105	2.53%	65.84%	66.29%
Middle East & Africa	935	899	(36)	-3.80%	14.86%	14.03%
Europe	122	101	(21)	-16.81%	1.94%	1.58%
North America	2	3	1	20.90%	0.04%	0.05%
Australia	1,074	1,147	73	6.74%	17.07%	17.90%
Others	16	10	(6)	-38.62%	0.25%	0.15%
Total	6,292	6,408	116	1.84%	100.00%	100.00%

31 Dec. 2014



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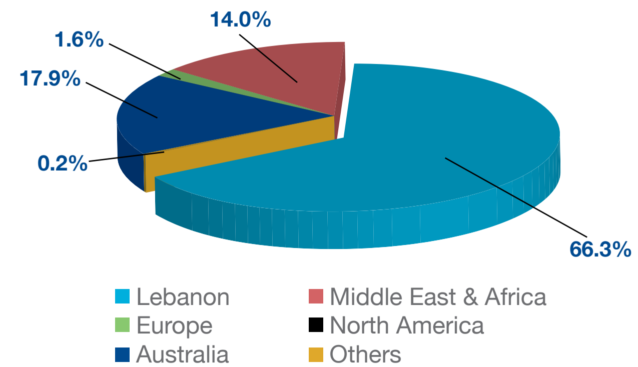


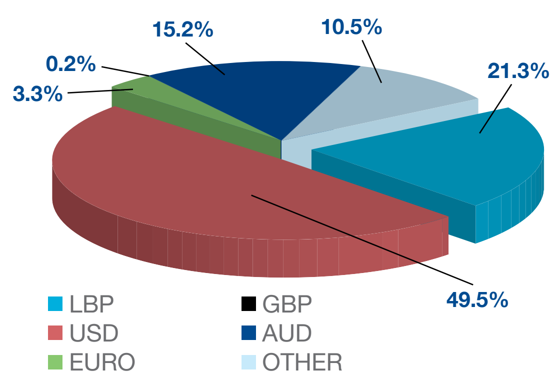
An analysis of Loans to customers by geographical area distribution reveals that the growth was largely contributed to Lebanon with a LBP 105 billion (+2.53%) with a negative growth in Europe and Middle East and Africa.

Loans Distribution by Currency

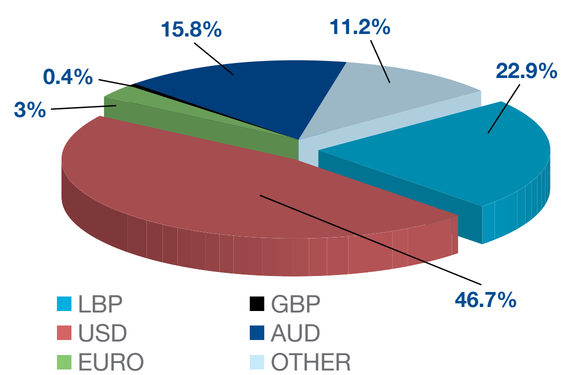
	Balances		Growth		Breakdown	
Currency (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
LBP	1,341	1,468	127	9.50%	21.31%	22.92%
USD	3,114	2,995	(119)	-3.84%	49.49%	46.73%
Euro	205	192	(13)	-6.64%	3.26%	3.00%
GBP	11	23	11	98.41%	0.18%	0.35%
AUD	959	1,011	53	5.49%	15.24%	15.78%
Other	662	719	57	8.65%	10.52%	11.22%
Total	6,292	6,408	116	1.84%	100.00%	100.00%

The LBP denominated Loans augmented by LBP 127 billion in 2015, recording an annual growth rate of 9.50%, mainly derived from the increase in housing loans. On the foreign currency side, the USD continued to hold the largest share and registered a slight decrease during 2015 by LBP 119 billion.
The foreign currency denominated loans stood at 77.08% at the end of year 2015, as compared to 81.90% for the peer group.

31 Dec. 2014



31 Dec. 2015

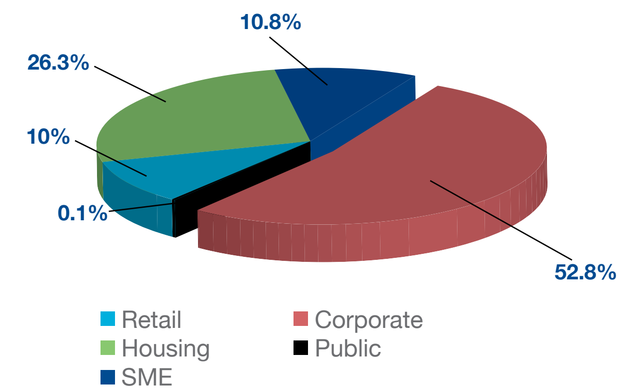


Loans Distribution by Type of Customer

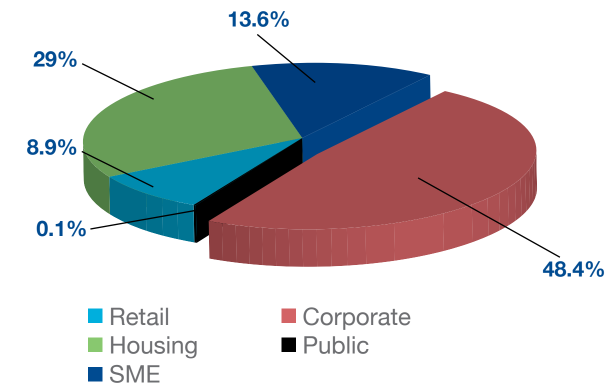
	Balances		Growth		Breakdown	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Regular Loans	**6,287**	**6,411**	**124**	**1.97%**	**100.00%**	**100.00%**
Retail	626	572	(54)	-8.58%	9.96%	8.93%
Housing	1,653	1,859	206	12.45%	26.30%	29.00%
SME	678	873	195	28.75%	10.78%	13.61%
Corporate	3,322	3,103	(219)	-6.59%	52.83%	48.39%
Public Institutions	8	4	(4)	-47.12%	0.13%	0.07%
Non Performing Loans	**65**	**76**	**11**	**16.9%**	**100.00%**	**100.00%**
Retail	6	4	(2)	-33.33%	8.28%	5.79%
Housing	6	11	5	83.3%	9.83%	14.12%
SME	20	24	4	20%	31.00%	31.35%
Corporate	33	37	4	12.12%	50.90%	48.74%
Public Institutions	-	-	-	0.00%	0.00%	0.00%
Collective Provisions	**(60)**	**(79)**	**(19)**	**31.44%**	**-**	**-**
Total Net Loans	6,292	6,408	116	1.84%		

As clearly shown in the table above, the main driver behind the increase in performing loans was the “housing” by LBP 216 billion (+13.06%) and “SME” by LBP 49 billion (+7.24%)

31 Dec. 2014



31 Dec. 2015



Fair Value of Guarantees Against Loan Portfolio

Description (LBP billion)	31-Dec-14 Regular	31-Dec-14 NPLs	31-Dec-14 Total	31-Dec-15 Regular	31-Dec-15 NPLs	31-Dec-15 Total
Gross Balances	6,287	163	6,450	6,411	187	6,598
Unrealized Interest	-	(50)	(50)	-	(54)	(54)
Allowance for Impairment	-	(47)	(47)	-	(57)	(57)
Collective Provisions	(60)	-	(60)	(79)	-	(79)
Net Loans Balances	6,227	66	6,293	6,332	76	6,408
Pledged Funds	1,011	20	1,031	968	24	992
1st Degree Mortgage	5,443	50	5,493	5,767	74	5,841
Debt securities	12	-	12	9	-	9
Bank Guarantees	202	-	202	177	-	177
Vehicles	418	8	426	367	9	376
Fair Value of real guarantees received	7,086	78	7,164	7,288	107	7,395
Fair Value of other guarantees received	8,771	16	8,787	8,937	40	8,977
Real Guarantee Coverage Ratio	113.79%	120.80%	113.86%	115.09%	142.29%	115.41%

As clearly reflected in the table above, the fair value of the real guarantees, mainly Cash Collateral and Mortgages, represented 115% of the Loan portfolio, which indicates the high quality of the loan portfolio.

Distribution of Loans by Economic Sector

Sector/Industry (LBP billion)	Balances 31-Dec-14	Balances 31-Dec-15	Growth Amount	Growth %	Breakdown 31-Dec-14	Breakdown 31-Dec-15
Agriculture	27	40	13	45.82%	0.43%	0.62%
Manufacturing & Industry	834	726	(108)	-12.98%	13.26%	11.33%
Financial Services	202	252	50	24.43%	3.21%	3.93%
Real Estate & Construction	1,577	1,744	167	10.64%	25.06%	27.22%
Trade and Services	1,877	1,842	(35)	-1.88%	29.84%	28.75%
Others	1,775	1,804	29	1.66%	28.20%	28.15%
Total	6,292	6,408	116	1.84%	100.00%	100.00%

The trade and service sectors remained the largest exposure during 2015 with 28.75% share, the manufacturing and industry share decreased to 11.33%.

Classification of Loans and Quality

Description (LBP billion)	Balances 31-Dec-14	Balances 31-Dec-15	Growth Amount	Growth %
Regular loans	6,287	6,411	124	1.97%
Substandard Loans	**17**	**28**	**11**	**70.51%**
Gross balances	21	31	10	53.59%
Unrealized interest	(4)	(3)	1	-16.01%
Impairment allowances	(0)	(0)	(0)	
Doubtful Loans	49	48	(1)	-2.71%
Gross balances	142	155	13	8.91%
Unrealized interest	(47)	(51)	(4)	8.78%
Impairment allowances	(47)	(57)	(10)	21.08%
Collective Provisions	(60)	(79)	(19)	31.44%
Total Net Loans	6,292	6,408	115	1.84%

As specified in the table above, the net NPLs (after deduction of specific loan loss reserves) increased by LBP 11 billion, mainly due to the increase in substandard loans. On the other hand, the Bank has been able to increase its collective provisions against the portfolio by LBP 19 billion.

Consequently, the loan portfolio quality ratios, as shown below, indicates clearly the high quality noting that Bank of Beirut is ranked Number One among peer group banks in “Gross doubtful loans / Gross Loans” and “Gross NPLs/Gross loans” as at December 31, 2015.

Ratio	Bank of Beirut 31-Dec-14	Bank of Beirut 31-Dec-15	Bank of Beirut Variance	Peer Group 31-Dec-14	Peer Group 31-Dec-15
Regular Loans / Gross Loans	97.48%	97.18%	-0.30%	93.55%	93.86%
Gross SLs / Gross Loans	0.32%	0.48%	0.16%	0.68%	0.73%
Gross DLs / Gross Loans	2.20%	2.35%	0.14%	5.77%	5.42%
Gross NPLs / Gross Loans	2.52%	2.82%	0.30%	6.45%	6.14%
Net SLs / Net Loans	0.26%	0.43%	0.18%	0.57%	0.61%
Net DLs / Net Loans	0.77%	0.74%	-0.03%	1.46%	1.42%
Net NPLs / Net Loans	1.03%	1.17%	0.14%	2.03%	2.03%
Unrealized Interest on SLs / Gross SLs	20.29%	11.51%	-8.78%	20.70%	21.10%
Specific LLRs on DLS /Gross DLs	65.76%	69.42%	3.65%	76.13%	75.06%
Specific LLRs on NPLs / Gross NPLs	60.03%	59.62%	-0.41%	70.27%	68.67%
Total LLRs / Gross NPLS	96.97%	102.02%	5.05%	85.50%	86.48%
Net NPLs / Total Assets	0.29%	0.31%	0.02%	0.69%	0.67%
Net NPLs / Total Shareholders' Equity	2.38%	2.51%	0.13%	8.00%	7.54%
Collective provisions / Net Loans	0.95%	1.23%	0.28%	1.04%	1.15%

SLs: Substandard Loans, DLs: Doubtful Loans, LLRs: Loan Loss Reserves

d- Investment Securities Portfolio

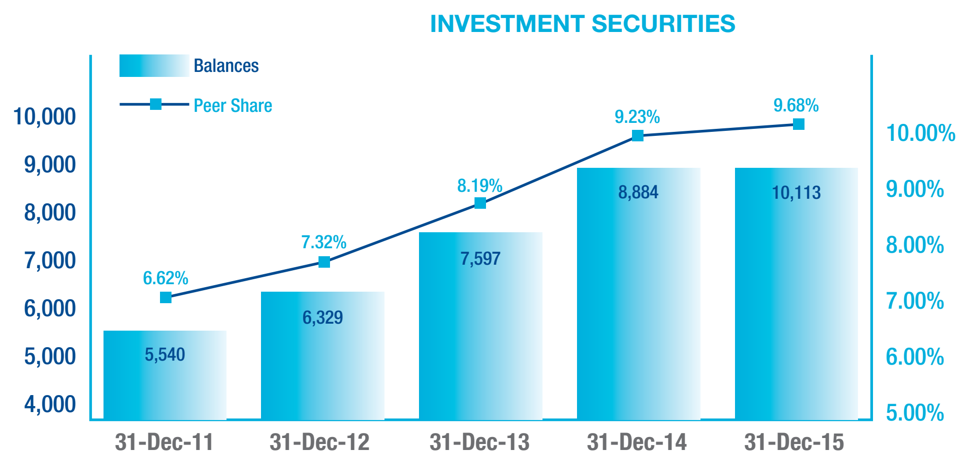
The Bank's securities portfolio, which consists of both fixed and variable income securities, increased by LBP 1,229 billion during 2015, an annual growth rate of 13.83%, to reach LBP 10,113 billion and representing 41.54% of total assets as at December 31, 2015 (as compared to 39.51% in 2014).

Sector/Industry (LBP billion)	Balances 31-Dec-14	Balances 31-Dec-15	Growth Amount	Growth %	Breakdown 31-Dec-14	Breakdown 31-Dec-15
Lebanese Govn't Treasury Bills & Bonds	6,161	6,240	79	1.29%	69.35%	61.71%
CD's issued by CBL*	1,835	2,989	1,154	62.90%	20.65%	29.56%
Financial private sector debt securities	604	594	(10)	-1.71%	6.80%	5.87%
Foreign Government Treasury Bonds	61	64	3	4.62%	0.69%	0.63%
Certificates of Deposit by financial sector	36	16	(20)	-55.46%	0.40%	0.16%
Unquoted equity securities	51	50	(1)	-1.34%	0.57%	0.49%
Quoted equity securities and funds	13	13	(0)	-1.18%	0.15%	0.13%
Accrued interest	123	147	24	19.07%	1.39%	1.45%
Total	8,884	10,113	1,229	13.83%	100.00%	100.00%

*Central Bank of Lebanon

As shown in the table above, the main growth was derived from the increase in Certificates of Deposits issued by the Central Bank of Lebanon by LBP 1,154 billion (+62.90%)

The peer group share increased gradually during the year to reach 9.68% at the end 2015.



Distribution by Classification

Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Debt instruments at Amortized Cost	7,750	8,761	1,011	13.05%	87.24%	86.64%
Debt Instruments at FVTPL	1,070	1,289	219	20.43%	12.04%	12.74%
Total Debt Instruments	8,820	10,050	1,230	13.94%	99.28%	99.38%
Equity instruments at FVTPL	59	56	(2)	-3.68%	0.66%	0.56%
Equity instruments at FVTOCI	5	7	1	24.07%	0.06%	0.07%
Total Equity Instruments	64	63	(1)	-1.31%	0.72%	0.62%
Total	8,884	10,113	1,229	13.83%	100.00%	100.00%

The main increase in investment securities was for the Debt instruments classified at amortized cost by LBP 1,011 billion and representing 87.64% of the total portfolio. The Fair Value through Profit and Loss (FVTPL) investment securities consists mainly of securities held by the mutual funds controlled by the Bank, LBP 1,195 billion as at December 31, 2015 as compared to LBP 939 billion as at December 31, 2014.

The breakdown of the investment securities portfolio as compared to peer group is shown in the table below:

Description (LBP billion)	31-Dec-14		31-Dec-15	
	Cost*	Fair Value	Cost*	Fair Value
Debt instruments at Amortized Cost	87.24%	91.71%	86.64%	91.76%
Debt Instruments at FVTPL	12.04%	6.64%	12.74%	6.61%
Total Debt Instruments	**99.28%**	**98.35%**	**99.38%**	**98.38%**
Equity instruments at FVTPL	0.66%	0.56%	0.56%	0.57%
Equity instruments at FVTOCI	0.06%	1.09%	0.07%	1.05%
Total Equity Instruments	**0.72%**	**1.65%**	**0.62%**	**1.62%**
Total	100.00%	100.00%	100.00%	100.00%

Fair Value of Debt Instruments Classified at Amortized Cost

Description (LBP billion)	31-Dec-14			31-Dec-15		
	Cost*	Fair Value	Unrealized	Cost*	Fair Value	Unrealized
Lebanese Government Bonds	3,198	3,210	12	3,691	3,606	(86)
CD's issued by CBL in LBP	1,223	1,235	12	2,133	2,147	14
CD's issued by CBL in FCY	216	216	0	449	452	3
Lebanese Treasury Bills (LBP)	2,368	2,390	22	1,753	1772	20
Private sector debt securities(FCY)	604	609	5	594	595	1
CD's issued by private sector(FCY)	36	35	(1)	16	15	(1)
Total	7,645	7,695	50	8,636	8,587	(49)

*Excluding Accrued Interest

As shown in the table above, the valuation of the amortized cost debt securities at year-end 2015 revealed a negative variation of LBP 49 billion, as compared to a positive valuation of LBP 51 billion as at December 31, 2014. This was mainly due to the decline in Lebanese Eurobonds prices.

e- Property and Equipment

Description (LBP billion)	Balances		Growth	
	31-Dec-14	31-Dec-15	Amount	%
Land & Buildings	93	153	60	64.93%
Furniture	13	15	2	12.01%
Equipment	12	14	2	17.74%
Vehicles	0	0	0	49.33%
Key Money	2	2	(0)	-0.01%
Installations and improvements	19	16	(3)	-16.30%
Advance on Capital expenditures	13	15	2	18.79%
Total	152	215	63	41.86%

As shown in the table above, the increase in “Properties and Equipment” (net of depreciation) was LBP 63 billion (+41.86%) and it was mainly due to the acquisition of two plots of land (by acquiring the shares of two companies Medawar 247 and Medawar 1216) in Medawar area - Beirut for a consideration of LBP 52.8 billion for the purpose of building a new head office. It is to be noted that the share of “property and equipment” in total assets was around 0.88% as at December 31, 2015, as compared to 1.25% for the peer group.

B- PROFITABILITY

Overview

The consolidated total net profit increased in 2015 by 6.13% to LBP 281.3 billion, as compared to LBP 265.1 billion for the year 2014.

This growth in profitability was driven by growth in business activities, coupled with efficient management of interest rate margins, high commission base and effective cost containment policy, with a focus on consistently increasing the non-interest base revenues.

The positive growth in the net earnings was due to the increase in “operating income” LBP 24.6 billion (+3.97%) combined with the increase in total operating expenses by LBP 13.1 billion (+4.85%), a decrease in credit risk allowances by LBP 2.2 billion (-6.37%), and the decrease of income tax provisions by LBP 2.5 billion (-4.90%).
After accounting for the non-controlling interest (mainly the net profit from controlled mutual funds), the net profit – controlling interest registered a slight increase by LBP 790 billion (+0.36%)

Description (LBP billion)	Balances		Growth	
	31-Dec-14	31-Dec-15	Amount	%
Interest income*	1,059,248	1,132,111	72,863	6.88%
Interest expense*	(656,869)	(705,869)	(49,000)	7.46%
Net interest income	402,379	426,242	23,863	5.93%
Net fee & commission income	113,927	119,434	5,507	4.83%
Other non-interest income	104,918	100,193	(4,725)	-4.50%
Operating income	621,224	645,869	24,645	3.97%
Impairment losses	(34,756)	(32,542)	2,215	-6.37%
Net operating income	586,468	613,327	26,860	4.58%
Operating expenses	(270,307)	(283,408)	(13,101)	4.85%
Profit before income taxes	316,161	329,919	13,759	4.35%
Income taxes	(51,076)	(48,574)	2,502	-4.90%
Net profit after income taxes	265,085	281,345	16,261	6.13%
Non-controlling interest	(44,653)	(60,124)	(15,471)	34.65%
Net profit (Equity holders)	220,432	221,221	790	0.36%

* including interest on financial assets & liabilities designated at FVTPL for better comparison

Net Interest Income

Description (LBP billion)	Year		Growth		Breakdown	
	2014	2015	Amount	%	2013	2014
Placements with Central Banks	121,397	126,750	5,353	4.41%	11.46%	11.20%
Placements with banks *	47,930	45,658	(2,272)	-4.74%	4.52%	4.03%
Financial assets at amortized cost	444,855	501,107	56,252	12.65%	42.00%	44.26%
Financial assets at FVTPL	62,013	81,416	19,403	31.29%	5.85%	7.19%
Loans to customers	383,053	377,180	(5,873)	-1.53%	36.16%	33.32%
Interest income	1,059,248	1,132,111	72,863	6.88%	100.00%	100.00%
Banks and financial Institutions	20,534	21,612	1,078	5.24%	3.13%	3.06%
Customers' Deposit	628,001	675,020	47,019	7.49%	95.61%	95.63%
Certificates of Deposit	265	15	(250)	-94.28%	0.04%	0.00%
Other Borrowings	8,069	9,222	1,153	14.29%	1.23%	1.31%
Interest expense	656,869	705,869	49,000	7.46%	100.00%	100.00%
Net Interest Income*	402,379	426,242	23,863	5.93%		

* including loans to banks

As reflected in the table above, the net interest income increased by 5.93% in year 2015. This was mainly due to the increase in interest income (+6.88%), combined with an increase in interest expenses by 7.46%.

As a result, the main spreads indicators have witnessed a notable stability in spite of the continuous pressure on interest margins:

Ratio	Bank of Beirut			Peer Group		
	2014	2015	Variance	2014	2015	Variance
Interest income / average assets	4.93%	4.84%	-0.09%	5.47%	5.53%	0.06%
Interest expense / average assets	-3.05%	-3.01%	0.04%	-3.57%	-3.63%	-0.06%
Interest spread (net interest income / average assets)	1.87%	1.82%	-0.05%	1.90%	1.90%	0.00%
Interest income / average interest earning assets	5.24%	5.15%	-0.09%	5.70%	5.76%	0.06%
Interest expense / average interest bearing liabilities	-3.62%	-3.58%	0.04%	-4.01%	-4.08%	-0.07%
Interest differential	1.62%	1.57%	-0.05%	1.69%	1.69%	0.00%
Yield on earning assets	5.24%	5.15%	-0.09%	5.70%	5.76%	0.06%
Cost of earning assets	-3.25%	-3.21%	0.04%	-3.72%	-3.78%	-0.06%
Interest margin	1.99%	1.94%	-0.05%	1.98%	1.98%	0.00%
Average interest earning assets / average assets	94.06%	93.97%	-0.09%	96.00%	96.02%	0.02%
Interest expense / Interest income	62.01%	62.35%	0.34%	66.70%	67.37%	0.67%
Net interest income / Operating income	64.77%	66.00%	1.22%	66.58%	67.03%	0.45%

Non-interest Income

Description (LBP billion)	Years		Growth	
	2014	2015	Amount	%
Net Fee and commission income	113,927	119,434	5,507	4.83%
Dividends received	4,071	4,453	382	9.38%
Realized Gain from sale of investment securities	85,204	80,907	(4,297)	-5.04%
Change in fair value of trading portfolio	(1,965)	(3,694)	(1,729)	88.02%
Net Gain on sale of foreclosed assets	475	498	23	4.86%
Net Gain on sale of property and equipment	39	27	(12)	-30.18%
Share in profit of an associate	4,162	3,683	(479)	-11.51%
Foreign exchange gain	16,234	15,867	(367)	-2.26%
Charge on forward contract	(3,678)	(2,273)	1,405	-38.21%
Other non-interest income	377	725	348	92.08%
Total	218,846	219,627	781	0.36%

The 0.36% positive annual growth rate was mainly derived from the increase in the net Commission income by LBP 5.507 billion which offsets the decrease in the realized gain from sale of investment securities by LBP 4.297 billion.

The realized gain from sale of investment securities includes LBP 69.9 billion in year 2015 as gain booked on financial assets measured at amortized cost (as compared to LBP 74.7 billion in 2014).
The Bank participated during 2015 in several sales and exchange transactions with an aggregate value of LBP 1,011 billion (LBP 1,193 billion for year 2014). The resulting gains are summarized as follows:

Description (LBP billion)	Years		Growth	
	2014	2015	Amount	%
Certificates of Deposit issued by CBL	28,218	38,955	10,737	38.05%
Lebanese Treasury Bills	7,464	23,976	16,512	221.23%
Lebanese Government Bonds	38,774	6,818	(31,956)	-82.41%
Bonds issued by financial sector	261	104	(157)	-60.19%
Certificates of deposits issued by financial sector	-	5	5	-
Total	74,717	69,858	(4,859)	-6.50%

The main Key Performance Indicators for the non-interest income as compared to the peer group as follows:

Ratio	Bank of Beirut 2014	Bank of Beirut 2015	Bank of Beirut Variance	Peer Group 2014	Peer Group 2015	Peer Group Variance
Net non interest income/average assets	1.02%	0.94%	-0.08%	0.97%	0.95%	-0.02%
Non interest income/Operating income	35.23%	34.00%	-1.22%	33.99%	33.51%	-0.48%
Non interest income/average deposits	1.35%	1.25%	-0.10%	1.17%	1.15%	-0.01%
Net commissions received/average deposits	0.70%	0.68%	-0.03%	0.56%	0.54%	-0.02%

Other Operating Expenses

Description (LBP billion)	Years 2014	Years 2015	Growth Amount	Growth %
Staff expenses	144,181	164,388	20,207	14.02%
General operating expenses	107,613	98,446	(9,167)	8.52%
Depreciations and amortizations	18,513	20,574	2,061	11.13%
Total	270,307	283,408	13,101	4.85%

It is to be noted that the "staff expenses" in year 2015 included around LBP 6.1 billion and represented incentives and bonuses paid to employees (booked in "general operating expenses" in 2014).

The main drivers behind the 4.85% year-on-year increase in the operating expenses could be summarized by the following:

- Staff count grew by 110 during the year, mainly in Lebanon by 89 new staff.
- The inclusion of employees' incentives and bonuses in year 2015 in the "Staff expenses" triggered a one-time increase in Social Security allowances and catch-up provisions for end-of-service by around LBP 6.0 billion.
- Increased IT investment (strategic new applications e.g. Core Banking, CRM, Online Banking, Mobile Banking, etc.)

Operating Efficiency

On the operating efficiency level, cost to income ratio decreased remarkably to 43.51% in 2014 from 47.33% in 2013, significantly less than the peer group average of 48,65%.

Ratio	Unit	2014	2015	Variance
Cost ratios				
Staff expenses / operating income	%	23.21%	25.45%	2.24%
General expenses / operating income	%	17.32%	15.24%	-2.08%
Depreciation / operating income	%	2.98%	3.19%	0.21%
Cost to income ratio	%	43.51%	43.88%	0.37%
Cost to average assets	%	1.26%	1.21%	-0.05%
Effective tax rate	%	16.16%	14.72%	-1.43%
Operating efficiency				
Number of staff	Count	1,732	1,842	110
Number of branches and banking units	Count	83	85	2
Staff per branch	Count	21	21.7	0.8
Average assets per average staff	LBP million	12,866	13,103	237
Average deposits per average staff	LBP million	9,677	9,842	165
Staff expenses per average staff	LBP million	86	92	6
Operating income per average staff	LBP million	372	361	(10)
Net income per average staff	LBP million	159	157	(1)
Assets per branch	LBP million	270,897	286,410	15,513
Total deposits per branch	LBP million	202,458	216,143	13,685
Operating income per branch	LBP million	7,485	7,598	114
Net income per branch	LBP million	3,194	3,310	116

As signaled in the table above, the Bank has been able to preserve and enhance most of the operating efficiency indicators within good ranges.

Profitability Indicators

Ratio	Year 2014	Year 2015	Year Variance
Return on Average Assets (ROAA)	1.23%	1.20%	-0.03%
Return on Average Equity (ROAE)	10.53%	9.81%	-0.72%
Return on Average Common Equity (ROACE) *	16.24%	13.61%	-2.63%
+ Yield on earning assets	5.24%	5.15%	-0.09%
- Cost of earning assets	-3.25%	-3.21%	0.04%
= Interest margin	1.99%	1.94%	-0.05%
x Average interest earning assets / Average Assets	94.06%	93.97%	-0.09%
= Interest Spread	1.87%	1.82%	-0.05%
+ Net non-interest Income / Average Assets	1.02%	0.94%	-0.08%
= Asset Utilization Ratio	2.89%	2.76%	-0.13%
x Net operating margin	42.67%	43.56%	0.89%
o.w. Cost to income	43.51%	43.88%	0.37%
o.w. Credit Cost	5.45%	4.97%	-0.48%
o.w. Other provisions	0.14%	0.07%	-0.07%
o.w. Tax Cost	8.22%	7.52%	-0.70%
= Return on average Assets (ROAA)	1.23%	1.20%	-0.03%
x Leverage (average Assets/average equity)	8.55	8.16	-38.24%
= Return on average Equity (ROAE)	10.53%	9.81%	-0.72%

* calculated as common earnings (group share) / average common equity excluding non-controlling interest

Return on Average Assets decreased slightly in 2015 to 1.20% from 1.23% in 2014, due mainly to the lesser increase in profit as compared to growth in assets; However, Bank of Beirut has been able to rank 4th among the peer group banks in this ratio as per Bankdata report as at December 31, 2015 noting that the Average ROAA for the Alpha Group stood at 1.02% for year 2015 as compared to 1.01% for 2014.

Peer Group Comparison

Ratio	Year 2014 BOB	Year 2014 Peer	Year 2014 Ranking	Year 2015 BOB	Year 2015 Peer	Year 2015 Ranking
Return on Average Assets (ROAA)	1.23%	1.01%	2	1.20%	1.02%	3
Leverage (Average Assets/Average Equity)	8.55	11.42	1	8.16	11.25	1
Return on Average Equity (ROAE)	10.53%	11.55%	8	9.81%	11.50%	8
Interest Spread	1.87%	1.90%	8	1.82%	1.90%	7
Net non-interest Income / Average Assets	1.02%	0.97%	5	0.94%	0.95%	5
Cost to Income	43.51%	49.86%	4	43.88%	48.65%	4

Calculation of Earnings per Common Share (EPS)

Description (LBP billion)	Years 2014	Years 2015	Growth Amount	Growth %
Consolidated net profit	265,085	281,345	16,260	6.13%
(Less) Non-Controlling interests	(44,653)	(60,124)	(15,471)	34.65%
Consolidated net profit - Equity holders of the Group	220,432	221,222	790	0.36%
(Less) Priority Dividends on Priority Common Shares	(1,883)	(6,030)	(4,147)	220.18%
Dividends on non-cumulative Preferred Shares	(55,961)	(54,265)	1,696	0.00%
Preferred Shares series "E"	(7,236)	(7,236)	-	0.00%
Preferred Shares series "F"	(9,045)	-	9,045	-100.00%
Preferred Shares series "G" - convertible	(12,714)	(12,714)	-	0.00%
Preferred Shares series "H"	(14,246)	(14,246)	-	0.00%
Preferred Shares series "I"	(12,720)	(12,720)	-	0.00%
Preferred Shares series "J"	-	(7,349)	(7,349)	100.00%
Common Earnings	162,588	160,927	(1,661)	-1.02%
Weighted average number of Common Shares	50,103,496	49,981,449	-122,047	-0.24%
Weighted average number of Priority Common Shares	1,487,310	4,601,910	3,114,600	209.41%
Total weighted average number of Common Shares	51,590,806	54,583,359	2,992,553	5.80%
Effect of dilutive Potential Common Shares	-	-	-	
Basic Earnings per Common Share LBP	3,151	2,948	-203	-6.44%
Basic Earnings per Priority Common Share LBP	4,418	4,259	-159	-3.60%
Diluted Earnings per share LBP	3,151	2,948	-203	-6.44%

The common earnings (net profit attributable to common shareholders) recorded a slight decline in 2015 of -1.02% after accounting for the Preferred Shares dividends and the priority dividends for Priority Common Shares.
The Basic Earnings per Common Share (EPS) decreased to LBP 2,948 in year 2015, from LBP 3,151 for the year 2014. The decrease is mainly due to the increase in the average number of Common Shares (+5.80%) which was partially offset by the decrease in common earnings (-1.02%).

C- CAPITALIZATION

The Bank's consolidated equity grew by LBP 265 billion, reaching LBP 3,001 billion as at December 31, 2015, an increase of 9.71% compared to 2014 year-end.

Description (LBP billion)	Balances		Growth	
	31-Dec-14	31-Dec-15	Amount	%
Ordinary share Capital	71,159	71,159	-	0.00%
Shareholders' Cash Contribution to Capital	20,978	20,978	-	0.00%
Priority Common Shares	150,753	150,753	-	%0.00
Non-cumulative Preferred Shares	783,825	693,375	(90,450)	-11.54%
Issue premium on Common Shares	232,108	232,108	-	0.00%
Legal reserve	112,248	132,436	20,188	17.99%
Reserve for general banking risks	172,732	214,897	42,165	24.41%
Regulatory reserves for doubtful debts	4,302	3,254	(1,048)	-24.36%
Other free Reserves	31,763	32,237	475	1.49%
Retained Earnings	226,888	270,501	43,614	19.22%
Revaluation of change in FV of forward contracts (hedging)	-	-	-	
Cumulative Change in FV of currency positions (hedging instruments)	(30,606)	(44,771)	(14,164)	46.28%
Owned buildings revaluation surplus	1,669	1,669	-	0.00%
Cumulative change in fair value of investment securities	2,272	2,273	1	0.05%
Regulatory reserves for assets acquired on satisfaction of debts	7,484	8,508	1,024	13.68%
Treasury Shares	(47,830)	(49,015)	(1,185)	2.48%
Currency translation adjustment	15,343	23,853	8,509	55.46%
Non-controlling interest	759,856	1,015,413	255,557	33.63%
Net Income for the year - Group Share	220,432	221,222	790	0.36%
Total	2,735,376	3,000,851	265,475	9.71%

The growth in Equity was mainly derived from the following:
- Increase in reserves and retained earnings by LBP 106 billion
- The increase in non-controlling interests by LBP 256 billion due to the increase in net asset value of consolidated mutual funds,
- The increase in net profit – group share by LBP 0.8 billion.
- The redemption of Preferred Shares series "E", with total value of USD 60 million.

With the achieved level of equity, Bank of Beirut was the bank which reflected the highest capitalization levels among its peer group, realizing the 1st rank, among the Alpha Group banks, with "Equity to Asset ratio" of 12.41% as at December 31, 2015 as compared to 8.94% for the peer group.

Capital Structure

The Bank's capital constitutes Common, Priority and Preferred Shares as follows:

Share Type	Number of Shares		Growth	
	31-Dec-14	31-Dec-15	Amount	%
Common Shares	50,467,400	50,467,400	-	0.00%
Priority Common Shares	4,762,000	4,762,000	-	0.00%
Preferred Shares Series "E"	2,400,000	-	(2,400,000)	-100.00%
Preferred Shares Series "G"	3,570,000	3,570,000	-	0.00%
Preferred Shares Series "H"	5,400,000	5,400,000	-	0.00%
Preferred Shares Series "I"	5,000,000	5,000,000	-	0.00%
Preferred Shares Series "J"	3,000,000	3,000,000	-	0.00%
Total	74,599,400	72,199,400	(2,400,000)	-3.22%

As shown in the table above, the Bank has redeemed during December 2015, after getting the Central Bank of Lebanon approval, all Preferred Shares series "E" (2,400,000 shares), with a total value of USD 60 million and a dividend rate of 8.00%.

Preferred Shares Overview

Currently, the total issue value of the outstanding Preferred Shares stands at around USD 459.95 million, representing 23.11% of total shareholders' equity. The main features of the outstanding Preferred Shares are as follows:

Description	Series "G"	Series "H"	Series "I"	Series "J"
Number of shares	3,570,000	5,400,000	5,000,000	3,000,000
Issue price per share	$35.00	$25.00	$25.00	$25.00
Issue Size (USD 000's)	$124,950	$135,000	$125,000	$75,000
Issue Size (C/V LBP million)	188,362	203,513	188,438	113,063
Dividend rate p.a.	6.75%	7.00%	6.75%	6.50%
Non-Cumulative	Yes	Yes	Yes	Yes
Perpetual	Yes	Yes	Yes	Yes
Redeemable	Yes	Yes	Yes	Yes
Convertible to Common Shares	Yes	No	No	No
Redemption price per share	$35.00	$25.00	$25.00	$25.00
Conversion exercise price	$35.00	-	-	-
Redemption right holder	BOB	BOB	BOB	BOB
Conversion right holder	Holder	-	-	-
Listing on Beirut Stock Exchange	No	Yes	Yes	Yes
Issue date	29-Sep-10	30-Jun-11	19-Nov-12	17-Nov-14
Closing date	29-Dec-10	28-Sep-11	28-Dec-12	26-Dec-14
First redemption exercise date	30-Dec-16	30-Dec-16	30-Dec-17	30-Dec-19
Conversion right exercise date	30-Dec-15			

Capital Adequacy

Maintaining its position as the Bank with highest capitalization level among the peer group banks, Bank of Beirut reflected a very healthy set of Capital ratios.

The high level of capital adequacy confirmed the Bank's strategy in strengthening its Capital base in order to fund its expansion strategy, in addition to complying comfortably with the Basel III requirements; taking into consideration the increasing risk weights applied on the exposure to Lebanese sovereign risk.

Capital Adequacy Ratio under Basel III

	Balances / Ratio		Variation	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%
Common Equity (Net)	1,028	1,143	115	11.14%
Additional Tier 1 Capital (Net)	784	693	(91)	-11.54%
Net Tier 2 Capital	10	15	5	41.48%
Total Regulatory Capital	1,822	1,851	29	1.55%
RWA - Credit Risk	11,615	12,604	989	8.51%
RWA - Market Risk	154	99	(55)	-36.13%
RWA - Operational Risk	841	898	57	6.71%
Total RWA	12,610	13,601	991	7.84%
Total Capital Ratio	14.45%	13.61%	-0.84%	
Common Equity Ratio Tier 1 Ratio	8.15%	8.40%	0.25%	
Tier 1 Capital Ratio	14.37%	13.50%	-0.87%	
Tier 2 Capital Ratio	0.08%	0.11%	0.03%	

NB: Calculation of capital ratios is based on consolidated financial statements after de-consolidation of the controlled investment funds.

Under Basel III, the Capital Adequacy ratio stood at year-end 2015 at 13.61%, down from 14.45% as at December 31, 2014, as compared to the minimum required ratio of 12.00%.

Pursuant to Central Bank Decision No 11714 dated March 3 2014, with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Ratio	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15
Common Equity Tier 1 Ratio	5.00%	6.00%	7.00%	8.00%
Tier 1 Capital Ratio	8.00%	8.50%	9.50%	10.00%
Total Capital Ratio	10.00%	10.50%	11.50%	12.00%

As shown in the tables below, Bank of Beirut is already compliant with Basel III capital requirements, more specifically, with a common equity ratio of 8.36% (as compared to 8.00% minimum required).

	Minimum Ratios		Excess Capital	
Minimum Regulatory Ratios (LBP million)	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15
Common Equity Tier 1 Ratio	7.00%	8.00%	145	55
Tier 1 Capital Ratio	9.50%	10.00%	614	476
Capital Ratio	11.50%	12.00%	372	218

It is to be noted that the Bank is in the process of increasing its capital base through a USD 50 million of new Common Shares and a USD 100 million of new Preferred Shares (dividend rate of 6.50%) which will materialize before year-end 2016 and which will boost the capital ratios to very comfortable levels that will support the Bank to achieve its growth targets for the ensuing years.

D- SHARE INFORMATION

Common Share Performance

Indicator	Unit	31-Dec-14	31-Dec-15	Variance
Common Share market price	LBP	27,738	28,341	603
Priority Common Share market price	LBP	31,658	31,658	-
Weighted average market price of Common & Priority Share	LBP	28,076	28,627	551
Common equity book value (1)	LBP million	1,133,851	1,231,769	97,918
Common Share book value	LBP	20,530	22,303	1,773
Market Capitalization (end of period)	LBP million	1,550,618	1,581,050	30,432
Market Value added	LBP million	416,767	349,281	(67,486)
Market Value added/Market capitalization	%	26.88%	22.09%	-4.79%
Basic EPS / Common Share market price	%	11.36%	10.40%	-0.96%
Price to common earnings - P/E Ratio (2)	Times	8.91	9.71	0.80
Price to common book value - M/B Ratio	Times	1.37	1.28	(0.08)
Price to assets	%	6.90%	6.49%	-0.40%

(1) Including the common earnings of the year & Excluding non-controlling interest (2) Calculated as basic earnings per share / common share market price

The Common Share market price has increased to USD 18.80 as at 31 December 2015 from USD 18.40 as at 31 December 2014. Consequently, the market capitalization stood at around LBP 1,581 billion (USD 1,049 million), and the "price to book value" decreased to 1.28 times as compared to 1.37 times at the end of year 2014. The "price to assets" ratio stood at a very healthy level of 6.49%, one of the lowest in the market.

E- DIVIDENDS

The Board of Directors has resolved, during its meeting held on April 14, 2016, the appropriation of Bank of Beirut year 2015 net profit as follows:

Description (LBP 000's)	Variance
Net profit Bank of Beirut SAL	185,772,071
Dividends on Preferred Shares	(54,264,912)
Priority Dividends on Priority Shares	(6,030,121)
Legal Reserve	(18,577,207)
Reserve for General Banking Risk	(47,000,000)
Reserve for General Banking Risk	(1,823,676)
Reserves on Foreclosed Assets	(497,708)
Reserves - Net gain on sale of A154 CMC Properties	(5,000,000)
Total deductions	(133,193,624)
Net profit eligible for distribution	52,578,447
Number of outstanding Common Shares	55,229,400
Available dividend per Common Share (LBP)	952
Suggested Dividend per Common Share (LBP)	900
Total suggested dividends to Common Shareholders	49,706,460
Retained earnings	2,871,987

Consequently, the comparative dividend indicators on consolidated basis stood as follows:

Description (LBP million)		Balances / Ratio 2014	Balances / Ratio 2015	Variation Amount	Variation %
Dividend per Common Share (DPS)	(LBP)	900	900	-	0.00%
Priority dividend per Priority Share)	(LBP)	396	1,266	871	220.18%
Number of outstanding ordinary Common Shares		50,467,400	50,467,400	-	0.00%
Number of oustanding priority Common Shares		4,762,000	4,762,000	-	0.00%
Total number of Common Shares		55,229,400	55,229,400	-	0.00%
Total Dividends on Common Shares		49,706	49,706	-	0.00%
Total priority dividends on Priority Shares		1,883	6,030	4,147	220.18%
Total Dividends on non-cumulative Preferred Shares		55,961	54,265	(1,696)	-3.03%
Total Dividends (Common And Non-Cumulative Preferred Shares)		107,550	110,001	2,451	2.28%
Ordinary common share market price		27,738	28,341	603	2.17%
Priority Common Share market price		31,658	31,658	-	0.00%
Dividend yield per ordinary Common Share (DPS/Price)		3.24%	3.18%	-0.07%	-2.13%
Dividend yield per priority Common Share (DPS/Price)		4.09%	6.84%	2.75%	67.22%
Common Share dividend payout ratio (% of net profit group share)		23.40%	25.19%	1.79%	7.65%
Preferred Share dividends payout ratio (% of net profit group share)		25.39%	24.53%	-0.86%	-3.38%
Total dividends payout ratio (Net Profit)		48.79%	49.72%	0.93%	1.91%

The Calculation of Preferred Shares Dividends is as follows:

Minimum Regulatory Ratios (LBP million)	Issue Value USD	Dividend Rate	Year 2014 Dividends	Year 2014 C/V LBP	Year 2015 Dividends	Year 2015 C/V LBP
Series "E"	60,000,000	8.00%	$4,800,000	7,236,000,000	$4,800,000	7,236,000,000
Series "F"	75,000,000	8.00%	$6,000,000	9,045,000,000	$0	-
Series "G"	124,950,000	6.75%	$8,434,125	12,714,443,438	$8,434,125	12,714,443,438
Series "H"	135,000,000	7.00%	$9,450,000	14,245,875,000	$9,450,000	14,245,875,000
Series "I"	125,000,000	6.75%	$8,437,500	12,719,531,250	$8,437,500	12,719,531,250
Series "J"	75,000,000	6.50%	-	-	$4,875,000	7,349,062,500
Total	$594,950,000	-	$37,121,625	55,960,849,688	$35,996,625	54,264,912,188

Management Discussion and Analysis

F- LIQUIDITY

The conservation of adequate liquidity has invariably been the Bank's policy to retain a high level of liquid assets and a diversified and stable funding base.

Monitored and controlled by the Asset Liability Committee (ALCO), the liquidity position of the Bank is managed on daily basis by the Treasury Department with liquidity risks being consistently measured, monitored, and scrutinized by the Risk Management Department. Ensuring low liquidity risk is evidenced by the following factors:

- Sufficient high-quality liquid assets, including high level placements with well reputed and highly rated global banks
- Diversification in the securities portfolio
- Stability in customers' deposits
- Manageable cash-flow mismatching gaps
- Non-reliance on whole-sale funding

The liquidity ratios, in both local and foreign currencies, maintained the healthy levels of 2014 while the loan to deposit ratio decreased slightly to the level of 34.88%.

Ratio	31-Dec-14	31-Dec-15	Variance
Loans in LBP to deposits in LBP ratio	25.19%	25.60%	0.41%
Loans in FCY to deposits in FCY ratio	43.13%	39.09%	-4.04%
Loans to deposits ratio	37.44%	34.88%	-2.57%
Deposits (LBP) / Assets (LBP)	75.61%	75.29%	-0.32%
Deposits (FCY) / Assets (FCY)	74.34%	75.55%	1.21%
Deposits / Assets	74.74%	75.47%	0.73%
Investment securities portfolio/Total Assets	39.51%	41.54%	2.03%
Total Liquid Assets (LBP) / Total Liabilities (LBP)	95.44%	100.31%	4.87%
Total Liquid Assets (FCY) / Total Liabilities (FCY)	74.04%	75.25%	1.21%
Total Liquid Assets / Total Liabilities	80.71%	83.11%	2.39%

G- ASSET QUALITY

Assets Composition

The Bank's assets comprise mainly liquid assets (primary liquidity and investment securities) which represented 70.69% of total assets as at December 31, 2015, as compared 68.74% at year-end 2014.
Loans to customers represented 26.32% as at December 31, 2015 as compared to 27.98% at the end of the previous year.

	BOB		Peer	
Description (%)	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15
Cash and deposits at central banks	19.00%	19.73%	22.98%	22.88%
Due to banks & Fis (incl. loans)	10.22%	9.42%	9.64%	8.49%
Loans and Advances	27.98%	26.32%	31.02%	31.29%
Customers' acceptance liability	1.70%	1.20%	0.75%	0.61%
Investment securities	39.51%	41.54%	32.83%	34.01%
Property and equipment	0.67%	0.88%	1.25%	1.25%
Other assets	0.51%	0.54%	1.28%	1.22%
Goodwill	0.39%	0.36%	0.27%	0.25%
Total	100.00%	100.00%	100.00%	100.00%

Liquid assets/Assets	68.74%	70.69%	65.45%	65.38%
Loans / Assets	27.98%	26.32%	31.02%	31.29%
Fixed Assets / Assets	0.67%	0.88%	1.25%	1.25%
Goodwill / Assets	0.39%	0.36%	0.27%	0.25%

Lebanese Sovereign Risk

The Lebanese sovereign risk ratios registered a slight increase during year 2015. The total sovereign exposure (Treasury and Central Bank of Lebanon) to total assets reached 53.42% as at December 31, 2015 as compared to 51.06% as at 2014 year-end. It is to be noted that the main increase was in the exposure to Central Bank of Lebanon.

	Balances		Variation		% of Total Assets	
Description (LBP billion)	31-Dec-14	31-Dec-15	Amount	%	31-Dec-14	31-Dec-15
Compulsory Reserves at CBL	1,588	1,918	329	20.73%	7.06%	7.88%
Free placements at CBL	1,897.12	1,859	(38)	-2.02%	8.44%	7.64%
CDs issued by CBL	1,835	2,989	1,154	62.90%	8.16%	12.28%
Treasury Bills	6,161	6,240	79	1.29%	27.40%	25.63%
Total	11,481	13,006	1,524	13.28%	51.06%	53.42%

2015 Achievements

Retail and Branch Division

Achievements

At Bank of Beirut, we anticipate market changes and pride ourselves with our imaginative, innovative and customer-centric approach to developing new retail programs that meet the needs of all our customers. Bank of Beirut is continuously expanding and concluded the year with a well-deserved quadruple achievement, earning four new awards at the 2015 Banker Middle East Levant Product Awards competition, organized by CPI Financial.

Recognized for the **Best Home Finance Product,** the **Best Fund**, the **Best SME Card**, Bank of Beirut is further boosting its leading position on the local, regional and international banking arena.

Best Fund: Providing a benchmark for the financial sector and recognizing the most successful and innovative banking solutions, Banker Middle East accorded Bank of Beirut the “Best Fund” Award in recognition of its high-performing “Optimal Investment Fund”.

“Best Home Finance Product” Award, a tribute to the Bank’s housing loan product in Lebanese pounds and to its know-how in the real-estate market, positioning it as one of the most competitive housing lenders.

“Best SME Card” Award for the second consecutive year, for Small and Medium Enterprises.

Extending our Business Support

Once again, for the second consecutive year, 2015 witnessed the Banker Middle East Award for the **“Best SME Card in the Levant”** in recognition of its efficient, simple and precise cash management solution, **the Bank of Beirut Business Credit and Debit Cards**. This solution is intended to assisting the local businesses in their development and growth by offering them an efficient and convenient payment solution to better manage their expenditures, combined with rendering their employees the possibility of conducting business related purchases.

Bank of Beirut has also developed the SME Segment to respond effectively to the market needs. The Bank aims at playing a major role in leveraging the capabilities of small to medium size enterprises across industries through launching a Special B Business package that targets this sector. Our prime objective is to penetrate a niche market by enhancing business activities and leveraging the capabilities of the SME segment. This will allow us to expand our competitive edge and increase the Bank’s relationship ratio.

In 2015, Bank of Beirut launched the B Business Package covering the SME segment, offering numerous facilities ranging from USD 20,000 to USD 100,000; these include a bundle of products and services recommended for the SME clients. The B Business Package, specifically tailored for local Small and Medium size enterprises, offers a full suite of financing options, award winning cash management solutions and capability-building training, thus, ensuring customer›s business growth. The “B Business Package” is a package deal combination of 3 products:

1. Term loan which should range between USD 20,000 to USD 100,000 with a tenure up to 6 years, a grace period up to 3 months and a Debit rate of 10% + 2 ‰ commission.

2. Advance Account - A current account with an overdraft facility, offered with Free 100 page checkbook, Free Business Debit card and unlimited domiciliation of utility bills.

3. Free Business Credit card

Each “B Business Package” member will benefit from
- Reduced transaction fees through our award winning Cash Management products.
- Tailored training workshops developed in collaboration with AMIDEAST in support of our customers’ growing businesses.
- Bank of Beirut E-way: The best way for Businessmen to go Global and sell their products and services online. A Superior Leather folder with a Bank of Beirut branded Pen and notebook as a welcome gift.

A onetime file fee of USD 250 will be charged for the first year with an annual fee of USD 200 thereafter. This represents the total amount on three products comprising the B Business bundle.

Encouraging E-Commerce

The rise in E-Commerce worldwide and especially in Lebanon has lead Bank of Beirut to develop its offer covering the needs and new behavior of online users and merchants.

In terms of online users, Bank of Beirut has completely rebranded its internet cards and launched the SKIP card in two versions: Prepaid and Reloadable, providing our customers with a well secure payment method over the web with absolute peace of mind.

For the online merchants, Bank of Beirut has developed its E-Way, a gateway which provides secure payment processing services for all major card brands across all channels, including both e-commerce and mobile commerce.

In 2015, Bank of Beirut optimized its branch footprint, further expanding its presence across Lebanon. After establishing branches in key cities in Lebanon, the year 2015 witnessed the opening of Achrafieh – Ataya, Batroun, Feytroun and Baabda branches.

Extending our Digital Channels

- A Growing Network of B-Smart Branches

In its pursuit to creating a new interaction model that is more aligned with its customers' lifestyle and time constraints, Bank of Beirut "B-Smart" network has continued to expand. In addition to its Foch Branch, has added Kfardebian, Gefinor, Tannourine and at Notre Dame de Secours hospital - Jbeil. Fully equipped to welcome customers 24/7 and carefully designed to offer a special interactive, self-service and on-the-go banking experience, Bank of Beirut Smart Branch offers a fully-digitized space enabling customers to perform all their banking transactions and connect with Bank of Beirut Contact Center via video call and simulation to obtain the needed support. Through our trailblazing "B-Smart" branch, customers also enjoy the facility of opening accounts, transferring funds, paying bills, receiving on-the-spot deposit cards, and obtaining expert assistance on real time basis via video chat.

- Online Banking & I-mobile

In response to the efforts exerted by the Bank to communicate with customers wherever they are, the usage of the online banking and the mobile banking services increased immensely during 2015, demonstrating strategy viability in responding to customers' needs. For the comfort and convenience of its customers, Bank of Beirut will at all times keep abreast new innovations and developments in digital banking to ensure continuous customer satisfaction.

- Smart ATM's with Cash and Cheque Deposit Modules and Card-less Services

In line with its digitization strategy in seeking simplicity, convenience and providing complete e-services, in 2015 Bank of Beirut extended further its Smart ATM network reaching more strategic locations and servicing its clientele in a wider geographical area by promptly adopting every emerging technology in field.

Embracing Segmentation

In 2015, Bank of Beirut continued to develop its segmentation strategy to attract the utmost number of customer categories, due mainly to its profound understanding of its customers' requirements. A range of competitive packages was developed targeting different segments in the marketplace, among which:

- **The "U for Youth":** Offers young university students aged between 18 and 25 a special package, including flexible university and post-graduate loans tailored to their needs and capabilities, a University Account with its Debit Card, an Affinity Credit Card, in addition to a multitude of discounts and free tailored trainings provided by Bank of Beirut in collaboration with AMIDEAST.

- **The "Gold Club":** Offers individuals wishing to upgrade their lifestyle the opportunity to benefit from preferential rates on lending, discounted rates on transfers, free for life Gold Club debit and credit cards, assistance from a dedicated Gold relationship representative, in addition to unlimited free utility bill domiciliation, draws to win cash prizes, free statements of accounts, a loyalty program and free cheque books.

- **The "Premium Club":** This was recognized by Banker Middle East as the Best Premium Banking Service in the Levant. Bank of Beirut believes that Premium Clients deserve Premium Services and Priority Treatment. Every endeavor to perform beyond our customers' expectations was made to have them enjoy a whole new world of banking privileges and a host of lifestyle-enhancing features. Hence, we launched the Premium Club. This new service line was developed for high-net worth individuals having an Average Total Relationship Balance (TRB) of at least USD 200,000.- The "Premium Club" offers preferential treatment and customized services, including, but not limited to, Free for life "Winner Account", the current account with credit interest rate, Free statement of account and Free Premium branded cheque book. In addition to many other benefits, Free for Life Premium Club Visa Signature Debit Card, the only card in the Levant and the first in Lebanon, Free for life Premium Club Visa Infinite Credit card with unlimited benefits, such as, a multitude of discount privileges, airport lounge access, concierge service, travel insurance, purchase protection, etc. round-the-clock assistance, through a dedicated call center line.

Transaction Banking Services

Transaction Banking is the function responsible for the development, marketing and delivery of trade, payments, collections and liquidity services to corporate and institutional customers. All commercial segments, SMEs, Corporate, International are serviced through approaching customers with an advisory and counselling method.

Implementing a sound Transaction Banking strategy requires the development of new business processes, adoption of new technology and service solutions, competitive service standards and the ability to adapt operations and processes within a prompt and flexible time frame.

Transaction Banking plays a key role in developing B2B business opportunities by setting up a platform for bill payments, collection solutions and facilitating other methods of trading, such as, supply chain finance.

Cash Management, a core function of Transaction Banking launched in 2011, is reflecting a strong impact on the Lebanese Corporate scene. Awarded Best Cash Management Bank for 2015 by the Banker Middle East, Bank of Beirut is indeed proud to pioneer electronic services to Corporate and Institutional clients as we fully understand Cash Management implications on customers' daily operations and the importance of its role in the development of their businesses.

Commitment to service, quality and an ability to adopt new technologies are the components of Bank of Beirut's Cash Management Strategy. While we established this new line of business some four years ago, nevertheless, we have acquired expertise through extensive highly experienced specialists and the required technology to enable us offer a full range of cash management products and solutions. These products are aimed to maximizing business resources while providing value added solutions to meet all requirements.

Today TBS contribution is recognized across the board with the function being a major lead provider for both corporate and retail business with Cash Management becoming an anchor product responsible for establishing new business banking relationships through the differentiation and the cross-selling capabilities it offers.

Our flagship platform, **Business Online Banking** has witnessed a remarkable adoption rate, whereas almost 40% of all commercial transactions are electronically processed assisting both customers and Bank to achieve significant efficiencies.

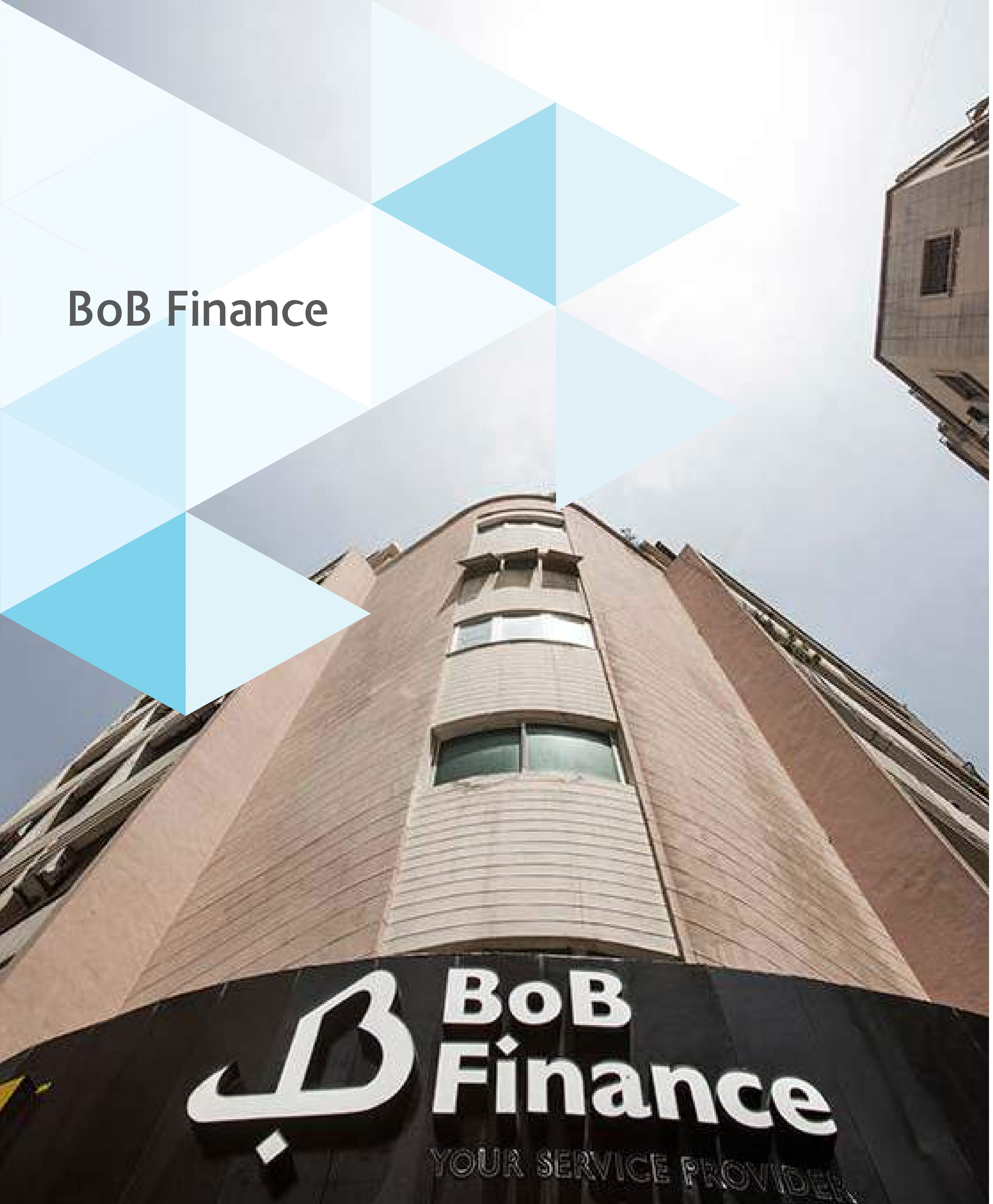
Another successful solution, the **Business Pay Card** solutions continue to provide valuable support to corporate customers for their large volume low-value payments. Customized solutions include customized co-branded corporate cards and closed loop payment solution which allows the Bank to cater to customers' specific needs.

The Port that bears a name similar to that of the Bank, **Port of Beirut**, remains for the second consecutive year a true success story on how Bank of Beirut leverages technology by providing a perfect solution to its corporate clients. A complete **Electronic Bill Payment and Presentment** (EBPP) solution allowed the Bank to position itself as a payment initiator for the entire freight forwarding and customs clearing industry. Coupled with the facility to issue custom payments online, through the **Demand Draft** feature, has proved to be a winning ticket to all concerned.

As the Transaction Banking industry continues to evolve along with the growing needs of the more demanding customers; Bank of Beirut is committed to addressing its customers' requirements and to making their banking experience more seamless and gratifying.

Bank of Beirut is continuously investing in developing innovative products and solutions with continued focus on enhancing customer experience across all channels, a verdict that was recognized by the numerous awards granted:
"Best Transaction Bank in the Levant" by the Banker Middle East industry awards and the **"Best Cash Management"** award at the 2015 Banker Middle East product award competition.

BoB Finance



BoB Finance

Upon initiating our operations in 2009 we had one focus in mind, to become a retail Bank for non-bank account holders. Over the years we became closer to our objective through new products and services. We strive to introduce at least one new product each quarter in order to offer our customers reliable, convenient and fast service.

2015 witnessed a number of achievements:

1. Insurance policies: available at all BoB Finance locations. Any customer is now in a position to drop by any of our locations and purchase four types of policies; Compulsory, Travel, Foreign labor and Motor third party insurance.

2- Order of Engineers & Architects of Beirut: In an effort to facilitate settlement of annual subscriptions by Engineers instead of visiting the order, they now have the possibility of visiting any of our branches to pay their subscriptions as well as the insurance coverage.

3-Payment of wages: Several companies having daily/weekly workers are now utilizing our network to pay wages. This process is a straight forward procedure and will spare the company the burden of handling cash.

4-Prepaid cards:
- Cashcards: This product, which was launched three years ago, is no longer limited to payment of Western Union transfers; it was further developed and is now utilized for payment of i-transfers (transfers within Lebanon) and payment of wages.
- SKIP cards: this is a prepaid internet card currently promoted within BoB Finance network.

5 -I-tunes/Google play: BoB Finance started selling U.S. issued vouchers for i-tunes & Google play stores, hence giving access to our customers to a more diverse list of applications available only on U.S app stores.

Empowering Youth

In 2015, youth empowerment continued to be the drive behind our CSR activities and Bank of Beirut has again demonstrated its long-standing commitment to the Lebanese young generations.

Our pledge to planning a brighter future for our youth has materialized through adopting multiple concrete steps to further enhancing our CSR principles that revolve around three core pillars namely, Education, Youth Development, and Sports.

Education

At Bank of Beirut, we recognize education as Lebanon's prospect for a better future, the prime reason behind our corporate responsibility initiatives through strong emphasis on education and youth development.

Building further on our partnership with six major Lebanese universities (LAU, NDU, USJ, USEK, AUST and Antonine University), we are pursuing our ongoing commitment to empowering youth through:

- **Professional Development:** We are thankful to our long-standing partnership with AMIDEAST as this assisted us in our continued efforts to providing university students access to counseling and coaching, granting them the opportunity to be well prepared for the job market and to secure stimulating internships and job opportunities. To date, 283 students benefited from the free tailored career boot camps offered by Bank of Beirut.
- **Scholarships:** Throughout 2015, we extended our support to young people in pursuit of their education. In an endeavor to alleviate some of the financial burden incurred by University students, we continued to grant scholarships to Lebanese students. Bank of Beirut annually confers 12 scholarships on students. A total of 66 scholarships have been granted to date.
- **Support to universities:** In 2015, we delivered further on the successful affinity partnerships we had initiated with six prime Lebanese universities being LAU, NDU, USJ, USEK, AUST, and the Antonine University, and our co-branded 'Affinity' credit card range is acquiring more recognition. Freely offered to its holder, this socially committed card aims at enticing both students and staff in various universities to help their institution by utilizing the 'Affinity' card, especially that part of the revenues is allotted to funding academic development projects and scholarships, helping thus other students to pursue their education.

  In addition, we presented and delivered USEK a real-time trading platform where students are able to trade foreign exchange, bonds and the universe of international derivatives by having access to the Global financial community, from New York to Shanghai, from London to Sydney, from East to West in both hemispheres; the world of finance is literally at their fingertips.

  Thanks to this innovative teaching facility students can bridge the divide between theory and practice. They can learn through trial and error about risk, about how to manage risk and how to create real value through managing risk. Through experience, students will bridge the gap between theory and practice.
- **Support to youth to joining Bank of Beirut:** Rendering students the possibility to becoming part our team whenever the opportunity avails itself. To date Bank of Beirut has recruited from partner universities almost 50 students on full-time and part-time basis.

  A prime commitment of our CSR strategy focuses on education, not only by accompanying youth academically, but socially and culturally as well. With this in mind, we actively supported a variety of cultural events with our partner universities: musical shows, sport tournaments, Christmas celebrations, international film festivals, rally papers and many more sponsored activities throughout the year.

Engaging in Sports

Bank of Beirut prides itself as the only Bank to have created a Futsal team founded on international standards. In our pursuit to encourage sports among our staff, our entire support has been given to the Bank's Sporting Club's young athletes who are all Bank of Beirut staff members. High priority is provided to these young athletes in an endeavor to nurture their athletic talents. This has positioned the Bank to become the Champion of the Lebanese Futsal League for two consecutive years, by attaining the Lebanese Super Cup, with the privilege of representing Lebanon in the Asian Championship.

Community Support

In 2015, we sustained our active engagement in humanitarian and social initiatives, through our cooperation with charitable organizations in Lebanon. One of our main initiatives is supporting Caritas Lebanon in its mission to enhance solidarity and promote human well-being, through the Caritas Affinity Credit Card, an exceptional Card that allows its holders, without any additional charges, to generously support Caritas and boost the welfare of the community.

Staff Education and Training

Throughout 2015, Bank of Beirut compounded its effort by focusing on quality human capital for its crucial role in the Bank's continuous growth and success.

Main Achievements of The Academy for 2015

The Training Academy planned, organized and facilitated the delivery of 24,910 hours of classroom trainings to both branch and Head Office staff.

This high record of activity is an important achievement given the new trend adopted by the Bank to shift to e-Learning, with the aim to reap a higher return on investment in the field of training and development.

Along with quantity of trainings, quality was equally emphasized. Agreements were signed with regional and multinational training providers to enhance both the Technical and Soft skills of Bank of Beirut employees.

Training Methodology

We, at The Academy, stayed true to our belief in training that is blended between classroom learning and e-Learning as a strategy to reach out to all employees thereby allowing staff development with flexibility, time saving, and lower training costs.

Building further on our 2014 e-learning course path after our success in 2013, which led us to win the "2013 e-Learning startup of the year Award by IQUAD", more online courses with interactive videos were assigned to both Branch and Head Office employees.
Courses attended covered the following topics:

- Effective Communication Skills
- Managing my Team
- Mastering the essentials of Selling
- Financial Fundamentals

Upon the suggestion of increasing our return on investment, the mandatory Anti Money Laundering course, together with its online test, were equally assigned to all staff members who interact with customers as part of their daily tasks.

Target Audience

In 2015, The Academy trained 2,440 employees. Our target audience was not limited however to Bank of Beirut employees; as we have extended trainings further to include bank employees working for a number of our correspondent banks in the MENA region. Organized under the umbrella of "International Week" and following a 5-days program, those trainings were delivered by heads of departments and included topics such as:
*Compliance, Correspondent Banking, Global Markets, Trade Finance, Risk Management, Foreign Exchange and e-Banking.

In 2014, Bank of Beirut proved to be a pioneer in the Lebanese banking industry when introducing the Bank of Beirut "Hands-on Banking" course offered to senior year university students majoring in Business Administration, as part of its outreach to Lebanese youth. The course, which is delivered by department heads in our Retail Banking Division, is unique in its kind as it covers main topics in retail banking in a purely applied manner and within a virtual lab setting.

The first milestone in that direction took place in May 2014 by setting-up our first in-branch training room in Sadat, easily accessible to neighboring universities. In 2014, 30 university students majoring in Business Administration with emphasis on Banking & Finance were certified by Bank of Beirut after attending the "Hands-on Banking" course. This has given them a Head-Start in Banking and priority in recruitment when applying for a job at Bank of Beirut or any other bank.

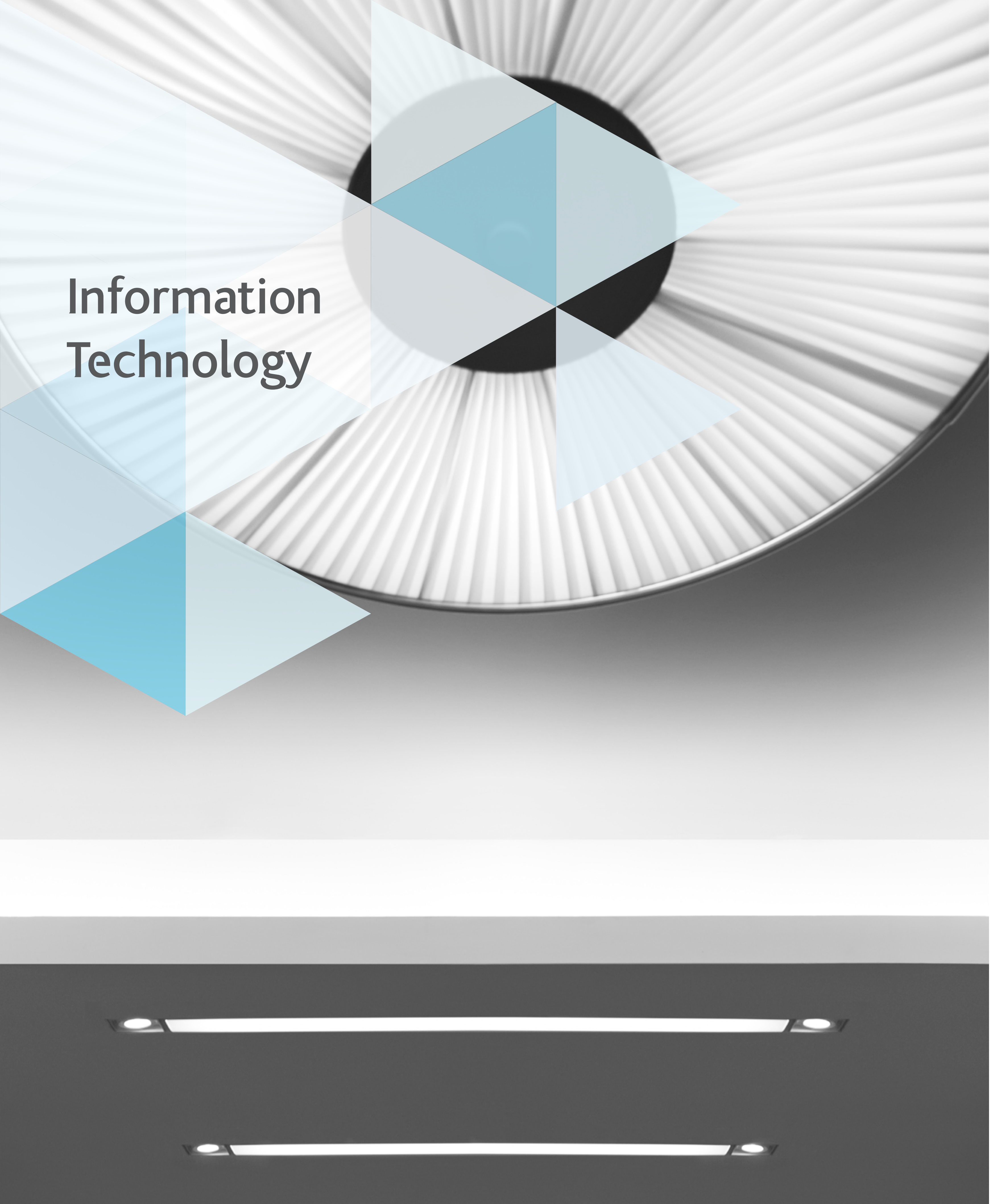
In 2015, The Academy further expanded the delivery of "Hands-on Banking" to reach 63 students from a number of leading Lebanese universities. The course is now delivered in 3 of our branches: Sadat, Jbeil voie 13 and Baabda.

Other Successful Initiatives

*The e-learning portal already utilized to assess training needs and benefits for classroom and e-learning via online surveys, became in 2015 even more popular within the BoB community.

Customized online testing for classroom trainings multiplied to record in 2015 as far as 828 testing hours. With that, the task of evaluating knowledge and skills retention by employees became easier and more accurate for The Academy.

*Last but not least among The Academy's achievements in 2015 is the consolidation of learning paths previously put in place for the key roles in banking.



Information Technology

IT Strategic achievements

2015 was a monumental year in system re-engineering and in improving user experience as the Bank pursues new opportunities through innovative lines of business creating urgent and unique IT demands calling for delivering technology solutions and systems.

Our mission focuses on excellence in support, commitment to delivery, rigorous corporate governance, improved efficiency, productivity and collaboration.

Our major achievements can be summarized hereunder:

Treasury (Money market) Deployment

The Treasury (Money Market) module was successfully launched in October through smooth live operation. To date, the system is able to operate through electronic workflows with real time deals and easy integration with Reuters, Bank Master and Omega.

This move to Sophis Money Market inks a milestone in our various department processes by:

- Elimination of manual tickets with electronic workflows ticketing (front-middle and back-office)
- Automatic data extraction, audit logs and security controls (quick and easy)
- Daily automatic accruals and calculation, increase accuracy to 100%, coupled with detailed deals data

ATM Highlights

During 2015, we expanded our Cash and Check Deposit Machines (ATMs) network spread over our branches across Lebanon. Moreover, systems and software were upgraded to enable further innovative services on our machines.

Service Excellence

During the course of 2015, we worked diligently on providing service excellence to our internal and external customers. From advanced products to enhanced services, we focused on adding value to our customers anywhere worldwide regardless of their needs. Our support covered Lebanon and overseas entities as well as infrastructure, digital and physical premises.

Within our aim to provide service excellence and improve our responsiveness to any occurring incidents, we established a 24/7 monitoring team working on shift basis, whose function is to provide constant monitoring of our systems in Lebanon and overseas and to alert the concerned IT team in the event of any incident affecting our systems and applications.

IT Governance and Regulatory Compliance

We are developing a stronger IT Governance Process by improving and complying with the Internal and External Audits as well as the Banking Control Commission’s requirements by ensuring that all policies and procedures are updated and formalized.

International Support

Our IT international team’s focus this year was on establishing proper governance and applying regulatory requirements to our overseas subsidiaries. In parallel, the team worked on several strategic projects and delivered a variety of Business Changes varying from simple implementation of systems to more complex upgrades. It has additionally provided continuous 24/7 support to incidents and Business requests inbound from our overseas branches and affiliates.

Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Bank of Beirut S.A.L. (the "Bank") and its Subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of local banking laws. The procedures selected depend on 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bank of Beirut S.A.L. and its Subsidiaries as of December 31, 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
April 15, 2016

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

Consolidated statement of financial position

ASSETS

As at December 31st - LBP'000	Notes	2015	2014
Cash and deposits at central banks	5	4,803,172,663	4,272,791,353
Deposits with banks and financial institutions	6	1,988,649,306	1,701,180,082
Financial assets at fair value through profit or loss	7	1,344,671,662	1,128,250,634
Loans to banks	8	305,823,338	597,267,154
Loans and advances to customers	9	6,313,524,138	6,187,406,519
Loans and advances to related parties	10	94,099,113	104,732,990
Investment securities	11	8,768,137,825	7,755,743,263
Customers' liability under acceptances	12	292,528,504	382,283,868
Investment in an associate	13	40,289,296	37,679,064
Assets acquired in satisfaction of loans	14	26,874,037	23,335,113
Property and equipment	15	214,560,390	151,247,422
Goodwill	16	88,712,217	88,794,353
Other assets	17	63,819,049	53,757,133
Total Assets		24,344,861,538	22,484,468,948

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

As at December 31st - LBP'000	Notes	2015	2014
Letters of guarantee and standby letters of credit	44	1,513,557,669	1,507,799,569
Documentary and commercial letters of credit	44	659,561,028	1,005,209,284
Notional amount of interest rate swap	44	17,465,334	31,031,531
Forward exchange contracts	44	1,198,981,629	956,556,238
Fiduciary accounts	45	196,188,726	196,218,018

LIABILITIES

As at December 31st - LBP'000	Notes	2015	2014
Deposits from banks and financial institutions	18	1,730,893,221	1,687,638,813
Customers' and related parties' deposits at amortized cost	19	18,372,171,410	16,803,988,529
Liabilities under acceptance	12	292,528,504	382,283,868
Other borrowings	20	608,143,930	483,609,712
Certificates of deposit	21	664,897	682,016
Other liabilities	22	299,010,455	357,926,923
Provisions	23	40,598,259	32,963,485
Total liabilities		21,344,010,676	19,749,093,346

SHAREHOLDERS´ EQUITY

As at December 31st - LBP'000	Notes	2015	2014
Common share capital	24	71,159,034	71,159,034
Common priority shares	24	150,753,015	150,753,015
Shareholders' cash contribution to capital	26	20,978,370	20,978,370
Preferred shares	25	693,374,625	783,824,625
Retained earnings		270,501,418	226,887,752
Reserves	27	625,109,759	562,305,945
Cumulative change in fair value of fixed currency positions designated as hedging instruments	24	(44,770,905)	(30,606,477)
Cumulative change in fair value of investment securities at fair value through other comprehensive income		2,273,469	2,272,355
Treasury shares	28	(49,015,034)	(47,830,066)
Profit for the year	42	221,221,886	220,432,187
Currency translation adjustment		23,852,659	15,343,247
Equity attributable to the equity holders of the Group		1,985,438,296	1,975,519,987
Non-controlling interests	29	1,015,412,566	759,855,615
Total equity		3,000,850,862	2,735,375,602
Total Liabilities and Equity		24,344,861,538	22,484,468,948

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Consolidated statement profit or loss

As at December 31st - LBP'000	Notes	2015	2014
Interest income	31	1,050,694,535	997,234,987
Interest expense	32	(705,868,760)	(656,868,924)
Net interest income		344,825,775	340,366,063
Fee and commission income	33	142,244,678	139,301,233
Fee and commission expense	34	(22,810,661)	(25,373,796)
Net fee and commission income		119,434,017	113,927,437
Net interest and other gains on financial assets at fair value through profit or loss	35	92,992,817	74,381,611
Gains booked on financial assets measured at amortized cost	11	69,857,341	74,716,652
Other operating income (net)	36	18,758,762	17,832,855
Net financial revenues		645,868,712	621,224,618
Provision for credit losses (net)	37	(31,759,589)	(33,373,371)
Provision for loans to banks	8	(335,722)	-
Other provisions (net)	38	(475,190)	(878,422)
Write-off of a bank account		-	(504,595)
Net financial revenues after impairment allowances		613,298,211	586,468,230
Staff costs	39	(164,387,895)	(144,180,523)
General and administrative expenses	40	(98,445,613)	(107,613,490)
Depreciation and amortization	41	(20,574,466)	(18,513,160)
Write-back of provision for impairment of assets acquired in satisfaction of loans	14	28,931	-
Profit before income tax		329,919,168	316,161,057
Income tax expense	22	(45,821,652)	(48,862,438)
Profit for the year before withholding tax on profits from subsidiaries		284,097,516	267,298,619
Deferred tax on undistributed profit	22	(2,752,124)	(2,213,522)
Profit for the year		281,345,392	265,085,097
Attributable to:			
Non-controlling interests	29	60,123,506	44,652,910
Equity holders of the Bank		221,221,886	220,432,187
Basic earnings per share in LBP	43	LBP2,948	LBP3,151
Basic earnings per priority share in LBP	43	LBP4,259	LBP4,418
Diluted earnings per share in LBP	43	LBP2,948	LBP3,151

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Consolidated statement profit or loss and other comprehensive income

As at December 31st - LBP'000	2015	2014
Profit for the year	281,345,392	265,085,097
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of investment securities at fair value through other comprehensive income	-	1,927,783
	-	1,927,783
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment related to foreign operations	8,509,412	4,126,564
Change in fair value of cash flow hedge	176,023	14,340
Change in fair value of derivatives designated		
to hedge an investment in a foreign entity – Note 22	-	8,968,778
Revaluation of fixed and special currency positions		
to hedge investments in foreign entities – Note 24	(14,164,428)	(12,089,457)
	(5,478,993)	1,020,225
Net other comprehensive (loss)/income for the year	(5,478,993)	2,948,008
Total comprehensive income for the year	275,866,399	268,033,105
Attributable to:		
Equity holders of the Bank	215,742,893	223,380,195
Non-controlling interests	60,123,506	44,652,910
	275,866,399	268,033,105

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

LBP'000	Common Stock	Priority Shares	Shareholders' Cash Contribution to Capital	Non-Cumulative Preferred Shares	Reserves and Retained Earnings	Owned Building Revaluation Surplus	Cumulative Change in Fair value of Financial Instruments Designated as Hedging Instruments	Cumulative Change in Fair value of Fixed Currency Positions Designated as Hedging Instruments	Cumulative Change in Fair value of Investment Securities at Fair Value through Other Comprehensive Income	Reserve for Assets Acquired in Satisfaction of Loans	Treasure Shares	Currency Translation Adjustment	Profit for the year	Equity Attributable to the Equity Holders of the Group	Non-Controling Interest	Total
Balance Jan 1,2014	68,130,990	-	20,978,370	783,824,625	700,017,247	1,668,934	(8,968,778)	(18,517,020)	350,574	6,371,166	(45,503,033)	11,216,683	189,027,908	1,708,597,666	588,913,102	2,297,510,768
Allocation of 2013 profit	-	-	-	-	187,582,277	-	-	-	-	1,445,631	-	-	(189,027,908)	-	-	-
Dividends paid on preferred shares (Note 30)	-	-	-	-	(55,960,850)	-	-	-	-	-	-	-	-	(55,960,850)	-	(55,960,850)
Dividends paid on common shares (Note 30)	-	-	-	-	(43,351,497)	-	-	-	-	-	-	-	-	(43,351,497)	-	(43,351,497)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(52,991,729)	(52,991,729)
Dividends on treasury shares	-	-	-	-	291,667	-	-	-	-	-	-	-	-	291,667	-	291,667
Issuance of priority shares (Note 24)	-	150,753,015	-	-	-	-	-	-	-	-	-	-	-	150,753,015	-	150,753,015
Issuance of series "J" preferred shares (Note 25)	-	-	-	113,062,500	-	-	-	-	-	-	-	-	-	113,062,500	-	113,062,500
Redemption of series "F" preferred shares (Issue premium)	-	-	-	(109,012,500)	-	-	-	-	-	-	-	-	-	(109,012,500)	-	(109,012,500)
Redemption of series "F" preferred shares (Par Value)	-	-	-	(4,050,000)	-	-	-	-	-	-	-	-	-	(4,050,000)	-	(4,050,000)
Increase and reconstitution of capital	3,028,044	-	-	-	(3,028,044)	-	-	-	-	-	-	-	-	-	-	-
Write off loans special reserves	-	-	-	-	(2,014)	-	-	-	-	-	-	-	-	(2,014)	-	(2,014)
Liquidation of Beirut Lira fund II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(52,342,900)	(52,342,900)
Liquidation of Beirut Opportunities Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,781,661)	(28,781,661)
Liquidation of Beirut Golden Income II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,846,066)	(67,846,066)
Reclassification from free reserves (Note 14)	-	-	-	-	332,654	-	-	-	-	(332,654)	-	-	-	-	-	-
Effect of exchange difference	-	-	-	-	(5,329,420)	-	-	-	(6,002)	-	-	-	-	(5,335,422)	-	(5,335,422)
Change in treasury shares	-	-	-	-	-	-	-	-	-	-	(2,327,033)	-	-	(2,327,033)	-	(2,327,033)
Change in net asset value of funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	325,575,330	325,575,330
Effect of transactions with funds	-	-	-	-	(525,740)	-	-	-	-	-	-	-	-	(525,740)	2,676,629	2,150,889
Total comprehensive income for the period	-	-	-	-	14,340	-	-	(12,089,457)	1,927,783	-	-	4,126,564	220,432,187	223,380,195	44,652,910	268,033,105
Balance December 31,2014	71,159,034	150,753,015	20,978,370	783,824,625	780,040,620	1,668,934	8,968,778	(30,606,477)	2,272,355	7,484,143	(47,830,066)	15,343,247	220,432,187	1,975,519,987	759,855,615	2,735,375,602
Allocation of 2014 profit	-	-	-	-	218,896,206	-	-	-	-	1,535,981	-	-	(220,432,187)	-	-	-
Dividends paid on preferred shares (Note 30)	-	-	-	-	(55,960,849)	-	-	-	-	-	-	-	-	(55,960,849)	-	(55,960,849)
Dividends paid on common shares (Note 30)	-	-	-	-	(49,706,460)	-	-	-	-	-	-	-	-	(49,706,460)	-	(49,706,460)
Dividends paid on priority shares (Note 30)	-	-	-	-	(1,883,380)	-	-	-	-	-	-	-	-	(1,883,380)	-	(1,883,380)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,377,344)	(62,377,344)
Dividends on treasury shares	-	-	-	-	927,092	-	-	-	-	-	-	-	-	927,092	-	927,092
Redemption of series "E" preferred shares (Note 25)	-	-	-	(90,450,000)	-	-	-	-	-	-	-	-	-	(90,450,000)	-	(90,450,000)
Write off loans special reserves	-	-	-	-	(292,577)	-	-	-	-	-	-	-	-	(292,577)	-	(292,577)
Reclassification from free reserves (Note 14)	-	-	-	-	512,325	-	-	-	-	(512,325)	-	-	-	-	-	-
Effect of exchange difference	-	-	-	-	(7,123,095)	-	-	-	1,114	-	-	-	-	(7,121,981)	-	(7,121,981)
Change in treasury shares	-	-	-	-	-	-	-	-	-	-	(1,184,968)	-	-	(1,184,968)	-	(1,184,968)
Change in net asset value of funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	253,583,494	253,583,494
Effect of transactions with funds	-	-	-	-	(151,461)	-	-	-	-	-	-	-	-	(151,461)	4,227,295	4,075,834
Total comprehensive income for the period	-	-	-	-	176,023	-	-	(14,164,428)	-	-	-	8,509,412	221,221,886	215,742,893	60,123,506	275,866,399
Balance December 31,2015	71,159,034	150,753,015	20,978,370	693,374,625	885,434,444	1,668,934	-	(44,770,905)	2,273,469	8,507,799	(49,015,034)	23,852,659	221,221,886	1,985,438,296	1,015,412,566	3,000,850,862

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Consolidated statement of cash flows

As at December 31st - LBP'000	Notes	2015	2014
Cash flows from operating activities:			
Profit for the year		281,345,392	265,085,097
Adjustments for:			
Write-back of provision for impairment of assets acquired in satisfaction of loans (net)	14	(28,931)	-
Depreciation and amortization	41	20,574,466	18,513,160
Provision for credit losses (net of write back)	37	31,759,589	33,373,371
Provision for loans to banks		335,722	-
Write-off of a bank account	-	-	504,595
Deferred tax on profits for distribution	22	2,752,124	2,213,522
Unrealized loss on assets at fair value through profit or loss	35	3,694,130	1,964,742
Gain on sale of assets acquired in satisfaction of loans	36	(497,708)	(474,628)
Gain on sale on property and equipment	36	(26,922)	(38,561)
Share in profits of an associate	36	(3,682,518)	(4,161,700)
Provision for end of service indemnity for employees	23	9,877,943	4,591,573
Other adjustments and effect of difference on exchange		2,034,037	(538,467)
		348,137,324	321,032,704
Net increas in financial assets at fair value through profit or loss		(220,115,158)	(320,174,809)
Net decrease/(increase) in loans to banks		291,117,873	(64,646,031)
Net increase in loans and advances to customers	47	(163,279,507)	(629,744,576)
Net decrease in loans and advances to related parties		10,633,877	23,999,868
Net decrease/(increase) in cash and deposits at central banks		207,940,056	(898,823,488)
Net decrease/(increase) in deposits with banks and financial institutions		67,533,824	207,738,140
Increase in investment securities		(1,012,393,448)	(966,465,094)
Net (increase)/decrease in other assets	47	(13,380,343)	4,115,088
Net increase in deposits from banks		414,127,230	128,811,142
Net decrease in other liabilities	47	(61,668,592)	(18,178,100)
Net increase in provision for contingencies		625,706	822,170
Net increase in customers' and related parties' accounts at amortized cost		1,568,182,881	1,258,507,169
Change in fair value of cash flow hedge		176,023	14,340
Change in fair value of fixed currency positions designated as hedging instruments	24	(14,164,428)	(12,089,457)
Settlement of end-of-service indemnity		(2,868,875)	(3,082,815)
Net cash provided by / (used in) operating activities		1,420,604,443	(968,163,749)
Cash flows from investing activities:			
Property and equipment		(81,166,873)	(30,929,449)
Proceeds from sale of assets acquired in satisfaction of loans		2,103,703	1,309,954
Proceeds from sale of property and equipment		43,159	95,382
Dividends from investment in an associate	13	1,072,286	520,644
Net cash used in investing activities		(77,947,725)	(29,003,469)
Cash flows from financing activities:			
Dividends paid		(169,000,941)	(152,012,409)
Issuance of priority shares		-	150,753,015
Issuance of Series "J" preferred shares		-	113,062,500
Redemption of series "F" preferred shares		-	(113,062,500)
Redemption of Series "E" preferred shares		(90,450,000)	-
Increase in other borrowings		124,534,218	185,274,549
Decrease in certificates of deposit		(17,119)	(29,614,383)
Non controlling interest		257,659,328	178,755,592
Change in treasury shares		(1,184,968)	(2,327,033)
Net cash provided by financing activities		121,540,518	330,829,331
Net increase/(decrease) in cash and cash equivalents		1,464,197,236	(666,337,887)
Cash and cash equivalents - Beginning of year	47	1,297,216,700	1,963,554,587
Cash and cash equivalents - End of year	47	2,761,413,936	1,297,216,700

The accompanying notes 1 to 56 form an integral part of the consolidated financial statements

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Bank of Beirut S.A.L. (the "Bank") is a Lebanese joint stock company listed on the Beirut stock exchange, registered under number 13187 in the Lebanese commercial register and under number 75 in the list of banks published by the Central Bank of Lebanon. The Bank was established in Lebanon in 1963 and provides a full range of banking services and operates through a network of 62 branches throughout Lebanon with a focus in the city of Beirut and its suburbs. The Bank has a branch in Cyprus and 3 branches in the Sultanate of Oman and representative offices in Dubai in the United Arab Emirates, Nigeria and Ghana. The Bank has a subsidiary bank in the UK acquired in 2002 and this subsidiary opened a branch in Frankfurt during 2010. The Bank established during 2007 a new investment subsidiary bank under the name of Bank of Beirut Invest S.A.L. The Bank acquired a subsidiary bank in Sydney – Australia named "Laiki Bank" and changed its name to Beirut Hellenic Bank and in 2013 changed the name to Bank of Sydney Ltd. Further information on the Group's structure is provided in Note 3(A). Information on other related party transactions of the Group is provided in Note 46.

The headquarters of Bank of Beirut S.A.L. are located in Fosh Street, Down Town Beirut, Lebanon.

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

2.1 Application of New and Revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 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 IFRS in issue but not yet effective

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

• IFRS 14 Regulatory Deferral Accounts. 1 January 2016

• Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative. 1 January 2016

• Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations. 1 January 2016

• Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization. 1 January 2016

• Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. 1 January 2016

• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities. 1 January 2016

• Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. 1 January 2016

• IFRS 9 Financial Instruments (revised versions in 2013 and 2014)
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, 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 finalised 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. 1 January 2018

• 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
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. 1 January 2018

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

• IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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.
Effective date deferred indefinitely. January 1, 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement

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

- Land and building acquired prior to 1993 are measured at their revalued amounts based on market prices prevailing in 1996, to compensate for the effect of the Upper – inflationary economy prevailing in the earlier years.
- Financial assets and liabilities at fair value through profit or loss are measured at fair value.
- Equity securities at fair value through other comprehensive income are measured at fair value.
- Derivative financial instruments measured at fair value.

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

Certain 2014 figures were reclassified to conform with the current year's presentation.

The principal accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Bank of Beirut S.A.L. incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries.
Control is achieved when the Bank:

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

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

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

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

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

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

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

Notes to the consolidated financial statements

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

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

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

The consolidated subsidiaries consist of the following:

	Country of Incorporation	Year of Acquisition or Incorporation	Percentage of Ownership 2015	Percentage of Ownership 2014	Date of Liquidation	Business Activity
Bank of Beirut UK LTD	United Kingdom	2002	100	100	-	Banking
Bank of Beirut Invest S.A.L.	Lebanon	2007	100	100	-	Investment Banking
Beirut Broker Company S.A.R.L.	Lebanon	1999	100	100	-	Insurance brokerage
BOB Finance S.A.L.	Lebanon	2006	100	100	-	Financial Institution
Cofida Holding S.A.L.	Lebanon	2008	100	100	-	Holding
Beirut Life S.A.L.	Lebanon	2010	90	90	-	Insurance (Life)
Bank of Sydney Ltd	Australia	2011	100	100	-	Banking
Beirut Lira Fund II	Lebanon	2009	-	-	February 2014	Mutual Fund
Beirut Golden Income II	Lebanon	2009	-	-	August 2014	Mutual Fund
Beirut Opportunities Fund	Lebanon	2009	-	-	October 2014	Mutual Fund
Optimal Investment Fund	Lebanon	2010	-	-	-	Mutual Fund
Beirut Preferred Fund II	Cayman Island	2013	1.47	1.81	-	Mutual Fund
BOB LBP Growth Fund	Lebanon	2015	-	-	-	Mutual Fund
Medawar 247 S.A.L.	Lebanon	2015	100	-	-	Real Estate
Medawar 1216 S.A.L.	Lebanon	2015	100	-	-	Real Estate

Notes to the consolidated financial statements

B. Business Combinations:

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

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

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

C. Goodwill:

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

Notes to the consolidated financial statements

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

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

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

D. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds ("LBP"), which is the Group's reporting currency. However, the primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar ("USD"). The exchange rate of the USD against the LBP has been constant for several years.

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

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

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

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

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

E. Financial Assets and Liabilities:

Recognition and Derecognition:

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

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

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized when the contractual rights to the cash flows from the financial asset expire.

In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

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.

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

A financial liability (or part of a financial liability) can only be derecognized when it is extinguished that is when the obligation specified in the contact is either discharged, cancelled, or expires.

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting:

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

Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Impairment of Financial Assets:

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

Objective evidence of impairment could include:

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

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

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

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

Collateral Valuation:

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and periodically updated based on the Group's policies and type of collateral.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties, such as independent accredited experts and other independent sources.

F. Classification of Financial Assets:

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

Debt Instruments:

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity Instruments:

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

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

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

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

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

Reclassification:

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

Reclassification is not allowed where:
- the 'other comprehensive income' option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

Designation at Fair Value through Profit and Loss:

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

Notes to the consolidated financial statements

G. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

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

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

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

Financial Liabilities at fair value through profit or loss:

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

A financial liability is classified as held for trading if:

• it has been acquired principally for the purpose of repurchasing it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

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

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

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

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

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

Financial Liabilities Subsequently Measured at Amortised Cost:

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

Notes to the consolidated financial statements

Financial Guarantee Contract Liabilities:

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

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

H. Derivative Financial Instruments:

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

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

Embedded Derivatives

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

Hedge Accounting

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

At the inception of the hedge relationship, the Group formally documents the relationship between the hedged item and hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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

Notes to the consolidated financial statements

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 profit or loss relating to the hedged item.

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

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized 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 profit or loss as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

Hedges of net investments in foreign operations:

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

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

I. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortized cost, less any impairment. 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 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Notes to the consolidated financial statements

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

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

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

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

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

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

K. Property and Equipment:

Property and equipment except for buildings acquired prior to 1993 are stated at historical cost, less accumulated depreciation and any impairment loss. Buildings acquired prior to 1993 are stated at their revalued amounts based on market prices prevailing during 1996 less accumulated depreciation and impairment loss, if any. Resulting revaluation surplus is reflected under "Equity".

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

	Rate	Years
Buildings	2%	50
Furniture and equipment	8%	12.5
Computer equipment	20%	5
Vehicles	10%	10
Installation and improvement	25%	4

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized under "Other operating income" in the consolidated statement of profit or loss in the year the asset is derecognized.

L. Intangible Assets Other than Goodwill:

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

M. Assets acquired in satisfaction of loans:

The Lebanese banking entities of the Group account for collateral repossessed in accordance with the Central Bank of Lebanon main circular 78 and the Banking Control Commission circulars 173 and 267. Repossessed assets should be sold within two years from the date of approval of repossession by the Banking Control Commission. These are immediately transferred to “Assets acquired in satisfaction of loans” at their fair value at the repossession date, as approved by the Banking Control Commission.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated statement of profit or loss under “Other operating income” or “Other operating expenses”. Gains resulting from the sale of repossessed assets are transferred to “Reserves for assets acquired in satisfaction of loans” starting in the following financial year.

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

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

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

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.

- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

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

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

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

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

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

Employees’ End-of-service Indemnities:

(Under the Lebanese Jurisdiction):

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

Defined benefit plans:

(Under other Jurisdictions):

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

P. Provisions:

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

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

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

Q. Revenue and Expense Recognition:

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

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

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

Net trading income presented in the statement of profit or loss includes:

- Interest income and expense on the trading portfolio.
- Dividend income on the trading equities.
- Realized and unrealized gains and losses on the trading portfolio.

Other net income from financial assets measured at fair value through profit or loss, other than those held for trading, includes:

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

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

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

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

R. Income Tax:

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

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the statement of financial position date. Income tax payable is reflected in the consolidated statement of financial position net of taxes previously settled in the form of withholding tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements 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.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is possible that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

S. Fiduciary Accounts:

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

T. Operating lease agreements:

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

U. Cash and Cash Equivalents:

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

V. Earnings per Share:

The Group presents basic and diluted earnings per share (EPS) data for its common 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 common shares.

W. Dividends

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

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

X. Insurance Contracts:

The Group issues contracts that transfer insurance risk.

Recognition and measurement:
Life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect on the ability of their dependents to maintain their current level of income. Long-term life insurance contracts issued by the Group insure human life events (for example death or survival). Premiums are shown before deduction of commission and are recognized as revenue when they become payable by the contract holder. Benefits are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency and maintenance expenses that are established at the time the contract is issued.

Mathematical reserves for life insurance contracts:
Provisions for term life products are calculated as the difference between the actuarial present value of the Group's future liabilities and the actuarial present value of the policyholders' future premiums based on the tables of mortality and the actuarial interest rates as per the original tariffs. In case losses arise from liability adequacy tests, an additional provision is raised.

At each reporting date, an actuarial valuation of the life portfolio is carried out by a professional independent actuary and a technical assessment is performed in respect of mathematical reserves. Prevailing laws require that such actuarial valuation be carried out annually.

Outstanding claims reserves:
The outstanding claims reserves are made for all claims reported to the Group and still unpaid at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR). Claims are recognized in the income statement when incurred based on estimated benefits.

Liability Adequacy Test:
Liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

Deferred Acquisition Cost:
Commissions that are related to securing new contracts and renewing existing contracts are capitalized as Deferred Acquisition Cost ("DAC"). All other costs are recognized as expenses when incurred. Deferred acquisition costs are subsequently amortized over the life of the contracts. The resulting change to the carrying value of the DAC is charged to the income statement.

Y. Insurance Receivables and Payables:

(a) Reinsurance contracts held
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within reinsurance receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

Reinsurers' share of premiums and claims is computed on the basis of effective outwards. The reinsurers' portion towards the above outstanding claims reserves, claims incurred but not reported reserves and mathematical reserves are classified as reinsurance assets in the statement of financial position.

The Group assesses its reinsurance assets for impairment on a yearly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement.

The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

(b) Receivables and payables related to insurance contracts
Receivables and payables are recognized when due. These receivables are measured at amortized cost subsequent to initial recognition, less impairment. These include amounts due to and from agents and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement.

The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Going Concern:

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

Classification of Financial Assets:

Business Model:

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

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

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

Characteristics of the Financial Asset:

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

Features considered by the Group that would be consistent with amortized cost measurement include:
- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

Features considered by the Group that would be inconsistent with amortized cost measurement include:
- Leverage (i.e. options, forwards and swaps);
- Conversion options;

Notes to the consolidated financial statements

- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

Qualifying Hedge Relationships:

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

B. Key Sources of Estimation Uncertainty:

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

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

Allowances for Credit Losses:

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

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

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

Impairment of Goodwill:

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Determining Fair Values:

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

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

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5. CASH AND DEPOSITS AT CENTRAL BANKS

As at December 31st - LBP'000	2015	2014
Cash on hand	46,459,068	42,031,328
Non-interest earning accounts:		
- Compulsory reserves with the Central Bank of Lebanon	377,360,259	272,112,376
Interest earning accounts:		
- Current accounts with the Central Bank of Lebanon	70,820,878	47,426,020
- Current accounts with other central banks	979,270,788	744,157,942
- Term placements with the Central Bank of Lebanon	3,302,584,675	3,131,601,354
- Term placements with other central banks	907,919	1,140,625
Accrued interest receivable	25,769,076	34,321,708
	4,803,172,663	4,272,791,353

The non-interest earning compulsory reserves with the Central Bank of Lebanon ("BDL") represent deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with local banking regulations.

Compulsory deposits are not available for use in the Group's day-to-day operations.

At December 31, 2015, current accounts with other central banks also include the equivalent in Omani Riyal (OMR) of LBP1.96billion (LBP1.96billion as at December 31, 2014) as minimum reserve requirements at Central Bank of Oman.

Term placements with the Central Bank of Lebanon include as of December 31, 2015 and 2014, the equivalent in foreign currencies of LBP1,540billion and LBP1,316billion, respectively deposited 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 loans acquired from non-resident financial institutions.

Term placements with other central banks also include the equivalent in Euro of LBP810million as at December 31, 2015 (LBP1.04billion as at December 31, 2014) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2014) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

As at December 31st - LBP'000	2015	(Restated) 2014
Checks in course of collection	77,274,059	79,585,980
Current accounts	1,154,319,580	462,660,340
Term placements	701,534,078	1,114,602,752
Pledged deposits	54,938,228	43,647,375
Accrued interest receivable	583,361	683,635
	1,988,649,306	1,701,180,082

The Group has deposits pledged against facilities obtained. Refer to Note 49.

The Group has as of December 31, 2015 and 2014, term placements with banks amounting to LBP52.8billion and LBP7.5billion, respectively, subject to right of set-off against trade finance exposures related to financial institutions in the form of letters of credit and acceptances in the amount of LBP12.2billion and LBP4.4billion respectively as at December 31, 2015 (LBP11.5billion and LBP2.8billion respectively as at December 31, 2014).

Term placements as at December 31, 2014 include balances with local banks in the aggregate amount of LBP422billion (LBP195billion in LBP and C/V of LBP227billion in foreign currencies) against short term deposits from the same banks in the aggregate amount of LBP426billion (LBP195billion in LBP and C/V LBP231billion in foreign currencies) with similar terms and conditions recorded under "Deposits from banks and financial institutions" (Note 18).

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at December 31st, 2015 - LBP'000	LBP	C/V of F/Cy	Total
Quoted equity securities	-	12,754,113	12,754,113
Unquoted equity securities	-	43,611,721	43,611,721
Lebanese treasury bills	548,059,511	-	548,059,511
Lebanese Government bonds	7,000,000	241,196,667	248,196,667
Foreign government treasury bills	-	63,699,827	63,699,827
Certificates of deposit issued by the Central Bank of Lebanon	253,018,998	153,728,067	406,747,065
Accrued interest receivable	16,236,506	5,366,252	21,602,758
	824,315,015	520,356,647	1,344,671,662

As at December 31st, 2014 - LBP'000	LBP	C/V of F/Cy	Total
Quoted equity securities	-	12,906,890	12,906,890
Unquoted equity securities	-	45,615,067	45,615,067
Lebanese treasury bills	408,465,195	-	408,465,195
Lebanese Government bonds	7,000,000	178,955,503	185,955,503
Foreign Government treasury bills	-	60,885,500	60,885,500
Certificates of deposit issued by the Central Bank of Lebanon	242,912,780	153,526,556	396,439,336
Accrued interest receivable	12,980,981	5,002,162	17,983,143
	671,358,956	456,891,678	1,128,250,634

Net interest income, gains and losses on trading assets' portfolio are detailed under Note 35

8. LOANS TO BANKS

As at December 31st - LBP'000	2015	2014
Loans to a resident housing bank	21,352,000	26,276,400
Discounted acceptances	144,439,635	361,214,386
Discounted acceptances – associate bank (Note 46)	57,301,291	67,152,652
Short term loans	77,787,885	109,825,990
Short term loans – associate bank (Note 46)	7,426,159	38,807,974
Accrued interest receivable	384,758	1,018,565
Less: Unearned interest	(2,542,447)	(7,028,813)
Less: Allowance for impairment	(325,943)	-
	305,823,338	597,267,154

Loans to a resident housing bank represent 12 year LBP loans granted to this bank. Interest is paid semi-annually and reset every 3 years. The loans are payable after a grace period of 2 years from the withdrawal date in 10 annual equal installments. As a guarantee for these loans, the borrower has pledged in favour of the Group bills related to the housing loans granted to its customers.

Discounted acceptances represent facilities derived from trade finance activity (discounted letters of credit) mainly granted to Middle Eastern and African banks. These balances are denominated in foreign currencies.

Short term loans represent as of December 31, 2015 and 2014 short term financing provided by the Group to an associate and other banks mainly against trade finance operations.

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The movement of allowance for impairment during 2015 and 2014 is summarized as follows:

LBP'000	2015	2014
Balance, January 1	-	-
Additions	335,722	-
Effect of exchange rate charges	(9,779)	-
Balance, December 31	**325,943**	**-**

9. LOANS AND ADVANCES TO CUSTOMERS

	2015				2014			
As at December 31st - LBP'000	Balance net of unearned interest	Unrealized Interest	Impairment Allowance	Carrying Amount	Balance net of unearned interest	Unrealized Interest	Impairment Allowance	Carrying Amount
Performing Retail Loans:								
Rescheduled loans	35,304	-	-	35,304	-	-	-	-
Retail loans	2,479,820,957	-	-	2,479,820,957	2,331,726,710	-	-	2,331,726,710
Unearned interest	(59,026,690)	-	-	(59,026,690)	(64,201,231)	-	-	(64,201,231)
Performing Corporate Loans:								
Rescheduled loans	437,175	-	-	437,175	437,175	-	-	437,175
Corporate loans	3,890,712,424	-	-	3,890,712,424	3,908,450,353	-	-	3,908,450,353
Unearned interest	(1,418,724)	-	-	(1,418,724)	(1,660,079)	-	-	(1,660,079)
Non-Performing Retail Loans:								
Rescheduled substandard loans	3,254,862	(498,677)	-	2,756,185	554,016	(114,846)	-	439,170
Substandard loans	10,548,945	(729,549)	(375,896)	9,443,500	10,583,228	(1,186,041)	(305,415)	9,091,772
Rescheduled doubtful and bad loans	734,855	(116,890)	(126,455)	491,510	73,277	(8,205)	(41,177)	23,895
Doubtful and bad loans	13,169,114	(2,339,818)	(7,949,059)	2,880,237	10,910,331	(3,369,668)	(5,329,131)	2,211,532
Non-Performing Corporate Loans:								
Rescheduled substandard loans	926,407	(233,935)	-	692,472	779,145	(695,109)	-	84,036
Substandard loans	16,758,009	(1,774,592)	(11,747)	14,971,670	8,584,557	(1,857,841)	-	6,726,716
Rescheduled doubtful and bad loans	3,488,249	(876,373)	(772,395)	1,839,481	5,292,846	(1,221,826)	(2,428,654)	1,642,366
Doubtful and bad loans	137,333,595	(47,307,489)	(47,915,097)	42,111,009	125,796,482	(41,954,837)	(39,080,312)	44,761,333
Allowance for impairment of collectively assessed loans								
Corporate loans	-	-	(57,453,616)	(57,453,616)	-	-	(41,590,989)	(41,590,989)
Retail loans	-	-	(21,488,418)	(21,488,418)	-	-	(18,466,875)	(18,466,875)
Accrued interest receivable	6,719,662	-	-	6,719,662	7,730,635	-	-	7,730,635
	6,503,494,144	(53,877,323)	(136,092,683)	6,313,524,138	6,345,057,445	(50,408,373)	(107,242,553)	6,187,406,519

Performing loans and advances to customers as at December 31, 2015, include loan balances in US Dollar aggregating to LBP66billion granted to customers against credit balances in Lebanese Pounds aggregating LBP70billion and margins in US Dollar aggregating LBP17billion reflected under "Customers' and related parties' deposits" in the statement of financial position (Note 19), (loans balances in US Dollar aggregating LBP164billion granted to customers against credit balances in Lebanese Pounds aggregating LBP94billion and margins in US Dollar aggregating LBP95billion reflected under "Customers and related parties' deposits" as at December 31, 2014).

Loans and advances to customers include creditors accidentally debtors balances aggregating to LBP8.2billion as at December 31, 2015 (LBP12.1billion in 2014).
Loans and advances to customers also include as at December 31, 2015 and 2014 multicurrency trading exposures amounting to

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LBP789million and LBP289million respectively, net of corresponding credit balances in the amount of LBP9.7billion and LBP13.2billion respectively.
Rescheduled loans represent loans with renegotiated terms.

The movement of unrealized interest on substandard loans during 2015 and 2014 is summarized as follows:

LBP'000	2015	2014
Balance, January 1	(3,853,837)	(6,020,216)
Settlements	27,409	-
Additions	(1,567,318)	(1,400,963)
Write-back to profit or loss	353,421	1,200,063
Write-off	593,638	1,998,240
Transfer to doubtful loans	1,263,793	377,145
Transfer from unclassified loans	(62,649)	(23,493)
Effect of exchange rates changes	8,790	15,387
Balance, December 31	(3,236,753)	(3,853,837)

The movement of allowance for impairment on substandard loans during 2015 and 2014 is summarized as follows:

LBP'000	2015	2014
Balance, January 1	(305,415)	(50,902)
Additions to allowance for impairment (Note 37)	(82,228)	(254,513)
Balance, December 31	(387,643)	(305,415)

The movement of unrealized interest on doubtful loans during 2015 and 2014 is summarized as follows:

LBP'000	2015	2014
Balance, January 1	(46,554,536)	(43,059,047)
Settlements	293,669	66,565
Additions	(11,014,084)	(7,108,296)
Write back of unrealized interest to profit or loss	511,176	88,888
Write-off	7,307,845	4,560,410
Transfer from substandard loans	(1,263,793)	(377,145)
Transfer from unclassified loans	-	(415,051)
Effect of exchange rates changes	79,153	(310,860)
Balance, December 31	(50,640,570)	(46,554,536)

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The movement of allowance for impairment on doubtful loans during 2015 and 2014 is summarized as follows:

LBP'000	2015	2014
Balance, January 1	(46,879,274)	(37,634,565)
Additional provision (Note 37)	(15,248,695)	(15,411,454)
Write back of provision (Note 37)	2,169,913	3,519,927
Write-off	2,850,052	4,286,639
Transfer to collective provision (Net)	23,100	(2,252,527)
Transfer to sundry creditors	48,240	609,535
Effect of exchange rates changes	273,658	3,171
Balance December 31	(56,763,006)	(46,879,274)

The movement of the allowance for impairment of collectively assessed loans during 2015 and 2014 is as follows:

LBP'000	2015	2014
Balance, January 1	(60,057,864)	(39,285,311)
Additions (Note 37)	(19,522,681)	(21,191,110)
Write-back (Note 37)	635,491	-
Transfer from sundry creditors	-	(11,786)
Transfer to/from specific provision (Net)	(23,100)	2,252,527
Transfer from other liabilities	-	(1,839,540)
Difference on exchange	26,120	17,356
Balance, December 31	(78,942,034)	(60,057,864)

10. LOANS AND ADVANCES TO RELATED PARTIES

As at December 31st - LBP'000	2015	2014
Performing Retail Accounts:		
Mortgage loans	8,562,380	10,070,083
Personal loans	1,104,872	1,022,527
Car loans	488,850	354,226
Credit cards	631,893	466,157
Other	16,830	14,130
Performing Corporate Accounts:		
Small and medium enterprises	83,252,044	92,756,882
Accrued interest receivable	42,244	48,985
	94,099,113	104,732,990

Loans and advances to related parties are partially covered by collaterals. Refer to Note 46.

Performing corporate accounts as at December 31, 2015 and 2014 include multicurrency trading exposures amounting to LBP20.3million and LBP20.2million respectively, net of corresponding credit balances in the amount of LBP1.9billion and LBP2billion, respectively.

Notes to the consolidated financial statements

11. INVESTMENT SECURITIES

As at December 31st, 2015 - LBP'000	Fair Value through Other Comprehensive Income			Amortized Cost			
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total	Grand Total
Unquoted equity securities	5,319,359	1,482,918	6,802,277	-	-	-	6,802,277
Lebanese treasury bills	-	-	-	1,752,629,525	-	1,752,629,525	1,752,629,525
Lebanese government bonds	-	-	-	-	3,691,461,329	3,691,461,329	3,691,461,329
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	2,133,309,543	448,909,039	2,582,218,582	2,582,218,582
Certificates of deposit issued by financial private sector	-	-	-	-	15,969,156	15,969,156	15,969,156
Bonds issued by financial private sector	-	-	-	-	593,623,987	593,623,987	593,623,987
	5,319,359	1,482,918	6,802,277	3,885,939,068	4,749,963,511	8,635,902,579	8,642,704,856
Accrued interest receivable	-	-	-	72,659,306	52,773,663	125,432,969	125,432,969
	5,319,359	1,482,918	6,802,277	3,958,598,374	4,802,737,174	8,761,335,548	8,768,137,825

As at December 31st, 2014 - LBP'000	Fair Value through Other Comprehensive Income			Amortized Cost			
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total	Grand Total
Unquoted equity securities	5,319,359	163,398	5,482,757	-	-	-	5,482,757
Lebanese treasury bills	-	-	-	2,368,353,363	-	2,368,353,363	2,368,353,363
Lebanese government bonds	-	-	-	-	3,198,261,780	3,198,261,780	3,198,261,780
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	1,222,610,054	215,761,348	1,438,371,402	1,438,371,402
Certificates of deposit issued by financial private sector	-	-	-	-	35,850,103	35,850,103	35,850,103
Bonds issued by financial private sector	-	-	-	-	603,924,357	603,924,357	603,924,357
	5,319,359	163,398	5,482,757	3,590,963,417	4,053,797,588	7,644,761,005	7,650,243,762
Accrued interest receivable	-	-	-	61,854,876	43,644,625	105,499,501	105,499,501
	5,319,359	163,398	5,482,757	3,652,818,293	4,097,442,213	7,750,260,506	7,755,743,263

Financial Assets at fair value though other comprehensive income

Investments at fair value through Other Comprehensive income include an amount of LBP1.27billion as at December 31, 2015 representing the Group's share in startups/incubators established based on co-sharing agreements with the regulator providing the funding.

Financial Assets at amortized cost:

As at December 31st, 2015 - LBP'000	LBP			F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
Lebanese treasury bills	1,752,629,525	26,816,066	1,772,294,468	-	-	-
Lebanese Government bonds	-	-	-	3,691,461,329	41,516,350	3,605,809,709
Certificates of deposit issued by the Central Bank of Lebanon	2,133,309,543	45,843,240	2,147,192,397	448,909,039	7,820,464	451,830,386
Certificates of deposit issued by financial private sector	-	-	-	15,969,156	94,362	15,195,600
Bonds issued by financial private sector	-	-	-	593,623,987	3,342,487	594,586,910
	3,885,939,068	72,659,306	3,919,486,865	4,749,963,511	52,773,663	4,667,422,605

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As at December 31st, 2014 - LBP'000	LBP			F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
Lebanese treasury bills	2,368,353,363	41,127,792	2,389,909,379	-	-	-
Lebanese Government bonds	-	-	-	3,198,261,780	34,099,619	3,210,093,847
Certificates of deposit issued by the Central Bank of Lebanon	1,222,610,054	20,727,084	1,234,697,173	215,761,348	5,346,733	216,421,007
Certificates of deposit issued by financial private sector	-	-	-	35,850,103	68,537	35,405,153
Bonds issued by financial private sector	-	-	-	603,924,357	4,129,736	608,917,722
	3,590,963,417	61,854,876	3,624,606,552	4,053,797,588	43,644,625	4,070,837,729

During 2015, the Group entered into several sales transactions of investment securities at amortized cost in Lebanese Pounds and foreign currencies with an aggregate nominal value of LBP43billion and LBP187billion, respectively.

Furthermore, during 2015, the Group entered into several exchange transactions of debt securities at amortized cost issued by the Central Bank of Lebanon and the Lebanese Government with an aggregate carrying value of LBP968billion and LBP1,006billion, respectively, against debt securities issued by the Central bank of Lebanon and the Lebanese Government of aggregate carrying value of LBP1,481billion and LBP642billion, respectively.

During 2014, the Group entered into several sales transactions of investment securities at amortized cost in Lebanese Pounds and foreign currencies with an aggregate nominal value of LBP946billion and LBP1,201billion, respectively.

Furthermore, during 2014, the Group entered into 2 exchange transactions of certificates of deposit issued by the Central Bank of Lebanon and measured at amortized cost with an aggregate carrying value of LBP159.6billion against treasury bills issued by the Lebanese government.

Gains booked on financial assets at amortized cost resulted from the following:

As at December 31st - LBP'000	2015	2014
Lebanese Government bonds	6,818,402	38,773,682
Lebanese treasury bills	23,975,795	7,463,804
Certificates of deposit issued by the Central Bank of Lebanon	38,954,551	28,218,131
Certificates of deposits issued by financial private sector	4,672	-
Bonds issued by financial private sector	103,921	261,035
	69,857,341	74,716,652

The Group entered into the above transactions in 2015 and 2014 for the purpose of repricing of assets and yield management.

Certain investment securities at amortized cost are pledged against facilities (Refer to Note 49).

12. CUSTOMERS´ LIABILITY UNDER ACCEPTANCES

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

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13. INVESTMENT IN AN ASSOCIATE

The following tables illustrate summarized financial information of the Group's investment in an African bank:

As at December 31st, 2015 - LBP'000	Total Assets	Total Liabilities	Net Assets	Net Profit	Share in Ownership %	Group's share of net Assets	Group's share of net Profit
	736,084,298	461,440,623	274,643,675	18,412,592	20	54,928,735	3,682,518

As at December 31st, 2014 - LBP'000	Total Assets	Total Liabilities	Net Assets	Net Profit	Share in Ownership %	Group's share of net Assets	Group's share of net Profit
	745,444,040	529,856,060	215,587,980	20,808,502	20	43,117,596	4,161,700

The movement of the investment balance during 2015 and 2014 is as follows:

	2015		2014	
	USD	C/V in LBP'000	USD	C/V in LBP'000
Balance January 1,	28,453,096	42,893,044	26,037,802	39,251,988
Share in net profit (Note 36)	2,442,798	3,682,518	2,760,663	4,161,700
Distribution of dividends	(711,300)	(1,072,286)	(345,369)	(520,644)
Balance December 31,	30,184,594	45,503,276	28,453,096	42,893,044
Less: Allowance for impairment	(3,458,693)	(5,213,980)	(3,458,693)	(5,213,980)
Balance December 31,	26,725,901	40,289,296	24,994,403	37,679,064

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14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through extinguishment and/or restructuring of debt.

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

LBP'000	Real Estate
Gross Amount:	
Balance January 1, 2014	21,452,045
Additions	2,463,274
Transfers from advances on fixed assets (Note 15)	1,310,317
Disposals	(835,326)
Balance December 31, 2014	24,390,310
Additions	5,109,722
Transfer from advances on fixed assets (Note 15)	6,266
Disposals	(1,605,995)
Balance December 31, 2015	27,900,303
Allowance for impairment:	
Balance December 31, 2014	(1,055,197)
Write-back to statement of profit or loss	28,931
Balance December 31, 2015	(1,026,266)
Carrying Amount:	
December 31, 2015	26,874,037
December 31, 2014	23,335,113

During 2015, the Group sold assets acquired in satisfaction of loans with an aggregate cost of LBP1.6billion (LBP835million during 2014). The sales resulted in a gain in the amount of LBP498million during 2015 (LBP475million during 2014) recorded in the consolidated statement of profit or loss under "Other operating income (net)" (Notes 27 & 36).

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and 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 years. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non-performing loans are met. In this connection, an amount of LBP1.54billion was appropriated in 2015 (LBP1.45billion in 2014). An amount of LBP512million was transferred during 2015 to retained earnings upon the sale of the related foreclosed assets (LBP333million in 2014) (Note 27).

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15. PROPERTY AND EQUIPMENT

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

2015 - LBP'000	Buildings and Real Estate	Furniture	Equipment	Vehicles	Key Money	Installations and Improvement	Advances on Capital Expenditure	Total
Gross Amount:								
Balance January 1, 2015	114,897,612	31,253,347	45,757,973	572,061	1,658,953	62,961,507	12,991,526	270,092,979
Additions	54,078,635	3,307,182	3,501,941	148,792	-	348,336	20,817,122	82,202,008
Disposals	-	(15,874)	(544,729)	(51,257)	-	(1,187,327)	-	(1,799,187)
Transfers between categories	8,469,136	618,525	2,985,286	-	-	4,729,370	(16,802,317)	-
Transfers to intangible assets	-	-	-	-	-	-	(530,971)	(530,971)
Write off to general and administrative expenses	-	-	-	-	-	-	(1,035,135)	(1,035,135)
Exchange Difference	-	(67,101)	(607,747)	-	-	(924,474)	(897)	(1,600,219)
Transfers to assets acquired in satisfaction of loans (Note 14)	-	-	-	-	-	-	(6,266)	(6,266)
Balance December 31, 2015	**177,445,383**	**35,096,079**	**51,092,724**	**669,596**	**1,658,953**	**65,927,412**	**15,433,062**	**347,323,209**
Accumulated Depreciation:								
Balance January 1, 2015	(21,981,718)	(17,825,088)	(34,036,946)	(396,152)	(606)	(44,305,047)	-	(118,545,557)
Additions (Note 41)	(2,413,962)	(2,283,584)	(4,201,226)	(62,013)	(97)	(7,764,186)	-	(16,725,068)
Disposals	-	10,759	533,610	51,254	-	1,187,327	-	1,782,950
Exchange Difference	759	42,392	412,619	-	-	569,086	-	1,024,856
Balance December 31, 2015	**(24,394,921)**	**(20,055,521)**	**(37,291,943)**	**(406,911)**	**(703)**	**(50,312,820)**	**-**	**(132,462,819)**
Impairment allowance								
Balance December 31, 2015	**(300,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**(300,000)**
Carrying Amount:								
December 31, 2015	152,750,462	15,040,558	13,800,781	262,685	1,658,250	15,614,592	15,433,062	214,560,390

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2014 - LBP'000	Buildings and Real Estate	Furniture	Equipment	Vehicles	Key Money	Installations and Improvement	Advances on Capital Expenditure	Total
Gross Amount:								
Balance January 1, 2014	109,492,832	26,979,858	41,830,795	444,575	1,658,953	55,650,865	12,158,488	248,216,366
Additions	160,144	3,543,432	4,630,457	185,468	-	1,969,673	21,938,725	32,427,899
Disposals	-	(181,719)	(1,318,904)	-	-	(643,445)	-	(2,144,068)
Transfers between categories	5,244,636	1,024,429	1,250,674	-	-	6,842,148	(14,361,887)	-
Transfers to intangible assets	-	-	-	-	-	-	(3,984,730)	(3,984,730)
Transfers to Prepayments	-	-	-	-	-	-	(1,200)	(1,200)
Write off to general and administrative expenses	-	-	-	(57,982)	-	-	(1,440,468)	(1,498,450)
Exchange difference	-	(112,653)	(635,049)	-	-	(857,734)	(7,085)	(1,612,521)
Transfers to assets acquired in satisfaction of loans (Note 14)	-	-	-	-	-	-	(1,310,317)	(1,310,317)
Balance December 31, 2014	**114,897,612**	**31,253,347**	**45,757,973**	**572,061**	**1,658,953**	**62,961,507**	**12,991,526**	**270,092,979**
Accumulated Depreciation:								
Balance January 1, 2014	(19,780,187)	(16,256,033)	(32,200,893)	(341,563)	(441)	(37,749,878)	-	(106,328,995)
Additions (Note 41)	(2,201,531)	(1,814,757)	(3,531,514)	(54,589)	(165)	(7,755,202)	-	(15,357,758)
Disposal	-	164,219	1,281,084	-	-	641,944	-	2,087,247
Exchange Difference	-	81,483	414,377	-	-	558,089	-	1,053,949
Balance December 31, 2014	**(21,981,718)**	**(17,825,088)**	**(34,036,946)**	**(396,152)**	**(606)**	**(44,305,047)**	**-**	**(118,545,557)**
Impairment allowance								
Balance December 31, 2014	(300,000)	-	-	-	-	-	-	(300,000)
Carrying Amount:								
December 31, 2014	92,615,894	13,428,259	11,721,027	175,909	1,658,347	18,656,460	12,991,526	151,247,422

During 2015, the Group acquired two plots of land in Medawar area for a consideration of LBP52.8billion for the purpose of building a new head office.

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16. GOODWILL

As at December 31st - LBP'000	2015 LBP	2015 C/V of F/Cy	2015 Total	2014 LBP	2014 C/V of F/Cy	2014 Total
Beirut Life S.A.L.	452,265	-	452,265	452,265	-	452,265
Bank of Sydney Ltd	-	86,582,170	86,582,170	-	86,582,170	86,582,170
Bank of Beirut (UK) Ltd	-	1,677,782	1,677,782	-	1,759,918	1,759,918
	452,265	88,259,952	88,712,217	452,265	88,342,088	88,794,353

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The Group has determined that each subsidiary constitutes a single cash generating unit and tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash generating unit is determined from value in use calculations or market comparability approach, as applicable. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to net interest margin during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Business. The growth rates are based on industry growth forecasts. Changes in net interest margin are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the subsidiary and extrapolates cash flows for the review period based on the assumption that the cash flows will remain relatively stable throughout the period under review.

The market average multiple of equity for acquisitions of similar sized cash generating units is used to determine the recoverable amount of the cash generating unit when using the market comparability approach.

17. OTHER ASSETS

As at December 31st - LBP'000	2015	2014
Medical costs receivable from		
National Social Security Fund (a)	5,380,289	5,626,524
Intangible assets (b)	12,433,474	13,264,296
Fair value of derivative assets (c)	1,409,484	1,337,649
Deferred tax asset (d)	1,973,611	1,950,605
Prepayments	12,546,221	13,743,076
Regulatory blocked deposit (e)	4,500,000	4,500,000
Advances on investments in preferred shares	2,261,250	-
Sundry accounts receivable	21,062,650	11,764,874
Premium on forward deals	1,407,204	285,497
Other	844,866	1,284,612
	63,819,049	53,757,133

(a) Medical costs receivable from the National Social Security Fund represent medical expenses settled by the Group to employees and expected to be recovered within three years from the date they were incurred because of substantial settlement delays by the National Social Security Fund.

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((b) Intangible assets represent the cost of software and include advance payments on the acquisition and implementation of the new core banking software in the amount of LBP2.13billion as at December 31, 2015 (LBP2.13billion in 2014). Amortization of intangible assets amounted to LBP3.8billion for the year 2015 (LBP3.2billion in 2014) and is recorded under "Depreciation and amortization" in statement of profit or loss (Note 41).

(c) The fair value of derivative assets consists of the following:

As at December 31st - LBP'000	2015	2014
Interest rate swap	-	3,416
Forward contracts	1,409,484	1,334,233
	1,409,484	1,337,649

(d) Deferred tax asset consists of deferred tax on the following:

As at December 31st - LBP'000	2015	2014
Depreciation of property and equipment	424,492	356,930
Provisions	1,244,883	1,120,325
Other	304,236	473,350
	1,973,611	1,950,605

(e) The regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the inception of investment banks in accordance with Article 132 of the Lebanese Code of Money and Credit, and is refundable in case of cease of operations.

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

As at December 31st - LBP'000	2015	2014
Current accounts from banks and financial institutions	211,581,738	252,003,718
Current accounts – associate bank (Note 46)	3,120,953	2,470,368
Short term deposits	1,145,682,120	1,422,618,652
Pledged deposits	360,081,603	773,887
Pledged deposits – associate bank (Note 46)	5,388,919	5,744,378
Accrued interest payable	5,037,888	4,027,810
	1,730,893,211	1,687,638,813

Pledged deposits represent deposits pledged by non-resident banks to the favour of the Group against trade finance activities.

Short term deposits include withdrawals from the Arab Trade Finance Program facility. The balance amounted to LBP3.9billion (USD2,615,816) as of December 31, 2015 (LBP10.5billion (USD6,952,925) in 2014). This facility was granted to the Group to finance imports and exports among Arab countries.

Short term deposits also include deposits in the amount of LBP75billion (LBP90billion in 2014) secured by pledged securities at amortized cost amounting to LBP163billion as at December 31, 2015 (LBP165billion in 2014) (Note 48).

Short term deposits as at December 31, 2014 include deposits in the amount of LBP426billion with local banks against placements with the same banks for the amount of LBP422billion and with approximately matching terms (Note 6).

Pledged deposits from an associate bank represent collateral received by the Group against short term loans granted (Note 8).

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19. CUSTOMERS´ AND RELATED PARTIES´ DEPOSITS AT AMORTIZED COST

As at December 31st, 2015 - LBP'000	LBP	F/Cy	Total
Deposits from customers:			
Current and demand deposits	285,825,203	1,528,604,977	1,814,430,180
Term deposits – Note 9	4,968,965,211	9,855,764,135	14,824,729,346
Credit accounts against loans and advances – Note 9	369,665,332	499,982,826	869,648,158
Margins for irrevocable import letters of credit	-	40,753,744	40,753,744
Margins on letters of guarantee	13,844,367	320,572,669	334,417,036
Other margins	7,984,269	39,772,328	47,756,597
Accrued interest payable	47,077,776	52,919,837	99,997,613
Total third party customers' deposits	5,693,362,158	12,338,370,516	18,031,732,674
Deposits from related parties:			
Current and demand deposits	1,291,305	16,010,211	17,301,516
Term deposits	33,928,510	207,625,267	241,553,777
Credit accounts against loans and advances	356,462	76,118,385	76,474,847
Margins for irrevocable import letters of credit	3,000,000	51,255	3,051,255
Margins on letters of guarantee	4,153	206,659	210,812
Other margins	-	588,341	588,341
Accrued interest payable	119,608	1,138,580	1,258,188
Total related parties' deposits	38,700,038	301,738,698	340,438,736
Total deposits	5,732,062,196	12,640,109,214	18,372,171,410

As at December 31st, 2014 - LBP'000	LBP	F/Cy	Total
Deposits from customers:			
Current and demand deposits	315,184,495	1,729,242,235	2,044,426,730
Term deposits - Note 9	4,582,179,454	8,727,712,737	13,309,892,191
Credit accounts against loans and advances - Note 9	328,864,144	567,096,172	895,960,316
Margins for irrevocable import letters of credit	-	31,807,435	31,807,435
Margins on letters of guarantee	11,514,132	88,415,982	99,930,114
Other Margins	6,677,809	35,418,718	42,096,527
Accrued interest payable	44,514,328	51,837,348	96,351,676
Total third party customers' deposits	5,288,934,362	11,231,530,627	16,520,464,989
Deposits from related parties:			
Current and demand deposits	1,057,453	9,810,028	10,867,481
Term deposits	35,068,664	158,210,106	193,278,770
Credit accounts against loans and advances	396,557	74,579,120	74,975,677
Margins for irrevocable import letters of credit	3,003,923	209,312	3,213,235
Other Margins	-	621,769	621,769
Accrued interest payable	119,342	447,266	566,608
Total related parties' deposits	39,645,939	243,877,601	283,523,540
Total Deposits	5,328,580,301	11,475,408,228	16,803,988,529

Notes to the consolidated financial statements

Customers' and related parties' deposits at amortized cost are allocated by brackets of deposits as follows (excluding accrued interest payable):

	LBP	F/Cy		
As at December 31st, 2015 - LBP'000	Total Deposits	Total Deposits	% of Customers	% of Deposits
Deposits from customers:				
Less than LBP500 million	2,484,565,738	2,837,765,660	97	29.68
From LBP500 million to LBP1.5billion	955,695,968	1,884,654,300	1	15.84
From LBP1.5 billion to LBP5billion	702,851,892	1,855,589,619	1	14.27
Over LBP5billion	1,503,170,784	5,707,441,100	1	40.21
	5,646,284,382	12,285,450,679	100	100.00
Deposits from related parties:				
Less than LBP500 million	2,236,951	5,074,036	83	2.16
From LBP500 million to LBP1.5 billion	954,805	4,155,853	5	1.51
From LBP1.5 billion to LBP5billion	12,211,140	14,856,742	8	7.98
Over LBP5billion	23,177,534	276,513,487	4	88.35
	38,580,430	300,600,118	100	100.00
	5,684,864,812	12,586,050,797		

	LBP	F/Cy		
As at December 31st, 2014 - LBP'000	Total Deposits	Total Deposits	% of Customers	% of Deposits
Deposits from customers:				
Less than LBP500million	2,477,641,295	2,902,643,732	97	32.75
From LBP500million to LBP1.5billion	890,902,949	1,626,313,647	1	15.33
From LBP1.5billion to LBP5billion	669,997,739	1,813,670,916	1	15.12
Over LBP5billion	1,205,878,051	4,837,064,984	1	36.80
	5,244,420,034	11,179,693,279	100	100.00
Deposits from related parties:				
Less than LBP500 million	4,602,438	3,335,246	83	2.81
From LBP500 million to LBP1.5 billion	3,101,569	6,708,898	5	3.47
From LBP1.5 billion to LBP5billion	14,044,770	18,913,069	8	11.64
Over LBP5billion	17,777,820	214,473,122	4	82.08
	39,526,597	243,430,335	100	100.00
	5,283,946,631	11,423,123,614		

Deposits from customers include at December 31, 2015 coded deposit accounts in the aggregate of LBP172billion (LBP152billion 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 provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include as at December 31, 2015 deposits of fiduciary nature received from resident and non-resident banks for a total amount of LBP167billion and LBP703billion respectively (LBP147billion and LBP532billion in 2014).

Notes to the consolidated financial statements

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

Year	Average Balance of Deposits LBP'000	Allocation of Deposits LBP %	Allocation of Deposits F/Cy %	Cost of Funds LBP'000	Average Cost of Funds %
Year 2015	15,922,246,128	34	66	664,127,226	4.17
Year 2014	14,809,691,136	34	66	617,540,546	4.17
Year 2013	13,161,806,337	36	64	544,475,386	4.15

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

Year	Average Balance of Deposits LBP'000	Allocation of Deposits LBP %	Allocation of Deposits F/Cy %	Cost of Funds LBP'000	Average Cost of Funds %
Year 2015	294,441,742	13	87	10,892,805	4.69
Year 2014	248,029,061	23	77	10,460,188	4.22
Year 2013	180,144,054	20	80	8,798,363	4.88

20. OTHER BORROWINGS

As at December 31st - LBP'000	2015	2014
Borrowings from Central Bank of Lebanon	364,372,131	259,262,389
Borrowings from other central banks (Note 49)	210,938,298	183,327,522
Borrowings from the European Investment Bank	29,629,569	39,367,200
Accrued interest payable	3,203,932	1,652,601
	608,143,930	483,609,712

Borrowings from Central Bank of Lebanon as of December 31, 2015 and 2014 represent facilities in accordance with Central Bank of Lebanon Basic Decision No.6116 of March 7, 1996 and its amendments by which the Group benefited from credit facilities granted against loans that the Group granted at its own risk to customers pursuant to certain conditions, rules and mechanism.

Borrowings from European Investment Bank are summarized as follows:

December 31, 2015 C/V LBP'000	December 31, 2014 C/V LBP'000	Final Maturity Year	Average interest Rate %
-	27,240,218	2015	4.18
22,885,975	2,877,955	2016	4.15
1,789,018	2,977,786	2017	4.16
1,739,273	2,352,216	2018	4.13
1,125,220	1,423,482	2019	3.34
2,090,083	2,495,543	2020	4.93
29,629,569	39,367,200		

Borowings from the European Investment Bank were obtained to finance loans granted to customers in the manufacturing sector.

Notes to the consolidated financial statements

21. CERTIFICATES OF DEPOSIT

As at December 31st - LBP'000	2015 C/V of F/Cy	2015 Average Interest Rate %	2014 C/V of F/Cy	2014 Average Interest Rate %
Certificates of deposit	661,634	2.25	678,586	2.25
Accrued interest payable	3,263		3,430	
	664,897		682,016	

22. OTHER LIABILITIES

As at December 31st - LBP'000	2015	2014
Checks and incoming payment orders in course of settlement	45,646,807	43,180,738
Fair value of derivative financial liabilities (a)	1,752,069	6,190,418
Payable on acquisition of non-controlling interest in a subsidiary (b)	1,235,979	1,383,210
Dividends payable	5,766,465	4,588,995
Suspense account	2,653	2,759,550
Deferred tax liability (c)	5,196,591	3,820,943
Accrued expenses	26,500,742	23,389,140
Accruals for regulatory fines (d)	-	4,917,675
Deferred income	10,580,121	13,359,090
Income tax payable (e)	25,537,157	27,333,976
Withheld taxes	11,095,891	10,568,791
Fair value of financial guarantees	2,091,863	1,567,243
Margins on letters of credit - banks	104,766,811	163,363,035
Margins on letters of credit - associate bank (Note 46)	25,707,938	24,484,347
Sundry accounts payable	32,953,535	26,843,939
Unfavorable exchange difference on fixed currency position (Note 24)	175,833	175,833
	299,010,455	357,926,923

(a) Fair value of derivative financial liabilities consists of the following:

As at December 31st - LBP'000	2015	2014
Fair value of interest rate swap (Note 44)	328,913	630,864
Fair value of forward contracts	1,423,156	5,559,554
	1,752,069	6,190,418

The Group uses interest rate swaps, and forward contracts for hedging purposes only. These represent commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates.

Notes to the consolidated financial statements

(b) During the first half of 2013, and in accordance with the option agreement related to the share purchase agreement dated January 26, 2011, Marfin Popular Bank Public Co. Limited, former owner of Bank of Sydney (formerly Laiki Bank Australia), exercised its put option to sell the remaining share of 7.5% of the subsidiary bank's equity stake at a strike price of AUD27.56million (LBP36.85billion) as at December 31, 2013 paid during 2014 except for an amount of LBP1.38billion (AUD1.27million) held in escrow account to be paid during a period of 2 years based on agreement between the two parties. As a result, the Bank's equity share in the subsidiary bank increased to 100%.

(c) The deferred tax liability consists of the following:

As at December 31st - LBP'000	2015	2014
Deferred tax liability on undistributed profits from subsidiaries	5,123,067	3,820,943
Other	73,524	-
	5,196,591	3,820,943

The movement of deferred tax liability which relates to undistributed profits from subsidiaries during 2015 and 2014 was as follows:

As at December 31st - LBP'000	2015	2014
Opening balance	3,820,943	2,857,421
Additions	2,752,124	2,213,522
Settlements	(1,450,000)	(1,250,000)
Ending balance	5,123,067	3,820,943

During 2015, two of the Group's subsidiaries paid cash dividends in the amount of LBP14.5billion (LBP12.5billion during 2014). The related distribution tax amount of LBP1.45billion (LBP1.25billion during 2014) was settled from the deferred tax liability in 2015.

At December 31, 2015, a deferred tax liability for temporary differences related to the undistributed profits of subsidiaries was not recognized on the grounds that management has committed to retain the profits in two of its foreign subsidiaries for purpose of permanent capitalization of profits.

(d) The Group's subsidiary was fined by the Financial Conduct Authority (FCA) in the United Kingdom to the amount of LBP4.9billion (GBP2.1million) on March 5, 2015 and this fine was accrued for during 2014 under "General and administrative expenses" (Note 40). The short comings were historical issues that existed prior to 2013 all of which have been remediated.

(e) The following table explains the relationship between taxable income and accounting income:

As at December 31st - LBP'000	2015	2014
Income before income tax	329,919,168	316,161,057
Income from subsidiaries, associate bank, managed funds and foreign branches	(116,382,603)	(96,541,434)
	213,536,565	**219,619,623**
Add: Non-deductible expenses	33,791,294	38,490,510
Less: Non-taxable revenues or revenues subject to tax in previous periods	(15,183,496)	(13,858,718)
Taxable income	**232,144,363**	**244,251,415**
Income tax (15%)	34,821,654	36,637,711
Add: Income tax expense on subsidiaries and foreign branches	10,999,998	12,224,727
Tax expense for the years	**45,821,652**	**48,862,438**
Less: Tax paid during the year in the form of withholding tax	(15,152,892)	(14,257,859)
Less: Subsidiaries income tax paid	(5,131,603)	(7,270,603)
Income tax payable as at December 31,	25,537,157	27,333,976

Notes to the consolidated financial statements

During 2013, the Bank and two of its Lebanese subsidiaries were subject to tax examination for the fiscal years 2008 until 2011 (inclusive). The result of this assessment was received in 2014 where an amount of LBP4.8billion was paid and which was fully provided for at December 31, 2013.

The tax returns of the Bank and most of its Lebanese subsidiaries for the years 2012 to 2015 remain subject to examination and final tax assessment by the tax authorities. Any additional liability depends on the result of these reviews.

Oman branch's tax assessments have been finalized up to the year 2010. Tax assessments for the years 2011 to 2014 have yet to be finalized by the Secretariat General for Taxation. The management believes that additional taxes, if any, in respect of open tax assessments would not be material to the Group's results and financial position as of the reporting date.

23. PROVISIONS

As at December 31st - LBP'000	2015	2014
Provision for staff termination indemnity (a)	27,647,140	20,638,072
Provision for loss on foreign currency position	194,000	194,000
Provision for risks and charges	6,541,784	6,541,784
Provision for insurance contracts liabilities – Note 38	6,094,660	5,462,921
Other	120,675	126,708
	40,598,259	32,963,485

(a) The movement of provision for staff termination indemnity is as follows:

As at December 31st - LBP'000	2015	2014
Balance January 1	20,638,072	18,943,717
Additions – Note 39	9,877,943	4,591,573
Settlements	(2,868,875)	(2,897,218)
Balance December 31	27,647,140	20,638,072

24. SHARE CAPITAL

At December 31, 2015 and 2014, the authorized ordinary share capital of the Bank was LBP71.16billion consisting of 50,467,400 fully paid shares of LBP1,410 par value each. The increase in the nominal value of the share in the amount of LBP60 per share during 2014 resulted from a transfer from reserves restricted for capital increase following a decision by the general assembly on December 26, 2014 to reconstitute the capital which decreased by an amount of LBP2.74billion as a result of the redemption of all Series "F" preferred shares and partly for rounding the nominal value of the share by an amount of LBP288million.

The approval of the Central Council for the redemption of the Series "F" shares was obtained on October 29, 2014. The approval of the Central Council on the reconstitution of the capital of the Bank was obtained on February 4, 2015.

During 2014, the Group issued 4,762,000 Series 2014 priority shares (common shares) in the amount of USD100,002,000 with an issue price of USD21 and a par value of LBP1,350. The par value of these shares was increased to LBP1,410 per share as a result of the rounding of the par value discussed above. These priority shares earn non-cumulative annual dividends of 4% of the issue price. Any dividends remaining after the payment of priority dividends following the payment of preferred shares dividends, shall be shared on a prorata basis exclusively among the holders of the priority and common shares of the Bank.

Subject to the absence of the Extension Period set below, the earning by the Series 2014 Priority Shares of the Priority Dividend will, automatically and without the need to the approval of, or consultation with, the holders of the Priority Shares, finally cease immediately following the Ordinary General Meeting of the Bank's shareholders that will examine the Bank's audited financial statements for the financial year 2019; without prejudice, however, to the right of the holders of such Priority Shares to receive the distribution of the Priority Dividend, if any, resolved by the Bank's Ordinary General Meeting of shareholders for the financial year 2019. As a result, the Series 2014 Priority Shares will cease to be identified as a special class within the Common Shares of the Bank and become mere Common Shares subject to the rights and obligations devolving on all the Bank's Common Shares.

Notes to the consolidated financial statements

The Bank shall have the right, but not the obligation, to resolve, prior to the holding of the above mentioned General Meeting, the extension of the Priority Period for two consecutive years (the "Extension Period").

As of December 31, 2015 and 2014, the Bank's capital was partly hedged by maintaining a fixed foreign currency position to the extent of USD47.17million. The revaluation of this position resulted in unfavorable exchange difference in the amount of LBP176million recorded under "other liabilities" (Note 22).

As of December 31, 2015 and 2014, the Group had a fixed foreign currency position for an amount of GBP13.6million to partially hedge its investment in a foreign subsidiary in the United Kingdom. The revaluation of this position as of December 31, 2015 resulted in unfavorable variance of LBP1.80billion (favorable of LBP474million in 2014) recorded in "cumulative change in fair value of fixed currency position designated as hedging instruments" under equity.

Moreover, as of December 31, 2015 and 2014, the Group had a fixed spot position for an amount of AUD98million to partially hedge its investment in a foreign Australian subsidiary bank. The revaluation of this position as of December 31, 2015 resulted in an unfavorable variance of LBP42.97billion (unfavorable variance of LBP30.13billion in 2014) recorded in "cumulative change in fair value of fixed currency position designated as hedging instruments" under equity.

25. PREFERRED SHARES

As at December 31st - LBP'000	2015	2014
Non-cumulative perpetual redeemable Series "E" preferred shares	-	90,450,000
Non-cumulative perpetual redeemable Series "G" preferred shares	188,362,125	188,362,125
Non-cumulative perpetual redeemable Series "H" preferred shares	203,512,500	203,512,500
Non-cumulative perpetual redeemable Series "I" preferred shares	188,437,500	188,437,500
Non-cumulative perpetual redeemable Series "J" preferred shares	113,062,500	113,062,500
	693,374,625	783,824,625

On December 26, 2014, the Group issued 3,000,000 non-cumulative perpetual redeemable Series "J" preferred shares with an aggregate amount of USD75,000,000 distributed over 3,000,000 preferred shares at an issue price of USD25. These preferred shares earn an annual dividend of 6.5% of the issue price. The approval of the Central Bank of Lebanon was obtained on December 3, 2014.

On December 26, 2014, the Extraordinary General Assembly of Shareholders redeemed the Series "F" preferred shares with an aggregate amount of USD75,000,000 and allowed the holders of these shares to subscribe to Series "J" preferred shares.

As per the Board of Directors meeting held on September 26, 2015 and the approval of the Central Bank of Lebanon obtained on November 18, 2015, the Group redeemed the Series "E" preferred shares on December 30, 2015.

The Group's issued preferred shares carry the following terms:

Non-cumulative Perpetual Redumable Prefered Shares	No. of Shares	Share's Issue Price	Benefits	Listed on Beirut Stock Exchange
Series "E" (Redeemed)	2,400,000	USD 25	8% per year	Yes
Series "F" (Redeemed)	3,000,000	USD 25	8% per year	No
Series "G"	3,570,000	USD 35	6.75% per year	No
Series "H"	5,400,000	USD 25	7% per year	Yes
Series "I"	5,000,000	USD 25	6.75% per year	Yes
Series "J"	3,000,000	USD 25	6.5% per year	Yes

The Group has the right, at its sole discretion, to redeem on each redemption date all or part of the Series "G", "H", "I" and "J" preferred shares (but not less than 25%). Redemption date means for the first time the financial year during which falls the 5th anniversary of the Extraordinary General Meeting of the Group's shareholders which ascertains the validity and payment of the capital increase by virtue of which the Preferred Shares are issued; and every consecutive 2 years thereafter.

In the event of liquidation of the Bank, holders of preferred shares Series "G", "H", "I" and "J" rank senior to the holders of common and priority shares.

Notes to the consolidated financial statements

26. SHAREHOLDERS´ CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital is for a total amount of LBP20.98billion (USD13,916,000) as at December 31, 2015 and 2014 and it is non-interest bearing.

This sort of instrument is accounted for in foreign currency and therefore allows hedging against national currency exchange fluctuation. According to local banking regulations, cash contribution to capital is considered as Tier I capital.

27. RESERVES

As at December 31st - LBP'000	2015	2014
Legal reserves (a)	132,436,497	112,248,239
Reserve for general banking risks (b)	214,897,012	172,732,012
Special reserves setup from net release of provision for credit losses	3,253,938	4,301,666
Reserves restricted for capital increase (c)	32,237,185	31,762,557
Issue premiums on common shares	232,108,394	232,108,394
Owned buildings' revaluation surplus	1,668,934	1,668,934
Regulatory reserve for assets acquired in satisfaction of loans (Note 14)	8,507,799	7,484,143
	625,109,759	562,305,945

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of net profit for Lebanese entities. 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. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Lebanese bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

(c) During 2015, the Group appropriated an amount of LBP475million representing gains from disposals of assets acquired in satisfaction of debts from net income of the previous year to reserves restricted for capital increase (Note 14).

28. TREASURY SHARES

The Group is authorized to buy back up to one third of its listed shares on the Beirut Stock Exchange from its free reserves.

	2015		2014	
	No. of Shares	Value in USD	No. of Shares	Value in USD
Common Shares	6,378	117,354	409,031	7,619,032
Priority Shares	167,100	3,509,100	-	-
		3,626,454		7,619,032

Notes to the consolidated financial statements

	2015		2014	
	No. of Shares	Value in USD	No. of Shares	Value in USD
Prefered shares:				
Series "E"	-	-	128,550	3,296,822
Series "G"	467,414	16,790,406	444,839	15,984,911
Series "H"	233,614	5,525,217	109,564	2,817,919
Series "I"	283,276	6,572,042	78,376	2,009,387
		28,887,665		24,109,039
Total		32,514,119		31,728,071
Counter value in LBP'000		49,015,034		47,830,066

The preferred shares classified as treasury shares are held by the non-controlling interests related to the consolidated funds.

29. NON-CONTROLLING INTERESTS

As at December 31st, 2015 - LBP'000	Beirut Life SAL	Managed Funds	Total
Share in capital	225,000	1,012,481,949	1,012,706,949
Retained earnings	1,294,202	(58,712,091)	(57,417,889)
Profit for the year	581,030	59,542,476	60,123,506
	2,100,232	1,013,312,334	1,015,412,566

As at December 31st, 2014 - LBP'000	Beirut Life SAL	Managed Funds	Total
Share in capital	225,000	758,052,263	758,277,263
Retained earnings	800,839	(43,875,397)	(43,074,558)
Profit for the year	493,363	44,159,547	44,652,910
	1,519,202	758,336,413	759,855,615

30. DIVIDENDS PAID

The following dividends were declared and paid in 2015 and 2014 by the Group in respect to 2014 and 2013 respectively:

As at December 31st - LBP'000	2015	2014
LBP900 (LBP859 for 2014) per ordinary share (common and priority)	49,706,460	43,351,497
LBP395.5 priority shares Series 2014 (Note 24)	1,883,380	-
LBP3,015 (LBP3,015 for 2014) per preferred share Series "E"	7,236,000	7,236,000
LBP3,015 (LBP3,015 for 2014) per preferred share Series "F"	9,045,000	9,045,000
LBP3,561.47 (LBP3,561.47 for 2014 per preferred share Series "G"	12,714,443	12,714,443
LBP2,638.13 (LBP2,638.13 for 2014) per preferred share Series "H"	14,245,875	14,245,875
LBP2,543.91 (LBP2,543.91 for 2014) per preferred share Series "I"	12,719,532	12,719,532
	107,550,690	99,312,347

Subsequent to the date of the consolidated statement of financial position, the following dividends were proposed by the board of directors in respect of 2015. These dividends have not been provided for in the consolidated financial statements for the year ended December 31, 2015.

Notes to the consolidated financial statements

LBP'000	
LBP900 per ordinary share (common and priority)	49,706,460
LBP1,266.3 priority shares Series 2014 (Note 24)	6,030,121
LBP3,015 per preferred share Series "E"	7,236,000
LBP3,561.47 per preferred share Series "G"	12,714,443
LBP2,638.13 per preferred share Series "H"	14,245,875
LBP2,543.91 per preferred share Series "I"	12,719,532
LBP2,449.69 per preferred share Series "J"	7,349,062
	110,001,493

31. INTEREST INCOME

LBP'000	2015	2014
Interest income from:		
Deposits with central banks	126,749,615	121,396,666
Deposits with banks and financial institutions	19,776,516	22,293,059
Loans to banks	25,881,487	25,636,873
Financial assets at amortized cost	501,107,224	444,855,147
Loans and advances to customers	370,906,911	375,958,380
Loans and advances to related parties	5,037,737	5,466,842
Interest recognized on non-performing loans and advances to customers	1,235,045	1,628,020
	1,050,694,535	997,234,987

Interest income realized on non-performing loans and advances to customers represent recoveries of interest.

Interest income on financial assets at fair value through profit or loss is included under "Net interest and other gains on financial assets at fair value through profit or loss" (Note 35).

32. INTEREST EXPENSE

LBP'000	2015	2014
Interest expense on:		
Other borrowings	9,222,269	8,068,842
Deposits from banks and financial institutions	21,611,308	20,534,476
Customers' accounts at amortized cost	664,127,226	617,540,546
Related parties' accounts at amortized cost	10,892,805	10,460,188
Certificates of deposit issued by the Group	15,152	264,872
	705,868,760	656,868,924

Notes to the consolidated financial statements

33. FEE AND COMMISSION INCOME

LBP'000	2015	2014
Commissions on documentary credits	48,831,341	52,585,274
Commissions on letters of guarantee	11,333,223	9,667,707
Commissions on money transfers' transactions	10,002,910	7,219,512
Insurance brokerage and service fees	21,604,887	21,761,847
Commissions on fiduciary accounts	1,770,403	1,969,650
Commissions on banking services	26,306,703	27,510,837
Commissions on credit cards	12,227,290	10,992,766
Commissions on capital market transactions	7,558,733	1,518,500
Other	2,609,188	6,075,140
	142,244,678	139,301,233

34. FEE AND COMMISSION EXPENSE

LBP'000	2015	2014
Commissions on transactions with banks and financial institutions	1,366,529	1,214,100
Commissions on credit card	5,202,055	4,455,881
Commissions on fiduciary deposits	1,800,167	2,052,454
Commissions on loans	4,123,686	5,773,281
Commissions on money transfer transactions	2,044,693	1,881,347
Commissions on insurance transactions	5,667,296	5,075,520
Other	2,606,235	4,921,213
	22,810,661	25,373,796

35. NET INTEREST AND OTHER GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

LBP'000	2015	2014
Interest income	81,416,140	62,012,987
Change in fair value (net)	(3,694,130)	(1,964,742)
Gain on sale	11,049,979	10,487,125
Dividends received	4,220,828	3,846,241
	92,992,817	74,381,611

Notes to the consolidated financial statements

36. OTHER OPERATING INCOME (NET)

LBP'000	2015	2014
Share in profits of an associate (Note 13)	3,682,518	4,161,700
Foreign exchange gain	15,866,932	16,233,538
Loss on forward contracts	(2,272,704)	(3,677,963)
Gain on sale of assets acquired in satisfaction of loans (Note 14)	497,708	474,628
Gain on sale of property and equipment	26,922	38,561
Dividends on other investments	232,511	225,013
Other (net)	724,875	377,378
	18,758,762	17,832,855

37. PROVISION FOR CREDIT LOSSES

LBP'000	2015	2014
Provision charged during the year – Note 9	34,853,604	36,857,077
Write-back of provision during the year – Note 9	(2,805,404)	(3,519,927)
(Gain)/loss from write-off of loans	(288,611)	36,221
	31,759,589	33,373,371

38. OTHER PROVISION (NET)

LBP'000	2015	2014
Provision for insurance liabilities – Note 23	631,739	829,934
Other	(156,549)	48,488
	475,190	878,422

39. STAFF COSTS

LBP'000	2015	2014
Salaries	97,041,940	89,666,263
Social Security contributions	12,391,964	10,547,932
Executive board members remunerations	17,250,732	16,672,759
Catch up provision for end-of-service indemnities staff (Lebanese jurisdiction) – Note 23	8,306,133	2,890,630
Catch up provision for end-of-service indemnities lawyers and executive management (Lebanese jurisdiction) – Note 23	102,065	88,445
Pension costs – Note 23	1,469,745	1,612,498
Other staff benefits	27,825,316	22,701,996
	164,387,895	144,180,523

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40. GENERAL AND ADMINISTRATIVE EXPENSES

LBP'000	2015	2014
Rent expense under operating leases	9,872,200	11,060,348
Cleaning	1,375,652	1,394,087
Electricity, water and fuel	2,881,407	3,600,097
Telephone, mail and other communication expenses	6,006,216	7,179,935
Maintenance and repair fees	13,405,761	11,442,453
Subscription fees	2,032,614	2,652,041
Office supplies	3,574,094	3,787,087
Advertising and marketing expenses	9,957,083	9,976,365
Reception and entertainment	1,999,770	2,342,273
Travel and related expenses	3,218,078	2,658,866
Professional and regulatory fees	9,940,548	10,576,247
Regulatory penalties (Note 22)	-	4,917,675
Taxes and fiscal charges	6,254,920	6,059,680
Insurance expenses	3,067,282	3,454,930
Donation and gifts	3,552,950	1,607,812
Centrale des risques	726,451	644,740
Management fees	7,556,693	12,785,015
Training, research and development expenses	1,509,274	1,111,184
Miscellaneous expenses	11,514,620	10,362,655
	98,445,613	107,613,490

41. DEPRECIATION AND AMORTIZATION

LBP'000	2015	2014
Depreciation of property and equipment – Note 15	16,725,068	15,357,758
Amortization of deferred software charges – Note 17	3,849,398	3,155,402
	20,574,466	18,513,160

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42. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK

The consolidated profit for the year attributable to the equity holders of the Bank is allocated as follows:

	2015		
Year-Ended December 31st - LBP'000	Profit before Tax	Current and Deffered Tax	Net Profit
Bank of Beirut S.A.L.	221,489,267	(35,717,195)	185,772,072
Profit/(loss) of subsidiaries:			
Bank of Beirut UK LTD	13,125,313	(2,632,567)	10,492,746
Bank of Sydney Ltd	12,355,231	(3,731,380)	8,623,851
Bank of Beirut Invest S.A.L.	13,135,263	(1,795,012)	11,340,251
BOB Finance S.A.L.	3,080,769	(465,115)	2,615,654
Cofida Holding S.A.L.	2,475,522	(4,985)	2,470,537
Beirut Broker Company S.A.L.	9,123,579	(1,368,537)	7,755,042
Beirut Life S.A.L.	5,917,159	(106,861)	5,810,298
Medawar 247 S.A.L.	(34,732)	(-)	(34,732)
Medawar 1216 S.A.L.	(82,776)	(-)	(82,776)
	280,584,595	**(45,821,652)**	**234,762,943**
Consolidation eliminations and adjustments	(10,788,933)	(2,752,124)	(13,541,057)
	269,795,662	(48,573,776)	221,221,886

	2014		
Year-Ended December 31st - LBP'000	Profit before Tax	Current and Deffered Tax	Net Profit
Bank of Beirut S.A.L.	224,521,851	(37,371,463)	187,150,388
Profit/(loss) of subsidiaries:			
Bank of Beirut UK LTD	17,224,556	(3,789,035)	13,435,521
Bank of Sydney Ltd	15,008,294	(4,536,231)	10,472,063
Bank of Beirut Invest S.A.L.	9,740,152	(1,291,236)	8,448,916
BOB Finance S.A.L.	1,897,321	(288,162)	1,609,159
Cofida Holding S.A.L.	995,668	(5,000)	990,668
Beirut Broker Company S.A.L.	9,896,704	(1,484,506)	8,412,198
Beirut Life S.A.L.	3,761,748	(96,807)	3,664,941
	283,046,294	**(48,862,440)**	**234,183,854**
Consolidation eliminations and adjustments	(11,538,146)	(2,213,521)	(13,751,667)
	271,508,148	(51,075,961)	220,432,187

43. EARNINGS PER SHARE

The computation of the basic earnings per share is based on the Group's net income before non-recurring income and the weighted average number of outstanding shares during each year, net of treasury shares held by the Group.

As at December 31st, LBP'000	2015	2014
Earnings:		
Earnings for the purpose of basic earnings per share (net income for the year)	221,221,886	220,432,187
Less: Dividends proposed to non-cumulative preferred shares	(54,264,912)	(55,960,850)
Net income after distribution to non-cumulative preferred shares	**166,956,974**	**164,471,337**
Less: Dividends proposed to non-cumulative priority shares	(6,030,121)	(1,883,380)
Net earnings for the purpose of basic earnings per shares	**160,926,853**	**162,587,957**
Add: Dividends proposed to convertible preferred shares of series "G"	-	-
Earnings for the purpose of diluted earnings per share	160,926,853	162,587,957
Number of Shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	49,981,449	50,103,496
Weighted average number of priority shares for the purpose of basic earnings per share	4,601,910	1,487,310
Weighted average number of shares for priority and ordinary shares	**54,583,359**	**51,590,806**
Effect of dilutive potential ordinary shares, preferred shares	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**54,583,359**	**51,590,806**
Basic Earnings per common share	**LBP2,948**	**LBP3,151**
Basic Earnings per priority common share	**LBP4,259**	**LBP4,418**
Diluted Earnings per share	**LBP2,948**	**LBP3,151**

The conversion effect of Series "G" preferred shares and Series 2014 priority shares was excluded from the calculation of diluted earnings per share for 2015 and 2014 since they have anti-dilutive effect.

44. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

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

As of December 31, 2013, the Group had European Knock-in currency options outstanding detailed as follows

	Notional Amount AUD	Knock-in Price	Strike Price	Fair Value (USD)	C/V LBP
	100,000,000	0.7950	1.0525	(3,580,212)	(5,397,170)
	75,000,000	0.7975	1.0465	(2,369,226)	(3,571,608)
	175,000,000			(5,949,438)	(8,968,778)
C/V LBP	234,027,500				

The above options mature on June 30, 2014.

As of December 31, 2015 and 2014, the Group had an interest rate swap outstanding to hedge cash flows detailed as follows:

	2015		2014	
	Original Currency AUD	C/V LBP'000	Original Currency AUD	C/V LBP'000
Principal amount	15,881,619	17,465,334	25,214,128	31,031,531
Fair value (Note 22)	299,088	328,913	512,597	630,864

45. FIDUCIARY ACCOUNTS

Fiduciary accounts are invested as follows:

As at December 31st - LBP'000	2015	2014
Back-to-back lending	51,883,446	53,227,710
Equity securities (long position)	107,746,821	106,098,110
Derivatives	(3,451,152)	(4,213,309)
Debt leverage	40,009,611	41,105,507
	196,188,726	196,218,018

46. BALANCES / TRANSACTIONS WITH RELATED PARTIES

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

As at December 31st - LBP'000	2015	2014
Shareholders, directors and other key management personnel and close family members and their related companies:		
Direct facilities and credit balances:		
Secured loans and advances	79,964,587	87,664,548
Unsecured loans and advances	14,092,281	17,019,457
Deposits	(339,180,548)	(282,956,932)
Accrued interest receivable	42,245	48,985
Accrued interest payable	(1,258,188)	(566,608)
Other credit balances	-	(1,274)
Indirect facilities:		
Letters of guarantees	4,503,593	4,135,070
Performance bonds	27,328	73,460
Associates		
Direct facilities and credit balances:		
Loans and discounted acceptances – Note 8	64,727,450	105,960,626
Deposits from associate – Note 18	(8,509,872)	(8,214,746)
Acceptances	5,684,348	4,667,521
Margins on letters of credit – Note 22	(25,707,938)	(24,484,347)
Indirect facilities:		
Letters of credit	1,861,030	43,744,542

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Interest rates applied on related parties' balances outstanding are the same rates that would be charged in an arm's length transaction.

Secured loans and advances are covered as of December 31, 2015 by real estate mortgages to the extent of LBP17.4billion (LBP15.8billion as of December 31, 2014), pledged deposits of the respective borrowers to the extent of LBP11.8billion (LBP10.1billion as of December 31, 2014), pledged securities to the extent of LBP1.1billion (LBP1.8billion as of December 31, 2014) and car mortgages to the extent of LBP845million (LBP585million as of December 31, 2014).

The remuneration of executive management amounted to LBP1.39billion during 2015 (LBP1.39million during 2014) in addition to incentives linked to performance representing 6% of profit before tax.

General and administrative expenses for the year ended December 31, 2015 included rent expenses to related parties for USD161,000 and AED102,240 (USD150,000 and AED102,240 for the year ended December 31, 2015) and management expenses to related parties for USD900,000 (USD900,000 for the year ended December 31, 2014).

47. CASH AND CASH EQUIVALENTS

A. Cash and cash equivalents

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

As at December 31st - LBP'000	2015	2014
Cash	46,459,068	42,031,328
Current accounts with central banks	1,050,091,666	789,626,172
Time deposits with central banks	918,673,132	445,245,000
Checks for collection	77,274,059	79,585,980
Demand deposits with banks and financial institutions	1,154,409,580	462,660,340
Time deposits with banks and financial institutions	570,977,875	905,412,146
Demand deposits from banks	(214,702,691)	(254,474,086)
Time deposits from banks	(841,768,753)	(1,172,870,180)
	2,761,413,936	1,297,216,700

Time deposits with and from central banks and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

B. Non-cash transactions

The statement of cash flow is prepared after excluding the effect of the following material non-cash transactions:

As at December 31st - LBP'000	2015	2014
Operating Activities:		
Loans and advances for the effect of assets acquired in satisfaction of loans	5,109,722	2,463,274
Other assets	530,971	3,985,930
Other liabilities	-	8,968,778
Investing Activities:		
Effect of assets acquired in satisfaction of loans	5,115,988	3,773,591
Financing Activities:		
Property and equipment	537,237	5,296,247
Cumulative change in fair value of financial instruments designated as hedging instruments	-	8,968,778

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48. CONTINGENCIES

As of the date of the statement of financial position, there are lawsuits and litigations, whereby the Group is either plaintiff or defendant, pending before the competent courts and the outcome of which cannot be determined at present. One of these litigations might be sensitive with risk relatively low and not based on valid grounds according to the Group's legal advisor.

49. COLLATERAL GIVEN

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

		Corresponding Facilities			
As at December 31st, 2015 - LBP'000	Pledged Amount	Nature of Facility	Amount of Facility	Nature of Facility	Amount of Facility
Pledged deposits with banks	1,266,357	Acquisition of non-controlling interest	1,239,384	-	-
Pledged deposits with banks	386,417	Performance Bonds	4,298,466	-	-
Pledged deposits with banks	52,500,491	Foreign currency (Bought)	832,672,985	Foreign currency (sold)	833,105,762
Pledged deposits with banks	784,963	Notional amount of interst swap	-	-	-
Lebanese government bonds and bonds issued by financial private sector	163,137,128	Short term deposits	75,375,000	-	-
Securities sold under repurchase agreement	232,428,004	Borrowings from other central banks	210,938,298	-	-

		Corresponding Facilities			
As at December 31st, 2014 - LBP'000	Pledged Amount	Nature of Facility	Amount of Facility	Nature of Facility	Amount of Facility
Pledged deposits with banks	3,685,632	Risk participation	1,563,169	-	-
Pledged deposits with banks	564,790	Trade Finance	1,686,251	Performance bonds	7,514,163
Pledged deposits with banks	37,227,315	Foreign currency (Bought)	616,719,936	Foreign currency (sold)	617,563,771
Pledged deposits with banks	1,413,087	Acquisition of non controlling interest	1,387,021	-	-
Pledged deposits with banks	756,551	Notional amount of interest swap	31,031,531	-	-
Lebanese government bonds and bonds issued by financial private sector	165,012,981	Short term deposits	90,450,000	-	-
Securities sold under repurchase agreement	197,899,776	Borrowings from other central banks	183,327,522	-	-

As at December 31, 2015, the Group had deposit in guarantee in the amount of LBP559million (LBP540million as at December 31, 2014) and Lebanese government bonds in the amount of LBP840million (LBP840million as at December 31, 2014) blocked in favor of the Ministry of Economy and Trade in guarantee of the Group's insurance activities in Lebanon.

50. SUBSEQUENT EVENTS

Subsequent to the statement of financial position date and following a decision of the Extraordinary General Assembly of Shareholders held on January 7, 2016, the Bank increased the par value of its share by LBP50 per share by transferring an amount of LBP2.5billion from retained earnings as a result of the redemption of Series "E" preferred shares whose nominal value aggregated LBP2.3billion (Note 24) and partly to round the nominal value of the share by an aggregate of LBP226million. As a result of this increase, the par value of the Bank's share became LBP1,460 per share. The approval of the Central Bank of Lebanon was obtained on February 24, 2016.

In addition, the Bank is in process of issuing 2,717,500 common share of which 34% will be listed on the Beirut Stock Exchange at an issue price of USD18.40 per share aggregating to USD50,002,000. The par value of each share is LBP1,460. The approval of the Capital Markets Authority was obtained on February 29, 2016.

Furthermore, the Bank is in process of issuing 3,000,000 to 4,000,000 Non-cumulative Perpetual Redeemable Series "K" Preferred shares which will be listed on the Beirut Stock Exchange at an issue price of USD25 per share. The par value of each share is LBP1,460. The approval of the Capital Markets Authority was obtained on February 22, 2016. The approval of the Central Bank of Lebanon on the issuance of the common and preferred shares referred to the above is still pending.

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51. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator, and retain an economic capital enough to meet the Group's medium term expansion plan.

Furthermore, the Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad in addition to the minimum regulatory capital required by the host country.

Pursuant to Central Bank of Lebanon decisions adopted with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Ratio	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
	%	%	%	%
Common Equity Tier 1 ratio	5.00	6.00	7.00	8.00
Tier 1 ratio	8.00	8.50	9.50	10.00
Total Capital ratio	10.00	10.50	11.50	12.00

The Group's capital is split as follows:

Tier I capital: Comprises share capital (after deduction of treasury shares), shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits and retained earnings (inclusive of current year's net profit after deduction of proposed dividends). Goodwill and cumulative unfavorable change in fair value of securities at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II capital: Comprises qualifying subordinated liabilities, 50% of cumulative favorable change in fair value of securities at fair value through other comprehensive income and revaluation surplus of owned properties.

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

The Group has complied with the regulatory capital requirement throughout the period.

The Group's capital adequacy ratio according to Basle II as of December 31, 2015 and 2014, is as follows:

As at December 31st - LBP'000	2015	2014
Common equity (net)	1,142,563,541	1,028,036,334
Additional Tier I capital (net)	693,374,625	783,824,625
	1,835,938,166	1,811,860,959
Net Tier II capital	14,513,064	10,257,801
Total regulatory capital (including remaining net profit after distribution of dividends)	1,850,451,230	1,822,118,760
Credit risk	12,603,901,572	11,615,432,490
Market risk	98,596,397	154,375,614
Operational risk	897,631,726	841,200,374
Risk weighted assets and risk weighted off-balance sheet items	13,600,129,695	12,611,008,478
Common equity Tier I ratio	8.40%	8.15%
Tier I ratio	13.50%	14.37%
Risk based capital ratio – Tier I and Tier II capital	13.61%	14.45%

The Group's capital strategy is based on the following constraints:

- Comply with regulatory ratios, on individual and consolidated basis, primarily in respect of the Capital Adequacy Ratio under Basle III.
- Ensure a high return on equity for the common shareholders.
- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

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

52. SEGMENT INFORMATION

The Group classifies its operating segments by geographical location and by activity.

Measurement of segment assets, liabilities, income and expenses is based on the Group's accounting policies.

Segment income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made, if any.

The Group has three reportable business segments which reflect the basis on which senior management reviews operating activities, allocates capital and assesses performance.

The Group's operating segment information by geographical location is as follows:

	2015				2014			
As at December 31st - LBP'000	Lebanon & Middle East	Europe	Australia	Inter-segment	Lebanon & Middle East	Europe	Australia	Inter-segment
Total Assets	22,811,776,942	1,035,261,637	1,965,704,981	(1,467,882,022)	20,820,922,736	1,067,024,250	1,876,304,554	(1,279,782,592)
Total Liabilities	19,602,075,779	858,735,038	1,737,647,162	(854,447,303)	17,933,212,548	883,088,876	1,630,716,831	(697,924,909)
Total Equity	3,209,701,163	176,526,599	228,057,819	(613,434,719)	2,887,710,188	183,935,374	245,587,723	(581,857,683)
Profit for the year	287,773,210	5,495,369	8,623,850	(80,670,543)	261,465,707	7,567,441	10,472,063	(59,073,024)
ASSETS								
Financial assets at fair value through profit or loss	1,332,214,628	63,699,827	-	(51,242,793)	1,108,194,046	60,935,466	-	(40,878,878)
Loans and advances to customers	4,962,164,736	210,305,551	1,141,053,851	-	4,856,853,510	262,984,100	1,067,568,909	-
Loans and advances to related parties	273,378,364	36,444	6,780,899	(186,096,594)	255,498,811	-	7,955,409	(158,721,230)
Investment securities	8,246,290,397	6,129,275	515,718,153	-	7,220,525,980	6,120,231	529,097,052	-
LIABILITIES								
Customers' deposits at amortized cost	16,351,789,938	248,060,755	1,431,881,981	-	14,848,079,558	265,478,821	1,406,906,610	-
Related parties' deposits at amortized cost	422,525,854	5,681,583	1,662,291	(89,430,992)	362,148,059	-	2,004,841	(80,629,360)

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As at December 31st - LBP'000	2015 Lebanon & Middle East	2015 Europe	2015 Australia	2015 Inter-segment	2014 Lebanon & Middle East	2014 Europe	2014 Australia	2014 Inter-segment
Interest income	974,617,817	24,204,119	78,796,026	(26,923,427)	904,943,777	26,199,046	92,486,775	(26,394,611)
Interest expense	(679,646,190)	(10,286,985)	(42,859,012)	26,923,427	(620,050,907)	(10,354,632)	(52,857,996)	26,394,611
Net interest income	294,971,627	13,917,134	35,937,014	-	284,892,870	15,844,414	39,628,779	-
Fee and commission income	128,163,081	19,151,778	6,717,589	(11,787,770)	119,068,070	22,860,587	6,189,408	(8,816,832)
Fee and commission expense	(22,003,820)	(669,548)	(137,293)	-	(24,857,314)	(400,980)	(115,502)	-
Net fee and commission income	106,159,261	18,482,230	6,580,296	(11,787,770)	94,210,756	22,459,607	6,073,906	(8,816,832)
Net interest and other gains on financial assets at fair value through profit or loss	99,269,383	351,503	-	(6,628,069)	73,535,452	524,477	2,735,159	(2,413,477)
Gain from derecognition of financial assets measured at amortized cost	69,742,864	-	114,477	-	74,716,652	-	-	-
Other operating income (net)	29,935,461	1,071,014	2,252,287	(14,500,000)	26,914,653	952,255	2,465,947	(12,500,000)
Net financial revenues	600,078,596	33,821,881	44,884,074	(32,915,839)	554,270,383	39,780,753	50,903,791	(23,730,309)
Provision for credit losses (net)	(22,614,185)	(8,489,635)	(655,769)	-	(27,921,489)	(5,272,033)	(179,849)	-
Provision for loans to banks	-	(335,722)	-	-	-	-	-	-
Other provisions (net)	(475,190)	-	-	-	(878,422)	-	-	-
Write-off of a bank account	-	-	-	-	(504,595)	-	-	-
Net financial revenues after impairment	576,989,221	24,996,524	44,228,305	(32,915,839)	524,965,877	34,508,720	50,723,942	(23,730,309)
Staff costs	(134,485,410)	(10,709,072)	(19,193,413)	-	(112,545,345)	(10,870,009)	(20,765,169)	-
General and administrative expenses	(94,532,622)	(5,132,427)	(10,568,334)	11,787,770	(92,871,908)	(11,221,904)	(12,336,510)	8,816,832
Depreciation and amortization	(17,971,034)	(492,104)	(2,111,328)	-	(15,520,804)	(378,388)	(2,613,968)	-
Write back of provision for impairment of assets acquired in satisfaction of loans	28,931	-	-	-	-	-	-	-
Profit before income tax	330,029,086	8,662,921	12,355,230	(21,128,069)	304,027,820	12,038,419	15,008,295	(14,913,477)
Income tax expense	(38,922,720)	(3,167,552)	(3,731,380)	-	(39,855,229)	(4,470,978)	(4,536,231)	-
Profit for the year before withholding tax on profits from subsidiaries	291,106,366	5,495,369	8,623,850	(21,128,069)	264,172,591	7,567,441	10,472,064	(14,913,477)
Deferred tax on undistributed profit	(2,752,124)	-	-	-	(2,213,522)	-	-	-
Profit for the year	288,354,242	5,495,369	8,623,850	(21,128,069)	261,959,069	7,567,441	10,472,064	(14,913,477)

The Group's operating segment information by activity during 2015 and 2014 was as follows:

As at December 31st, 2015 - LBP'000	Banking & Financial Institution	Insurance & Brokerage	Real Estate	Managed Funds	Inter-segment
Total Assets	24,496,976,980	49,015,657	18,604,402	1,248,146,521	(1,467,882,022)
Total Liabilities	21,953,863,600	17,248,802	12,910	227,332,668	(854,447,304)
Total Equity	2,543,113,380	31,766,855	18,591,492	1,020,813,853	(613,434,718)
Profit for the year	222,623,218	12,984,309	(117,507)	66,402,409	(80,670,543)
Non- controlling interest	-	581,030	-	59,542,476	-

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As at December 31st, 2014 - LBP'000	Banking & Financial Institution	Insurance & Brokerage	Real Estate	Managed Funds	Inter-segment
Total Assets	22,782,087,145	42,886,319	-	939,278,075	(1,279,782,591)
Total Liabilities	20,253,152,765	17,184,803	-	176,680,687	(697,924,909)
Total Equity	2,528,934,380	25,701,516	-	762,597,388	(581,857,682)
Profit for the year	219,866,576	12,852,465	-	46,786,170	(59,073,024)
Non- controlling interest	-	493,363	-	44,159,547	-

53. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group holds and issues financial instruments for three main purposes:
• to earn an interest margin or a fee;
• to finance its operations; and
• to manage the interest rate and currency risks arising from its operations and from its sources of finance.

The main risks arising from the Group's financial instruments are:

- Credit risk
- Liquidity risk
- Interest rate risk; and
- Foreign currency risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various Committees at Group and each entity's level to develop and monitor the Group's risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its management standards and procedures, aims to develop a disciplined control environment, in which employees understand their roles and obligations.

A – Credit Risk

Credit risk is the risk of financial loss to the Group 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 other banks and investment securities. Credit risk also arises from off-balance sheet financial instruments such as letters of credit and letters of guarantee.

Concentration of credit risk arises 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. Concentrations of credit risk indicate the relative sensitivity of the Group's performance affecting a particular industry or geographical location.

1- Management of credit risk

Credit risk is the risk of loss resulting from the failure of an obligor or counterparty to meet its contractual obligations. It is a part of many of the Group's business activities and exists in the different banking products (for example loans, letters of credit, derivative contracts...) provided to customers of all sizes, from large corporate clients to individual consumers.

The risk is controlled through monitoring and enforcing compliance with the risk principles and with policies, limits and regulatory requirements, whereby the Group has developed policies and practices to preserve the independence and integrity of decision-making and ensure credit exposure beyond normal risk are identified promptly, assessed accurately, approved properly, reviewed in light of market and external developments, monitored regularly and managed actively.

The Group assesses the creditworthiness of new contracting parties before entering into any transaction giving rise to credit exposure and continuously monitors creditworthiness and exposures thereafter. It applies a well-defined system for assessing the creditworthiness of its clients on the basis of many criteria related to the borrower mainly the nature of activity, financial performance and structure, credit history, cash flows, projected financials and management quality (e.g. purpose, amount, tenor, collateral presented as a second way out).

The Group sets limits on the credit exposure to both individual and groups and applies limits in a variety of forms to portfolios or sectors where it considers appropriate to restrict credit concentrations or areas of high risk. In addition credit concentration is subject to regulatory authority constraints whereby the credit concentration to one individual or Group (a Group is defined as a group of clients that are linked to one another by any of a number of criteria established, including capital ownership, voting rights, effective control and other indications) does not exceed a maximum of 20% of regulatory equity.

In order to meet credit risk management objectives, the Group seeks to maintain a risk profile that is diverse in terms of borrower, product type, industry and geographic concentration.

Through the risk reporting, credit risk trends and limit exceptions are provided regularly and discussed with concerned committees. In this connection, the Group works continuously towards enhancing its credit risk management tools and adopting more advanced approaches.

2- Measurement of credit risk

a) Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools. The Group's rating scale reflects the range of default probabilities defined for each rating class as explained below:

• Watch List: Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring.

• Past due but not impaired: Loans past due but not impaired are loans where contractual interest or principal are past due but management believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.

• Rescheduled loans: Rescheduled loans are loans that have been restructured after they have been rated as substandard or doubtful and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in its original category.

• Substandard loans: Substandard loans are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Group will sustain some loss if the deficiencies are not corrected.

• Doubtful loans: Doubtful loans have all the weaknesses inherent in those classified as substandard, with the added characteristic that existing facts, conditions, and values make collection or liquidation in full highly improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until a more exact status may be determined. Pending factors include merger, acquisition, liquidation procedures, capital injection, additional collateral, new financing sources, or additional guarantors.

• Loss: Loans classified as a loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value. Rather, the amount of loss is difficult to measure and its is not practical or desirable to defer writing off this basically worthless asset even if partial recovery may be obtained in the future. Loans are charged off in the period in which they are deemed uncollectible.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main component of its allowance is the specific loss component that relates to individually significant exposures, and a minor part of a collective loan loss allowance established for retail and Small and Medium Enterprises (SME's) where there is objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to

borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines that the loans / securities are uncollectible. 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.

In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank and its local banking subsidiaries are 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.

3- Risk mitigation policies

Collateral:

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

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

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

Other specific risk mitigation policies include:

Netting arrangements:

The Group further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

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a) Exposure to credit risk and concentration by counterparty:

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

As at December 31st - LBP'000	2015 Gross Maximum Exposure	2014 Gross Maximum Exposure
Deposits at central banks	4,756,713,595	4,230,760,025
Deposits with banks and financial institutions	1,988,649,306	1,701,180,082
Financial assets at fair value through profit or loss	1,344,671,662	1,128,250,634
Loans to banks	305,823,338	597,267,154
Loans and advances to customers	6,313,524,138	6,187,406,519
Loans and advances to related parties	94,099,113	104,732,990
Financial assets measured at amortized cost	8,761,335,548	7,750,260,506
Financial assets at fair value through other comprehensive income	6,802,277	5,482,757
Customers' acceptances liabilities	292,528,504	382,283,868
Other financial assets	35,458,539	24,513,659
Total	23,899,606,020	22,112,138,194
Financial instruments with off-balance sheet risk	3,389,565,660	3,500,596,622
Fiduciary deposits and assets under management	196,188,726	196,218,018
Total	3,585,754,386	3,696,814,640
Total credit risk exposure	27,485,360,406	25,808,952,834

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b) Concentration of loans by industry or sector:

As at December 31st, 2015 - LBP'000	Agriculture	Manufacturing & Industry	Financial Services	Real Estate & Construction	Trade & Services	Others	Total
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	305,823,338	-	-	-	305,823,338
Loans and advances to customers	39,883,734	725,299,889	244,770,267	1,734,642,111	1,776,244,260	1,792,683,877	6,313,524,138
Loans and advances to related parties	-	704,694	6,893,288	9,809,922	65,673,484	11,017,725	94,099,113
Total	39,883,734	726,004,583	557,486,893	1,744,452,033	1,841,917,744	1,803,701,602	6,713,446,589

As at December 31st, 2014 - LBP'000	Agriculture	Manufacturing & Industry	Financial Services	Real Estate & Construction	Trade & Services	Others	Total
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	597,267,154	-	-	-	597,267,154
Loans and advances to customers	27,351,099	832,609,236	196,859,024	1,564,265,637	1,811,929,364	1,754,392,159	6,187,406,519
Loans and advances to related parties	-	1,662,179	5,393,088	12,489,978	65,371,163	19,816,582	104,732,990
Total	27,351,099	834,271,415	799,519,266	1,576,755,615	1,877,300,527	1,774,208,741	6,889,406,663

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Below are the details of the Group's exposure to credit risk with respect to loans and advances to customers:

				Fair Value of Collateral Received						
As at December 31st, 2015 - LBP'000	**Gross Exposure Net of Unrealized Interest**	**Allowance for Impairment**	**Net Exposure**	**Pledged Funds**	**First Degree Mortgage on Property**	**Dept Securities**	**Bank Guarantees**	**Vehicles**	**Other**	**Total**
Performing loans	6,317,280,108	-	6,317,280,108	968,274,466	5,766,581,800	8,637,042	177,423,527	367,337,297	8,936,732,001	16,224,986,133
Substandard loans	28,251,470	(387,643)	27,863,827	1,353,834	30,463,699	-	-	6,992,490	31,619,641	70,429,664
Doubtful loans	104,085,244	(56,763,007)	47,322,237	22,250,640	43,725,756	-	-	2,193,555	8,824,903	76,994,854
Collective provision	-	(78,942,034)	(78,942,034)	-	-	-	-	-	-	-
Total	6,449,616,822	(136,092,684)	6,313,524,138	991,878,940	5,840,771,255	8,637,042	177,423,527	376,523,342	8,977,176,545	16,372,410,651

				Fair Value of Collateral Received						
As at December 31st, 2014 - LBP'000	**Gross Exposure Net of Unrealized Interest**	**Allowance for Impairment**	**Net Exposure**	**Pledged Funds**	**First Degree Mortgage on Property**	**Dept Securities**	**Bank Guarantees**	**Vehicles**	**Other**	**Total**
Performing loans	6,182,483,563	-	6,182,483,563	1,010,995,679	5,443,247,177	11,631,575	202,256,099	417,793,206	8,770,873,464	15,856,797,200
Substandard loans	16,647,109	(305,415)	16,341,694	3,368,889	20,967,674	-	-	7,754,736	13,679,084	45,770,383
Doubtful	95,518,400	(46,879,274)	48,639,126	16,757,887	29,265,862	-	-	379,006	2,230,625	48,633,380
Collective provision	-	(60,057,864)	(60,057,864)	-	-	-	-	-	-	-
Total	6,294,649,072	(107,242,553)	6,187,406,519	1,031,122,455	5,493,480,713	11,631,575	202,256,099	425,926,948	8,786,783,173	15,951,200,963

Estimates of fair value for properties held as collateral are based on the value of collateral assessed at the time of borrowing discounted for the effect of illiquidity in the range of 5% to 20% applied based on geographical distribution of mortgages held.

Notes to the consolidated financial statements

c) Concentration of financial assets and liabilities by geographical location:

As at December 31st, 2015 - LBP'000	Lebanon	Middle East & Africa	Europe	North America	Australia	Others	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	3,814,986,460	825,551,664	12,961,906	-	149,672,633	-	4,803,172,663
Deposits with banks and financial institutions	195,735,184	376,108,762	722,932,428	664,727,998	25,007,694	4,137,240	1,988,649,306
Financial assets at fair value through profit or loss	1,275,914,172	535,163	68,222,327	-	-	-	1,344,671,662
Loans to banks	56,757,489	243,563,215	5,502,634	-	-	-	305,823,338
Loans and advances to customers	4,163,680,133	895,970,106	101,417,686	2,955,549	1,139,741,125	9,759,539	6,313,524,138
Loans and advances to related parties	84,068,283	3,249,931	-	-	6,780,899	-	94,099,113
Investment securities	8,172,140,112	-	-	-	595,997,713	-	8,768,137,825
Customers' liability under acceptances	130,988,181	125,203,239	35,853,900	-	-	483,184	292,528,504
Other financial assets	26,150,003	393,038	31,560	1,122,887	7,761,051	-	35,458,539
	17,920,420,017	2,470,575,118	946,922,441	668,806,434	1,924,961,115	14,379,963	23,946,065,088
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	790,767,460	690,701,641	235,664,030	8,408	332,849	13,418,833	1,730,893,221
Customers' and related parties' deposits at amortized cost	12,591,292,524	2,476,632,280	1,667,458,760	59,817,452	1,387,040,552	189,929,842	18,372,171,410
Liabilities under acceptance	21,899,264	51,359,189	176,285,493	1,194,051	-	41,790,507	292,528,504
Other borrowings	372,675,112	-	24,530,520	-	210,938,298	-	608,143,930
Certificates of deposit	-	-	664,897	-	-	-	664,897
Other financial liabilities	80,196,919	133,483,990	273,343	144,964	3,730,388	-	217,829,604
	13,856,831,279	3,352,177,100	2,104,877,043	61,164,875	1,602,042,087	245,139,182	21,222,231,566
Net	4,063,588,738	(881,601,982)	(1,157,954,602)	607,641,559	322,919,028	(230,759,219)	2,723,833,522

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As at December 31st, 2014 - LBP'000	Lebanon	Middle East & Africa	Europe	North America	Australia	Others	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	3,519,973,178	705,507,596	11,498,197	-	35,812,382	-	4,272,791,353
Deposits with banks and financial institutions	646,303,513	105,488,658	381,640,803	462,159,632	94,419,893	11,167,583	1,701,180,082
Financial assets at fair value through profit or loss	1,062,257,507	535,162	65,457,965	-	-	-	1,128,250,634
Loans to Banks	72,507,108	457,506,829	43,715,903	-	-	23,537,314	597,267,154
Loans and advances to customers	4,050,189,853	930,737,582	121,914,810	2,444,652	1,066,220,204	15,899,418	6,187,406,519
Loans and advances to related parties	92,807,219	3,970,362	-	-	7,955,409	-	104,732,990
Investment securities	7,129,635,367	-	-	-	626,107,896	-	7,755,743,263
Customers' liability under acceptances	202,439,843	158,506,886	15,373,728	2,718,831	-	3,244,580	382,283,868
Other financial assets	19,563,880	398,457	962,275	-	3,589,047	-	24,513,659
	16,795,677,468	2,362,651,532	640,563,681	467,323,115	1,834,104,831	53,848,895	22,154,169,522
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	1,167,559,951	364,324,675	148,171,411	19,820	-	7,562,956	1,687,638,813
Customers' and related parties' deposits at amortized cost	11,410,217,545	2,483,937,352	1,338,127,210	57,706,896	1,337,918,877	176,080,649	16,803,988,529
Liabilities under acceptances	35,262,800	90,555,287	91,587,692	12,759,161	-	152,118,928	382,283,868
Other borrowings	267,648,776	-	32,633,414	-	183,327,522	-	483,609,712
Certificates of deposit	-	-	682,016	-	-	-	682,016
Other financial liabilities	74,437,397	185,405,891	2,703,915	-	7,487,479	-	270,034,682
	12,955,126,469	3,124,223,205	1,613,905,658	70,485,877	1,528,733,878	335,762,533	19,628,237,620
Net	3,840,550,999	(761,571,673)	(973,341,977)	396,837,238	305,370,953	(281,913,638)	2,525,931,902

Notes to the consolidated financial statements

B – Liquidity Risk

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

1- Management of liquidity risk

Liquidity is the “Group’s ability to ensure the availability of funds to meet commitments (including off-balance sheet commitments) at a reasonable price at all times.” In ‘business as usual’ circumstances the day-to-day cash management of a bank should not lead to any threats to its solvency.

Liquidity risk is defined as the risk of the Group’s ability to meet its current and future payment obligations in full or on time.

Liquidity risk arises when, in the case of a liquidity crisis, refinancing may only be raised at higher market rates (funding risk) or assets may only be liquidated at a discount to the market rates (market liquidity risk). It also results from the mismatches in the maturity pattern of assets and liabilities.

Liquidity Measurement

Liquidity is measured on a “business as usual basis” using:

- Balance Sheet Liquidity Ratios (purchased and stored liquidity ratios): such as immediate liquidity, loans / deposits, liquid assets ratio, interbank ratio, medium-term funding ratio, wholesale borrowing capacity, etc
- The liquidity relationship between the sub-components of the balance sheet at a particular point in time: Cash Flow Gap Scheduling which is the Gap between cash inflows and outflows determined within a series of time buckets.
- Stress testing: by stress testing “the business as usual” assumptions via standardized scenarios, the potential shortage of liquidity can be measured. This shortage needs to be covered by the Liquidity Buffer, which consists of unencumbered assets that can be reported or used as collateral at a Central Bank to generate cash.

The Bank’s objectives are to comply with the Central Bank instructions for liquidity risk monitoring and set other internal prudential limits as described hereafter. Some of the internal limits are:

- Liquidity gap ratios for Lebanese Pounds and foreign currencies (special focus on the foreign currencies): One month GAP/Tier One Capital
- Liquid assets in foreign currencies (including Placement with the Central Bank) / Total Deposits in foreign currencies.
- Placements with Non Resident Banks in foreign currencies/Total Deposits in foreign currencies
- Long-term foreign currency Funds (including equity)/Long-term Loans (above one year)

Notes to the consolidated financial statements

The Contingency Funding Plan

Liquidity problems will usually arise only when the Group encounters a crisis. In this case, there is a need to put in place a Contingency Funding Plan that both quantifies the adequacy of the Bank’s resources (Liquidity Buffer) to withstand a set of potential liquidity crises and sets out an Action Plan to be activated in the event of a liquidity crisis.

A mechanism to identify stress situations ahead of time, and to plan dealing with such unusual situations in a timely and effective manner should be in existence. The Contingency Plan is reviewed regularly and tested.

The responsibilities and authorities of overseeing efficient implementation of liquidity risk mitigation is distributed in the best way to achieve proficient handling of the problems facing the Group and thus ensuring a smooth continuation of the activity without jeopardizing the business. Accordingly, officials and committees of the Group (namely ALCO, Treasury Department, Finance Department) assess the situation, decide on the activation of the contingency plan and act as follows:

- ALCO Committee is informed immediately, and quickly makes its assessment as to whether the plan should be activated.
- ALCO Committee takes all major decisions on loans or deposits, investment purchases, borrowing, whether to stop making additional loans, etc.
- ALCO Committee provides general, ongoing guidance on communicating with major depositors and other sources of funding, internal staff, and the press.
- The Treasury Department is responsible for maintaining sufficient liquidity to meet the Bank’s obligations and to meet the specific liquidity requirements of the supervisory authorities. The key measure used by the Bank for managing liquidity risk is the ratio of behaviorally adjusted net liquid assets (maturing in less than one month) to total deposits.
- In the unlikely event of a liquidity crisis, the Treasury Department would immediately endeavour to sell the Group’s liquid assets, or if more expedient, seek additional funds from the shareholders or borrow in the market to alleviate the shortfall.

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Residual contractual maturities of financial assets and liabilities:

The tables below show the Group's financial assets and liabilities in Lebanese Pounds and foreign currencies base accounts segregated by maturity:

As at December 31st, 2015 - LBP'000	LBP Base Accounts							
	With No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
FINANCIAL ASSETS								
Cash and deposits at central banks	641,264,858	1,479,301,205	257,666,400	250,824,600	912,037,500	1,262,078,100	-	4,803,172,663
Deposits with banks and financial institutions	-	1,870,153,666	73,270,640	-	-	-	45,225,000	1,988,649,306
Trading assets at fair value through profit or loss	36,624,407	36,862,387	39,559,646	191,394,884	128,051,959	677,682,753	234,495,626	1,344,671,662
Loans to Banks	-	229,140,637	54,927,652	403,050	8,588,800	12,763,200	-	305,823,339
Loans and advances to customers	15,767,738	1,648,724,405	2,192,261,555	1,013,886,214	358,029,093	356,802,033	728,053,100	6,313,524,138
Loans and advances to related parties	9,706	43,134,170	32,531,214	10,995,172	590,418	1,716,091	5,122,340	94,099,111
Investment securities	6,802,277	170,003,758	688,597,417	1,519,216,111	1,733,987,273	3,245,779,279	1,403,751,710	8,768,137,825
Customers' liability under acceptances	-	278,981,397	10,994,847	2,552,260	-	-	-	292,528,504
Other financial assets	27,697,488	-	58,846	7,702,205	-	-	-	35,458,539
	728,166,474	5,756,301,625	3,349,868,217	2,996,974,496	3,141,285,043	5,556,821,456	2,416,647,776	23,946,065,087
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions	-	1,463,324,207	222,144,702	45,424,312	-	-	-	1,730,893,221
Customers' and related parties' deposits at amortized cost	-	14,656,904,730	2,922,955,435	643,486,074	16,857,453	34,786,038	97,181,680	18,372,171,410
Liabilities under acceptance	-	278,981,397	10,994,847	2,552,260	-	-	-	292,528,504
Other borrowings	3,203,932	563,109,637	5,019,964	3,528,291	3,215,303	-	30,066,803	608,143,930
Certificates of deposit	-	-	664,897	-	-	-	-	664,897
Other financial liabilities	18,239,594	198,508,941	-	1,081,069	-	-	-	217,829,604
	21,443,526	17,160,828,912	3,161,779,845	696,072,006	20,072,756	34,786,038	127,248,483	21,222,231,566
Net Maturity gap	706,722,948	(11,404,527,287)	188,088,372	2,300,902,490	3,121,212,287	5,522,035,418	2,289,399,293	2,723,833,521

C – Market Risks

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

1. Management of market risks

Interest Rate Risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on Group's net interest income, while a long term impact is on Group's net worth since the economic value of Group's assets, liabilities and off-balance sheet exposures are affected.

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Interest Rate Risk Measurement

Major concern is to be given to interest rates movements both in the local and international markets whenever hedging against rates rise should be undertaken as part of the Group's strategy.

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings group of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising the return on risk.

Interest rate risk originating from banking activities arises partly from the employment of non-interest bearing liabilities such as shareholders' funds and customer current accounts, but also from the gaps that arise from the normal course of business.

The policy of the Group is to price all placements / exposures at floating rates or at fixed rates for fixed periods on appropriate rollover dates that allow for matching in the market.

INTEREST GAP ANALYSIS FOR ACCOUNTS AS AT DECEMBER 31, 2015:

		Floating						Fixed						
Interest Rate Sensitivity Balance Sheet LBP'000	Non-Interest Generating	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Year	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Grand Total
FINANCIAL ASSETS														
Cash and deposits at central banks	1,029,485,622	149,672,633	-	-	-	-	149,672,633	941,407,808	257,666,400	250,824,600	912,037,500	1,262,078,100	3,624,014,408	4,803,172,663
Deposits with banks and financial institutions	156,892,633	213,097,543	25,627,471	-	-	-	238,725,014	1,511,305,484	36,501,175	-	-	45,225,000	1,593,031,659	1,988,649,306
Financial assets at fair value through profit or loss	37,783,998	-	-	-	-	-	-	35,702,795	39,559,646	191,394,884	128,051,959	912,178,380	1,306,887,664	1,344,671,662
Loans to banks	(242,146)	-	7,516,700	-	-	-	7,516,700	229,382,782	47,410,952	403,050	8,588,800	12,763,200	298,548,784	305,823,338
Loans and advances to customers	7,223,116	1,761,202,016	231,691,079	119,615,115	8,544,982	575,681,522	2,696,734,714	1,452,926,163	989,321,107	474,331,256	281,972,571	411,015,211	3,609,566,308	6,313,524,138
Loans and advances to related parties	1,274,617	10,590,408	-	-	-	4,804,458	15,394,866	63,107,269	4,544,660	7,471,192	590,418	1,716,091	77,429,630	94,099,113
Investment securities	354,925,259	311,990,565	34,027,367	164,464,096	61,870,444	-	572,352,472	72,433,623	555,928,091	1,197,366,181	1,524,287,999	4,490,844,200	7,840,860,094	8,768,137,825
Customers' liability under acceptances	292,528,504	-	-	-	-	-	-	-	-	-	-	-	-	292,528,504
Other financial assets	35,458,539	-	-	-	-	-	-	-	-	-	-	-	-	35,458,539
	1,915,330,142	2,446,553,165	298,862,617	284,079,211	70,415,426	580,485,980	3,680,396,399	4,306,265,924	1,930,932,031	2,121,791,163	2,855,529,247	7,135,820,182	18,350,338,547	23,946,065,088
FINANCIAL LIABILITIES														
Deposits from banks and financial institutions	161,654,918	427,118,905	4,993,065	-	-	-	432,111,970	887,725,168	207,430,328	45,186,140	(3,215,303)	-	1,137,126,333	1,730,893,221
Customers' and related parties' deposits at amortized cost	796,664,467	1,441,321,057	989,432	-	-	-	1,442,310,489	12,612,013,649	2,913,563,212	471,986,681	3,665,192	131,967,719	16,133,196,453	18,372,171,409
Liabilities under acceptance	292,528,504	-	-	-	-	-	-	-	-	-	-	-	-	292,528,504
Other borrowings	3,622,749	30,066,802	-	-	-	-	30,066,802	563,109,637	4,601,148	3,528,291	3,215,303	-	574,454,379	608,143,930
Certificates of deposit	-	-	-	-	-	-	-	-	664,897	-	-	-	664,897	664,897
Other financial liabilities	217,829,604	-	-	-	-	-	-	-	-	-	-	-	-	217,829,604
	1,472,300,242	1,898,506,764	5,982,497	-	-	-	1,904,489,261	14,062,848,454	3,126,259,585	520,701,112	3,665,192	131,967,719	17,845,442,062	21,222,231,565
Interest Rate Swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate Gap	443,029,900	548,046,401	292,880,120	284,079,211	70,415,426	580,485,980	1,775,907,138	(9,756,582,530)	(1,195,327,554)	1,601,090,051	2,851,864,055	7,003,852,463	504,896,485	2,723,833,523

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INTEREST GAP ANALYSIS FOR ACCOUNTS AS AT DECEMBER 31, 2014:

		Floating							Fixed						
Interest Rate Sensitivity Balance Sheet LBP'000	Non-Interest Generating	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Year	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Grand Total
FINANCIAL ASSETS														
Cash and deposits at central banks	1,083,170,175	41,445,582	-	-	-	-	41,445,582	581,537,753	15,075,000	425,363,738	856,632,353	1,269,566,752	3,148,175,596	4,272,791,353
Deposits with banks and financial institutions	144,873,784	526,786,088	-	-	-	-	526,786,088	1,012,493,160	17,027,050	-	-	-	1,029,520,210	1,701,180,082
Financial assets at fair value through profit or loss	22,675,740	35,211,997	66,183,259	-	-	-	101,395,256	859,565,164	23,128,065	1,735,133	4,719,983	115,031,293	1,004,179,638	1,128,250,634
Loans to Banks	718,196	232,829,867	51,082,112	2,206,988	-	-	286,118,967	243,796,983	48,247,538	899,978	4,486,320	12,999,172	310,429,991	597,267,154
Loans and advances to customers	3,645,361	2,649,718,740	70,953,554	76,101,395	16,779,478	-	2,813,553,167	1,282,904,582	917,721,297	522,406,476	267,826,147	379,349,489	3,370,207,991	6,187,406,519
Loans and advances to related parties	46,076	22,572,049	-	3,064,828	-	-	25,636,877	63,874,095	3,683,899	6,604,690	3,792,909	1,094,444	79,050,037	104,732,990
Investment in securities	279,548,403	541,503,244	16,662,017	6,476,761	48,936,422	11,111,979	624,690,423	145,895,454	382,075,875	1,171,650,491	1,359,312,439	3,792,570,178	6,851,504,437	7,755,743,263
Customers' liability under acceptances	382,283,868	-	-	-	-	-	-	-	-	-	-	-	-	382,283,868
Other financial assets	24,513,659	-	-	-	-	-	-	-	-	-	-	-	-	24,513,659
	1,941,475,262	4,050,067,567	204,880,942	87,849,972	65,715,900	11,111,979	4,419,626,360	4,190,067,191	1,406,958,724	2,128,660,506	2,496,770,151	5,570,611,328	15,793,067,900	22,154,169,522
FINANCIAL LIABILITIES														
Deposits from banks and financial institutions	106,079,554	281,647,711	127,185,251	-	-	-	408,832,962	1,011,260,760	33,846,617	127,618,919	-	-	1,172,726,296	1,687,638,812
Customers and related parties deposits at amortized cost	617,743,309	1,173,374,483	390,418,395	20,149	991,469	-	1,564,804,496	12,038,402,263	2,042,841,031	445,897,276	22,445,168	71,854,986	14,621,440,724	16,803,988,529
Liabilities under acceptance	382,283,868	-	-	-	-	-	-	-	-	-	-	-	-	382,283,868
Other borrowings	-	119,131,570	64,195,952	-	-	-	183,327,522	281,265,076	6,892,290	5,855,131	3,774,780	2,494,913	300,282,190	483,609,712
Certificates of deposit	-	-	682,016	-	-	-	682,016	-	-	-	-	-	-	682,016
Other financial liabilities	82,187,300	-	-	-	-	-	-	106,789,395	81,057,988	-	-	-	187,847,383	270,034,683
	1,188,294,031	1,574,153,764	582,481,614	20,149	991,469	-	2,157,646,996	13,437,717,494	2,164,637,926	579,371,326	26,219,948	74,349,899	16,282,296,593	19,628,237,620
Interest Rate Swap	-	31,031,531	-	-	-	-	31,031,531	-	-	(31,031,531)	-	-	(31,031,531)	-
Interest rate Gap	753,181,231	2,506,945,334	(377,600,672)	87,829,823	64,724,431	11,111,979	2,293,010,895	(9,247,650,303)	(757,679,202)	1,518,257,649	2,470,550,203	5,496,261,429	(520,260,224)	2,525,931,902

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Foreign Exchange Risk

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The Group does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures.

The table shown below gives details of the Group's exposure to currency risk:

As at December 31st, 2015 - LBP'000	LBP	USD	Euro	GBP	AUD	Other	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	1,097,923,204	2,594,436,132	229,679,988	1,589,162	148,663,353	730,880,824	4,803,172,663
Deposits with banks and financial institutions	79,931,653	1,183,700,079	78,095,126	269,337,250	83,536,733	294,048,465	1,988,649,306
Financial assets at fair value through profit or loss	959,426,314	321,545,519	-	63,699,829	-	-	1,344,671,662
Loans to banks	21,615,902	176,973,933	44,800,970	6,269,139	-	56,163,394	305,823,338
Loans and advances to customers	1,466,241,715	2,928,158,124	186,998,758	22,286,856	1,004,601,712	705,236,973	6,313,524,138
Loans and advances to related parties	2,099,193	66,378,509	4,744,625	320,373	6,781,364	13,775,049	94,099,113
Investment in securities	3,963,917,733	4,207,038,995	214,623	-	596,966,474	-	8,768,137,825
Customers' liability under acceptances	-	207,826,362	57,966,748	290,398	-	26,444,996	292,528,504
Investments in an associate	-	40,289,296	-	-	-	-	40,289,296
Assets acquired in satisfaction of loans	1,023,435	25,850,602	-	-	-	-	26,874,037
Property and equipment	134,518,987	52,915,001	112,039	953,935	4,466,093	21,594,335	214,560,390
Goodwill	452,265	-	-	1,677,783	86,582,169	-	88,712,217
Other Assets	25,532,473	23,801,999	513,139	(66,012)	12,452,960	1,584,490	63,819,049
	7,752,682,874	11,828,914,551	603,126,016	366,358,713	1,944,050,858	1,849,728,526	24,344,861,538
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	130,276,497	860,497,801	299,908,077	41,837,589	5,556,967	392,816,290	1,730,893,221
Customers' and related parties' deposits at amortized cost	5,735,194,149	8,956,598,582	728,104,540	243,512,500	1,440,218,972	1,268,542,667	18,372,171,410
Liabilities under acceptance	-	207,826,362	57,966,748	290,398	-	26,444,996	292,528,504
Other borrowings	367,514,026	29,691,606	-	-	210,938,298	-	608,143,930
Certificates of deposit	-	-	-	664,897	-	-	664,897
Other liabilities	106,614,466	112,131,465	29,331,015	(591,486)	10,947,427	39,838,743	298,271,630
Provisions	31,988,291	1,709,232	6,675,379	-	-	225,357	40,598,259
	6,371,587,429	10,168,455,048	1,121,985,759	285,713,898	1,667,661,664	1,727,868,053	21,343,271,851
Currencies to be delivered	-	(591,355,635)	(63,400,556)	(49,108,003)	(205,181,612)	(290,674,648)	(1,199,720,454)
Currencies to be received	-	457,816,038	561,829,548	108,051,064	9,127,676	62,157,303	1,198,981,629
	-	(133,539,597)	498,428,992	58,943,061	(196,053,936)	(228,517,345)	(738,825)
Net exchange position	1,381,095,445	1,526,919,906	(20,430,751)	139,587,876	80,335,258	(106,656,872)	3,000,850,862

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Any foreign exchange forward swap transaction is either immediately covered or incorporated into the respective loan and deposit book (the banking book).

At the outset the Group's overall currency risk exposures is split into:

- Operational FX positions: The management of these risks is done via Trading books under the responsibility of the Global Markets Division.

- Structural FX positions: ALCO Committee decides on the level of the Structural FX positions to be held against the LBP denominated equity and foreign investment, to ensure proper hedging.

Treasury Department is responsible to monitor the compliance to the regulatory rations set by the regulatory authorities. ALCO Committee is notified by the Finance department of any breach.

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As at December 31st, 2014 - LBP'000	LBP	USD	Euro	GBP	AUD	Other	Total
FINANCIAL ASSETS							
Cash and deposits at central banks	943,539,901	2,442,614,438	158,190,610	839,547	34,871,458	692,735,399	4,272,791,353
Deposits with banks and financial institutions	246,682,848	1,011,675,692	151,535,701	137,704,578	102,203,396	51,377,867	1,701,180,082
Financial assets at fair value through profit or loss	801,070,813	264,796,407	1,447,949	60,935,465	-	-	1,128,250,634
Loans to banks	26,464,601	317,128,024	107,627,783	7,798,101	-	138,248,645	597,267,154
Loans and advances to customers	1,338,492,641	3,042,241,222	198,128,647	11,291,106	950,770,424	646,482,479	6,187,406,519
Loans and advances to related parties	2,401,683	71,738,428	7,255,370	102,970	7,955,409	15,279,130	104,732,990
Investment securities	3,658,137,651	3,477,205,422	163,398	-	620,236,792	-	7,755,743,263
Customers' liability under acceptances	-	284,038,209	46,927,846	557,712	-	50,760,101	382,283,868
Investments in an associate	-	37,679,064	-	-	-	-	37,679,064
Assets acquired in satisfaction of loans	966,632	22,368,481	-	-	-	-	23,335,113
Property and equipment	124,199,353	104,334	89,168	1,111,906	5,114,975	20,627,686	151,247,422
Goodwill	452,265	-	-	1,759,919	86,582,169	-	88,794,353
Other assets	27,445,065	23,447,605	(4,448,494)	(2,657,247)	8,841,198	977,877	53,606,004
	7,169,853,453	10,995,037,326	666,917,978	219,444,057	1,816,575,821	1,616,489,184	22,484,317,819
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	472,594,390	805,440,554	339,456,208	10,243,301	6,951,477	52,952,883	1,687,638,813
Customers' and related parties ' deposits at amortized cost	5,323,209,992	8,000,120,036	558,550,900	228,394,292	1,392,058,988	1,301,654,321	16,803,988,529
Liabilities under acceptance	-	284,038,209	46,927,846	557,712	-	50,760,101	382,283,868
Other borrowings	260,834,995	39,447,195	-	-	183,327,522	-	483,609,712
Certificates of deposit	-	-	-	682,016	-	-	682,016
Other liabilities	60,940,121	193,133,954	46,326,287	7,793,003	17,377,371	32,356,187	357,926,923
Provisions	20,632,909	11,640,519	516,918	-	-	173,139	32,963,485
	6,138,212,407	9,333,820,467	991,778,159	247,670,324	1,599,715,358	1,437,896,631	19,749,093,346
Currencies to be delivered	-	(533,351,912)	(26,740,397)	(795,740)	(150,731,107)	(244,785,953)	(956,405,109)
Currencies to be received	-	425,522,869	345,941,897	104,348,380	2,953,728	77,789,364	956,556,238
	-	(107,829,043)	319,201,500	103,552,640	(147,777,379)	(166,996,589)	151,129
Net exchange position	1,031,641,046	1,553,387,816	(5,658,681)	75,326,373	69,083,084	11,595,964	2,735,375,602

54. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with the current period's presentation.

Current Classification	Previous classification	Amount Reclassified LBP'000
Other liabilities	Deposits from banks and financial institutions	106,789,394

The changes have been made to improve the quality of information presented.

Notes to the consolidated financial statements

55. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The summary of the Group's classification of each class of assets and liabilities and their fair values are as follows:

As at December 31st, 2015 - LBP'000	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at:					
Fair value through profit or loss:					
Lebanese treasury bills	548,059,511	-	548,059,511	-	548,059,511
Lebanese Government bonds	248,196,667	-	248,196,667	-	248,196,667
Foreign government treasury bills	63,699,827	-	63,699,827	-	63,699,827
Certificates of deposit issued by the Central Bank of Lebanon	406,747,065	-	406,747,065	-	406,747,065
Quoted equity securities	12,754,113	12,754,113	-	-	12,754,113
Unquoted equity securities	43,611,721	-	-	43,611,721	43,611,721
	1,323,068,904	12,754,113	1,266,703,070	43,611,721	1,323,068,904
Financial assets through other comprehensive income					
Unquoted equity securities	6,802,277	-	6,802,277	-	6,802,277
	6,802,277	-	6,802,277	-	6,802,277
Amortized cost:					
Cash and deposits at central banks	4,803,172,663	-	4,803,172,663	-	4,803,172,663
Deposits with banks and financial institutions	1,988,649,306	-	1,989,979,418	-	1,989,979,418
Loans to banks	305,823,338	-	305,823,338	-	305,823,338
Loans and advances to customers	6,313,524,138	-	6,349,724,978	-	6,349,724,978
Loans and advances to related parties	94,099,113	-	95,137,684	-	95,137,684
Lebanese treasury bills	1,752,629,525	-	1,772,294,468	-	1,772,294,468
Lebanese Government bonds	3,691,461,329	-	3,605,809,709	-	3,605,809,709
Certificates of deposit issued by the Central Bank of Lebanon	2,582,218,582	-	2,599,022,783	-	2,599,022,783
Certificates of deposit issued by private sector	593,623,987	-	594,586,910	-	594,586,910
Bonds issued by financial private sector	15,906,156	-	15,195,600	-	15,195,600
Customers' liabilities under acceptances	292,582,504	-	292,582,504	-	292,582,504
Assets acquired in satisfaction of loans	26,874,037	-	42,457,682	-	42,457,682
Other financial assets	35,458,539	-	35,458,539	-	35,458,539
	22,496,023,217	-	22,501,246,276	-	22,501,246,276
Financial liabilities measured at:					
Amortized cost:					
Deposits from banks and financial institutions	1,730,893,221	-	1,689,574,982	-	1,689,574,982
Customers and related parties' deposits at amortized cost	18,372,171,410	-	18,473,254,969	-	18,473,254,969
Liabilities under acceptance	292,582,504	-	292,582,504	-	292,582,504
Other borrowings	608,143,930	-	608,143,930	-	608,143,930
Certificates of deposit	664,897	-	664,897	-	664,897
Other financial liabilities	217,829,604	-	217,829,604	-	217,829,604
	21,222,285,566	-	21,282,050,886	-	21,282,050,886

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As at December 31st, 2014 - LBP'000	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at:					
Fair value through profit or loss:					
Lebanese treasury bills	408,465,195	-	408,465,195	-	408,465,195
Lebanese Government bonds	185,955,503	-	185,955,503	-	185,955,503
Foreign government treasury bills	60,885,500	-	60,885,500	-	60,885,500
Certificates of deposit issued by the Central Bank of Lebanon	396,439,336	-	396,439,336	-	396,439,336
Quoted equity securities	12,906,890	12,906,890	-	-	12,906,890
Unquoted equity securities	45,615,067	-	-	45,615,067	45,615,067
	1,110,267,491	12,906,890	1,051,745,534	45,615,067	1,110,267,491
Financial assets through other comprehensive income					
Unquoted equity securities	5,482,757	-	5,482,757	-	5,482,757
	5,482,757	-	5,482,757	-	5,482,757
Amortized cost:					
Cash and Deposits at central banks	4,272,791,353	-	4,266,551,389	-	4,266,551,389
Deposits with banks and financial institutions	1,701,180,082	-	1,701,935,998	-	1,701,935,998
Loans to banks	597,267,154	-	608,373,566	-	608,373,566
Loans and advances to customers	6,187,406,519	-	6,202,397,369	-	6,202,397,369
Loans and advances to related parties	104,732,990	-	111,815,514	-	111,815,514
Lebanese treasury bills	2,368,353,363	-	2,389,909,379	-	2,389,909,379
Lebanese Government bonds	3,198,261,780	-	3,210,093,847	-	3,210,093,847
Certificates of deposit issued by the Central Bank of Lebanon	1,438,371,402	-	1,451,118,180	-	1,451,118,180
Certificates of deposit issued by private sector	35,850,103	-	35,405,153	-	35,405,153
Bonds issued by financial private sector	603,924,357	-	608,917,722	-	608,917,722
Customers' liabilities under acceptances	382,283,868	-	382,283,868	-	382,283,868
Assets acquired in satisfaction of loans	23,335,113	-	44,597,880	-	44,597,880
Other financial assets	24,513,659	-	24,513,659	-	24,513,659
	20,938,271,743	-	21,037,913,524	-	21,037,913,524
Financial liabilities measured at:					
Amortized cost:					
Deposits from banks and financial institutions	1,687,638,813	-	1,733,864,400	-	1,733,864,400
Customers and related parties' deposits at amortized cost	16,803,988,529	-	16,932,714,371	-	16,932,714,371
Liabilities under acceptance	382,283,868	-	382,283,868	-	382,283,868
Other borrowings	483,609,712	-	488,939,809	-	488,939,809
Certificates of deposit	682,016	-	682,016	-	682,016
Other financial liabilities	270,034,682	-	270,034,682	-	270,034,682
	19,628,237,620	-	19,808,519,146	-	19,808,519,146

Notes to the consolidated financial statements

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

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

As at December 31st, 2015	Date of Valuation	Valuation Technique and key Inputs
FINANCIAL ASSETS		
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity
Lebanese Government bonds	December 31, 2015	Average market price in inactive market
Foreign government treasury bills	December 31, 2015	Average market price in inactive market
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity
Lebanese government bonds	December 31, 2015	Average market price in inactive market
Certificates of deposit issued by the Central Bank of Lebanon in foreign currency	December 31, 2015	Average market price in inactive market
Unquoted equity securities	December 31, 2015	Management estimate based on unobservable input related to market volatility and liquidity treasury bonds, adjusted for illiquidity.
At fair value through other comprehensive income:		
Unquoted equity securities	December 31, 2015	Not valued
At amortized cost:		
Deposits at central banks	December 31, 2015	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater that one year and Libor based interbank rates for maturities less than one year by currency
Deposits with banks and financial institutions	December 31, 2015	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Loans to banks	December 31, 2015	DCF at a discount rate determined based on banks yield curve by currency
Loans and advances to customers	December 31, 2015	DCF at a discount rate extrapolated acrossthe maturity spectrum and in line with Beirut reference rates
Loans and advances to related parties	December 31, 2015	DCF at a discount rate extrapolated acrossthe maturity spectrum and in line with Beirut reference rates
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposit issued by the Central Bank of Lebanon in foreign currency	December 31, 2015	Average market price in inactive market
Certificates of deposit issued by the private sector	December 31, 2015	Management estimate based on observable input in inactive market
Bonds issued by financial private sector	December 31, 2015	Management estimate based on observable input in inactive market
Assets acquired in satisfaction of loans	December 31, 2015	Valuation made by bank's internal experts and/or external experts
FINANCIAL LIABILITIES		
At amortized cost:		
Deposits from banks and financial institutions	December 31, 2015	DCF at a discount rate determined base on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Customers' and related parties' deposits at amortized cost	December 31, 2015	DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon.
Other borrowings	December 31, 2015	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Certificates of deposit	December 31, 2015	DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon

Consolidated Financial Statements
Year ended December 31, 2015

Notes to the consolidated financial statements

As at December 31st, 2014	Date of Valuation	Valuation Technique and key Inputs
FINANCIAL ASSETS		
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity
Lebanese Government bonds	December 31, 2014	Average market price in inactive market
Foreign government treasury bills	December 31, 2014	Average market price in inactive market
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity
Lebanese government bonds	December 31, 2014	Average market price in inactive market
Certificates of deposit issued by the Central Bank of Lebanon in foreign currency	December 31, 2014	Average market price in inactive market
Unquoted equity securities	December 31, 2014	Management estimate based on unobservable input related to market volatility and liquidity treasury bonds, adjusted for illiquidity.
At fair value through other comprehensive income:		
Unquoted equity securities	December 31, 2014	Not valued
At amortized cost:		
Deposits at central banks	December 31, 2014	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater that one year and Libor based interbank rates for maturities less than one year by currency
Deposits with banks and financial institutions	December 31, 2014	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Loans to banks	December 31, 2014	DCF at a discount rate determined based on banks yield curve by currency
Loans and advances to customers	December 31, 2014	DCF at a discount rate extrapolated acrossthe maturity spectrum and in line with Beirut reference rates

Notes to the consolidated financial statements

Loans and advances to related parties	December 31, 2014	DCF at a discount rate extrapolated acrossthe maturity spectrum and in line with Beirut reference rates
Lebanese treasury bills	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.
Certificates of deposit issued by the Central Bank of Lebanon in foreign currency	December 31, 2014	Average market price in inactive market
Certificates of deposit issued by the private sector	December 31, 2014	Management estimate based on observable input in inactive market
Bonds issued by financial private sector	December 31, 2014	Management estimate based on observable input in inactive market
Assets acquired in satisfaction of loans	December 31, 2014	Valuation made by bank's internal experts and/or external experts
FINANCIAL LIABILITIES		
At amortized cost:		
Deposits from banks and financial institutions	December 31, 2014	DCF at a discount rate determined base on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Customers' and related parties' deposits at amortized cost	December 31, 2014	DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon.
Other borrowings	December 31, 2014	DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency
Certificates of deposit	December 31, 2014	DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon

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

The Directors consider that the carrying amounts of customers' acceptance liability, other assets, acceptances payable, certificates of deposit issued and other liabilities approximate their fair values due to the short-term maturities of these instruments.

56. 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 April 14, 2016.

Directory

Local Directory

Headquarters

Foch
Foch Street - Beirut Central District
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958000
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Reuters Dealing Code: BBDL
Reuters Page Code: BoB 01-05
Cable: BANBETMAL - Swift: BABELBBE

Head Offices

Bauchrieh
Mirna Chalouhi Blvd.
Facing Ettihad Gallery,
Antoine Abou Jaoudé Bldg, B115
P.O.Box: 11-7354 Beirut - Lebanon
Tel: +961 1 958000

Jdeideh
Baouchrieh (Jdeideh), Serail Street
Bank of Beirut s.a.l. Bldg.
P.O.Box: 11-7354 Beirut - Lebanon
Tel: +961 1 906000

Riyad El Solh
Beirut, Riyad El Solh Street
Bank of Beirut Bldg.
P.O.Box: 11-7354 Beirut - Lebanon
Tel: +961 1 958000

Local Branches

Achrafieh, Saydeh
Achrafieh Saydeh - Facing Saydeh Church
Tel: +961 1 958864
Premium Lounge: +961 1 958871 | +961 1 958 872

Achrafieh, Sioufi
Ghazalieh Street, Samaha Bldg.
Tel: +961 1 958564

Achrafieh, Ataya
Achrafieh Street, Green Park Bldg.
Tel: +961 1 958504

Ain El-Remmaneh
Camille Chamoun Blvd.
Ghannoum Street, Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958664

Al- Nahr
Al-Nahr Street, Mar Mikhael Area
Khatchadourian Bldg.
Tel: +961 1 906964

Aley
Aley Main Road, Mahmoud Bldg.
Tel: +961 1 906304

Amchit
President Sleiman Street
Tony Michel Issa Bldg.
Tel: +961 1 906324

Antelias
Antelias Square, Antelias Main Road
Tohme Bldg.
Tel: +961 1 906244

Baabda
Baabda-Al Saha, Henri Charles Saab Bldg.
Baabda District, Mount Lebanon
Tel: +961 1 907064

Ballouneh
Ballouneh Main Internal Road,
Adel Geryes El-Haddad Bldg.
Kesrouan, Mount Lebanon
Tel: +961 1 906364

Baouchrieh
Electricité du Liban Street
Yazbek & Madi Bldg.
Tel: +961 1 906404

Baouchrieh, Jdeideh
Serail Street, Bank of Beirut s.a.l. Bldg.
Tel: +961 1 906204

Baskinta
Baskinta Main Road, Georges Hobeika Bldg.
Tel: +961 1 906384

Batroun
Old main road, Beirut-Tripoli, near cathedral Saint Etienne
Tel: +961 1 907044

Bayada – Cornet Chahwan
Bayada - Cornet Chahwan Main Road
Near Resurrection Church, North Metn, Mount Lebanon
Tel: +961 1 906424

Beit El Chaar – Aoukar
Champville Roundabout, Tony Khoury Bldg.
Tel: +961 1 906344

Bourj Hammoud
Dora Blvd., Tchaghlassian Bldg.
Tel: +961 1 906444

Broumana
Broumana Main Road, Lodge Bldg.
Tel: +961 1 906464

Chehabieh
Darb El Souk - Mtoll
Chehabieh Main Road,
Khalil & Kassem Rkein Bldg.
Tel: +961 1 958984

Chiyah
Mar Mikhael Blvd., Tohme & Barrage Bldg.
Tel: +961 1 958604

Chtaura
Chtaura - Masnaa' Main Road
Tel: +961 1 906484

Corniche El Mazraa
Saeb Salam Avenue, Moumneh Bldg.
Tel: +961 1 958624

Deir El Zahrani
Deir El Zahrani Highway, Ashraf Ahmad Jamoul Bldg.
Nabatiyeh, South Lebanon
Tel: +961 1 958644

Dekwaneh
Slaf Street, Jean Mikhael Bldg.
Tel: +961 1 906504

Dhour El Choueir
Dhour El Choueir Main Street,
Elie Kassir Bldg.
Tel: +961 1 906534

Dora
Dora Square, Bank of Beirut s.a.l. Bldg.
Tel: +961 1 906264

Feytroun
Rayfoun, Faraya Highway, Kfardebian roundabout
Robert Abi Rached Bldg.
Tel: +961 1 906754

Foch, Main Branch
Foch Street, Beirut Central District
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958704

Ghazir
Ghazir Square, near Convent St. Francis
Tel: +961 1 906594

Ghobeiry
Ghobeiry Main Road, Bdeir & Co. Bldg.
Tel: +961 1 958524

Hamra, Gefinor
Clemenceau Fonciere Building, Clemenceau area Street 231
Facing Gefinor Center, GF
Tel: +961 1 958724

Hamra, Ras Beirut
Mme. Curie Street, Minkara Center, near Bristol Hotel
Tel: +961 1 958744

Hamra, Saroulla
Hamra Main Road, facing Saroulla
Tel: +961 1 958764

Hamra, Sidani
138 Sidani Street, near AUH entrance
Nawfal Bldg., Ground Floor
Tel: +961 1 958924

Hazmieh
Hazmieh Main Road, Accaoui Center
Tel: +961 1 906554

Jal El-Dib
Jal El-Dib Main Road,
Abou Jaoude & Hachem Bldg.
Tel: +961 1 906614

Jal El-Dib Square
Jal El-Dib Main Road
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 906634

Jbeil
Jbeil Main Road, Cordahi & Matta Center
Tel: +961 1 906694

Jbeil voie 13
Voie 13, Joseph Sfeir Center
Tel: +961 1 906714

Jounieh
Jounieh Square, A. & F. Al-Adem Bldg.
Tel: +961 1 906654

Jounieh, Ghadir
Bkerkeh Main Road, Boueri Bldg.
Tel: +961 1 906674

Kaslik
Kaslik, University Saint Esprit Bldg., Ground Floor
Tel: +961 1 906284

Kfarsaroun
Koura, Bank of Beirut s.a.l. Bldg.
Tel: +961 1 906774

Koraytem
Takieddine Solh Street
Hicham Nour Eldine Itani Bldg.
Tel: +961 1 958784

Mansourieh
Mansourieh Main Road, Salamil Bldg.
Tel: +961 1 906794

Mar Elias
Mar Elias Street, Kanafani Bldg.
Tel: +961 1 958804

Mazraa, Saeb Salam Boulevard
Corniche El-Mazraa, Saeb Salam Blvd.
Sharikat El-Maskan Bldg.
Tel: +961 1 958824

Mazraat Yachouh – Elyssar
Mazraat Yachouh, Bikfaya Main Road
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 906574

Palais de Justice
Adlieh Cross Point
Al-Ghazal Development Bldg.
Facing the House of Lawyers
Tel: +961 1 958844

Port of Beirut
Saifi Area, Compagnie de Gestion et
d'Exploitation du Port de Beyrouth Bldg.
Tel: +961 1 906734

Rabieh
Rabiya Center
Chucri Chammas Street, Zone 1
Tel: +961 1 906814

Riyad El-Solh
Riyad El-Solh Street
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958544

Sadat
Beirut, Hamra district, Sadat Street
Sadat tower building
Tel: +961 1 958904

Sidon
Riyad El-Solh Street
Rizkallah Bldg., Ground Floor
Tel: +961 1 958684

Sin El-Fil, Horsh Tabet
Marc 1 Center, Emile Gerges Lahoud Square
Tel: +961 1 906854

Sin El-Fil, Saydeh
Saydeh Street, Joseph & Michel Kahaleh Bldg.
Tel: +961 1 906834

Tariq El-Jdideh
Mufti Khaled Street,
Jamal Al Hariri & Fouad Toufik El Khawli Bldg.,
Ground Floor, Mazraa
Tel: +961 1 958584

Tripoli, Bank's Street
Abdel Hamid Karameh Street
Abdel Rahman Alameddine Bldg.
Tel: +961 1 906874

Tyre, Al-Ramel
Hay Al-Ramel, Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958964

Tyre, Sour
Tyre Main Road, Jal El-Bahr
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958944

Zouk Mikael
Zouk Mikael Main Road, Bsoussi Bldg.
Tel: +961 1 906914

Zouk Mosbeh
Jeita Highway
Tel: +961 1 906934

Smart Branches

Kfardebian
Kfardebian Main Street, facing municipality, Mehanna bldg.
Tel: +961 1 906754

Foch
Bank of Beirut s.a.l. Bldg.
Tel: +961 1 958720

Notre Dame de Secours
Notre Dame de Secours hospital, Jbeil
Tel: +961 1 906730

Gefinor
Hamra, Clemenceau Street, Gefinor Center
Block A, Ground Floor
Tel: +961 1 958739 | 40

Tannourine
Tannourine Governmental Hospital
Tannourine Al Tahta
Tel: +961 1 907056 | 57

International Directory

Subsidiaries

United Kingdom
Bank of Beirut (UK) Ltd.
17 A Curzon Street
London W1J 5HS, England (UK)
Tel: +44 20 7493 8342 | 6
Fax: +44 20 7408 0053
www.bankofbeirut.co.uk

Germany (UK subsidiary branch)
Bank of Beirut (UK) Ltd. - Frankfurt Branch
Grueneburgweg 2, 60322 Frankfurt, am Main, Germany
Tel: +49 69 915067710
Fax: +49 69 915067799
www.bankofbeirut.de

Australia (16 branches)
Bank of Sydney Ltd.
Australian Head Office
Sydney City Branch, Laiki Bank House
Level 4, 219-223 Castlereagh Street
2000 Australia, Sydney
Tel: +61 2 8262 9000
Fax: +61 2 9283 7723
www.banksyd.com.au

Branches

Cyprus
Bank of Beirut s.a.l - Cyprus Branch
Griva Digheni Street, Maximos Plaza
Tower 3, 3rd Floor, Office No.3303
P.O. Box: 59662 - 4011, Limassol, Cyprus
Tel: +357 25 814202 | 3 | 4 | 5 | 6 | 7 | 8
Fax: +357 25 814209

Sultanate of Oman s.a.l – Ghubrah
Bank of Beirut s.a.l. - Ghubrah Branch and Head Office
North Ghubrah, Way No.3815
Bank of Beirut Bldg. No.A10251
Tel: +968 24120999 | 903 | 899
Fax: +968 24494804

Sultanate of Oman – Shatti Al Qurum
Bank of Beirut s.a.l. – Shatti Al Qurum Branch
Way No. 3009, Shatti Al Qurum
Al Jawhara Bldg. 576, Block 3
Tel: +968 24696281 | 6294 | 7269
Fax: +968 24698769

Sultanate of Oman - Sohar
Bank of Beirut s.a.l. - Sohar Branch
Falaj Al Qabail, Bank of Beirut Bldg.
P.O Box: 487, Postal Code: 322
Tel: + 968 26750644 | 36 | 86
Fax: + 968 26750676

Sultanate of Oman - Muscat
Bank of Beirut s.a.l. - The Wave Branch
The Walk Bldg, Way No: 4, Bock 304, No: 132
Tel: +968 24283444
Fax: + 968 24283555

Sultanate of Oman - Barka
Bank of Beirut s.a.l. - The Barka Branch
South Al Batinah Barka, Somhan Block 957,
P.O Box: 221, Postal Code: 114,
Tel: +968 26982300 | 1 | 3, 26982333
Fax: +968 26982141

Representative Offices

United Arab Emirates
Bank of Beirut Dubai Representative Office
Emirates NBD premises
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Securities Entrance, 1st Floor
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Tel: +971 4 405 3292 | 4 | 5
Fax: +971 4 344 5976

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5 Alfred Rewane Street (formerly Kingsway Road)
Ikoyi, Lagos, Nigeria
Tel: +234 1 461 2688 | 9, +234 1 462 2589
Mobile: +234 803 367 1134
Fax: + 234 1 461 2689

Qatar
MOU Office
Doha Bank
D Ring Road Branch, 1st Floor
P.O. Box: 3818 Doha, Qatar
Tel/Fax: + 974 4425 7584
Mobile (office): + 974 5576 7135

Ghana
Dahoma Place Plot, Spintex Road
Accra – Ghana
Tel/fax: +233 302 813 651 | 3
Mobile: +233 546 696 969, +233 269 646 464