IBL BANK SAL

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IBL BANK

MANAGEMENT ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS & INDEPENDENT AUDITORS’ REPORT

BRANCHES

[SOLIDITY SOLIDARITY]

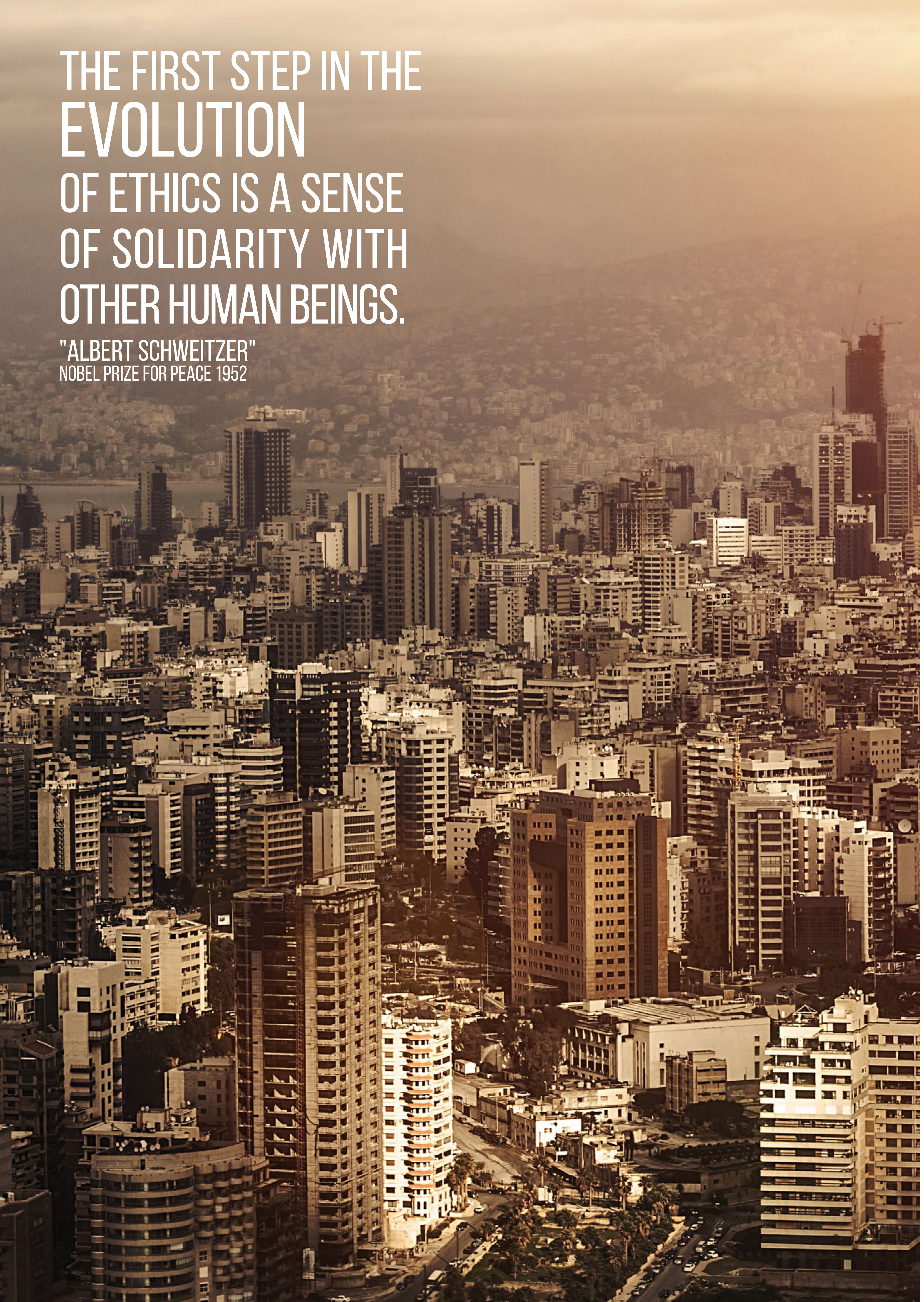
We have risen to the challenge in the past; and, this year, we have also taken action successfully, as we firmly believe that it is up to us, as a country, and as responsible institutions in this country, to make the most out of what Lebanon has to offer.

IBL Bank actually maintained in 2015 a sound activity and stable growth in a tough operating environment, thank to our solidity coupled with a restless solidarity.

We would like to express our gratitude to all our staff who helped move IBL Bank forward to where we are standing today despite the harsh economic environment and tough times, and to all our customers who keep blessing us with their continuous trust.

Your dreams keep pushing us forward... and we shall keep pushing you to dream more, and achieve more.

IBL Bank, where your dreams count.



"I WOULD LIKE TO GRAB THIS OPPORTUNITY TO **THANK OUR CUSTOMERS FOR THEIR CONTINUOUS TRUST.**"

The Lebanese Economy witnessed in 2015 one of its most difficult years in more than a decade, registering only a 1% real GDP estimated growth thanks to the monetary stimulus of the Central Bank, without which the GDP growth would have been negative. It was normal that the Lebanese economy got negatively impacted, amidst the regional turmoil on one hand and the domestic political uncertainties and delays in constitutional deadlines on the other hand, which created a cautious environment for the main sectors in the Lebanese economy.

However, monetary conditions remained favorable and continued to prove their resilience; with BDL foreign currency reserves (excluding gold) reaching USD 37.1 billion in December 2015, with the Foreign Exchange market seeing stability on the Lebanese pound over the year. Hence, the ratio of foreign currency reserves to local currency money supply reached 71% in December 2015 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 2015, as evidenced by the commercial banks' Balance-Sheet increasing by 5.9% to reach USD 186 billion in December 2015 and total deposits of the sector increasing by USD 7.2 billion in 2015 to reach USD 151 billion while the dollarization ratio reached a 3 Year low at 64.9%.

In parallel, the Banks' lending activity to the private sector continued in its growth momentum recording a USD 3.3 billion increase during the year to reach USD 54.2 billion in December 2015, meaning an increase of 6.5%. 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 2015 comparing favorably to regional and international benchmarks.

At the profitability level, Lebanese Banks' net profit registered a healthy growth in 2015 with an 11% growth over the year.

In this context, IBL Bank registered a strong year 2015 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 8% in 2015, fueled by the increase in the Bank's total deposits by 7% in 2015 while the Bank's loan book increased by 5% 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 123%. 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 a 15% growth in Net Income during 2015, leading to the Bank enjoying the highest Return on Average Equity (ROAE) and the second 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 2015 fully compliant with the Basel 3 accord and more so with the ratios required in 2016 by the local regulators. In fact, as at December 2015, the Bank's Common Equity Tier I Capital Ratio was 11.81%, the Tier I Capital Ratio was 13.51%, and the Total Capital Ratio was 14.90%.

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

1961

The Bank was incorporated 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.

1998

The majority of the Bank's shares were purchased by a group of Lebanese and foreign investors. And until now, this same group of shareholders is still pursuing its policy towards raising the Bank into one of the top national banks. Since then, the Bank has achieved significant growth in total assets as well as in the main components of its balance sheet.

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).

2003

IBL Bank was the first to introduce the Smart ATM in the Lebanese Market.

2005

IBL Bank was one of the first Lebanese Banks to enter the Iraqi market by opening a representative Office in Erbil.

2006

4 new branches were added in Lebanon to cover the whole country.

2007

The Bank obtained a license from the Central Bank of Cyprus to operate in Limassol. A branch was subsequently instigated on Makarios III Avenue and became operational in 2008.

2008

Following the satisfactory results that ensued from the opening of a representative office in Erbil, Iraq, the Board of Directors leveraged the Bank's first mover advantage in Iraq by upgrading the representative office to a full branch. 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.

2010

The Bank further developed its presence in Iraq by building an additional branch in Baghdad.

2011

6 new branches were added to the Bank's Lebanese Network strengthening its position between the top national Banks.

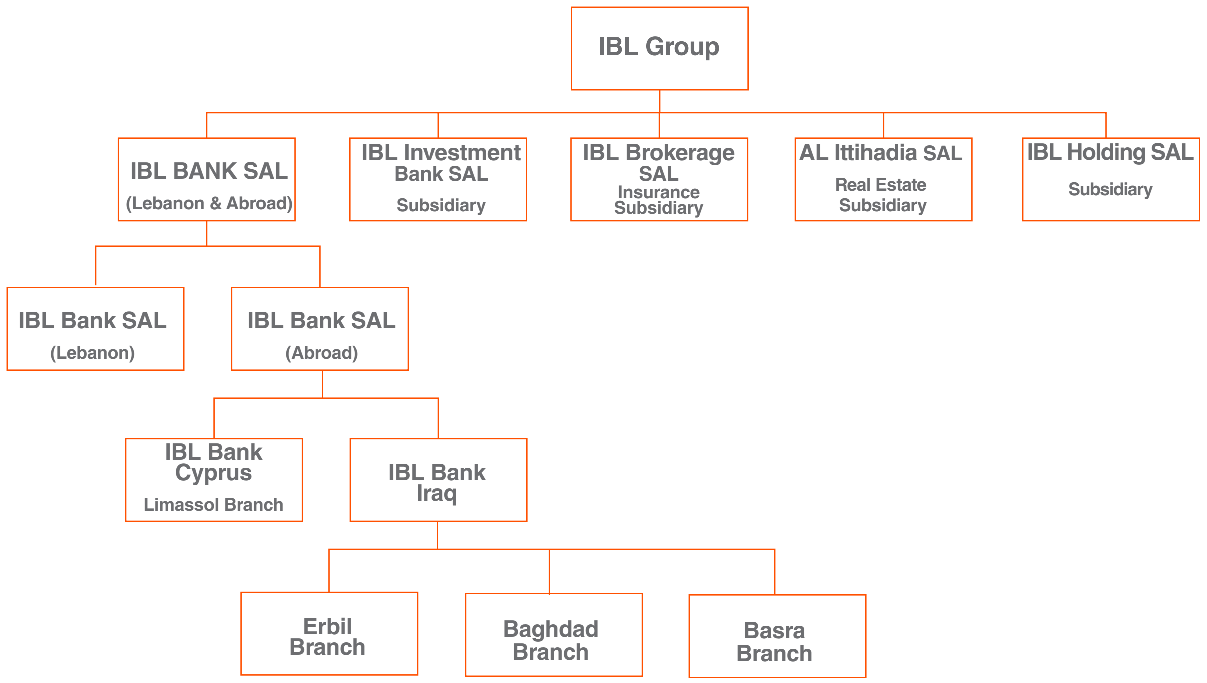
2014

Basra followed, being the 3rd branch covering another potential region in Iraq.

The strong growth that the Bank had 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 2015.

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 Ittihadia 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 reviewed and approved by the Board of Directors in May 2016, 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.

It is important to note that, in compliance with BDL Circular 133, the Bank has put in place a Remuneration Committee in October 2015 attached directly to the Board. In addition to its main responsibilities of preparing, supervising and reviewing, at least annually, the Remuneration Policy and Remuneration System, the Remuneration Committee shall coordinate closely with the Risk Management Committee, upon assessing the remunerations and their related risks, and upon reviewing the Remuneration Policy, in order to ensure its efficiency and adequacy to "effective performance".

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)
- ALCO Committee
- Management Committee
- Senior Credit Committee
- Junior Credit Committee
- AML/CFT Special Committee
- IT Security Committee
- IT Committee
- Procurement Committee
- Follow-up Committee for Subsidiaries Abroad
- Organization and Methods Committee
- Change Management Committee
- Business Continuity Management Committee
- Executive Committee for Iraq Activities
- Follow-Up Unit On Principles Of Banking Operations

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**	Independent Member of the Board Chairman of the Remuneration Committee Member of the Audit Committee
His Excellency **Dr. Mohammad Abdel Hamid Baydoun**	Independent 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	Independent Member of the Board
MM. Bicom SAL. Holding (Represented by **Mr. Mazen El Bizri**)	Non Executive Member of the Board Member of the Risk Committee
Me. Mounir Kh. Fathallah	Independent 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 Member of the Remuneration Committee
Me Rizkallah J. Makhlouf	Member of the Board
Dr.Elie A.Assaf (Elected on July 4, 2016)	Independent Member of the Board Member of the Risk Committee 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
Mr. Fayeq Al Obaidi *Management and Banking Consulting*	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. Karim Habib	Senior Manager Head of Strategy, Finance & Network
Mr. Ghassan El Rayess	Deputy Senior Manager Head of Corporate Banking
Mr. Khalil Salameh	Manager Head of Human Resources
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. Abdel Kader Tawil	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
Mrs. 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 four 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.

AML/CFT Special Committee

The mission of the AML/CFT Special Committee is to ensure the application of all procedures, laws, BDL and SIC's circulars in order to aim, prevent and fight Money Laundering and Terrorist Financing, to review periodically the above-mentioned procedures and regulations, and to develop them in line with the latest employed methods.

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 Subsidiaries Abroad

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

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.

Business Continuity Committee

The mission of the Business Continuity Committee is to determine the Business Continuity strategy, to maintain the ongoing support and viability for the Business Continuity Plan (BCP) program, to support the change management occurring as a result of the BCP implementation and to make global decisions that affect BCP at the Bank's level. The Committee is chaired by the Deputy General Manager.

Executive Committee for Iraq Activities

The mission of the Executive Committee is to ensure the management of the activity in Iraq according to prevailing laws, rules, regulations and best practices, as well as the management of operational risks arising from inadequate or failed internal processes, people and system or from external events. The Committee is responsible for assessing market conditions according to economic and political developments. Members of the Executive Committee are entrusted by the Chairman and report directly to Him with the duty of conducting the business in general.

Follow-Up Unit On Principles Of Banking Operations

The Unit is linked directly to the Chairman, General Manager and is independent from any executive responsibility. Its mission is to contribute in developing the policy and procedures to be applied in the Group, to follow-up the application of the policy and procedures by the different entities at the Bank, to contribute in elaborating a Product Key Facts statement in order to be provided to clients, to receive and study the returns from customers in order to satisfy their needs, propose training programs to the staff.

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 36 and 6 abroad. Our branch network is composed of 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 oversees the risk management framework and assesses its effectiveness. The Board Risk Committee reviews stress testing scenarios and results, liquidity and capital adequacy. It also approves the annual ICAAP report as well as all 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 note 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 have an impact on 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.

IBL acquired recently a new application to automate all credit and lending processes in the bank. It also covers the entire cycle of credit analysis for corporate clients or individuals to simplify the analysis process of lending and mitigate/reduce pre-lending risks.

The system covers all documents needed for credit approval such as facilities requests, securities, credit documents, credit packages, financials, account statements, schedules of payments, and many more. It is designed for ease of use and flexibility to give bank employees and management easy access to all current as well as historical customer information used during the decision making process.

It also has a module for internal rating which generates an internal rating per obligor (ORR), calculates PD & LGD.

To sum up the system will allow us to determine at any time the commercial facilities given by the bank, their linked securities and the schedules of payment per facility as well the internal rating per obligor which are the major parts to meet IFRS 9 requirements.

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

Operational risk exists in the natural course of business activities and represents things that go wrong and which have, ultimately, a financial cost or a negative impact on the Bank's reputation and its ability to continue its operations.

IBL Bank has adopted Basel definition of operational risk which is also stipulated in BCC and BDL regulations. This definition is articulated in the below statement:
"Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." This definition includes legal risk but excludes strategic and reputational risk.

The Bank addresses operational risk by implementing a comprehensive framework that includes different tools and methodologies used to assist in implementing the operational risk management cycle throughout IBL Bank. These tools are employed in close collaboration with all business units in the Bank and are covered by stand-alone procedures and user guides to facilitate their usage.

The below includes an overview of the major methodologies applied.

1- Loss Data Collection: The collection of loss data provides Management with a clear view on the operational risk exposure at all business lines within the Bank. Furthermore, by collecting loss data and analyzing the root causes of events, the Operational Risk Management, in collaboration with business owners and other control functions, will be able to propose and implement remedial measure to minimize the probability of events re-occurrence.

The Bank has implemented a specialized operational risk management system that supports loss data reporting by providing all Departments/Branches with a user-friendly tool to report loss events. These reported events are mapped to Basel Event Types and Business Lines categorization.

2- Risk and Control Self-Assessment (RCSA) is a methodology used to: i) Review key business objectives; ii) Identify risks involved in achieving objectives; and iii) Assess internal controls designed to manage those risks. Business owners within the Bank will be invited to review their activities and to contribute their judgment of the risks they face.

3- Key Risk Indicators (KRIs) are metrics used to monitor risk exposures at a particular instance or over a period, assisting in the monitoring and mitigation of operational risk and serving as early warning indicators for potential risk exposures.

4- Scenario Analysis (SA) is the process of developing hypothetical loss scenarios considered to be “Low-Frequency” and “High-Severity” risks. These scenarios are set by the Operational Risk Management in collaboration with business owners. Once the scenarios for each function are agreed, they are assessed and rated according to their probability of occurrence and severity to calculate the required amount of Economic Capital needed for each scenario.

5- New Products, Systems & Processes: Identification and assessment of risks inherent to new products, systems and processes as well as to projects that have a material impact on the Bank’s operational risk profile.

6- Operational Risk Awareness Program: The development of trainings, workshops and information sessions to build up an operational risk culture within the Bank and to inform Staff about specific operational risk management tools and processes.

E. Stress Testing and ICAAP

The main drivers behind monitoring and controlling risks are the Risk Appetite and the Limits that are part of the ICAAP and are reviewed by the BRC and approved by the Board. They comprise limits to various types of risks to which the Bank is exposed.
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. They contribute to the setting and monitoring of “risk appetite” and ensure adherence to regulatory requirements.

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.

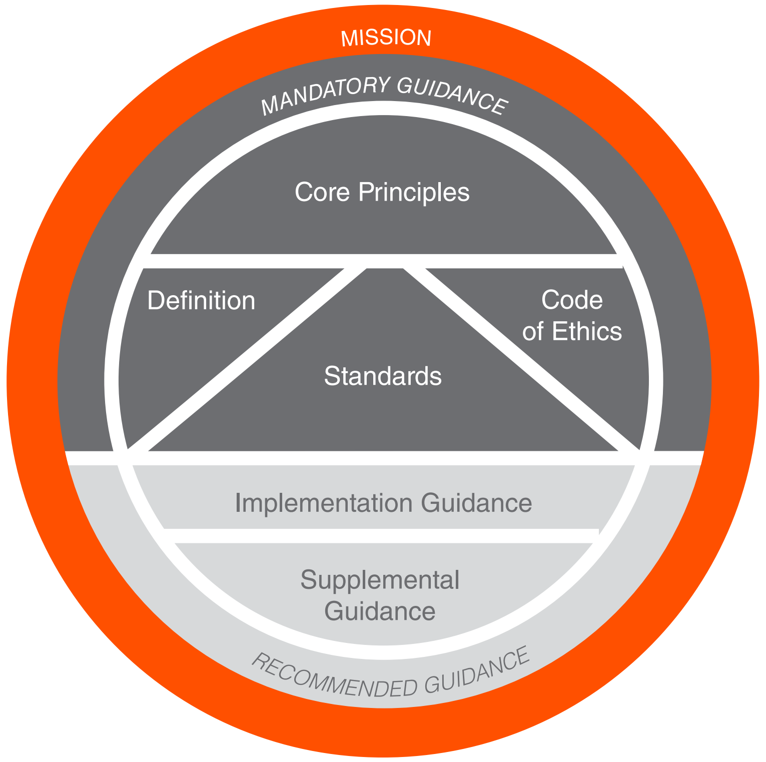
Stress testing may reveal a reduction in surplus capital or a shortfall in capital under specific scenarios. This may then serve as a leading indicator to the Bank’s Board to raise additional capital, reduce capital outflows, adjust the capital structure and/or reduce its risk appetite.

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, 2015 IBL maintains a total capital ratio of 14.90% measured according to Basel III requirements and Central Bank intermediary circular No 358 dated 6 march 2014.

The New International Professional Practice Framework



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.

Internal Audit Characteristics

• Confidential and enterprise-wide authority for its activities, aligned with the strategies, objectives, and risks of the bank.

• Demonstrating integrity, competence, and professional care.

• Objective & independent performance of its responsibilities.

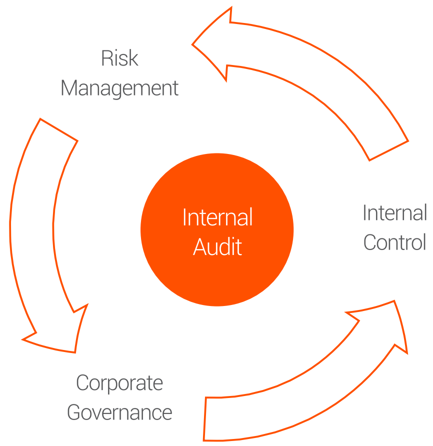
• Competent, insightful, proactive, and future-focused

Role Of Internal Audit

The role of the internal audit is to provide independent assurance that IBL's risk management, governance and internal control processes are operating effectively.

It includes the review of the internal controls and the accounting system, monitoring operations, checking compliance with the entity's policies and procedures, and recommending improvements.

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



Internal Audit Responsibilities

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

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

• Evaluates information security and associated risk exposures

• Promotes improvement, and maintains open communication with the management and the audit committee.

• Follows up with management on actions taken in response to audit findings and recommendations.

Risk Based Internal Auditing

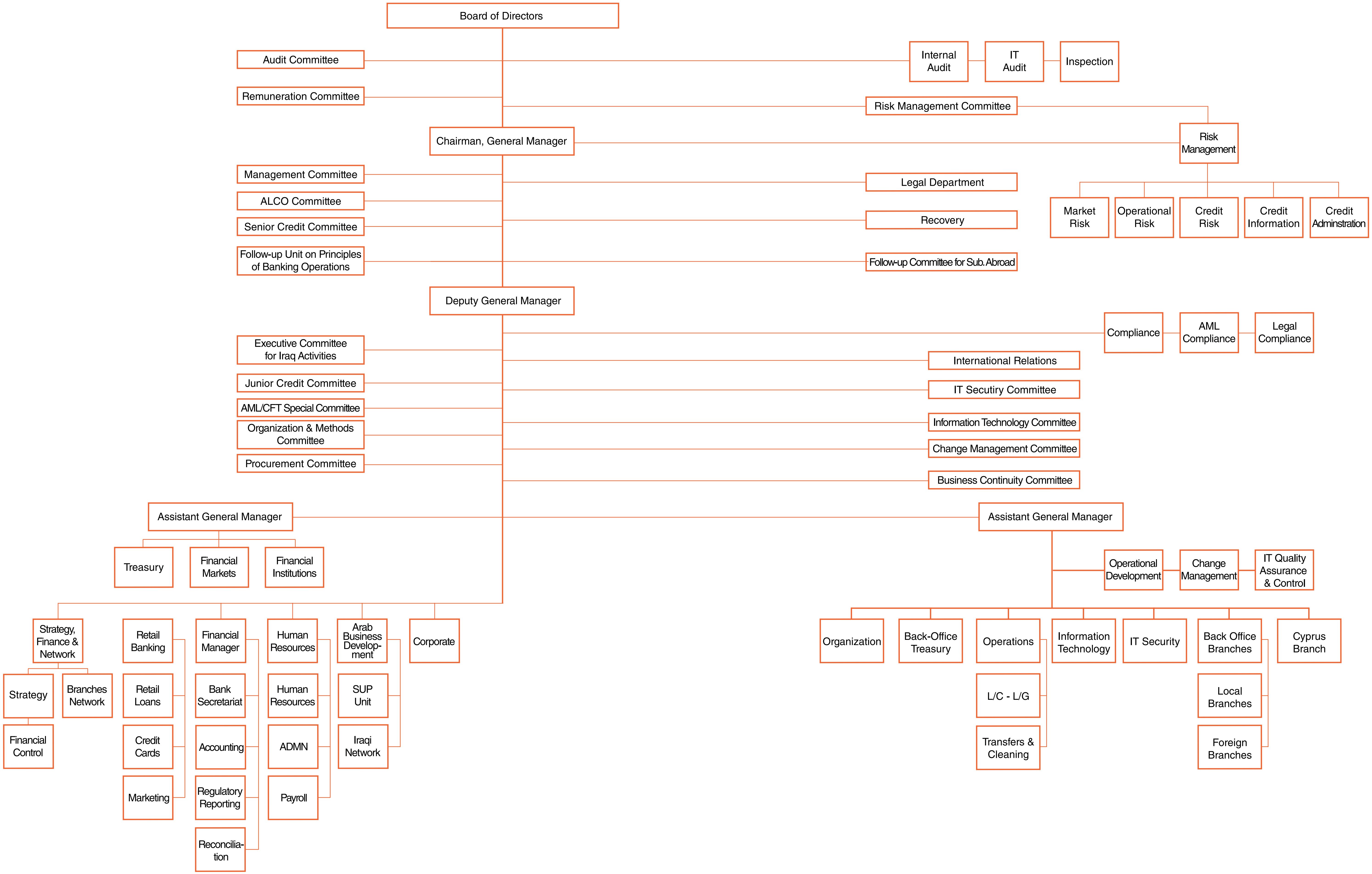
It is a methodology that links internal auditing to the bank's overall risk management framework. This allows the internal audit activity to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.

Internal Audit And Audit Committee

The audit committee of the Board of Directors and the internal audit are interdependent and mutually accessible, with the internal auditors providing objective opinions, information, and support to the audit committee; 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 as 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: As per our belief that sports circulate important values in our community and strengthen its links while personalizing our motto, IBL Bank supported many events, mainly: the Champville Basket-Ball team and the Tripoli Marathon.

• Supporting Education: Sustaining our belief that Education is the base of healthy society, IBL Bank supported many events, mainly: ALBA open doors, USJ 140 years celebration, ArchMarathon Awards, and Balamand annual dinner.

• Supporting NGOs: As an active member of our society, IBL Bank supported many Non-Governmental Organizations, mainly: Heartbeat, Open Minds and Neonate fund.

• 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 2015, we supported many cultural events such as the Batroun Festival, the Ehmej Festival, and the Night of the Adeaters to name a few.

CORPORATE CAMPAIGN

IBL Bank launched during 2015 a corporate advertising campaign based on our motto "Where your dreams count". The results of this campaign, for the second consecutive year, were highly satisfactory as the Bank scored amongst the highest reach and ratings in the post-campaign evaluation.

ACCELERATE 2015

IBL Bank took part in the BDL Accelerate event held in the Forum de Beyrouth. Banque du Liban Accelerate 2015 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 "Where your dreams count!".

MEA LOAN AGREEMENT

IBL Bank signed a loan agreement with Middle East Airlines to finance their green building new headquarters according to the standards of sustainable development, as well as buying a flight simulator and private aircraft. The signing of the agreement took place at the Forum Riad Salameh on the 8th floor of IBL Bank headquarters in Achrafieh, and was followed by a cocktail to celebrate this successful partnership.

IBL 10 YEARS SUBORDINATED BONDS

During 2015, The Bank issued the first IBL Bank 10 Years Subordinated Bonds with a size of USD 40 million. The Subordinated Bonds will come to strengthen the Bank's Tier 2 Equity and support its growth.

HUMAN CAPITAL: TRAINING

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, 2015 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 79 managers and staff, assisted to 146 different external seminars throughout the year in Lebanon and abroad, not counting the continuous internal effort of training and skills enhancement of our staff as specialized trainings on FATCA and IFRS9 to name a few.

COMPLIANCE AND AML REPORT

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.
Since, the world became increasingly globalised and cross-border activities became the norm, number of substantial changes has been made by financial regulators, international bodies, governments and banks to ensure the protection and long-term safety of both the financial system and our customers' interests:

- IBL is proud of its commitment to being fully FATCA-compliant in all countries where we operate.
- IBL Bank created a cell in order to implement the Common Reporting Standard CRS rules in its own system. The Bank will be ready by January 1, 2017 to apply the Standard regulations to its onboarding clients.

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

EVENTS BYBLOS FESTIVAL

Byblos International Festival 2016

For the 7th consecutive year, IBL Bank is proud to be the official sponsor of the Byblos International Festival. 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 Fourth consecutive year, IBL is having this heart-warming opportunity to help in realizing the dreams of hundreds of children, their parents and medical team.

heartbeat
La chaîne de l'espoir

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.

TRIPOLI MARATHON 2015

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, which took place on May 10, and is proud of being the biggest sports event in the north.

ARCH MARATHON AWARDS 2015

It's the latest innovations in the world of Engineers, united each year for 3 consecutive days in front of an international committee during which an award will be distributed to the best project of the year out of 24.

ARCHMARATHON
AWARDS

BEIRUT ENERGY FORUM

For the 5th consecutive year, IBL Bank participated in the Beirut Energy Forum, held at Le Royal Hotel on the 9th and 10th of September 2015, promoting its Green Loans in an eco-friendly white stand with a creative green touch.

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 Program), to realize any eco-friendly project.

NIGHT OF THE ADEATERS 2015

For the 7th 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!

ACCELERATE 2015

On Dec 19-20, 2015 IBL BANK took part in the BDL Accelerate event held in the Forum de Beyrouth. Banque du Liban Accelerate 2015 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.
Seasoned entrepreneurs, investors, and experts gathered on the eastern shores of the Mediterranean to share experiences, insights, techniques, methods, and know-how, dishing out how-tos for newcomers, dos-and-donts for the up and coming, and inspiration for the rest.

BALAMAND ANNUAL DINNER IN DUBAI 2015

Balamand dinner supports "the scholarship fund" program for financially needy students at the University in a good ambience full of charity and donations.

OPEN MINDS GALA DINNER 2015

Supporting AUBMC Special Kids with Autism and other neurogenetics disorder.

LIU PHARMACY DAY 2015

Pharmacy day is one of the traditional annual events that engage pharmacy students in spreading community awareness.

NEONATE FUND 2015

Since its launch, Neonate fund was able to highlight the importance of premature births in Lebanon that are increasing at a high rate. Thanks to the assistance of community-minded organizations such as IBL Bank, Neonate was able to help and offer medical support to over 250 babies.

THE NEONATE FUND
NEONATAL INTENSIVE CARE UNIT / AUBMC

BYBLOS CHRISTMAS DECORATION

IBL bank funded and helped creating the Christmas spirit decoration of the historic city of Jbeil, offering a dreamland for the eyes and the hearts.

MIDDLE EAST LOAN AGREEMENT

On June 15th 2015, the CEO of IBL Bank, Mr. Salim Habib signed a loan agreement with Middle East Airlines to cover the costs of a green building new headquarters of the MEA according to the standards of sustainable development, as well as buying a simulator and private aircraft. The signing of the agreement took place at the Forum Riad Salameh on the 8th floor of IBL bank headquarters in Achrafieh, and was followed by a cocktail to celebrate this successful partnership.

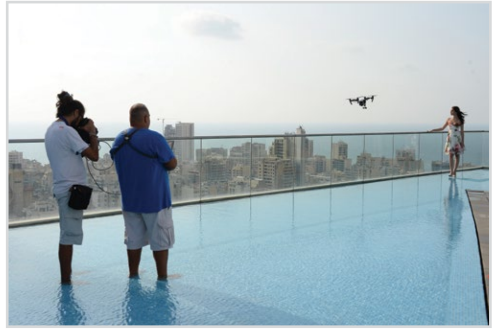
BOOSTER ACCOUNT

December 2015 witnessed the creation and launching of the new exclusive and limited Booster Account.
This amazing account offers an amazing progressive interest rate.
The Minimum Blocked Amount to open your IBL Booster Account is 25,000 USD or 30,000,000 LBP.
Over an 18 months Investment Period, you will benefit from the PROGRESSIVE INTEREST RATE.

YWCA (YOUNG WOMEN CHRISTIAN ASSOCIATION)

YWCA takes care of abandoned women and their children, weather being abused or left behind with a burden of children to raise and no financial support.
YWCA provides shelter, awareness, jobs, and is happy to pursue its difficult mission thanks to the generous help of socially conscious corporations such as IBL Bank.

IBL CORPORATE TVC 2015



IBL Bank produced its latest corporate TV Commercial and launched it in January 2016 on all Lebanese TV stations. Stressing once again on the bank's main selling line and motto "Where your dreams count" or its Arabic adaptation "نرى أحلامك قبل أرقامك" the TVC's main concept was to show that no matter the figures of each one of our clients, we help them use their numbers and see them in another perspective, using them to create their dreams and achieve them with the help and assistance of IBL Bank.

HISTOIRES ET IDÉES

The Riad Salameh Forum at IBL Bank is currently hosting a series of conferences in collaboration with the Centre of Lebanese Studies. The purpose of this lecture series is to "promote the culture and knowledge outside of the skimpy academic benches".
The conference series tackles a wide range of topics presented by academicians, experts and researchers, with topics as diverse as the recent history of Lebanon, the US elections, the functioning of the European Union... etc. Twenty subjects will be discussed throughout the second edition, which seems to be an ongoing success.

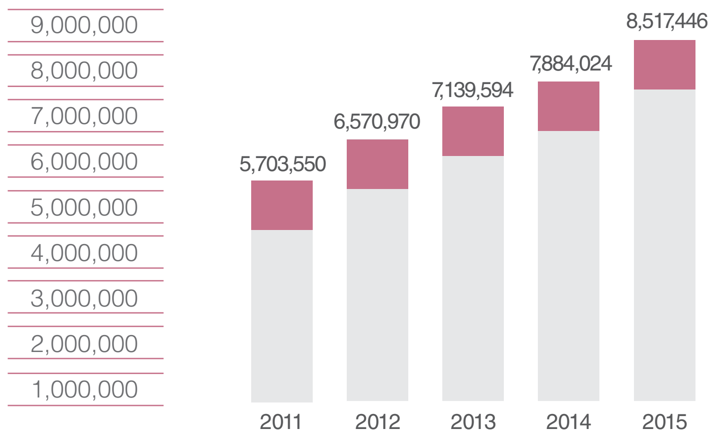
MANAGEMENT ANALYSIS

	As at 31 December (In Millions of LBP)				As at 31 December (In Millions of LBP)				
	2015	% GROWTH 2014/2015	2014	% GROWTH 2013/2014	2013	% GROWTH 2012/2013	2012	% GROWTH 2011/2012	2011
Total Assets	8,517,446	8.03	7,884,024	10.43	7,139,594	8.65	6,570,970	15.21	5,703,550
Customers' and Related Parties accounts	7,603,097	6.35	7,149,142	10.28	6,482,583	8.13	5,995,254	15.45	5,192,853
Shareholders' Equity	638,680	12.77	566,368	12.19	504,848	12.12	450,286	11.74	402,971
Loans & Advances to Customers & Related Parties	1,642,402	5.31	1,559,565	15.06	1,355,488	3.86	1,305,121	38.02	945,573
Income for the Year	102,586	14.50	89,593	10.72	80,917	14.28	70,807	14.57	61,800
Liquidity Ratio in LBP	103.31%		102.36%		101.69%		102.50%		102.82%
Liquidity Ratio in FCY	73.24%		72.53%		73.57%		69.87%		74.52%
Liquidity Ratio in LL & FCY	87.14%		85.43%		85.63%		84.59%		87.04%
Return on Average Assets	1.25%		1.19%		1.18%		1.15%		1.17%
Return on Average Equity	17.00%		16.70%		16.94%		16.70%		16.84%

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

TOTAL ASSETS (IN MILLIONS OF LBP)

Total Assets (In millions of LBP)				
2011	2012	2013	2014	2015
5,703,550	6,570,970	7,139,594	7,884,024	8,517,446



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

IBL Bank's total Assets continued to witness healthy growth rates in 2015.

Total assets amounted to LBP 8,517,446 million as at 31 December 2015 as compared to LBP 7,884,024 million as at 31 December 2014 reflecting an increase of 8.03%, while the average growth in total assets of the Lebanese Banking sector stood at 5.86% during the year 2015.

This increase in total assets, particularly in liquid assets, was substantially matched by increases in funding which consisted primarily of customer deposits.

At the end of 2015, 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 decreased during the year 2015. It constituted 1.56% as at 31 December 2015 compared to 2.37% as at 31 December 2014.

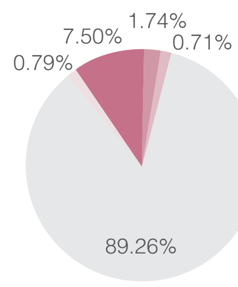
The participation of IBL Investment Bank in total consolidated assets stood at 5.48% as at 31 December 2015.

Assets denominated in foreign currencies witnessed a slight decrease as at 31 December 2015 to 51.19% of total assets from 53.77% as at 31 December 2014.

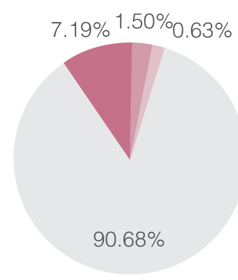
SOURCES OF FUNDS (IN MILLIONS OF LBP)

Sources of Funds (Amounts in Millions of LBP)	End of year 2015		End of year 2014	
	Amount	%	Amount	%
Deposits from banks and financial institutions	66,864	0.79%	50,070	0.63%
Customers and related parties' accounts	7,603,097	89.26%	7,149,142	90.68%
Shareholders' equity	638,680	7.50%	566,368	7.19%
Other liabilities	148,245	1.74%	118,444	1.50%
Subordinated Bonds	60,560	0.71%		
	8,517,446	**100.00%**	**7,884,024**	**100.00%**

END 2015



END 2014



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

Similar to all other banks in Lebanon,IBL Bank's main source of funding is customers and related parties' accounts which represented 89.26% of total sources of funds as at 31 December 2015 as compared to 90.68% as at 31 December 2014.

Other funding sources include also shareholders' equity which constituted 7.50% of total sources of funds as at 31 December 2015 and 7.19% as at 31 December 2014.

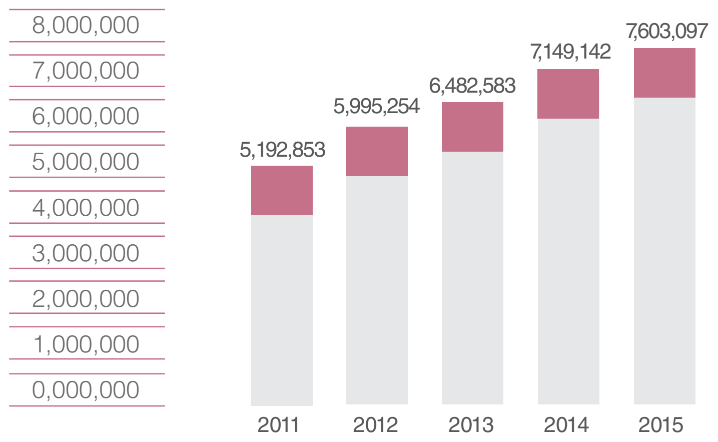
The share of banks and financial institutions accounted for 0.79% of total sources of funds as at 31 December 2015 and other liabilities comprised 1.74%.

The Tier II 10 years subordinated bonds that IBL Bank has issued during 2015 constituted 0.71% of total sources of funds. Interest-bearing liabilities as a share of total liabilities remained almost unchanged and represented 90.76% as at 31 December 2015 as compared to 91.30% as at 31 December 2014.

In absolute terms, interest bearing liabilities stood at LBP 7,730,521 million as at 31 December 2015 as compared to LBP 7,199,212 million as at December 2014, registering a growth of 7.38% over the year.

CUSTOMERS AND RELATED PARTIES' ACCOUNTS (IN MILLIONS OF LBP)

Customer's and Related Parties' Accounts (In millions of LBP)				
2011	2012	2013	2014	2015
5,192,853	5,995,254	6,482,583	7,149,142	7,603,097



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

Constituting the main funding source, Customers' deposits recorded a continuous growth over the years reaching LBP 7,603,097 million as at 31 December 2015 representing an increase of 6.35% in comparison to LBP 7,149,142 million on 31 December 2014, while the average growth rate in total deposits in the Lebanese Banking sector stood at 4.95%.

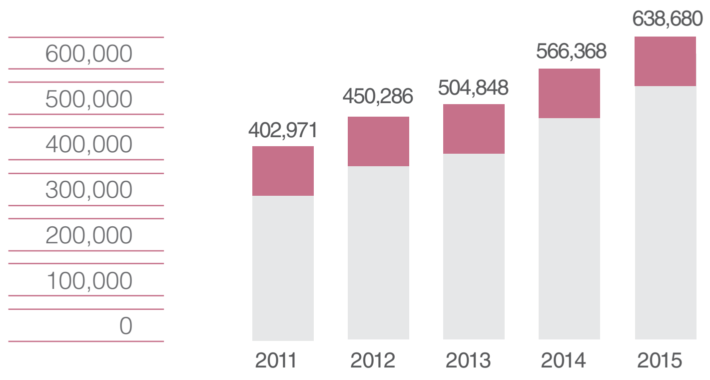
Total customers' deposits went up by LBP 453,955 million given the expansion of deposits denominated in foreign currencies by LBP 38,849 million and in domestic currency by LBP 415,106 million

The deposit dollarization rate, measured as deposits denominated in foreign currencies to total deposits, decreased from 56.58% as of December 2014 to 53.71% as of December 2015. This has led to a fall in dollarization by approximately 5.35%.

The composition of customers and related parties' accounts remained also unchanged. They were comprised mainly of term deposits which consisted of 81.12% of total customers and related parties accounts as at 31 December 2015 compared to 78.83% as at 31 December 2014.

SHAREHOLDERS' EQUITY (IN MILLIONS OF LBP)

Shareholders' Equity (In millions of LBP)				
2011	2012	2013	2014	2015
402,971	450,286	504,848	566,368	638,680



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 2015, stood at LBP 638,680 million compared to LBP 566,368 million as at 31 December 2014, reflecting an increase of 12.77%, and bringing its contribution to total sources of funds to 7.50% as at 31 December 2015 from 7.19% as at 31 December 2014.

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 2014 after dividend distribution.

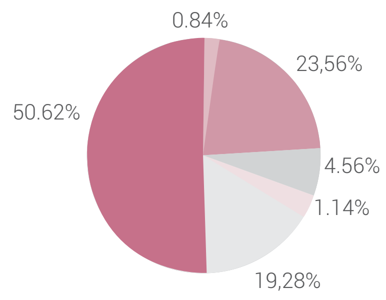
Tier I capital which is the main source of equity comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings and general reserves. Tier I capital increased by 12.71% to LBP 626,790 million by the end of 2015.

Tier II Capital is composed of asset revaluation surplus and reserves for assets acquired in satisfaction of debts. They increased from LBP 10,255 million as at 31 December 2014 to LBP 11,890 million as at 31 December 2015.

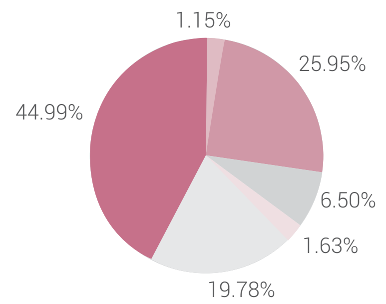
To the above Tier II capital, US$ 40 Million is added after the issuance of IBL Bank's 10 years Subordinated Bonds during 2015 that are classified under long term liabilities.

Uses of Funds (Amounts in Millions of LBP)	End of year 2015		End of year 2014	
	Amount	%	Amount	%
Cash and Deposits with Central Banks	2,007,410	23.56%	2,045,894	25.95%
Deposits with Banks and Financial Institutions	387,990	4.56%	512,348	6.50%
Loans to Banks and Financial Institutions	71,821	0.84%	128,561	1.63%
Loans & Advances to customers & related parties	1,642,402	19.28%	1,559,565	19.78%
Investment Securities	4,310,614	50.62%	3,546,739	44.99%
Other Assets	97,209	1.14%	90,917	1.15%
	8,517,446	**100.00%**	**7,884,024**	**100.00%**

END 2015



END 2014



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 1.25% as at 31 December 2015 as compared to 1.19% as at 31 December 2014. IBL Bank is ranking Second 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 23.56% of total assets as at 31 December 2015 compared to 25.95% as at 31 December 2014. The share of "Deposits with Banks and Financial Institutions" to total assets decreased from 6.50% as at 31 December 2014 to 4.56 % as at 31 December 2015. "Loans to banks and Financial Institutions" as at 31 December 2015 constituted 0.84% of total assets, down from 1.63% as at 31 December 2014.

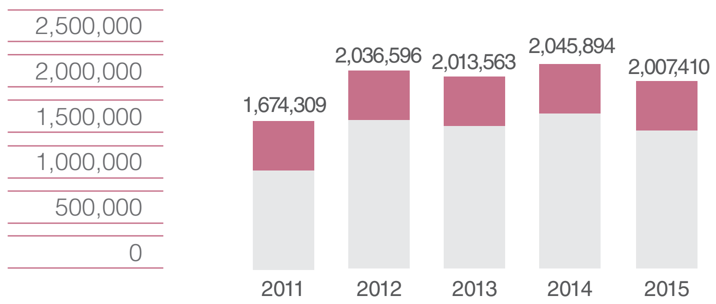
On the other hand, the share of "loans and advances to customers and related parties" to total assets slightly decreased from 19.78 % as at 31 December 2014 to 19.28% as at 31 December 2015. Within the overall uses of funds, the share of "Investment Securities" to total assets increased to 50.62% in 2015 up from 44.99% in 2014.

This portfolio includes "investments at Fair Value Through Profit or Loss" in a percentage of 31.57% of total portfolio and 15.98% of total assets. "Other assets" share of total assets remained almost stable.They accounted for 1.14% as at 31 December 2015 as compared to 1.15% as at 31 December 2014. They are mainly constituted of "property and equipment" in a percentage of 57.23% of total "other assets" and "assets acquired in satisfaction of debts" in a percentage of 20.35% at the year ended December 2015 as compared to 61.34% and 21.64% respectively at the year ended December 2014.

Interest-earning assets represented 96.30% of total assets as at 31 December 2015 as compared to 96.72% as at 31 December 2014.

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

2011	2012	2013	2014	2015
1,674,309	2,036,596	2,013,563	2,045,894	2,007,410



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 2015		End of year 2014	
	Amount	%	Amount	%
Cash on hand	43,792	2.18%	64,355	3.15%
Current accounts with Central Banks	283,715	14.13%	237,348	11.60%
Interest earning accounts	1,679,903	83.69%	1,744,191	85.25%
	2,007,410	**100.00%**	**2,045,894**	**100.00%**

As at 31 December 2015 "Cash and Deposits with Central Banks" amounted to LBP 2,007,410 million and constituted 23.56% of total assets as compared to LBP 2,045,894 million and 25.95% of total assets as at 31 December 2014, reflecting a year-on-year decrease of 1.88%.

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 218.6 billion as at 31 December 2015 as compared to LBP 168.2 billion as at 31 December 2014.

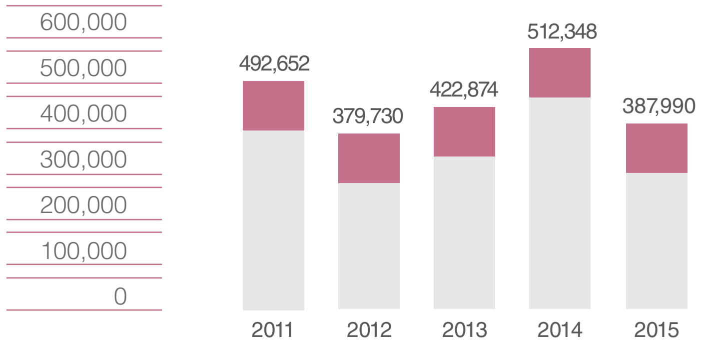
These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations. Interest earning accounts which represented 83.69% of total "Cash and Deposits with Central Banks" at the year end December 2015, are constituted of term placements with Central Banks that amounted to LBP 1,703,443 million and they include provisions for term placements held with Central Bank of Iraq - Kurdistan region in the aggregate amount of LBP 23,541 million.

Term placements with Central Banks also include the equivalent in foreign currencies of LBP 573 billion as at 31 December 2015 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 NR financial institutions in foreign currency.

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS (IN MILLIONS OF LBP)

Deposits With Banks And Financial Institutions (In millions of LBP)

2011	2012	2013	2014	2015
492,652	379,730	422,874	512,348	387,990



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 2015		End of year 2014	
	Amount	%	Amount	%
Current accounts with Banks	235,986	60.82	342,254	66.81
Term placements with Banks	127,170	32.78	148,124	28.91
Checks for collection	24,820	6.40	21,949	4.28
Accrued Interest	14	0.00	21	0.00
	387,990	**100.00%**	**512,348**	**100.00%**

As at 31 December 2015, "Deposits with banks and financial institutions" amounted to LBP 387,990 million and constituted 4.56% of total assets as compared to LBP 512,348 million and 6.50% as at 31 December 2014, reflecting a year-on-year decrease of 24.28%.

As shown on the breakdown above, term placements constituted 32.78% of total "deposits with banks and financial institutions" as at 31 December 2015 down from 28.91% as at 31 December 2014.

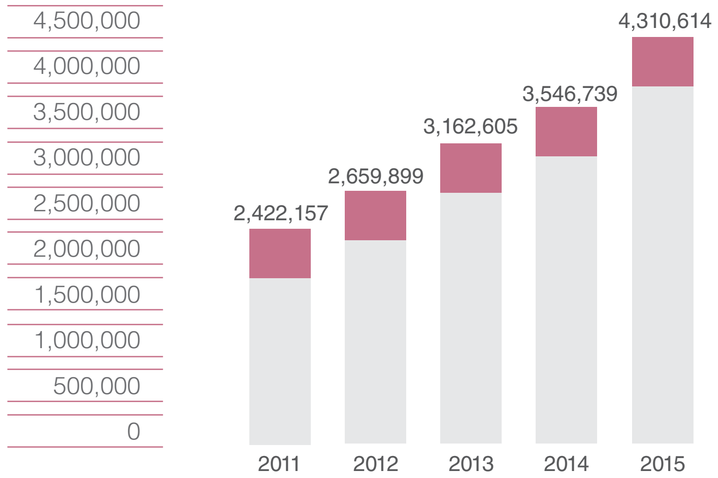
99.00% of the current and term deposits are denominated in foreign currencies, and all the term deposits as at 31 December 2015 have a contractual maturities of less than one year.

"Deposits with banks and financial institutions" are geographically distributed as follows: 16.30% in Lebanon and 83.70% in low risk countries mainly in Europe and the USA.

INVESTMENT SECURITIES PORTFOLIO (IN MILLIONS OF LBP)

Investment Securities Portfolio (In millions of LBP)

2011	2012	2013	2014	2015
2,422,157	2,659,899	3,162,605	3,546,739	4,310,614



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

As at 31 December 2015, IBL Bank's investment securities portfolio amounted to LBP 4,310,614 million compared to LBP 3,546,739 million as at 31 December 2014 corresponding to an increase of 21.54%.

Investment securities portfolio represented 50.62% of total uses of funds as at 31 December 2015 as compared to 44.99% as at 31 December 2014 .

They were mainly constituted of financial assets classified at Amortized Cost in a percentage of 68.41% of total investment securities portfolio and 31.56% of investments classified at Fair Value Through Profit or Loss as compared to 67.17% and 32.83% respectively as at 31 December 2014.

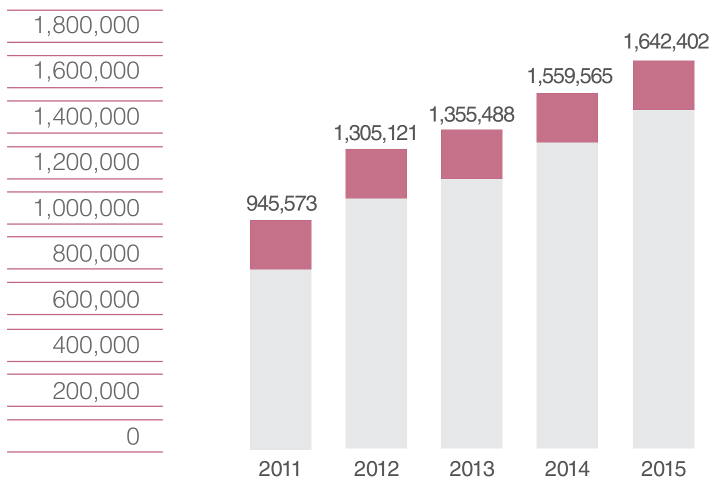
Investment securities at Fair Value Through Other Comprehensive Income represented 0.03% of total securities portfolio as at 31 December 2015.

A currency analysis of the investment securities portfolio reveals that the major functional currency is the Lebanese Pound that constituted 63.46% of the total portfolio as at 31 December 2015, While the foreign currency investments represented 36.54% of the total portfolio.

Certificates of deposits issued by Central Bank of Lebanon increased by 20.10% between 31 December 2014 and 31 December 2015. They constituted 70.15% of total securities portfolio classified at Fair Value Through Profit or Loss as at 31 December 2015 as compared to 68.24% as at 31 December 2014.

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES (IN MILLIONS OF LBP)

Loans And Advances To Customers And Related Parties (in millions of LBP)				
2011	2012	2013	2014	2015
945,573	1,305,121	1,355,488	1,559,565	1,642,402



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

As at 31 December 2015, the Bank's "Loans and advances to customers and related parties" net of provisions and unrealized interests for Non Performing Loans amounted to LBP 1,642,402 million as compared to LBP 1,559,565 million as at 31 December 2014, is showing an increase of 5.31%.

"Loans and advances to customers and related parties" constituted 19.28% of total assets as at 31 December 2015 as compared to 19.78% as at 31 December 2014.

76.44% 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.

In order to maintain a high asset quality, IBL Bank continued to adopt a conservative lending strategy. The ratio of net loans and advances to total deposits has been maintained at relatively low levels reaching 21.60% as at 31 December 2015 as compared to 21.81% as at 31 December 2014.

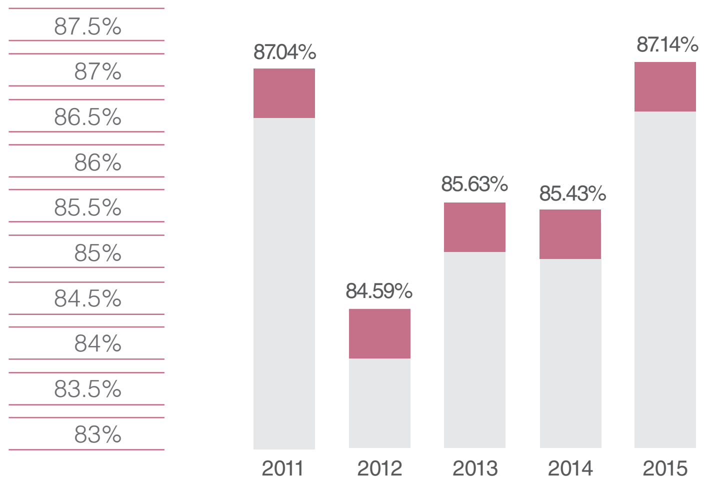
A significant proportion of the bank's loans and advances are secured by prime and enforceable guarantees which include cash collateral, prime real estate mortgages,pledge of securities and bank and personal guarantees.

Provisions and unrealized interests for impaired loans, including collective provisions amounted to LBP 49,989 million as at 31 December 2015. To support and reinforce the loans portfolio during the difficult economic conditions prevailing in the country, IBL bank improved the level of provisions set against NPLs, increasing those by the amount of LBP 18,464 million as allowance for risk and charges before deduction of the write-back provisions.

As a consequence, the coverage ratio of the net NPLs by specific and collective provisions reached 123% at the end of 2015.

LIQUIDITY RATIO

Liquidity Ratio				
2011	2012	2013	2014	2015
87.04%	84.59%	85.63%	85.43%	87.14%



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

IBL Bank has successfully maintainted ample liquidity in 2015, where overall liquidity stood at 87.14%. As such, the Lebanese Pound Liquidity Ratio (including Lebanese governmental Treasury bills) was 103.31% as at 31 December 2015 reflecting an avaibable liquidity covering Lebanese Pounds deposits in total.

Moreover, the liquidity ratio in foreign currencies accounted to 73.24% as at 31 December 2015 as compared to 72.53% as at 31 December 2014.

Management considers the bank's liquidity position to be strong based on its liquidity ratios as at 31 December 2015 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. The Bank has a variety of liquidity measures that are regularly monitored and include limits on maturity gaps and ratios covering the concentration ofdeposits base, the availability and concentration of liquid assets.

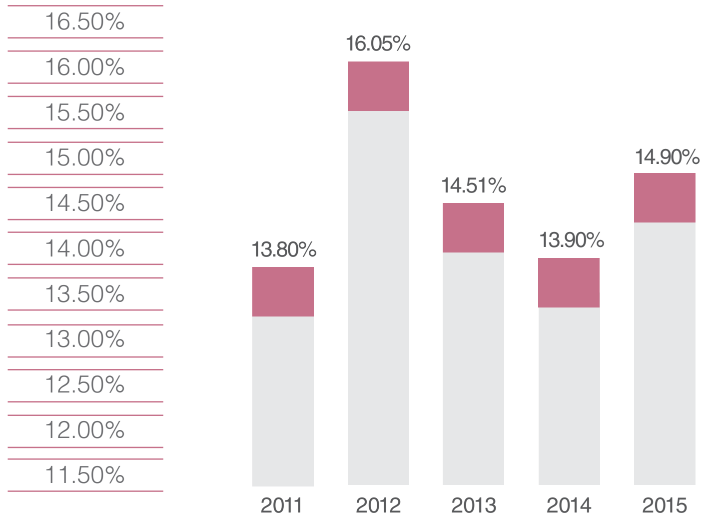
Maturity mismatch between assets and liabilities which characterises the Lebanese Banking sector was also present at IBL Bank. This mismatch is considered as low risk, especially that maturing deposits do not actually materialize in cash outflows and are generally automatically renewed.

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

CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio				
2011	*2012	*2013	*2014	*2015
13.80%	16.05%	14.51%	13.90%	14.90%

* 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 2015, IBL Bank's total Capital Adequacy Ratio stood at 14.90% with the Tier I capital and Common Equity Tier One (CET 1) ratios amounting to 13.51% and 11.81% 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. 2015"	"BDL requirements as at 31 Dec. 2015"
NCE Tier 1	11.81%	8.00%
Tier 1 Capital	13.51%	10.00%
Total Capital	14.90%	12.00%

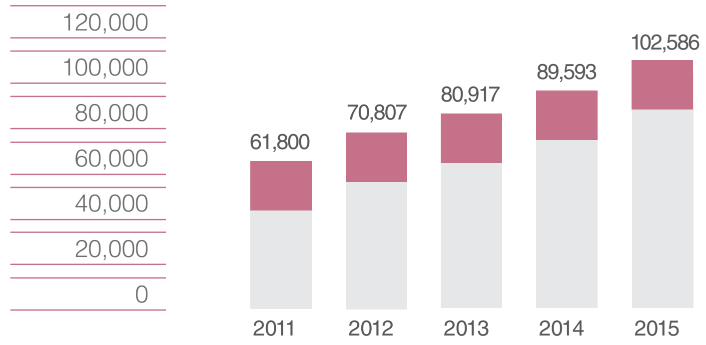
IBL Bank consolidated CAR ratios are clearly above the regulatory requirements and exceed the 12% that was required by the Banking Control Commission of Lebanon by end of 2015. These ratios are calculated in accordance with the standardized Approach for credit risk, the Basic Indicator Approach for operational risk and the standardized measurement for market risk.

As for the leverage ratio, it reached 6.76% as at 31 December 2015 based on BDL's definition. It is calculated by dividing the Tier I over the total assets plus the off-balance sheet items. The Basel Committee on Banking Supervision (BCBS) has set the minimum leverage ratio at 3%.

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.

PROFITABILITY (IN MILLIONS OF LBP)

Profitability (In millions of LBP)				
2011	2012	2013	2014	2015
61,800	70,807	80,917	89,593	102,586



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

IBL Bank recorded net profits of LBP 102,586 million increasing by 14.50% compared to the year 2014 when net profits stood at LBP 89,593 million.

This growth is mainly due to the increase in net financial revenues, after impairment charge for credit losses, from LBP 173,586 million as at 31 December 2014 to LBP 204,946 million as at 31 December 2015, meaning a rise of 18.07%. This result does not include the net allowance for risk and charges and collective impairement amounting LBP 17,900 million that was provided for during 2015 as compared to LBP 5,143 million for the year 2014.

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 1.25% at the end of 2015 while the Bank's Return on Average Equity (ROAE) reached 17.00%, ranking first in ROAE ratio and second in ROAA ratio between the Lebanese Alpha Group according to Bankdata.

Staff and Administrative expenses reached LBP 59,814 million as at 31 December 2015 as compared to LBP 58,682 million as at 31 December 2014. Staff expenses increased by 12.30% in 2015 to reach LBP 40,193 million while administrative expenses went down by 14.28% to reach LBP 19,621 million. That said, IBL is still maintaining a low cost to income ratio of 31.7% as at 31 December 2015 ranking First in the Alpha Group whose average was 48.70% as at 31 December 2015.

On the other hand, earnings per share increased to LBP 5,261 (US$ 3.49) in 2015 from LBP 4,595 (US$ 3.05) in 2014.

Correspondent	Currency	City	SWIFT Code
Al Khaliji France SA	AED	Dubai	LICOAEAD
Bank of Sydney	AUD	Sydney	LIKIAU2S
Commerzbank AG	CAD	Frankfurt	COBADEFF
Banque Cantonale de Genève	CHF	Geneva	BCGECHGG
Danske Bank A/S	DKK	Copenhagen	DABADKKK
DNB Bank ASA	DKK	Oslo	DNBANOKK
Commerzbank AG	EUR	Frankfurt	COBADEFF
Intesa Sanpaolo spa	EUR	Milano	BCITITMM
Bank of Cyprus Public Company LTD	EUR	Nicosia	BCYPCY2N
Société Générale	EUR	Paris	SOGEFRPP
Citibank NA	GBP	London	CITIGB2L
Bank of Beirut (UK) Ltd	GBP	London	BRBAGB2L
The Bank of New York Mellon	JPY	Tokyo	IRVTJPJX
Sumitomo Mitsui Banking Corporation	JPY	Tokyo	SMBCJPJT
The Commercial Bank of Kuwait	KWD	Kuwait	COMBKWKW
Doha Bank	QAR	Doha	DOHBQAQA
The National Commercial Bank	SAR	Jeddah	NCBKSAJE
Skandinaviska Enskilda Banken	SEK	Stockholm	ESSESESS
Citibank NA	USD	New york	CITIUS33
The Bank of New York Mellon	USD	New York	IRVTUS3N

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 2015, 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 31/12/2015.

Decision taken unanimously.

Resolution 2

The Ordinary General Assembly, after taking note of the net profits realized during 2015, which amounted to LBP 65,983 million decided:

1) The Distribution of US$ 3,750 Thousand of these profits, to the holders of series 2 preferred shares, amount which represents 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 27,007,500 Thousand (approximately US$ 17,900 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 2015 to retained earnings (previous results).

Decision taken unanimously.

Resolution 6

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, 2015

INDEPENDENT AUDITORS' REPORT | BT 32289/DTT

TO THE SHAREHOLDERS
IBL BANK
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, 2015, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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, 2015, and its financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
June 6, 2016

DELOITTE & TOUCHE

Deloitte & Touche

DFK FIDUCIAIRE
DU MOYEN ORIENT

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

ASSETS	Notes	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Cash and deposits with central banks	5	2,007,409,629	2,045,894,066
Deposits with banks and financial institutions	6	387,989,534	512,347,873
Loans to banks and financial institutions	7	71,820,642	128,560,551
Loans and advances to customers	8	1,540,757,576	1,545,454,725
Loans and advances to related parties	9	101,644,431	14,110,167
Investment securities at fair value through profit or loss	10	1,360,503,055	1,164,540,303
Investment securities at fair value through other comprehensive income	11	1,084,018	-
Investment securities at amortized cost	12	2,949,026,977	2,382,198,941
Customers' liability under acceptances	13	13,291,917	6,732,841
Assets acquired in satisfaction of loans	14	19,782,769	19,666,700
Property and equipment	15	55,626,228	55,766,514
Intangible assets	16	887,375	836,848
Other assets	17	7,621,560	7,914,502
Total Assets		**8,517,445,711**	**7,884,024,031**
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:	**38**		
Documentary and commercial letters of credit		39,143,519	32,501,393
Guarantees and standby letters of credit		90,294,711	82,328,830
Forward exchange contracts		77,895,250	77,118,600
Fiduciary Deposits		-	6,241,050

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

LIABILITIES	Notes	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Deposits from banks and financial institutions	18	66,864,013	50,069,502
Customers' accounts	19	7,349,488,473	7,028,646,111
Related parties' accounts	19	253,608,492	120,495,585
Liability under acceptance	13	13,291,917	6,732,841
Other borrowings	20	61,657,571	36,939,027
Other liabilities	21	53,816,992	49,648,330
Provisions	22	19,477,961	25,124,321
		7,818,205,419	**7,317,655,717**
Subordinated bonds	23	60,560,199	-
Total liabilities		**7,878,765,618**	**7,317,655,717**
EQUITY			
Capital	24	146,250,000	146,250,000
Non-cumulative convertible preferred shares	25	75,356,250	75,356,250
Common shares premium		6,514,784	6,514,784
Reserves	26	98,910,498	76,678,968
Asset revaluation surplus		2,752,680	2,752,680
Regulatory reserve for assets acquired in satisfaction of loans	14	9,137,597	7,502,372
Retained earnings		196,088,110	160,792,908
Profit for the year		102,331,634	89,436,873
Equity attributable to equity holders of the Bank		637,341,553	565,284,835
Non-controlling interests	28	1,338,540	1,083,479
Total equity		**638,680,093**	**566,368,314**
Total Liabilities and Equity		**8,517,445,711**	**7,884,024,031**

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Interest income	29	458,555,162	425,955,968
Interest expense	30	(398,498,018)	(361,961,128)
Net interest income		60,057,144	63,994,840
Fee and commission income	31	8,796,120	11,680,535
Fee and commission expense	32	(833,201)	(941,292)
Net fee and commission income		7,962,919	10,739,243
Other operating income	33	5,138,059	4,586,094
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	34	131,247,924	94,381,046
Net financial revenues		204,406,046	173,701,223
Write-back/(allowance for impairment) of loans and advances (net)	35	539,664	(115,090)
Net financial revenues after impairment charge for credit losses		204,945,710	173,586,133
Allowance for risk and charges (net)	22	(17,900,000)	(5,143,450)
Staff costs	36	(40,193,434)	(35,793,763)
General and administrative expenses	37	(19,620,973)	(22,888,247)
Depreciation and amortization	15, 16	(4,737,383)	(3,882,053)
Other expenses	15	(367,041)	(278,054)
Profit before income tax		122,126,879	105,600,566
Income tax expense	21	(19,540,726)	(16,007,387)
Profit for the year		102,586,153	89,593,179
Other comprehensive income		-	-
Total comprehensive income for the year		**102,586,153**	**89,593,179**
Attributable to			
Equity holders of the Bank		102,331,634	89,436,873
Non-controlling interests	28	254,519	156,306
		102,586,153	**89,593,179**

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
	Capital LPB'000	Non-Comulative Convertible Preferred Shares LPB'000	Common Shares Premium LPB'000	Reserves LPB'000	Asset Revaluation Surplus LPB'000	Regulatory Reserve For Assets Aquired Satis-faction of Loans LPB'000	Retained Earnings LPB'000	Profit for The Year LPB'000	Total Attributable to the Equity Holders of the Bank LPB'000	Non-Controlling Interests LPB'000	Total LPB'000
Balance as at January 1, 2014	**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 27)	-	-	-	-	-	-	(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**
Allocation of 2014 profit	-	-	-	21,834,844	-	-	67,602,029	(89,436,873)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	1,635,225	(1,635,225)	-	-	-	-
Unspecified banking risk reserve	-	-	-	400,000	-	-	(400,000)	-	-	-	-
Other movement	-	-	-	(3,314)	-	-	(63,112)	-	(66,426)	542	(65,884)
Dividends paid (Note 27)	-	-	-	-	-	-	(30,223,125)	-	(30,223,125)	-	(30,223,125)
Difference in exchange	-	-	-	-	-	-	14,635	-	14,635	-	14,635
Total comprehensive income for the year 2015	-	-	-	-	-	-	-	102,331,634	102,331,634	254,519	102,586,153
Balance as at December 31, 2015	**146,250,000**	**75,356,250**	**6,514,784**	**98,910,498**	**2,752,680**	**9,137,597**	**196,088,110**	**102,331,634**	**637,341,553**	**1,338,540**	**638,680,093**

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L. AND SUBSIDIARIES - CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Cash flows from operating activities:			
Net profit for the year		102,586,153	89,593,179
Adjustments for:			
Depreciation and amortization	15, 16	4,737,383	3,882,053
Unrealized loss on investment securities at fair value through profit or loss	34	65,329,437	13,458,444
Write-back/ Allowance for impairment of loans & advances (net)	35	(539,664)	116,510
Allowance for risk and charges	22	17,900,000	5,143,450
Other adjustments and effect of exchange difference		(24,635)	118,263
Provision for employees' end of service indemnities	22	2,082,962	1,488,738
Gain on disposal of property and equipment		(8,453)	(13,384)
Advances transferred to expense	15	-	14,747
Write-off of property and equipment	15	14,436	176,970
Interest expense	30	398,498,018	361,961,128
Interest income	29, 34	(581,342,244)	(514,608,130)
Income tax expense	21	19,540,726	16,007,387
		28,774,119	**(22,660,645)**
Net decrease/(increase) in loans and advances to customers		9,231,995	(214,530,560)
Net (increase)/decrease in loans and advances to related parties		(87,534,264)	22,137,911
Net increase in investment securities		(815,030,054)	(390,741,537)
Net (increase)/decrease in compulsory reserves and deposits with central banks		(170,007,292)	68,832,593
Net decrease/(increase) in loans to banks and financial institutions		56,206,275	(35,586,275)
Net increase/(decrease) in borrowings from banks and financial institutions		16,720,540	(26,902,158)
Net increase in customers' deposits		328,028,299	647,673,199
Net increase in related parties' deposits		132,684,107	5,151,150
Net decrease in other assets		292,942	1,189,001
Net increase in other liabilities		1,800,517	4,694,182
Settlements made from provisions (net)	22	(185,254)	(170,396)
		(499,018,070)	**59,086,465**
Interest paid		(404,920,985)	(348,262,313)
Interest received		562,407,989	511,709,197
Income tax paid		(17,239,007)	(17,457,594)
Net cash (used in)/provided by operating activities		(358,770,073)	205,075,755
Cash flows from investing activities:			
Acquisition of property and equipment	15	(4,333,726)	(6,740,871)
Proceeds from disposal of property and equipment		13,281	19,955
Acquisition of intangible assets	16	(361,166)	(354,220)
Non-controlling interests		542	-
Net cash used in investing activities		(4,681,069)	(7,075,136)
Cash flows from financing activities:			
Dividends paid	27	(30,223,125)	(28,156,125)
Increase in subordinated bonds		60,300,000	-
Increase in other borrowings		24,718,544	25,495,953
Net cash provided by/(used in) financing activities		54,795,419	(2,660,172)
Net (decrease)/increase in cash and cash equivalents		(308,655,723)	195,340,447
Cash and cash equivalents - Beginning of year		836,342,753	641,002,306
Cash and cash equivalents - End of year	**40**	**527,687,030**	**836,342,753**

THE ACCOMPANYING NOTES 1 TO 45 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IBL Bank S.A.L. (the "Bank") is a Lebanese joint-stock company registered in the Lebanese commercial register under No. 10472 and in the 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 2015%	Ownership 2014%	Country of Inception	Business Activity
Al-Itihadiah Real Estate S.A.L.	May 31, 1979	99.97	99.97	Lebanon	Real Estate Properties
IBL Holding S.A.L.	November 11, 2008	99.70	99.70	Lebanon	Holding
IBL Brokerage S.A.L.	March 14, 2006	99.80	99.80	Lebanon	Insurance Brokerage
IBL Investment Bank S.A.L.	January 8, 2011	97.99	98.00	Lebanon	Investment Bank

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

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

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

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

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

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for Annual Periods Beginning on or After
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative	January 1, 2016
Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture relating to bearer plants	January 1, 2016
Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	January 1, 2016
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities	January 1, 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	January 1, 2016
IFRS 9 Financial Instruments (revised versions in 2013 and 2014)	January 1, 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	

New and revised IFRSs	Effective for Annual Periods Beginning on or After
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:	
• Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.	
• Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.	
• Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	
• Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.	

New and revised IFRSs	Effective for Annual Periods Beginning on or After
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	
IFRS 16 Leases	
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

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.
• Financial instruments designated at fair value through other comprehensive income.
• 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 44.

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

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

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Cash on hand	43,791,654	64,355,059
Current accounts with central banks	283,715,174	237,347,827
Term placements with central banks	1,679,382,640	1,719,483,700
Allowance for impairment	(23,540,725)	-
Accrued interest receivable	24,060,886	24,707,480
	2,007,409,629	**2,045,894,066**

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 LBP218.6billion (LBP168.2billion in 2014). 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 LBP597billion (LBP593billion in 2014) 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 deposit and loans acquired from non-resident financial institutions.

During the year 2015, the Group provided for term placements held with the Central Bank of Iraq - Kurdistan in the aggregate amount of LBP23.5billion which was allocated from the provision for risk and charges (Note 22).

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

	December 31, 2015			
	LBP Base Accounts		*F/Cy Base Accounts*	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount LBP'000	Average Interest Rate %
2016	-	-	39,890,700	0.40
2019	-	-	137,599,020	0.79
2020	-	-	429,937,920	5.77
2021	600,000,000	8.60	198,873,000	6.25
2022	15,000,000	8.60	-	-
2024	-	-	233,082,000	7.25
2027	25,000,000	8.72	-	-
	640,000,000		**1,039,382,640**	

	December 31, 2014			
	LBP Base Accounts		*F/Cy Base Accounts*	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount LBP'000	Average Interest Rate %
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**	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Checks for collection	24,819,593	21,949,236
Current accounts with banks and financial institutions	235,985,414	342,253,700
Term placements with banks and financial institutions	127,170,354	148,123,740
Accrued interest receivable	14,173	21,197
	387,989,534	**512,347,873**

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, 2015 LBP'000	December 31, 2014 LBP'000
Regular performing loans	71,300,000	82,360,000
Loans under reverse repurchase agreement	-	45,146,275
Accrued interest receivable	520,642	1,054,276
Doubtful bank accounts	77,616	78,593
Less: Allowance for impairment	(77,616)	(78,593)
	71,820,642	**128,560,551**

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

	December 31, 2015		December 31, 2014			
	LBP	Interest Rate %	LBP	Interest Rate %	F/CY	Interest Rate %
Up to 3 months	-	-	45,146,275	3.00	-	-
3 months to 1 year	10,600,000	3.30	-	-	10,600,000	3.31
1 to 3 years	21,200,000	3.31	-	-	21,660,000	3.34
3 to 5 years	21,000,000	3.30	-	-	21,200,000	3.31
Above 5 years	18,500,000	3.26	-	-	28,900,000	3.27
	71,300,000		**45,146,275**		**82,360,000**	

Loans under reverse repurchase agreement as of December 31, 2014, 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, 2015 LBP'000	December 31, 2014 LBP'000
Loans and advances to customers	605,052,283	604,285,377
Discounted bills	3,776,563	11,844,077
Long and medium term loans	917,449,948	913,185,215
Net multi-currency trading	-	981,087
Creditors accidentally debtors	10,229,253	11,069,455
Substandard loans (net of unearned interest)	3,701,296	5,783,902
Doubtful loans (net of unearned interest)	14,406,936	17,179,550
Less: Provision for doubtful loans	(10,272,677)	(11,098,041)
Allowance for collective impairment	(11,992,096)	(10,234,649)
	1,532,351,506	**1,542,995,973**
Accrued interest receivable	8,406,070	2,458,752
	1,540,757,576	**1,545,454,725**

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

2015	Substandard Loans LBP'000	Unrealized Interest LBP'000	Net LBP'000
Balance January 1	7,191,850	(1,407,948)	5,783,902
Additional unrealized interest	559,789	(559,789)	-
Settlements	(1,373,711)	75,213	(1,298,498)
Other movement	(130,734)	273,188	142,454
Transfer to doubtful and bad loans	(1,557,077)	405,464	(1,151,613)
Transfer from performing loans	225,051	-	225,051
Balance December 31	**4,915,168**	**(1,213,872)**	**3,701,296**

2014	Substandard Loans LBP'000	Unrealized Interest LBP'000	Net 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**

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

2015	Doubtful & Bad Loans LBP'000	Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net LBP'000
Balance January 1	42,055,744	(24,876,194)	(11,098,041)	6,081,509
Additional unrealized interest	5,073,790	(5,073,790)	-	-
Additional allowance for impairment (Note 35)	-	-	(1,501,840)	(1,501,840)
Settlements/write-back (Note 35)	(4,736,809)	861,043	2,281,546	(1,594,220)
Write-off and other movement	(2,809,018)	2,970,038	35,918	196,938
Direct write-off (Note 35)	(313,679)	-	-	(313,679)
Transfer from substandard loans	1,557,077	(405,464)	-	1,151,613
Transfer from performing loans	113,938	-	-	113,938
Effect of exchange rates changes	(23,629)	13,889	9,740	-
Balance December 31	**40,917,414**	**(26,510,478)**	**(10,272,677)**	**4,134,259**

	2014			
	Doubtful & Bad Loans LBP'000	Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net 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 35)	-	-	(280,938)	(280,938)
Settlements/write-back (Note 35)	(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**

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

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Balance January 1	10,234,649	9,981,225
Additions (Note 35)	-	254,189
Transfer from provision for risk and charges (Note 22)	1,836,069	-
Write-back (Note 35)	(78,272)	-
Effect of exchange rates changes	(350)	(765)
Balance December 31	**11,992,096**	**10,234,649**

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption includes loans and advances granted by the Bank to its shareholders and its related companies in the amount of LBP102billion (LBP14.11billion in 2014) covered to the extent of LBP4.1billion by real estate guarantees and LBP87.46billion by cash collateral (LBP3.4billion by real estate guarantees as of December 31, 2014).

10. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Quoted equity securities	4,081,437	4,013,138
Unquoted equity securities	179,222	160,322
Lebanese treasury bills	372,010,699	236,437,887
Lebanese Government bonds	-	100,367,261
Certificates of deposit issued by Central Bank of Lebanon	954,320,897	794,651,427
Accrued interest receivable	29,910,800	28,910,268
	1,360,503,055	**1,164,540,303**

The Group's business model for debt securities denominated in foreign currencies was amended during 2015. As a result, the Group transferred Government bonds in USD with carrying value in the equivalent of LBP218billion from FVTPL to amortized cost portfolio based on the fact that this portfolio was held without any material trading activity and transferred from trading book to banking book to be consistent with management intent to hold to maturity.

11. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment at fair value through other comprehensive income in the amount of LBP1.1billion as at December 31, 2015 representing the Group's share in startup/incubators established based on co-sharing agreements with the regulator providing the funding.

12. INVESTMENT SECURITIES AT AMORTIZED COST

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Debt securities classified at amortized cost	2,877,344,601	2,323,690,222
Accrued interest receivable	71,682,376	58,508,719
	2,949,026,977	**2,382,198,941**

The movement of investment securities, exclusive of the related accrued interest, for the year 2015 and 2014 is summarized as follows:

	December 31, 2015	December 31, 2014
	LBP'000	LBP'000
Balance January 1	2,323,690,222	2,267,412,034
Additions	1,045,387,089	520,890,473
Transfer from investment securities at fair value through profit or loss (Note 10)	218,179,996	-
Sale	(3,015,000)	(3,015,000)
Swaps	(481,410,375)	(310,997,250)
Matured	(28,561,968)	(140,735,768)
Effect of unamortized/amortized premium and discount	(186,693,989)	3,268,220
Effect of exchange rates changes	(10,231,374)	(13,132,487)
Balance December 31	**2,877,344,601**	**2,323,690,222**

During 2015, the Group entered into several sale transactions of Lebanese treasury bills in LBP and Government bonds in USD of aggregate nominal value of LBP609billion and LBP252billion respectively, concluded in conjunction with the acquisition of Government bonds in USD for an aggregate value of LBP678.38billion and therefore the premium resulting from the above inter-related transactions was deferred as yield enhancement on the new portfolio until maturity falling due between 2020 and 2030 and yielding 11% on average per annum. Furthermore, a surplus income amounting to LBP37.5billion was recognized and recorded under "Net interest and other gain/(loss) on investment securities at fair value through profit or loss" in the statement of the profit or loss for the year ended December 31, 2015.

Moreover, during 2015, the Group exchanged financial assets at amortized cost in the aggregate amount of LBP229.8billion against debt instruments with same risk profile but longer maturities, falling due between 2022 and 2045, which resulted in premiums deferred as yield enhancement on the new instruments, yielding 9% on average per annum.

The Bank has exchanged during 2014 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.

Debt securities consist of the following:

	December 31, 2015					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	Interest Receivable	Fair Value	Amortized Cost	Interest Receivable	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	14,181,537	97,142	14,417,885	-	-	-
Lebanese Government bonds	-	-	-	1,412,214,523	22,130,655	1,531,499,402
Certificates of deposit issued by Central Bank of Lebanon	1,318,360,573	46,416,073	1,335,847,925	131,834,218	2,983,592	132,651,361
Certificates of deposit issued by banks	-	-	-	753,750	54,914	745,883
	1,332,542,110	**46,513,215**	**1,350,265,810**	**1,544,802,491**	**25,169,161**	**1,664,896,646**

	December 31, 2014					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	Interest Receivable	Fair Value	Amortized Cost	Interest Receivable	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	2,567,823	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**

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

	LBP Base Accounts, December 31, 2015				F/Cy Base Accounts, December 31, 2015			
Contractual Maturity	**Nominal Value**	**Amortized Cost**	**Fair Value**	**Average Coupon Rate**	**Nominal Value**	**Amortized Cost**	**Fair Value**	**Average Coupon Rate**
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills								
1 year to 3 years	2,684,544	2,608,145	2,806,938	6.00	-	-	-	-
3 years to 5 years	4,782	3,754	4,714	5.25	-	-	-	-
5 years to 10 years	12,000,000	11,569,638	11,606,233	7.98	-	-	-	-
	14,689,326	**14,181,537**	**14,417,885**		**-**	**-**	**-**	
Lebanese Government bonds								
Up to one year	-	-	-	-	26,305,875	26,091,764	25,139,226	4.26
1 year to 3 years	-	-	-	-	216,677,770	211,908,150	201,156,671	5.73
3 years to 5 years	-	-	-	-	396,099,364	351,128,896	349,473,562	5.68
5 years to 10 years	-	-	-	-	548,016,953	474,383,835	463,006,760	7.37
Above 10 years	-	-	-	-	425,220,525	348,701,878	340,705,482	6.67
	-	**-**	**-**		**1,612,320,487**	**1,412,214,523**	**1,379,481,701**	
Certificates of deposit issued by Central Bank of Lebanon								
5 years to 10 years	25,000,000	24,564,436	24,796,208	8.24	136,428,750	131,834,218	117,150,938	6.87
Above 10 years	1,330,000,000	1,293,796,137	1,311,051,717	8.98	-	-	-	-
	1,355,000,000	**1,318,360,573**	**1,335,847,925**		**136,428,750**	**131,834,218**	**117,150,938**	
Certificates of deposit issued by banks								
4 to 5 years	-	-	-	-	753,750	753,750	718,608	6.75
	-	**-**	**-**	**-**	**753,750**	**753,750**	**718,608**	**-**
	1,369,689,326	**1,332,542,110**	**1,350,265,810**		**1,749,502,987**	**1,544,802,491**	**1,497,351,247**	

	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**
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'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
Above 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								
4 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**	

13. 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.

14. 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 2015 and 2014 was as follows:

	Real Estate LBP'000
Cost	
Balance, January 1, 2014	19,897,865
Additions	-
Balance, December 31, 2014	19,897,865
Additions	116,069
Balance, December 31, 2015	20,013,934
Allowance for Impairment	
Balance, December 31, 2015 and 2014	(231,165)
Carrying Amount	
December 31, 2015	**19,782,769**
December 31, 2014	**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 2015, the Group allocated LBP1.6billion from retained earnings (LBP1.4million during 2014).

The fair values of the assets acquired in satisfaction of loans exceed their carrying values as at December 31, 2015 and 2014.

15. PROPERTY AND EQUIPMENT

	Buildings LPB'000	Freehold Improvements LPB'000	Furniture & Equipment LPB'000	Computer Equipment LPB'000	Vehicles LPB'000	Advances on Capital Expenditure LPB'000	Total LPB'000
Cost / Revaluation							
Balance, January 1, 2014	**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**
Additions	1,428,203	14,329	196,011	243,362	196,950	2,254,871	4,333,726
Disposals	-	-	(51,935)	(49,762)	-	-	(101,697)
Transfers between categories	6,343,069	1,628,587	196,927	-	-	(8,168,583)	-
Write-off	-	(11,470)	(30,730)	(235,967)	-	-	(278,167)
Effect of exchange rate changes	-	(49,380)	(18,294)	(11,335)	(8,144)	-	(87,153)
Balance, December 31, 2015	**42,459,097**	**24,660,714**	**6,263,894**	**5,451,019**	**764,626**	**1,581,633**	**81,180,983**
Accumulated Depreciation							
Balance, January 1, 2014	**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**
Additions	274,776	2,972,032	563,854	531,302	85,143	-	4,427,107
Write-off on disposals	-	-	(51,059)	(45,810)	-	-	(96,869)
Write-off	-	(11,525)	(25,254)	(226,952)	-	-	(263,731)
Effect of exchange rate changes	-	(30,756)	(11,733)	(8,879)	(8,144)	-	(59,512)
Balance, December 31, 2015	**1,600,497**	**15,648,736**	**3,509,821**	**4,339,189**	**456,512**	**-**	**25,554,755**
Carrying Amount							
Balance, December 31, 2015	**40,858,600**	**9,011,978**	**2,754,073**	**1,111,830**	**308,114**	**1,581,633**	**55,626,228**
Balance, December 31, 2014	**33,362,104**	**10,359,663**	**2,937,902**	**1,415,193**	**196,307**	**7,495,345**	**55,766,514**

During 2015, the Bank wrote-off tangible fixed assets resulting in a loss of LBP14million (LBP177million during 2014) booked under "Other expenses".

Advances on capital expenditure represent mainly the renovation for several branches namely Jbeil, Jneh, Achrafieh and Basra in Iraq which was mainly allocated in years 2014 and 2015 to buildings and freehold improvements. In addition to the advance payment on the purchase of a plot for the new branch in Hamra.

16. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost	
Balance, January 1, 2014	**3,680,978**
Acquisitions	354,220
Translation adjustment	(40,108)
Balance, December 31, 2014	**3,995,090**
Acquisitions	361,166
Translation adjustment	(33,909)
Balance, December 31, 2015	**4,322,347**
Amortization	
Balance, January 1, 2014	**2,830,609**
Amortization for the year	364,804
Translation adjustment	(37,171)
Balance, December 31, 2014	**3,158,242**
Amortization for the year	310,276
Translation adjustment	(33,546)
Balance, December 31, 2015	**3,434,972**
Carrying Amounts	
December 31, 2015	**887,375**
December 31, 2014	**836,848**

17. OTHER ASSETS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Accounts receivable - credit cards	472,690	619,881
Prepaid expenses	2,070,154	1,975,050
Regulatory blocked fund	4,500,000	4,500,000
Sundry accounts receivable	578,716	819,571
	7,621,560	**7,914,502**

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.

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

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

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Current deposits of banks and financial institutions	43,806,260	28,415,537
Short term borrowings	22,852,145	21,522,328
Accrued interest payable	205,608	131,637
	66,864,013	**50,069,502**

Short term borrowings mature within one year.

19. CUSTOMERS' ACCOUNTS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Deposits		
Current/demand deposits	437,969,034	506,577,327
Term deposits	6,029,549,096	5,533,882,095
Fiduciary deposits	194,902,573	271,557,944
Collateral against speculation accounts	5,728,810	12,710,480
Cash collateral	631,223,624	640,655,728
Margins and other accounts		
Margins for irrevocable import letters of credit	4,426,367	8,319,908
Margins on letters of guarantee	7,333,256	9,400,979
Accrued interest payable	38,355,713	45,541,650
	7,349,488,473	**7,028,646,111**

Related parties accounts at amortized cost are detailed as follows:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Deposits		
Demand deposits	3,614,192	17,761,770
Term deposits	137,441,080	101,724,831
Collateral against speculation account	23,838,690	-
Cash collateral	87,779,163	502,417
Accrued interest payable	935,367	506,567
	253,608,492	**120,495,585**

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

December 31, 2015

Bracket	LBP Total Deposits LBP'000	LBP Percentage to Total Deposits %	LBP Percentage to Total No of Accounts %	Counter Value of F/Cy Total Deposits LBP'000	Counter Value of F/Cy Percentage to Total Deposits %	Counter Value of F/Cy Percentage to Total No of Accounts %
Less than LBP 50 million	135,226,769	4	80	99,616,460	3	85
From LBP 50 million to LBP 250 million	422,686,154	13	13	257,214,825	6	9
From LBP 250 million to LBP 750 million	552,344,247	17	5	356,278,126	9	3
From LBP 750 million to LBP 1.5 billion	445,112,544	13	1	333,415,003	8	1
More than LBP1.5billion	1,748,819,969	53	1	2,960,418,663	74	2
	3,304,189,683	**100**	**100**	**4,006,943,077**	**100**	**100**

December 31, 2014

Bracket	LBP Total Deposits LBP'000	LBP Percentage to Total Deposits %	LBP Percentage to Total No of Accounts %	Counter Value of F/Cy Total Deposits LBP'000	Counter Value of F/Cy Percentage to Total Deposits %	Counter Value of F/Cy Percentage to Total No of Accounts %
Less than LBP 50 million	114,041,606	4	76	76,934,431	2	77
From LBP 50 million to LBP 250 million	358,139,782	12	15	216,227,517	5	13
From LBP 250 million to LBP 750 million	481,399,297	16	6	307,164,154	8	6
From LBP 750 million to LBP 1.5 billion	367,986,187	12	2	301,345,322	8	2
More than LBP1.5billion	1,703,445,797	56	1	3,056,420,368	77	2
	3,025,012,669	**100**	**100**	**3,958,091,792**	**100**	**100**

Deposits from customers at amortized cost include coded deposit accounts in the aggregate amount of LBP230billion (LBP212billion in 2014). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Fiduciary deposits were received from resident and non-resident banks for a total amount of LBP34billion and LBP161billion (LBP43billion and LBP229billion respectively in 2014).

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

Year	Average Balance of Deposits: LBP Base Accounts LBP'000	Average Balance of Deposits: F/Cy Base Accounts LBP'000	Cost of Funds LBP'000	Average Interest Rate %
2015	**3,321,173,962**	**3,690,107,037**	**396,022,066**	**5.64**
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

20. OTHER BORROWINGS

Facilities granted from Central Bank of Lebanon in the amount of LBP40billion are made in connection with Central Bank of Lebanon 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.

21. OTHER LIABILITIES

This caption consists of the following:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Withheld taxes and property taxes	4,318,566	2,880,681
Income tax payable	7,692,285	5,390,566
Due to the National Social Security Fund	310,124	235,346
Checks and incoming payment orders in course of settlement	26,199,968	28,942,051
Blocked capital subscriptions for companies under incorporation	2,253,299	971,675
Accrued expenses	2,680,970	5,790,086
Dividends payable	647,271	424,349
Payable to personnel and directors	839,373	831,457
Unearned revenues	1,698,015	1,313,563
Fair value of forward exchange contracts	221,880	561,516
Sundry accounts payable	6,955,241	2,307,040
	53,816,992	**49,648,330**

Sundry accounts payable in the amount of LBP7billion include the equivalent of a guarantee to a customer dealing with Iraq branch amounted to USD2.5million (C/V LBP3.7billion) settled in the subsequent period.

Income tax payable is computed as follows:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Profit before income tax	122,126,879	105,600,566
Income tax on enacted applicable rates	1,176,626	7,840,105
Effect of non-deductible expense and non-taxable income	18,364,076	8,167,282
Tax on capital gain (10%)	24	-
Income tax expense	19,540,726	16,007,387
Less: Tax paid in advance (5%)	(12,197,469)	(10,487,524)
Tax paid on resident subsidiaries	(130,972)	(129,297)
Taxes related to non-resident branch paid subsequently	480,000	-
Income tax payable	**7,692,285**	**5,390,566**

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 to 2015 inclusive are still subject to review by the tax authorities and any additional tax liability depends on the outcome of such reviews.

22. PROVISIONS

Provisions consist of the following:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Provision for staff end-of-service indemnity	10,259,728	8,362,020
Provision for risk and charges	9,115,233	16,659,301
Provision for loss in foreign currency	103,000	103,000
	19,477,961	**25,124,321**

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

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Balance, January 1	8,362,020	7,043,678
Additions (Note 36)	2,082,962	1,488,738
Settlements	(185,254)	(170,396)
Balance, December 31	**10,259,728**	**8,362,020**

The movement of provision for risk and charges is as follows:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Balance, January 1	16,659,301	11,515,851
Additions	23,608,000	5,143,450
Transfer to allowance for impairment on term placements (Note 5)	(23,540,725)	-
Transfer to allowance for collective impairment (Note 8)	(1,836,069)	-
Write-back	(5,708,000)	-
Effect of exchange rates charges	(67,274)	-
Balance, December 31	**9,115,233**	**16,659,301**

23. SUBORDINATED BONDS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Subordinated bonds	60,300,000	-
Accrued interest payable	260,199	-
	60,560,199	**-**

The Extraordinary General Assembly of Shareholders held on August 24, 2015, authorize the issuance of non-convertible, non-callable, cumulative subordinated bonds in the amount of USD40million comprising 400,000 bonds issued in denominations of USD100 each. These bonds were issued on December 10, 2015 and mature on December 10, 2025 and are subject to an annual interest rate of 7.5% per annum.

In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purpose of computation of Risk Based Capital Ratio to be decreased by 20% in a yearly basis.

In this connection, interest expense on subordinated bonds for the year ended December 31, 2015 amounted to LBP260million recorded under "Interest expense" in the consolidated statement of profit or loss (Note 30).

24. 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.

25. NON-CUMULATIVE CONVERTIBLE PREFERRED SHARES

Non-cumulative convertible preferred shares amounted to LBP75.36billion at December 31, 2015 and 2014 representing 500,000 non-cumulative preferred shares LBP7,500 each, in addition to a premium of USD95 each.

26. RESERVES

Reserves consist of the following:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Legal reserves (a)	40,125,308	31,435,770
Reserve for general banking risks (b)	54,447,190	41,355,198
General reserve for performing loans (c)	450,000	-
Other reserves	3,888,000	3,888,000
	98,910,498	**76,678,968**

(a) 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.

(b) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end, 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.

(c) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit to general reserve for performing loans the equivalent of:

- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.

- 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

27. DIVIDENDS PAID

The following dividends were declared and paid by the Bank:

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Ordinary shares	24,570,000	22,503,000
Preferred shares	5,653,125	5,653,125
	30,223,125	**28,156,125**

28. NON-CONTROLLING INTERESTS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Capital	600,300	600,000
Retained earnings	420,204	287,318
Reserves	63,517	39,855
Profit for the year	254,519	156,306
	1,338,540	**1,083,479**

29. INTEREST INCOME

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Interest income on		
Deposits with the Central Bank of Lebanon	113,141,522	115,246,518
Deposits with banks and financial institutions	1,196,424	1,299,493
Investment securities at amortized cost	218,391,353	186,698,786
Loans to banks and financial institutions	6,598,016	5,851,316
Loans and advances to customers	113,368,768	114,323,475
Loans and advances to related parties	4,922,823	2,490,850
Interest realized on non-performing loans	936,256	45,530
	458,555,162	**425,955,968**

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

30. INTEREST EXPENSE

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Interest expense on		
Deposits and borrowings from banks and financial institutions	1,664,578	1,208,256
Customers' accounts at amortized cost	382,411,695	354,365,810
Related parties' accounts at amortized cost	13,610,371	6,124,551
Subordinated bonds	260,199	-
Other borrowings	551,175	262,511
	398,498,018	**361,961,128**

31. FEE AND COMMISSION INCOME

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Commission on documentary credits	584,933	2,424,845
Commission on letters of guarantee	1,020,236	884,628
Service fees on customers' transactions	6,118,252	7,238,929
Asset management fees	128,533	93,381
Commission earned on insurance policies	276,185	247,129
Other	667,981	791,623
	8,796,120	**11,680,535**

32. FEE AND COMMISSION EXPENSE

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Commission on transactions with banks	426,219	627,036
Other	406,982	314,256
	833,201	**941,292**

33. OTHER OPERATING INCOME

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Gain on sale of investment securities at amortized cost	6,373	213,432
Net foreign exchange gain	3,243,936	3,449,665
Other	1,887,750	922,997
	5,138,059	**4,586,094**

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

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Interest income	122,787,082	88,652,162
Net unrealized loss	(65,329,437)	(13,458,444)
Net realized gain	73,790,279	19,187,328
	131,247,924	**94,381,046**

35. (WRITE-BACK)/PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES (NET)

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Allowance for impairment loans and advances (Note 8)	1,501,840	280,938
Write back (Note 8)	(2,281,546)	(433,787)
Allowance for collective impairment (Note 8)	-	254,189
Direct write-off for doubtful and bad loans (Note 8)	313,679	15,170
Write-back of collective provision (Note 8)	(78,272)	-
Net allowance/(recovery) from loans booked in the off-balance sheet	4,635	(1,420)
	(539,664)	**115,090**

36. STAFF COSTS

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Salaries and related charges	28,148,864	25,021,412
Executive management remunerations	7,249,017	6,718,763
Social security contributions	2,712,591	2,564,850
Provision for end-of-service indemnities (Note 22)	2,082,962	1,488,738
	40,193,434	35,793,763

37. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Professional fees	3,075,073	2,625,745
Rent	1,491,861	1,456,424
Advertising	5,626,107	7,258,690
Post and telephone	1,260,288	1,331,592
Repairs and maintenance	1,274,311	1,232,310
Travel	594,456	675,049
Printing and stationery	492,983	483,128
Water and electricity	951,692	1,033,128
Insurance	428,001	358,567
Gifts and donations	90,383	125,839
Subscription fees	576,810	820,563
Municipality and other accrued taxes and penalties (Note 21)	900,292	3,603,952
Training and seminars	124,140	133,617
Cleaning	342,950	308,377
Licenses	93,635	30,803
Credit card expenses	27,216	43,551
Transportation	346,618	339,849
Miscellaneous expenses	1,924,157	1,027,063
	19,620,973	**22,888,247**

38. 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.

39. 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, 2015 LBP'000	December 31, 2014 LBP'000
Direct facilities and credit balances		
Loans and advances	101,644,431	14,110,167
Deposits (Note 18)	253,608,492	120,495,585
Indirect facilities		
Letters of guarantee	198,752	237,981

Loans and advances to related parties covered by real estate mortgage and cash collateral to the extent of LBP4.1billion and LBP87.46billion respectively for 2015 (Real state mortgage of LBP3.4billion for 2014).

The executive management remunerations amounted to LBP7.25billion during 2015 (LBP6.72billion in 2014).

40. CASH AND CASH EQUIVALENTS

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

	December 31, 2015 LBP'000	December 31, 2014 LBP'000
Cash on hand	43,791,654	64,355,059
Checks for collection	24,819,593	21,949,236
Current accounts with central banks (excluding compulsory reserves)	65,074,315	69,168,578
Term placements with Central Bank of Lebanon	30,845,700	190,492,440
Current accounts with banks and financial institutions	235,985,414	342,253,700
Term placements with banks and financial institutions	127,170,354	148,123,740
	527,687,030	**836,342,753**

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.

41. 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: Comprises qualifying subordinated bonds and revaluation surplus of owned properties.

The Group's consolidated capital adequacy ratio according to Central Bank of Lebanon directions and Basel III as of December 31, 2015 and 2014 was as follows:

	December 31, 2015 LBP'Million	December 31, 2014 LBP'Million
Common equity Tier 1	520,075	391,923
Additional Tier I capital	75,398	75,356
	595,473	**467,279**
Tier II capital	61,451	1,109
Total regulatory capital	656,924	468,388
Credit risk	3,260,751	3,037,759
Market risk	821,860	714,781
Operational risk	336,766	262,847
Risk-weighted assets and risk-weighted off-balance sheet items	4,419,377	4,015,387
Equity Tier I ratio	11.77%	9.76%
Tier I capital ratio	13.47%	11.64%
Risk based capital ratio-Tier I and Tier II capital	14.86%	11.66%

The Group has complied with imposed capital requirements throughout the year.

42. SEGMENT INFORMATION

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

Financial Position

December 31, 2015	Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'000
ASSETS				
Cash and deposits with central banks	1,956,425,790	116,247	50,867,592	2,007,409,629
Deposits with banks and financial institutions	387,948,071	16,635	24,828	387,989,534
Loans to banks and financial institutions	71,820,642	-	-	71,820,642
Loans and advances to customers	1,515,714,614	46	25,042,916	1,540,757,576
Loans and advances to related parties	101,644,431	-	-	101,644,431
Investment securities at fair value through profit or loss	1,360,503,055	-	-	1,360,503,055
Investment securities at fair value through other comprehensive income	1,084,018	-	-	1,084,018
Investment securities at amortized cost	2,949,026,977	-	-	2,949,026,977
Customers' liability under acceptances	13,291,917	-	-	13,291,917
Assets acquired in satisfaction of loans	19,782,769	-	-	19,782,769
Property and equipment	53,381,180	40,618	2,204,430	55,626,228
Intangible assets	875,841	27	11,507	887,375
Other assets	7,377,863	21,700	221,997	7,621,560
Total Assets	**8,438,877,168**	**195,273**	**78,373,270**	**8,517,445,711**
LIABILITIES				
Deposits from banks and financial institutions	66,767,728	-	96,285	66,864,013
Customers' accounts	7,261,232,735	15,525,372	72,730,366	7,349,488,473
Related parties' accounts	253,606,494	-	1,998	253,608,492
Liability under acceptance	13,291,917	-	-	13,291,917
Other borrowings	61,657,571	-	-	61,657,571
Other liabilities	70,116,532	(16,424,308)	124,768	53,816,992
Provisions	19,477,961	-	-	19,477,961
Subordinated bonds	60,560,199	-	-	60,560,199
Total Liabilities	**7,806,711,137**	**(898,936)**	**72,953,417**	**7,878,765,618**

December 31, 2014	Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'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	1,515,456,069	368	29,998,288	1,545,454,725
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	**7,747,549,894**	**303,424**	**136,170,713**	**7,884,024,031**
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	25,124,321	-	-	25,124,321
Total Liabilities	**7,185,879,487**	**449,057**	**131,327,173**	**7,317,655,717**

Statement of Profit or Loss

	Year Ended December 31, 2015			
	Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'000
Interest income	455,306,071	484,954	2,764,137	458,555,162
Interest expense	(397,566,207)	(444,846)	(486,965)	(398,498,018)
Net interest income	57,739,864	40,108	2,277,172	60,057,144
Fee and commission income	6,884,005	20,145	1,891,970	8,796,120
Fee and commission expense	(671,959)	(60,872)	(100,370)	(833,201)
Net fee and commission income	6,212,046	(40,727)	1,791,600	7,962,919
Other operating income	5,118,066	16,005	3,988	5,138,059
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	129,379,246	1,868,678	-	131,247,924
Net financial revenues	198,449,222	1,884,064	4,072,760	204,406,046
Write-back impairment of loans and advances (net)	461,392	-	78,272	539,664
Net financial revenues after impairment charge for credit losses	198,910,614	1,884,064	4,151,032	204,945,710
Allowance for risk and charges (net)	(17,900,000)	-	-	(17,900,000)
Staff costs	(39,023,157)	(393,342)	(776,935)	(40,193,434)
General and administrative expenses	(17,753,203)	(254,310)	(1,613,460)	(19,620,973)
Depreciation and amortization	(3,965,291)	(11,440)	(760,652)	(4,737,383)
Other expenses	(236,346)	-	(130,695)	(367,041)
Profit before income tax	120,032,617	1,224,972	869,290	122,126,879
Income tax expense	(19,314,166)	-	(226,560)	(19,540,726)
Profit for the year	100,718,451	1,224,972	642,730	102,586,153
Other comprehensive income	-	-	-	-
Total comprehensive income	**100,718,451**	**1,224,972**	**642,730**	**102,586,153**

	Year Ended December 31, 2014			
	Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'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)	139,099	-	(254,189)	(115,090)
Net financial revenues after impairment charge for credit losses	166,601,643	1,462,058	5,522,432	173,586,133
Provision for contingencies (net)	(5,143,450)	-	-	(5,143,450)
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**

43. 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:

	December 31, 2015			December 31, 2014		
	Gross Amount Net of Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000	Gross Amount Net of Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000
Performing retail loans						
Mortgage loans	220,666,033	-	220,666,033	220,435,419	-	220,435,419
Personal loans	37,832,824	-	37,832,824	42,010,269	-	42,010,269
Credit card	6,266,868	-	6,266,868	5,655,085	-	5,655,085
Overdrafts	19,743,066	-	19,743,066	21,812,249	-	21,812,249
Allowance for collective provision - performing retail	-	(881,097)	(881,097)	-	(1,335,989)	(1,335,989)
	284,508,791	**(881,097)**	**283,627,694**	**289,913,022**	**(1,335,989)**	**288,577,033**
Non-performing retail loans						
Substandard loans	37	-	37	18,568	-	18,568
Doubtful loans	2,630,654	(1,510,570)	1,120,084	2,552,467	(1,444,744)	1,107,723
	2,630,691	**(1,510,570)**	**1,120,121**	**2,571,035**	**(1,444,744)**	**1,126,291**
Performing corporate loans						
Large enterprises	930,503,350	-	930,503,350	886,427,938	-	886,427,938
Small and medium enterprises	321,495,908	-	321,495,908	365,024,251	-	365,024,251
	1,251,999,258	**-**	**1,251,999,258**	**1,251,452,189**	**-**	**1,251,452,189**
Non-performing corporate loans						
Substandard loans	3,701,259	-	3,701,259	5,765,334	-	5,765,334
Doubtful loans	11,776,282	(8,762,107)	3,014,175	14,627,083	(9,653,297)	4,973,786
	15,477,541	**(8,762,107)**	**6,715,434**	**20,392,417**	**(9,653,297)**	**10,739,120**
Allowance for collective impairment	-	(11,110,999)	(11,110,999)	-	(8,898,660)	(8,898,660)
Accrued interest receivable	8,406,070	-	8,406,070	2,458,752	-	2,458,752
	1,563,022,351	**(22,264,773)**	**1,540,757,578**	**1,566,787,415**	**(21,332,690)**	**1,545,454,725**

Performing corporate loans to large enterprises, outstanding at year end 2015, include an amount of LBP226billion 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 2015 and 2014.

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

	2015 LBP'000	2014 LBP'000
Between 30-60 days	261,837	1,189,505
Between 60-90 days	220,056	893,999
Between 90-180 days	554,235	994,165
Beyond 180 days	109,395	1,155,494
	1,145,523	**4,233,163**

Concentration of major financial assets by industry or sector:

	December 31, 2015					December 31, 2015				
	Sovereign LPB'000	Financial Services LPB'000	Real Estate Development LPB'000	Manufacturing LPB'000	Trading LPB'000	Services LPB'000	Individuals LPB'000	Others LPB'000	Allowance For Collective Impairment LPB'000	Total LPB'000
Cash and Central Banks	2,007,409,629	-	-	-	-	-	-	-	-	2,007,409,629
Deposits with banks and financial institutions	-	387,989,534	-	-	-	-	-	-	-	387,989,534
Loans to banks	-	71,820,642	-	-	-	-	-	-	-	71,820,642
Loans and advances to customers	-	97,955,719	335,073,234	111,911,579	114,650,504	442,765,489	424,069,458	26,323,689	(11,992,096)	1,540,757,576
Loans and advances to related parties	-	89,002,288	1,829,147	-	2,996,470	-	7,786,874	29,652	-	101,644,431
Investment securities at fair value through profit or loss	1,356,242,396	4,260,659	-	-	-	-	-	-	-	1,360,503,055
Investment securities at fair value through other comprehensive income	-	1,084,018	-	-	-	-	-	-	-	1,084,018
Investment securities at amortized cost	2,949,026,977	-	-	-	-	-	-	-	-	2,949,026,977
	6,312,679,002	**652,112,860**	**336,902,381**	**111,911,579**	**117,646,974**	**442,765,489**	**431,856,332**	**26,353,341**	**(11,992,096)**	**8,420,235,862**

	December 31, 2014					December 31, 2014				
	Sovereign LPB'000	Financial Services LPB'000	Real Estate Development LPB'000	Manufacturing LPB'000	Trading LPB'000	Services LPB'000	Individuals LPB'000	Others LPB'000	Allowance For Collective Impairment LPB'000	Total LPB'000
Cash and Central Banks	22,045,894,066	-	-	-	-	-	-	-	-	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	(10,234,649)	1,545,454,725
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 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**	**(10,234,649)**	**7,793,106,626**

Concentration of major financial assets and liabilities by geographical area:

	December 31, 2015					
	Lebanon LBP'000	Middle East & Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and Central Banks	1,981,920,497	25,372,885	-	116,247	-	2,007,409,629
Deposits with banks and financial institutions	63,222,672	2,047,315	135,612,866	186,778,855	327,826	387,989,534
Loans to banks	71,820,642	-	-	-	-	71,820,642
Loans and advances to customers	1,141,503,383	310,455,530	-	64,712,315	24,086,348	1,540,757,576
Loans and advances to related parties	101,644,431	-	-	-	-	101,644,431
Investment securities at fair value through profit or loss	1,360,503,055	-	-	-	-	1,360,503,055
Investment securities at fair value through other comprehensive income	1,084,018	-	-	-	-	1,084,018
Investment securities at amortized cost	2,949,026,977	-	-	-	-	2,949,026,977
	7,670,725,675	**337,875,730**	**135,612,866**	**251,607,417**	**24,414,174**	**8,420,235,862**
LIABILITIES						
Deposits from banks	24,170,462	37,479,606	-	5,213,945	-	66,864,013
Customers' accounts	5,585,360,729	922,796,975	37,305,624	784,275,649	19,749,496	7,349,488,473
Related parties accounts	253,608,492	-	-	-	-	253,608,492
Other borrowings	61,657,571	-	-	-	-	61,657,571
Subordinated bonds	60,560,199	-	-	-	-	60,560,199
	5,985,357,453	**960,276,581**	**37,305,624**	**789,489,594**	**19,749,496**	**7,792,178,748**

	December 31, 2014					
	Lebanon LBP'000	Middle East & Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'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	346,418,099	-	39,939,107	39,923,753	1,545,454,725
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	**451,178,570**	**178,816,157**	**306,145,121**	**40,191,848**	**7,793,106,626**
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**

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, 2015				December 31, 2015		
	Account with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total LPB'Million
Deposits & borrowings from banks	42,673	19,308	4,883	-	-	-	66,864
Customers' accounts	623,309	5,936,862	709,098	79,839	380	-	7,349,488
Related parties accounts	-	230,574	23,034	-	-	-	253,608
Other borrowings	-	1,625	2,618	9,776	16,527	31,112	61,658
Subordinated bonds	-	260	-	-	-	60,300	60,560
	665,982	**6,188,629**	**739,633**	**89,615**	**16,907**	**91,412**	**7,792,178**

	December 31, 2014				December 31, 2014		
	Account with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total 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**

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.

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

	December 31, 2015			December 31, 2015			
	Account with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total LPB'Million
FINANCIAL ASSETS							
Cash and central banks	22,469	332,409	10,025	3,015	567,537	1,071,955	2,007,410
Deposits with banks and financial institutions	-	387,990	-	-	-	-	387,990
Loans to banks	-	521	800	70,500	-	-	71,821
Loans and advances to customers	16,273	1,444,852	55,440	16,887	3,665	3,641	1,540,758
Loans and advances to related parties	286	80,758	-	20,600	-	-	101,644
Investment securities at fair value through other comprehensive income	-	-	-	-	-	1,084	1,084
Investment securities at fair value through profit or loss	24,483	-	-	-	4,261	1,331,759	1,360,503
Investment securities at amortized cost	-	71,682	26,092	214,516	351,133	2,285,604	2,949,027
	63,511	**2,318,212**	**92,357**	**325,518**	**926,596**	**4,694,043**	**8,420,237**
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	42,673	19,308	4,883	-	-	-	66,864
Customers' accounts	622,905	5,937,267	709,097	79,839	380	-	7,349,488
Related parties accounts	-	230,574	23,034	-	-	-	253,608
Other borrowings	-	1,626	2,618	9,776	16,527	31,111	61,658
Subordinated bonds	-	260	-	-	-	60,300	60,560
	665,578	**6,189,035**	**739,632**	**89,615**	**16,907**	**91,411**	**7,792,178**

	December 31, 2014			December 31, 2014			
	Account with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total 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	32,087	1,402,583	71,848	6,824	17,507	14,606	1,545,455
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
	148,551	**2,312,073**	**148,258**	**270,095**	**873,912**	**4,040,218**	**7,793,107**
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**

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, 2015			December 31, 2015	
	LBP LPB'000	USD C/V in LBP LPB'000	EURO C/V in LBP LPB'000	GBP C/V in LBP LPB'000	Other Currencies C/V in LBP LPB'000	Total LPB'000
ASSETS						
Cash and central banks	902,686,482	630,061,920	462,332,616	157,108	12,171,503	2,007,409,629
Deposits with banks and financial institutions	6,367,717	263,623,352	58,843,820	31,483,736	27,670,909	387,989,534
Loans to banks	71,820,642	-	-	-	-	71,820,642
Loans and advances to customers	358,465,621	1,148,663,220	32,492,923	172,530	963,282	1,540,757,576
Loans and advances to related parties	28,495,205	73,135,246	13,980	-	-	101,644,431
Investment securities at fair value through profit or loss	1,356,421,618	4,081,437	-	-	-	1,360,503,055
Investment securities at fair value through other comprehensive income	-	1,084,018	-	-	-	1,084,018
Investment securities at amortized cost	1,379,055,326	1,469,888,508	100,083,143	-	-	2,949,026,977
Customers' liability under acceptances	-	3,919,035	9,372,882	-	-	13,291,917
Assets acquired in satisfaction of loans	757,054	19,025,715	-	-	-	19,782,769
Property and equipment	45,952,350	7,428,830	40,618	-	2,204,430	55,626,228
Intangible assets	875,841	-	27	-	11,507	887,375
Other assets	6,412,851	860,611	111,249	-	236,849	7,621,560
Total Assets	**4,157,310,707**	**3,621,771,892**	**663,291,258**	**31,813,374**	**43,258,480**	**8,517,445,711**
LIABILITIES						
Deposits from banks	8,484,772	57,780,865	585,316	9,800	3,260	66,864,013
Customers' accounts	3,328,752,554	3,324,334,536	629,956,930	29,191,968	37,252,485	7,349,488,473
Related parties accounts	190,464,431	39,481,271	23,648,750	14,040	-	253,608,492
Liability under acceptance	-	3,919,035	9,372,882	-	-	13,291,917
Other borrowings	61,657,571	-	-	-	-	61,657,571
Other liabilities	20,995,801	29,595,122	503,653	(2,660,290)	5,160,826	53,595,112
Provisions	17,767,737	1,710,224	-	-	-	19,477,961
Subordinated bonds	-	60,560,199	-	-	-	60,560,199
Total Liabilities	**3,628,122,866**	**3,517,381,252**	**664,067,531**	**26,555,518**	**42,416,571**	**7,878,543,738**
Currencies to be delivered	-	28,693,888	27,603,756	-	21,597,606	77,895,250
Currencies to be received	-	(29,200,405)	(27,979,056)	(2,678,952)	(18,258,717)	(78,117,130)
Net on-balance sheet financial position	**-**	**(506,517)**	**(375,300)**	**(2,678,952)**	**3,338,889**	**(221,880)**
	529,187,841	**103,884,123**	**(1,151,573)**	**2,578,904**	**4,180,798**	**638,680,093**

	December 31, 2014				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	358,239,587	1,131,032,503	47,578,450	6,275,020	2,329,165	1,545,454,725
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	**3,644,845,286**	**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	23,634,330	1,489,991	-	-	-	25,124,321
Total Liabilities	**3,185,652,782**	**3,286,275,778**	**786,693,877**	**29,229,558**	**29,242,206**	**7,317,094,201**
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**

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the 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, 2015		December 31, 2015		
	Notes	Carrying Amount LPB'000	Level 1 LPB'000	Level 2 LPB'000	Level 3 LPB'000	Total LPB'000
Financial assets measured at fair value:						
Investment securities held at fair value through profit or loss:						
Quoted equity securities	11	4,081,437	4,081,437	-	-	4,081,437
Unquoted equity securities	11	179,222	-	-	179,222	179,222
Lebanese treasury bills	11	344,781,529	-	-	344,781,529	344,781,529
Lebanese Government bonds	11	27,229,170	-	-	27,229,170	27,229,170
Certificates of deposit issued by the Central Bank of Lebanon	11	954,320,897	-	-	954,320,897	954,320,897
		1,330,592,255	**4,081,437**	**-**	**1,326,510,818**	**1,330,592,255**
Financial assets not measured at fair value:						
Term placements with Central Bank of Lebanon in Lebanese Pound	5	640,000,000	-	682,313,206	-	682,313,206
Term placements with Central Bank of Lebanon in foreign currencies	5	1,039,382,640	-	1,012,310,206	-	1,012,310,206
Customer's loans and advances	8	1,532,351,506	-	1,539,882,972	-	1,539,882,972
Investment securities at amortized costs:						
Lebanese treasury bills	12	14,181,537	-	-	14,417,885	14,417,885
Lebanese Government bonds	12	1,412,214,523	-	-	1,379,481,701	1,379,481,701
Certificates of deposit issued by Central Bank of Lebanon (in LBP)	12	1,318,360,573	-	-	1,335,847,925	1,335,847,925
Certificates of deposit issued by Central Bank of Lebanon (Foreign currencies)	12	131,834,218	-	-	117,150,938	117,150,938
Certificates of deposit issued by banks	12	753,750	-	-	718,608	718,608
		6,089,078,747	**-**	**3,234,506,384**	**2,847,617,057**	**6,082,123,441**

	Notes	December 31, 2014 Carrying Amount LPB'000	December 31, 2014 Level 1 LPB'000	Level 2 LPB'000	Level 3 LPB'000	Total 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**	**-**	**1,131,616,897**	**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	1,542,995,973	-	1,549,010,491	-	1,549,010,491
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
		5,575,849,895	**-**	**3,202,926,922**	**2,350,266,434**	**5,536,579,690**

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

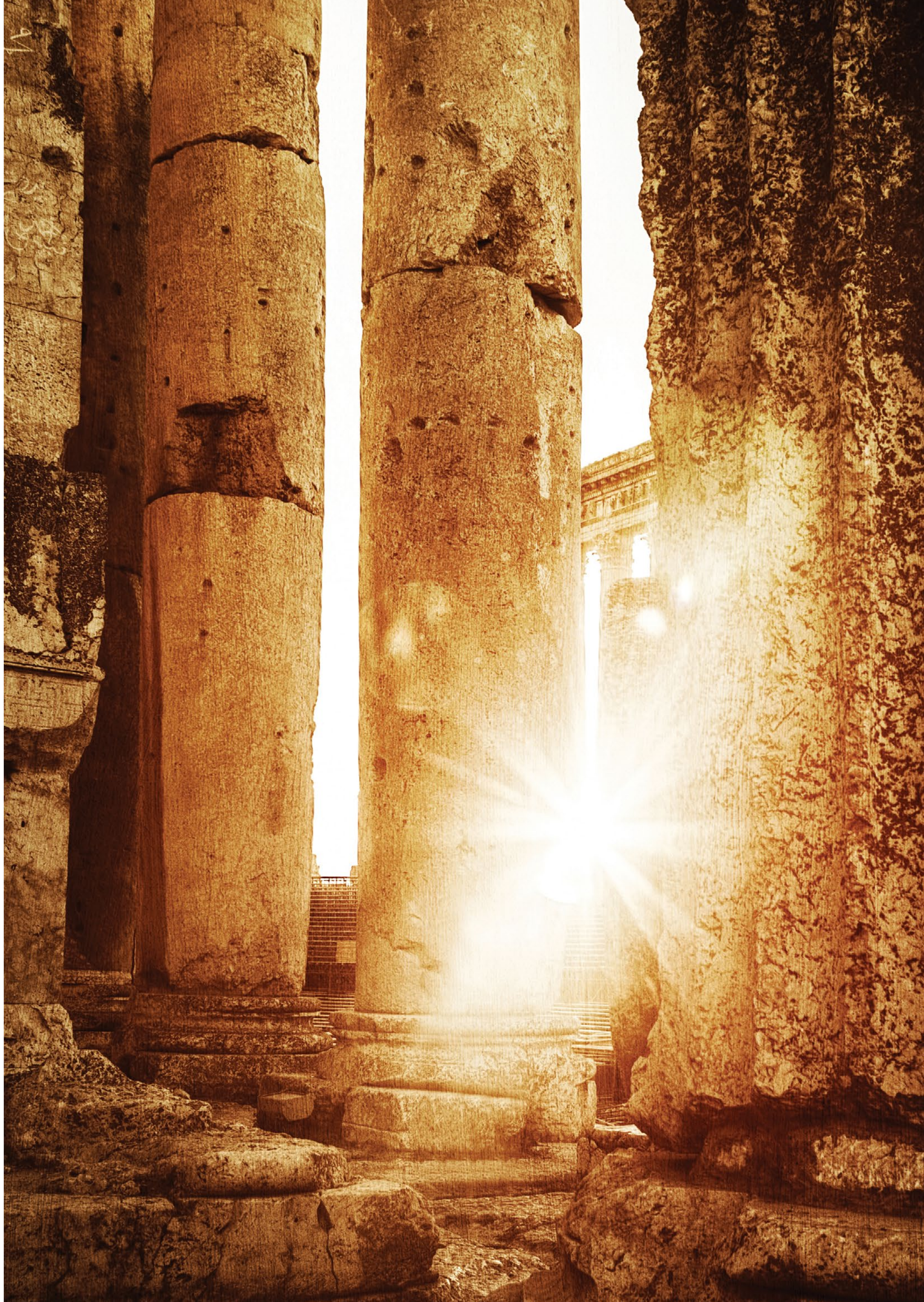
Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

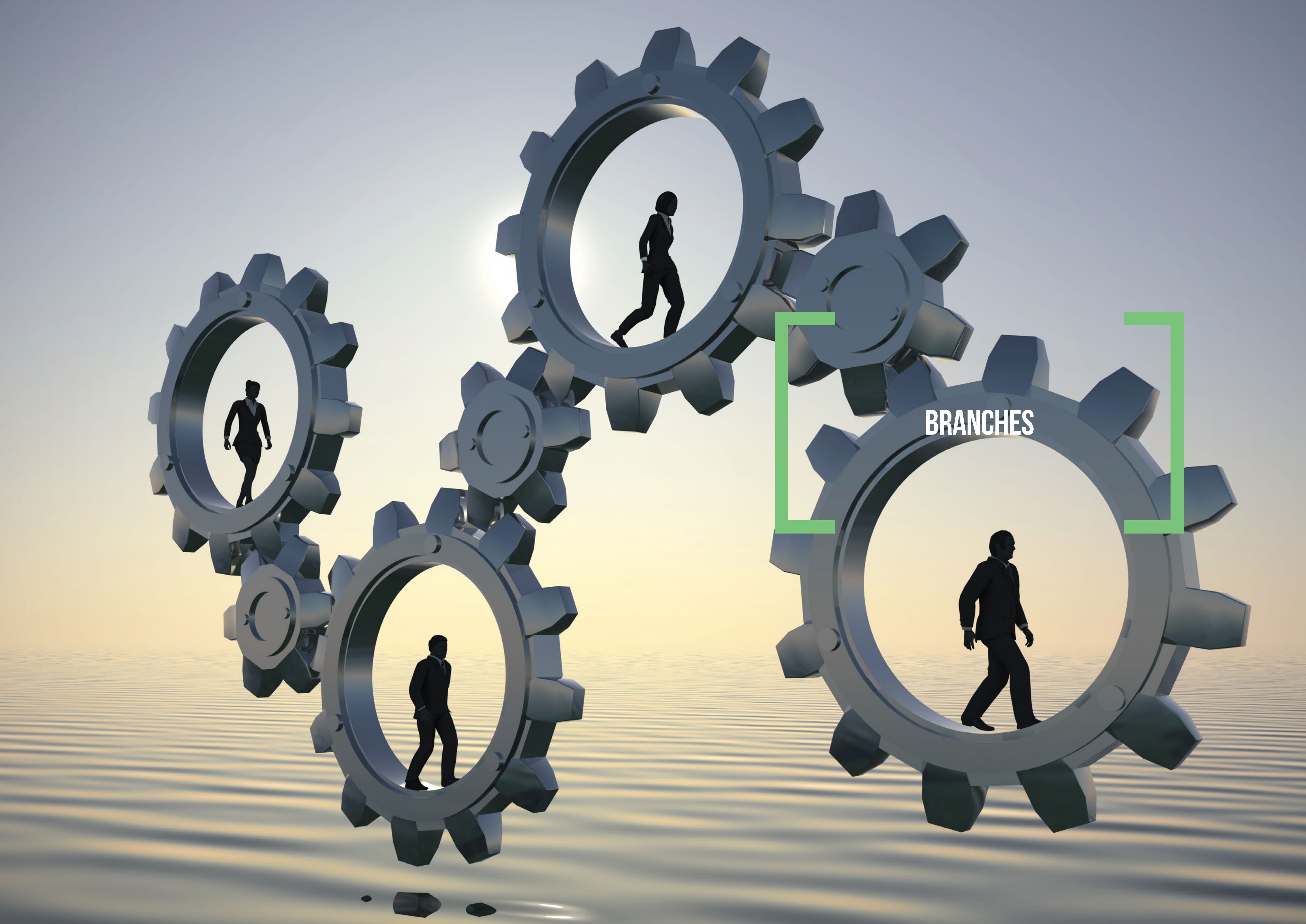
The following table gives information about how the fair values of financial instruments included in the consolidated financial statements, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

Financial Instruments	Date of Valuation	Valuation Technique and Key Input	Significant Unobservable Inputs
Lebanese treasury bills	December 31, 2015 and 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity using Bank's internal policy.	Illiquidity factor for instruments of long term maturities
Certificates of deposit in LBP issued by Central Bank	December 31, 2015 and 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity using Bank's internal policy	Illiquidity factor for instruments of long term maturities
Certificates of deposit in foreign currencies issued by Central Bank	December 31, 2015 and 2014	DCF at discount rates based on observable yield curves at the measurement date.	N/A
Lebanese Government bonds	December 31, 2015 and 2014	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity.	Illiquidity factor at 3%
Term deposit with Central Bank of Lebanon in Lebanese Pounds	December 31, 2015 and 2014	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, 2015 and 2014	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, 2015 and 2014	DCF at discount rates based on average rate of return of the receivables bearing fixed interest rate for more than one year.	N/A

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2015 were approved for issuance by the Board of Directors in its meeting held on June 6, 2016.





BRANCHES

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.

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