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SPREADING OUR BRANCHES

With solid roots, passionate family members, and a strive to achieve, IBL Bank is constantly evolving and spreading its strength across Lebanon and beyond...

Thank to our satisfied loyal customers, trustful correspondent banks and their continuous support, as well as the Board of Directors and the entire Group's staff with precious insights and efforts, IBL Bank is being continuously pushed towards higher summits, despite any surrounding challenge.

We keep providing the expertise of a large international Bank, effectively supporting customers in solving their problems, with special customized local solutions.

At the end, we enjoy our own success through the success achieved by our customers.

You are our dream. We are your dream makers.

IBL Bank, where your dreams count!

IBL BANK s.a.l.

IBL Bank & MEA Loan Agreement Ceremony

The Lebanese Economy continued during 2014 its timid growth, achieving a mere 2% real GDP growth far below its potential. It was normal that the Lebanese economy got negatively impacted, amidst the regional turmoil especially in neighboring countries on one hand, and the domestic political uncertainties on the other hand, which created a cautious environment for investments, tourism and the export driven sectors in Lebanon.


Salim Habib
Chairman General Manager

However, monetary conditions remained favorable and continued to prove their resilience, with BDL foreign currency reserves (excluding gold) reaching a new record high of USD 37.9 billion in December 2014, with the Foreign Exchange market seeing a stability on the Lebanese pound over the year. Hence, the ratio of foreign currency reserves to local currency money supply reached 80% in December 2014 showing the Central Bank's ability to defend the local currency

In these challenging economic conditions, the banking sector realized a moderate, yet satisfactory performance in 2014, as evidenced by: The commercial banks' Balance-Sheet increasing by 7% to reach USD 178 billion, mainly thanks to a continuously increasing deposits base. Total deposits in the Lebanese banking sector increased by USD 8.2 billion during 2014 to reach USD 144 billion while the dollarization ratio of deposits remained stable in 2014 at 66%.

In parallel, the banks' lending activity to the private sector recorded a continued growth to reach USD 50.9 billion in December 2014, meaning a USD 3.5 billion increase during the year. This growth was driven by the stimulus extended by BDL, which consisted of incentives to commercial banks to support several productive economic sectors .Here it is important to note that this growth did not come at the expense of asset quality, as Lebanese Banks' doubtful loans to total loans reached 3.6% in December 2014 comparing favorably to regional and international benchmarks.

Finally, at the profitability level, Lebanese Banks' net profit stagnated in 2014 with a 2.6% growth over the year.

In this context, IBL Bank registered a strong year 2014 over-performing the sector in most Key Performance Indicators, while continuing in its conservative strategy and strong risk management practices, as evidenced by:

IBL Bank's total assets growing by 10% in 2014, mirroring the Bank's total deposits increase of 10% in 2014. In parallel the Bank's loan book increased by 14% during the year. It is important to note that , thanks to IBL Bank's conservative approach, the Bank's net doubtful loans were totally covered by provisions, leading to a coverage ratio of 165%. In addition, the Bank has a strong liquidity as evidenced by IBL Bank registering the third highest net primary liquidity to deposits ratio in the alpha group according to Bankdata.

As a consequence of the Bank's strategic directions, IBL Bank realized an 11% growth in Net Income during 2014, leading to the Bank enjoying the highest Return on Average Equity (ROAE) and the third highest Return on Average Assets (ROAA) in the Lebanese banking sector according to Bankdata.

Finally, following to the Bank's healthy risk management framework, and the strong capitalization mainly constituted of core Tier 1 capital, IBL Bank is, as at December 2014, fully compliant with the Basel 3 accord and more so with the ratios required in 2015 by the local regulators. In fact, as at December 2014, the Bank's Common Equity Tier I Capital Ratio was 12.00%, the Tier I Capital Ratio was 13.87%, and the Total Capital Ratio was 13.90%.

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

Salim Habib
Chairman General Manager

HISTORY OF THE BANK

The Bank was incorporated on May 5, 1961, as a Société Anonyme Libanaise (joint stock Company) under the name of "Development Bank SAL" with a capital of LBP 8 million for a period of 99 years. In 1998, the majority of the Bank's shares were purchased by a group of Lebanese and foreign investors. A year later, in September 1999, the Bank acquired the total share capital of BCP Oriel Bank, and consequently all branches of the acquired bank are to this date operating under Intercontinental Bank of Lebanon (IBL Bank). Mr. Salim Habib has been Chairman-General Manager of the Bank since 1998. The current group of shareholders that took over the Bank in 1998 pursued a policy towards raising the Bank into one of the top national banks.

The Bank has achieved a significant growth in total assets as well as in the main components of its balance sheet, during the last years. Its total assets grew from U.S. $ 1,521 million in 2004 to reach U.S. $ 5,218 million at the end of 2014, resulting in an increase of almost 243 percent. The Bank's strong expansion in total assets since 2004 was accompanied by a considerable growth in its financial profits, with the net income reaching U.S. $59.5 million in the end of 2014, as compared to U.S. $ 10 million as at December 31, 2004, representing an increase of more than 495 percent

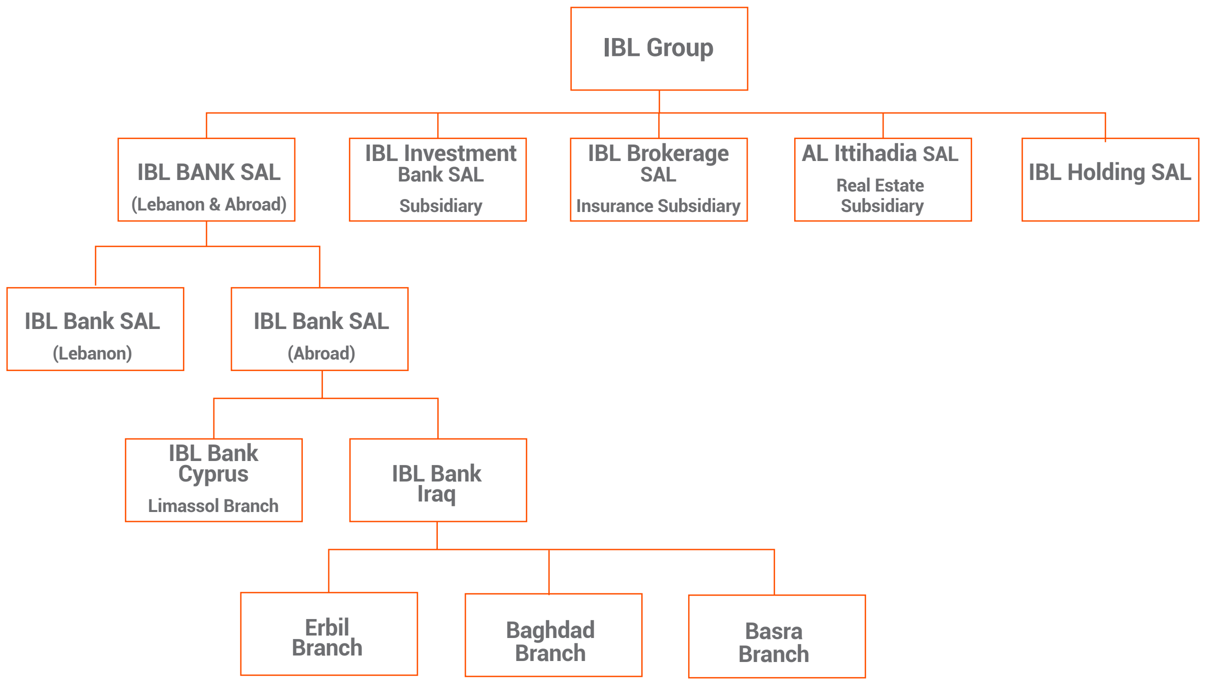
These results are driven by the continuing increase of the Bank's net interests and net commissions, as well as by the solid increase of the customers' base and deposits. Customers' deposits topped at U.S. $4,742 million in 2014 from U.S. $ 384 million in 2000. Furthermore, total Shareholders' Equity grew from U.S. $ 18 million as at December 2000 to U.S. $375.7 million as at December 2014, resulting in an increase of almost 1,987 percent. In addition, during 2008, the Board of Directors decided to change the Bank's name and logo from Intercontinental Bank of Lebanon to IBL Bank, in order to boost the Bank's positioning and Brand awareness.

In 2011, the Bank established IBL Investment Bank SAL (IBL Invest), a fully owned Lebanese specialized bank. IBL Invest aims to provide value-added investment banking services, meeting the needs of its clients and targeting new regional markets, namely the Gulf Markets. The main business line will be advisory, corporate finance and wealth management services. IBL Invest started its operations during the first quarter of 2011. The strong growth the Bank achieved since 1998 was coupled with and fostered by continuous investments in human capital, either organically through seminars, training sessions and effective Human Resources management or externally by recruiting skilled managers and dynamic young staff.

Amid its track record of solid growth, rigorous risk management and adequate Capital levels, the Bank is in the process of developing its local and regional network. Currently, the Bank has 20 active branches spread all over Lebanon, and 4 Branches abroad: the first in Europe (Cyprus -Limassol), and 3 Branches in Iraq (Erbil, Basra and Baghdad).

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

Group Structure



Knowing that the consolidated subsidiaries consist of the following:

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

IBL Bank is part of the Alpha Group of Banks and is ranked 11th in terms of total assets as at December 2014. IBL Bank main activities are focused on classical Banking services such as deposits, loans, trade finance, cash management as well as treasury via 20 Branches covering the Lebanese territory, in addition to a European Branch in Limassol/Cyprus and three Branches in Iraq located in Baghdad, Basra and Erbil.

Being concerned by offering universal Banking services, the IBL group launched in 2011 the IBL Investment Bank, having as main activities Private Banking, Investment Banking, and Asset Management.

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

Principles of Corporate Governance

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

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

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

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

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

The principles of corporate governance are well established in the Bank through the adoption of the Group's Corporate Governance Guidelines that were approved by the Board Risk Committee in August 2012, in compliance with Regulatory Requirements. In addition, there is proper delegation of responsibilities to key managers and to executive committees with clear cut segmentation of duties between Front and Back Office departments thus enhancing accountability. Finally executive board members are present in most of the Bank's Committees. In addition, in the Bank's structure, the Internal Audit and the Audit Committee are directly attached to the Board while the Risk Management Division is attached to the Chairman and is supervised by the Board Risk Committee. This structure allows proper independence to these two bodies in line with Corporate Governance principles.

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

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

- Audit Committee (Board of Directors Committee)
- Risk Committee (Board of Directors Committee)
- Remuneration Committee (Board of Directors Committee)
- Senior Credit Committee
- Junior Credit Committee
- Retail Credit Committee
- Compliance Committee
- ALCO Committee
- IT Security Committee
- Management Committee
- IT Committee
- Procurement Committee
- Follow-up Committee for Branches Abroad
- Organization and Methods Committee
- Change Management Committee

BOARD OF DIRECTORS

The current members of the Board of Directors of IBL Bank sal were elected at the meeting of the Ordinary General Assembly held on June 12,2014 and serve for a term expiring on the date of the Ordinary General Assembly that will examine the accounts and activity of the financial year 2016. The Board of Directors of IBL Bank sal comprises the following Directors:

Mr. Salim Y. Habib	Chairman, General Manager
His Excellency **Mr. Elie N. Ferzli**	Member of the Board Chairman of the Remuneration Committee Member of the Audit Committee
His Excellency **Dr. Mohammad Abdel Hamid Baydoun**	Member of the Board Member of the Audit Committee
Mr. Kamal A. Abi Ghosn	Member of the Board Deputy General Manager Member of the Risk Committee
Prince Sager Sultan Al Sudairy	Member of the Board
MM. Bicom SAL. Holding (Represented by **Mr. Mazen El Bizri**)	Member of the Board Member of the Risk Committee
Me. Mounir Kh. Fathallah	Member of the Board Chairman of the Audit Committee
Mr. Tony N. El Choueiri	Independent Member of the Board Chairman of the Risk Committee Member of the Audit Committee
His Excellency **Me Abdel Latif Y. El Zein**	Independent Member of the Board (Elected on June 11,2015) Member of the Remuneration Committee
Me Rizkallah J. Makhlouf	Non-Executive Member of the Board (Elected on June 11,2015) Member of the Remuneration Committee
Me. Ziad Ch. Fakhoury	Secretary of the Board

LEGAL ADVISORS AND AUDITORS

Cabinet Me. Rizkallah Makhlouf **Me. Rizkallah Makhlouf**	Legal Advisor-Lebanon
Fakhoury & Fakhoury Law Firm *(Chawki Fakhoury & Associates)* **Me. Ziad Fakhoury**	Legal Advisor-Lebanon
Etude Michel Tueni **Me Michel Tueni**	Legal Advisor-Lebanon
Cabinet Me Mamoun Mahmoud Al Khadi **Me Mamoun Al Khadi**	Legal Advisor - Iraq
Airut Law Offices **Me Charles Airut**	Legal Advisor - Iraq
Chrysses Demetriades & Co LLC *Advocates Legal consultants*	Legal Advisor - Cyprus

MM. Deloitte & Touche.	External Auditors-Lebanon
MM. DFK Fiduciaire du Moyen-Orient	External Auditors-Lebanon
MM. Adel Alhassoun & Co *CPA's & consultants*	External Auditors-Iraq
MM. Deloitte Limited	External Auditors-Cyprus

GENERAL MANAGEMENT

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Director - Deputy General Manager
Mr. Nakhlé Khoneisser	Assistant General Manager Head of Treasury and Capital Markets
Mr. Rodolphe Atallah	Assistant General Manager Head of Operations development
Mr.Samir Tawilé	Senior Manager Head of International Banking Division
Mrs. Dolly Merhy	Senior Manager Head of Accounting & Finance
Mrs. Tania Tayah	Senior Manager Head of Risk Management
Mr. Gaby Mezher	Senior Manager Head of Internal Audit
Mr.Habib Lahoud	Senior Manager Head of Retail Banking Division
Mr. Ghassan El Rayess	Deputy Senior Manager Head of Corporate Banking
Mr. Khalil Salameh	Manager Head of Human Resources
Mr. Karim Habib	Manager Head of Financial Control
Mr. Antoine Achkar	Manager Head of Recovery Department
Me. Joe Boustany	Manager Head of Compliance Department

Mr. Walid El Helou	Manager Operational Development
Mr.Naim Bassil	Alternate Manager
Mr. Elie Hlayel	Head of Information Technology
Mr. Esber Wehbé	Head of IT Audit
Mrs Lina Abou Jaoudé	Head of IT Security
Mr. Habib Bou Merhi	Head of Operations - Trade Finance
Mr. Charbel Eid	Senior Operations manager - Iraqi branches Head of Organization and methods - HO
Miss Ishtar Zulfa	Manager Head of Erbil branch Iraq
Mr. Michel Assaf	Manager Head of Baghdad branch Iraq
Mr. Ramzi Chehwan	Manager Head of Basra branch Iraq
Mrs Ghada Christofides	Manager Head of Limassol branch Cyprus

Board of Directors

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Member
IBL Bank sal	Member
Me. Ziad Fakhoury	Secretary of the Board

Legal Advisors And Auditors

Cabinet Me. Rizkallah Makhlouf	Me. Rizkallah Makhlouf Legal Advisor - Lebanon
Cabinet Abou Sleiman & Partners	Me Randa Abou Sleiman
MM. Deloitte & Touche	External Auditors
MM. DFK Fiduciaire du Moyen-Orient	External Auditors

General Management

Mr. Salim Habib	Chairman General Manager
Mr. Rodolphe Atallah	Assistant General Manager
Mr. Moussa El Kari	Manager Head of Private Banking

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

Audit Committee (Board of Directors Committee)

The Audit Committee is a Board Committee composed of three members of the Board of Directors. It ensures the existence and the regular enhancement of an adequate system of internal controls. It reinforces the internal and the external audit and ensures the compliance with International Auditing Standards. It reviews all the audit activity reports and discusses the significant recommendations and management plans for their implementation. It revaluates and recommends improvements on the measurement system for assessing the various risks of the Bank. The Audit Committee reviews also the Bank's contingency plan and ensures the implementation of the operational risk management framework.

Risk Committee (Board of Directors Committee)

The Risk Committee's objective is to assist IBL Board of Directors in implementing the BOD mission such as planning the risk profile, setting the risk appetite and tolerance , approving and reviewing the risk framework and policies, reviewing the risk reports and overseeing the development of the risk function within the Group.The Committee is composed of one executive member of the Board of Directors and two non-executive members.The Head of Risk Management will act as coordinator and assist the Committee in planning and organizing its work.The Committee recommends to the Board the parameters of the Bank's risk management framework in line with the Committee's objective set above.

Remuneration Committee (Board of Directors Committee)

The main role and function of the Remuneration Committee is to assist the Board of Directors in developing a fair and transparent procedure for setting policy on the overall human resources strategy of the Bank and the remuneration of Directors and senior management, and for determining their remuneration packages on the basis of their merit, qualifications and competence.The Committee includes three independent non-executive directors and will meet at the demand of its Chairman. It will be considered validly convened if attended by the three members.

Management Committee

The Management Committee acts as an advisory body to the Chairman General Manager on all issues relating to the Bank's general policies. The Management Committee meets a least once a month. It ensures the day-to-day management of the Bank according to prevailing laws, rules, regulations, best practices as well as the effective management of operational risks arising from inadequate or failed internal processes, people and systems or from external events. It proposes to the Board of Directors the Bank's medium and long-term goals and strategies, and the business plan for achieving these goals, and recommends the improvement of the Bank's organization structure in case of need.

Asset-Liability Committee (ALCO)

The ALCO is responsible for setting up and supervising the implementation of an asset-liability management policy, which the Treasury is responsible for executing. ALCO's primary objective is to oversee the management of the balance sheet structure and liquidity, monitor the market risk levels, analyze the Bank's financial ratios and the reports on the sources and utilizations of funds, and maximize income from interest spread and trading activity within the approved risk and gap parameters. The ALCO is also responsible for assessing market conditions according to economic and political developments.

Senior Credit Committee

The Senior Credit Committee sets up the framework for credit risks, economic sectors distributions, classification and provisioning policies, subject to the Board of Directors approval. It is in charge of studying credit applications that exceed the limits of the Junior Credit Committee, loans to financial institutions, recovery processes and credit products proposals. In addition, this committee has for responsibilities to review and take decisions on cases handed over by the commercial banking department (SME, Corporate, Retail) or the recovery department, and follow up on cases handed over to the Legal Department, recommend actions on cases, approve settlements, and propose adequate provisions.

Junior Credit Committee

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

Retail Credit Committee

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

Compliance Committee

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

IT Security Committee

The IT Security Committee is responsible for the human security within the Bank's premises. It works together with the Internal Audit department to make sure all IT security rules are well applied. It implements and monitors security plans and applies the used norms to ensure the correct distribution of tasks among employees. It monitors also the IT security systems and rules as well as the emergency plans. It deals with any security breach and takes appropriate measures to avoid facing it another time.

IT Committee

The mission of the IT committee is to set the IT strategy. It should establish and apply a structured approach regarding the long-range planning process, which should take into account risk assessment results, including business, environmental technology and human resources risks.

Procurement Committee

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

Follow-up Committee for Branches Abroad

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

Organization and Methods Committee

The role of the Organization and Methods Committee is to review the process modeling and to settle on the right solutions. It suggests the policies and procedures to be applied, optimizes the organization of the Bank, and simplifies the procedures with respect to delegations and formal controls, and reviews the structures with the new technologies and products introduced by the Bank.

Change Management Committee

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

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

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

Retail Banking

The Bank's management believes that retail banking is an efficient way to diversify earnings and risk, as well as a mean to consolidate its relationship with all its customers, and consequently emphasizes and focuses on this business line. The retail department has been consistently empowered with Human Capital and has been introducing new products ranging from bancassurance to retail loans to deposits programs, which are regarded as less risky and high yielding. In keeping with this strategy, our number of ATMs across the country has reached 33 and 6 abroad. Our branch network likewise grew in 2014 to reach 20 local branches, a branch in Limassol, Cyprus, 3 branches in Iraq: one in Erbil, one in Baghdad, and one in Basra.

Commercial Banking and Trade Finance

The Bank provides its clients with a full range of commercial banking services and products, in addition to trade finance services through its network of international correspondent banks. The Bank's loans are mainly granted in Foreign Currency, and are denominated predominantly in US Dollars, having either a maturity of up to one year with the possibility of renewal, or term loans with generally an interest re-pricing period of 1 year.

Treasury and Capital Markets Operations

The Bank's Treasury operations consist of managing and placing the Bank's liquidity. The Treasury department invests those funds with prime international banks as well as with the Central Bank of Lebanon and other Lebanese banks. The Bank , in the course of its activity on the interbank market, defines individual limits per bank, and deals only with prime banks. The Bank provides its customers with securities brokerage and trading activities.

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

The following key principles support our approach to risk and capital management:

• The Board of Directors has the overall responsibility of determining the type of business and the level of risk appetite that the Bank is willing to undertake in achieving its objectives.

• Up-to-date policies, procedures, processes and systems to allow the execution of effective risk management.

• The relevant committees' structure enhances the approval and review of actions taken to manage risk.

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

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

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

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

A. Credit Risk Management

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

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

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

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

The Bank has set up clear processes for credit approval that include credit policies and procedures with clear credit concentration limits, approval limits depending on the size of business and/or the size of the credit line as well as credit risk mitigation techniques. Commercial and Corporate lending are largely centralized at Head Office and sanctioned by a Senior and a Junior credit committee depending on the exposure.

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

B. Market Risk Management

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

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

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

C. Liquidity Risk Management

Liquidity Risk is the risk to the Bank's earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity is managed to address known as well as unanticipated cash funding needs.
The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposits withdrawals and loan disbursement, participations in new investments and repayment of borrowings.

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

D. Operational Risk Management

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

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

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

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

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

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

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

E. Stress Testing and ICAAP

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

Stress tests are part of the ICAAP and an important tool for analysing the Bank's risk profile. They contribute to the setting and monitoring of "risk appetite" and ensure adherence to regulatory requirements.

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

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

CAPITAL ADEQUACY RISK MANAGEMENT

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

The Bank's policy aims to ensure that it maintains an adequate level of capital to support growth strategies and to meet market expectations and regulatory requirements. As at December 31, 2014 IBL maintains a ratio of 13.90% .

The Professional Practice Framework

- New Definition of IA
- Code of Ethics
  - Integrity
  - Objectivity
  - Confidentiality
  - Competency
- Standards For The Professional Practive of IA
  - Mandatory Guidance
  - Advisory Guidance
  - Practical Guidance

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

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

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

Internal Audit Function

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

Characteristics Used By The Internal Audit Department

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

Role Of Internal Audit

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

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

Risk Based Internal Auditing

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

Internal Audit Responsibilities

• Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Bank's objectives and goals to be met.

• Reports risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the Bank's operations, in terms of both efficient and effective performance.

• Evaluates information security and associated risk exposures.

• Maintains open communication with the management and the audit committee.

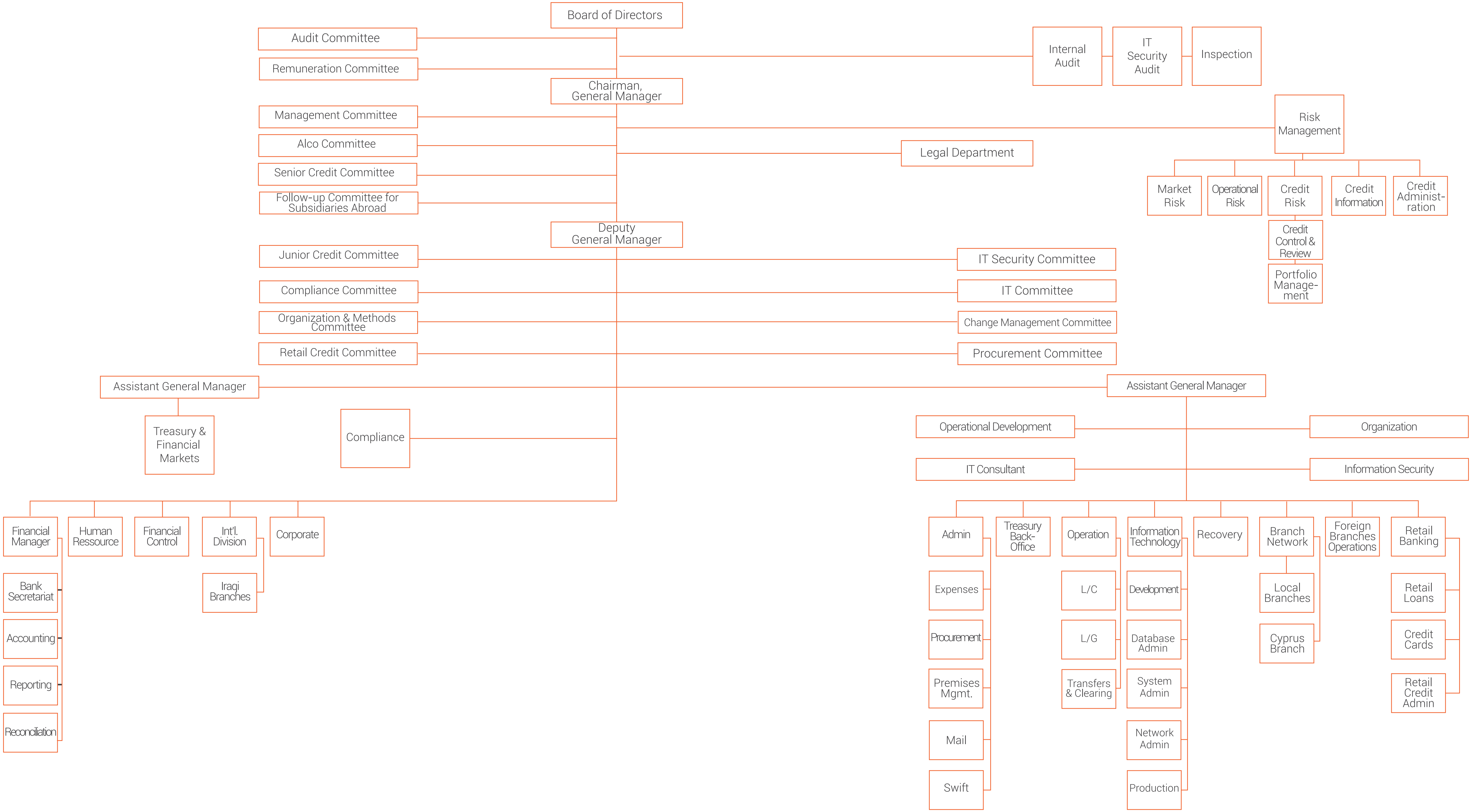
Audit Committee

Relationship between Internal Audit and Audit Committee:

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

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

ORGANIZATIONAL CHART



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

Corporate Social Responsibility: At IBL Bank, we are driven by the belief that being a Leading bank we have to be a responsible citizen. As such, the Bank has launched many CSR initiatives during the year:

• **Environment:** IBL Bank's commitment to sustainable growth and the protection of the environment, is highlighted by the Bank being the leader in financing Energy efficient projects and in the Bank's continuous support and actions to help energy efficient programs and actions.

• **Supporting Sports Events:** Our belief that sports circulates important values in our community and strengthen its links while personalizing our motto, IBL Bank supported many events, mainly: the Champville Basket-Ball team, Beirut Marathon and Tripoli Marathon

• **Supporting Culture:** Our commitment in favor of cultural, artistic and touristic events, is a continuing tradition which stems from our aspiration to offer our support to affirm the cultural vocation of Lebanon. IBL Bank continued to be the main sponsor of Byblos International Festival, who is seen as the most renowned and respected Cultural Festival not only in Lebanon but also in the Middle-East. In addition, during 2014, we supported many cultural events as Batroun Festival, Ehmej Festival, Heart-Beat, Night of the Adeaters to name a few.

Corporate Campaign: IBL Bank launched during 2014 a corporate campaign based on our motto "Where your dreams count". The results of this campaign were highly satisfactory as the bank scored amongst the highest reach and ratings in the post-campaign evaluation.

Accelerate 2014: IBL Bank took part in the BDL Accelerate event held in the Forum de Beyrouth. Banque du Liban Accelerate 2014 brought together over 50 startup industry veterans from around the world to put together Blueprints for Success for 1,000 international entrepreneurs, investors, and professionals. By supporting young talents and innovators, IBL Bank lives up to its motto of IBL Bank, Where your dreams count!

Lebanese Dental Association (LDA): The Bank signed a tri-partite protocol with the LDA and the Lebanese Center for Energy Conservation (LCEC) through which all dentists are pre-approved for a solar water heater loan at 0% interest thanks to BDL subsidy

Branches Network: The Bank acquired a license to open a new branch in Beirut, in Sioufi district. The new branch started its operation during 2014, where we held a grand opening with clients and friends

Finally, during this year, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, 2014 was rich in investments in training and the recruitment of new talents as we make sure to manage our Human Resources in the most effective and efficient manner. Consequently, given our emphasis on staff professional development, over 93 managers and staff, assisted to 151 different external seminars throughout the year in Lebanon and abroad, not counting the continuous internal effort of training and skills enhancement of our staff.

The Compliance Department's ultimate goal is to ensure the application of the regulations drawn by the legislators, regulators and its board of directors; it plays an essential role in helping to preserve the integrity and reputation of the Bank.

• AML & CFT have always been a key consideration to IBL Bank. Within the Compliance Department, the AML unit bears the responsibility for ensuring that the bank's clients act within the law and don't use the bank for illegal activities, such as money laundering or funding terrorism. AML Unit team ensures this commitment by using international automated systems regarding all types of banking transactions, filtering and screening tools.

• Since Legal/Regulatory compliance is of the utmost importance in maintaining the bank's integrity and reputation, and thus, sustain the healthy growth of business, the Legal/Regulatory Compliance Unit was established in order to ensure that IBL's activity adhere, strictly, with local and international laws and regulations.

Accordingly, the Legal/Regulatory Unit aims to monitor, control the application of laws and regulations and hence, to implement good business legal standards relevant to IBL's business and prevent legal and reputational risks that could arise as a result of failing to comply with the provisions of laws and regulations.

There are a number of substantial changes being made by financial regulators, governments and banks to ensure the protection and long-term safety of both the financial system and our customers' interests.

One of these regulations is the Foreign Account Tax Compliance Act (FATCA), effective as of 1 July 2014. This legislation administered by the United States government encourages better tax compliance by preventing US persons from using non-US financial organizations and foreign entities to avoid US taxation on their income and assets.

IBL is proud of its commitment to being fully FATCA-compliant in all countries where we operate.

"A Compliance department can be expensive unit to operate, but non-compliance can be more costly."

Byblos International Festival

For the 6th consecutive year, IBL Bank is proud to be the official sponsor of the Byblos International Festival 2015. This partnership comes in a natural strive to support art, talents, and the Lebanese cultural heritage along with its rich nightlife that we, Lebanese people, strive to maintain despite all challenges.

Every evening of the festival, IBL Bank welcomed its guests in its classy lounge overlooking the magnificent bay of Jbeil, with drinks and bites offered in the most delectable ambience, as well as a picture taken by the "SharingBox" machine distributed as a souvenir of the evening.

Heartbeat

IBL Bank is proud to support the Heartbeat association, by being the bronze sponsor of its annual fundraising gala dinner held in April.
For the third consecutive year, IBL is having this heart-warming opportunity to help in realizing the dreams of hundreds of children, their parents and medical team.

ALBA “portes ouvertes”

IBL Bank welcomed students attending the Alba open doors event with a stand explaining about its Educational Loan as well as all other interesting accounts and innovative products.

USJ 140 years celebration

IBL Bank's booth welcomed all passers by to come take a free printed souvenir picture during the festive weekend celebrating the 140 years of Université Saint Joseph in Monot.

Kermesse Champville

Once again, IBL Bank reiterates its support to the Champville school kermesse, with a special stand during the festive weekend.

Marathon Tripoli

Tripoli Half Int'l Marathon is a combination of three different races. 21k, 7k and 3k Children's Race. IBL bank is supporting this race who took place on May 10, for being the biggest sports event in the north.

Beirut Marathon 2014

This year, IBL Bank team members joined forces for the good cause, participating in the Beirut Marathon on November 9, 2014. This active participation comes in line with IBL Bank's commitment to support The BEIRUT MARATHON Association's mission, which is to passionately organize running events that inspire unity, positively change lifestyles, promote wellness, and provide an experience of challenge, achievement, joy, and glory; for the benefit of Lebanon.

Dream Account

IBL Bank launched an innovative product on the Lebanese market, by creating the first instantly rewarding new fresh money account opening: The Dream Account. The TVC showing young children dreaming for the best gift to offer their father and planning to change the mother's "to do list", invited new clients to open a Dream Account before 31/01/2015, in USD or LBP, in order to benefit from an instant 500$ gift minimum!

Night of the AdEaters

For the 6th consecutive year, IBL Bank welcomed every adeater to his major main sponsor stand at the entrance of the Unesco Palace offering a free printed picture to hang as a fridge magnet.
Thank to the highest technology of its "Sharing Box", everyone could strike a creative pose seeing himself on the screen and then printing it immediately to take home! Let the good creative ambience roll!

Accelerate 2014

On Nov 20-21, 2014 IBL BANK took part in the BDL Accelerate event held in the Forum de Beyrouth.
Banque du Liban Accelerate 2014 brought together over 50 startup industry veterans from around the world to put together Blueprints for Success for 1,000 international entrepreneurs, investors, and professionals.

Beirut Energy Forum

For the fourth consecutive year, IBL Bank participated in the Beirut Energy Forum, promoting its Green Loans. Our mission at IBL Bank is to make a positive change in our local community by contributing in preserving the dream of a green Lebanon.
Through IBL Bank's ongoing care for nature, our clients can rely on our support along with our collaboration with the UNDP (United Nations Development Programme), to realize any eco-friendly project.

New SIOUFI Branch Opening

2014 witnessed the creation and implementation of a new IBL Bank branch in Sioufi, Achrafieh.
This expansion comes in line with the bank's constant progress and it will to provide its customers with the best service possible, by being closer to their main home and business locations, while welcoming them with modern and comfortable facilities.

Management Analysis

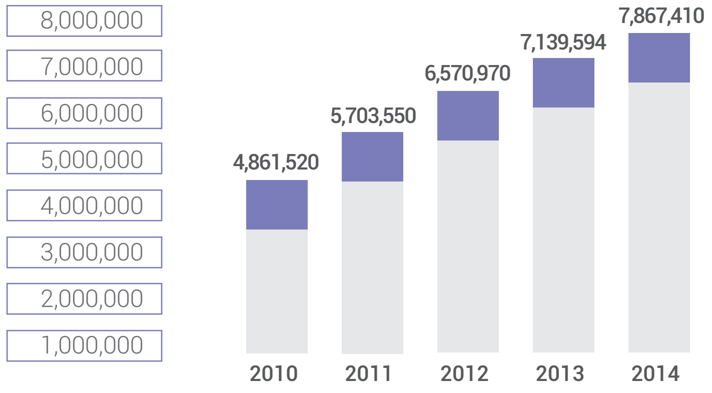
IBL Bank - Balamand Branch

	As at 31 December (In Millions of LBP)				As at 31 December (In Millions of LBP)				
	2014	% GROWTH 2013/2014	2013	% GROWTH 2012/2013	2012	% GROWTH 2011/2012	2011	% GROWTH 2010/2011	2010
Total Assets	7,867,410	10.19	7,139,594	8.65	6,570,970	15.21	5,703,550	17.32	4,861,520
Customer Deposits	7,149,142	10.28	6,482,583	8.13	5,995,254	15.45	5,192,853	17.53	4,418,332
Shareholders' Equity	566,368	12.19	504,848	12.12	450,286	11.74	402,971	22.20	329,767
Loans & Advances to Customers & Related Parties	1,542,951	13.83	1,355,488	3.86	1,305,121	38.02	945,573	27.73	740,288
Income for the Year	89,593	10.72	80,917	14.28	70,807	14.57	61,800	14.40	54,022
Liquidity Ratio in LBP	102.36%		101.69%		102.50%		102.82%		105.97%
Liquidity Ratio in FCY	72.53%		73.57%		69.87%		74.52%		74.28%
Liquidity Ratio in LL & FCY	85.43%		85.63%		84.59%		87.04%		90.15%
Return on Average Assets	1.19%		1.18%		1.15%		1.17%		1.23%
Return on Average Equity	16.70%		16.94%		16.70%		16.84%		17.41%

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

TOTAL ASSETS

Total Assets (In millions of LBP)				
2010	2011	2012	2013	2014
4,861,520	5,703,550	6,570,970	7,139,594	7,867,410



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

IBL Bank's consolidated assets amounted to LBP 7,867,410 million as at 31 December 2014 as compared to LBP 7,139,594 million as at 31 December 2013 reflecting a year-on-year increase of 10.19% compared to an increase of 6.60% in the Lebanese Banking sector.

At the end of 2014, IBL Bank's presence abroad consisted of one branch in Cyprus (Limassol) and three branches in Iraq (Erbil, Baghdad and Basra).

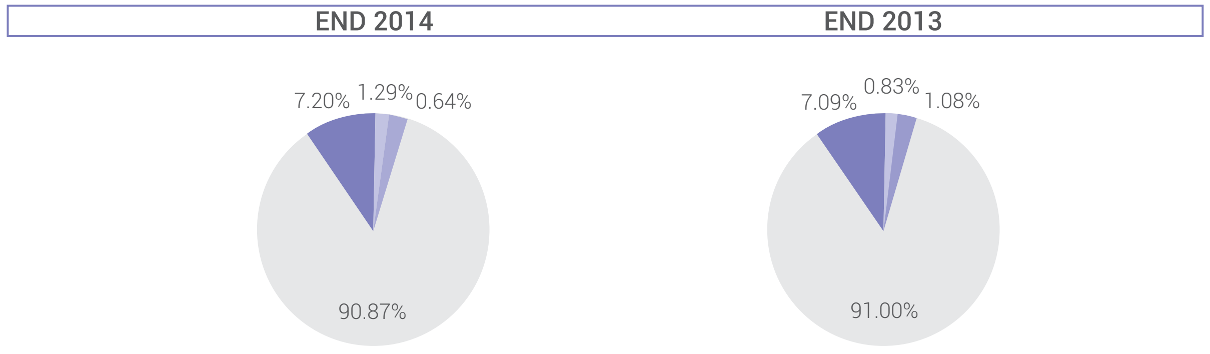
The share of foreign entities in total assets constituted 2.37% as at 31 December 2014 compared to 2.32% as at 31 December 2013.

Similar to last year, the participation of IBL Investment Bank in total consolidated assets remained at the same level of 3.92% as at 31 December 2014 .

The contribution of foreign currency denominated assets in total assets witnessed a slight decrease as at 31 December 2014 to 53.75% of total assets from 54.16% as at 31 December 2013.

SOURCES OF FUNDS

Sources of funds (Amounts in Millions of LBP)	End of year 2014		End of year 2013	
	Amount	%	Amount	%
Deposits from banks and financial institutions	50,070	0.64%	76,977	1.08%
Customer's and related parties accounts	7,149,142	90.87%	6,482,583	91.00%
Shareholder's equity	566,368	7.20%	504,848	7.09%
Other liabilities	101,830	1.29%	75,186	0.83%
	7,867,410	**100.00%**	**7,139,594**	**100.00%**



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

Similar to all other banks in Lebanon,the principal source of funding is customer's and related parties accounts which represented as at 31 December 2014, 90.87% of total sources of funds as compared to 91.00% as at 31 December 2013.

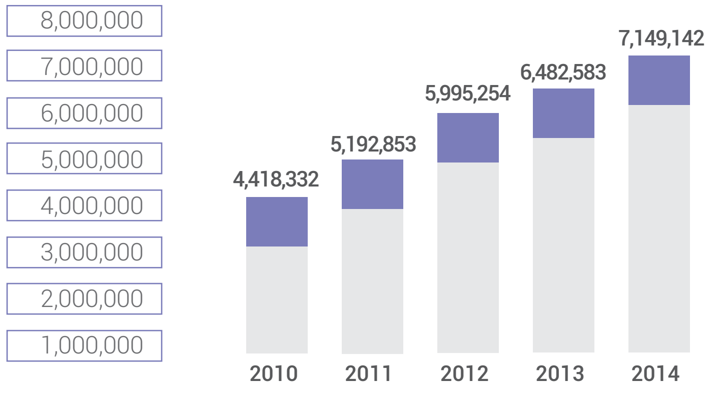
As at 31 December 2014, shareholder's equity constituted 7.20% of total sources of funds ,while the share of banks and financial institutions accounted for 0.64% and other liabilities comprised 1.29%.

Interest-bearing liabilities as a share of total liabilities remained almost unchanged and represented 91.51% as at 31 December 2014 as compared to 91.88% as at 31 December 2013.

In absolute terms, interest bearing liabilities stood at LBP 7,199,212 million as at 31 December 2014 as compared to LBP 6,559,560 million as at December 2013, registering a growth of 9.75% over the year.

CUSTOMER'S AND RELATED PARTIES ACCOUNTS

Customer's and Related Parties Accounts (In millions of LBP)				
2010	2011	2012	2013	2014
4,418,332	5,192,853	5,995,254	6,482,583	7,149,142



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

As at 31 December 2014, customer's and related parties accounts represented 90.87% of the total sources of funds as compared to 91.00% as at 31 December 2013.

Customers'deposits recorded an increase of 10.28% during 2014 to reach LBP 7,149,142 million as at 31 December 2014 compared to LBP 6,482,583 million as at 31 December 2013, while the average increase in the Alpha group of Banks was 7% according to Bankdata.

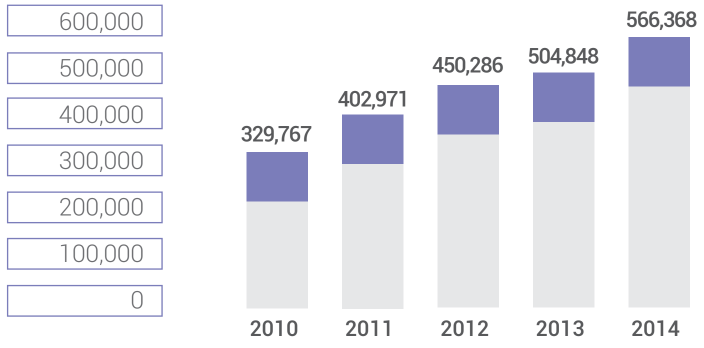
Total customers' deposits went up by LBP 666,559 million given the expansion of deposits denominated in foreign currencies by LBP 350,190 million and in domestic currency by LBP 316,369 million

The dollarization rate of deposits was not impacted by the economic and political tensions in Lebanon. In fact, the share in total deposits of customers' and related parties accounts denominated in LBP remained almost unchanged with a slight increase from 43.00% as at 31 December 2013 to 43.42% as at 31 December 2014.

The composition of customers' and related parties accounts remained also unchanged. They were comprised of term deposits consisting of of 82.82% of total customers' and related parties accounts as at 31 December 2014 compared to 82.10% as at 31 December 2013.

SHAREHOLDERS EQUITY

Shareholders Equity (In millions of LBP)				
2010	2011	2012	2013	2014
329,767	402,971	450,286	504,848	566,368



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

IBL Bank's Shareholders' Equity, as at 31 December 2014, stood at LBP 566,368 million compared to LBP 504,848 million as at 31 December 2013, reflecting an increase of 12.18%, and bringing its contribution to total sources of funds to 7.20% from 7.09% as at 31 December 2013.

In line with the Bank's strategy of growing at a steady pace, the increase in Shareholders' Equity was mainly attributed to retained profits of the year 2013 amounting to LBP 52,761 million after dividend distribution.

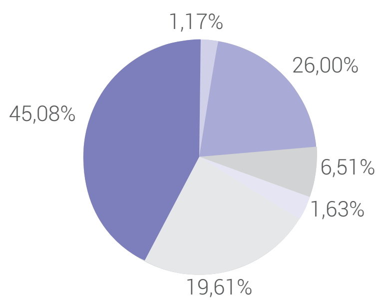
Tier I capital which is the main source of equity comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings and general reserves. Tier I capital increased by 12.12% to LBP 556,113 million by the end of 2014 following an increase of 12.01% by the end of 2013.

Tier II Capital is composed of asset revaluation surplus and reserves for assets acquired in satisfaction of debts .They increased from LBP 8,861 million as at 31 December 2013 to LBP 10,255 million as at 31 December 2014.

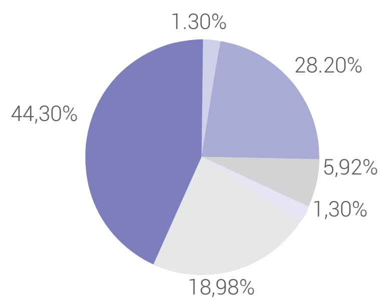
USES OF FUNDS

Uses of funds (Amounts in Millions of LBP)	End of year 2014		End of year 2013	
	Amount	%	Amount	%
Cash and Deposits with Central Banks	2,045,894	26.00%	2,013,563	28.20%
Deposits with Banks and Financial Institutions	512,348	6.51%	422,874	5.92%
Loans to Banks and Financial Institutions	128,561	1.63%	92,554	1.30%
Loans and Advances to customers and related parties	1,542,951	19.61%	1,355,488	18.98%
Investment Securities	3,546,739	45.08%	3,162,605	44.30%
Other Assets	90,917	1.17%	92,510	1.30%
	7,867,410	**100.00%**	**7,139,594**	**100.00%**

END 2014



END 2013



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

Maintaining a high asset quality and a strong portfolio of investments is pivotal to IBL Bank's strategy. This is reflected in the return on average assets ratio which stood at 1.19% as at 31 December 2014 as compared to 1.18% as at 31 December 2013.

IBL Bank is ranking Third between the Alpha Group of Banks in terms of Return On Average Assets ratio according to Bank Data. "Cash and Deposits with Central Banks" constituted 26.00% of total assets as at 31 December 2014 compared to 28.20% as at 31 December 2013.

The share of "Deposits with Banks and Financial Institutions" to total assets increased from 5.92% as at 31 December 2013 to 6.51 % as at 31 December 2014. "Loans to banks and Financial Institutions" as at 31 December 2014 constituted 1.63% of total assets, up from 1.30% as at 31 December 2013. On the other hand, the share of "loans and advances to customers and related parties" to total assets slightly increased from 18.98 % as at 31 December 2013 to 19.61% as at 31 December 2014.

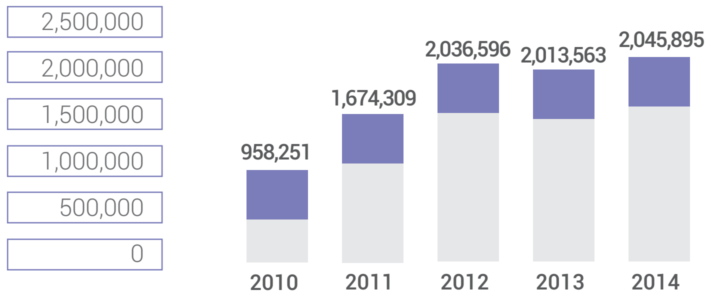
Within the overall uses of funds, the share of "Investment Securities" to total assets increased to 45.08% in 2014 up from 44.30% in 2013. This portfolio includes "investments at Fair Value Through Profit or Loss" in a percentage of 32.84% of total portfolio and 14.81% of total assets. "Other assets" share of total assets remained almost stable .They accounted for 1.17% as at 31 December 2014 as compared to 1.30% as at 31 December 2013. They are mainly constituted of "property and equipment" in a percentage of 61.34% of total "other assets" and "assets acquired in satisfaction of debts" in a percentage of 21.64% at the year ended December 2014 as compared to 57.03% and 21.26% respectively at the year ended December 2013.

Interest-earning assets represented 96.71% of total assets as at 31 December 2014 as compared to 96.90% as at 31 December 2013.

CASH AND DEPOSITS WITH CENTRAL BANKS

Cash And Deposits With Central Banks (In millions of LBP)

2010	2011	2012	2013	2014
958,251	1,674,309	2,036,596	2,013,563	2,045,895



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

"Cash and deposits with Central Banks" are distributed as follows:

(Amounts in Millions of LBP)	End of year 2014		End of year 2013	
	Amount	%	Amount	%
Cash on hand	64,355	3.15%	55,311	2.70%
Current accounts with Central Banks	237,348	11.60%	203,148	9.93%
Interest earning accounts	1,744,191	85.25%	1,755,104	85.79%
	2,045,894	**100.00%**	**2,013,563**	**98.42%**

As at 31 December 2014 "Cash and Deposits with Central Banks" amounted to LBP 2,045,894 million and constituted 26.00% of total assets as compared to LBP 2,013,563 million and 28.20% of total assets as at 31 December 2013, reflecting a year-on-year decrease of 1.61%.

Current accounts with Central banks include compulsory deposits in Lebanese Pounds with the Central Bank of Lebanon not available for use in the Bank's day-to-day operations in the amount of LBP 168.2 billion as at 31 December 2014 as compared to LBP 129.4 billion as at 31 December 2013.

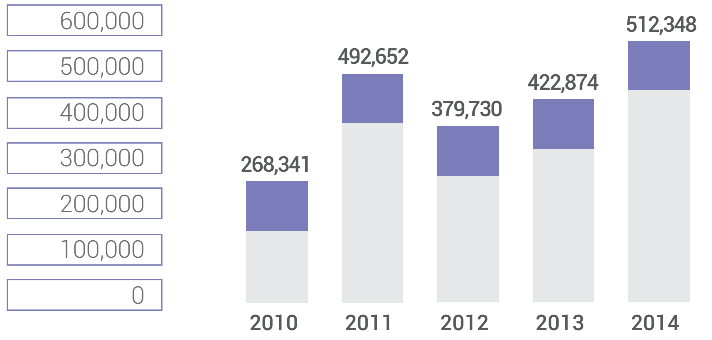
These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

Interest earning accounts are constituted of term placements with the Central Bank of Lebanon that amounted to LBP 1,744,191 million and represented 85.25%of total "Cash and deposits with Central Banks" at the year end December 2014.

Term placements with Central Banks also include the equivalent in foreign currencies of LBP 593 billion as at 31 December 2014 deposited with the Central Bank of Lebanon in accordance with local banking regulations which require banks to maintain interest bearing reserves in foreign currency to the extent of 15% of customers' deposits ,bonds, certificates of deposits and loans acquired from Non Resident financial institutions in foreign currency.

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

Deposits With Banks And Financial Institutions (In millions of LBP)				
2010	2011	2012	2013	2014
268,341	492,652	379,730	422,874	512,348



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

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

(Amounts in Millions of LBP)	**End of year 2014**		**End of year 2013**	
	Amount	**%**	**Amount**	**%**
Current accounts with Banks	342,254	66.81%	204,614	48.39%
Term placements with Banks	148,124	28.91%	195,506	46.24%
Checks for collection	21,949	4.28%	22,710	5.36%
Accrued Interest	21	0.00%	44	0.01%
	512,348	**100.00%**	**422,874**	**100.00%**

As at 31 December 2014, "Deposits with banks and financial institutions" amounted to LBP 512,348 million and constituted 6.51% of total assets as compared to LBP 422,874 million and 5.92% as at 31 December 2013, reflecting a year-on-year increase of 21.16%.

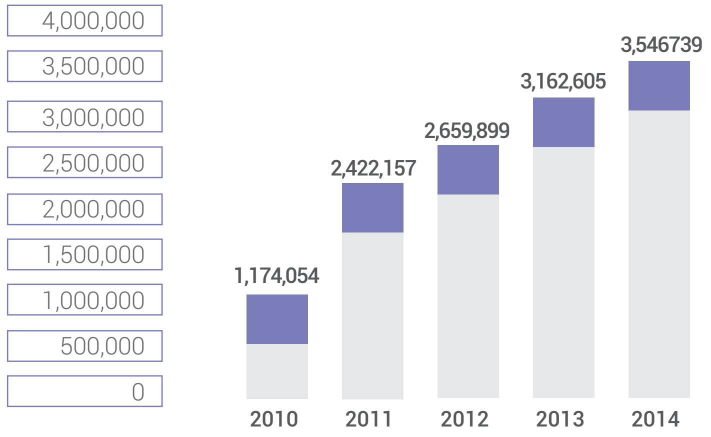
As shown on the breakdown above, term placements constituted 28.91% of total "deposits with banks and financial institutions" as at 31 December 2014 down from 46.24% as at 31 December 2013.

99.00% of the current and term deposits are denominated in foreign currencies, and all the term deposits as at 31 December 2014 mature during the year 2015.

"Deposits with banks and financial institutions" are geographically distributed as follows: 12.70% in Lebanon and 87.30% in low risk countries mainly in Europe and the USA.

INVESTMENT SECURITIES PORTFOLIO

Investment Securities Portfolio (In millions of LBP)				
2010	2011	2012	2013	2014
1,174,054	2,422,157	2,659,899	3,162,605	3,546,739



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

As at 31 December 2014, the investment securities portfolio represented 45.08% of total uses of funds and was predominantly constituted of financial assets classified at Amortized Cost in a percentage of 67.17% of total investment securities portfolio and 32.83% of investments classified at Fair Value Through Profit or Loss as compared to 73.55% and 26.45% as at 31 December 2013 respectively.

Investment securities portfolio increased by LBP 384,134 million reaching LBP 3,546,739 million as at 31 December 2014 as compared to LBP 3,162,605 million as at 31 December 2013, corresponding to a growth of 12.15%.

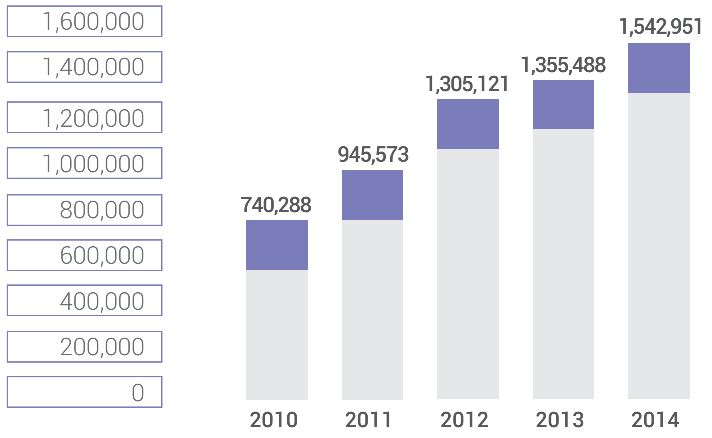
The currency composition of the total portfolio for the year 2014 is 64.36% in Lebanese Pounds and 35.64% in foreign currency .

As at 31 December 2014, certificates of deposits issued by Central Bank of Lebanon increased, as a percentage of the bank's securities portfolio classified at Fair Value Through Profit or Loss to 68.24% coming from 48.77% as at 31 December 2013.

LOANS AND ADVANCES TO CUSTOMERS & RELATED PARTIES

Loans And Advances To Customers And Related Parties (in millions of LBP)

2010	2011	2012	2013	2014
740,288	945,573	1,305,121	1,355,488	1,542,951



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

Driven by the Bank's strategy to expand its loan book and the Central Bank stimulus packages of 2013 and 2014 which include incentives to support housing, renewable energy projects, innovative projects, SME's and other productive sectors of the economy, lending growth was more rigorous at 13.83% in 2014 as compared to a growth of 3.86% in 2013. Loans and advances to customers and related parties constituted 19.61% of total assets as at 31 December 2014 as compared to 18.98 % as at 31 December 2013. 77.33% of total loans are denominated in foreign currencies and mostly in US dollars. The high dollarization of the Bank's loan portfolio is in line with the loan portfolios of the Bank's peers, and reflects the state of the Lebanese economy for the past decades.

A significant proportion of the bank's loans and advances are secured by prime and enforceable guarantees which include cash collateral, prime real estate mortgages,pledge of securities and bank and personal guarantees.

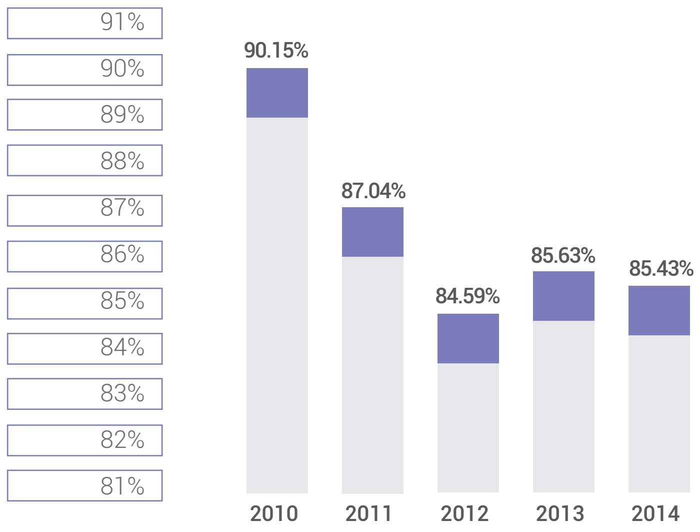
In order to maintain a high asset quality, the ratio of net loans and advances to total deposits has been maintained at relatively low levels reaching 21.59% as at 31 December 2014 as compared to 20.91% as at 31 December 2013. Provisions and unrealized interests for impaired loans ,including collective provisions amounted to LBP 64,230 million as at 31 December 2014 as compared to LBP 58,618 million as at 31 December 2013.

It is important to note that the collective provisions the Bank provided for during the year 2014 against any potential deterioration of the loan portfolio ,increased by LBP 5,397 million to reach LBP 26,848 million at the end of 2014. As a consequence, the coverage ratio of the net non performing loans by specific and collective provisions reached 165% at the end of 2014.

LIQUIDITY RATIO

Liquidity Ratio

2010	2011	2012	2013	2014
90.15%	87.04%	84.59%	85.63%	85.43%



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

IBL Bank has successfully maintainted ample liquidity in 2014, where overall liquidity stood at 85.43%. As such, the Lebanese Pound Liquidity Ratio (including Lebanese governmental Treasury bills) was 102.36% as at 31 December 2014 reflecting an avaibable liquidity covering Lebanese Pounds deposits in total. Moreover, the liquidity ratio in foreign currencies accounted to 72.53% as at 31 December 2014 as compared to 73.57% as at 31 December 2013.

Management considers the bank's liquidity position to be strong based on its liquidity ratios as at 31 December 2014 and believes that the Bank's funding capacity is sufficient to meet its On and Off-balance sheet obligations. IBL Bank's financial position structure is run in a way to maintain high diversification and a low concentration among different sources of funds.

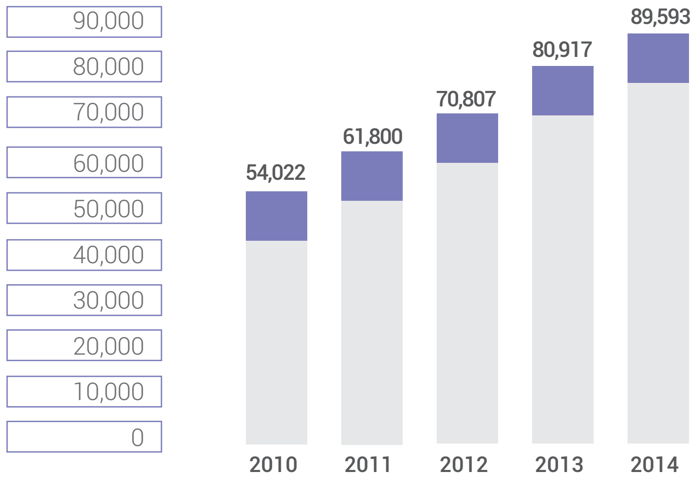
The Bank performs liquidity stress tests as part of its liquidity management. The purpose is to always ensure sufficient liquidity for the Bank under different stress conditions. Maturity mismatch between assets and liabilities which characterises the Lebanese Banking sector was also present at IBL Bank. This mismatch is considered as low risk, especially that maturing deposits do not actually materialize in cash outflows and are generally automatically renewed.

The gap was negative in the maturities from 0 to one year amounting to LBP 3,942 million. After one year, the maturity gaps turn positive reaching LBP 4,020 million for maturities of greater than five years.

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

Profitability (In millions of LBP)

2010	2011	2012	2013	2014
54,022	61,800	70,807	80,917	89,593



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

IBL Bank recorded net profits of LBP 89,593 million increasing by 10.72% compared to the year 2013 when net profits stood at LBP 80,917 million. This growth is mainly due to the increase in net financial revenues, after impairment charge for credit losses, from LBP 153,093 million as at 31 December 2013 to LBP 168,443 million as at 31 December 2014, meaning a rise of 10.03% .This result is realized after deduction of the allowance for loans and advances and collective impairement of LBP 5,679 million that was provided for during 2014 as compared to LBP 7,389 million for the year 2013.

IBL's performance is also reflected in the Bank's high profitability ratios that are among the highest in the Lebanese banking sector. In fact, IBL Bank's Return on Average Assets (ROAA) stood at 1.19% at the end of 2014 while the Bank's Return on Average Equity (ROAE) reached 16.70%, ranking first in ROAE ratio and third in ROAA ratio between the Lebanese Group Alpha according to Bankdata.

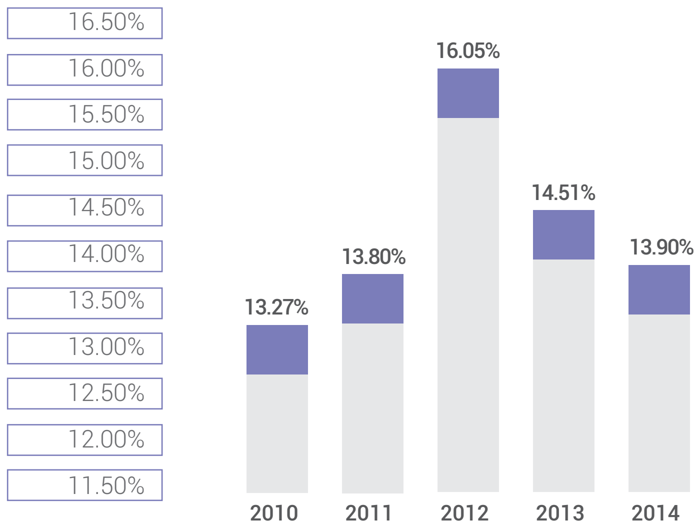
Staff and Administrative expenses reached LBP 58,682 million as at 31 December 2014, registering a year-on-year increase of 9.39%. Staff expenses slightly increased by 0.54% in 2014 to reach LBP 35,794 million while administrative expenses went up by 26.85% to reach LBP 22,888 million. That said, IBL is still maintaining a low cost to income ratio of 36.2% as at 31 December 2014 ranking First in the Alpha Group whose average was 50.00% as at 31 December 2014.

On the other hand, earnings per share increased to LBP 4,595 (US$ 3.05) in 2014 from LBP 4,150 (US$ 2.75) in 2013.

Capital Adequacy Ratio

2010	2011	*2012	*2013	*2014
13.27%	13.80%	16.05%	14.51%	13.90%

** Calculated as per BDL circular no 358 dated 6 March 2014*



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

As at 31 December 2014, IBL Bank's total Capital Adequacy Ratio stood at 13.90% with the Tier I capital and Common Equity Tier One (CET 1) ratios amounting to 13.87% and 12.00% respectively. These ratios are measured according to Basel III requirements and Central bank intermediary circular No 358 dated 6 March 2014 .The latter stipulates a lower risk weight applied to FC denominated claims on BDL of 50% instead of 100% required under the Basel II standardized approach.

Lebanese banks are required to abide by the miminum set limits for the following three capital adequacy ratios by end of 2015 :

Ratio	"IBL Bank as at 31 Dec. 2014"	"BDL requirements as at 31 Dec. 2015"
NCE Tier 1	12.00%	8.00%
Tier 1 Capital	13.87%	10.00%
Total Capital	13.90%	12.00%

IBL Bank consolidated CAR ratios are clearly above the regulatory requirements and exceed the 12% that would be required by the Banking Control Commission of Lebanon by end of 2015.

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

Moreover, the Bank has conducted stress tests scenarios to assess the impact on capital and liquidity of higher sovereign risks, increased credit portfolio defaults, and funding outflows, and has found both the Capital buffer and the liquidity buffer to be at satisfactory levels.

LIST OF MAIN CORRESPONDENTS

Correspondent	City	SWIFT Code
Danske Bank A/S	Copenhagen	DABADKKK
Al Khaliji France SA	Dubai	LICOAEAD
Deutsche Bank AG	Frankfurt	DEUTDEFF
Commerzbank AG	Frankfurt	COBADEFF
The National Commercial Bank	Jeddah	NCBKSAJE
The Commercial Bank of Kuwait	Kuwait	COMBKWKW
Bank of Beirut (UK) Ltd	London	BRBAGB2L
Intesa Sanpaolo spa	Milano	BCITITMM
Citibank NA	New york	CITIUS33
The Bank of New York Mellon	New York	IRVTUS3N
DNB Bank ASA	Oslo	DNBANOKK
Skandinaviska Enskilda Banken	Stockholm	ESSESESS
Bank of Sydney	Sydney	LIKIAU2S
The Bank of New York Mellon	Tokyo	IRVTJPJX
Sumitomo Mitsui Banking Corporation	Tokyo	SMBCJPJT
Bank Cantonale de Genève	Geneva	BCGECHGG
CitiBank NA	London	CITIGB2L
Société Générale	Paris	SOGEFRPP

MAIN RESOLUTIONS OF THE ORDINARY GENERAL ASSEMBLY HELD ON JUNE 11, 2015

Resolution 1

The Ordinary General Assembly, after listening to the reports of the Board of Directors and the external Auditors regarding the accounts of the year 2014, and after reviewing the balance sheet and the profit and loss accounts for the same year, decided:

The ratification of the reports, the balance sheets and all other accounts of the Bank relating to the fiscal year ending on 31/12/2014.

Decision taken unanimously.

Resolution 2

The Ordinary General Assembly, after taking note of the net profits realized during 2014, which amounted to LBP 59,847 million decided:

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

2) The distribution of LBP 24,570,000 Thousand (approximately US$ 16,299 Thousand) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

3) It was also decided to transfer the remaining balance of the net profits of the year 2014 to retained earnings (previous results).

Decision taken unanimously.

Resolution 7

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

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

Decision taken unanimously.

IBL Bank s.a.l. And Subsidiaries

Consolidated Financial Statements & Independent Auditors' report year ended December 31, 2014

IBL Bank - Sioufi Branch

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **IBL BANK S.A.L.** (the "Bank") and its subsidiaries (Collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, and its financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

DFK Fiduciaire du Moyen Orient

Beirut, Lebanon
May 4, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
ASSETS	**Notes**	**2014**	**2013**
		LBP'000	LBP'000
Cash and deposits with central banks	5	2,045,894,066	2,013,563,129
Deposits with banks and financial institutions	6	512,347,873	422,873,655
Loans to banks and financial institutions	7	128,560,551	92,554,494
Loans and advances to customers	8	1,528,841,059	1,319,239,857
Loans and advances to related parties	9	14,110,167	36,248,078
Investment securities at fair value through profit or loss	10	1,164,540,303	836,717,749
Investment securities at amortized cost	11	2,382,198,941	2,325,887,154
Customers' liability under acceptances	12	6,732,841	10,136,121
Assets acquired in satisfaction of loans	13	19,666,700	19,666,700
Property and equipment	14	55,766,514	52,752,867
Intangible assets	15	836,848	850,369
Other assets	16	7,914,502	9,103,503
Total Assets		**7,867,410,365**	**7,139,593,676**

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK	36		
Documentary and commercial letters of credit		32,501,393	79,693,337
Guarantees and standby letters of credit		82,328,830	86,456,051
Forward exchange contracts		77,118,600	39,739,038
FIDUCIARY DEPOSITS		6,241,050	6,391,800

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Con'd)

LIABILITIES	Notes	December 31, 2014	December 31, 2013
		LBP'000	LBP'000
Deposits from banks and financial institutions	17	50,069,502	76,976,299
Customers' accounts	18	7,028,646,111	6,367,708,615
Related parties' accounts	18	120,495,585	114,874,010
Liability under acceptance	12	6,732,841	10,136,120
Other borrowings	19	36,939,027	11,474,342
Other liabilities	20	49,648,330	46,383,512
Provisions	21	8,510,655	7,192,314
Total liabilities		**7,301,042,051**	**6,634,745,212**
EQUITY			
Capital	22	146,250,000	146,250,000
Non-cumulative convertible preferred shares	23	75,356,250	75,356,250
Common shares premium		6,514,784	6,514,784
Reserves	24	76,678,968	57,490,908
Asset revaluation surplus		2,752,680	2,752,680
Regulatory reserve for assets acquired in satisfaction of loans		7,502,372	6,108,067
Retained earnings		160,792,908	128,643,833
Profit for the year		89,436,873	80,804,769
Equity attributable to equity holders of the Bank		**565,284,835**	**503,921,291**
Non-controlling interests	26	1,083,479	927,173
Total equity		**566,368,314**	**504,848,464**
Total Liabilities and Equity		**7,867,410,365**	**7,139,593,676**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2014	Year Ended December 31, 2013
		LBP'000	LBP'000
Interest income	27	425,955,968	406,114,535
Interest expense	28	(361,961,128)	(334,564,698)
Net interest income		63,994,840	71,549,837
Fee and commission income	29	11,680,535	12,882,762
Fee and commission expense	30	(941,292)	(730,028)
Net fee and commission income		10,739,243	12,152,734
Other operating income	31	4,586,094	7,851,309
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	32	94,381,046	67,438,405
Net financial revenues		173,701,223	158,992,285
Allowance for impairment of loans and advances (net)	33	(5,258,540)	(5,898,809)
Net financial revenues after impairment charge for credit losses		168,442,683	153,093,476
Staff costs	34	(35,793,763)	(35,603,398)
General and administrative expenses	35	(22,888,247)	(18,044,258)
Depreciation and amortization	14, 15	(3,882,053)	(3,765,876)
Other expenses	14	(278,054) `	(27,182)
Profit before income tax		**105,600,566**	**95,652,762**
Income tax expense	20	(16,007,387)	(14,735,636)
Profit for the year		**89,593,179**	**80,917,126**
Other comprehensive income		-	-
Total comprehensive income for the year		**89,593,179**	**80,917,126**
Attributable to			
Equity holders of the Bank		89,436,873	80,804,769
Non-controlling interests	26	156,306	112,357
		89,593,179	**80,917,126**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK						
	Capital	Non-Comulative Convertible Preferred Shares	Common Shares Premium	Reserves	Asset Revaluation Surplus	Regulatory Reserve For Assets Aquired Satis-faction of Loans	Retained Earnings	Profit for The Year	Total Attributable to the Equity Holders of the Bank	Non-Controlling Interests	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Balance as at January 1, 2013	**146,250,000**	**75,356,250**	**6,514,784**	**42,924,647**	**2,752,680**	**4,748,712**	**100,213,134**	**70,710,626**	**449,470,833**	**814,816**	**450,285,649**
Allocation of 2012 profit	-	-	-	14,566,261	-	-	56,144,365	(70,710,626)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	1,359,355	(1,359,355)	-	-	-	-
Other movement	-	-	-	-	-	-	(270,008)	-	(270,008)	-	(270,008)
Dividends paid (Note 25)	-	-	-	-	-	-	(26,108,625)	-	(26,108,625)	-	(26,108,625)
Difference in exchange	-	-	-	-	-	-	24,322	-	24,322	-	24,322
Total comprehensive income for the year 2013	-	-	-	-	-	-	-	80,804,769	80,804,769	112,357	80,917,126
Balance as at December 31, 2013	**146,250,000**	**75,356,250**	**6,514,784**	**57,490,908**	**2,752,680**	**6,108,067**	**128,643,833**	**80,804,769**	**503,921,291**	**927,173**	**504,848,464**
Allocation of 2013 profit	-	-	-	18,988,060	-	-	61,816,709	(80,804,769)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	1,394,305	(1,394,305)	-	-	-	-
Unspecified banking risk reserve	-	-	-	200,000	-	-	(200,000)	-	-	-	-
Other movement	-	-	-	-	-	-	(20,404)	-	(20,404)	-	(20,404)
Dividends paid (Note 25)	-	-	-	-	-	-	(28,156,125)	-	(28,156,125)	-	(28,156,125)
Difference in exchange	-	-	-	-	-	-	103,200	-	103,200	-	103,200
Total comprehensive income for the year 2014	-	-	-	-	-	-	-	89,436,873	89,436,873	156,306	89,593,179
Balance as at December 31, 2014	**146,250,000**	**75,356,250**	**6,514,784**	**76,678,968**	**2,752,680**	**7,502,372**	**160,792,908**	**89,436,873**	**565,284,835**	**1,083,479**	**566,368,314**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2014	2013
		LBP'000	LBP'000
Cash flows from operating activities			
Net profit for the year		89,593,179	80,917,126
Adjustments for			
Depreciation and amortization	14, 15	3,882,053	3,765,876
Unrealized loss on investment securities at fair value through profit or loss	32	13,458,444	25,698,652
Allowance for impairment of loans and advances (net)	33	5,258,540	5,898,809
Other adjustments and effect of exchange difference		118,263	17,968
Provision for employees' end of service indemnities	21	1,488,738	1,421,236
(Gain)/loss on disposal of property and equipment		(13,384)	27,089
Advances transferred to expense		14,747	-
Write-off of property and equipment	14	176,970	-
Interest expense		361,961,128	334,564,698
Interest income	27, 32	(514,608,130)	(470,967,818)
Income tax expense		16,007,387	14,735,636
		(22,662,065)	**(3,920,728)**
Net increase in loans and advances to customers		(214,529,140)	(59,392,302)
Net decrease in loans and advances to related parties		22,137,911	2,622,037
Net increase in investment securities		(390,741,537)	(492,937,629)
Net decrease/(increase) in compulsory reserves and deposits with central banks		68,832,593	(1,573,996)
Net (increase)/decrease in loans to banks and financial institutions		(35,586,275)	7,060,000
Net decrease in deposits with banks and financial institutions		-	73,746,897
Net decrease in borrowings from banks and financial institutions		(26,902,158)	(6,859,495)
Net increase in customers' deposits		647,673,199	473,243,916
Net increase in related parties' deposits		5,151,150	10,628,450
Net decrease/(increase) in other assets		1,189,001	(1,637,289)
Net increase in other liabilities		4,694,182	22,551,771
Settlements made from provisions (net)	21	(170,396)	(32,992)
		59,086,465	**23,498,640**
Interest paid		(348,262,313)	(331,016,115)
Interest received		511,709,197	435,986,008
Income tax paid		(17,457,594)	(11,824,176)
Net cash provided by operating activities		205,075,755	116,644,357
Cash flows from investing activities			
Acquisition of property and equipment	14	(6,740,871)	(9,402,364)
Proceeds from disposal of property and equipment		19,955	-
Acquisition of intangible assets	15	(354,220)	(323,862)
Net cash used in investing activities		(7,075,136)	(9,726,226)
Cash flows from financing activities			
Dividends paid	25	(28,156,125)	(26,108,625)
Increase in other borrowings		25,495,953	11,443,074
Net cash used in financing activities		(2,660,172)	(14,665,551)
Net increase in cash and cash equivalents		195,340,447	92,252,580
Cash and cash equivalents - Beginning of year		641,002,306	548,749,726
Cash and cash equivalents - End of year	38	836,342,753	641,002,306

1. GENERAL INFORMATION

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

The Group operates through a network consisting of 20 branches in Lebanon, 3 branches in Iraq and one branch in Limassol, Cyprus.
The Bank's headquarters are located in Beirut, Lebanon.

The consolidated subsidiaries consist of the following as at December 31:

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

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

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

In the current year, the Group has applied the following new and revised Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective with a date of initial application of January 1, 2014 and that are applicable to the Group:

Amendments to IFRS 10, IFRS 12, and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The amendments require retrospective application.

Amendments to IAS32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realization and settlement". The amendments require retrospective application.

Amendments to IAS36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with definite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application.

IFRIC 21 - Levies

IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The application of the above new and revised Standards did not have a material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements.

2.2 New and revised IFRSs in issue but not yet effective

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

	Effective for Annual Periods Beginning on or After
• Annual Improvements to IFRSs 2010-2012 Cycle that include amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011-2013 Cycle that include amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendment to IAS 19 Employees Benefits clarify the requirements that relate to how contributions from employees of third parties that are linked to service should be attributed to periods of service. In addition, the amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognized as reduction in the service cost in the period in which the related service is rendered.	1 July 2014

	Effective for Annual Periods Beginning on or After
• IFRS 15 Revenue from Contracts with Customers- establishes 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 and services.	1 January 2017
• Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined under IFRS 3 Business Combinations.	1 January 2016
• Amendments to IAS 16 and IAS 38 Classification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.	1 January 2016
• Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method of accounting in separate financial statements.	1 January 2016
• Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture to (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business; i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by a direct sale of the assets themselves	1 January 2016

	Effective for Annual Periods Beginning on or After
• Amendments to IAS 1 Presentation of Financial Statements address perceived impediments to prepares of financial statements exercising their judgment in presenting the financial reports.	1 January 2016
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) clarify certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Annual Improvements to IFRSs 2012-2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19, and IAS34.	1 January 2016
• IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit early application for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. The main amendments to hedge accounting are summarized by (i) The 80 - 125% rule for testing of hedge effectiveness is no longer required, (ii) hedge effectiveness is measured prospectively with no more consideration for retrospective testing, (iii) funding of foreign investments in foreign currency can be considered as a hedge and related foreign currency adjustment is deferred under equity, (iv) hedging instrument can be re-designated and periodically revisited to eliminate mismatch, and (v) cash flow hedge for fixed income securities classified at amortized cost has become eligible.	1 January 2018
•This version of the standard remains available for application if the relevant date of initial application is before 1 February 2015.	

	Effective for Annual Periods Beginning on or After
• The final version of IFRS 9 Financial Instruments (2014) was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 (2014) incorporates requirements for classification and measurement, impairment, general hedge accounting and derecognition. The final version of IFRS 9 introduces a) new classification for debt instruments that are held to collect contractual cash flows with ability to sell, and related measurement requirement consists of "fair value through other comprehensive income (FVTOCI), and b) impairment of financial assets applying expected loss model through 3 phases, starting by 12 month expected impairment loss to be initiated on initial recognition of the credit exposure, and life time impairment loss to be recognized upon significant increase in credit risk prior to the date the credit exposure is being impaired, and phase 3 when the loan is effectively impaired. On phase 1 and 2 income from time value is recognized on the gross amount of the credit exposure and in phase 3 income is recognized on the net exposure.	

Except for IFRS 9 on the provisioning for impairment, 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).

Basis Of Measurement

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

- Financial instruments designated at fair value through profit or loss.
- Investments in equities.
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.
- Derivative financial instruments.

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

Summary Of Significant Accounting Policies

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

A. Basis of Consolidation

The consolidated financial statements of IBL Bank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at the reporting date. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee, and

- The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual arrangements;

- The Bank's voting rights and potential voting rights.

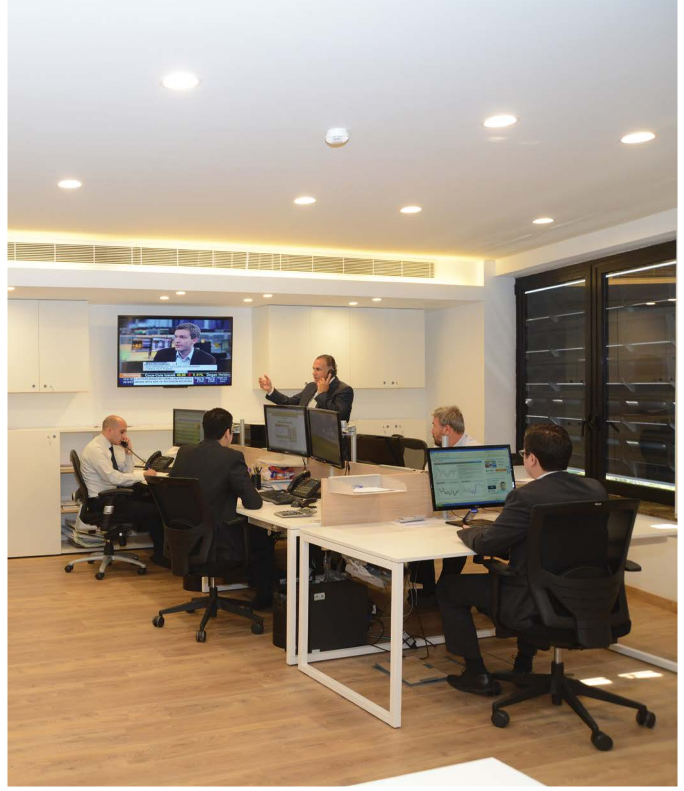
The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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 consolidated statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where applicable, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

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



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

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

B. Foreign Currencies

The consolidated financial statements are presented in Lebanese Pound (LBP) which is the reporting currency of the Group. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar. The Lebanese Pound exchange rate has been constant to the U.S. Dollar since many years.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's reporting 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 when this is a reasonable approximation. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

C. Recognition and Derecognition of Financial Assets and Liabilities:

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

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

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

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

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

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

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

D. Classification of Financial Assets:

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

Debt Instruments

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

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

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

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL").

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

Equity Instruments

Investments in equity instruments are classified as at FVTPL, unless the 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.

Reclassification

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

Reclassification is not allowed where:

• the "other comprehensive income" option has been exercised for a financial asset, or

• the fair value option has been exercised in any circumstance for a financial instrument.

E. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

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

Repurchase of the 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.

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

Financial Liabilities

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

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

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

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

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

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

F. Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognized on the consolidated statement of financial position reflecting its economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income in the consolidated statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

G. Offsetting

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

H. Fair Value Measurement of Financial Instruments

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

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

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

The 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.

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

• Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

• Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and

• Level 3 - Inputs are unobservable inputs for the asset or liability.

I. Impairment of Financial Assets

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

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

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

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

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

J. Derivative Financial Instruments

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

K. Loans and Advances

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

L. Financial Guarantees

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

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

M. Property and Equipment

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 less accumulated depreciation and impairment loss, if any.

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

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

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

N. Intangible Assets

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

O. Assets Acquired in Satisfaction of Loans

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

P. Impairment of Non-Financial Assets

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

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.

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

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

R. Provisions

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

S. Revenue and Expense Recognition

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

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

Other fees and commission income are recognized as the related services are performed.
Interest income and expense presented in the statement of profit or loss include:

• Interest on financial assets and liabilities at amortized cost.

• Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

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

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

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

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

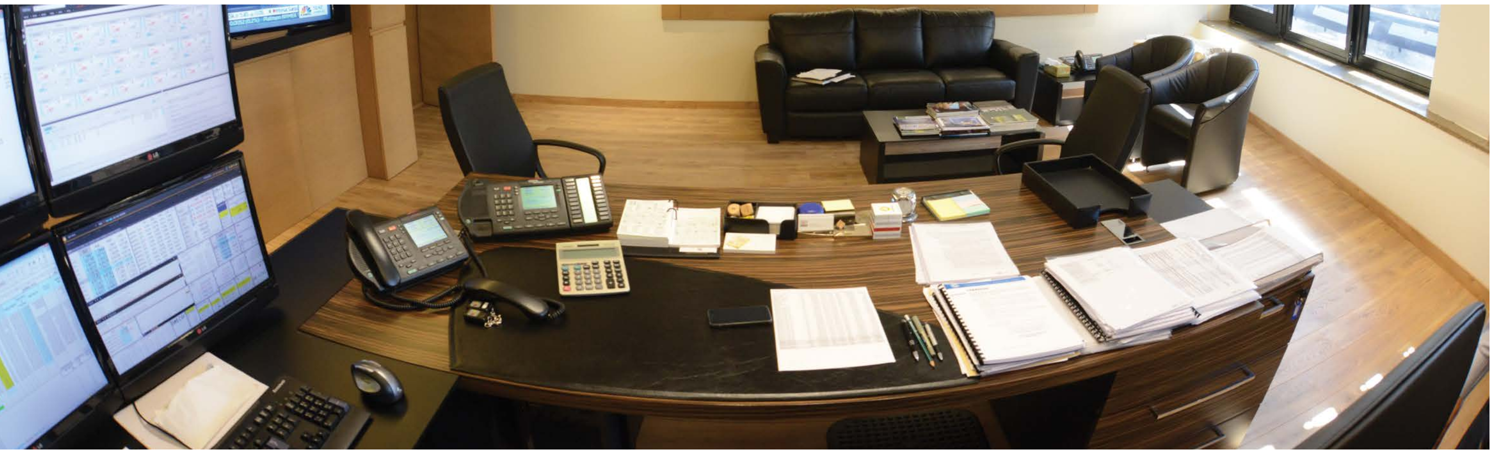
Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income in accordance with IFRS 9, are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

T. Income Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.
Part of debt securities invested in by the Group is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

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



U. Fiduciary Accounts

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

V. Cash and Cash Equivalents

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Classification of Financial Assets

Business Model

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

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

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

Characteristics of the Financial Asset

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

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

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

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

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

B. Key Sources of Estimation Uncertainty

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

Allowances for Credit Losses - Loans and Advances to Customers

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

Determining Fair Values

When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model, as described in Note 42.

The inputs in these models are taken from observable markets where possible. Where practical, the discount rate used in the mark-to-model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the sovereign bonds including Central Bank of Lebanon certificates of deposit.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Significant unobservable inputs consist of discount factor for illiquidity applied for the portfolio of government bonds at fair value through profit or loss in accordance with the Group's internal policy.

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Cash on hand	64,355,059	55,310,742
Current accounts with central banks	237,347,827	203,147,891
Blocked deposit with the Central Bank of Iraq for the establishment of Basra Branch	-	10,510,920
Term placements with central banks	1,719,483,700	1,715,205,840
Accrued interest receivable	24,707,480	29,387,736
	2,045,894,066	**2,013,563,129**

Current accounts with central banks include compulsory deposits in Lebanese Pounds with Central Bank of Lebanon not available for use in the Group's day-to-day operations in the amount of LBP168.2billion (LBP129.4billion in 2013). These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

Term placements with central banks include the equivalent in foreign currencies of LBP593billion (LBP522billion in 2013) deposited with Central Bank of Lebanon in accordance with the prevailing banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, bonds, certificates of deposits and loans acquired from non-resident financial institutions.

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

	December 31, 2014			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2015	18,000,000	2.87	53,555,790	0.96
2016	-	-	6,030,000	1.14
2017	-	-	3,015,000	1.13
2019	-	-	150,330,660	0.94
2020	-	-	393,193,500	6.38
2021	600,000,000	8.60	212,915,250	6.25
2022	15,000,000	8.60	-	-
2024	-	-	242,443,500	7.25
2027	25,000,000	8.72	-	-
	658,000,000		**1,061,483,700**	

	December 31, 2013			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount	Average Interest Rate	Counter Value of Amount in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
2014	55,800,000	2.88	97,320,000	1.52
2015	-	-	47,331,090	1.07
2016	-	-	6,030,000	1.14
2017	-	-	3,015,000	1.14
2020	-	-	405,238,500	6.38
2021	600,000,000	8.66	230,982,750	6.25
2022	15,000,000	8.60	-	-
2024	-	-	254,488,500	7.25
	670,800,000		**1,044,405,840**	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2014	2013
	LBP'000	LBP'000
Checks for collection	21,949,236	22,710,239
Current accounts with banks and financial institutions	342,253,700	204,613,831
Term placements with banks and financial institutions	148,123,740	195,505,945
Accrued interest receivable	21,197	43,640
	512,347,873	**422,873,655**

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

7. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

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

	December 31,	
	2014	2013
	LBP'000	LBP'000
Regular performing loans	82,360,000	91,920,000
Loans under reverse repurchase agreement	45,146,275	-
Accrued interest receivable	1,054,276	634,494
Doubtful bank accounts	78,593	79,852
Less: Allowance for impairment	(78,593)	(79,852)
	128,560,551	**92,554,494**

Loans to banks and loans under reverse repurchase agreement to a financial institution have the following contractual maturities:

	December 31, 2014				December 31, 2013	
	LBP	Interest Rate	F/Cy	Interest Rate	LBP	Interest Rate
	LBP'000	%	LBP'000	%	LBP'000	%
Up to 3 months	-	-	45,146,275	3.00	-	-
3 months to 1 year	10,600,000	3.31	-	-	9,560,000	3.15
1 to 3 years	21,660,000	3.34	-	-	21,660,000	3.28
3 to 5 years	21,200,000	3.31	-	-	21,200,000	3.26
Above 5 years	28,900,000	3.27	-	-	39,500,000	3.23
	82,360,000		**45,146,275**		**91,920,000**	

Loans under reverse repurchase agreement represent short term loans granted to a resident financial institution covered by certificates of deposit in U.S. Dollar issued by the Central Bank of Lebanon in the amount of LBP54billion.

8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following:

	December 31, 2014	2013
	LBP'000	LBP'000
Loans and advances to customers	604,285,377	489,222,222
Discounted bills	11,844,077	8,308,542
Long and medium term loans	913,185,215	820,792,242
Net multi-currency trading	981,087	1,682,255
Creditors accidentally debtors	11,069,455	6,865,841
Substandard loans (net of unearned interest)	5,783,902	5,680,220
Doubtful loans (net of unearned interest)	17,179,550	18,849,587
Less: Provision for doubtful loans	(11,098,041)	(12,837,763)
Allowance for collective impairment	(26,848,315)	(21,451,439)
	1,526,382,307	1,317,111,707
Accrued interest receivable	2,458,752	2,128,150
	1,528,841,059	**1,319,239,857**

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

2014

	Substandard Loans	Unrealized Interest	Net
	LBP'000	LBP'000	LBP'000
Balance January 1	6,494,557	(814,337)	5,680,220
Additional unrealized interest	614,039	(614,039)	-
Settlements	(243,214)	-	(243,214)
Other movement	31,243	(5,598)	25,645
Transfer to doubtful and bad loans	(398,198)	26,026	(372,172)
Transfer from performing loans	693,423	-	693,423
Balance December 31	**7,191,850**	**(1,407,948)**	**5,783,902**

2013

	Substandard Loans	Unrealized Interest	Net
	LBP'000	LBP'000	LBP'000
Balance January 1	6,604,513	(339,521)	6,264,992
Additional unrealized interest	635,371	(635,371)	-
Settlements/write-back	(1,428,094)	37,959	(1,390,135)
Write-off	(99,773)	99,773	-
Transfer to doubtful and bad loans	(198,365)	23,006	(175,359)
Transfer from performing loans	957,705	-	957,705
Effect of exchange rates changes	23,200	(183)	23,017
Balance December 31	**6,494,557**	**(814,337)**	**5,680,220**

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

2014

	Doubtful & Bad Loans	Unrealized Interest	Allowance for Impairment	Net
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	42,364,653	(23,515,066)	(12,837,763)	6,011,824
Additional unrealized interest	4,978,953	(4,978,953)	-	-
Additional allowance for impairment (Note 33)	-	-	(280,938)	(280,938)
Settlements/write-back (Note 33)	(1,062,425)	45,530	433,787	(583,108)
Write-off and other movement	(5,131,283)	3,580,255	1,567,399	16,371
Direct write-off	(15,170)	-	-	(15,170)
Transfer from substandard loans	398,198	(26,026)	-	372,172
Transfer from performing loans	560,358	-	-	560,358
Transfer to off-balance sheet	(10,096)	-	10,096	-
Effect of exchange rates changes	(27,444)	18,066	9,378	-
Balance December 31	**42,055,744**	**(24,876,194)**	**(11,098,041)**	**6,081,509**

2013

	Doubtful & Bad Loans	Unrealized Interest	Allowance for Impairment	Net
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	73,349,757	(32,402,256)	(32,837,627)	8,109,874
Additional unrealized interest and withdrawals	5,776,818	(5,520,249)	-	256,569
Additional allowance for Impairment (Note 33)	-	-	(701,490)	(701,490)
Settlement/write-back (Note 33)	(4,456,972)	464,371	1,579,497	(2,413,104)
Write-off and other movement	(9,672,251)	8,371,625	1,254,747	(45,879)
Direct write-off (Note 33)	(87,704)	-	-	(87,704)
Transfer from substandard loans	198,365	(23,006)	-	175,359
Transfer from performing loans	718,655	-	-	718,655
Transfer to off-balance sheet	(23,360,828)	5,530,267	17,830,561	-
Effect of exchange rates changes	(101,187)	64,182	36,549	(456)
Balance December 31	**42,364,653**	**(23,515,066)**	**(12,837,763)**	**6,011,824**

The movement of the allowance for collective impairment during 2014 and 2013 is as follows:

	2014	2013
	LBP'000	LBP'000
Balance January 1	21,451,439	14,763,335
Additions (Note 33)	5,397,639	6,687,903
Effect of exchange rates changes	(763)	201
Balance December 31	**26,848,315**	**21,451,439**

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption includes loans and advances granted by the Bank to its major shareholders and its related companies in the amount of LBP14.11billion (LBP36.25billion in 2013) covered to the extent of LBP3.4billion by real estate guarantees (LBP18billion and LBP9billion by cash margin and real estate guarantees respectively as of December 31, 2013).

10. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2014	2013
	LBP'000	LBP'000
Quoted equity securities	4,013,138	3,947,868
Unquoted equity securities	160,322	160,322
Lebanese treasury bills	236,437,887	305,095,928
Lebanese Government bonds	100,367,261	97,412,906
Certificates of deposit issued by Central Bank of Lebanon	794,651,427	408,008,106
Accrued interest receivable	28,910,268	22,092,619
	1,164,540,303	**836,717,749**

11. INVESTMENT SECURITIES AT AMORTIZED COST

	December 31,	
	2014	2013
	LBP'000	LBP'000
Debt securities classified at amortized cost	2,323,690,222	2,267,412,034
Accrued interest receivable	58,508,719	58,475,120
	2,382,198,941	**2,325,887,154**

The movement of investment securities, exclusive of the related accrued interest, for the year 2014 and 2013 is summarized as follows:

	December 31,	
	2014	2013
	LBP'000	LBP'000
Balance January 1	2,267,412,034	1,978,776,195
Additions	520,890,473	1,906,948,492
Sale	(3,015,000)	(5,276,250)
Swaps	(310,997,250)	(1,351,641,918)
Matured	(140,735,768)	(230,844,515)
Effect of unamortized/amortized premium and discount	3,268,220	(33,845,410)
Effect of exchange rates changes	(13,132,487)	3,295,440
Balance December 31	**2,323,690,222**	**2,267,412,034**

The Bank has exchanged during 2014 and 2013 certificates of deposit issued by the Central Bank of Lebanon and Lebanese Government bonds with short to medium term maturities against financial assets with long term maturities which resulted in premiums which will serve as a yield enhancement of the new instruments over the extended period to maturities.

In addition, during 2014 the Group sold Lebanese Government bonds in the amount of LBP3billion (LBP5.3billion in 2013) which resulted in a gain of LBP182million (LBP94million in 2013) (Note 31).

Debt securities consist of the following:

	LBP Base Accounts, December 31, 2014			F/Cy Base Accounts, December 31, 2014		
	Amortized Cost	Interest Receivable	Fair Value	Amortized Cost	Interest Receivable	Fair Value
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Lebanese treasury bills	2,567,823	58,820	2,680,362	-	-	
Lebanese Government bonds	-	-	-	1,015,796,572	13,182,241	1,036,884,914
Certificates of deposit issued by Central Bank of Lebanon	1,178,282,721	42,687,002	1,170,565,509	126,289,356	2,525,742	139,371,368
Certificates of deposit issued by banks	-	-	-	753,750	54,914	764,281
	1,180,850,544	**42,745,822**	**1,173,245,871**	**1,142,839,678**	**15,762,897**	**1,177,020,563**

	LBP Base Accounts, December 31, 2013			F/Cy Base Accounts, December 31, 2013		
	Amortized Cost	Interest Receivable	Fair Value	Amortized Cost	Interest Receivable	Fair Value
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Lebanese treasury bills	2,243,611	56,076	2,477,107	-	-	
Lebanese Government bonds	280,205	2,631	298,515	937,071,759	13,084,104	926,357,406
Certificates of deposit issued by Central Bank of Lebanon	1,176,782,755	42,649,853	1,204,277,207	150,279,954	2,627,544	145,820,296
Certificates of deposit issued by banks	-	-	-	753,750	54,912	805,356
	1,179,306,571	**42,708,560**	**1,207,052,829**	**1,088,105,463**	**15,766,560**	**1,072,983,058**

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

	LBP Base Accounts, December 31, 2014				F/Cy Base Accounts, December 31, 2014			
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Average Coupon Rate	Nominal Value	Amortized Cost	Fair Value	Average Coupon Rate
	LPB'000	LPB'000	LPB'000	%	LPB'000	LPB'000	LPB'000	%
Lebanese treasury bills:								
- 1 year to 3 years	2,684,544	2,564,325	2,676,081	6.00	-	-	-	-
- 3 years to 5 years	4,782	3,498	4,281	5.25	-	-	-	-
	2,689,326	**2,567,823**	**2,680,362**		**-**	**-**	**-**	**-**
Lebanese Government bonds:								
- Up to one year	-	-	-	-	28,561,968	28,379,823	27,940,956	4.41
- 1 year to 3 years	-	-	-	-	199,031,001	196,378,430	198,318,405	5.99
- 3 years to 5 years	-	-	-	-	250,527,211	240,025,416	242,522,620	5.41
- 5 years to 10 years	-	-	-	-	384,412,500	382,935,772	391,792,943	6.64
- Beyond 10 years	-	-	-	-	170,388,203	168,077,131	176,309,990	6.65
	-	-	-		**1,032,920,883**	**1,015,796,572**	**1,036,884,914**	
Certificates of deposit issued by Central Bank of Lebanon:								
- Up to one year	-	-	-	-	3,768,750	3,729,569	3,812,365	10.00
- 5 years to 10 years	178,000,000	174,643,435	174,196,988	8.24	-	-	-	-
- Above 10 years	1,030,000,000	1,003,639,286	996,368,521	8.98	128,439,000	122,559,787	135,559,003	7.04
	1,208,000,000	**1,178,282,721**	**1,170,565,509**		**132,207,750**	**126,289,356**	**139,371,368**	
Certificates of deposit issued by banks:								
- 3 years to 5 years	-	-	-	-	753,750	753,750	764,281	6.75
	-	-	-	-	**753,750**	**753,750**	**764,281**	-
	1,210,689,326	**1,180,850,544**	**1,173,245,871**		**1,165,882,383**	**1,142,839,678**	**1,177,020,563**	

Contractual Maturity	LBP Base Accounts, December 31, 2013 Nominal Value	Amortized Cost	Fair Value	Average Coupon Rate	F/Cy Base Accounts, December 31, 2013 Nominal Value	Amortized Cost	Fair Value	Average Coupon Rate
	LPB'000	LPB'000	LPB'000	%	LPB'000	LPB'000	LPB'000	%
Lebanese treasury bills:								
- 3 years to 5 years	2,392,985	2,243,611	2,477,107	6.00	-	-	-	-
	2,392,985	**2,243,611**	**2,477,107**		**-**	**-**	**-**	**-**
Lebanese Government bonds:								
- Up to one year	-	-	-	-	140,735,768	140,290,887	142,009,268	8.06
- 1 year to 3 years	-	-	-	-	62,405,343	61,588,770	59,279,961	4.84
- 3 years to 5 years	291,559	280,205	298,515	6.00	208,920,524	205,779,879	200,749,330	5.98
- 5 years to 10 years	-	-	-	-	497,475,000	484,019,023	479,181,897	6.35
- Above 10 years	-	-	-	-	46,732,500	45,393,200	45,136,950	6.75
	291,559	**280,205**	**298,515**		**956,269,135**	**937,071,759**	**926,357,406**	
Certificates of deposit issued by Central Bank of Lebanon:								
- 1 year to 3 years	-	-	-	-	30,150,000	28,906,524	30,591,413	10.00
- 5 years to 10 years	178,000,000	174,378,550	177,557,705	8.24	125,876,250	121,373,430	115,228,883	5.60
- Above 10 years	1,030,000,000	1,002,404,205	1,026,719,502	8.98	-	-	-	-
	1,208,000,000	**1,176,782,755**	**1,204,277,207**		**156,026,250**	**150,279,954**	**145,820,296**	
Certificates of deposit issued by banks:								
- 4 years to 5 years	-	-	-	-	753,750	753,750	805,356	6.75
	-	-	-	-	**753,750**	**753,750**	**805,356**	-
	1,210,684,544	**1,179,306,571**	**1,207,052,829**		**1,113,049,135**	**1,088,105,463**	**1,072,983,058**	

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

13. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances.

The movement of assets acquired in satisfaction of loans during 2014 and 2013 was as follows:

	Real Estate
	LBP'000
Cost	
Balance, January 1, 2013	19,897,865
Additions	-
Balance, December 31, 2013	19,897,865
Additions	-
Balance, December 31, 2014	19,897,865
Allowance for Impairment	
Balance, December 31, 2014 and 2013	(231,165)
Carrying Amount	
December 31, 2014	19,666,700
December 31, 2013	19,666,700

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation within 2 years from the date of approval, the Group allocates a regulatory reserve for assets acquired in satisfaction of loans from retained earnings. During 2014, the Group allocated LBP1.4billion from retained earnings (LBP1.4million during 2013).

The fair values of the assets acquired in satisfaction of loans exceeds their carrying values as at December 31, 2014 and 2013.

14. PROPERTY AND EQUIPMENT

	Buildings	Freehold Improvements	Furniture & Equipment	Computer Equipment	Vehicles	Advances on Capital Expenditure	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Cost / Revaluation							
Balance, January 1, 2013	29,022,640	13,505,515	4,696,622	5,221,460	385,565	9,949,675	62,781,477
Additions	-	234,706	428,846	557,270	-	8,181,542	9,402,364
Disposals	-	(57,261)	(34,170)	(797,775)	-	(736)	(889,942)
Transfer between categories	-	2,199,932	227,640	2,353	-	(2,429,925)	-
Effect of exchange rate changes	-	(3,886)	4,543	892	3,784	-	5,333
Balance, December 31, 2013	**29,022,640**	**15,879,006**	**5,323,481**	**4,984,200**	**389,349**	**15,700,556**	**71,299,232**
Additions	-	66,325	347,052	550,118	196,950	5,580,426	6,740,871
Disposals	-	-	(90,584)	(2,866)	-	-	(93,450)
Transfers between categories	5,665,185	7,668,470	435,302	1,400	-	(13,770,357)	-
Transfers to expenses	-	-	-	-	-	(14,747)	(14,747)
Write-off	-	(509,201)	(24,380)	(18,979)	-	-	(552,560)
Effect of exchange rate changes	-	(25,952)	(18,956)	(9,152)	(10,479)	(533)	(65,072)
Balance, December 31, 2014	**34,687,825**	**23,078,648**	**5,971,915**	**5,504,721**	**575,820**	**7,495,345**	**77,314,274**
Accumulated Depreciation:							
Balance, January 1, 2013	1,007,616	8,920,757	1,955,465	3,787,292	352,107	-	16,023,237
Additions	154,332	2,042,552	605,024	563,575	18,395	-	3,383,878
Write-off on disposals	-	(34,485)	(26,994)	(795,346)	-	-	(856,825)
Effect of exchange rate changes	-	1,202	1,891	(10,297)	3,279	-	(3,925)
Balance, December 31, 2013	**1,161,948**	**10,930,026**	**2,535,386**	**3,545,224**	**373,781**	**-**	**18,546,365**
Additions	163,773	2,148,212	615,445	573,608	16,211	-	3,517,249
Write-off on disposals	-	-	(84,013)	(2,866)	-	-	(86,879)
Write-off	-	(335,347)	(22,721)	(17,522)	-	-	(375,590)
Effect of exchange rate changes	-	(23,906)	(10,084)	(8,916)	(10,479)	-	(53,385)
Balance, December 31, 2014	**1,325,721**	**12,718,985**	**3,034,013**	**4,089,528**	**379,513**	**-**	**21,547,760**
Carrying Amount:							
Balance, December 31, 2014	**33,362,104**	**10,359,663**	**2,937,902**	**1,415,193**	**196,307**	**7,495,345**	**55,766,514**
Balance, December 31, 2013	**27,860,692**	**4,948,980**	**2,788,095**	**1,438,976**	**15,568**	**15,700,556**	**52,752,867**

During 2014, the Bank wrote-off tangible fixed assets resulting in loss of LBP177million booked under "Other expenses".

Additions to advances on capital expenditure during 2013 represent renovation for several branches namely Jbeil, Jnah, a new branch in Achrafieh and a new branch in Basra, Iraq.

15. INTANGIBLE ASSETS

	Purchased Software
	LBP'000
Cost:	
Balance, January 1, 2013	3,345,494
Acquisitions	323,862
Translation adjustment	1,622
Balance, December 31, 2013	3,680,978
Acquisitions	354,220
Translation adjustment	(40,108)
Balance, December 31, 2014	3,995,090
Amortization:	
Balance, January 1, 2013	2,440,112
Amortization for the year	381,998
Translation adjustment	8,499
Balance, December 31, 2013	2,830,609
Amortization for the year	364,804
Translation adjustment	(37,171)
Balance, December 31, 2014	3,158,242
Carrying Amounts:	
December 31, 2014	836,848
December 31, 2013	850,369

16. OTHER ASSETS

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Accounts receivable - credit cards	619,881	1,434,032
Prepaid expenses	1,975,050	2,428,638
Fair value of forward exchange contracts	-	446,949
Regulatory blocked fund	4,500,000	4,500,000
Sundry accounts receivable	819,571	293,884
	7,914,502	**9,103,503**

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

17. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

Deposits from banks and financial institutions are reflected at amortized cost and consist of the following:

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Current deposits of banks and financial institutions	28,415,537	53,644,440
Short term borrowings	21,522,328	23,195,583
Accrued interest payable	131,637	136,276
	50,069,502	**76,976,299**

Short term borrowings mature within one year.

18. CUSTOMERS' ACCOUNTS

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Deposits		
Current/demand deposits	506,577,327	448,124,206
Term deposits	5,533,882,095	4,888,029,855
Fiduciary deposits	271,557,944	308,021,521
Collateral against speculation accounts	12,710,480	14,387,982
Cash collateral	640,655,728	658,249,798
Margins and other accounts		
Margins for irrevocable import letters of credit	8,319,908	10,983,205
Margins on letters of guarantee	9,400,979	7,634,695
Accrued interest payable	45,541,650	32,277,353
	7,028,646,111	**6,367,708,615**

Related parties accounts at amortized cost are detailed as follows:

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Deposit		
Demand deposits	17,761,770	2,787,601
Term deposits	101,724,831	94,135,478
Collateral against loans and advances	502,417	17,914,789
Accrued interest payable	506,567	36,142
	120,495,585	**114,874,010**

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

	LBP, December 31, 2014			Counter Value of F/Cy, December 31, 2014		
Bracket	**Total Deposits**	**Percentage to Total Deposits**	**Percentage to Total Nº of Accounts**	**Total Deposits**	**Percentage to Total Deposits**	**Percentage to Total Nº of Accounts**
	LPB'000	%	%	LPB'000	%	%
Less than LBP50million	114,041,606	4	76	76,934,431	2	76.53
From LBP50million to LBP250million	358,139,782	12	15	216,227,517	5	13.07
From LBP250million to LBP750million	481,399,297	16	6	307,164,154	8	5.81
From LBP750million to LBP1.5billion	367,986,187	12	2	301,345,322	8	2.21
More than LBP1.5billion	1,703,445,797	56	1	3,056,420,368	77	2.38
	3,025,012,669	**100**	**100**	**3,958,091,792**	**100**	**100**

	LBP, December 31, 2013			Counter Value of F/Cy, December 31, 2013		
Bracket	**Total Deposits**	**Percentage to Total Deposits**	**Percentage to Total Nº of Accounts**	**Total Deposits**	**Percentage to Total Deposits**	**Percentage to Total Nº of Accounts**
	LPB'000	%	%	LPB'000	%	%
Less than LBP50million	110,550,243	4	76	73,228,127	2	76
From LBP50million to LBP250million	328,495,882	12	14	195,115,732	5	14
From LBP250million to LBP750million	432,931,041	16	6	280,242,731	8	6
From LBP750million to LBP1.5billion	314,311,267	12	2	302,558,606	8	2
More than LBP1.5billion	1,518,900,177	56	2	2,779,097,456	77	2
	2,705,188,610	**100**	**100**	**3,630,242,652**	**100**	**100**

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

	Average Balance of Deposits			
Year	LBP Base Accounts	F/Cy Base Accounts	Cost of Funds	Average Interest Rate
	LPB'000	LPB'000	LPB'000	%
2014	2,912,343,986	3,528,123,497	360,490,361	5.60
2013	2,751,711,969	3,444,853,626	333,132,465	5.38
2012	2,483,685,696	3,057,919,585	300,828,688	5.41

19. OTHER BORROWINGS

	December 31,	
	2014	2013
	LBP'000	LBP'000
Facilities granted from Central Bank of Lebanon	36,939,027	11,443,074
Accrued interest payable	-	31,268
	36,939,027	**11,474,342**

Facilities granted from Central Bank of Lebanon in the amount of LBP40billion are made in connection with Central Bank of Lebanon circular 331 related to basic decision No. 6116 of March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against loans the Bank has granted responsibility, to its customers, pursuant to certain conditions, rules and mechanism.

20. OTHER LIABILITIES

This caption consists of the following:

	December 31,	
	2014	2013
	LBP'000	LBP'000
Withheld taxes and property taxes	2,880,681	3,526,931
Income tax payable	5,390,566	6,840,773
Due to the National Social Security Fund	235,346	289,889
Checks and incoming payment orders in course of settlement	28,942,051	19,711,032
Blocked capital subscriptions for companies under incorporation	971,675	5,327,925
Accrued expenses	5,790,086	5,465,588
Dividends payable	424,349	172,787
Payable to personnel and directors	831,457	827,080
Unearned revenues	1,313,563	1,659,165
Fair value of forward exchange contracts	561,516	-
Sundry accounts payable	2,307,040	2,562,342
	49,648,330	**46,383,512**

Income tax payable is computed as follows:

	December 31,	
	2014	2013
	LBP'000	LBP'000
Profit before income tax	105,600,566	95,652,762
Income tax on enacted applicable rates	7,840,105	13,739,114
Effect of non-deductible expense and non-taxable income	8,167,282	996,522
Income tax expense	16,007,387	14,735,636
Less: Tax paid in advance (5%)	(10,487,524)	(7,767,682)
Tax paid on resident subsidiaries	(129,297)	(127,181)
Income tax payable	5,390,566	6,840,773

During 2014, the Bank was subject to tax examination for the fiscal years 2009 to 2012 (inclusive) which was finalized in year 2015. As a result, additional taxes and penalties in the amount of LBP1.3billion was paid in year 2015 that was fully provided for at 2014 year-end.

The Bank's tax returns for the years 2013 and 2014 inclusive are still subject to review by the tax authorities and any additional tax liability depends on the outcome of such reviews.

21. PROVISIONS

Provisions consist of the following:

	December 31,	
	2014	2013
	LBP'000	LBP'000
Provision for staff end-of-service indemnity	8,362,020	7,043,678
Provision for contingencies	45,635	45,635
Provision for loss in foreign currency	103,000	103,001
	8,510,655	**7,192,314**

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

	December 31,	
	2014	2013
	LBP'000	LBP'000
Balance, January 1	7,043,678	5,655,434
Additions (Note 34)	1,488,738	1,421,236
Settlements	(170,396)	(32,992)
Balance, December 31	**8,362,020**	**7,043,678**

22. CAPITAL

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

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

23. NON-CUMULATIVE CONVERTIBLE PREFERRED SHARES

Non-cumulative convertible preferred shares amounted to LBP75.36billion at December 31, 2014 and 2013 representing 500,000 non-cumulative preferred shares LBP7,500 each, in addition to a premium of USD95 each.

24. RESERVES

Reserves consist of the following:

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Legal reserves	31,435,770	23,455,590
Reserve for general banking risks	41,355,198	30,006,318
Other reserves	3,888,000	4,029,000
	76,678,968	**57,490,908**

The legal reserve is constituted in conformity with the requirements of the Lebanese Code of Money and Credit on the basis of 10% of net profit. This reserve is not available for distribution.

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

25. DIVIDENDS PAID

The following dividends were declared and paid by the Bank:

	2014	**2013**
	LBP'000	LBP'000
Ordinary shares	22,503,000	20,455,500
Preferred shares	5,653,125	5,653,125
	28,156,125	**26,108,625**

26. NON-CONTROLLING INTERESTS

	December 31,	
	2014	**2013**
	LBP'000	LBP'000
Capital	600,000	600,000
Retained earnings	287,318	199,816
Reserves	39,855	15,000
Profit for the year	156,306	112,357
	1,083,479	**927,173**

27. INTEREST INCOME

	2014	**2013**
	LBP'000	LBP'000
Interest income on		
Deposits with the Central Bank of Lebanon	115,246,518	159,104,594
Deposits with banks and financial institutions	1,299,493	1,453,512
Investment securities at amortized cost	186,698,786	133,526,260
Loans to banks and financial institutions	5,851,316	3,170,935
Loans and advances to customers	114,963,937	105,760,989
Loans and advances to related parties	1,850,388	2,595,915
Interest realized on non-performing loans	45,530	502,330
	425,955,968	**406,114,535**

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

28. INTEREST EXPENSE

	2014	2013
	LBP'000	LBP'000
Interest expense on		
Deposits and borrowings from banks and financial institutions	1,208,256	1,399,319
Customers' accounts at amortized cost	359,712,617	331,949,952
Related parties' accounts at amortized cost	777,744	1,182,513
Other borrowings	262,511	32,914
	361,961,128	**334,564,698**

29. FEE AND COMMISSION INCOME

	2014	2013
	LBP'000	LBP'000
Commission on documentary credits	2,424,845	4,777,731
Commission on letters of guarantee	884,628	1,400,500
Service fees on customers' transactions	7,238,929	5,542,431
Asset management fees	93,381	106,713
Commission earned on insurance policies	247,129	264,493
Other	791,623	790,894
	11,680,535	**12,882,762**

30. FEE AND COMMISSION EXPENSE

	2014	2013
	LBP'000	LBP'000
Commission on transactions with banks	627,036	560,660
Other	314,256	169,368
	941,292	**730,028**

31. OTHER OPERATING INCOME

	2014	2013
	LBP'000	LBP'000
Gain on sale of investment securities at amortized cost	213,432	93,749
Net foreign exchange gain	3,449,665	7,099,917
Other	922,997	657,643
	4,586,094	**7,851,309**

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

	2014	2013
	LBP'000	LBP'000
Interest income	88,652,162	64,853,283
Net unrealized loss	(13,458,444)	(25,698,652)
Net realized gain	19,187,328	28,283,774
	94,381,046	**67,438,405**

33. PROVISION FOR CREDIT LOSSES (NET)

	2014	2013
	LBP'000	LBP'000
Allowance for impairment loans and advances (Note 8)	280,938	701,490
Write back (Note 8)	(433,787)	(1,579,497)
Allowance for collective impairment (Note 8)	5,397,639	6,687,903
Direct write-off for doubtful and bad loans (Note 8)	15,170	87,704
Net recovery from loans booked in the off-balance sheet	(1,420)	-
Write-off of performing loans	-	1,209
	5,258,540	**5,898,809**

34. STAFF COSTS

	2014	2013
	LBP'000	LBP'000
Salaries and related charges	26,135,047	26,418,004
Board of directors remunerations	5,605,128	5,337,762
Social security contributions	2,564,850	2,426,396
Provision for end-of-service indemnities (Note 21)	1,488,738	1,421,236
	35,793,763	**35,603,398**

35 . GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	LBP'000	LBP'000
Professional fees	2,625,745	2,265,095
Rent	1,456,424	1,452,093
Advertising	7,258,690	6,070,759
Post and telephone	1,331,592	1,249,379
Repairs and maintenance	1,232,310	1,159,771
Travel	675,049	517,564
Printing and stationery	483,128	509,564
Water and electricity	1,033,128	932,591
Insurance	358,567	369,101
Gifts and donations	125,839	59,047
Subscription fees	820,563	503,433
Municipality and other accrued taxes and penalties (Note 20)	3,603,952	1,121,356
Training and seminars	133,617	136,851
Cleaning	308,377	252,155
Licenses	30,803	94,725
Credit card expenses	43,551	361,553
Transportation	339,849	218,790
Miscellaneous expenses	1,027,063	770,431
	22,888,247	**18,044,258**

36 . FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk.

The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the statement of financial position.

However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

37 . RELATED PARTIES

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

	December 31,	
	2014	2013
	LBP'000	LBP'000
Direct facilities and credit balances		
Loans and advances	14,110,167	36,248,078
Deposits (Note 18)	120,495,585	114,874,010
Indirect facilities		
Letters of guarantee	237,981	628,221

Loans and advances to related parties covered by real estate mortgage to the extent of LBP3.4billion for 2014 (Real Estate mortgage of LBP9billion and pledge deposits of LBP18billion for 2013).

The Board of Directors remunerations and benefits amounted to LBP5.60billion during 2014 (LBP5.34billion in 2013).

38 . CASH AND CASH EQUIVALENTS

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

	December 31,	
	2014	2013
	LBP'000	LBP'000
Cash on hand	64,355,059	55,310,742
Checks for collection	21,949,236	22,710,239
Current accounts with central banks	69,168,578	76,071,549
Term placements with Central Bank of Lebanon	190,492,440	86,790,000
Current accounts with banks and financial institutions	342,253,700	204,613,831
Term placements with banks and financial institutions	148,123,740	195,505,945
	836,342,753	**641,002,306**

Term deposits with the Central Bank of Lebanon and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

39. CAPITAL MANAGEMENT

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

The Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regularly capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad (in addition to the amount imposed by the relevant authorities abroad).

The Group's capital is split as follows

Tier I capital: Comprises share capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of expected dividends distribution) and non-controlling interests after deductions for intangible assets.

Tier II capital: Revaluation surplus of owned properties.

The Group's consolidated capital adequacy ratio was as follows:

	December 31,	
	2014	2013
	LBP'Million	LBP'Million
Common equity Tier 1	391,923	340,428
Additional Tier I capital	75,356	75,356
	467,279	**415,784**
Tier II capital	1,109	1,108
Total regulatory capital	**468,388**	**416,892**
Credit risk	3,037,759	2,683,051
Market risk	714,781	528,937
Operational risk	262,847	262,847
Risk-weighted assets and risk-weighted off-balance sheet items	4,015,387	3,474,835
Equity Tier I ratio	**9.76%**	**9.80%**
Tier I capital ratio	**11.64%**	**11.97%**
Risk based capital ratio-Tier I and Tier II capital	**11.66%**	**12.00%**

40. SEGMENT INFORMATION

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

	December 31, 2014			
FINANCIAL POSITION	Lebanon Operations	Cyprus	Iraq	Total
	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS				
Cash and central banks	1,943,136,062	196,857	102,561,147	2,045,894,066
Deposits with banks and financial institutions	511,837,163	35,335	475,375	512,347,873
Loans to banks and financial institutions	128,560,551	-	-	128,560,551
Loans and advances to customers	1,498,842,403	368	29,998,288	1,528,841,059
Loans and advances to related parties	14,110,167	-	-	14,110,167
Investment securities at fair value through profit or loss	1,164,540,303	-	-	1,164,540,303
Investment securities at amortized cost	2,382,198,941	-	-	2,382,198,941
Customers' liability under acceptances	6,732,841	-	-	6,732,841
Assets acquired in satisfaction of loans	19,666,700	-	-	19,666,700
Property and equipment	52,808,203	50,668	2,907,643	55,766,514
Intangible assets	814,984	2,051	19,813	836,848
Other assets	7,687,910	18,145	208,447	7,914,502
Total Assets	**7,730,936,228**	**303,424**	**136,170,713**	**7,867,410,365**
LIABILITIES				
Deposits from banks	49,974,590	-	94,912	50,069,502
Customers' accounts	6,885,541,609	16,602,917	126,501,585	7,028,646,111
Related parties accounts	120,495,585	-	-	120,495,585
Acceptance liability	6,732,841	-	-	6,732,841
Other borrowings	36,939,027	-	-	36,939,027
Other liabilities	61,071,514	(16,153,860)	4,730,676	49,648,330
Provisions	8,510,655	-	-	8,510,655
Total Liabilities	**7,169,265,821**	**449,057**	**131,327,173**	**7,301,042,051**

FINANCIAL POSITION	Lebanon Operations	Cyprus	Iraq	Total
	December 31, 2013			
	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS				
Cash and central banks	1,899,033,998	262,088	114,267,043	2,013,563,129
Deposits with banks and financial institutions	421,181,334	298,934	1,393,387	422,873,655
Loans to banks	92,554,494	-	-	92,554,494
Loans and advances to customers	1,299,080,801	2,010,180	18,148,876	1,319,239,857
Loans and advances to related parties	36,248,078	-	-	36,248,078
Investment securities at fair value through profit or loss	836,717,749	-	-	836,717,749
Investment securities at amortized cost	2,325,887,154	-	-	2,325,887,154
Customers' liability under acceptances	10,136,121	-	-	10,136,121
Assets acquired in satisfaction of loans	19,666,700	-	-	19,666,700
Property and equipment	50,634,271	96,558	2,022,038	52,752,867
Intangible assets	775,543	25,296	49,530	850,369
Other assets	8,417,091	31,527	654,885	9,103,503
Total Assets	**7,000,333,334**	**2,724,583**	**136,535,759**	**7,139,593,676**
LIABILITIES				
Deposits from banks	76,888,171	-	88,128	76,976,299
Customers' accounts	6,216,761,653	13,005,940	137,941,022	6,367,708,615
Related parties accounts	114,872,170	-	1,840	114,874,010
Liability under acceptance	10,136,120	-	-	10,136,120
Other borrowings	11,474,342	-	-	11,474,342
Other liabilities	44,201,287	156,865	2,025,360	46,383,512
Provisions	7,192,314	-	-	7,192,314
Total Liabilities	**6,481,526,057**	**13,162,805**	**140,056,350**	**6,634,745,212**

Profit or Loss	Lebanon Operations	Cyprus	Iraq	Total
	Year Ended December 31, 2014			
	LPB'000	LPB'000	LPB'000	LPB'000
Interest income	422,195,947	659,647	3,100,374	425,955,968
Interest expense	(360,979,636)	(451,409)	(530,083)	(361,961,128)
Net interest income	61,216,311	208,238	2,570,291	63,994,840
Fee and commission income	8,148,627	26,061	3,505,847	11,680,535
Fee and commission expense	(546,353)	(83,362)	(311,577)	(941,292)
Net fee and commission income	7,602,274	(57,301)	3,194,270	10,739,243
Other operating income	4,570,989	3,045	12,060	4,586,094
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	93,072,970	1,308,076	-	94,381,046
Net financial revenues	166,462,544	1,462,058	5,776,621	173,701,223
Allowance for impairment of loans and advances (net)	(5,004,351)	-	(254,189)	(5,258,540)
Net financial revenues after impairment charge for credit losses	161,458,193	1,462,058	5,522,432	168,442,683
Staff costs	(34,671,148)	(439,527)	(683,088)	(35,793,763)
Administrative expenses	(21,224,694)	(306,471)	(1,357,082)	(22,888,247)
Depreciation and amortization	(3,276,548)	(58,268)	(547,237)	(3,882,053)
Other expenses	(207,827)	(18,094)	(52,133)	(278,054)
Profit before income tax	102,077,976	639,698	2,882,892	105,600,566
Income tax expense	(15,523,637)	-	(483,750)	(16,007,387)
	86,554,339	**639,698**	**2,399,142**	**89,593,179**
Other comprehensive income	-	-	-	-
Total comprehensive income	**86,554,339**	**639,698**	**2,399,142**	**89,593,179**

Profit or Loss	Lebanon Operations	Cyprus	Iraq	Total
	Year Ended December 31, 2013			
	LPB'000	LPB'000	LPB'000	LPB'000
Interest income	402,591,778	1,760,712	1,762,045	406,114,535
Interest expense	(332,962,210)	(1,066,672)	(535,816)	(334,564,698)
Net interest income	69,629,568	694,040	1,226,229	71,549,837
Fee and commission income	9,996,897	20,807	2,865,058	12,882,762
Fee and commission expense	(501,589)	(135,723)	(92,716)	(730,028)
Net fee and commission income	9,495,308	(114,916)	2,772,342	12,152,734
Other operating income	7,856,933	505	(6,129)	7,851,309
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	67,438,405	-	-	67,438,405
Net financial revenues	154,420,214	579,629	3,992,442	158,992,285
Allowance for impairment of loans and advances (net)	(5,656,954)	-	(241,855)	(5,898,809)
Net financial revenues after impairment charge for credit losses	148,763,260	579,629	3,750,587	153,093,476
Staff costs	(34,528,351)	(493,791)	581,256)	(35,603,398)
Administrative expenses	(16,294,738)	(374,312)	(1,375,208)	(18,044,258)
Depreciation and amortization	(3,075,612)	(161,119)	529,145)	(3,765,876)
Other expenses	(27,182)	-	-	(27,182)
Profit before income tax	94,837,377	(449,593)	1,264,978	95,652,762
Income tax expense	(14,449,719)	-	(285,917)	(14,735,636)
	80,387,658	**(449,593)**	**979,061**	**80,917,126**
Other comprehensive income	-	-	-	-
Total comprehensive income	**80,387,658**	**(449,593)**	**979,061**	**80,917,126**

During 2013 and 2012 Cyprus has been exposed to a severe restructuring of its banking system. Considering the Bank's size and business model of international banking operations with little exposure to the domestic market, it was not materially affected by this crisis.

40. FINANCIAL RISK MANAGEMENT

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

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

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Group. Risk committee was established whose role is to supervise the proper implementation of risk management procedures at the Bank and all its branches aboard and subsidiaries, in compliance with the regulations issued or will be issued by the Central Bank of Lebanon and Banking Control Commission.

A. Credit Risk

1. Credit risk management

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

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

2. Loan classification and monitoring

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

A. Ordinary accounts: - Regular
- Watch, for incomplete documentation
B. Special mention accounts.
C. Substandard accounts.
D. Doubtful accounts.
E. Bad or failing accounts.

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

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

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

• **Substandard loans:** There is weakness in the borrower's creditworthiness, profitability, cash flows for a long period and collaterals or uses of the facilities for other purposes. Default has occurred or is likely to occur or the repayment schedule has been restructured. Past due for more than 90 but less than 270 days.

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

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

Loan account classifications are reviewed periodically by the Credit department. Accounts' classification is monitored based on relevant facts related to the accounts' performance and are up and/or down-graded depending on the credit worthiness of the borrowers and their ability to pay back, taking into consideration the quality of the guarantees. Once Accounts are classified as less then regular, they become closely monitored for debtor's behavior, accounts performance, deterioration in the borrower's solvency, cash generation and overall financial condition.
If, however, the borrower's difficulties appear to be more fundamental and/or the collateral no longer adequately covers the facility, whether due to excessive exposure or diminution in the value of the collateral then the account is classified as Class C and interest is discontinued to be recognized in the income statement.

3. Risk mitigation policies

Collateral

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

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

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

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

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

Impaired loans

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

Past due but not impaired loans

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

Allowances for impairment

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

Write-off policy

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

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

	2014			2013		
	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount	Gross Amount Net of Unrealized Interest	Impairment Allowance	Carrying Amount
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Performing retail loans:						
Mortgage loans	220,435,419	-	220,435,419	209,809,285	-	209,809,285
Personal loans	42,010,269	-	42,010,269	30,756,470	-	30,756,470
Credit card	5,655,085	-	5,655,085	4,917,088	-	4,917,088
Overdrafts	21,812,249	-	21,812,249	34,079,135	-	34,079,135
Allowance for collective provision-performing retail	-	(1,335,989)	(1,335,989)	-	-	-
	289,913,022	**(1,335,989)**	**288,577,033**	**279,561,978**	**-**	**279,561,978**
Non-performing retail loans:						
Substandard loans	18,568	-	18,568	399,276	-	399,276
Doubtful loans	2,552,467	(1,444,744)	1,107,723	1,668,799	(1,243,280)	425,519
	2,571,035	**(1,444,744)**	**1,126,291**	**2,068,075**	**(1,243,280)**	**824,795**
Performing corporate loans:						
Large enterprises	886,427,938	-	886,427,938	700,758,833	-	700,758,833
Small and medium enterprises	365,024,251	-	365,024,251	346,550,291	-	346,550,291
	1,251,452,189	**-**	**1,251,452,189**	**1,047,309,124**	**-**	**1,047,309,124**
Non-performing corporate loans:						
Substandard loans	5,765,334	-	5,765,334	5,280,944	-	5,280,944
Doubtful loans	14,627,083	(9,653,297)	4,973,786	17,180,788	(11,594,483)	5,586,305
	20,392,417	**(9,653,297)**	**10,739,120**	**22,461,732**	**(11,594,483)**	**10,867,249**
Allowance for collective impairment	-	(25,512,326)	(25,512,326)	-	(21,451,439)	(21,451,439)
Accrued interest receivable	2,458,752	-	2,458,752	2,128,150	-	2,128,150
	1,566,787,415	**(37,946,356)**	**1,528,841,059**	**1,353,529,059**	**(34,289,202)**	**1,319,239,857**

Performing corporate loans to large enterprises, outstanding at year end 2014, include an amount of LBP234billion related to a non-resident customer which is covered by LBP234billion cash collateral. Related interest income and expense amounted to LBP30.7billion and LBP28.83billion respectively during 2014 and 2013.

Loans classified performing include overdue amounts as at December 31 as follows:

	2014	2013
	LBP'000	LBP'000
Between 30-60 days	1,189,505	402,073
Between 60-90 days	893,999	106,332
Between 90-180 days	994,165	640,184
Beyond 180 days	1,155,494	688,438
	4,233,163	**1,837,027**

Following intermediary decision 11831 issued by the Central Bank of Lebanon on August 21, 2014 which relates to the amendment of the decision 7776 dated February 21, 2001 in relation to the provision on retail loans, the Bank allocated at year end 2014 an amount of LBP1.3billion from allowance for collective provision to allowance of collective provision on performing retail loans.

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

	December 31, 2014									
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Trading	Services	Individuals	Other	Allowance for Collective Impairment	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Cash and central banks	2,045,894,066	-	-	-	-	-	-	-	-	2,045,894,066
Deposits with banks and financial institutions	-	512,347,873	-	-	-	-	-	-	-	512,347,873
Loans to banks and financial institutions	-	128,560,551	-	-	-	-	-	-	-	128,560,551
Loans and advances to customers	-	128,144,349	374,227,957	129,911,734	125,182,453	399,156,966	373,583,596	25,482,319	(26,848,315)	1,528,841,059
Loans and advances to related parties	-	9,555	2,197,420	-	3,587,924	-	8,315,268	-	-	14,110,167
Investment securities at fair value through profit l or loss	1,160,366,843	4,173,460	-	-	-	-	-	-	-	1,164,540,303
Investment securities at amortized cost	2,382,198,941	-	-	-	-	-	-	-	-	2,382,198,941
	5,588,459,850	**773,235,788**	**376,425,377**	**129,911,734**	**128,770,377**	**399,156,966**	**381,898,864**	**25,482,319**	**(26,848,315)**	**7,776,492,960**

	December 31, 2013									
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Trading	Services	Individuals	Other	Allowance for Collective Impairment	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Cash and central banks	2,013,563,129	-	-	-	-	-	-	-	-	2,013,563,129
Deposits with banks and financial institutions	-	422,873,655	-	-	-	-	-	-	-	422,873,655
Loans to banks and financial institutions	-	92,554,494	-	-	-	-	-	-	-	92,554,494
Loans and advances to customers	-	118,029,974	276,665,172	137,440,502	128,158,943	365,299,402	284,174,909	30,922,394	(21,451,439)	1,319,239,857
Loans and advances to related parties	-	-	-	-	-	36,248,078	-	-	-	36,248,078
Investment securities at fair value through profit l or loss	832,609,559	4,108,190	-	-	-	-	-	-	-	836,717,749
Investment securities at amortized cost	2,325,887,154	-	-	-	-	-	-	-	-	2,325,887,154
	5,172,059,842	**637,566,313**	**276,665,172**	**137,440,502**	**128,158,943**	**401,547,480**	**284,174,909**	**30,922,394**	**(21,451,439)**	**7,047,084,116**

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

December 31, 2014

	Lebanon	Middle East & Africa	North America	Europe	Other	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS						
Cash and central banks	1,943,136,062	102,561,147	-	196,857	-	2,045,894,066
Deposits with banks and financial institutions	65,055,140	2,199,324	178,816,157	266,009,157	268,095	512,347,873
Loans to banks	128,560,551	-	-	-	-	128,560,551
Loans and advances to customers	1,119,173,766	304,973,288	41,444,812	39,939,107	23,310,086	1,528,841,059
Loans and advances to related parties	14,110,167	-	-	-	-	14,110,167
Investment securities at fair value through profit or loss	1,164,540,303	-	-	-	-	1,164,540,303
Investment securities at amortized cost	2,382,198,941	-	-	-	-	2,382,198,941
	6,816,774,930	**409,733,759**	**220,260,969**	**306,145,121**	**23,578,181**	**7,776,492,960**
LIABILITIES						
Deposits from banks	19,202,288	23,740,019	-	7,127,195	-	50,069,502
Customers' accounts	5,064,672,533	912,694,326	42,206,403	987,264,005	21,808,844	7,028,646,111
Related parties accounts	120,495,585	-	-	-	-	120,495,585
Other borrowings	36,939,027	-	-	-	-	36,939,027
	5,241,309,433	**936,434,345**	**42,206,403**	**994,391,200**	**21,808,844**	**7,236,150,225**

December 31, 2013

	Lebanon	Middle East & Africa	North America	Europe	Other	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS						
Cash and central banks	1,899,033,998	114,267,043	-	262,088	-	2,013,563,129
Deposits with banks and financial institutions	73,133,588	1,003,062	88,410,681	260,225,234	101,090	422,873,655
Loans to banks	92,554,494	-	-	-	-	92,554,494
Loans and advances to customers	911,093,964	324,950,522	43,051,089	28,890,148	11,254,134	1,319,239,857
Loans and advances to related parties	36,248,078	-	-	-	-	36,248,078
Investment securities at fair value through profit or loss	836,717,749	-	-	-	-	836,717,749
Investment securities at amortized cost	2,325,887,154	-	-	-	-	2,325,887,154
	6,174,669,025	**440,220,627**	**131,461,770**	**289,377,470**	**11,355,224**	**7,047,084,116**
LIABILITIES						
Deposits from banks	49,864,124	16,277,452	-	10,834,723	-	76,976,299
Customers' accounts	4,577,124,571	957,094,361	48,569,615	754,547,168	30,372,900	6,367,708,615
Related parties accounts	114,874,010	-	-	-	-	114,874,010
Other borrowings	11,474,342	-	-	-	-	11,474,342
	4,753,337,047	**973,371,813**	**48,569,615**	**765,381,891**	**30,372,900**	**6,571,033,266**

B. Liquidity Risk

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

1. Liquidity risk management

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

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

December 31, 2014

	Account with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
Deposits and borrowings from banks	37,065	13,005	-	-	-	-	50,070
Customers' accounts	703,117	5,488,086	778,133	57,884	1,426	-	7,028,646
Related parties accounts	-	-	120,496	-	-	-	120,496
Other borrowings	-	632	1,520	6,257	8,479	20,051	36,939
	740,182	**5,501,723**	**900,149**	**64,141**	**9,905**	**20,051**	**7,236,151**

December 31, 2013

	Account with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
Deposits and borrowings from banks	20,364	56,612	-	-	-	-	76,976
Customers' accounts	644,022	4,800,127	820,214	101,563	1,416	367	6,367,709
Related parties accounts	-	-	114,874	-	-	-	114,874
Other borrowings	-	138	337	2,106	2,880	6,013	11,474
	664,386	**4,856,877**	**935,425**	**103,669**	**4,296**	**6,380**	**6,571,033**

Concentration of Financial Liabilities by counterparty:

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

C. Market Risks

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

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

1. Interest rate risk

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

Large amounts of the Group's financial assets, primarily investments in certificates of deposit and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk.

Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed interest rates.

• Exposure to interest rate risk

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

December 31, 2014

	Account with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
FINANCIAL ASSETS							
Cash and central banks	88,922	290,177	18,867	9,045	543,524	1,095,359	2,045,894
Deposits with banks and financial institutions	-	512,348	-	-	-	-	512,348
Loans to banks and financial institutions	-	46,201	10,600	21,660	50,100	-	128,561
Loans and advances to customers	15,473	1,402,583	71,848	6,824	17,507	14,606	1,528,841
Loans and advances to related parties	-	-	14,110	-	-	-	14,110
Investment securities at fair value through profit or loss	27,542	2,255	723	33,624	21,997	1,078,399	1,164,540
Investment securities at amortized cost	-	58,509	32,110	198,942	240,784	1,851,854	2,382,199
	131,937	**2,312,073**	**148,258**	**270,095**	**873,912**	**4,040,218**	**7,776,493**
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	37,066	13,004	-	-	-	-	50,070
Customers' accounts	702,844	5,609,953	656,539	57,884	1,426	-	7,028,646
Related parties accounts	-	-	120,496	-	-	-	120,496
Other borrowings	-	632	1,520	6,257	8,479	20,051	36,939
	739,910	**5,623,589**	**778,555**	**64,141**	**9,905**	**20,051**	**7,236,151**

December 31, 2013

	Account with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million	LPB'Million
FINANCIAL ASSETS							
Cash and central banks	272,741	106,418	72,310	53,369	3,015	1,505,710	2,013,563
Deposits with banks and financial institutions	187,608	235,266	-	-	-	-	422,874
Loans to banks and financial institutions	-	3,434	32,000	57,120	-	-	92,554
Loans and advances to customers	13,325	579,093	676,829	20,258	17,708	12,027	1,319,240
Loans and advances to related parties	-	-	36,248	-	-	-	36,248
Investment securities at fair value through profit or loss	21,689	-	-	-	62,498	752,530	836,717
Investment securities at amortized cost	58,474	11	140,281	90,496	209,057	1,827,568	2,325,887
	553,837	**924,222**	**957,668**	**221,243**	**292,278**	**4,097,835**	**7,047,083**
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	20,364	56,612	-	-	-	-	76,976
Customers' accounts	644,022	4,870,714	770,904	80,286	1,416	367	6,367,709
Related parties accounts	-	-	114,874	-	-	-	114,874
Other borrowings	-	138	337	2,106	2,880	6,013	11,474
	664,386	**4,927,464**	**886,115**	**82,392**	**4,296**	**6,380**	**6,571,033**

2. Foreign Exchange risk

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

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

December 31, 2014

	LBP	USD C/V in LBP	EURO C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS						
Cash and central banks	855,505,161	677,286,315	485,244,730	137,708	27,720,152	2,045,894,066
Deposits with banks and financial institutions	3,512,560	326,750,112	120,346,227	26,419,672	35,319,302	512,347,873
Loans to banks and financial institutions	82,957,997	45,602,554	-	-	-	128,560,551
Loans and advances to customers	341,625,921	1,131,032,503	47,578,450	6,275,020	2,329,165	1,528,841,059
Loans and advances to related parties	8,042,507	6,054,886	12,774	-	-	14,110,167
Investment securities at fair value through profit or loss	1,058,997,226	95,160,656	10,382,421	-	-	1,164,540,303
Investment securities at amortized cost	1,223,596,366	1,057,899,009	100,703,566	-	-	2,382,198,941
Investment in subsidiaries	-	-	-	-	-	-
Customers' liability under acceptances	-	5,884,824	848,017	-	-	6,732,841
Assets acquired in satisfaction of loans	640,985	19,025,715	-	-	-	19,666,700
Property and equipment	46,556,391	6,251,812	50,668	-	2,907,643	55,766,514
Intangible assets	814,983	-	2,051	-	19,814	836,848
Other assets	5,981,523	1,592,558	90,154	-	250,267	7,914,502
Total Assets	3,628,231,620	3,372,540,944	765,259,058	32,832,400	68,546,343	7,867,410,365
LIABILITIES						
Deposits from banks	4,133,502	43,518,287	2,006,610	472,738	(61,635)	50,069,502
Customers' accounts	3,050,990,575	3,168,238,623	752,832,418	28,702,089	27,882,406	7,028,646,111
Related parties accounts	53,120,424	40,467,329	26,877,095	30,664	73	120,495,585
Liability under acceptance	-	5,884,824	848,017	-	-	6,732,841
Other borrowings	36,939,027	-	-	-	-	36,939,027
Other liabilities	16,834,924	26,676,724	4,129,737	24,067	1,421,362	49,086,814
Provisions	7,020,664	1,489,991	-	-	-	8,510,655
Total Liabilities	3,169,039,116	3,286,275,778	786,693,877	29,229,558	29,242,206	7,300,480,535
Currencies to be delivered	-	9,810,622	46,029,507	5,386	21,273,144	77,118,659
Currencies to be received	-	(10,138,921)	(24,325,012)	(3,685,915)	(39,530,327)	(77,680,175)
Net on-balance sheet financial position	-	(328,299)	21,704,495	(3,680,529)	(18,257,183)	(561,516)
	459,192,504	**85,936,867**	**269,676**	**(77,687)**	**21,046,954**	**566,368,314**

December 31, 2013	LBP	USD C/V in LBP	EURO C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
ASSETS						
Cash and Central Banks	828,421,507	723,285,617	412,461,701	179,789	49,214,515	2,013,563,129
Deposits with banks and financial institutions	26,642,451	286,672,067	89,518,008	5,333,165	14,707,964	422,873,655
Loans to banks	92,554,494	-	-	-	-	92,554,494
Loans and advances to customers	306,897,174	954,702,365	48,937,093	7,579,824	1,123,401	1,319,239,857
Loans and advances to related parties	4,278,691	31,908,934	60,441	12	-	36,248,078
Investments securities at fair value through profit or loss	734,145,991	90,825,486	11,746,272	-	-	836,717,749
Investment securities at amortized cost	1,222,015,131	990,203,462	113,668,561	-	-	2,325,887,154
Customers' liability under acceptances	-	6,765,047	3,371,074	-	-	10,136,121
Assets acquired in satisfaction of loans	640,985	19,025,715	-	-	-	19,666,700
Property and equipment	44,964,521	5,665,185	101,123	-	2,022,038	52,752,867
Intangible assets	775,543	-	25,296	-	49,530	850,369
Other assets	6,584,628	10,332,197	1,926,297	(8,813,053)	(1,373,515)	8,656,554
Total Assets	3,267,921,116	3,119,386,075	681,815,866	4,279,737	65,743,933	7,139,146,727
LIABILITIES						
Deposits from banks	33,496,188	40,661,446	2,435,128	383,160	377	76,976,299
Customers' accounts	2,727,421,209	2,925,606,766	648,064,559	21,530,754	45,085,327	6,367,708,615
Related parties accounts	60,320,877	33,452,136	21,099,144	1,838	15	114,874,010
Liability under acceptance	-	6,765,047	3,371,073	-	-	10,136,120
Other borrowings	11,474,342	-	-	-	-	11,474,342
Other liabilities	19,733,295	23,288,784	2,652,106	18,779	690,548	46,383,512
Provisions	5,919,403	1,272,911	-	-	-	7,192,314
Total Liabilities	2,858,365,314	3,031,047,090	677,622,010	21,934,531	45,776,267	6,634,745,212
Currencies to be delivered	-	2,990,283	11,810,280	8,813,053	16,125,422	39,739,038
Currencies to be received	-	(11,395,960)	(13,512,140)	-	(14,383,989)	(39,292,089)
Net on-balance sheet financial position	-	(8,405,677)	(1,701,860)	8,813,053	1,741,433	446,949
	409,555,802	**79,933,308**	**2,491,996**	**(8,841,741)**	**21,709,099**	**504,848,464**

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

December 31, 2014

	Notes	Carrying Amount	Level 1	Level 2	Level 3	Total
		LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Financial assets measured at fair value						
Investment securities held at fair value through profit or loss						
Quoted equity securities	10	4,013,138	4,013,138	-	-	4,013,138
Unquoted equity securities	10	160,322	-	-	160,322	160,322
Lebanese treasury bills	10	236,437,887	-	236,437,887	-	236,437,887
Lebanese Government bonds	10	100,367,261	-	100,367,261	-	100,367,261
Certificates of deposit issued by the Central Bank of Lebanon	10	794,651,427	-	794,651,427	-	794,651,427
		1,135,630,035	**4,013,138**	**1,131,456,575**	**160,322**	**1,135,630,035**
Financial assets not measured at fair value:						
Term placements with Central Bank of Lebanon in Lebanese Pound	5	658,000,000	-	622,395,729	-	622,395,729
Term placements with Central Bank of Lebanon in foreign currencies	5	1,051,163,700	-	1,031,520,702	-	1,031,520,702
Customer's loans and advances	8	1,526,382,307	-	1,532,396,825	-	1,532,396,825
Investment securities at amortized costs:						
Lebanese treasury bills	11	2,567,823	-	2,680,362	-	2,680,362
Lebanese Government bonds	11	1,015,796,572	-	1,036,884,914	-	1,036,884,914
Certificates of deposit issued by Central Bank of Lebanon (in LBP)	11	1,178,282,721	-	1,170,565,509	-	1,170,565,509
Certificates of deposits issued by the Central Bank of Lebanon (Foreign currencies)	11	126,289,356	-	139,371,368	-	139,371,368
Certificates of deposit issued by banks	11	753,750	-	764,281	-	764,281
		5,559,236,229	-	**5,536,579,690**	-	**5,536,579,690**

December 31, 2013

	Notes	Carrying Amount	Level 1	Level 2	Level 3	Total
		LPB'000	LPB'000	LPB'000	LPB'000	LPB'000
Financial assets measured at fair value						
Investment securities held at fair value through profit or loss						
Quoted equity securities	10	3,947,868	3,947,868	-	-	3,947,868
Unquoted equity securities	10	160,322	-	-	160,322	160,322
Lebanese treasury bills	10	305,095,928	-	305,095,928	-	305,095,928
Lebanese Government bonds	10	97,412,906	-	97,412,906	-	97,412,906
Certificates of deposit issued by the Central Bank of Lebanon	10	408,008,106	-	408,008,106	-	408,008,106
		814,625,130	**3,947,868**	**810,516,940**	**160,322**	**814,625,130**
Financial assets not measured at fair value:						
Term placements with Central Bank of Lebanon in Lebanese Pound	5	670,800,000	-	690,910,165	-	690,910,165
Term placements with Central Bank of Lebanon in foreign currencies	5	1,044,405,840	-	655,114,276	-	655,114,276
Customer's loans and advances	8	1,319,239,857	-	1,331,270,045	-	1,331,270,045
Investment securities at amortized costs:						
Lebanese treasury bills	11	2,243,611	-	2,477,107	-	2,477,107
Lebanese Government bonds	11	937,351,964	-	926,655,921	-	926,655,921
Certificates of deposit issued by Central Bank of Lebanon (in LBP)	11	1,176,782,755	-	1,204,277,207	-	1,204,277,207
Certificates of deposits issued by the Central Bank of Lebanon (Foreign currencies)	11	150,279,954	-	145,820,296	-	145,820,296
Certificates of deposit issued by banks	11	753,750	-	805,356	-	805,356
		5,301,857,731	-	**4,957,330,373**	-	**4,957,330,373**

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

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

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

Financial Instruments	Date of Valuation	Valuation Technique and Key Input	Significant Unobservable Inputs
Lebanese treasury bills	December 31, 2014 and 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	Illiquidity factor for instruments at fair value through profit of loss
Certificates of deposit in LBP issued by Central Bank	December 31, 2014 and 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	Illiquidity factor for instruments at fair value through profit of loss
Certificates of deposit in foreign currencies issued by Central Bank	December 31, 2014 and 2013	DCF at discount rates based on observable yield curves at the measurement date.	N/A
Lebanese Government bonds	December 31, 2014 and 2013	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor	Illiquidity factor for instruments at fair value through profit of loss
Term deposit with Central Bank of Lebanon in Lebanese Pounds	December 31, 2014 2013	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Term deposits with Central Bank of Lebanon in foreign currency	December 31, 2014 and 2013	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor.	N/A
Loans and advances to customers	December 31, 2014 and 2013	DCF at discount rates based on average rate of return of the receivables bearing fixed interest rate for more than one year.	N/A

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2014 were approved for issuance by the Board of Directors in its meeting held on May 4, 2015.

“We see our success in the success enjoyed by our customers.”

IBL Bank - Byblos Branch

IBL Bank Branches

IBL Bank - Hamra Branch

Lebanon

IBL Bank has developed twenty local operational branches since the opening of its Head Office in Achrafieh. Eight of those branches are located in the Greater Beirut area. The remaining branches are distributed as follows: Four in the North of Lebanon, two in the South of Lebanon, Five in the Mount Lebanon area, and one in the Bekaa region.

In its early years, the Bank greatly expanded its network by launching nine new branches, seven of which were a result of the acquisition of BCP Oriel Bank in 1999. Further developments occurred in later years. In 2002, a branch was opened in Kobayat (North Lebanon). Additionally, in 2004, a branch was opened in Tyr (South Lebanon) and another in Chtaura (Bekaa region). In 2005, a branch was initiated in Hazmieh (Baabda region).

To ensure a stronger presence on Lebanese territory, the Bank further expanded in 2008 by instigating the Verdun (Beirut) and Antelias (Mount Lebanon) branches. Moreover, in 2009, a new branch was inaugurated in Elissar (Mount Lebanon). In 2011, two branches were instated - one in each of Balamand (North Lebanon) and Byblos (Mount Lebanon). Finally, two additional branches were established in the Greater Beirut area: one in Jnah, opened in 2012, and the other in Sioufi, which became operational in the final quarter of 2014.

In addition to its vast network of branches, a sister bank, IBL Invest, was initiated in Verdun, Beirut, in 2011.

Abroad - Iraq and Cyprus:

Following the satisfactory results that ensued from the opening of a representative office in Erbil, a city in the Kurdistan region of northern Iraq in 2006, the Board of Directors came to a decision to leverage the Bank's first mover advantage in Iraq. The representative office was promoted to a fully functioning branch that began operating in 2008. In 2010 and 2014, the Bank further developed its presence in Iraq by building an additional branch in each of Baghdad and Basra, respectively.

The success resulting from its ventures abroad led the Bank to move towards expanding in a new area: Europe. In 2007, the Bank obtained a license from the Central Bank of Cyprus to operate in Limassol, Cyprus. A branch was subsequently instigated on Makarios III Avenue, Limassol, and became operational in 2008.

To conclude, the Bank primarily sees its branches abroad as a means to diversify its stream of deposits, investments, and revenues. As part of its future expansion goals, the Bank aims to attract deposits and new business through the large and wealthy Lebanese and Arab communities in the Latin American, European, and Arab regions.

Headquarters

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Manager: Mr Béchara Mattar

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Manager: Mr. Ara Boghossian

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Manager: Mr Omar Hammoud

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Manager: Mr Nabil Abou Jaoude

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Al Madina tower Rachid Karame Street, P.O.Box 11-5292 - Beirut
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Manager: Mr Kisra Bassil

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

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Manager: Mr Hassan Hachichou

TYR
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Manager: Mr Youssef Chebli

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Manager: Mr Hamed Raad

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Manager: Mr Assaad Obeid

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Manager: Mr Iskandar Joanny

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Manager: Miss Ishtar Zulfa

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Swif: INLELBBE | Email: infobaghdad@ibl.com.lb | www.ibl.com.lb
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IBL Investment Bank Sal

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Assistant General Manager: Mr. Rodolphe Atallah

IBL Bank - Hazmieh Branch

IBL Bank - Headquarters, Ashrafieh