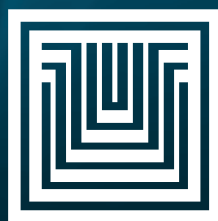


TOWARDS 2020

ANNUAL REPORT 2015



BANQUE
BEMO

RELATIONSHIPS ARE BUILT. TRUST IS EARNED.

TOWARDS 2020

ANNUAL REPORT 2015

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LETTERS OF
CHAIRMAN AND VICE CHAIRMAN

2015-2020

TRANSFORM THE WAY WE BANK



DR. RIAD B. OBEGI

Chairman of the Board - General Manager

Dear Clients and Shareholders,

For Banque BEMO, 2015 was a better year than 2014. But as we try to foresee and plan for the next five years, we have to realize that our world is subject to tidal changes that will modify profoundly how we work, how we live and how we think.

If the previous ten years were marked by the Great Recession, the next will be the period of the Great Transformation. Artificial Intelligence is coming of age, our vision of governance in companies and countries is being shattered and globalization is taking hold in the whole world.

As Banque BEMO, we intend to have the best part of this evolution by keeping an unwavering commitment to our values and our mission. We will be unrelenting in our service to our clients.

Finally, I would like to express our gratitude to our clients, our shareholders and our employees for their trust and their support to our bank.



MR. SAMIH H.SAADEH

Vice Chairman of the Board - General Manager

In 2015, the banking sector continued to operate in a highly demanding economic environment. Financial markets were marred by volatility, interest rates were not only historically low, but some even went into a negative fix, not to mention the compliance and de-risking restraints facing the sector as a whole. In Lebanon and the region, the political deadlock and increasing hostilities have put enormous strains on the efficiency and performance capabilities of banks.

While noting the pressures and challenges our banking sector has been exposed to, it gives me great pleasure to report that this financial year has been one of robust asset growth, increased profitability and achievement of key milestones for our Bank. Despite the many and diverse constraints faced, the business results for 2015 were gratifying. Our net profit increased by 15% while total assets grew by around 10% driven by the rise in customer deposits as shown in the table below:

LBP Billion	2014	2015	Growth
ASSETS	2,225	2,444	+9%
DEPOSITS*	1,832	2,039	+11%
LOANS*	970	1,018	+4.9%
EQUITY	192	203	+5.7%
NET INCOME	16.9	19.5	+15.4%
BASEL III CAPITAL ADEQUACY	14.30%	14.44%	

**including related parties' accounts*

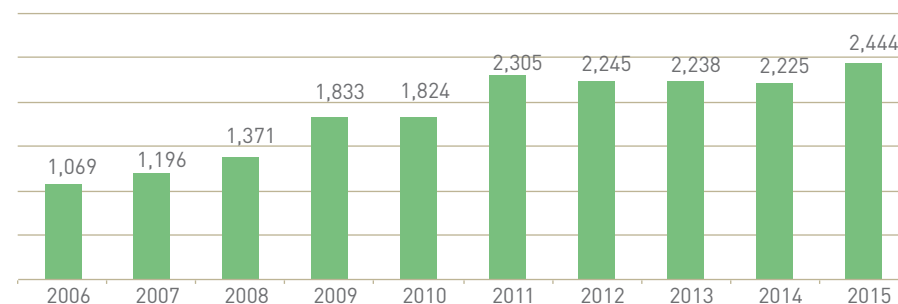
The ability to achieve such results while complying and enhancing all regulatory ratios is mainly the result of our commitment to sustain the necessary building blocks for achieving sound, diversified and sustained business growth and thus, creating distinctive long-term value for our shareholders. To achieve this ambition, the Bank has been striving to build deep and long-lasting relationships with its customers after taking the necessary time to understand their needs and aspirations. In summary, our internal capabilities have allowed us to operate as a responsive and proactive organization that effectively copes and adapts with the exigent operating environment while innovating rapidly and frequently enough to meet the evolving needs of its customers.

Our increased focus on Client Centricity has translated into positive developments in customer satisfaction throughout our business units, even though we have not yet reached all of our targets. A revamping and restructuring of our Private Banking approach took place and our specialized services in Corporate Banking paved the way for targeted corporate financial deals in Lebanon and the region. While embracing progress and technological enhancement, repositioning our services into Wealth Management and catching up with the fast-developing knowledge economy and digital offerings was the emphasis beyond our "BEMO 2020 Vision". The basis of our success and actions continues to be the skills of our staff and management and the application of the Strategic Vision as set by the Board of Directors.

To this end, a new five-year business plan (BEMO 2020) was prepared this year through a consultative process that included inputs from all departments in the Bank and other key stakeholders. Beyond setting the broad direction for the Bank's work up to 2020, the Strategy Plan revisited and refined many aspects of the Bank's product offerings, business mix, customer base, and operational structures and systems. Although we may modify or reinforce our existing strategy, I am confident we will never deviate from our Bank's fundamental founding values and heritage -- to deliver to our clients a truly distinctive and industry-leading customer service experience and to ensure for our shareholders satisfactory and sustainable returns while maintaining our stance to conduct "Business with Ethics". Consolidating traditional values with a contemporary approach when servicing personal needs in a personalized offering, but global in scope, remain the guiding principles of our Positioning Statement.

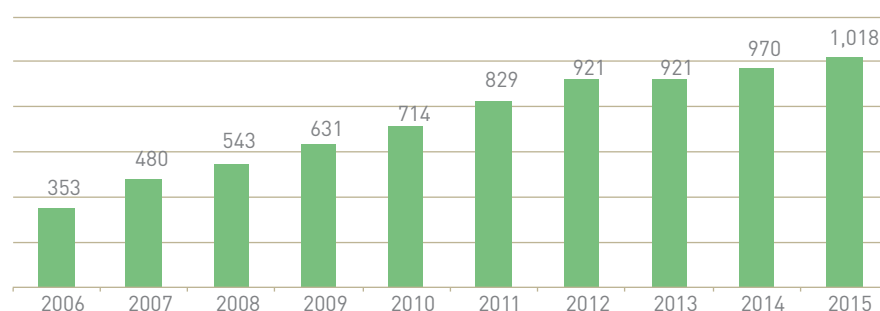
The achievements we witnessed in 2015, the sustainable value our Bank has created for our customers, and the financial results delivered would not have been possible without the dedication, commitment and diligence of our 229 employees, and I would like to express my gratitude and appreciation to all of them for their efforts. I would equally like to thank the shareholders, the Board of Directors and the Chairman for their trust and guidance delivered throughout the year resulting in the preservation of our core values and culture, which remain the cornerstone of our continuous successes.

EVOLUTION OF TOTAL ASSETS IN LBP BILLIONS



CAGR
2006 - 2015
8.62%

EVOLUTION OF TOTAL LOANS IN LBP BILLIONS



CAGR
2006 - 2015
11.17%

EVOLUTION OF TOTAL DEPOSITS IN LBP BILLIONS



CAGR
2006 - 2015
9.24%

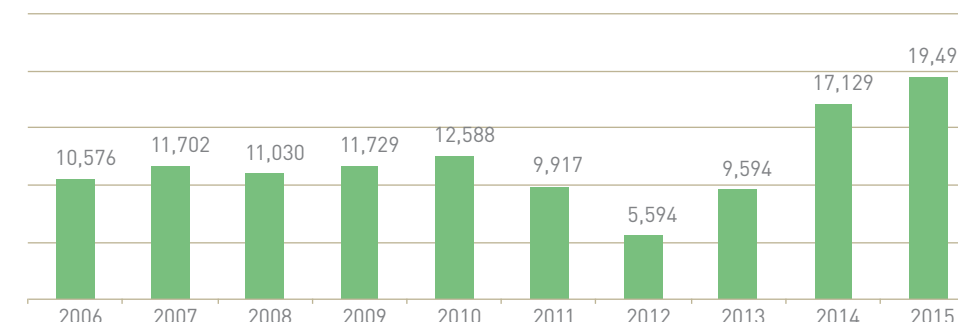
EVOLUTION OF SHAREHOLDERS EQUITY IN LBP BILLIONS



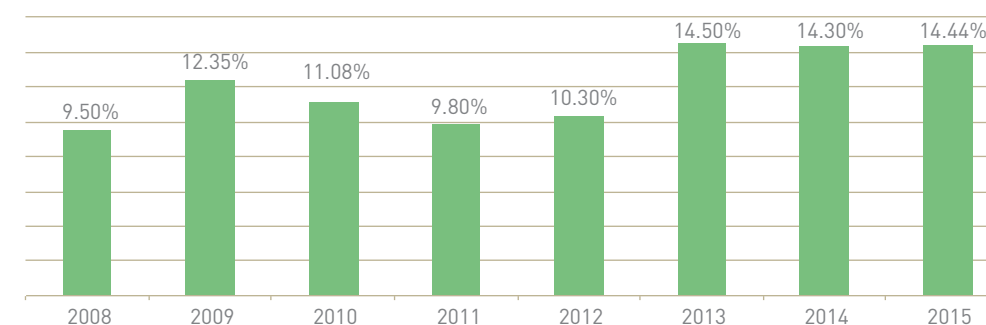
CAGR
2006 - 2015
6.47%

* CAGR (Compound Annual Growth Rate) is the year-over-year growth rate of an investment over a specified period of time

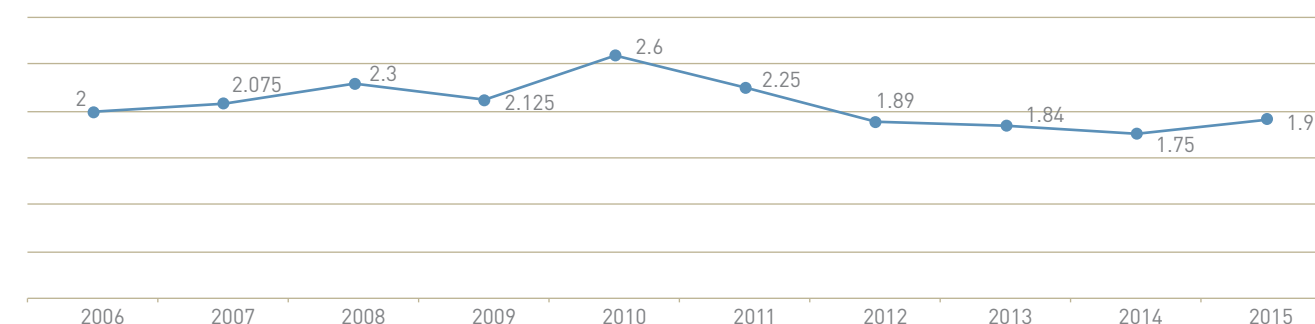
EVOLUTION OF NET PROFIT IN LBP MILLIONS



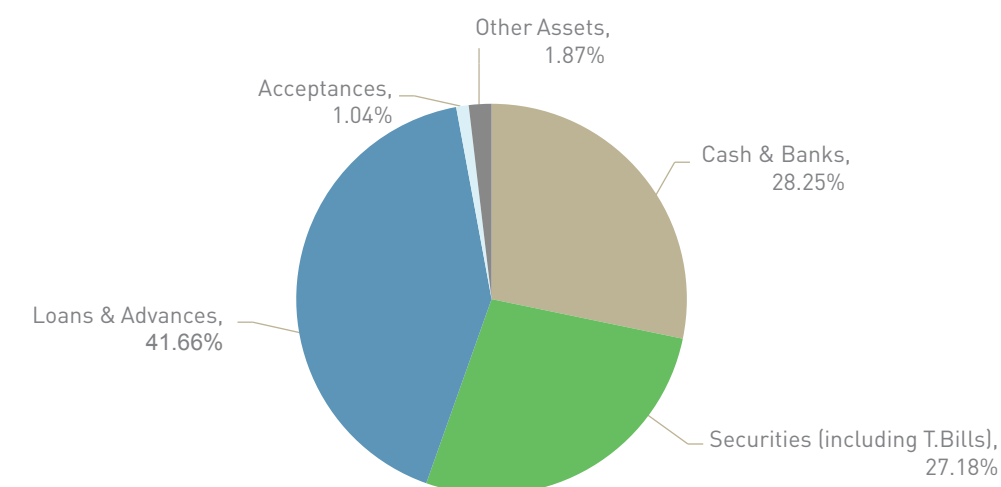
EVOLUTION OF SOLVENCY RATIO



EVOLUTION OF SHARE PRICE



BREAK DOWN OF TOTAL ASSETS 2015



2015-2020

UPHOLD RELATIONSHIPS AND STRENGTHEN TIES

Corporate Governance
Ownership Structure
Remuneration Policy
Board of Directors
Organizational Structure
Committees

“Shared values, strong business ethics, and a desire to always do better are factors that bind us together”



CORPORATE GOVERNANCE

Banque BEMO's Board of Directors trusts that to implement good governance practices, it should consider three very important fields: setting a suitable business model; understanding the Bank's risk appetite and accordingly determining the corresponding risk appetite statement; and structuring an effective and efficient Management.

Board Committees, on the other hand, support the Board to fulfill its duties in alignment with the set strategy, risk governance, and controls. Each Board Committee refines its agenda to operate efficiently, without duplicating the work of another board committee while taking into account the Bank's reputation and credibility, as far as the risks the Bank is willing to take in order to achieve its strategic business objectives.

The Board is keen to carry out its responsibilities in an effective business model that facilitates the Bank's activities to be transacted within a well-managed risk framework, without exposing itself to any unfavorable losses or reputational damage.

Throughout 2015, the Board aimed at investing all the required efforts that uphold a transparent and vigorous corporate governance framework to underpin the delivery of long-term maintainable success. The Board provided the necessary advice and surveillance to make sure that the Management was properly carrying out its duties and tasks in order to furnish all our stakeholders with a pleasant outcome.

Strategy, transparency, internal control, awareness, and human resources were the major issues that the Board decided to focus on in 2015.

In terms of strategy:

The Board sought the importance of delivering a significant shareholder value. It had full understanding, however, that it needed to support a long term strategic administration of the Bank's business to complete such an errand.

Guided by the corporate governance framework, the Management steered the business to attain the approved strategy and the budget, in addition to skillfully managing the Bank's risks – this being the basis for achieving better shareholder value, and at the same time, earning the trust of the Bank's stakeholders.

In terms of transparency:

In addition to the four corporate values – Honesty, Conservatism, Professionalism, and Family Spirit – transparency constitutes a major instrument that Banque BEMO hires to build its relationships with all its stakeholders.

However, in 2015, the Board committed itself to keep overseeing that the Bank was doing its business appropriately. It focused on increasing transparency, thus supporting a culture of integrity and clarity that enabled consistency, enhanced efficiency, required more openness in the Bank's decision making process, in addition to guaranteeing our clients more bespoke products and services. Consequently, this created more constructive and diverse work with the regulators, the shareholders, the clients, and all the other stakeholders.

In terms of internal control:

For the Bank to achieve the approved budget, the Board rigorously stressed the importance of understanding and managing the risks while continuously improving the Bank's controls.

On one hand, the Board challenged the effectiveness of the Bank's internal controls. Changes were made to design controls that commensurate with the nature of the Bank's activities; monitoring was increased, as well, to mitigate any expected or unexpected losses; thus, a stronger internal control environment was created.

On the other hand, the Board played a vital role in supporting proactive compliance activities to ensure their abidance with the applicable obligations pertaining to sanctions, anti-money laundering, and terrorist financing.

Procedures were further enhanced to match the regulatory requirements, in order to minimize – if not eliminate – any impacts resulting from regulatory and compliance related issues that might affect the Bank's reputation or credibility.

In terms of awareness:

In 2015, the Board emphasized the importance of building on the Bank's values to preserve the customer centric approach that Banque BEMO has been adopting.

The Board recommended empowering staff members to ensure the delivery of services that exceed clients' expectations. Nevertheless, the Board accentuated the importance of increasing staff awareness and consideration of the risks associated with their operations across all the Bank's business units. Simultaneously, it encouraged gaining a deeper understanding of any actions that could be taken to improve customer service and, hence, satisfaction.

In terms of human resources:

The Board supported implementing a competitive remuneration opportunity in recognition of each staff's individual range and depth of role.

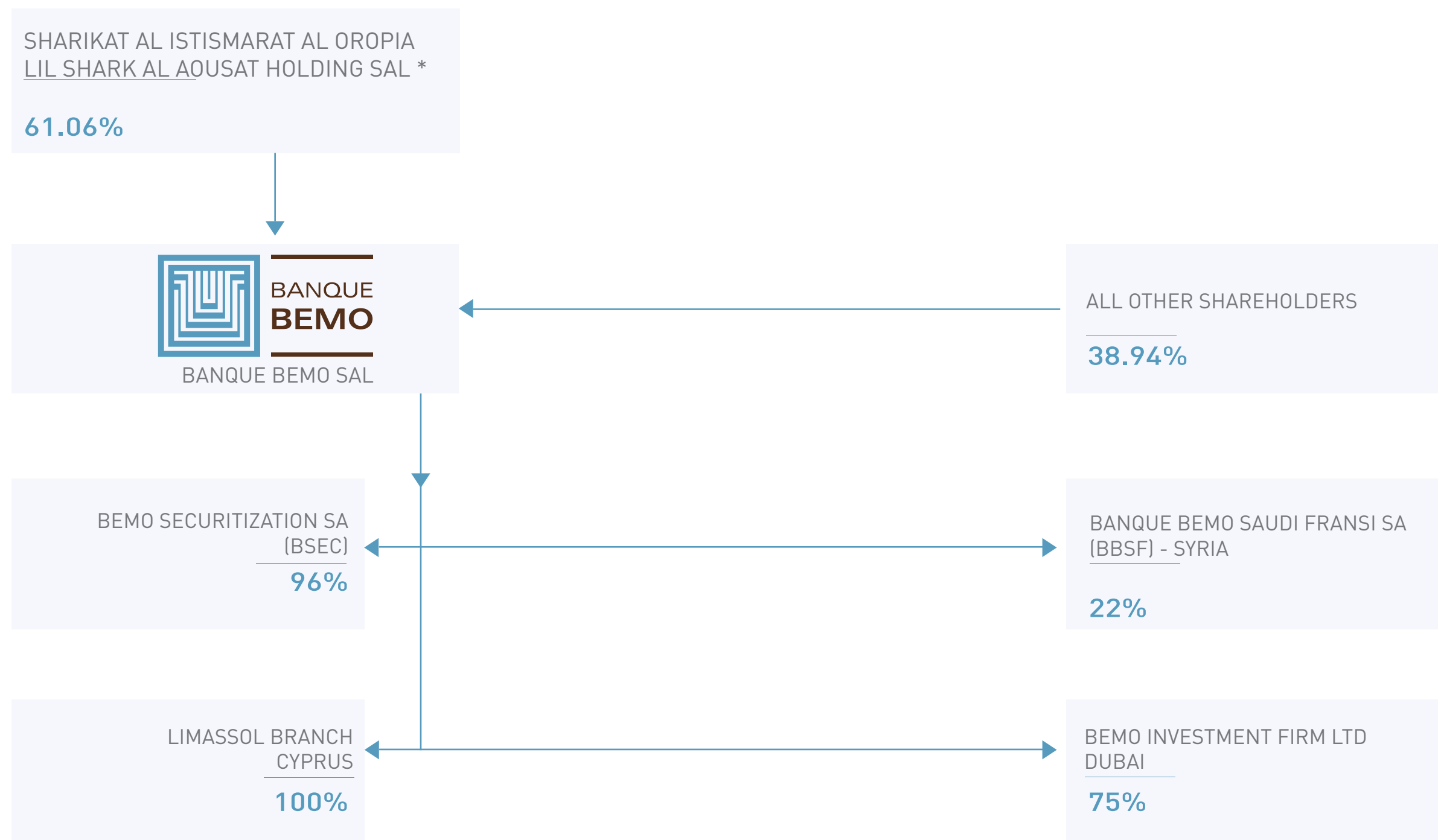
The Nominating, Remuneration, and Corporate Governance Committee recommended that the adjustments be made in line with the Bank's profitability while considering market remuneration benchmarks.

In 2016, the Board of Directors will be looking into:

- Sustaining high standards of corporate governance
- Restructuring the Board and Board Committees to have a balance of expertise, knowledge, experience, and effective views among the hired members

- Implementing more sophisticated Board related evaluations
- Setting up a vigorous succession plan in addition to developing and promoting future leaders

OWNERSHIP STRUCTURE (31. 12. 2015)



* Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat Holding sal counts among its main founding shareholders, the Obegi Group and other prominent industrialists.

REMUNERATION POLICY

Banque BEMO is committed to the group motto “Business with Ethics”. Not only we preach Family Spirit in the way we live the Bank but we also consider our clients as associates and our staff as partners.

For this purpose, and for many years, the Bank has a “Nominating, Remuneration and Corporate Governance Committee” which objective has been upgraded to reflect the requirements of the Central Bank as per Basic Circular 133 dated August 06, 2014.

Following are extracts of the main objectives and functions of the Committee:

I. Committee Charter

Amended to include the following prerogatives:

I.1 Ensure adherence to:

- a. Corporate Governance Guidelines as approved by the Board of Directors
- b. Anti-Bribery and Corruption Policy

I.2 Act as remuneration committee for senior management as well as for the entire workforce in line with basic circular 133

I.3 Evaluate the total granted remunerations and compare against future expected revenues avoiding any likely negative results

I.4 Decide on the compensation, merit increases, performance bonuses, succession planning or replacement of Senior Management

I.5 Prepare remuneration policy and remuneration system, submit to the Board for approval, supervise and ensure the proper implementation, devise a procedure for remuneration related to the entire workforce, ensure that all the bank employees are aware of BDL circulars related to Remunerations, and that remuneration policy is in line with central Bank requirements

I.6 Review and assess the adequacy of the remuneration policy and remuneration system and submit proposals for modification, if any, to the Board for approval

II. Remuneration Policy

The policy was updated to ensure abidance by regulators requirements as well as meeting the Bank strategic orientation such as but not limited to:

II.1 Comprise all levels and categories of employees working in the Bank and its branches abroad and ensure proportionality among the remunerations granted to different levels of employees

II.2 Cover all categories of remunerations and the conditions of granting such remunerations, in order to enhance effective performance and to achieve the purpose for which remunerations are granted

II.3 Make sure that total remunerations granted by the Bank do not affect its current or future capabilities (in the medium and long-terms), nor its financial position and interests

II.4 Set the remunerations of employees entrusted with control functions in a way that does not hinder the objective and independent discharge of their duties

II.5 Detail the extra benefits which form an integral part of remunerations and the process of granting them

II.6 Stipulate the possibility of resorting to clawbacks and deferrals, in cases where this possibility can be applied, and to specify the conditions and circumstances of such cases

II.7 Specify the cases and conditions for merging cash remunerations with other benefits, such as granting stock options, especially in order to clarify the criteria adopted to determine the value of this stock when it is not listed on the financial markets

II.8 Ensure adherence to:
a. Corporate Governance guidelines as approved by the Board of Directors
b. Basic Circular 133 issued by the Central Bank of Lebanon
c. Anti-Bribery and Corruption policy

III. Elements adopted as basis for remuneration
The merit and measurable performance is the drive of this remuneration system applied on the entire workforce, whereby the Bank is keen to:

III.1 Apply the Competencies Management system to determine the fixed remunerations items such as merit increases

III.2 Apply the Performance Management system to determine the variable remunerations of each employee according to the Bank overall performance and to grant these remunerations in light of the performance of both the concerned employee and its work unit

III.3 Have a clear orientation on remuneration structure and underlying granting conditions that enhances effective performance

III.4 Encourage a sense of teamwork by linking the individual and department short term objectives to the overall Bank's goals and long-term interests

III.5 Align aggregate compensation structure with the Bank's performance ensuring that it does not affect the Bank's current and future capacities, nor its financial position or interests

IV. Items of Fixed and Variable remunerations

IV.1 Fixed

- Basic:
The monthly salary for all staff members subject to annual increase based on merit payable sixteen times per year, or else as per regulations
- Allowances:
The monthly allowances granted to employees in line with Collective Labor Agreement, Labor Law and regulatory requirements
- Guaranteed Bonus:
Replacing the amount of annual salary increase reserved for “F”

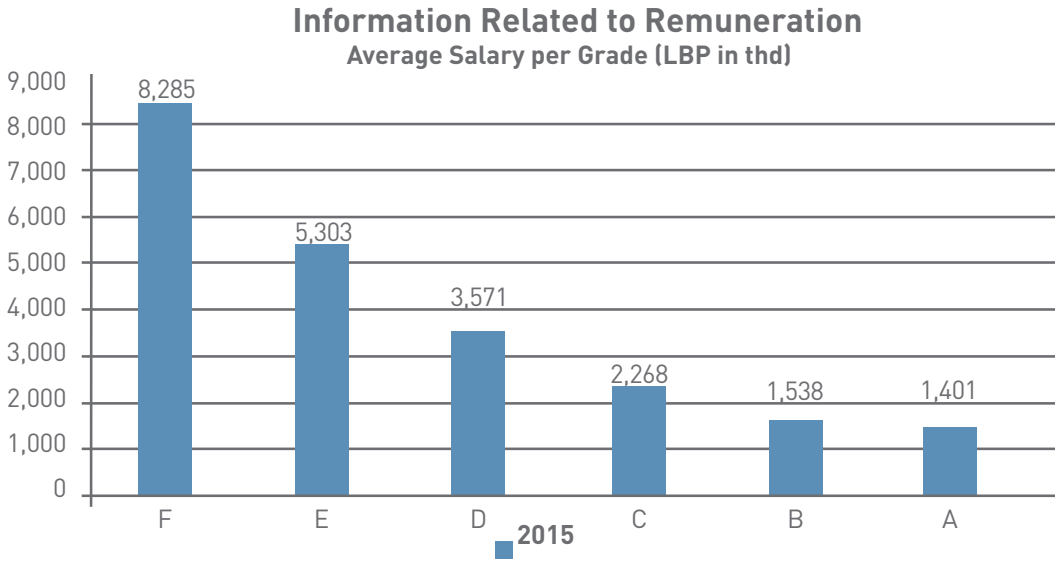
directors level whose positions necessitate managerial responsibilities on top of the expertise in the field of their activities, and amount reserved to remunerate high performers/professionals and linked to the Bank achievements and objectives

- Representation Allowance:
Lumpsum amount granted monthly to employees of “E” and “F” grade level, provided it does not exceed 10% of the annual salary of each employee

IV.2 Variable

- Bonus: Amount paid at the end of the year for individual achievements based on their performance evaluation
- Incentive: Material reward paid against revenues and additional profits generated from activities that are over and above the performance objectives and could be immediate or of long term nature

Our objective is and remains to earn our clients trust and be transparent and fair to earn our colleagues respect.



* Grade specifications from “A” to “F” follow the newly agreed on grade structure as per the Collective Labor Agreement of Association of Banks in Lebanon.

BOARD OF DIRECTORS (31.12. 2015)

		INITIAL APPOINTMENT AS BOARD MEMBER	TERM EXPIRATION	AUDIT COMMITTEE	CREDIT COMMITTEE	NOMINATING, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE	BOARD RISK & COMPLIANCE COMMITTEE	EXECUTIVE COMMITTEE	EXECUTIVE	NON EXECUTIVE	INDEPENDENT
Mr. Henry Yordan Obegi	Honorary Chairman	1994	-								
Dr. Riad Bechara Obegi	Chairman of the Board & General Manager	2003	2019		✓		✓	✓	✓		
Mr. Samih Halim Saadeh	Vice Chairman of the Board & General Manager	2010	2019		✓			✓	✓		
Sharikat Al Istismarat Al Oropia Lil Shark Al Aousat Holding sal	Member	2010	2019							✓	
Mr. Jean Victor Hajjar	Member	2001	2019		✓	✓	✓			✓	
Mr. Antoine Youssef Mansour Wakim	Member	2010	2019	✓			✓				✓
Mr. Hassan Isam Mohamad Kabbani	Member	2008	2019	✓							✓
Mr. Karim Samir Abillama*	Member	1996	2019	✓	✓	✓					✓
Mrs. Karine S. Mansour Obegi	Member	2015	2019							✓	
Dr. Derek Abdelkader El Zein	Member	2015	2019			✓	✓				✓
Mr. Peter Ara Hrechdakian	Member	2015	2019	✓		✓				✓	

Corporate Secretary:	Mr. Farid D. Meshaka	
Legal Advisors:	Dr. Nasri A. Diab	Me. Adel J. Macaron
Auditors:	Deloitte & Touche	DFK Fiduciaire du Moyen Orient

Banque BEMO sal held its General Assembly meeting on the 7th of June 2016, during which the tenure of the Board members mandates was renewed for three years.

*Mr. Karim ABILLAMA resigned in June 2016.

COMMITTEES

A- BOARD COMMITTEES (AS AT DECEMBER 2015)

Board Audit Committee		
Purpose		
The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities particularly for (a) the Bank’s internal audit function performance and independent auditors	qualifications, (b) the integrity of the Bank’s financial statements & disclosure standards, and (c) the efficiency and soundness of the internal control system	
Members		
Mr. Karim ABILLAMA (Chairperson)* Mr. Hassan KABBANI Mr. Antoine WAKIM Mr. Peter HRECHDAKIAN (as from December 2015)		
Meetings held in 2015: 4 *Mr. Karim ABILLAMA resigned in June 2016		

Board Risk & Compliance Committee		
Purpose		
The Risk & Compliance Committee assists the Board of Directors in fulfilling its risk management, legal, investigations and compliance responsibilities, and regulations as well as the Bank’s by-laws and internal policies. In addition, the Committee reviews and assesses	the integrity and adequacy of each of the risk management function’s framework related to market, credit, operational and liquidity & funding risks as well as the compliance framework, in relation to laws and regulations.	
Members		
Mr. Antoine WAKIM (Chairperson) Dr. Riad OBEGI Mr. Jean HAJJAR Dr. Derek EL ZEIN (as from December 2015)		
Meetings held in 2015: 4		

Board Nominating, Remuneration & Corporate Governance Committee		
Purpose		
The purpose of the Nominating, Remuneration & Corporate Governance Committee is to (a) ensure adherence to Corporate Governance guidelines (b) recommend Director nominees for election to the Bank’s Board and for filling vacancies occurring	between annual meetings of shareholders (c) decide on the compensation, merit increases, performance bonuses, succession planning as well as replacement of senior management	
Members		
Dr. Derek EL ZEIN (Chairperson) Mr. Jean HAJJAR Mr. Karim ABILLAMA* Mr. Peter HRECHDAKIAN (as from December 2015)		
Meetings held in 2015: 2 * Mr. Karim ABILLAMA resigned in June 2016		



MR. HENRY Y. OBEGI

Honorary Chairman
Lebanese
Age: 89

Mr. Obegi first started his career with his late father, Mr. Yordan Obegi, back in 1945 at the Maison Yordan Obegi. His professional experience expanded extensively to cover a wide scope of businesses and industries where he held leading positions in the commercial, industrial, and banking sectors.

Mr. Obegi is co-founder of Credit Libanais sal and was a Board Member till 1985. He simultaneously chaired Banque de l'Europe Meridionale in Brussels, from 1973 till 1984. He also presided the European Arab Bank AG, in Frankfurt, for seven years from 1978 till 1985. In 1994, he served as Chairman and General Manager of Banque BEMO sal till 2010. Until mid to late 2015, Mr. Obegi was Chairman and General Manager of Obegi Group Holding sal and Henkel Lebanon sal. He also served as Board Member of Unifert Holding sal.

He chairs Obegi Group SA-Luxembourg.

He became an Honorary Chairman of the Board of Directors in 2010.



DR. RIAD B. OBEGI

Executive Board Member/Chairman of the Board
Lebanese
Age: 57

Academic Qualifications: PHD in Economics from Université Lyon Lumière; Master's degree in Business Administration from Université Paris IX Dauphine; Master's degree from IEP – Paris

Dr. Obegi is currently Banque BEMO's General Manager. In 1994, he became the Chairperson of BEMO EUROPE-Banque Privée (formerly Banque de l'Europe Meridionale.) He also chairs the Board of Banque Bemo Saudi Fransi SA in Syria.

Dr. Obegi has extensive tasks to include occupying the Chairperson's position of Obegi Chemicals Group SA – Luxembourg and that of Sharikat AL Istismarat AL Oropia Lil Shark AL Aousat Holding sal. He also serves as Board Member of Obegi Group Holding sal.

He was appointed member of the Board of Directors in 2003.

He is currently Chairperson of the Board of Directors following his election in 2010.

He also chairs the Board Credit Committee, in addition to serving as member of the Board Risk and Compliance Committee. Furthermore, Mr. Obegi presides the Bank's Executive Committee.



MR. SAMIH H. SAADEH

Executive Board Member/Vice Chairman of the Board
Lebanese
Age: 63

Academic Qualifications: Master's degree in Business Administration from the American University of Beirut; Bachelor degree in Business Administration from the American University of Beirut; Degree in Law from the Lebanese University

Mr. Saadeh's experience goes back to 1978 when he first started with American Express Bank Ltd New York before moving to the bank's branch in Beirut. In 1993, he joined Bank of Beirut as Senior Credit Manager for 1 year. In 1994, he pursued his banking career with ABN AMRO Bank in Beirut as F.V.P. Corporate and Private Banking Manager. Mr. Saadeh joined Banque BEMO sal in 2003 as General Manager. He was appointed Managing Director – General Manager in 2010.

In 1991, Mr. Saadeh served as an Appointed Lecturer at the Lebanese American University. Since 2000, he has been an Appointed Lecturer at the Association of Banks in Lebanon and member of the Deliberating Jury for Masters' Degree in Banking Studies. In addition, he delivers seminars and courses at the Higher Institute for Banking Studies (ISEB) at the St Joseph University (USJ).

In addition, Mr. Saadeh is member of the Board of Directors of Bemo Securitization (BSEC), and he represents Banque BEMO sal in the Board of Directors of Banque Bemo Saudi Fransi – SA in Syria.

He was appointed member of the Board of Directors in 2010.
 He is currently Vice Chairman of the Board of Directors – General Manager since his appointment in 2013.
 He serves as member of the Board Credit Committee and Vice Chair of the Executive Committee.



MR. JEAN V. HAJJAR

Non-Executive Board Member
Lebanese
Age: 85

Mr. Hajjar was the Deputy General Manager at Credit Libanais sal till 1985.

In 1986, he joined Banque de L'Europe Meridionale in Paris, Brussels and Luxembourg and served as General Manager.

In 1994, he was appointed General Manager of Banque BEMO sal until 2001.

He was appointed member of the Board of Directors in 2001.
 He is member of the Board Credit Committee, the Board Risk and Compliance Committee, and the Board Nominating, Remuneration and Corporate Governance Committee.



MR. ANTOINE M. WAKIM

Independent Board Member
Lebanese
Age: 70

Academic Qualifications: AMP from INSEAD; ADD from Chartered Insurance Institute – United Kingdom; Actuary from Lausanne University – Switzerland

Mr. Wakim worked in the Insurance industry for more than 40 years – mainly with Allianz SNA where he occupied the position of the company's Chairman and CEO from 1987 until his retirement in 2008. He was also a professor of financial and actuarial mathematics at various universities in Lebanon. He served as member of the Advisory Board of the Business School at the American University of Beirut. Since 1990, he committed himself to issuing a new retirement law and restructuring the National Social Security Fund in Lebanon. In April 2006, he received "Le PRIX de la Francophonie Economique" – Prague. He also received the Lebanese Republic Presidential merit decoration for the social activities performed.

Mr. Wakim serves as member on several Boards of Directors which include: Allianz SNA Holding and Allianz SNA Lebanon, Jordan Eagle; Bank of Beirut SAL; the National Social Security Fund in Lebanon; Hotel Dieu de France – Lebanon; Broumana High School – Lebanon; and the Lebanese Management Association.

He is also a member of the Advisory Board of the Family Business Institute at the Lebanese American University; member of the Swiss Association of Actuaries (SAA); and member of the International Association of Actuaries (IAA).

He was appointed member of the Board of Directors in 2010.

He chairs the Board Risk and Compliance Committee, and he is member of the Board Audit Committee.



MR. HASSAN I. KABBANI

Independent Board Member
Saudi
Age: 49

Academic Qualifications: Pursued his university studies at Pepperdine University, U.C.L.A. – USA

Mr. Kabbani joined IKK Group of Companies in 1992 as Business Development Manager.

In 1998, he became Director of Administration and Credit Control and was later promoted to Vice Chairman before becoming Acting Chairman of the Group.

In 2015, Mr. Kabbani became IKK Group of Companies' Chairman.

He serves on several Boards of the Group's companies, in addition to his being a Board member of Ijada Al-Mutahida and Walaa Insurance.

Mr. Kabbani is also member of the American Businessmen of Jeddah and of the Cercle d'Affaires Français de Jeddah.

He was appointed member of the Board of Directors in 2008.

He is member of the Board Audit Committee.



MR. KARIM S. ABILLAMA*

Independent Board Member
Lebanese
Age: 49

Academic Qualifications: MBA degree from INSEAD in Fontainebleau, France; Master of Engineering degree in Industrial Engineering from Ecole Polytechnique in Montreal, Canada; Bachelor of Science degree in Mechanical Engineering from Boston University, USA

Mr. Abillama occupies several positions, where he is Chairman of KA Holding S.A.L; CEO of Mitsulift Holding S.A.L; and Chairman of Mitsulift and Equipment S.A.L., Mitsulift Levant S.A.L. and Mitsulift Africa S.A.L.

He also serves as Board Member of Mitsulift Mediterranean Ltd, Cylift and Equipment Ltd, Mitsulift Hellas SA, Mitsulift and Equipment Syria Ltd.

Mr. Abillama is also the Chairman of NY Invest S.A.L.

He was appointed member of the Board of Directors in 1996.

He chairs the Board Audit Committee, and he is member of the Board Credit Committee and the Board Nominating, Remuneration and Corporate Governance Committee.

*Mr. Karim ABILLAMA resigned in June 2016.



DR. DEREK A. EL-ZEIN

Independent Board Member
Lebanese
Age: 39

Academic Qualifications: Ph.D. in Information and Communication Sciences from University of PARIS 2 – Panthéon Assas; Master’s Degree in Media & Multimedia IFP from University of PARIS 2 – Panthéon Assas; Law Studies Institute from University of PARIS 2 – Panthéon Assas; Master of Law from University of PARIS 2 – Panthéon Assas

Dr. El-Zein is a member of the Paris Bar and has been a practicing lawyer since 2003. He is also a teacher in Media Geopolitics and International Economics at HEI-HEP. In 2011, he became a Senior Lecturer at the Department of Political Science at Paris Descartes University. Furthermore, Dr. El-Zein is a member of the Central European Academy of Sciences, Humanities and Arts and is also a member of the Geographical Society of Paris.

He was appointed member of the Board of Directors in 2015.

He chairs the Board Nominating, Remuneration and Corporate Governance Committee, and he is member of the Board Risk and Compliance Committee.



MRS. KARINE S. MANSOUR OBEGI

Non-Executive Board Member
Lebanese
Age: 42

Academic Qualifications: Majeure Entrepreneurs from HEC Hautes Etudes Commerciales, Jouy en Josas – France

In 1995, Mrs. Obegi started her career at McKinsey Consulting Firm in France as an Analyst and Junior Engagement Manager. In 1998 she moved to Banque Saradar, which later became Bank Audi Saradar, where she served as Organizational Consultant till 2002, to become later the General Secretary till 2005. Mrs. Obegi has been a Managing Partner at Obegi Home LLC in UAE and Obegi Better Home SAL in Lebanon since 2006.

She was appointed member of the Board of Directors in 2015.



MR. PETER A. HRECHDAKIAN

Non-Executive Board Member
Lebanese
Age: 57

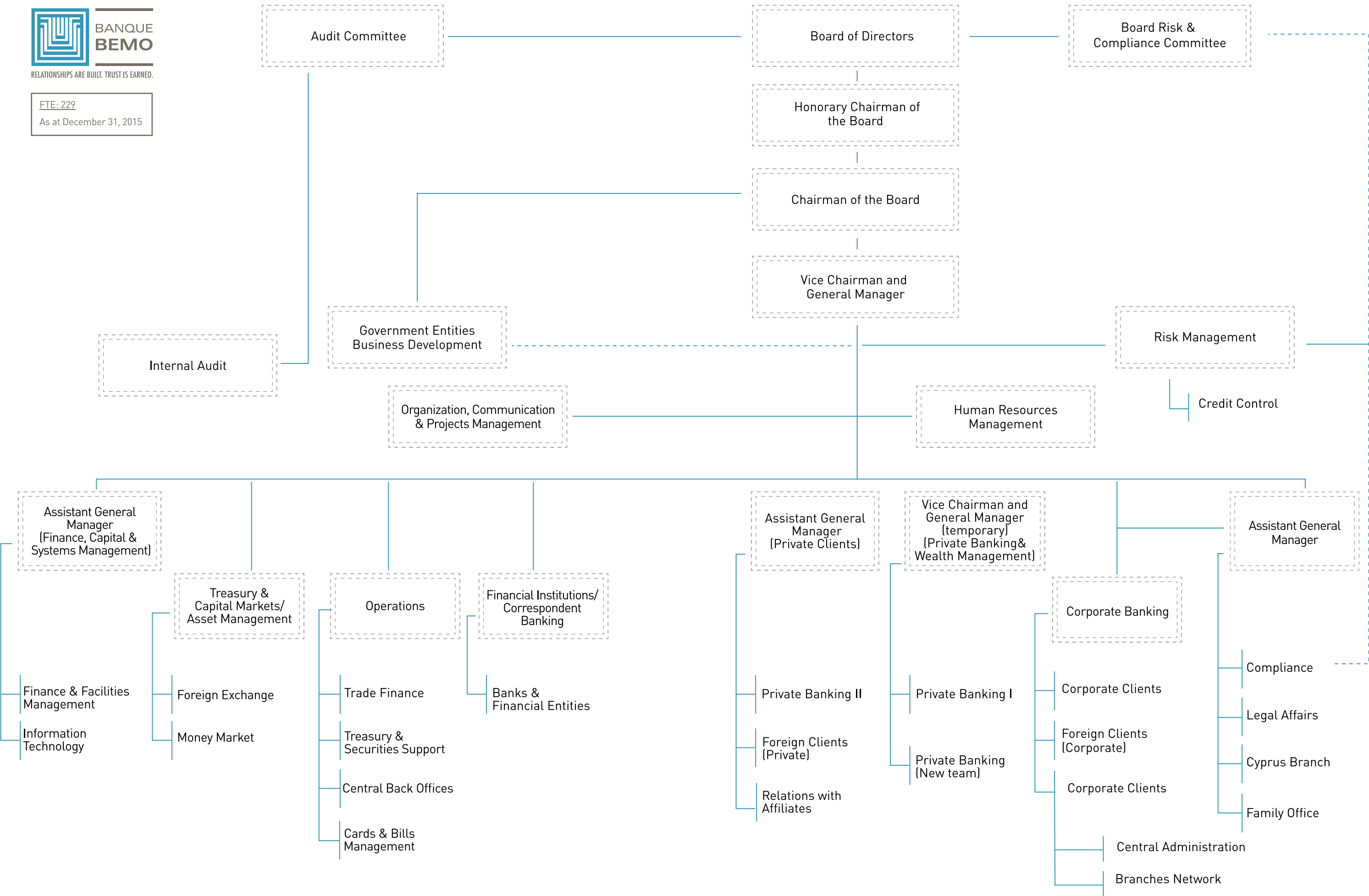
Academic Qualifications: Master's in Business Administration from Harvard Graduate School of Business Administration, Boston, Massachusetts, USA; Bachelor of Arts in Economics and Philosophy from Cornell University, Ithaca, New York, USA

Mr. Hrechdakian started in 1980 as a credit analyst at Manufacturers Hanover Trust in New York before moving in 1985 to UNIFERT USA Inc. to serve as Vice President – Finance till 1988 and later as Executive Vice President till 1991. Afterwards, Mr. Hrechdakian moved to UNIFERT Group S.A in Brussels as Director of Management Control till 2006, to occupy the position of the CEO till date. He is currently the Chairperson of the Board of Directors of Fertitrust S.A. Luxembourg, since his appointment in 2006.

He was appointed member of the Board of Directors in 2015.
He serves as member of the Board Audit Committee and the Board Nominating, Remuneration and Corporate Governance Committee.



FTE: 229
As at December 31, 2015



2015 to 2020

**OUTSTANDING QUALITY SERVICE AND TALENT
MANAGEMENT THAT EXCELS**

Business Reviews
Key Control Functions

*Our Mission Statement:
“Live our values while achieving
high return on equity and offering
our customers outstanding quality”*



FROM CONVERGENCE TO DIVERGENCE: VOLATILITY IS THE KEYWORD IN 2016

After eight years of active monetary expansion by central banks globally, the Federal Reserve has decided to diverge from other banks and increase its interest rates by 25 basis points. The Fed thus contrasts with the European Central Bank, which has repeatedly confirmed its plan to support the Eurozone through various initiatives, such as: bond-buying programs and negative interest rates. It also demarcates from the Bank of Japan which is driven by Abenomics. Regardless of the indicator used, Chinese growth is also expected to be lower, ranging from 5% to 7%. This will force the People's Bank of China to continue using its billions of US Dollar reserves to comfort investors and reduce speculative attacks, while moving from a manufacturing-driven to a service-driven economy. The divergence between the Fed and other central banks raises several questions about the ability of the global economy to handle rising risks in 2016.

For some economists, the main risk is the one of a new US economic slowdown. The economic recovery that started in 2010 appears to be leveling off. During the last years, firms have accumulated mountains of cash, but today they seem cautious about their near future. Corporate investments grow at a slower pace, durable orders are lower, the number of corporate failures is higher, and wage increase is limited within a fragmented and unregulated job market. Although the fear of a future increase in interest rates might increase consumption in the short-term, it will ultimately have a negative long-term effect on consumption.

There is an increasing concern regarding the instability in the FOREX market and the imported deflation from emerging markets. In fact, the appreciating US Dollar will increase the cost of debt in US Dollars issued by emerging economies, having floating exchange rates. Alternatively, this increases the currencies of emerging countries with pegged currencies on the US Dollar. This may force some countries to depreciate their currencies to stay competitive and maintain their trade balance.

The drop in oil prices represents another risk to oil producing countries such as Venezuela, Russia, Nigeria, and Angola. The

price slump is already impacting GCC countries where budgetary imbalances affect government choices as well as their fiscal and structural reforms. This might lead to a convergence between geopolitical and socio-political risks, which could result in political radicalization.

The major question is whether the real economy will follow the monetary artifice. Central banks cannot indefinitely substitute governments. The latter should take over, and implement the required structural reforms to support their economies. Hence, volatility is likely to weigh on the financial markets in 2016. Within the current risk asymmetry, investors are expected to accept greater risk-taking in the near future. Diversification of investment classes encompassing real-estate assets, agricultural commodities and thematic investments remains the best alternative to generate performance given the current low interest rates.

Salim CHAHINE, PhD
Professor of Finance
Abdul Aziz Al Sagar Endowed Chair in Finance
MBA Program Director

OUR VISION

To be the Reference in Private
and Corporate Banking

OUR MISSION STATEMENT

Live our Values while achieving
high return on equity and offering
our Customers outstanding Quality

OUR POSITIONING STATEMENT

Consolidating traditional values
with a contemporary approach;
offering services that are personal
in delivery and global in scope

OUR VALUES

Family Spirit
Professionalism
Conservatism
Honesty

BUSINESS REVIEWS

CORPORATE BANKING

2015 was another year of regional conflicts and geopolitical tensions coupled with local political disarrays, continued to pressure country's economic activities with further observed deteriorations in the tourism, trade and real estate sectors, not to forget the witnessed increasing regulatory guidelines. However, despite encountered difficulties, obstacles and challenges, and as a result of firm efforts, together with the guidance of our management and the trust of our clients, we have one more time proved the ability to grow and succeed. We were determined to remain focused on optimizing our vision and building long lasting relationships, focused on creating value for our customers, value for our shareholders. The embedded "Relationship Management Model" which was depicted in "Customer Centricity" was the main contributor to this success as reflected in all mutual cross selling performed activities and engagements with other divisions, subsidiaries and affiliates; the ultimate target remains to optimize client satisfaction and increase overall efficiency.

In 2015, the Corporate Banking took one step further into the Digital world empowering our services with electronic products. In addition to electronic swift notification and others, and in collaboration with our IT department, electronic statements and electronic reports were introduced beside digital KYCs project, which started in 2015. We are always determined to step further into a paperless Banking era.

Our commitment, our efforts and our dedication were reflected in our achievements, which outperformed market figures. The 2015 results showed growth in our lending portfolio by 5.5% and our corporate deposits by 25%. Substandard and doubtful loans remained below 1 % of total lending portfolio, while preserving our transparency, conservatism, and risk awareness policy. In parallel, focusing on off-balance sheet items, letters of credit volume increased by 3%, letters of guarantee by 27%, and asset under management by 10%.

With the ongoing regional political deadlocks and disturbances, we remain alert to the prospects of rising economic and financial challenges in the coming years. For this reason, and in line with our commitments to best serve our shareholders and our clients,

Banque BEMO Executives held a proactive meeting under the topic "BEMO 2020" to explore the Bank's 5-years road map.

Our role at the Corporate Banking was to review our 2020 strategy; Whereby the revised version of our business strategy stressed on developing critical thinking while communicating with other departments, and the financial targets set for 2020 stressed on our mission statement and outperforming market growth rates. Our 2020 strategy and related Business plan detailed a comprehensive road map to follow to achieve set targets mainly tapping the following topics:

- Our Corporate Vision: We need to emphasize our corporate vision "to be the reference in corporate banking". Our ultimate goal being to act as "Consultant/Advisor" to customers.

- Challenges: We have identified the main challenges for the period:
-Increasing Regulatory restrictive measures - Increasing complexity in operations - Escalating credit and market risks - Increasing costs.

- Basis of achievements: The basis of our achievements remains:
- Transparency and Trust - Capitalizing on the present foundation - Relationship Management following the Client Centricity Approach.

- Short Term Strategy: We have defined a short-term business strategy entailing sustainable corporate operation, ensuring adequate return on capital and risk weighted assets.

- Long Term Strategy: We proposed a gradual shift to corporate finance.

- Tactics: Our plan defined the following tactics: – Stress on budget process – pro-active sales – synergy within the bank – synergy with affiliated entities – constant review of customers revenue structure ensuring increase in fee income – fast response to customer needs – pricing flexibility.

- Markets: Reviewed existing target markets and evaluated new potential markets.

- Portfolio: Reviewing/evaluating/refining present portfolio /revenue structure/re-allocation of relationships among relationship managers.

- Products: Reviewing/evaluating products and propose new ones.

- Optimizing Time Management and Cost Control.

- Staff: Our success requires the continuous development of our corporate team members and the review of the organizational structure to meet future challenges.

- IT: As part of our customer centricity approach we are bound to offer our clients, in collaboration with the IT team, innovative banking technological products and solutions that meet today's technological development.

- KPIs: Set new KPIs (key performance indicators) to monitor our work conduct, measure our achievements, and evaluate our performance.

Throughout the years, and despite the volatile environment, the chaotic region, the instability in the country, the pricing pressure, all topped with the increasing regulations, we have strived and will remain focused on meeting our business goals and clients' expectations. Our excellent quality tailor made solutions and services are built to meet our clients' and shareholders' best interests and are the key to our continuous growth and success.

PRIVATE BANKING AND WEALTH MANAGEMENT

2015 was marked by unprecedented challenges on several fronts: tight regulatory environments, uncertainties and volatility throughout world financial markets, local and regional geopolitical turmoil, stringent new international regulations, and cyber threats.

The fast moving business environment emerged new concepts of modern Private Banking. While they still expect their bankers to be efficient financial advisers in the management of their portfolios by capturing market trends and opportunities and by averting the traps of the successive crises, clients are more and more demanding of value added services, fast and secure digital delivery channels, competitive and diversified product offering platforms and a holistic approach as to the administration of their wealth.

Affluent families seek private bankers whose entrepreneurial spirit matches theirs. Such bankers who have polished their established expertise in portfolio optimization and taken the leap into global wealth advisory are becoming trusted partners and the custodians of the family's governance principles in terms of succession and tax planning, family's estate and corporate structuring, philanthropy and inter-generational transmission of wealth.

Attentive to these evolutions and steady in its client centric philosophy, Banque BEMO has throughout the year deployed a panel of initiatives aimed at enhancing our client's experience. These initiatives culminated in the elaboration of BEMO 2020, our 5 year vision and strategic development plan.

We developed bespoke investment programs to enhance our clients' returns, we segmented our clientele to better understand its needs, we reshaped our commercial teams into cohesive and coherent units to provide right size delivery, we strengthened intergroup synergies to deploy a comprehensive array of solutions, we embraced the latest technologies to deliver fast and secure statements of accounts, we laid the cornerstones for multiple digital reporting and secure access to electronic trading and accounts monitoring, we dedicated a senior private banking team for the UAE and we combined our creative fiduciary solutions in Lebanon with Luxembourg based wealth structures through BEMO EUROPE-Banque Privée to assist our high net worth clients and their families in administering their wealth.

As we look ahead into 2016 and beyond, we foresee a tumultuous year not least due to the US elections in the autumn, the uncertainties still dominating emerging markets, the obscure fate of the regional turmoil, the implementation of the Foreign Accounts Tax Compliance Act (FATCA) and the upcoming Common Reporting Standards (CRS).

Uncertainty generates volatility which in turn creates opportunities. In this spirit Banque BEMO Private Banking remains alert and ahead of the curve to detect and capture the winning trends. To achieve our clients' long term objectives we remain committed to being effective listeners and efficient solution finders.

TREASURY AND CAPITAL MARKETS

Building on its achievements and accumulated experience throughout the years, the Treasury & Capital Markets Department positioned itself as a recognized provider of financial solutions and a reference within the local market, distinguishing itself from its market peers, fostering and sustaining long-term business relationships based on trust, dedication and professionalism.

The department aims at providing transparent, ethical, and conservative financial solutions that meet our client's objectives, adding value to the bank's stakeholders, and contributing to bolstering the growth and development of the bank while abiding to the bank's policies and procedures, the management's guidance, and the regulators' regulations and requirements.

Driven by a team that has a wealth of knowledge and experience, the department's units (Asset Management, Foreign Exchange, Investment & Research, Money Markets), continue to explore different strategies to enlarge its array of investment products that align with the bank's conservative approach.

The Asset management activities cover all types of securities and provide execution and risk assessment services across a full range of asset classes and investment products dealt on both the local and international markets. The activities include the following:

Stocks - Preferred shares - Fixed Income - Mutual & Hedge Funds - Structured products - Capital guaranteed Notes - Options - Exchange traded funds - Commodity linked products and Derivatives.

The Foreign Exchange activities cover global FX execution and risk assessment services to serve both client's hedging and speculative trading needs. The activities include the following: FX Spot, Forward and Swap - FX Options (Plain Vanilla, Exotics) - FX Yield Enhancement Products (Dual Currency Deposit) - Tailor made products - Bullion - Structured Products

The Money Market activities cover the efficient management of the bank's liquidity, the placement of funds with local, international counterparts, TBs and CDs.

The Investment & Research core values of independence, excellence and integrity translates into an investment philosophy with "Clients' needs, Quality Research, Objectivity and Risk Management" as its cornerstone.

The Treasury & Capital Markets Department is committed to ensuring fast, accurate execution and timely settlement of transactions, through ceaseless executions (covers the main stock exchanges official trading hours in Lebanon, Europe and the US, from 08:00 a.m. till 11:00p.m including national holidays) using the latest communication and technology systems. The department's activities is supported by a wide network of world-class institutions and active correspondent banking relations with more than 20 highly reputable investment-grade banks present all over the globe.

The synergies between Banque BEMO and its sister companies (BEMO EUROPE-Banque Privée and BSEC) provides the department with an international reach and enhances its flexibility and ability to better serve its clients.

A recognized provider of financial solutions and a reference within the local market

FAMILY OFFICE

The Family Office industry is expanding with an impressive pace. This demand will continue as more wealthy families will expect more from their wealth management advisors and will seek an all-encompassing solution for their day-to-day needs. This starts with the accounts & portfolios management to the eventual structuring of their wealth. All of this and more is dedicated to help them preserve their wealth for themselves and their heirs, by offering support with wealth protection, growth, and succession planning to ensure that ultimate purpose of the smooth transfer to the next generations. Moreover, Fiduciary Structures have revealed their advantageous feature in this scope.

As with our consistent Client Centric approach, we intensified the Synergy with BEMO EUROPE-Banque Privée. It allowed us to have a vast variety of solutions being added to our services menu that will cater many clients' profiles, to provide extensive personalized services compatible with their specific objectives and tailored to meet their needs.

Philanthropy is among the chart of the Family Office services towards which most wealthy families are being directed. This will create a supreme purpose activity to implicate all family members and tighten family bonds.

In line of enhancing clients' protection and satisfaction, we have strengthened our networks with different service providers, our main partners, based on the strict abidance to the spirit and the letter of Local and International Laws and Regulations, to ensure providing quality services, specifically designed to assist our clients.

The cultural differences and mind sets in terms of the Financial Planning approach that we face on a daily basis, stimulate our obligations to increase the awareness process of such business dealings, by expanding the exposure and spreading this culture to all Banque BEMO clients.

FINANCIAL INSTITUTIONS

The Financial Institutions Department covers world-wide relationships by providing tailored financing solutions to Banks and Financial Institutions.

The team supports and co-ordinates Banque BEMO's business with local and foreign bank partners ranging from cash management, customer referrals, brokerage services, trade finance and treasury activities.

The Department will continue to strengthen its position in financial institutional business, and is planning to optimize domestic and international relationships in line with the Bank's 2020 strategy.

Being a trustworthy and transparent partner, Banque BEMO sal has been able to serve through the years a wide loyal clientele base. Guided by the Bank's vision and values, the Financial Institutions Department concentrated again this year on the execution of customer-centric approach and long-term strategic priorities.

GOVERNMENT ENTITIES BUSINESS DEVELOPMENT

Government Entities Business Development Unit remains persistent as far as the importance of identifying and financing infrastructural projects for local governments is concerned.

Besides their relatively conventional projects, many local governments have started looking into developing plans and setting up budgets to finance the establishment of waste management plants, since it is recently becoming a very essential need in their respective areas.

Being one of its basic functions, the Government Entities Business Development Unit worked – and is still working – closely with several municipalities and one federation of municipalities to support them in their planning processes for waste management related projects. The Unit has been facilitating the necessary networking with professionals in the field who could assist them in executing their plans as efficiently as possible.

Furthermore, the Unit has continued encouraging and coaching municipalities to develop their proficiencies and knowledge on how to prepare business plans and to successfully implement and complete their projects.

HUMAN RESOURCES MANAGEMENT

Our motto

"Putting People First"

Our vision

"To become the Employer of Choice for Employees, the Clients want to work with"

Our mission

"Optimizing the Bank value through clients satisfaction, by enhancing existing and creating new HR processes, and fostering a culture of development and growth"



Our Human Resources Principles

HR Management continuously strives to achieve fairness and equity and to treat people with respect and dignity, while ensuring that every employee opinion is respected and valued.

Amid the continuous changes occurring in the banking sector - evolving clients needs as well as increasing regulations and security, we aim at ensuring that our employees are fully equipped to address these challenges, motivated to perform at their full potential in a professional and accurate way, while having the Clients as the end in mind.

Accordingly, during 2015, a road map was drawn to support the Bank vision and strategy, and to strengthen its key activities while stressing on the importance of digitalizing its activities.

Human Resources Actions

Our HR activities were built in full commitment to the Bank culture and values: Family Spirit, Professionalism, Conservatism and Honesty, and focused on embedding the client centricity approach in our major HR instruments.

In 2015, we served all the functional areas enabling them to attain efficiency in their operations, through the following:

- Recruitment and On-Boarding

In an environment of rapid change, we always aim to be an attractive employer. Our main challenges and focus in 2015 were recruiting talented people, in order to ensure that our departments have the staff needed to assist in achieving the Bank strategic business goals.

Accordingly, new candidates with different backgrounds and experiences were hired and represented a total of 4.10% of the entire workforce, all of them holding university degrees or above.

Furthermore, we supported and encouraged the internal mobility, as an internal recruitment tool, considered as an opportunity for growth and motivating factor to our potential employees.

Internal mobility rate reached 2.23%

In order to ensure a smooth welcoming environment to our new recruits,

and assist them in understanding their new responsibilities and shorten their integration process within the working environment and the team, an induction program is implemented to provide them with solid knowledge on the Bank products & services, policies and procedures. A quarterly meeting is held with HR Management during the first year to discuss their progress.

- Training & Development

The Training & Development unit conducted a gap analysis study based on a set of pre-defined standard competencies, compared to the actual staff level, whereby the areas of development of each employee were identified and relevant learning programs were applied.

Accordingly, and in order to drive our employees to exercise at their full capacity in line with the Bank business strategy and their respective business units, several training programs were developed targeting all the population and harmonizing a spirit of professionalism across units.

Our program was extended to cover:

- On and off job trainings including internal and external technical programs, abroad conferences, and job rotations.

- Soft skills and cultural programs including mentoring, team building, safety, business etiquette and general culture events.

- Performance Management & 360 degree feedback

In 2015, our performance management program was further enhanced whereby new features were introduced to better link the employees' performance to the overall Bank achievements as well as align the reward scheme to the delivered strategic and operational goals.

- Summer Internship

In 2015, we developed tailored internship programs according to each intern needs. Each program consisted of a short job rotation followed by a specific project that gives a hands-on experience to the

intern students in line with their field of studies.

This program aimed at providing the future workforce with an insight on several aspects in the banking sector.

- Employee Relations

HR Management considers the Employer-Employee relations as a quality management practice that sustains employees' morale and positively impacts productivity.

Accordingly, an open door policy is always applied to ensure and encourage a transparent communication with our employees to address their needs and concerns.

Several studies on the digitalization of HR Management were conducted and are presently in the pipeline for future implementation.

OPERATIONS

Excellence is a Journey. It is not a quick fix, it is a relentless pursuit of perfection, a never ending road that will be travelled by building “Habits”, long-term planning, commitment and flexibility. The Operations department being at the core of the Bank’s daily activities embraces this journey to excellence guided by the Bank’s roadmap to 2020.

The Operations department complements the Bank’s model in terms of further optimizing our client centric strategy. In 2015, the Operations Department aimed to provide the best value to our customers while fostering a zero-error culture. This culture has always been rooted in our daily operational activities and has been a successful on-going process. In addition, the need to reduce operational cost became a standard expectation across all businesses today. Our tailor made services have been subject to cost reduction through the automation of many processes, such as the corporate salaries. The digital client order forms that have been introduced brought the ease of access to our clients as well as the ease of processing their recurrent transactions.

Moreover, the Operations Department went towards adopting new innovations in the cards business by offering the CMO Mobile payments as well as the Contactless payment services, providing our clients with the best quality of services available in the Digital Banking sector.

Likewise, in the spirit of keeping up with the inevitable technological advancements, the Operations Department put all its services and help at the disposal of the IT Department in order to develop the new Internet Banking Module. Besides being ECO-conscious, the Operations Department went green by drastically cutting down on paper printing.

The ever-changing and increasing burden of regulatory compliance became an embedded challenge in our “new normal” situation which lead us to constantly normalize our internal processes in order to comply with these requirements. The Operations Department was able, during 2015, to build high vigorous and protective walls in terms of compliance. Nevertheless, the growing worldwide digital scam trend, such as impersonating clients, has touched our wall. The Operations Department was able to contain this incident with

minor losses and contributed in reinforcing the preventive measures, improving the internal processes while increasing the awareness of staff members through a series of targeted training sessions.

Our 2020 tactical plans set the mainstays to face major challenges, including digitizing the operations, grasping “simplicity” through lean process transformation, cost reduction and performance improvement. Centralization and standardization of processes remain key objectives at the Operations Department for increased operational efficiency. In order to remain at our clients’ best expectations, we will further embrace the digital banking revolution striving to offer the best customer experience to our clients. Furthermore, enhancing our Internal Control environment as well as our operational flexibility and resilience are key objectives that remain at the heart of the Operations Department’s daily activities. The right pool of talent remains the ultimate and unique strength to ensure the resilience of the Operations Department against any unexpected challenges that may occur.

The Operations is spinning its foundation to provide customers with a unique experience and to become the benchmark in Operational excellence.

COMMUNICATION

2015 was a pivotal year for Banque BEMO’s Communication Department in terms of optimizing the Internal and External Communication and the achievement of related significant projects.

Launching of an Internal Newsletter

At the dawn of the launch of Banque BEMO’s internal newsletter, the Communication department rallied all the employees around a name-giving contest to which they all participated dynamically. As a result, a total of 86 names was proposed which was brought down to a top 3. Since its launch in February 2015, BEMOTION has grown in popularity with an increase in contributors and regular columns such as:

- “BEMO’s Got Talent”: highlighting our colleagues’ hidden talents
- “Healthy Tips”: suggesting a healthier lifestyle in different environments
- “BEMO’s Star”: giving recognition to an exceptional employee for their outstanding achievements and for representing Banque BEMO’s values at its best
- “BEMO’s Reward”: rewarding an employee for his/her outstanding performance and for being proactive and taking initiative
- “Close-Up”: putting a selected employee under the spotlight in an informal and friendly manner, allowing the rest of their colleagues to get to know them in a different context.

Internal Communication Site

The aim of the Internal Communication Site was to optimize internal communication at two levels – top down and across the organization – It also aimed to share key policies and procedures, and relevant information within every department as well as between departments. As a result, internal communication and information sharing contributed to boost performance and efficiency.

Revamping the Website

Banque BEMO’s new website was released as one of the external communication initiatives within the scope of the Rejuvenation & Development Program. After a long yet rewarding process of researching, brainstorming, solid teamwork and content exchange between all the bank’s departments, Banque BEMO’s new website was launched in March 2015. It served to provide

Banque BEMO’s clients with an ergonomic and cutting edge experience, while reflecting the Bank’s Vision and Core Values.

Revamping of Brochures and Leaflets

In the spirit of client-centricity, the Communication department has revamped all brochures and leaflets, and put them at the disposal of the clients in all the branches and premises.

Corporate Social Responsibility

Since its inception, Banque BEMO is committed to the welfare of its customers, shareholders, staff members and the community. Similarly to previous years, the Bank has entrenched its social obligations and engagement throughout the year:

- Health: Banque BEMO is highly sensitive to children causes and is, thus, always in favor of supporting foundations dedicated to sick children. Moreover, for the second year in a row, a blood drive has been hosted at Banque BEMO’s General Management premises. This year, the blood donation was organized in partnership with “Donner Sang Compter”.

Moreover, the Bank proudly supports a free-smoke work environment in all its premises.

- Culture and education: At Banque BEMO, we believe in the role of education and culture as driving forces in today’s world. Therefore, the Bank remains constant in its support of cultural and educational activities and notably through its annual contribution toward the “Centre Sportif, Culturel et Social” of College Notre-Dame de Jamhour

- Sports: Banque BEMO’s colleagues, family members and friends participated in Beirut’s Marathon, running in support of AFEL, an NGO committed to protect, nurture and rehabilitate children suffering from abuse and delinquency. This participation was in line with Banque BEMO’s advocacy for social and sports activities, aiming to promote team spirit and social integration. In addition, Banque BEMO’s football team has grown since its institution in 2013; the team meets for weekly trainings and has competed against several reputable corporate teams, by always representing the Bank’s core values.

- Environment: Banque BEMO is affiliated to several causes for the protection of the environment, continuously striving for a tobacco free environment, the preservation and plantation of trees...

KEY CONTROL FUNCTIONS

RISK MANAGEMENT

General Overview

Risk Management Framework

Risk management is an integral part of Banque BEMO daily activities. The Bank strives to preserve its image and reputation while protecting the best interest of stakeholders, through sound and prudent risk management practices.

The Bank adopts an enterprise risk management approach covering a wide spectrum of risk areas, including market risk, credit risk, operational risk and liquidity risk. Banque BEMO adopts proactive measures and is equipped with the necessary tools for identifying all the prevailing and potential key risks and risk drivers it could be facing; measuring, managing and monitoring them on a continuous basis to prevent any resulting negative implications on the Bank.

The primary role of risk management is to ensure that risk-taking remains within the Bank's strategy and risk appetite, and that the balance between risk and reward is maintained in order to maximize shareholders' value.

The risk management process is fully integrated within the Bank's activities. The Board of Directors, through its Board Risk and Compliance Committee sets forth the Bank's risk appetite & risk tolerance, specifying the amount and types of risks the Bank is willing and able to accept in order to achieve its strategic goals.

Management committees such as the Asset/Liability Committee assist the Board in fulfilling its oversight responsibilities on risk-related matters, including the Bank's risk profile, capitalization level, risk exposures and limits.

The risk management department works in partnership with all business lines to ensure that all risks arising from their business activity are properly addressed. The internal audit department reports independently to the Board of Directors on the effectiveness of the risk management framework. The risk management process at Banque BEMO is conducted on a continuous basis to constantly ensure the Bank's ability to surpass challenges and meet all regulatory requirements.

2015 Challenges

The year 2015 was marked by a prolonged political and economic deadlock, both on the local and regional fronts, alongside shaky global financial markets; whereby the domestic and regional unrest prevailing since more than half a decade weighed negatively on the performance of the Lebanese economy and created an exceptionally challenging environment for the various business sectors.

Nevertheless, and in spite of the prevailing turmoil, Banque BEMO succeeded in growing its lending portfolio while maintaining a high asset quality, translated into a sustained low non-performing loans level. In this context, the Bank managed to preserve its position among the leading banks in Lebanon in terms of asset quality.

Road Map 2020: Risk Management is Everyone's Function

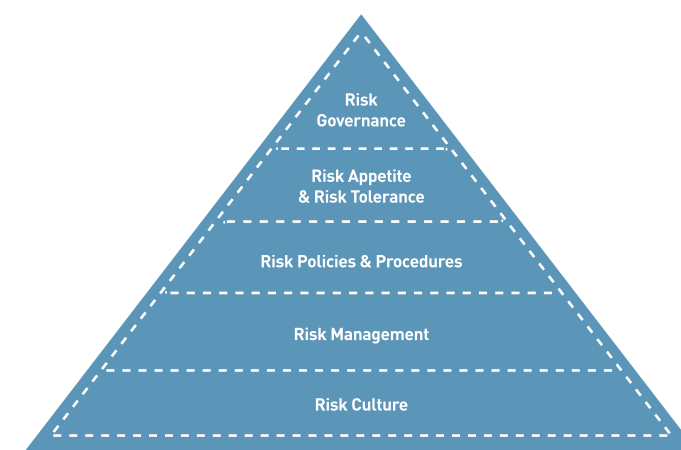
Banque BEMO recognizes that it evolves in a challenging environment within an industry constantly exposed to increasing regulations, external and internal fraud events and unavoidable extreme reliability on information technology.

Risk Management's strategy for 2020 falls within the Bank's business strategic goals, attending to its growth plans and accommodating to its client centric model. Accordingly, the department's objective for the coming years is to protect the Bank's assets, preserve its reputation and further reinforce its standing and resilience to local and international tremors of all kind, through:

- Ensuring the delivery of products and services while respecting the soundest risk management principles and guidelines,
- Remaining in strict compliance with applicable international and local laws and regulations,
- Providing insights on emerging risks and assurance on the proper implementation of control practices allowing for a healthy long-term sustainable growth.

The abovementioned shall be achieved, building on the Bank's strong risk and control culture which will be further developed and imbedded in all its activities through a strong tone at the top, continuous trainings and performance metrics, and raising all employees' awareness on risk values and expectations. The following practices will be used to promote risk culture:

- Develop a well-articulated risk culture statement, policies and procedures,
- Translate the risk appetite statement into the Bank's strategy and day-to-day operations,
- Reinforce risk culture through ongoing trainings and proactive internal communication,
- Clearly define roles and responsibilities.



Credit Risk Management

Credit risk is the risk of loss as a result of a debtor or counterparty failing to meet all or part of its financial obligations or due to the deterioration in the creditworthiness of a borrower or counterparty.

Lending Strategy

Banque BEMO lending strategy revolves around providing loans and advances to top level corporations and institutions through its corporate banking activities and to high net worth individuals through its private banking activities, ensuring at all times, counterparts enjoy a healthy financial standing and reputation.

Credit Risk Management Approach

Banque BEMO adopts an effective credit risk management framework to identify, measure, manage and monitor credit risk on a continuous basis. This has been accomplished through implementing a prudent lending strategy, setting conservative credit risk limits, using proper credit risk mitigation tools and conducting continuous monitoring, including a thorough independent review and assessment of borrowers' creditworthiness, at the level of individual credit files in addition to setting concentration limits for interrelated borrowers, for countries and for industries. Moreover credit risk stress tests based on various scenarios are conducted on a regular basis at the level of the overall loan portfolio assessing the repercussions of a deterioration in the credit quality of the loan portfolio over the bank's balance sheet, capitalization and profitability.

Credit Ratings

The credit risk rating system helps the Bank determine key factors to assess the credit risk of a given transaction. Banque BEMO relies, when available, on external credit ratings assigned by renowned international rating agencies, to assess the credit risk of counterparties and countries. On the other hand, the Bank uses internal rating models for exposures to non-rated corporates and individuals. These ratings are reviewed at least once per annum. In this context, the Bank is planning to further expand its rating models and scorecards acquired from S&P Capital IQ (affiliate to S&P rating agency), covering the overall loan portfolio and preparing for the generation of all required parameters which will allow for the implementation of the latest accounting standards (IFRS 9), as required by regulators.

RISK MANAGEMENT

Impairment Testing and Collective Assessment

Banque BEMO continues to maintain a coverage ratio for impaired loans in line with international standards and local authorities’ guidelines. The Bank conducts on a yearly basis a collective assessment of loans and advances in line with BCCL/IFRS requirements, and reports the results to Senior Management and to the Board Risk and Compliance Committee to constitute the necessary provisions.

Market Risk Management

Market risk is the risk of a change in the fair value of held financial instruments due to adverse movements in market prices, including equity, interest rate, foreign exchange and commodities.

Trading Activities

Banque BEMO devotes all the necessary resources to manage and monitor market risk. The main objective is to maximize return on a risk-adjusted basis while preserving the Bank’s financial standing and abidance by the limits set internally and by regulators.

The Board of Directors reviews and ratifies on a yearly basis the Bank’s investment policy as approved by the Asset/Liability Committee (ALCO), the policy defines general investment instructions and risk limits. The market risk unit is responsible for the continuous assurance over the set guidelines and ensures abidance by the set market risk limits.

The Bank uses a variety of risk tools and models to assess, manage and monitor market risk exposures. However, the main tool to monitor market risk limits is Value-at-Risk (VAR), which measures the potential loss in the fair value of the trading portfolio due to adverse market movements over a defined time horizon and at a given confidence interval. Banque Bemo recognizes the limitations of VAR measure, thus complements the risk assessment with scenario analysis, sensitivity analysis and stress testing to address extreme events.

Interest Rate Risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) arises mainly from the timing differences in the re-pricing of interest-earning assets and interest-bearing liabilities. Banque BEMO is fully aware of the impact of a substantial interest rate risk exposure on the Bank’s earnings and economic value of shareholders’ equity, thus adopts effective risk management practices that maintains interest rate risk within acceptable levels to ensure safety and resilience to any potential shift/movement in interest rates.

Interest rate risk is managed in accordance with Board-approved policies and within the risk appetite framework. IRRBB is assessed on a regular basis through interest rate gap analysis exercises. Results are reported to ALCO in a timely manner for proper decision-making.

Liquidity Risk Management

Banque BEMO liquidity risk policy is designed to ensure the ability to meet financial obligations during periods of stress, whether caused by market or idiosyncratic risks. The Bank maintains accessible funding to meet short and long-term commitments in times of crisis. Long-term funding is secured through a prudent and wise asset/liability management approach aiming at maintaining stable well diversified funding sources, while short-term funding is obtained through a portfolio of highly liquid, unencumbered assets that can be easily pledged or liquidated at fair market price to meet unexpected outflows. Banque BEMO performs on a regular basis liquidity stress testing scenarios, based on conservative assumptions, to assess the impact of both market and specific risks on the Bank’s liquidity position, and accordingly make liquidity management decisions, develop mitigation tools and contingency funding plans.

The Board of Directors defines on a yearly basis the Bank’s liquidity risk appetite and risk tolerance. The liquidity risk policy is approved by the Asset/Liability Committee (ALCO), overseen by the Board of Directors, implemented by the Treasury Department and continuously monitored by the Risk Management Department. Banque BEMO’s liquidity strategy calls for maintaining at all times

adequate liquidity levels amid the prevailing local and regional turmoil.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Banque BEMO adopts an operational risk management framework that sets out a comprehensive and consistent approach for managing operational risk across the whole Bank involving identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with daily operations, enabling analyzing and reporting the Bank’s operational risk profile to the Senior Management and the Board Risk and Compliance Committee.



Operational Risk Management Approach

Operational risk management is carried out at the level of the whole Bank and at the level of each employee’s day-to-day activities.

Qualitative and quantitative practices and tools are applied to identify and measure operational risks, including but not limited to:

- A loss database of operational risk events categorized according to the business lines and operational risk event types as defined by Basel II;

- Risk and Control Self-Assessment to identify operational risks that could affect the achievement of the bank’s objectives.

- Key Risk Indicators which are used on an ongoing basis to provide early warning signals on potential operational risks.

Reputational Risk Management

Banque BEMO’s vision, mission and business strategy consists of anticipating and managing clients’ expectations and needs; whereby managing reputational risk became a key element of this strategy’s success. Employees at all levels and across departments are responsible for day-to-day identification, management and reporting of reputational risk events and near misses.

In view of the above, Banque BEMO strives at ensuring full transparency in all its business practices and pays the utmost importance to preserving its image, profile and reputation and has a zero-tolerance approach towards such exposures. It is the Bank’s policy to avoid by all means any risk that can undermine stakeholders’ and public’s trust in the Bank and its activities.

Business Continuity Management

Business continuity management is essential to ensure uninterrupted service to clients, in the event of any incident rendering the Bank’s premises inoperable. Accordingly, all key systems and critical data are effectively backed-up using the most adequate information technology tools. Moreover, alternate locations are readily available to host the bank’s critical activities; whereby business is resumed with a negligible downtime. Business continuity plans are reviewed at least once per annum. Necessary awareness, testing and trainings are conducted regularly.

COMPLIANCE

1. Introduction

In recent years, the supervisory authorities worldwide have levied significant fines on banks for having weak anti-money laundering controls.

Consequently, it has never been more important for banks to have strong anti-money laundering systems and controls.

We at Banque BEMO are strongly committed to prevent the use of our products and services and illicit profit generation, from criminal activities and for terrorism financing. Our objective is to protect and preserve the Bank's reputation.

2. Legislative Highlights

The Special Investigation Commission (SIC) and Banque Du Liban (BDL) combine their forces in order to fight money laundering and terrorist financing by issuing specific rules and regulations. In addition, the SIC cooperates with other Financial Intelligence Units (FIUs) in order to reduce the globalized impact of money laundering. Therefore, the SIC monitors the activities of suspected criminals through the eyes of financial institutions working in the local banking sector.

In order to be fully compliant with international standards and avoid being classified as a non-cooperative country in fighting money laundering, the Lebanese parliament ratified on November 24, 2015 four new and modified laws on combating money laundering, the exchange of tax information, the authorization for the transfer of money cross borders, and the UN convention of 1999 on drying up the sources of financing terrorism.

Banque BEMO abides strictly with all BDL and SIC directives relating to AML/CFT activities, to international sanction regulations, FATCA or any other compliance related matters.

3. Anti-Money Laundering / Combating Terrorist Financing Enhanced Monitoring and Reporting

The Compliance Department is responsible for preserving the reputation of the Bank by eliminating any factors that may cause reputational risk to the Bank.

Banque BEMO has adopted a risk-based approach which is the cornerstone of the AML/CFT enabling our Bank to identify and

assess our AML/CFT involved risks and put in place systems and controls to manage and mitigate the risks.

We have created five different types of KYCs that cover all types of clients at the Bank while complying with the rules of BDL, SIC, CMA (capital markets authority) and FATCA. These KYCs allow the Bank to better identify the client, professional status and line of business, beneficial right owner, as well as financial situation and expected account activities, creating a powerful tool for client identification.

All new accounts are opened once the approval of the "Customer Acceptance Committee" (CAC) is acquired and after screening all customers' names against local and international watch-lists, mainly: SIC, OFAC, EU, UN and Thomson Reuters World-Check database, in addition to names circulated by regulators in Cyprus.

We provide regular monthly reports to the AML/CFT Committee and quarterly reports to the Board Risk and Compliance Committee (BRCC) covering main compliance issues which are reviewed and discussed during regular meetings with board and committee members.

All precautions and necessary measures are taken to ensure full compliance with all AML laws and regulations, FATF recommendations and international standards of Basel Committee regarding "know your customer (KYC)" procedures, in order to prevent the Bank from being used for illegal or criminal operations.

4. FATCA Implementation

In its continuous efforts to be FATCA compliant, Banque BEMO introduced new KYCs and conducted several FATCA awareness sessions with concerned employees. Additional important measures were taken throughout the year as follows:

a. A dedicated FATCA IT system from a prominent IT Solution provider was installed allowing the Compliance department to gather information, store and search for US indicia

b. The first reporting to the IRS was conducted successfully in June 2015

5. Training and awareness

Each and every employee at Banque BEMO is determined to protect the Bank from being used to conceal illicit funds. Such responsibility is further enforced through well thought trainings and awareness sessions. Therefore, all employees at the Bank attend trainings covering AML/CFT topics conducted internally through the AML/CFT Compliance Unit or conducted by external dedicated organizations.

Periodical meetings are held with the branches AML/CFT officers to discuss adherence to anti-money laundering and combating terrorist financing guidelines, and the deficiencies detected, if any. A renewed focus on internal issues such as skills development, technology and commitment to ethical business practices that help to ensure long-term value to all stakeholders, have been crucial throughout 2015.

INTERNAL AUDIT

The Internal Audit at Banque BEMO is an independent organizational unit that reports directly to the Board Audit Committee.

Its main role is to assist the Board of Directors through its Audit Committee in discharging its governance responsibilities by evaluating the bank's risk management, the control and governance framework, in addition to the operational and financial performance.

The Department's mission is to help the bank in making a quantum leap in the efficiency of its processes. It aims to deliver the best and high-quality services by adhering to the highest standards of professionalism and ethics such as those promulgated by the IIA international standards, the Basel committee on banking supervision, the Bank's code of deontology and the regulatory requirements.

Finally, the internal audit recommendations are supported by the Board Audit Committee and the Senior Management, guaranteeing the accomplishment of the Bank's goals and the improvement of its global operations.

2015 2020

PROVIDING **TRANSPARENCY**, FOSTERING **TRUST**

Independent Auditors Report
Consolidated Financial Statement

“Consolidating traditional values with a contemporary approach; offering services that are personal in delivery and global in scope”



FINANCIAL PERFORMANCE ANALYSIS

The discussion and analysis that follows covers the consolidated performance of Banque BEMO SAL in 2015, based on the audited consolidated financial statements of the Bank as at and for the fiscal years ended December 31, 2015 and December 31, 2014. The Bank's consolidated financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and general accounting plan for banks in Lebanon and the regulations of the Central Bank and the Banking Control Commission, and include the results of the Bank and its consolidated subsidiaries Bemo Securitization SAL, BEMO Investment Firm Limited, Ferticed Limited Holding and Depository & Custody Company SAL. Where appropriate in the context, references to the Bank include the Bank and such consolidated subsidiaries.

All figures are presented in Lebanese Pounds, unless specifically otherwise stated. In each case where the US Dollar (USD) currency has been used, the relevant rate for both balance sheet data and income statement data was LBP 1,507.5 per USD 1.00, as, throughout the periods covered in this section, the Central Bank has maintained its policy of pegging the value of the Lebanese Pound to the U.S. Dollar at a fixed rate of LBP 1507.5 per USD 1.00. References to foreign currency translation differences or changes reflect the impact of the movement of functional currencies in countries of presence against the US Dollar.

Lebanese Banking sector information has been derived from Central Bank of Lebanon statistics, Bankdata Financial Services WLL and the Bank's internal sources.

Financial Performance Analysis

The Bank's consolidated assets grew by 9.84% as at December 31, 2015 in comparison to December 31, 2014 noting that during the same period and according to data released by the Association of Banks in Lebanon, total assets growth of the Lebanese Banking Sector reached 5.85%. Consolidated Total assets by end of 2015 reached LBP 2,443,776 million (US\$ 1,621.08 million) as compared to LBP 2,224,579 million (US\$ 1,475.67 million) as at December 31, 2014 growing by LBP 219,197 million (US\$ 145.41 million).

Major Balance Sheet Items	Audited		Change
	LBP Million	2015	2014
Cash, compulsory reserve and central banks	440,214	373,339	17.91%
Deposits with banks and financial institutions	201,242	201,795	-0.27%
Loans to banks	48,867	63,357	-22.87%
Loans and advances to customers	1,018,126	969,675	5.00%
Investment securities and financial assets held as FVTPL	664,257	537,305	23.63%
Bank acceptances	25,296	31,981	-20.90%
Other assets and investment in associates	45,774	47,127	-2.87%
Total Assets	2,443,776	2,224,579	9.85%
Customer Deposits*	2,038,951	1,832,445	11.27%
Engagement by acceptances	25,296	31,981	-20.90%
Deposits from banks and financial institutions	118,882	111,193	6.92%
Subordinated Bonds	37,688	37,718	-0.08%
Other Liabilities	20,076	19,310	3.97%
Total Liabilities	2,240,893	2,032,647	10.25%
Total Shareholders' Equity	202,883	191,932	5.71%
Total Liabilities & Equity	2,443,776	2,224,579	9.85%
Net Income for the Year	19,500	16,925	15.21%

*Loans and advances to customers as well as customer deposits include related parties accounts.

Loans and advances to customers (including related parties) increased by 5.00% reaching LBP 1,018,126 million (US\$ 675.37 million) as at December 31, 2015 as compared to LBP 969,675 million (US\$ 643.23 million) as at December 31, 2014. Placements with banks and financial institutions amounted to LBP 201,242 million (US\$ 133.49 million) in 2015 as compared LBP 201,795 million (US\$ 133.86 million) in 2014.

Loan Portfolio

The Bank’s loans and advances to customers (excluding related parties) were equivalent to LBP 1,016,270 million (US\$ 674.14 million) as at December 31, 2015 increasing from LBP 968,310 million (US\$ 642.33 million) in December 31, 2014 reflecting a year-on-year increase of 4.95%. Loans and advances to related parties (as defined by Article 152 of the Code of Money and Credit) are equivalent to LBP 1,856 million (US\$ 1,231 thousand) as at December 31, 2015 growing from LBP 1,364 million (US\$ 905 thousand) in 2014 reflecting a year on year increase of 36.07%.

Analysis of the Loan Portfolio by type of Borrower and Loan Classification (including related parties)

The following table sets forth the breakdown of the bank’s loans (Gross), by classification, as at December 31, 2015 and 2014:

Major Balance Sheet Items	Audited		Change	
	LBP Million	2015	2014	14-15
Regular Loans	1,011,891	962,984		5.08%
Substandard Loans	8,730	9,905		-11.86%
Bad & Doubtful Loans	8,671	7,210		20.26%
Accrued Interest receivable	1,173	1,160		1.12%
Total gross loans	1,030,465	981,259		5.02%
Unrealized Interest on Substandard Loans	(1,032)	(381)		170.87%
Provision Allowance on Substandard Loans	(754)	-		-
Unrealized Interest on Bad & Doubtful Loans	(3,586)	(3,418)		4.92%
Provision Allowance on Bad & Doubtful Loans	(4,837)	(3,389)		42.73%
Collective Provision for Loan Impairment	(2,130)	(4,396)		-51.55%
Total net loans	1,018,126	969,675		5.00%
Unrealized interest & Provisions /substandard loans (%)	20.46	3.85		
Unrealized interest & Prov/ doubtful and bad loans (%)	97.14	94.41		
Net Substandard, Doubtful & Bad Loans / Total loans (%)	0.70	1.01		

While noting the prevailing economic stalemate and deteriorating credit situation in the sector, the Bank’s conservative and prudent credit policy as well as the continuous monitoring of the Bank’s asset quality resulted in maintaining the ratio of “Net substandard doubtful & bad debts/Total loans” at a low of 0.70% by the end of 2015 as compared to 1.01% in 2014 as highlighted in the table above. In 2014 and 2013, the Bank ranked respectively Number 4 and Number 2 in Lebanon (as per Bilanbanques 2015 published by Bank Data) in terms of having the lowest ratio of doubtful loans to gross loans. The data pool consisted of 50 banks.

The Bank’s doubtful and bad loans amounted to LBP 8,671 million (US\$ 5.75 million) as at December 31, 2015 compared to LBP 7,210 million (US\$ 4.78 million) as at December 31, 2014 reflecting an increase of 20.26%. Unrealized interest on doubtful and bad debts totaled LBP 3,586 million (US\$ 2.38 million) as at December 31,

2015 compared to 3,418 million (US\$ 2.27 million) as at December 31, 2014 reflecting an increase of 4.92%. The coverage ratio (Unrealized Interest and Provisions/Doubtful and bad loans) for 2015 was equivalent to 97.14% as compared to 94.41% for 2014.

Substandard Loans net of unrealized interest and provision allowance reached LBP 6,944 million (US\$ 4.61 million) at the end of 2015 as compared to LBP 9,524 million (US\$ 6.32 million) at the end of 2014, reflecting a 27.1% year-on-year decrease.

With respect to the collective provision for loan impairment, the reduction in 2015 is mainly the result of reallocating a portion of the said provision to specific clients on which the collective provision was originally taken in 2011. Such reallocation was performed pursuant to the approval of the supervisory authorities.

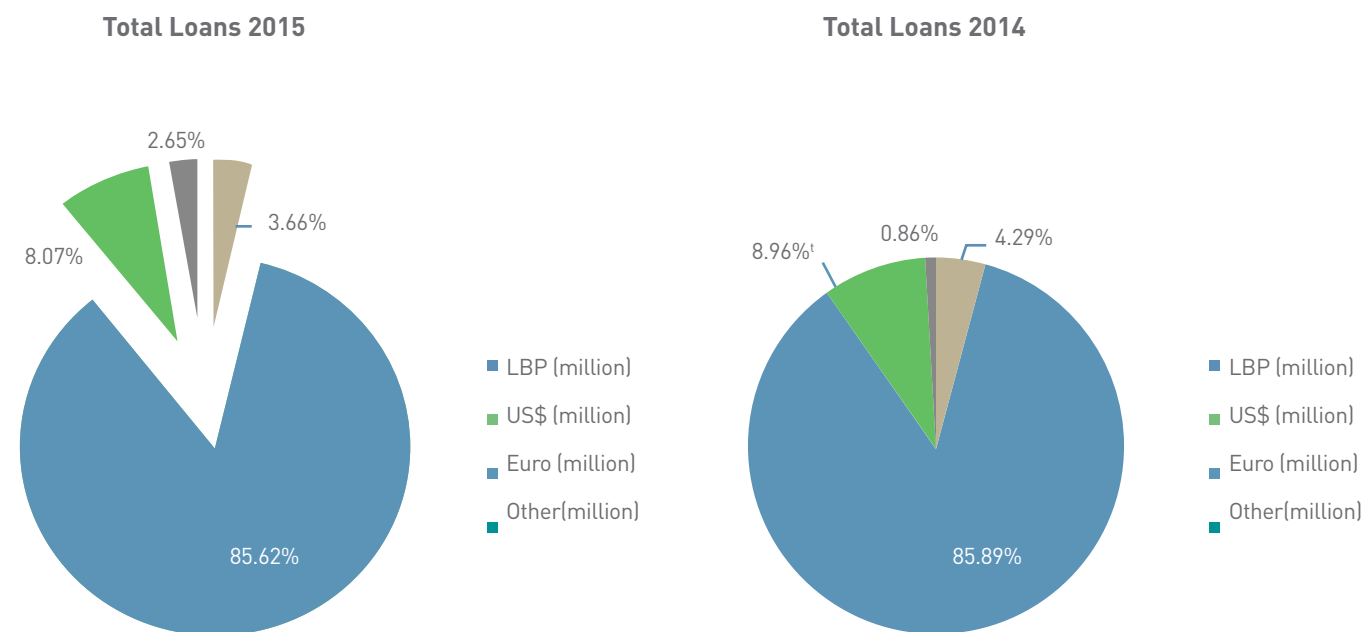
Analysis of the Loan Portfolio by Currency

The following table sets forth the breakdown of the Bank’s loan portfolio by currency as at December 31, 2015 and 2014:

Bank’s loan portfolio	December 31, 2015 (C/V in LBP)-Audited			
	LBP (million)	US\$ (million)	Euro (million)	Other(million)
Loans and advances to customers	37,214	869,930	82,189	26,937
Loans and advances to related parties	14	1, 833	9	0
Total Loans	37,228	871,763	82,198	26,937
Bank’s loan portfolio	December 31, 2014 (C/V in LBP)-Audited			
	LBP (million)	US\$ (million)	Euro (million)	Other(million)
Loans and advances to customers	41,600	831,670	86,714	8,327
Loans and advances to related parties	30	1,165	169	-
Total Loans	41,630	832,835	86,883	8,327

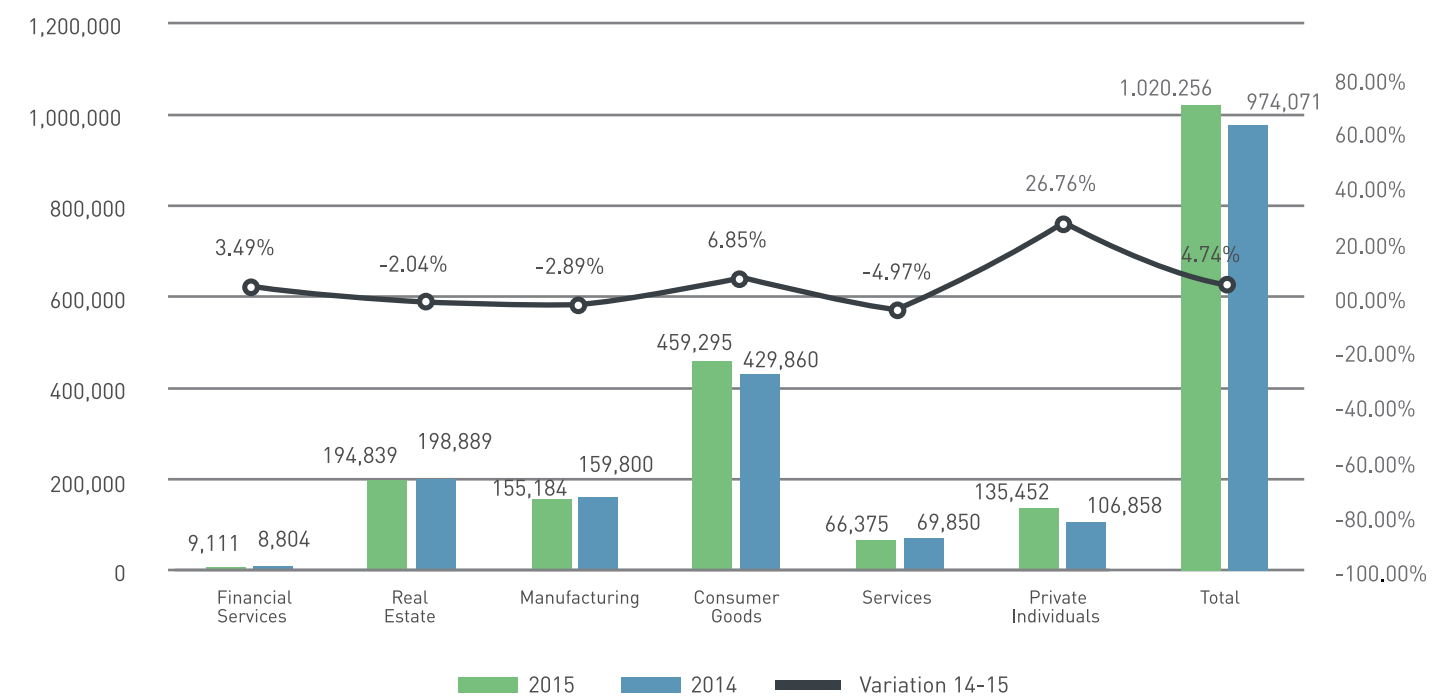
The Bank's loan portfolio is characterized by a high level of dollarization matching the currency composition of the sources of funds. In December 31, 2015, 96.34% of total loans were denominated in foreign currencies versus 95.71% in December

31, 2014 while the Lebanese banking sector average reached 71.59% as at December 31, 2015 (as per the figures released by the Association of Banks in Lebanon & BDL's December 2015 Economic Bulletin).



Analysis of the Loan Portfolio by Economic Sector

The following table sets forth the breakdown of the Bank's loan portfolio by economic sector as at December 31, 2015 and 2014 (excluding the collective provision for loan impairment):



The Bank seeks to diversify the credit risk of its loan portfolio by distributing loans among the different sectors of the economy, with a focus on sectors that are considered to be as representing acceptable risks. As at December 31, 2015, up to 45.02% of the loans are extended to businesses with trading activities in various consumer products, 15.21% to manufacturing, 19.10% to real estate development (including prime contractors of private residential and commercial buildings duly covered by first degree mortgages and assignment of project proceeds), and the remaining 20.67 % to other economic sectors.

With respect to the Lebanese Banking Sector, and as per the Central Bank's December 2015 Economic Bulletin, 33.6% of the credits are extended to trade and services activities, 10.5% to industry, 17.3% to construction and 38.6% to other economic sectors (including individuals) as at December 31, 2015. The main difference between the Bank and the sector is the Bank's minimal share related to retail/individual lending as it does not fall under the Bank's Target Market Criteria.

Analysis of the Loan Portfolio by Maturity

The following table sets forth the breakdown of the Bank's loan portfolio by maturity as at December 31, 2015 and 2014:

LBP million	Audited		Variation	Share	
Maturity	2015	2014	15-14	2015	2014
Accounts with no maturity	672,851	573,102	17.41%	66.08%	59.10%
Up to 3 months	329,624	368,539	-10.56%	32.38%	38.01%
3 to 12 months	14,680	26,263	-44.10%	1.44%	2.71%
12 months and above	971	1,771	-45.17%	0.10%	0.18%
Total	1,018,126	969,675	+5.00%	100%	100%

Similar to the current market practice in Lebanon, the major portion of the Bank's loan portfolio is of short-term nature (overdrafts), with maturities rarely exceeding the 12 months period reflecting a credit management strategy that aims at matching the maturities of the Bank's sources of funds and its corresponding uses of funds, while maintaining adequate levels of liquidity.

Additionally, more than 95% of loans granted by the Bank carry floating interest rates with minimum floor rates applied mitigating the bank's exposure to interest rate risk.

Analysis of the Loan Portfolio by Size (excluding related parties, accrued interest, unearned interest and collective provisions)

The following table sets forth below classifies the outstanding loan balances by size as at December 31, 2015 and 2014:

Outstanding Loan Balances		2015 Audited				2014			
Bracket	Number of Clients	2015		% to Total Loans	Number of Clients	2014		% to Total Loans	
		% to Total Clients	LBP million			% to Total Clients	LBP million		
-Less than LBP 500 mln*	1,003	75.53%	63,245	6.22%	985	76.30%	60,666	6.24%	
-From LBP 500 mln – LBP 5 bln	268	20.18%	445,769	43.82%	259	20.06%	456,557	47.00%	
-Over LBP 5.0 bln	57	4.29%	508,213	49.96%	47	3.64%	454,324	46.76%	
Total	1,328	100.00%	1,017,227	100.00%	1,291	100.00%	971,547	100.00%	

* including numerous incidental debtor accounts

The total loan portfolio (excluding related parties) is spread over 1,328 clients, with 24.47% of the clients covering 93.78% of the loan portfolio as at December 31, 2015. The Bank manages the diversification of its portfolio to avoid undue credit risk concentrations. Credit risk concentrations exist in lending to single customer groups, borrowers engaged in similar activities, or diverse groups of borrowers that could be affected by similar economic or other factors. To manage these concentrations, exposure limits are established for single borrowing groups and industry segments. In this respect, analyses of large customer

group exposures are regularly conducted, and the lending and financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sectorial analyses are also incorporated within the overall credit risk management framework. In this respect, the Bank seeks to continually update lending and financing guidelines based on periodic reviews and updates of industry and sectorial risk factors and economic outlooks. This facilitates the better management of credit concentration risks.

Analysis of the Loan Portfolio by Counterparty type

The following table sets forth below classifies the outstanding loan balances by counterparty type as at December 31, 2015 and 2014 (carrying amount net of unrealized interest and impairment allowance):

Counterparty type	Carrying amount net of unrealized interest Audited		Variation	Share of Total Loans
Million LBP	2015	2014	15-14	2015
Regular Retail Customers	100,362	71,055	41.25%	9.87%
- Mortgage loan	52,884	39,978	32.28%	5.20%
- Personal loans	11,373	6,578	72.89%	1.12%
- Overdrafts	28,471	17,571	62.03%	2.80%
- Other	7,634	6,928	10.19%	0.75%
Regular Corporate Customers	909,674	890,563	2.15%	89.51%
- Large enterprises	621,481	706,287	-12.01%	61.15%
- Small and medium enterprises	288,193	184,276	56.39%	28.36%
Classified Retail Customers	0	0	0	0
- Substandard	-	-	-	-
- Bad & Doubtful	-	-	-	-
Classified corporate customers	7,191	9,928	-27.57%	0.71%
- Substandard	6,944	9,524	-27.09%	0.68%
- Bad & Doubtful	247	404	-38.86%	0.03%
Collective Provision for Loan Impairment	(2,130)	(4,396)	-51.55%	(0.21)%
Accrued interest receivable	1,173	1,160	1.12%	0.12%
Total	1,016,270	968,310	4.95%	100%

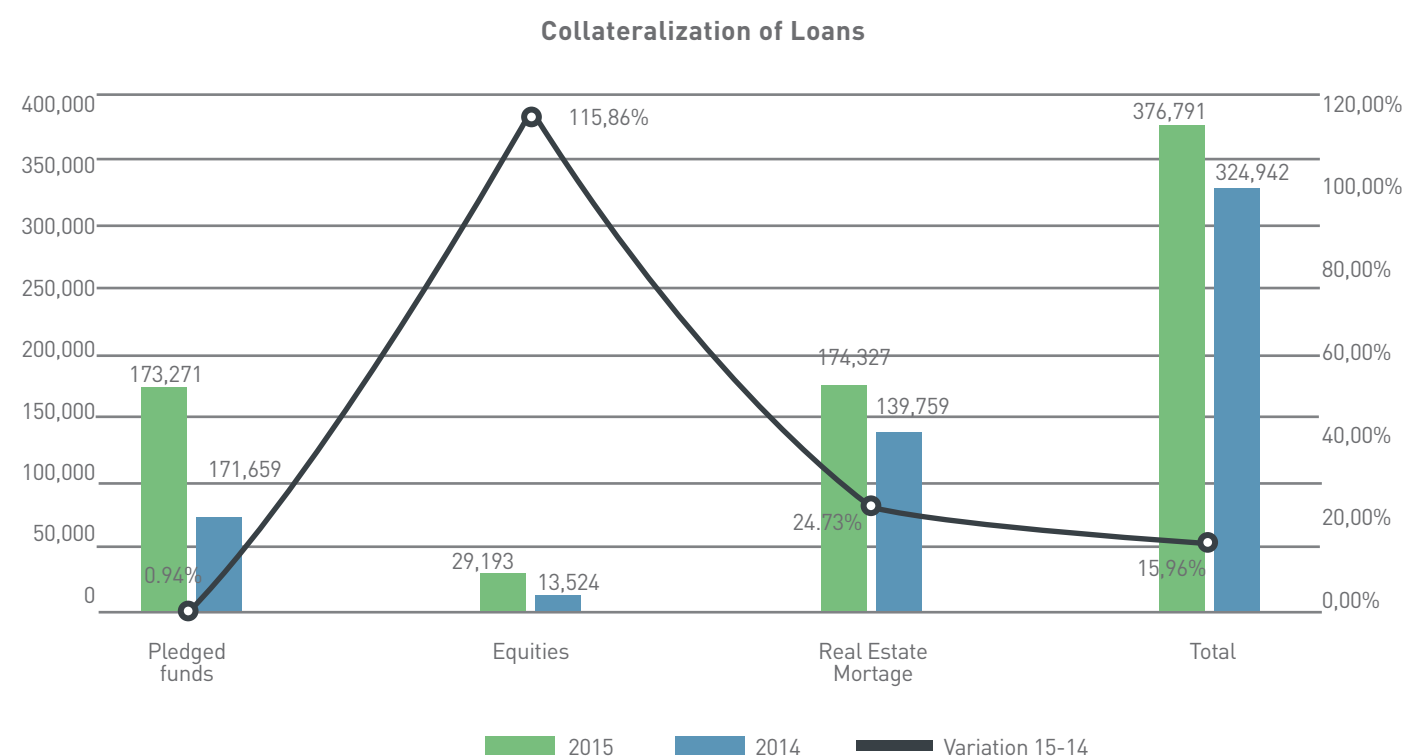
Building on the Bank's strategic direction to mainly service prime corporations (locally & regionally) – mainly top ranked tiers in each respective industry – the table above is an indication of the Target Market Criteria of client selection whereby more than 90% of the overall Loan & Advances exposure is allocated to corporate customers as at December 31, 2015.

The large changes occurring under Small and Medium Enterprises is mainly related to the change in the definition of such client category by the Central Bank of Lebanon during 2015 whereby the threshold previously applied being a maximum turnover of USD

5 mln was amended to become a maximum turnover of USD 10 mln.

Collateralization of Loans

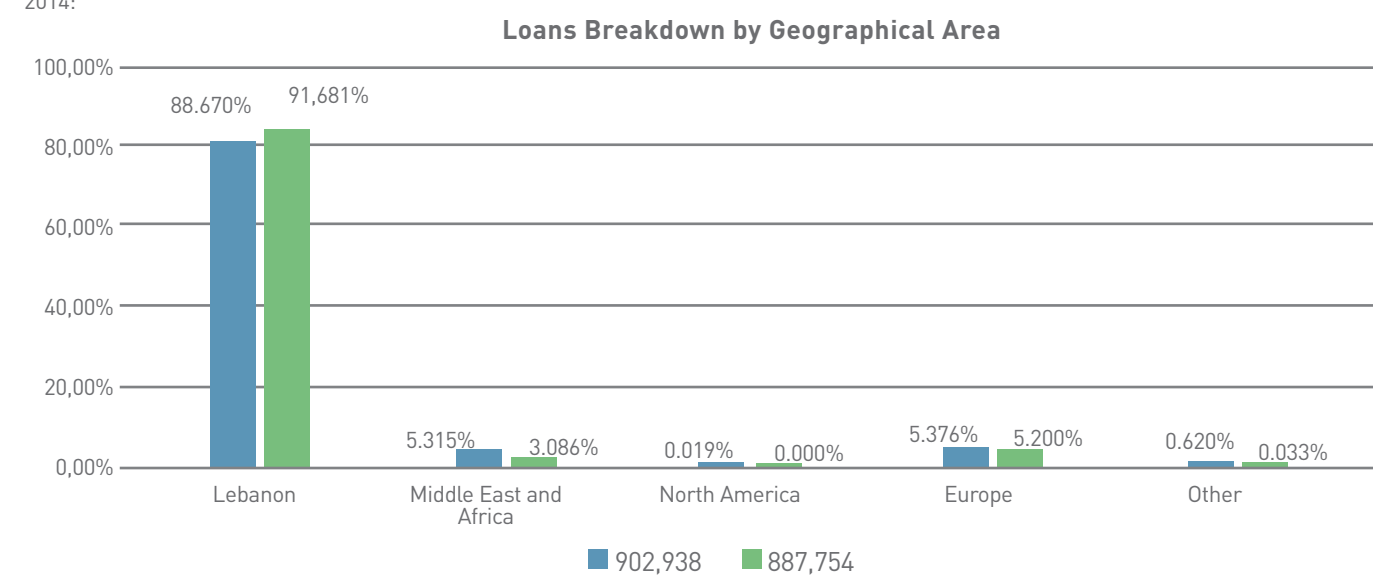
The following table sets forth the breakdown of the fair value of collateral held by the Bank covering the loans and advances granted to customers as at December 31, 2015 and 2014:



The chart above shows that the bank is still maintaining adequate coverage on loans and advances extended to customers.

Distribution of Loan Portfolio by Geographical Area

The following Graph shows the distribution of the Bank's Loan Portfolio (excluding related parties) by geographic area as at December 31, 2015 & 2014:



As per the breakdown of the above table, the main concentration in terms of the Loan Portfolio is in Lebanon where 88.68% of loans and advances are extended.

The following tables sets forth the breakdown of the Bank's investment securities portfolio, by classification (amortized cost and trading assets at fair value through profit or loss) as at December 31, 2015 and 2014:

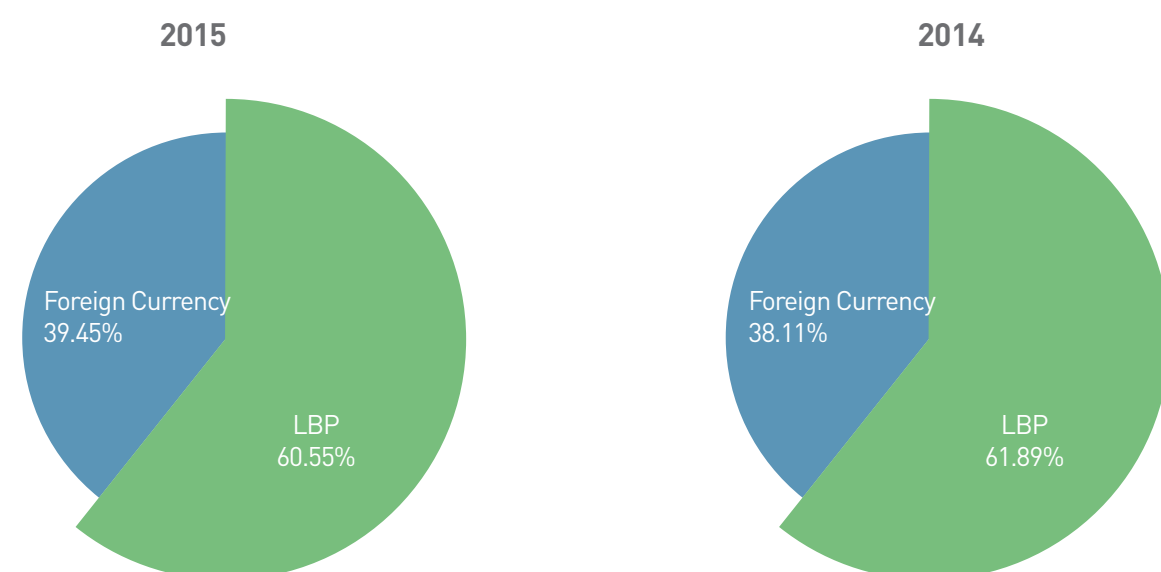
Million LBP	Audited 2015	Share	Audited 2014	Share
Quoted equity securities	5,406	21.03%	4,999	21.22%
Lebanese treasury bills	14,166	55.12%	9,117	38.70%
Foreign treasury bill	328	1.27%	-	-
Lebanese government bonds	608	2.37%	1,568	6.65%
Cert. of deposit issued by Central Bank	1,036	4.03%	5,177	21.97%
Cert. of deposit issued by comm. Banks	0	-	303	1.29%
Corporate Bonds	3,716	14.46%	2,036	8.64%
Accrued interest receivable	441	1.72%	360	1.53%
Total Trading Assets at FVTPL	25,701	100%	23,560	100%

Total Trading Assets at FVTPL reached LBP 25,701 million (US\$ 17.05 million) for the year 2015 compared to LBP 23,560 million (US\$ 15.63 million) in 2014 reflecting an increase of 9.09%.

61.52% of the latter assets are sovereign investments (Central Bank of Lebanon and Treasury Bills issued by the Lebanese Government) at the end of 2015 compared to 67.32 % at the end

of 2014. FVTPL assets represented respectively 1.05% and 1.06% of total assets at the end of 2015 and 2014.

With respect to the currency composition of Trading Assets at FVTPL, the latter was as follows as at December 31, 2015 and 2014:



The Graph above reveals that the share of LBP Base Balances accounted for 60.55% of total trading assets held at FVTPL in 2015 compared to 61.89% at the end of 2014. In comparison, the share

of Foreign Currency Base Balances increased from 38.11% in 2014 to 39.45% by the end of 2015.

Million LBP	Audited 2015	Share	Audited 2014	Share
Lebanese treasury bills	170,611	26.75%	206,628	40.27%
Lebanese government bonds	151,731	23.79%	78,135	15.23%
Cert. of deposit issued by Central Bank	270,385	42.38%	186,027	36.26%
Cert. of deposit issued by Comm. Bank	-	-	-	-
Corporate Bond	34,847	5.46%	33,522	6.53%
Accrued interest receivable	10,343	1.62%	8,791	1.71%
Total Financial Assets held at Amortized Cost	637,917	100%	513,103	100%
Financial assets at fair value through other comprehensive income	639		642	

Total Financial Assets held at Amortized Cost were equivalent to LBP 637,917 million (US\$ 423.16 million) for the year 2015 compared to LBP 513,103 million (US\$ 340.37 million) in 2014 growing by 24.33% year-on-year.

Around 50% of the latter assets are investments in Lebanese Treasury Bills and Government Bonds, while 42% are investments

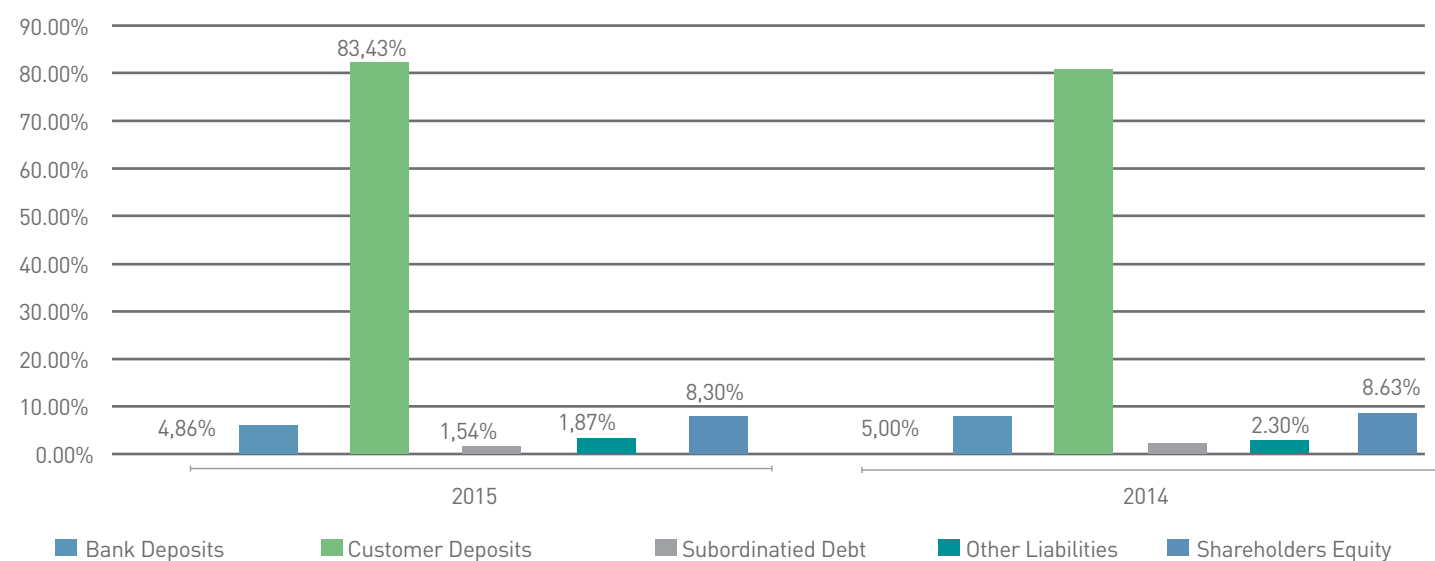
with the Central Bank of Lebanon (Certificates of Deposits) at the end of 2015. Total financial assets held at Amortized Cost represented respectively 26.10% and 23.07% of total assets at the end of 2015 and 2014.

With respect to the currency composition of Financial Assets held at Amortized Cost, the latter was as follows as at December 31, 2015 and 2014:



The table above reveals that the share of LBP Base Accounts accounted for 57.25% of total financial assets held at Amortized Cost in 2015 compared to 61.83% at the end of 2014. In comparison, the share of Foreign Currency Base Accounts increased to 42.75% in 2014 coming from 38.17% by the end of 2014.

It is to be noted that since 2003, the bank has documented an investment policy approved and reviewed regularly by ALCO and the Board of Directors detailing the investment strategy and subsequent asset allocation and limits in line with the Supervisory Authorities' prerogatives.



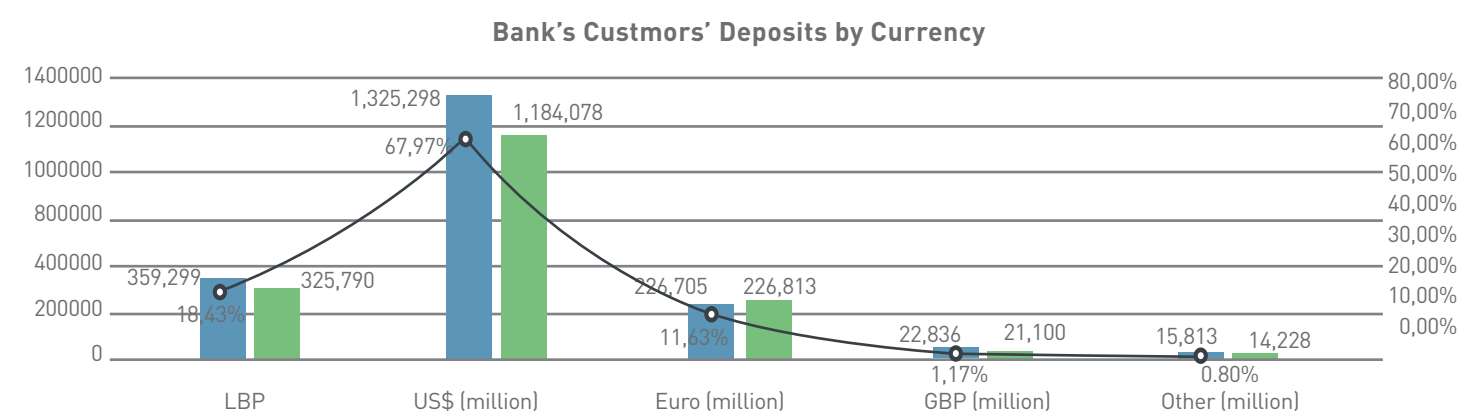
The Bank's funding resources continue to be mainly driven by customers' deposits accounting for 83.43% of the Bank's total liabilities at December 31, 2015, while the remaining are accounted for by bank deposits (4.86%), other liabilities (1.87%), subordinated debt (1.54%) and shareholders' equity (8.30%).

Time Deposits represent the largest portion of the Bank's deposits,

owing to the private/selective banking nature of the banking operations and the business model of the Bank.

The following graph details the breakdown of the Bank's Customers'

Deposits (excluding related parties deposits) by currency as at December 31, 2015 and 2014:



Customers' Deposits in Lebanese Pounds accounted for only 18.43% of total deposits as of December 31, 2015, with the remaining balance being in foreign currency deposits. Such an allocation, coupled with the relatively lower interest rates on foreign currency deposits resulted in an acceptable average cost of funds.

The average cost of funds on customers' deposits at amortized cost (including related party deposits) during the last 3 years was as follows:

Year	Average rate LBP(%)	Average rate FCY(%)
2015	6.17	2.86
2014	6.11	2.65

Customers' Deposits by Size (excluding related parties)

The following table sets forth the Bank's customers deposits (excluding related parties accounts) by size as of December 31, 2015 and 2014:

By size in LBP Million	2015 Audited			2014 Audited		
	Amount	%	% to total No. of customers	Amount	%	% to total No. of customers
← 200 million	157,993	8.10	74.08	160,702	9.06	75.44
200 million – 1.50 Billion	638,306	32.74	21.19	616,309	34.79	19.94
Over 1.5 Billion	1,153,652	59.16	4.73	994,997	56.15	4.62
Total	1,949,951	100%	100%	1,772,008	100%	100%

Customers' Deposits by Maturity

The following table sets forth the distribution of the Bank's customers' deposits by initial stated maturity as of December 31, 2015 and 2014:

Maturity	Audited			
	2015	%	2014	%
Accounts with no maturity	350,682	17.99	351,483	19.84
Up to 3 months	1,285,862	65.94	1,266,205	71.46
3 to 12 months	269,286	13.81	125,528	7.08
12 months and above	44,121	2.26	28,792	1.62
Total	1,949,951	100%	1,772,008	100%

Short-term deposits with maturities up to 3 months and accounts with no maturity accounted for around 84% of total customers' deposits while deposits with maturities of up to 12 months exceeded 97% of total customers' deposits as at December 31, 2015.

Capital and Capital Adequacy

The major current components of Tier One and Tier Two Capital of the Bank are as follows:

1. Eligible share capital: The issued and outstanding share capital of the Bank consists of 62 million nominative common shares authorized and fully paid with a par value of LBP 1,004 per share

and divided as follows:

Listed Shares: 51,400,000	Unlisted Shares: 10,600,000
------------------------------	--------------------------------

2. Preferred Shares Issuance of Year 2006: On June 1, 2006, the Bank issued preferred shares in the amount of USD 20 million (LBP 30 billion) on the basis of 200,000 shares at USD 100. The preferred shares are callable five years from the issuance data on June 1, 2011 and bear interest on a non-cumulative basis at an annual rate of 8%. After obtaining the approval of the Central Bank of Lebanon, the Bank exercised its right and called the preferred shares on June 30, 2014.

3. Subscriptions in Preferred Shares 2013: On December 19, 2013, the Bank offered preferred shares in the amount of USD35million (LBP52billion) in the basis of 350,000 shares at USD100. The preferred shares are perpetual and redeemable and bear interest on a non-cumulative basis at an annual rate of 7%. The investors had fully subscribed in the preferred shares offered on December 19, 2013, still the amount was recorded under "Escrow Account" as at December 31, 2013 awaiting the finalization of the issuance procedures with the Central Bank of Lebanon. On January 31, 2014 the procedures were finalized and the funds were liberated from the Central Bank of Lebanon.

5. Reserves: Reserves consist of the following as at December 31, 2015 and 2014:.

Million LBP	Audited	
	2015	2014
Legal reserve	5,048	3,518
Reserve for general banking risks	26,524	22,997
General reserve for performing loans	1,500	-
Reserve for assets acquired in satisfaction of loans	768	723
Reserve from disposal of assets acquired in satisfaction of loans	182	-
Other reserves	5,518	5,518
Total Reserves	39,540	32,756

Eligible reserves are created by accumulated appropriations of profits and are maintained for future growth, to reach 2% of total risk weighted assets in 2017. In accordance with the requirements of Lebanese Money and Credit Law, the Bank transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution. The reserve for general banking risks is constituted according to local banking regulations from income on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP 2.42 billion and LBP 20.57 billion, respectively, in proportion to the composition of the Group's total risk weighted

4. Shareholders' cash contribution to capital: This caption represents capital injection of USD 19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Bank's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital. This sort of equity instrument consists of non-refundable capital injection which could be converted into share capital and it has the advantage of being booked and maintained in foreign currencies which allows for hedging against national currency fluctuation

assets and off-balance sheet items. This reserve is not available for distribution.

6. Eligible retained earnings: This represents the accumulated undistributed profits.

7. Currency Translation Adjustments: This mainly represents the currency translation adjustment related to the investment in an associate incorporated in Syria where the carrying value was readjusted for the effect of prolonged decline in exchange of the Syrian Pound against the US Dollar caused by the ailing economic situation as a result of the hostilities initiated in 2011.

8. Subordinated Bonds (Tier II Capital): Subordinated bonds in the amount of USD25million (divided into 2,500 bonds of USD10,000 each) were issued on December 15, 2014 and mature on January 4, 2021 and are subject to an annual interest of 6% payable on December 31, and June 30, of each year.

Subordinated bonds in the amount of USD40million (divided into 4,000 bonds of USD10,000 each) were issued on May 30, 2009 and mature on June 30, 2014, and were subject to an annual interest of 7% payable on December 31 and June 30 of each year. The Bank fully paid the full issue of subordinated bonds on June 30, 2014.

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

Minimum capital requirements:

The Bank is subject to the capital adequacy requirements and guidelines as defined by the Central Bank of Lebanon which are based on the guidelines of the Basel Committee on Banking Supervision. In April 2006, the Central Bank of Lebanon (BDL) issued a circular (BDL Circular No 104) requiring banks in Lebanon to report their capital requirements according to the Basel II guidelines. On December 7th, 2011, BDL issued an intermediary circular No 282 related to solvency calculation in Lebanese commercial banks. The new requirements are a reflection of the amendments introduced by the Basel Committee following the financial crisis (namely Basel III) and cover the following (solely to be used for solvency calculation purposes):

- after conducting the necessary deductions as directed by BDL and BCC requirements, the new minimum solvency requirements will be as follows (to be achieved in a phased in approach)

Description	31/12/2012	31/12/2013	31/12/2014	31/12/2015
Common Equity Tier 1 Ratio	5%	6%	7%	8%[*]
Tier 1 Ratio	8%	8.5%	9.5%	10%[*]
Total Capital Ratio	10%	10.5%	11.5%	12% [*]

[*] including the Capital Conservation Buffer required by Basel Committee equivalent to 2.5%

Scope of Application of Central Banks Capital Adequacy Calculation

The name of the top corporate entity in the group, to which these regulations apply, is Banque BEMO SAL. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The following entities of the group are fully consolidated with the results of Banque BEMO SAL for regulatory purposes:

1. Bemo Securitization SAL (BSEC): This entity is 96% owned by the Bank. It is regulated by the Central Bank and Banking Control Commission and undertakes securitization transactions locally and structured finance deals

2. Ferticed Limited Holding (Bermuda): This entity is 100% owned by the Bank and is mainly involved in providing insurance services

3. Depository and Custody Company SAL: This entity is fully owned by the Bank and its subsidiary Bemo Securitization SAL and it undertakes depository and custody of securities activities.

There are no other group entities for regulatory purposes that are neither consolidated nor deducted.

4. Bemo Investment Firm Ltd: This entity is 75% owned by the Bank. It undertakes investment activities and is located in Dubai.

Eligible Capital for Solvency Calculation

Components of Eligible Capital	Audited	
	2015	2014
Common Equity Tier 1		
Common stock – Paid in Capital	62,248	62,248
Cash Contribution to Capital	29,105	29,105
Eligible Reserves	38,590	32,033
Retained Earnings	12,610	346
Minority Interests	199	224
Common Equity Tier 1	142,752	123,956
Less: Deductions/Regulatory Adjustments		
Less: Treasury Shares	(2,696)	(2,344)
Less: Intangible assets	(618)	(726)
Less: participations	(3,718)	(6,794)
NET Common Equity Tier 1	135,720	114,092
Additional Tier 1		
Perpetual, Non-Cumulative Preferred Shares	52,641	52,641
Less: Minority Interests	(199)	(224)
TOTAL Tier 1 (A)	188,162	166,509
Supplementary Capital – Tier 2		
Subordinated Bonds	37,688	37,718
TOTAL Tier 2 (B)	37,688	37,718
Total Eligible Capital (A+B)	225,850	204,227

Risk Weighted Assets composition:

The Capital Adequacy measurement after application of corresponding risk weights based on the aforementioned approaches is detailed in the following table:

Capital Adequacy	Audited	
	2015	2014
Credit Risk Weighted Assets – Standardized Approach	1,447,389	1,321,676
Sovereign Risk	380,917	278,284
Banks Risk	124,128	128,631
Public Sector Entities	3	3
Loans to Corporate Clients	512,488	515,168
Loans to SMEs	128,375	101,288
Other Retail Loans	23,523	19,489
Residential Loans	18,674	14,683
Commercial Real Estate Loans	164,160	171,811
Securitization	20,679	20,541
Non-Performing Loans	11,661	14,488
Other Assets	62,781	57,290
Market Risk Weighted Assets – Standard Measurement Approach	24,588	21,821
Interest Rate Risk (Trading Book)	11,460	9,128
Equity Price Risk (Trading Book)	10,813	9,999
FX Risk	2,315	2,694
Commodities Risk (Not applicable)		

Capital Adequacy	Audited	
	2015	2014
Operational Risk– Basic Indicator Approach	91,747	84,228
Total Risk Weighted Assets	1,563,724	1,428,337
Total Capital Ratio	14.44%	14.30%
Tier 1 Capital Ratio	12.03%	11.66%
Net Common Equity Tier 1	8.67 %	7.98%

The capital base is intended to act as buffer against the risks to which the Bank is exposed to and comprises the sum of Tier-1 and Tier-2 capital. The purpose of the Bank's capital management is to ensure the efficient use of capital in the light of the Bank's overall capital targets. The Bank takes the capital targets into account in the determination of its risk profile. This means that the capital level must be sufficient to cover both organic growth and current fluctuations in the risks taken on.

In addition, the bank has been performing regular stress tests since 2012 guided by the regulatory authorities to calculate the newly proposed liquidity ratio by the Basel Committee under the new capital standard (Basel III) namely the Liquidity Coverage Ratio (LCR). The liquidity position of the Bank is monitored by the Bank's ALCO,

which aims at minimizing risk, while ensuring the best use of funds in the prevailing economic conditions. The management's efforts with regards to the maturities of funding sources and uses are reflected in the Bank's satisfactory liquidity position. Similar to other banks in the sector, the Bank had negative maturity gaps concentrated in maturities of up to 3 months, while the maturity gaps were positive for maturities of more than 3 months. The table below summarizes the maturity profile of the Bank's assets and liabilities and the related maturity gaps for 2015 and 2014:

For LBP Base Accounts

Million LBP	Accounts with no maturity	Up to 3 months	From 3 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	Over 5 years
2015 maturity gap	60,395	(273,900)	(65,271)	66,590	80,267	202,482
2015 cumulative maturity gap	60,395	(213,505)	(278,776)	(212,186)	(131,919)	38,247
2014 maturity gap	36,351	(217,629)	(46,783)	47,491	69,170	175,509
2014 cumulative maturity gap	36,351	(181,278)	(228,061)	(180,570)	(111,400)	93,575

For Foreign Currency Base Accounts

Million LBP	Accounts with no maturity	Up to 3 months	From 3 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	Over 5 years
2015 maturity gap	435,706	(652,137)	(97,644)	69,224	182,401	194,769
2015 cumulative maturity gap	435,706	(216,431)	(314,075)	(244,851)	(62,450)	210,343
2014 maturity gap	362,216	(633,886)	91,695	104,337	137,734	65,727
2014 cumulative maturity gap	362,216	(271,670)	(179,975)	(75,638)	62,096	249,480

The basis of the remaining period at the relevant balance sheet date is mainly determinant of the contractual maturities of assets and liabilities not taking into consideration the effective maturities of many of the Bank's liabilities indicated by the track record of deposit retention at the Bank and subsequent continuous

availability of liquid funds. The Bank's foreign currency placements maintained with international banks carry a maturity of three months or less. Moreover, the Bank's loans and advances portfolio is mainly of a short-term nature.

problems for banks which were charged high rates of interest by the Central Bank on repurchase transactions to meet the funding cost of customer withdrawals. A number of developments have occurred in the market to mitigate the risk, including a trend of discouraging customers from breaking term deposits by increasing the associated costs. Customers are generally not permitted to withdraw time deposits prior to their maturity date and the cost of repurchase transactions is now generally passed on to the customers. In addition, the Bank has established the Interest Rate Risk Management Policy which provides for the governance of interest rate whereby sensitivity triggers are applied on earnings for the bank. Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of

Interest Rate Sensitivity

The Bank is exposed to interest rate risk as a result of mismatches in interest rate repricing of assets and liabilities and off-balance sheet items that mature or reprice in a given period. The ALCO monitors interest rate risk through the continual repricing of assets and liabilities on the basis of forecasted rates in both national and international markets, as well as through other traditional risk management strategies.

The Central Bank has in the past used interest rates to stabilize the money markets. In times of political uncertainty, some investors withdrew time deposits in Lebanese Pounds with a view of exchanging Lebanese Pounds for US Dollars. This situation created

extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate in an environment of rapid financial market changes.

The interest rate sensitivity position based on contractual re-pricing arrangements for 2015 and 2014 are shown in the table below (Earnings at Risk Impact for one year only):

Consolidated as at 31/12/2015 (Million LBP)	Less than 1 Month	From 1 to 3 Months	From 3 to 6 Months	From 6 to 12 Months
Total Assets	1,040,547	372,147	76,422	31,457
Total Liabilities	1,295,125	179,841	165,318	44,152
TOTAL	(254,578)	192,306	(88,896)	(12,695)
Term Position	235	(3,327)	128	-
PERIODIC GAP	(254,343)	188,979	(88,768)	(12,695)
CUMULATIVE GAP	(254,343)	(65,364)	(154,132)	(166,827)
Earnings at Risk - 2015	(212)	(217)	(1,156)	(2,502)

Consolidated as at 31/12/2014 (Million LBP)	Less than 1 Month	From 1 to 3 Months	From 3 to 6 Months	From 6 to 12 Months
Total Assets	1,053,836	327,567	137,604	49,656
Total Liabilities	1,505,184	249,659	83,761	61,350
TOTAL	(451,348)	77,908	53,843	(11,694)
Term Position	936	(237)	(1,431)	-
PERIODIC GAP	(450,412)	77,671	52,412	(11,694)
CUMULATIVE GAP	(450,412)	(372,741)	(320,329)	(332,023)
Earnings at Risk - 2014	(376)	(1,243)	(2,403)	(4,981)

The above shows that the effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Bank for the year ended December 31, 2015 is equivalent to LBP 2.50 billion increase/

decrease as compared to LBP 4.98 billion increase/decrease for the year ended December 31, 2014.

CONSOLIDATED FINANCIAL STATEMENT

Deloitte.

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To the Shareholders
Banque Bemo S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of BANQUE BEMO S.A.L. AND ITS SUBSIDIARIES (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of the existing banking laws in Lebanon. 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, we consider 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 Banque Bemo S.A.L. Group as of December 31, 2015 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May 11, 2016

DFK Fiduciaire du Moyen Orient

Deloitte & Touche
Deloitte & Touche

ASSETS	Notes	December 31	
		2015 LBP'000	2014 LBP'000
Cash and deposits with central banks	5	440,213,601	373,339,089
Deposits with banks and financial institutions	6	201,242,051	201,795,055
Financial assets at fair value through profit or loss	7	25,700,650	23,560,908
Loans to banks and financial institutions and reverse repurchase agreements	8	48,867,483	63,356,463
Loans and advances to customers	9	1,016,269,785	968,310,441
Loans and advances to related parties	10	1,855,871	1,364,224
Investment securities	11	638,556,400	513,744,517
Customers' liability under acceptances	12	25,296,152	31,980,838
Investments in an associate	13	17,645,342	18,860,293
Assets acquired in satisfaction of loans	14	2,046,944	2,259,705
Property and equipment	15	16,698,002	15,332,940
Intangible assets	16	618,201	726,239
Other assets	17	8,765,803	9,948,097
Total Assets		2,443,776,285	2,224,578,809

**FINANCIAL INSTRUMENTS WITH OFF-BALANCE
SHEET RISK:**

Documentary and commercial letters of credit	41	25,232,406	19,901,750
Guarantees and standby letters of credit		85,545,223	64,389,556
Forward exchange contracts		432,623,717	569,068,283

**FIDUCIARY DEPOSITS AND ASSETS UNDER
MANAGEMENT**

	42	40,387,852	20,547,094
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LIABILITIES	Notes	December 31	
		2015 LBP'000	2014 LBP'000
Deposits and borrowings from banks and financial institutions	18	111,351,617	104,971,005
Customers' accounts at amortized cost	19	1,949,950,909	1,772,008,426
Related parties' accounts at amortized cost	20	89,000,514	60,436,511
Acceptance liability	12	25,296,152	31,980,838
Other term borrowings	21	7,530,780	6,221,860
Other liabilities	22	14,032,979	12,061,102
Provisions	23	6,042,789	7,248,568
		2,203,205,740	1,994,928,310
Subordinated bonds	24	37,687,500	37,718,476
Total liabilities		2,240,893,240	2,032,646,786

EQUITY

Share capital	25	62,248,000	62,248,000
Treasury shares	25	(2,696,018)	(2,344,459)
Preferred shares	26	52,641,854	52,641,854
Shareholders' cash contribution to capital	27	29,104,984	29,104,984
Reserves	28	39,540,019	32,755,595
Retained earnings		25,795,153	22,205,984
Currency translation adjustment	13	(23,440,267)	(22,032,426)
Profit for the year	30	19,490,701	17,128,792
Equity attributable to the Group		202,684,426	191,708,324
Non-controlling interest	29	198,619	223,699
Total equity		202,883,045	191,932,023

Total Liabilities and Equity		2,443,776,285	2,224,578,809
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Consolidated Statement of Profit or Loss	Notes	Year Ended December 31,	
		2015 LBP'000	2014 LBP'000
Interest income	32	107,867,838	101,807,844
Interest expense	33	(72,425,574)	(64,919,000)
Net interest income		35,442,264	36,888,844
Fee and commission income	34	8,153,682	8,437,618
Fee and commission expense	35	(376,959)	(567,442)
Net fee and commission income		7,776,723	7,870,176
Net interest and other gains/(losses) on financial assets at fair value through profit or loss	36	6,706,383	4,858,999
Gain on exchange		2,527,958	1,930,269
Gain from derecognition of assets at amortized cost	11	2,575,456	1,856,492
Other operating income, (net)	37	4,562,827	5,827,584
Net financial revenues		59,591,611	59,232,364
Allowance for impairment of loans and advances and other receivables, (net)	9, 17	(212,875)	(262,838)
Write-back of provision/(provision for) collectively assessed loans, (net)	9	140,597	(928,807)
Net financial revenues after net impairment charge		59,519,333	58,040,719
Staff costs	38	(20,881,756)	(20,567,047)
Administrative expenses	39	(14,789,388)	(15,494,618)
Depreciation and amortization	15,16	(1,428,069)	(1,361,205)
Write-back of provision/(provision for) contingencies, net	23	1,071,567	(386,605)
		(36,027,646)	(37,809,475)
Profit before income tax		23,491,687	20,231,244
Income tax expense	22	(3,991,541)	(3,306,413)
Profit for the year	30	19,500,146	16,924,831
Attributable to:			
Equity holders of the Group		19,490,701	17,128,792
Non-Controlling interest		9,445	(203,961)
		19,500,146	16,924,831
Basic and diluted earning per shares	40	257/11	238/85

	Notes	Year Ended December 31,	
		2015 LBP'000	2014 LBP'000
Profit for the year		19,500,146	16,924,831
Other comprehensive income ("OCI")			
Items that may be reclassified subsequently to profit or loss:			
Loss arising from currency translation adjustment	13	(1,407,841)	(1,760,467)
Net other comprehensive loss for the year		(1,407,841)	(1,760,467)
Total comprehensive income for the year		18,092,305	15,164,364
Attributable to:			
Equity holders of the Group		18,082,860	15,368,325
Non-controlling interests		9,445	(203,961)
		18,092,305	15,164,364

Equity Attribute to the Group

	Capital	Treasury Shares	Preferred Shares	Advanced Payment on Subscription in Preferred Shares	Shareholder's Cash Contribution to Capital	Legal Reserve	Reserve for General Banking Risks	Free and Other Reserves	Reserve for Assets Acquired in Satisfaction of loans	Currency Translation Adjustment	Retained Earnings	Profit for the Year	Total	Non Controlling Interest	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at December 31, 2013	62,000,000	(2,197,625)	30,150,000	52,762,500	29,104,984	2,738,667	20,186,938	5,518,363	695,153	(20,271,959)	20,014,719	9,593,510	210,295,250	462,269	210,757,519
Total comprehensive income	-	-	-	-	-	-	-	-	-	(1,760,467)	-	17,128,792	15,368,325	(203,961)	15,164,364
Allocation of income for the year 2013	-	-	-	-	-	778,749	2,810,437	-	141,551	-	5,862,773	(9,593,510)	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	(111,646)	-	(111,646)	-	(111,646)
Sale of asset acquired in satisfaction of debt	-	-	-	-	-	-	-	-	(114,263)	-	-	-	(114,263)	-	(114,263)
Redemption of preferred shares - Note 26	-	-	(30,150,000)	-	-	-	-	-	-	-	-	-	(30,150,000)	-	(30,150,000)
Capital Increase - Note 25	248,000	-	-	-	-	-	-	-	-	-	(248,000)	-	-	-	-
Dividends paid - Note 30	-	-	-	-	-	-	-	-	-	-	(3,342,000)	-	(3,342,000)	-	(3,342,000)
Acquisition of treasury Shares (net) - Note 31	-	(146,834)	-	-	-	-	-	-	-	-	-	-	(146,834)	-	(146,834)
Issuance of preferred shares	-	-	52,641,854	(52,762,500)	-	-	-	-	-	-	-	-	(120,646)	-	(120,646)
Other	-	-	-	-	-	-	-	-	-	-	30,138	-	30,138	-	30,138
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,609)	(34,609)
Balance at December 31, 2014	62,248,000	(2,344,459)	52,641,854	-	29,104,984	3,517,416	22,997,375	5,518,363	722,441	(22,032,426)	22,205,984	17,128,792	191,708,324	223,699	191,932,023
Total comprehensive income	-	-	-	-	-	-	-	-	-	(1,407,841)	-	19,490,701	18,082,860	9,445	18,092,305
Allocation of income for the year 2014	-	-	-	-	-	1,530,675	3,526,500	1,614,263	112,986	-	10,314,368	(17,128,792)	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	34,609	-	34,609	(34,609)	-
Disposal of asset acquired in satisfaction of loans -Note14	-	-	-	-	-	-	-	67,817	(67,817)	-	-	-	-	-	-
Dividends paid - Note 31	-	-	-	-	-	-	-	-	-	-	(6,793,375)	-	(6,793,375)	-	(6,793,375)
Acquisition of treasury shares (net) - Note 25	-	(351,559)	-	-	-	-	-	-	-	-	-	-	(351,559)	-	(351,559)
Other	-	-	-	-	-	-	-	-	-	-	3,567	-	3,567	84	3,651
Balance at December 31, 2015	62,248,000	(2,696,018)	52,641,854	-	29,104,984	5,048,091	26,523,875	7,200,443	767,610	(23,440,267)	25,795,153	19,490,701	202,684,426	198,619	202,883,045

Consolidated statement of Cashflows	Notes	Year Ended December 31,	
		2015 LBP'000	2014 LBP'000
Cash flows from operating activities:			
Profit before tax		23,491,687	20,231,244
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Prior period adjustment		34,919	30,138
Proceeds from sale of assets acquired in satisfaction of debt		1,020,577	1,591,026
Gain from disposal of assets acquired in satisfaction of loans	37	(807,816)	(1,019,712)
Depreciation and amortization	15,16	1,428,069	1,361,205
Provision for contingencies	23	960,305	386,605
Write back of provision for contingencies	23	(2,031,872)	-
Write-back of provision/(provision for) collectively assessed loans, (net)	9	(140,597)	928,807
Allowance for impairment of loans and advances and other receivables, (net)	9, 17	212,875	262,838
Non-controlling interest		(34,525)	(34,609)
Provision for employees' end-of-service indemnities	23	378,854	642,184
Unrealized loss/(gain) on financial assets at fair value through profit or loss trading securities	36	162,251	(85,785)
Equity(income)/loss from investment in associates	37	(189,633)	86,882
Gain from sale of property and equipment		(39,809)	(26,314)
Increase in deposits with banks and financial institutions		(15,115,289)	(84,989,735)
(Increase)/decrease in trading assets at fair value through profit or loss		(2,552,063)	20,553,635
Increase in loans and advances to customers and related parties		(57,869,535)	(104,848,565)
Net decrease in other assets		1,096,576	128,408
Increase in non-interest earning compulsory reserve and deposits with central banks		(41,734,228)	(36,437,132)
Increase in due to banks and financial institutions		10,037,538	12,662,777
Increase in customers' and related parties' deposits at amortized cost		232,283,844	33,265,062
Increase in provisions		-	61,785
Net increase/(decrease) in other liabilities		402,960	(8,561,899)
Settlements of provision for contingencies	23	(137,183)	-
Settlement of employees' end-of-service indemnity	23	(365,708)	(143,857)
Taxes paid		(2,365,179)	(1,413,227)
Others (including effect of exchange rate changes)		(4,712,893)	(3,792,371)
Net cash provided by/(used in) operating activities		143,414,125	(149,274,873)
Cash flows from investing activities:			
Investment securities		(124,998,400)	50,808,518
Acquisition of treasury shares (net)		(351,559)	(146,834)
Property and equipment	15	(2,537,569)	(1,665,019)
Proceeds from sale of property and equipment		50,665	78,183
Intangible assets	16	(158,380)	(329,911)
Net cash (used in)/provided by investing activities		(127,995,243)	48,744,937
Cash flows from financing activities:			
Dividends paid	31	(6,793,375)	(3,342,000)
Preferred shares		-	(30,270,646)
Subordinated Bonds		(30,976)	(22,603,643)
Net cash used in financing activities		(6,824,351)	(56,216,289)
Effect of exchange rates changes on cash and cash equivalents - Beginning of year		1,945,189	1,453,927
Net increase/(decrease) in cash and cash equivalents		10,539,720	(155,292,298)
Cash and cash equivalents - Beginning of year		185,022,090	340,314,388
Cash and cash equivalents - End of year	44	195,561,810	185,022,090

1. GENERAL INFORMATION

Banque BEMO S.A.L. (the "Bank") is a Lebanese joint-stock company listed on the Beirut Stock Exchange and registered in the Commercial Register under Number 17837 and on the list of banks published by the Central Bank of Lebanon under Number 93. The Bank's headquarters are located in Beirut.

The Bank provides a full range of commercial, corporate and private banking activities through a network of 9 branches in Lebanon in addition to a branch in Limassol, Cyprus.

Banque BEMO S.A.L. is owned by Sharikat AL Istismarat AL Oropia Lil Shareq AL Aousat (Holding) S.A.L. to the extent of 61.06%.

These financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group") Refer to Note 3(A).

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 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 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 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.	January 1, 2018

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

New and revised IFRSs	Effective for Annual Periods Beginning on or After
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.	
• FRS 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
<p>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:</p> <ul style="list-style-type: none">• Step 1: Identify the contract(s) with a customer.• Step 2: Identify the performance obligations in the contract.• Step 3: Determine the transaction price.• Step 4: Allocate the transaction price to the performance obligations in the contract.• Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation. <p>Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p>	
<ul style="list-style-type: none">• 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 is associate or joint venture.	Effective Date deferred indefinitely
<ul style="list-style-type: none">• IFRS 16 Leases <p>IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p>	January 1, 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement

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

- Financial assets and liabilities at fair value through profit or loss are measured at fair value.
- Equity securities at fair value through other comprehensive income are measured at fair value.
- Derivative financial instruments are measured at fair value.

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

The principal accounting policies adopted are set out below:

A.Basis of Consolidation:

The consolidated financial statements of Banque BEMO S.A.L. incorporate the financial statements of the Bank and the entities controlled by the Bank and its subsidiaries.

Control is achieved when the Bank:

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

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

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

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

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

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

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

All intra-group assets and liabilities, equity, income, expenses

and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;

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

The consolidated subsidiaries as at December 31, 2015 comprise:

Company	Country of Incorporation	Date of Acquisition or Incorporation	Percentage of Ownership		Business Activities
			2015	2014	
			%	%	
Bemo Securitization S.A.L.	Lebanon	1998	96.00	96.00	Securitization & Structured Finance
Ferticed Limited Holding	Bermuda	1995	100.00	100.00	Holding Company
Depository & Custody Company S.A.L.	Lebanon	2007	99.90	99.90	Depository and custody of securities
Bemo Investment Firm Ltd.	Dubai	2013	75.00	75.00	Investment

B. Business Combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-

related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

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

Goodwill is measured as the excess of the sum of the

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting

dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

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

C. Foreign Currencies:

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s 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 U.S. Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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

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

Cash flows provided by and used in foreign currencies under various activities, as included in the statement of cash flows, are converted into Lebanese Pounds at year-end exchange rates, except for cash and cash equivalents at the beginning of the year

which is converted at the prior year closing exchange exchange rates and the effect of currency fluctuation, if any, is disclosed separately.

D. Financial Assets and Liabilities:

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.

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

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.

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.

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.

Offsetting:

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

Fair Value Measurement 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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

Impairment of Financial Assets:

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or

- significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets which impacted the estimated future cash flows of the investment.

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

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

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

Collateral Valuation:

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

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market value

are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties, such as independent accredited experts and other independent sources.

E.Classification of Financial Assets:

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

Debt Instruments:

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

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity Instruments:

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for

trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

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

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

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

A financial asset is held for trading if:

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

Reclassification:

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

Reclassification is not allowed where:

- the 'other comprehensive income' option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

Designation at Fair Value through Profit and Loss:

The Group designates financial assets and liabilities at fair value through profit or loss when either:

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

F.Loans and Advances:

Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not held for trading. Loans and advances are measured at amortized cost net of unearned interest and provision for credit losses where applicable. Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

G. Financial Liabilities and Equity Instruments Issued by the Group:**Classification as Debt or Equity:**

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

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

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

Financial Liabilities at Fair Value Through Profit or Loss:

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

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

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

Financial Liabilities Subsequently Measured at Amortized Cost:

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

Financial Guarantee Contract Liabilities:

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

H. Derivative Financial Instruments:

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

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

Embedded Derivatives:

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

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

Hedge Accounting:

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

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

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the

hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

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

Cash Flow Hedge

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

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

Hedges of Net Investments in Foreign Operations:

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the

hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

I. Investments in Associates:

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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

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

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

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

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

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

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

J. Property and Equipment:

Property and equipment are stated at historical cost, 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, over the estimated useful lives of the related assets. Depreciation is calculated systematically using the straight-line method on the basis of the following annual rates:

	Rate %
Property	2.5
Furniture and fixtures	7.5 to 8
Equipment	10 to 12
Computer hardware	20
Installations and leasehold improvements	15 to 20
Vehicles	12 to 20

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives estimated at five years.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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.

K. Intangible Assets:

Intangible assets are stated at cost less any accumulated impairment loss. Intangible assets, other than goodwill consist of computer software and are amortized over a period of 5 years and are subject to impairment testing.

L. Assets acquired in satisfaction of loans :

Policy applicable to Lebanese Group entities: Real estate properties acquired through the enforcement of collateral over loans and advances are stated at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities which 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 reflected in equity.

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

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

M. Impairment of Tangible and Intangible Assets:

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment provision required, if any.

Recoverable amount is defined as the higher of:

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

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

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

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

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

The impairment loss is charged to income.

N. Employees’ Benefits:

Obligations for contributions to defined employees’ benefits are recognized as an expense on a current basis.

Employees’ End-of-Service Indemnities: (Under the Lebanese Jurisdiction)

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were terminated at the statement of financial position date. This

provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund and interest accrued by the Fund.

Defined Benefit Plans: (Under other jurisdictions)

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

O. Provisions:

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

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

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

P. 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 discount or premium.

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

-Interest on financial assets and liabilities at amortized cost.

-Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

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

-Interest income and expense on the trading portfolio.

-Dividend income on the trading equities.

-Realized and unrealized gains and losses on the trading portfolio.

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

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

-Dividend income.

-Realized and unrealized fair value changes.

-Foreign exchange differences.

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 presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

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.

Revenue from securitization contracts is recognized based on the following:

-Where the outcome of a securitization contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the financial position date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

-Where the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately

Q. Operating Lease Agreements:

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

R. Treasury Shares:

Treasury shares are stated at cost. Any gain or loss on sale is reflected as an adjustment to retained earnings.

S. Fiduciary Deposits:

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

T. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized

in other comprehensive income (OCI), in which case it is recognized in OCI.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U. Earnings Per Share:

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

V. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with original contractual maturities of three months or less and include: cash and balances with the Central Banks and deposits with banks and financial institutions.

W. Dividends on Ordinary Shares:

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Going Concern:

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

Classification of Financial Assets:

Business Model:

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

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

the Group considers:

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

Characteristics of the Financial Asset:

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

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

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

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

- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- 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 statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Allowances for Credit Losses:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances, balances placed with banks and other accounts receivable 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 the advances and the value of collateral and potential repossession.

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

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

Impairment of investment associates:

The Group assesses at each reporting date whether there is indication that an investment may be impaired. If any indication exists the Group estimates the investment's recoverable amount. When the cost of the investment exceeds the recoverable amount, the investment is considered impaired and a provision

for impairment is setup representing the difference between the investment's recoverable amount and its carrying value. The provision is charged to the consolidated statement of profit or loss.

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3D. For financial instruments that traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending

on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31,	
	2015	2014
	LBP'000	LBP'000
Cash on hand	9,585,724	9,657,758
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP43.8billion in 2015 and LBP35.7billion in 2014)	109,315,294	62,718,566
Current accounts with other central banks	314,758	387,206
Term placements with Central Bank of Lebanon	319,257,280	288,476,580
Blocked account with other central banks	-	10,552,500
Accrued interest receivable	1,740,545	1,546,479
	440,213,601	373,339,089

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

Cash compulsory reserves with Central Bank of Lebanon represent non-interest earning deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions in accordance with the local banking regulations.

Current accounts with other central banks include the equivalent in Euro of LBP276million as at December 31, 2015 (LBP375million as at December 31, 2014) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2014) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

Term placements with Central Bank of Lebanon include an amount of LBP247billion as at December 31, 2015 (LBP239billion as at December 31, 2014) representing the equivalent in foreign currencies of amounts deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and borrowings obtained from non-resident financial institutions.

Blocked account with other central banks as at December 31, 2014 represented an amount of USD7million (LBP10.5billion) deposited with Central Bank of Iraq as the Group was in view of opening 2 branches there. In its meeting held on December 5, 2014, the Board of Directors decided to seize the opening of the branches in the said country. During 2015, the Group notified the Central Bank of Iraq of their withdrawal and procedures were carried out to release the blocked amount.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2015	2014
	LBP'000	LBP'000
Checks in course of collection	19,477,736	17,405,005
Current accounts	48,455,562	43,906,726
Current accounts - related parties	4,912,781	4,754,601
Term placements	54,917,403	72,335,536
Term placements - related parties	644,380	-
Margin accounts	72,742,005	63,262,783
Accrued interest receivable	92,184	130,404
	201,242,051	201,795,055

Deposits with banks and financial institutions include deposits in the amount of LBP2.95billion subject to right of set-off by the related correspondents against trade finance and other facilities at 2015 year end (LBP7.35billion against trade finance and other facilities as at December 31, 2014).

Margin accounts and pledged deposits are blocked against trade finance and treasury transactions and banking facilities (Refer to Note 45).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2015			December 31, 2014		
	LBP Base Account	Foreign Currency Base Account	Total	LBP Base Account	Foreign Currency Base Account	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	5,406,294	5,406,294	-	4,999,322	4,999,322
Lebanese treasury bills	14,166,027	-	14,166,027	9,116,581	-	9,116,581
Foreign Governments treasury bills	-	327,681	327,681	-	-	-
Lebanese Government bonds	-	608,062	608,062	-	1,568,252	1,568,252
Certificates of deposit issued by the Central Bank of Lebanon	1,036,083	-	1,036,083	5,177,442	-	5,177,442
Certificates of deposit issued by banks	-	-	-	-	303,008	303,008
Corporate bonds	-	3,715,581	3,715,581	-	2,036,346	2,036,346
Accrued interest receivable	358,275	82,647	440,922	288,477	71,480	359,957
	15,560,385	10,140,265	25,700,650	14,582,500	8,978,408	23,560,908

The negative change in fair value of financial assets at fair value through profit or loss in the amount of LBP162million (gain of LBP86million in 2014) is recorded under "Net interest and other

gains/(losses) on financial assets at fair value through profit or loss" (Note 36) in the consolidated statement of profit or loss

8. LOANS TO BANKS AND FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS

	December 31,	
	2015	2014
	LBP'000	LBP'000
Discounted letters of credit and acceptances	8,240,056	7,120,671
Loans to a resident financial institution (a)	25,627,500	25,627,500
Loans under reverse repurchase agreements (b)	14,814,474	30,114,807
Accrued interest on reverse repurchase agreements	185,453	493,485
	48,867,483	63,356,463

(a) Loans to a resident financial institution comprise a 1 year term loan in the amount of USD10million (LBP15billion) secured by a pledged deposit in Lebanese Pounds amounting to LBP15billion. This 1 year term loan originated in December 2012 and is being renewed on a yearly basis. It is subject to a fixed annual interest rate of 4% and is payable in one installment at final maturity date (Refer to Note 18).

During February 2014, the Group granted the same resident financial institution an additional 1 year term loan in the amount of USD7million (LBP10.6billion) under the same terms and conditions. This loan is also secured by a pledged deposit in Lebanese Pounds amounting to LBP10.5billion. The loan was renewed at maturity under the same terms and conditions (Refer to Note 18).

Interest income for the year ended December 31, 2015 amounted to LBP1.1billion recorded under interest income in the accompanying

consolidated statement of profit or loss (LBP977million for the year ended December 31, 2014) (Refer to Note 32).

(b) Loans under reverse repurchase agreement represent short term loans granted to a resident financial institution. These loans are secured by certificates of deposit in USD issued by the Central Bank of Lebanon in the amount of USD20million (LBP30.15billion) as at December 31, 2015 (Loans outstanding as at December 31, 2014 and maturing during the first half of 2015 were secured by USD certificates of deposit issued by the Central Bank of Lebanon in the amount of USD20million (LBP30.1billion)). Interest income for the year ended December 31, 2015 amounted to LBP1.6billion recorded under interest income in the accompanying consolidated statement of profit or loss (LBP434million for the year ended December 31, 2014) (Refer to Note 32).

9. LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2015				December 31, 2014			
	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount	Gross Amount Net of Unearned Interest	Unrealized Interest	Allowance for Impairment	Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Retail customers:								
-Mortgage loans	52,883,643	-	-	52,883,643	39,978,472	-	-	39,978,472
-Personal loans	11,372,989	-	-	11,372,989	6,578,394	-	-	6,578,394
-Overdrafts	28,470,701	-	-	28,470,701	17,571,158	-	-	17,571,158
-Other	7,634,588	-	-	7,634,588	6,928,086	-	-	6,928,086
Performing Corporate customers:								
-Large enterprises	621,480,879	-	-	621,480,879	706,287,488	-	-	706,287,488
-Small and medium enterprises	288,192,657	-	-	288,192,657	184,275,931	-	-	184,275,931
Non performing - Retail Customers:								
-Bad and doubtful	410,337	(211,580)	(198,757)	-	391,837	(175,960)	(215,871)	6
Non performing- Corporate Customers:								
-Substandard	8,729,688	(1,031,991)	(753,750)	6,943,947	9,904,902	(381,244)	-	9,523,658
-Bad and doubtful	8,260,432	(3,374,525)	(4,638,695)	247,212	6,817,999	(3,241,553)	(3,172,687)	403,759
Allowance for impairment for collectively assessed loans:								
- Corporate loans	-	-	(2,095,422)	(2,095,422)	-	-	(4,371,750)	(4,371,750)
- Retail loans	-	-	(34,460)	(34,460)	-	-	(24,307)	(24,307)
Accrued interest receivable	1,173,051	-	-	1,173,051	1,159,546	-	-	1,159,546
	1,028,608,965	(4,618,096)	(7,721,084)	1,016,269,785	979,893,813	(3,798,757)	(7,784,615)	968,310,441

The movement of collective provisions during the year ended December 31, 2015 and 2014 is summarized as follows:

	2015	2014
	LBP'000	LBP'000
Balance January 1	4,396,057	3,467,250
Additions	763,903	928,807
Write-back	(904,500)	-
Transfer to allowance for impairment of loans and advances	(2,125,578)	-
Balance December 31	2,129,882	4,396,057

During 2015 the Banking Control Commission approved the write-back of collective provisions in the amount of USD600,000 (LBP905million) that shall be reallocated under general reserves set up against the Bank's loan portfolio.

During 2015, the Bank set up a collective provision on its loan portfolio in the amount of USD506,735 (LBP764million).

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

	2015			
	Substandard Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	9,904,902	(381,244)	-	9,523,658
Withdrawals on existing loans	17,589	-	-	17,589
Additions to unrealized interest	792,687	(792,687)	-	-
Additions to allowance for impairment	-	-	(753,750)	(753,750)
Transfer to doubtful and bad debt	(1,918,416)	147,473	-	(1,770,943)
Transfer from unearned to unrealized interest	-	(10,191)	-	(10,191)
Write-off	(67,074)	4,658	-	(62,416)
Balance December 31	8,729,688	(1,031,991)	(753,750)	6,943,947

2014

	Substandard Loans	Unrealized Interest	Net Book Value
	LBP'000	LBP'000	LBP'000
Balance January 1	989,268	(66,981)	922,287
Downgraded from performing loans	9,316,791	-	9,316,791
Settlements	(706,808)	-	(706,808)
Additions to unrealized interest	315,618	(314,776)	842
Write back of unrealized interest	(9,967)	513	(9,454)
Balance December 31	9,904,902	(381,244)	9,523,658

During 2015, the Group setup allowance for impairment for substandard loans in the amount of USD500,000 (LBP754million). The movement of doubtful, and bad loans and related unrealized

interest and allowance for impairment during 2015 and 2014 is summarized as follows:

	2015				2014			
	Rescheduled, Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value	Rescheduled, Doubtful and Bad Loans	Unrealized Interest	Allowance for Impairment	Net Book Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	7,209,836	(3,417,513)	(3,388,558)	403,765	6,511,347	(2,793,971)	(3,308,015)	409,361
Downgraded from regular loans	387,499	-	-	387,499	463,294	-	-	463,294
Withdrawals on existing doubtful loans	41,443	-	-	41,443	55,426	-	-	55,426
Settlement of loans	(911,882)	-	-	(911,882)	(304,196)	-	-	(304,196)
Additions to unrealized interest and allowance for impairment	998,574	(998,574)	(34,745)	(34,745)	779,205	(779,205)	(563,260)	(563,260)
Transfer from collective provision for loan impairment	-	-	(2,125,578)	(2,125,578)	-	-	-	-
Write-back	-	135,686	586,333	722,019	-	23,686	310,725	334,411
Write-off	(774,961)	737,886	37,075	-	(84,095)	22,665	173,910	112,480
Downgraded from substandard loans	1,918,416	(147,473)	-	1,770,943	-	-	-	-
Effect of exchange rates changes	(198,156)	103,883	88,021	(6,252)	(211,145)	109,312	(1,918)	(103,751)
Balance December 31	8,670,769	(3,586,105)	(4,837,452)	247,212	7,209,836	(3,417,513)	(3,388,558)	403,765

10. LOANS AND ADVANCES TO RELATED PARTIES

	December 31,	
	2015	2014
	LBP'000	LBP'000
Retail loans	1,413,979	1,090,474
Overdrafts to corporates	441,892	273,750
	1,855,871	1,364,224

Loans and advances to related parties are partially secured (Refer to Note 43).

11. INVESTMENT SECURITIES

	December 31, 2015			December 31, 2014		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets at fair value through other comprehensive income	615,120	24,082	639,202	615,120	26,820	641,940
	615,120	24,082	639,202	615,120	26,820	641,940
Financial assets at amortized cost (A)	358,231,747	269,342,207	627,573,954	311,575,529	192,736,023	504,311,552
Accrued interest receivable	6,975,357	3,367,887	10,343,244	5,692,541	3,098,484	8,791,025
	365,207,104	272,710,094	637,917,198	317,268,070	195,834,507	513,102,577
	365,822,224	272,734,176	638,556,400	317,883,190	195,861,327	513,744,517

A. Financial assets at amortized cost are broken down as follows:

	December 31, 2015					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accured Interest Receivable	Amortized Cost	Fair Value	Accured Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	170,611,032	175,665,881	2,487,541	-	-	-
Lebanese Government bonds	-	-	-	151,730,640	148,936,447	2,045,470
Certificates of deposit issued by the Central Bank of Lebanon	187,620,715	188,991,707	4,487,816	82,764,034	83,168,775	1,021,932
Corporate bonds	-	-	-	34,847,533	34,831,549	300,485
	358,231,747	364,657,588	6,975,357	269,342,207	266,936,771	3,367,887

	December 31, 2014					
	LBP Base Accounts			C/V of F/Cy Base Accounts		
	Amortized Cost	Fair Value	Accured Interest Receivable	Amortized Cost	Fair Value	Accured Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	206,627,905	211,700,048	3,098,949	-	-	-
Lebanese Government bonds	-	-	-	78,134,242	76,259,198	1,421,818
Certificates of deposit issued by the Central Bank of Lebanon	104,947,624	105,856,698	2,593,592	81,079,537	82,908,526	1,262,640
Corporate bonds	-	-	-	33,522,244	33,520,912	414,026
	311,575,529	317,556,746	5,692,541	192,736,023	192,688,636	3,098,484

The remaining periods to maturity of financial assets at amortized cost, denominated in **Lebanese Pounds** excluding accrued interest, are as follows:

December 31, 2015				
LBP Base Accounts				
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
-1 year to 3 years	68,430,000	69,626,783	72,588,862	7.57
-3 years to 5 years	71,700,000	72,645,938	74,223,538	7.58
-Beyond 5 years	27,516,350	28,338,311	28,853,481	8.00
	167,646,350	170,611,032	175,665,881	
Certificates of deposit issued by the Central Bank of Lebanon:				
-Up to 1 year	14,000,000	14,217,209	14,375,087	8.37
-3 years to 5 years	11,000,000	11,147,561	11,363,482	7.50
-5 years to 10 years	57,000,000	58,995,975	59,749,736	7.96
-Beyond 10 years	94,000,000	103,259,970	103,503,402	8.23
	176,000,000	187,620,715	188,991,707	
	343,646,350	358,231,747	364,657,588	
December 31, 2014				
LBP Base Accounts				
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:				
-Up to one year	18,550,000	18,633,730	18,704,694	6.85
-1 year to 3 years	35,955,000	36,837,550	38,739,470	7.52
-3 years to 5 years	68,975,000	70,510,213	71,379,045	7.52
-Beyond 5 years	79,475,010	80,646,412	82,876,839	7.85
	202,955,010	206,627,905	211,700,048	
Certificates of deposit issued by the Central Bank of Lebanon:				
-1 year to 3 years	16,000,000	16,507,859	16,651,449	8.24
-5 years to 10 years	60,000,000	61,554,701	62,310,910	7.84
-Beyond 10 years	26,000,000	26,885,064	26,894,339	8.45
	102,000,000	104,947,624	105,856,698	
	304,955,010	311,575,529	317,556,746	

The remaining periods to maturity of financial assets at amortized cost, denominated in **Foreign Currencies** excluding accrued interest, is as follows:

December 31, 2015				
F/Cy Base Accounts				
Contractual Maturity	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
-1 year to 3 years	33,323,829	33,903,255	33,001,233	6.59
-3 years to 5 years	32,260,500	32,929,532	32,589,316	5.90
-5 years to 10 years	39,686,445	40,247,355	38,582,630	6.52
-Beyond 10 years	44,597,880	44,650,498	44,763,268	6.80
	149,868,654	151,730,640	148,936,447	
Certificates of deposit issued by the Central Bank of Lebanon:				
-3 years to 5 years	7,537,500	7,537,500	7,537,500	6.20
-5 years to 10 years	63,616,500	67,538,542	67,943,025	6.43
-Beyond 10 years	7,537,500	7,687,992	7,688,250	6.63
	78,691,500	82,764,034	83,168,775	
Corporate Bonds:				
-Up to 1 year	184,838	184,838	184,838	7.00
-1 year to 3 years	12,572,550	12,572,550	12,572,550	6.13
-3 years to 5 years	780,048	780,048	780,048	7.00
-5 years to 10 years	21,347,629	21,310,097	21,294,113	5.80
	34,885,065	34,847,533	34,831,549	
	263,445,219	269,342,207	266,936,771	

Contractual Maturity	December 31, 2014			
	F/Cy Base Accounts			
	Nominal Value	Amortized Cost	Fair Value	Yield
	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:				
-Up to 1 year	11,147,963	11,415,503	11,292,885	8.30
-1 year to 3 years	25,770,713	27,374,511	26,686,103	7.82
-3 years to 5 years	26,607,917	26,496,706	25,492,109	5.14
-5 years to 10 years	9,135,450	9,791,815	9,758,026	6.73
-Beyond 10 years	3,015,000	3,055,707	3,030,075	6.17
	75,677,043	78,134,242	76,259,198	
Certificates of deposit issued by the Central Bank of Lebanon:				
-Up to one year	48,662,100	49,587,020	51,401,776	9.81
-5 years to 10 years	30,150,000	31,492,517	31,506,750	6.43
	78,812,100	81,079,537	82,908,526	
Corporate Bonds:				
-Up to 1 year	1,507,500	1,507,500	1,507,500	7.00
-1 year to 3 years	6,859,125	6,859,125	6,859,125	5.85
-3 years to 5 years	7,371,675	7,373,007	7,371,675	6.67
-Beyond 10 years	17,782,612	17,782,612	17,782,612	5.84
	33,520,912	33,522,244	33,520,912	
	188,010,055	192,736,023	192,688,636	

The movement of financial assets at amortized cost, denominated in **Lebanese Pounds** excluding accrued interest, is summarized as follows:

	2015		
	Lebanese Treasury Bills	Certificates of Deposit Issued by the Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	206,627,905	104,947,624	311,575,529
Additions	15,540,000	103,000,000	118,540,000
Redemptions	(18,550,000)	-	(18,550,000)
Swap and sales	(32,298,660)	(29,000,000)	(61,298,660)
Net variation in premium	(708,213)	8,673,091	7,964,878
Balance December 31	170,611,032	187,620,715	358,231,747

	2014		
	Lebanese Treasury Bills	Certificates of Deposit Issued by the Central Bank of Lebanon	Total
	LBP'000	LBP'000	LBP'000
Balance January 1	220,381,948	60,531,459	280,913,407
Additions	72,000,000	65,000,000	137,000,000
Redemptions	(8,882,000)	(11,000,000)	(19,882,000)
Sales	(75,822,690)	(11,000,000)	(86,822,690)
Net variation in premium	(1,049,353)	1,416,165	366,812
Balance December 31	206,627,905	104,947,624	311,575,529

The movement of financial assets at amortized cost, denominated in **Foreign Currencies** excluding accrued interest, is summarized as follows:

	2015			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by Banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	78,134,242	81,079,537	33,522,244	192,736,023
Reclassification from fair value to amortized cost	22,699,935	25,627,500	-	48,327,435
Additions	93,091,140	30,451,500	8,566,065	132,108,705
Redemptions	(11,946,938)	-	(5,106,487)	(17,053,425)
Swap and sales	(29,652,525)	(56,199,600)	(2,095,425)	(87,947,550)
Net variation in premium	(595,214)	1,805,097	(38,864)	1,171,019
Balance December 31	151,730,640	82,764,034	34,847,533	269,342,207

	2014			
	Lebanese Government Bonds	Certificates of Deposit Issued by the Central Bank of Lebanon	Certificates of Deposit Issued by Banks and Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	140,909,906	87,354,881	45,188,376	273,453,163
Additions	4,522,500	19,597,500	9,421,875	33,541,875
Redemptions	(798,975)	-	(17,398,730)	(18,197,705)
Sales	(64,628,033)	(22,612,500)	(3,609,852)	(90,850,385)
Net variation in premium	(1,871,156)	(3,260,344)	(79,425)	(5,210,925)
Balance December 31	78,134,242	81,079,537	33,522,244	192,736,023

Gain from derecognition of financial assets at amortized cost consists of the following:

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Lebanese treasury bills	987,527	1,131,775
Certificates of deposit issued by the Central Bank of Lebanon	1,242,976	122,752
Lebanese Government bonds	323,998	570,509
Certificates of deposit issued by banks	20,955	31,456
	2,575,456	1,856,492

During the year 2015, the Group entered into ten sales transactions of Lebanese Treasury bills of aggregate carrying value of LBP33billion. In addition, the Group entered into five sales transactions of Lebanese Government bonds denominated in U.S. Dollars of aggregate carrying value of LBP27.5billion. Furthermore, the Group entered into eleven sales transactions of certificates of deposit issued by the Central Bank of Lebanon of aggregate carrying value of LBP87.4billion and one sale transactions of certificates of deposit issued by banks of aggregate carrying value of LBP2.1billion.

During the year 2014, the Group entered into 19 sales transactions of Lebanese treasury bills of aggregate carrying value of LBP75.8billion. In addition, the Group entered into 12 sales transactions of Lebanese Government bonds denominated

in U.S. Dollars of aggregate carrying value of LBP64.6billion. Furthermore, the Group entered into six sales transactions of certificates of deposit issued by the Central Bank of Lebanon of aggregate carrying value of LBP33.6billion and two sales transactions of certificates of deposit issued by banks of aggregate carrying value of LBP3.6billion

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

13. INVESTMENT IN AN ASSOCIATE

			December 31,	
			2015	2014
	Country of Incorporation	Interest Held	Carrying Value	Carrying Value
		%	LBP'000	LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	17,645,342	18,860,293
			17,645,342	18,860,293

The movement of investment in an associate is as follows:

	2015	2014
	LBP'000	LBP'000
Balance January 1	18,860,293	20,819,288
Share in profit/(loss) of an associate (Note 37)	189,633	(86,882)
Currency translation adjustment for the year	(1,407,841)	(1,760,467)
Prior years adjustment	3,257	(111,646)
Balance December 31	17,645,342	18,860,293

Banque Bemo Saudi Fransi S.A. is a material associate of the Group. The summarized consolidated financial statements of the associate are provided below as at December 31, 2015 and 2014. The movement of the currency translation adjustment for the years 2015 and 2014 is as follows:

	2015	2014
	LBP'000	LBP'000
Balance January 1	22,032,426	20,271,959
Additions	1,407,841	1,760,467
Balance December 31	23,440,267	22,032,426

Financial information of the associate is provided below:

	2015	2014
	LBP'000	LBP'000
Total Assets	770,318,449	1,057,713,281
Total Liabilities	689,562,382	971,227,109
Equity of the group	80,206,105	85,728,604
Equity attributable to non-controlling interest	549,962	757,568
Profit for the year of the group	29,780,378	17,632,316
Profit attributable to non-controlling interest	104,490	130,051

Summarized consolidated statement of profit or loss:

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Interest income	21,443,388	24,634,764
Interest expense	(6,944,825)	(12,259,445)
Fee and commission income	7,818,047	9,075,497
Fee and commission expense	(525,397)	(524,308)
Administrative expenses	(5,016,493)	(2,964,834)
Staff costs	(10,392,175)	(10,582,819)
Unrealized gain on capital revaluation	28,918,408	18,027,232
Provision for doubtful debts	(5,898,233)	(6,925,532)
Others	482,148	(718,188)
	29,884,868	17,762,367

Summarized consolidated statement of financial position:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Assets		
Cash and central banks	189,852,340	356,360,957
Deposits with banks and financial institutions	206,302,410	226,619,117
Trading assets at fair value through profit or loss	2,069,803	2,217,727
Loans to banks and financial institutions	163,876,149	208,952,790
Investment securities	164,607,339	197,750,644
Fixed assets	19,416,522	42,601,523
Others	24,193,886	23,210,523
	770,318,449	1,057,713,281
Liabilities		
Deposits from banks	29,308,980	14,400,000
Customers' accounts at amortized cost	619,090,105	923,217,532
Others	41,163,297	33,609,577
	689,562,382	971,227,109

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and these assets should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non performing loans' portfolio are met. This regulatory reserve is reflected under equity. In this connection, an amount of LBP113million was appropriated in 2015 from 2014 income (LBP142million in 2014). An amount of LBP68million was transferred in 2015 to "Reserves from disposal of assets acquired in satisfaction of loans" upon the sale of the related foreclosed assets (Note 28).

During 2015, the Group sold assets acquired in satisfaction of loans whose aggregate carrying value amounted to LBP213million as at the sale date. As a result, the Group recognized capital gain in the amount of LBP807million recorded under "Other operating income/(loss)" (Note 37) in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015.

During 2014, the Group sold assets acquired in satisfaction of loans whose aggregate carrying value amounted to LBP510million as at the sale date. As a result, the Group recognized capital gain in the amount of LBP1.02billion recorded under "Other operating income/(loss)" (Note 37) in the consolidated statement of profit or loss for the year ended December 31, 2014.

15. PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture	Computer Equipment	Vehicles	Installations and Leasehold Improvement	Advances on Capital Expenditure	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Gross Amount:								
Balance, January 1, 2014	7,222,927	6,265,992	2,328,378	5,678,465	666,534	8,324,810	-	30,487,106
Additions	-	-	83,280	735,292	96,428	741,214	8,805	1,665,019
Disposals	-	-	(33,412)	(264,779)	-	-	-	(298,191)
Balance, December 31, 2014	7,222,927	6,265,992	2,378,246	6,148,978	762,962	9,066,024	8,805	31,853,934
Additions	-	1,118,612	42,550	495,489	376,165	297,773	206,980	2,537,569
Disposal	-	-	(56,480)	(259,392)	(222,528)	(252,817)	-	(791,217)
Transfer between categories	-	-	-	564	-	8,241	(8,805)	-
Balance December 31, 2015	7,222,927	7,384,604	2,364,316	6,385,639	916,599	9,119,221	206,980	33,600,286
Accumulated Depreciation:								
Balance, January 1, 2014	-	1,250,127	1,743,565	5,015,396	449,201	7,228,810	-	15,687,099
Additions	-	160,542	118,675	351,797	54,082	418,380	-	1,103,476
Disposal	-	-	(31,340)	(238,241)	-	-	-	(269,581)
Balance, December 31, 2014	-	1,410,669	1,830,900	5,128,952	503,283	7,647,190	-	16,520,994
Additions	-	160,772	115,077	396,529	91,291	397,982	-	1,161,651
Write-off on disposal	-	-	(55,203)	(249,818)	(222,528)	(252,812)	-	(780,361)
Balance December 31, 2015	-	1,571,441	1,890,774	5,275,663	372,046	7,792,360	-	16,902,284
Carrying amount:								
December 31, 2015	7,222,927	5,813,163	473,542	1,109,976	544,553	1,326,861	206,980	16,698,002
December 31, 2014	7,222,927	4,855,323	547,346	1,020,026	259,679	1,418,834	8,805	15,332,940

The addition to buildings during the year 2015 in the amount of LBP1.12million, fully settled during the year, represents the purchase of plot number 1331 section 4 located in Rabieh for the purpose of expanding Rabieh branch.

16. INTANGIBLE ASSETS

	Purchased Software
	LBP'000
Cost:	
Balance, January 1, 2014	3,610,525
Acquisitions	329,911
Write-off	(62,384)
Balance, December 31, 2014	3,878,052
Acquisitions	158,380
Balance, December 31, 2015	4,036,432
Amortization:	
Balance, January 1, 2014	2,933,209
Amortization for the year	257,729
Write-off	(39,125)
Balance, December 31, 2014	3,151,813
Amortization of the year	266,418
Balance, December 31, 2015	3,418,231
Carrying Amount:	
December 31, 2015	618,201
December 31, 2014	726,239

17. OTHER ASSETS

	December 31,	
	2015	2014
	LBP'000	LBP'000
Exchange difference on fixed exchange position	302,578	302,578
Stamps	41,784	56,299
Deferred charges	24,239	33,315
Receivables from securitization operations	840,106	1,141,350
Receivables from an associate bank and financial institution	983,283	1,139,450
Prepayments	1,048,475	1,513,914
Sundry accounts receivable (Net of provision)	5,525,338	5,761,191
	8,765,803	9,948,097

Provision for doubtful receivables of LBP10.71million was set up during 2015 against receivables from the National Social Security Fund (LBP10.30million for the year 2014).

Receivables from an associate bank and financial institution represent amounts paid by the Group on behalf of these related entities.

18. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2015			December 31, 2014		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Current deposits of banks and financial institutions	57,874	688,965	746,839	1,589	1,494,517	1,496,106
Current deposits - Related parties	-	16,394,611	16,394,611	-	10,952,917	10,952,917
Money market deposits	26,929,500	12,060,000	38,989,500	7,762,000	18,338,700	26,100,700
Money market deposits - Related parties	-	28,439,451	28,439,451	-	39,764,506	39,764,506
Pledged deposits (Note 8)	25,500,000	-	25,500,000	25,500,000	-	25,500,000
Accrued interest payable	1,278,158	3,058	1,281,216	1,115,277	41,499	1,156,776
	53,765,532	57,586,085	111,351,617	34,378,866	70,592,139	104,971,005

19. CUSTOMERS' ACCOUNTS AT AMORTIZED COST

	December 31, 2015		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current and demand deposits	37,428,037	272,607,002	310,035,039
- Term deposits	289,148,423	1,130,447,643	1,419,596,066
- Collateral against loans and advances	28,644,802	151,028,261	179,673,063
Margins and other accounts:			
- Margins for irrevocable import letters of credit	-	308,404	308,404
- Margins on letters of guarantee	448,730	1,587,513	2,036,243
- Other margins	59,050	15,696,623	15,755,673
- Margins on trading transactions	165,134	13,594,316	13,759,450
Accrued interest payable	3,404,893	5,382,078	8,786,971
Total	359,299,069	1,590,651,840	1,949,950,909

	December 31, 2014		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
- Current and demand deposits	36,006,238	277,807,926	313,814,164
- Term deposits	257,931,176	984,108,688	1,242,039,864
- Collateral against loans and advances	26,854,558	151,583,071	178,437,629
Margins and other accounts:			
- Margins for irrevocable import letters of credit	-	1,214,296	1,214,296
- Margins on letters of guarantee	496,867	1,667,552	2,164,419
- Other margins	75,150	19,785,025	19,860,175
- Margins on trading transactions	1,141,951	7,136,381	8,278,332
Accrued interest payable	3,074,097	3,125,450	6,199,547
Total	325,580,037	1,446,428,389	1,772,008,426

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

	December 31, 2015		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
-Less than LBP200million	157,993,332	8.10	74.08
-From LBP200million to LBP1.5billion	638,305,555	32.74	21.19
-Over LBP1.5billion	1,153,652,022	59.16	4.73
	1,949,950,909	100.00	100.00
	December 31, 2014		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
-Less than LBP200million	160,701,623	9.06	75.44
-From LBP200million to LBP1.5billion	616,309,431	34.79	19.94
-Over LBP1.5billion	994,997,372	56.15	4.62
	1,772,008,426	100.00	100.00

Term deposits as at December 31, 2015 include fiduciary deposits received from a non-resident related party bank in the amount of LBP2.22billion (LBP11.62billion as at December 31, 2014).

The average balances of customers' deposits at amortized cost, including related party deposits, and related cost of funds over the last 3 years were as follows:

	LBP Base Accounts		F/Cy Base Accounts		
	Average Balance of Deposits	Average Interest Rate	Average Balance of Deposits	Average Interest Rate	Cost of Funds
	LBP'000	%	LBP'000	%	LBP'000
2015	334,869,820	6.17	1,572,101,089	2.86	66,431,464
2014	304,486,256	6.11	1,562,183,916	2.65	60,001,984
2013	276,957,733	6.03	1,544,424,473	2.54	57,315,498

20. RELATED PARTIES' ACCOUNTS AT AMORTIZED COST

	December 31, 2015		
	LBP	Counter Value in LBP of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from related party customers:			
- Current and demand deposits	3,787,205	39,830,993	43,618,198
- Term deposits	632,023	44,183,428	44,815,451
Margins and other accounts:			
- Margin on letters of guarantee	-	35,567	35,567
- Margins for irrecoverable import letters of guarantee	-	156,780	156,780
Accrued interest payable	1,932	372,586	374,518
Total	4,421,160	84,579,354	89,000,514

	December 31, 2014		
	LBP LBP'000	Counter Value in LBP'000 of F/Cy	Grand Total LBP'000
Deposits from related party customers:			
- Current and demand deposits	1,619,809	25,469,155	27,088,964
- Term deposits	581,075	32,285,179	32,866,254
Margins and other accounts:			
- Margins on letters of guarantee	-	39,612	39,612
- Margins on trading transactions	-	45,225	45,225
Accrued interest payable	2,066	394,390	396,456
Total	2,202,950	58,233,561	60,436,511

Deposits from related parties at amortized cost are allocated by brackets of deposits as follows:

	December 31, 2015	
	Total Deposits	% to Total Deposits
	LBP'000	%
Less than LBP500million	7,010,427	7.88
From LBP500million to LBP1.5billion	11,752,139	13.20
Over LBP1.5billion	70,237,948	78.92
	89,000,514	100.00

	December 31, 2014	
	Total Deposits	% to Total Deposits
	LBP'000	%
Less than LBP500million	7,997,290	13.23
From LBP500million to LBP1.5billion	8,813,888	14.59
Over LBP1.5billion	43,625,333	72.18
	60,436,511	100.00

21. OTHER TERM BORROWINGS

Other term borrowings, represent borrowing from Central Bank of Lebanon in LBP being facilities in accordance with Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and

its amenities by which the Group benefited from credit facilities granted against loans the Group has granted, at its own risk, to its customers, pursuant to certain conditions, rules and mechanism.

22. OTHER LIABILITIES

	December 31	
	2015	2014
	LBP'000	LBP'000
Current tax liability (a)	2,102,204	2,365,179
Deferred tax on gain from investment in associates	501,838	501,838
Withheld tax on salaries	487,747	505,056
Withheld tax on interest	589,286	484,153
Due to the National Social Security Fund	503,000	393,367
Checks and incoming payment orders in course of settlement	611,281	300,555
Accrued expenses	2,040,905	2,752,453
Payable to a related party	1,251,656	1,483,386
Sundry accounts payable	1,284,557	1,650,330
Forward exchange contracts	2,964,333	731,217
Other	1,696,172	893,568
	14,032,979	12,061,102

(a)The determination of income tax of the Bank is presented as follows:

	2015	2014
	LBP'000	LBP'000
Profit before income tax	23,491,687	20,231,244
Add: Non-deductible expenses/losses	2,655,570	1,168,232
Less:		
-Non-taxable revenues/gains	(471,570)	(326,462)
-(Loss)/income of Cyprus branch and subsidiaries	(1,077,211)	394,754
Taxable income for the year	24,598,476	21,467,768
Enacted tax rate in Lebanon	15%	15%
	3,689,771	3,220,165
Add: Income tax provision - branches and subsidiaries	301,770	86,248
Income tax expense	3,991,541	3,306,413
Less: Tax paid during the year in the form of withholding tax	(1,701,675)	(897,959)
Less: Cyprus income tax paid during the year	(195,032)	(50,645)
	2,094,834	2,357,809
Brought forward balance from non-resident branch	7,370	7,370
Current tax liability	2,102,204	2,365,179

During 2015, the Bank's tax returns for fiscal years 2010 to 2013 were reviewed and assessed by the tax authorities. The outcome of this review resulted in tax penalties relevant to fiscal years 2010 and 2011, in the amount of LBP204million fully settled during the first quarter of 2016.

The outcome of the review of the Bank's tax returns for fiscal years 2012 and 2013 is still pending.

The Bank's tax returns since fiscal year 2014 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these review.

The tax returns of the Group's Lebanese subsidiaries since fiscal year 2011 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

23. PROVISIONS

Provisions consist of the following:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Provision for staff end-of-service indemnity	4,164,596	4,160,953
Provision for contingencies	1,520,729	2,729,479
Provision for loss on foreign currency position	357,464	358,136
	6,042,789	7,248,568

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

	2015	2014
	LBP'000	LBP'000
Balance January 1	4,160,953	3,910,014
Transfer to provision for contingencies	-	(235,593)
Additions	378,854	642,184
Settlements	(365,708)	(143,857)
Exchange difference	(9,503)	(11,795)
Balance December 31	4,164,596	4,160,953

	2015	2014
	LBP'000	LBP'000
Balance January 1	2,729,479	2,107,281
Transfer from provision for employees' end-of-service indemnity	-	235,593
Additions	960,305	386,605
Write-back	(2,031,872)	-
Settlements	(137,183)	-
Balance December 31	1,520,729	2,729,479

During 2015, the Group wrote-back provision for contingencies in the amount of USD1,311,000 (LBP1.98billion) previously set-up by the Group in 2002 following a lawsuit filed by a non-resident correspondent bank against the branch in Limassol, Cyprus as

legal counsel of the Group is the opinion that there will not be any effect on the Group. The approval of Banking Control Commission was obtained on June 5, 2015.

24. SUBORDINATED BONDS

The caption consist of the following:

	December 31,	
	2015	2014
	LBP'000	LBP'000
Subordinated bonds	37,687,500	37,687,500
Accrued interest payable	-	30,976
	37,687,500	37,718,476

The exceptional general assembly of shareholders approved in its meeting held on October 24, 2014 the issuance of subordinated bonds in the amount of USD25million divided into 2,500 bonds of USD10,000 nominal value each. These bonds were issued on December 15, 2014 and mature on January 4, 2021 and are subject to an annual interest rate of 6% payable on December 31 and June 30 of each year.

The exceptional general assembly of shareholders approved in its meeting held on March 10, 2009 the issuance of subordinated bonds in the amount of USD40,000,000 divided into 4,000 bonds of USD10,000 nominal value each. These bonds were issued on May 30, 2009 and matured on June 30, 2014 and were fully redeemed. These bonds were

subject to an annual interest of 7% payable on December 31 and June 30 of each year.

In this connection, interest expense on subordinated bonds for the year ended December 31, 2015 amounting to LBP2.26billion is recorded under "Interest expense" in the consolidated statement of profit or loss (LBP2.10billion for the year ended December 31, 2014) (Note 33).

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

25. SHARE CAPITAL

The Bank's capital as at December 31, 2015 is composed of 62,000,000 issued shares of LBP1,004 each (62,000,000 shares of LBP1,004 each as at December 31, 2014) authorized and fully paid and divided as follows:

Listed Shares	Unlisted Shares
51,400,000	10,600,000

2006" representing 200,000 shares and to reconstitute the Bank's capital for the equivalent amount of LBP2billion and round the nominal value of the share, through transfer from the retained earnings in the amount of LBP248million whereby the nominal amount per share became LBP1,004.

The movement of treasury shares during 2015 and 2014 was as follows:

In its meeting held on May 16, 2014, the extraordinary general assembly of shareholders decided to redeem preferred shares "Issuance

	2015		2014	
	Number of Shares	Amount LBP'000	Number of Shares	Amount LBP'000
Balance - January 1	439,814	2,344,459	379,814	2,197,625
Acquisition	130,114	355,855	60,000	146,834
Sales	(1,500)	(4,296)	-	-
Balance - December 31	568,428	2,696,018	439,814	2,344,459

26. PREFERRED SHARES

On December 19, 2013, the Group issued Non-cumulative Perpetual Preferred Shares in the amount of USD35million (LBP52billion) on the basis of 350,000 shares at USD100. The Group offered discounts to preferred shares subscribers for the aggregate amount of USD80,960 (USD 122million). These preferred shares generate benefits at an annual rate of 7%.

On June 1, 2006, the Group issued Non-cumulative Perpetual Preferred Shares in the amount of USD20million (LBP30billion) on the basis of 200,000 shares at USD100 callable five years from the issuance date, on June 1, 2011. These preferred shares generate benefits at an annual rate of 8%. The Group did not exercise this call option after 5 years from issuance date. The extraordinary general assembly of shareholders decided in its meeting held on May 16, 2014 to redeem these preferred shares in full (Refer to Note 25)

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

This caption represents capital injection of USD19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Group's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital.

This sort of equity instrument consists of non-refundable capital injection which could be converted into share capital and it has the advantage of being booked and maintained in foreign currencies which allows for hedging against national currency fluctuation.

28. RESERVES

	December 31,	
	2015 LBP'000	2014 LBP'000
Legal reserve (a)	5,048,091	3,517,416
Reserve for general banking risks (b)	26,523,875	22,997,375
General reserve for performing loans (c)	1,500,000	-
Reserve for assets acquired in satisfaction of loans - Note 14	767,610	722,441
Reserve from disposal of assets acquired in satisfaction of loans - Note 14	182,080	-
Free reserves	5,518,363	5,518,363
	39,540,019	32,755,595

(a) In accordance with the requirements of the Lebanese Money and Credit Law, the Group transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution.

(b) The reserve for general banking risks is constituted according to local banking regulations from income on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. The cumulative reserve should not be less than 1.25% at the end of the 10th year (2007) and 2% at the end of the 20th year. This reserve is constituted in Lebanese Pounds and in foreign currencies to the extent of LBP2.42billion and LBP20.57billion, respectively, 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.

(c) In compliance with the basic circular no. 81 issued

by the Central Bank of Lebanon, the Bank and its local banking subsidiaries are required to transfer from net profit to general reserve for performing loans the equivalent of:

- %0.5 of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of %0.5 yearly over a six year period starting 2015.
- %0.25 of performing corporate loans to general reserve as of end of 2014. This reserve should increase to %0.5 as of end of %1 ,2015 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 %0.5 ,2014 as of end of %1 ,2015 as of end of 2016 and %1.5 as of end of 2017.

29. NON-CONTROLLING INTERESTS

	December 31,	
	2015	2014
	LBP'000	LBP'000
Equity	189,174	427,660
Profit/(loss) for the year	9,445	(203,961)
	198,619	223,699

30. PROFIT FOR THE YEAR

The consolidated profit for the year is allocated as follows between the Bank and its subsidiaries:

	Year Ended December 31, 2015		
	Group's Share	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Profit of the Bank	21,079,495	-	21,079,495
Profit/(Loss) of subsidiaries:			
Bemo Securitization S.A.L.	(1,694,765)	-	(1,694,765)
Depository and Custody Company S.A.L.	77,871	78	77,949
Bemo Investment Firm Ltd.	28,100	9,367	37,467
Total	19,490,701	9,445	19,500,146

	Year Ended December 31, 2014		
	Group's Share	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Profit of the Bank	18,818,667	-	18,818,667
Profit/(Loss) of subsidiaries:			
Bemo Securitization S.A.L.	(1,164,663)	-	(1,164,663)
Depository and Custody Company S.A.L.	86,933	87	87,020
Bemo Investment Firm Ltd.	(612,145)	(204,048)	(816,193)
Total	17,128,792	(203,961)	16,924,831

31. DIVIDENDS PAID

	2015	2014
	LBP'000	LBP'000
LBP50 per common share paid by the Bank in 2015 (LBP15 per share in 2014)	3,100,000	930,000
USD7 per preferred share paid by the Bank in 2015 (USD8 per share in 2014)	3,693,375	2,412,000
	6,793,375	3,342,000

32. INTEREST INCOME

	Year Ended December 31	
	2015	2014
	LBP'000	LBP'000
Interest income from:		
Term deposits with Central Banks	5,889,369	5,521,674
Deposits with banks and financial institutions	824,271	677,659
Deposits with related party banks and financial institutions	135,307	121,118
Financial assets at amortized cost	34,068,580	32,491,783
Loans to banks and financial institutions - Note 8	1,109,149	976,763
Reverse repurchase agreements - Note 8	1,620,951	433,724
Loans and advances to customers	64,020,907	61,329,744
Loans and advances to related parties	63,618	108,603
Interest realized on impaired loans and advances to customers - Note 9	135,686	146,776
	107,867,838	101,807,844

Interest income on the Group's trading portfolio is included under "net interest and other gains/(losses) on financial assets at fair value through profit or loss" (Note 36).

33. INTEREST EXPENSE

	Year Ended December 31	
	2015	2014
	LBP'000	LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	3,311,182	2,507,543
Deposits and borrowings from related party banks and financial institutions	334,716	229,390
Other term borrowings	86,962	47,097
Customers' accounts at amortized cost	65,108,952	58,481,172
Related parties' accounts at amortized cost	1,322,512	1,520,812
Subordinated bonds - Note 24	2,261,250	2,132,986
	72,425,574	64,919,000

34. FEE AND COMMISSION INCOME

	Year Ended December 31	
	2015	2014
	LBP'000	LBP'000
Commission on documentary credits	1,205,505	1,144,121
Commission on letters of guarantee	999,065	841,446
Service fees on customers' transactions	5,496,394	5,894,924
Other	452,718	557,127
	8,153,682	8,437,618

35. FEE AND COMMISSION EXPENSE

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Commission on transactions with banks	226,316	295,571
Other	150,643	271,871
	376,959	567,442

36. NET INTEREST AND OTHER GAINS / (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Dividends received on equity securities	260,776	217,806
Interest received on debt securities	4,952,880	2,444,178
Unrealized (loss)/gain	(162,251)	85,785
Realized gain	1,654,978	2,111,230
	6,706,383	4,858,999

37. OTHER OPERATING INCOME / (LOSS), (NET)

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Dividends on financial assets at fair value through other comprehensive income	44,669	44,669
Share in profit/(losses) of an associate (Note 13)	189,633	(86,882)
Revenues and commissions from securitization operations	1,688,506	2,950,494
Gain from sale of assets acquired in satisfaction of loans (Note 14)	807,816	1,019,712
Others	1,832,203	1,899,591
	4,562,827	5,827,584

38. STAFF COSTS

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Salaries and related charges	18,407,652	17,987,598
Social Security contributions	2,095,250	1,937,267
Provision for employees' end-of-service indemnities (net)	378,854	642,182
	20,881,756	20,567,047

39. ADMINISTRATIVE EXPENSES

	Year Ended December 31,	
	2015	2014
	LBP'000	LBP'000
Travel and entertainment	241,191	338,326
Advertisement and publicity	804,057	1,083,803
Professional fees	4,688,603	4,180,029
Maintenance and repairs	1,277,961	1,147,027
Electricity and fuel	336,197	530,594
Telephone expenses	484,789	534,122
Printing and stationary	333,495	356,863
Rent and building services	1,963,457	1,958,857
Insurance	270,744	285,883
Subscriptions	1,380,831	1,251,907
Gifts and donations	208,125	111,937
Fees and taxes	1,108,175	1,091,017
Other	1,691,763	2,624,253
	14,789,388	15,494,618

40. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculation:

	2015	2014
	LBP'000	LBP'000
Number of common shares outstanding during the year	62,000,000	62,000,000
Weighted average number of treasury shares	(558,712)	(384,417)
Weighted average number of common shares adjusted for the effect of treasury shares	61,441,288	61,615,583

	2015	2014
	LBP'000	LBP'000
Net profit attributable to equity holders of the Group	19,490,701	17,128,792
Less dividends to preferred shares	(3,693,375)	(2,412,000)
Net profit attributable to equity holders of the Group	15,797,326	14,716,792
Basic earnings per share in LBP	257/11	238/85
Diluted earnings per share in LBP	257/11	238/85

41. 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 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.

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

42. FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT

	December 31	
	2015 Resident Customers	2014 Resident Customers
	LBP'000	LBP'000
Fiduciary deposits from customers invested in certificates of deposit issued by the Central Bank of Lebanon	1,035,653	1,035,653
Fiduciary deposits from customers invested in other banks	20,313,226	1,416,918
Fiduciary deposits from related parties invested in loans granted to related party companies	3,015,000	4,522,500
Fiduciary deposits from customers invested in loans granted to other customers	16,023,973	13,572,023
	40,387,852	20,547,094

43. BALANCES/TRANSACTIONS WITH RELATED PARTIES

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

accrued interest and balances eliminated on consolidation consist of the following:

	December 31	
	2015	2014
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
-Secured loans and advances	654,741	326,025
-Unsecured loans and advances	756,373	764,450
-Deposits	17,496,019	12,918,246
Associated companies:		
Direct facilities and credit balances:		
-Unsecured loans and advances	444,757	273,749
-Deposits	71,129,977	47,121,809
Indirect facilities:		
-Letters of guarantee	29,496	28,004

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP448million (LBP448million as at December 31, 2014).

The remuneration of executive management amounted to LBP2.16 billion during 2015 (LBP2.91billion during 2014).

44. CASH AND CASH EQUIVALENTS

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

	December 31	
	2015	2014
	LBP'000	LBP'000
Cash	9,585,724	9,657,758
Current accounts with Central Banks (excluding compulsory reserve)	65,590,519	27,403,440
Term placements with Central Bank of Lebanon	20,552,500	26,117,055
Checks for collection and current accounts with banks and financial institutions	72,846,079	66,066,332
Term placements with banks and financial institutions	26,986,988	55,777,505
	195,561,810	185,022,090

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

45. COLLATERAL GIVEN

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

	December 31, 2015		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	72,742,005	Forward contracts	179,416,597
		Options and swaps transactions	41,005,459
		Acceptances less than one year	9,140,342
	72,742,005		
	December 31, 2014		
	Pledged Amount	Nature of Facility	Amount of Facility
	LBP'000		LBP'000
Deposits with banks and financial institutions	63,262,783	Forward contracts	265,274,354
		Options and swaps transactions	58,838,716
		Acceptances less than one year	6,126,713
	63,262,783		

46. MATERIAL PARTLY - OWNED SUBSIDIARY

Bemo Invest Firm Ltd. is a material partly owned subsidiary of the Group. Financial information of the subsidiary are provided below:

	2015	2014
	%	%
Portion of equity interests held by non-controlling interests	75	75

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations:

	2015	2014
	LBP,000	LBP,000
Total Assets	2,705,302	3,097,653
Total Liabilities	1,911,258	2,341,474
Total Equity	794,044	756,179
Profit/(loss) for the year	37,466	(816,192)

	Year Ended December 31,	
	2015	2014
	LBP,000	LBP,000
Fee and commission income	687,129	405,980
Commission expense	(5,069)	(2,970)
Administrative expenses	(384,470)	(702,862)
Staff Costs	(259,290)	(515,506)
Depreciation and amortization	(834)	(834)
	37,466	(816,192)

Summarized statement of financial position:

	Year Ended December 31,	
	2015	2014
	LBP,000	LBP,000
Assets		
Deposits with banks and financial institutions	1,256,590	1,588,178
Property and equipment	522	1,356
Other assets	1,448,190	1,508,119
	2,705,302	3,097,653
Liabilities		
Deposits and borrowings from banks	-	65,816
Other liabilities	1,470,625	1,706,887
Provisions	440,633	568,771
	1,911,258	2,341,474

47. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator.

Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad.

Pursuant to Central Bank Decision No 10848 dated December 7, 2011, adopted with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

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

The Group's capital is split as follows:

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

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

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

Furthermore, various limits are applied to the elements of capital base:

Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

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

The Group's risk based capital ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2015 and 2014, is as follows:

The Group's risk based capital ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2015 and 2014, is as follows:

	December 31,	
	2015	2014
	LBP,000	LBP,000
Risk-weighted assets	1,563,724	1,427,725
Credit risk	1,447,389	1,321,676
Market risk	24,588	21,821
Operational risk	91,747	84,228
Common equity Tier I (net)	135,521	113,868
Tier I capital (including reserve for assets acquired in satisfaction of loans)	188,162	166,509
Tier II capital	37,688	37,718
Total capital	225,850	204,227
Capital adequacy ratio - Common Equity Tier I	8.67%	7.98%
Capital adequacy ratio - Tier I	12.03%	11.66%
Capital adequacy ratio - Tier I and Tier II	14.44%	14.30%

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

- Comply with regulatory ratios, on individual and consolidated basis, primarily in respect of the Capital Adequacy Ratio under Central Bank of Lebanon directives and Basle III.

- Ensure a high Return on Equity for the common shareholders.

- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

The Group's total equity funding consists of the following:

	Balances		Variation	
	December 31,			
	2015	2014	Amount	%
	LBP'000	LBP'000	LBP'000	
Equity allotted to common shares	150,796,322	139,066,470	11,729,852	8.43
Preferred shares	52,641,854	52,641,854	-	-
Subordinated bonds	37,687,500	37,718,476	(30,976)	0.08
Total equity	241,125,676	229,426,800		

48. SEGMENT INFORMATION

The Group's operating segments are organized as follows: Lebanon and subsidiaries.

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

Segment income and expenses include transfers between segments

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

The Group has two reportable business segments which reflect the basis on which senior management reviews operations:

	December 31, 2015			December 31, 2014		
	Lebanon and Middle East	Cyprus	Inter- Segment	Lebanon and Middle East	Cyprus	Inter- Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Total Assets	2,383,474,243	72,807,352	(12,505,310)	2,171,935,295	86,970,080	(34,326,566)
Total Liabilities	2,188,950,841	55,377,563	(3,435,164)	1,966,724,851	71,205,996	(5,284,061)
Total Equity	195,277,152	17,429,789	(9,070,146)	205,210,444	15,764,084	(29,042,505)
Profit for the year	17,145,354	2,354,792	-	16,235,748	689,083	-
ASSETS						
Cash and Central Banks	439,794,200	419,401	-	372,861,942	477,147	-
Deposits with banks and financial institutions	196,951,347	16,796,014	(12,505,310)	197,633,070	38,488,551	(34,326,566)
Financial assets at fair value through profit or loss	24,723,818	976,832	-	23,436,015	124,893	-
Loans to banks and financial institutions	48,867,483	-	-	63,356,463	-	-
Loans and advances to customers	998,844,145	17,425,640	-	943,838,911	24,471,530	-
Loans and advances to related parties	1,813,974	41,897	-	1,300,314	63,910	-
Investment securities	610,879,937	27,676,463	-	506,063,618	7,680,899	-
Investment in associate	17,645,342	-	-	18,860,293	-	-
Other	43,953,997	9,471,105	-	44,584,669	15,663,150	-
LIABILITIES						
Deposits and borrowings from banks	111,351,617	3,364,230	(3,364,230)	104,965,199	5,111,900	(5,106,094)
Customers' accounts at amortized cost	1,907,728,053	42,293,790	(70,934)	1,724,226,684	47,959,709	(177,967)
Related parties' accounts at amortized cost	88,560,214	440,300	-	60,342,068	94,443	-
Other term borrowings	7,530,780	-	-	6,221,860	-	-
Other	36,092,677	9,279,243	-	33,250,564	18,039,944	-
Subordinated bonds	37,687,500	-	-	37,718,476	-	-

	2015			2014		
	Lebanon and Middle East	Cyprus	Inter- Segment	Lebanon and Middle East	Cyprus	Inter- Segment
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Interest income	105,773,985	2,393,625	(299,772)	99,653,215	2,963,319	(808,690)
Interest expense	(71,814,322)	(911,024)	299,772	(64,553,666)	(1,174,024)	808,690
Net interest income	33,959,663	1,482,601	-	35,099,549	1,789,295	-
Fee and commission income	7,926,840	226,842	-	8,025,263	412,355	-
Fee and commission expense	(371,516)	(5,443)	-	(536,721)	(30,721)	-
Net fee and commission income	7,555,324	221,399	-	7,488,542	381,634	-
Net interest and other gain on trading assets at fair value through profit or loss	6,067,216	639,167	-	4,315,833	543,166	-
Gain on exchange	2,527,593	365	-	1,927,280	2,989	-
Gain from sale of assets at amortized cost	2,575,456	-	-	1,856,492	-	-
Other operating income	4,506,756	56,071	-	5,616,827	210,757	-
Net financial revenues	57,192,008	2,399,603	-	56,304,523	2,927,841	-
Allowance for impairment of loans and advances and other receivables, (net)	106,308	(319,183)	-	182,190	(445,028)	-
Write-back of collective provision for loan impairment, (net)	140,597	-	-	(928,807)	-	-
Net financial revenues after net impairment charge	57,438,913	2,080,420	-	55,557,906	2,482,813	-
Staff costs	(20,544,675)	(337,081)	-	(20,183,657)	(383,390)	-
Administrative expenses	(13,762,908)	(1,026,480)	-	(14,217,477)	(1,277,141)	-
Depreciation and amortization	(1,377,505)	(50,564)	-	(1,298,898)	(62,307)	-
Provision for contingencies, net	(904,766)	1,976,333	-	(386,605)	-	-
	(36,589,854)	562,208	-	(36,086,637)	(1,722,838)	-
Profit before income tax	20,849,059	2,642,628	-	19,471,269	759,975	-
Income tax expense	(3,703,705)	(287,836)	-	(3,235,521)	(70,892)	-
Profit for the year	17,145,354	2,354,792	-	16,235,748	689,083	-

49. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

-Credit risk

-Liquidity risk

-Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management department and various committees to develop and monitor the Group's risk management policies and their implementation.

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

A. Credit Risk

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

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

1. Management of credit risk

The Group manages credit risk by developing policies and procedures that are regularly reviewed to ensure continuous effective credit risk management in light of changes in business strategy.

Credit risk management policies and practices define lending limits, credit approval authorization matrices, and risk identification and monitoring systems. The Group applies an internal rating system that takes into account criteria related to the borrower (e.g. nature of the activity, financial performance and structure, credit history, cash flows, projected financials and management) and to the credit quality (e.g. purpose, amount, tenor, collateral presented as a second way out). The Group also sets lending limits to a single obligor or a related group of obligors.

2. Measurement of credit risk

(a) Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools. The Group's rating scale reflects the range of default probabilities defined for each rating class as explained below:

- **Special Mention /Vulnerable:** Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring.
- **Past due but not impaired:** Loans past due but not impaired are loans where contractual interest or principal are past due but the Group's management believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.
- **Substandard loans:** Substandard loans are loans that are inadequately protected by current sound worth and paying capacity of the obligor or by any collateral pledged in favor of the group. Exposures where an indication of the possibility that the Group will sustain a loss if certain irregularities and deficiencies are not addressed exists are classified under this category.
- **Doubtful loans:** Doubtful loans have, in addition to the weaknesses existing in substandard loans, characteristics indicating that current existing facts and figures make

the collection in full highly improbable. The probability of loss is high but certain reasonable and specific pending factors which if addressed could strengthen the probability of collection, result in the deferral of the exposure as an estimated loss until a more exact status is determined.

- **Loss:** Loans classified as loss are considered as uncollectible and of such minimal value that their classification as assets is not warranted. This does not mean that the loan is absolutely unrecoverable or has no salvage value. However, the amount of loss is difficult to measure and the Group does not wish to defer the writing of the loan even partial recovery might occur in the future. Loans are charged off in the period in which they are deemed uncollectible and therefore classified as loss.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main component of its allowance are specific loss component that relate to individually significant exposures, and a minor part of a collective loan loss allowance established for retail and Small and Medium Enterprises (SME's) where there is objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information.

(a.1) Deposits with banks and financial institutions:

Bracket	December 31, 2015	
	Total Amount	% to Total Deposits
	LBP'000	%
Less than LBP5billion	25,441,436	12.65
From LBP5billion to LBP15billion	85,547,053	42.53
Over LBP15billion	90,161,378	44.82
	201,149,867	100.00
Bracket	December 31, 2014	
	Total Amount	% to Total Deposits
	LBP'000	%
Less than LBP5billion	28,941,687	14.35
From LBP5billion to LBP15billion	62,463,849	30.98
Over LBP15billion	110,259,115	54.67
	201,664,651	100.00

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)

4. Financial assets with credit risk exposure and related concentrations

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

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

(a.2) Loans and advances to customers (excluding collective provision and accrued interest):

December 31, 2015			
Bracket	No. of Counter Parties	Total Amount	% to Total
		LBP'000	%
Less than LBP500million	1,003	63,245,206	6.22
From LBP500million to LBP5billion	268	445,768,535	43.82
Over LBP5billion	57	508,212,875	49.96
	1,328	1,017,226,616	100.00
December 31, 2014			
Bracket	No. of Counter Parties	Total Amount	% to Total
		LBP'000	%
Less than LBP500million	985	60,665,611	6.24
From LBP500million to LBP5billion	259	456,557,341	47.00
Over LBP5billion	47	454,324,000	46.76
	1,291	971,546,952	100.00

(a.3) Loans and advances to related parties:

December 31, 2015		
Bracket	Total Amount	% to Total Deposits
	LBP'000	%
Less than LBP500million	1,855,871	100.00
	1,855,871	100.00
December 31, 2014		
Bracket	Total Amount	% to Total Deposits
	LBP'000	%
Less than LBP500million	1,364,224	100.00
	1,364,224	100.00

Below are the details of the Group's exposure to credit risk with respect to loans and advances to customers:

December 31, 2015							
	Gross Loans Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Fair Value of Collateral Held			
				Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Accounts	1,009,357,545	-	1,009,357,545	173,270,895	174,326,866	29,192,983	376,790,744
Past due but not impaired:							
Between 30-60 days	206,151	-	206,151	-	-	-	-
Between 60-90 days	430,010	-	430,010	-	-	-	-
Between 90-180 days	82,475	-	82,475	-	-	-	-
Beyond 180 days	1,132,327	-	1,132,327	-	-	-	-
Impaired:							
Substandard debts	7,697,697	(753,750)	6,949,947	-	8,238,488	-	8,238,488
Restructured substandard debts	3,528,882	(3,281,670)	247,212	-	-	-	-
Doubtful and bad debts	1,555,782	(1,555,782)	-	-	512,550	-	512,550
Collective provision for loan impairment	-	(2,129,882)	(2,129,882)	-	-	-	-
	1,023,990,869	(7,721,084)	1,016,269,785	173,270,895	183,077,904	29,192,983	385,541,782
December 31, 2014							
	Gross Loans Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Fair Value of Collateral Held			
				Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Accounts	961,711,572	-	961,711,572	171,659,486	139,759,149	13,524,182	324,942,817
Past due but not impaired:							
Between 30-60 days	7,356	-	7,356	-	-	-	-
Between 60-90 days	5,925	-	5,925	-	-	-	-
Between 90-180 days	11,502	-	11,502	-	-	-	-
Beyond 180 days	1,042,722	-	1,042,722	-	-	-	-
Impaired:							
Substandard debts	9,523,658	-	9,523,658	-	8,238,487	-	8,238,487
Doubtful and bad debts	3,792,321	(3,388,558)	403,763	-	1,040,175	-	1,040,175
Collective provision for loan impairment	-	(4,396,057)	(4,396,057)	-	-	-	-
	976,095,056	(7,784,615)	968,310,441	171,659,486	149,037,811	13,524,182	334,221,479

(b) Concentration of financial assets by industry or sector (excluding the collective provision for loan impairment):

December 31, 2015									
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Services	Private Individuals	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	440,213,601	-	-	-	-	-	-	-	440,213,601
Deposits with banks and financial institutions	-	201,242,051	-	-	-	-	-	-	201,242,051
Financial assets at fair value through profit or loss	16,504,060	5,951,662	-	227,046	41,448	2,976,434	-	-	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	-	48,867,483	-	-	-	-	-	-	48,867,483
Loans and advances to customers	-	9,111,003	194,839,621	154,744,816	459,291,755	66,374,895	134,030,902	6,675	1,018,399,667
Loans and advances to related parties	-	-	-	438,711	3,181	-	1,413,979	-	1,855,871
Financial assets at amortized cost	602,769,180	3,037,364	-	1,616,283	10,596,584	19,897,787	-	-	637,917,198
Financial assets at fair value through other comprehensive income	-	540,120	-	-	-	99,082	-	-	639,202
Customers' liability under acceptance	-	-	205,433	1,997,444	23,093,275	-	-	-	25,296,152
Other assets	-	-	-	-	-	-	-	7,286,440	7,286,440
	1,059,486,841	268,749,683	195,045,054	159,024,300	493,026,243	89,348,198	135,444,881	7,293,115	2,407,418,315
Off-Balance Sheet Risks:									
Documentary and commercial letters of credit	-	-	284,011	1,652,019	23,296,376	-	-	-	25,232,406
Guarantees and standby letters of credit	-	20,072,711	22,974,623	18,209,979	14,367,800	8,495,809	1,424,301	-	85,545,223
Forward contracts	-	417,735,090	8,965,517	1,484,707	3,197,261	-	1,241,142	-	432,623,717
December 31, 2014									
	Sovereign	Financial Services	Real Estate Development	Manufacturing	Consumer Goods Trading	Services	Private Individuals	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and central banks	362,786,589	10,552,500	-	-	-	-	-	-	373,339,089
Deposits with banks and financial institutions	-	201,795,055	-	-	-	-	-	-	201,795,055
Financial assets at fair value through profit or loss	16,159,034	4,463,085	-	-	-	2,938,789	-	-	23,560,908
Loans to banks and financial institutions	-	63,356,463	-	-	-	-	-	-	63,356,463
Loans and advances to customers	-	8,804,210	198,899,338	159,532,416	429,859,926	69,843,918	104,607,144	1,159,546	972,706,498
Loans and advances to related parties	-	-	-	267,888	-	5,802	1,090,534	-	1,364,224
Financial assets at amortized cost	479,166,306	2,232,759	-	-	-	31,703,512	-	-	513,102,577
Financial assets at fair value through other comprehensive income	-	540,120	-	-	-	101,820	-	-	641,940
Customers' Liability under acceptance	-	-	-	1,199,100	30,781,738	-	-	-	31,980,838
Other assets	-	-	-	-	-	-	-	7,225,680	7,225,680
	858,111,929	291,744,192	198,899,338	160,999,404	460,641,664	104,593,841	105,697,678	8,385,226	2,189,073,272
Off-Balance Sheet Risks:									
Documentary and commercial letters of credit	-	-	349,310	2,727,888	16,526,538	298,014	-	-	19,901,750
Guarantees and standby letters of credit	-	12,150,535	20,645,092	11,248,868	11,408,612	7,538,807	1,397,642	-	64,389,556
Forward contracts	-	551,520,742	-	367,920	16,120,983	-	1,058,638	-	569,068,283

(c) Concentration of assets and liabilities by geographical area:

December 31, 2015						
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and deposits with central banks	439,794,200	-	-	419,401	-	440,213,601
Deposits with banks and financial institutions	103,722,790	1,680,525	27,105,717	67,686,114	1,046,905	201,242,051
Financial assets at fair value through profit or loss	21,924,645	1,268,013	688,542	810,099	1,009,351	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	48,867,483	-	-	-	-	48,867,483
Loans and advances to customers	901,124,199	54,018,406	188,427	54,638,307	6,300,446	1,016,269,785
Loans and advances to related parties	1,813,973	-	-	41,898	-	1,855,871
Financial assets at amortized cost	636,300,915	-	-	1,616,283	-	637,917,198
Financial assets at fair value through other comprehensive income	615,120	-	-	24,082	-	639,202
Customers' liability under acceptances	14,178,576	11,117,576	-	-	-	25,296,152
Investments in associates	-	17,645,342	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	2,046,944
Property and equipment	16,237,494	-	-	460,508	-	16,698,002
Intangible assets	618,183	-	-	18	-	618,201
Other assets	8,716,088	-	-	49,715	-	8,765,803
Total Assets	2,195,960,610	85,729,862	27,982,686	125,746,425	8,356,702	2,443,776,285
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	23,392,240	1,840,166	-	-	-	25,232,406
Guarantees and standby letters of credit	67,006,878	17,209,874	1,328,471	-	-	85,545,223
Forward exchange contracts	58,677,723	194,303,520	179,642,474	-	-	432,623,717
LIABILITIES						
Deposits and borrowings from banks and financial institutions	63,152,931	43,276,338	4,922,348	-	-	111,351,617
Customers' accounts at amortized cost	1,431,828,159	367,055,121	94,444,628	21,606,951	35,016,050	1,949,950,909
Related parties' accounts at amortized cost	57,160,240	31,840,274	-	-	-	89,000,514
Acceptance liability	298,272	2,069,553	17,507,854	-	5,420,473	25,296,152
Other term borrowings	7,530,780	-	-	-	-	7,530,780
Other liabilities	13,806,219	-	226,760	-	-	14,032,979
Provisions	5,951,170	-	91,619	-	-	6,042,789
Subordinated bonds	37,687,500	-	-	-	-	37,687,500
Total Liabilities	1,617,415,271	444,241,286	117,193,209	21,606,951	40,436,523	2,240,893,240

December 31, 2014						
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and deposits with central banks	362,309,442	10,552,500	-	477,147	-	373,339,089
Deposits with banks and financial institutions	41,835,161	6,240,201	23,672,440	129,188,675	858,578	201,795,055
Financial assets at fair value through profit or loss	21,127,075	-	678,904	804,279	950,650	23,560,908
Loans to banks and financial institutions and reverse repurchase agreements	63,082,934	273,529	-	-	-	63,356,463
Loans and advances to customers	887,753,816	29,879,634	143	50,352,659	324,189	968,310,441
Loans and advances to related parties	1,364,224	-	-	-	-	1,364,224
Financial assets at amortized cost	513,102,577	-	-	-	-	513,102,577
Financial assets at fair value through other comprehensive income	615,120	-	-	26,820	-	641,940
Customers' liability under acceptances	16,762,182	14,999,229	-	219,427	-	31,980,838
Investments in associates	-	18,860,293	-	-	-	18,860,293
Assets acquired in satisfaction of loans	2,259,705	-	-	-	-	2,259,705
Property and equipment	14,835,915	-	-	497,025	-	15,332,940
Intangible assets	726,221	-	-	18	-	726,239
Other assets	9,897,215	-	-	50,882	-	9,948,097
Total Assets	1,935,671,587	80,805,386	24,351,487	181,616,932	2,133,417	2,224,578,809
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	11,988,279	7,355,531	557,940	-	-	19,901,750
Guarantees and standby letters of Credit	62,912,927	1,149,061	309,855	17,713	-	64,389,556
Forward exchange contracts	20,431,736	280,582,110	-	268,054,437	-	569,068,283
LIABILITIES						
Deposits and borrowings from banks and financial institutions	54,219,327	49,885,835	865,843	-	-	104,971,005
Customers' accounts at amortized cost	1,262,015,041	363,298,185	101,367,292	36,276,661	9,051,247	1,772,008,426
Related parties' accounts at amortized cost	29,079,510	24,204,015	7,152,986	-	-	60,436,511
Acceptance liability	103,397	2,538,989	21,191,981	208,028	7,938,443	31,980,838
Other term borrowings	6,221,860	-	-	-	-	6,221,860
Other liabilities	11,008,144	197,672	855,286	-	-	12,061,102
Provisions	5,179,134	1,976,332	93,102	-	-	7,248,568
Subordinated bonds	37,718,476	-	-	-	-	37,718,476
Total Liabilities	1,405,544,889	442,101,028	131,526,490	36,484,689	16,989,690	2,032,646,786

B. Liquidity Risk

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

1. Management of liquidity risk

Liquidity risk is the Group's ability to ensure the availability of funding to meet commitments, both on-balance and off-balance sheet

commitments, at a reasonable cost on time. The management of liquidity should not lead to threats to the Group's solvency.

Liquidity risk arises when in case of crisis, refinancing may only be raised at higher market rates (funding risk), or assets may only be liquidated at a discount to market rates (market liquidity risk). Liquidity risk is also caused by mismatches in the maturities of assets and liabilities (uses and sources of funds).

Residual contractual maturities of financial assets and liabilities:

The tables below show the Group's assets and liabilities in **Lebanese Pounds** base accounts segregated by maturity:

December 31, 2015								
LBP Base Accounts								
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and deposits with central banks	53,620,133	10,000,000	-	-	-	-	-	63,620,133
Deposits with banks and financial institutions	2,686,503	-	5,000,000	-	-	-	-	7,686,503
Financial assets at fair value through profit or loss	358,275	400,573	-	-	-	14,801,537	-	15,560,385
Loans and advances to customers	37,162,312	1,381	12,000	28,248	9,765	-	-	37,213,706
Loans and advances to related parties	14,221	-	-	-	-	-	-	14,221
Financial assets at amortized cost	6,975,357	-	14,217,209	69,626,783	83,793,499	87,334,286	103,259,970	365,207,104
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	615,120
Property and equipment	16,029,993	-	-	-	-	-	-	16,029,993
Intangible assets	614,762	-	-	-	-	-	-	614,762
Other assets	3,024,065	-	-	-	-	-	-	3,024,065
Total Assets	121,100,741	10,401,954	19,229,209	69,655,031	83,803,264	102,135,823	103,259,970	509,585,992
LIABILITIES								
Deposits and borrowings from banks and financial institutions	1,336,032	37,052,000	15,377,500	-	-	-	-	53,765,532
Customers' accounts at amortized cost	41,505,760	246,339,154	68,445,830	1,254,603	1,753,637	-	-	359,298,984
Related parties' accounts at amortized cost	3,789,136	632,023	-	-	-	-	-	4,421,159
Other term borrowings	68,955	278,517	676,756	1,810,734	1,782,188	2,532,379	381,251	7,530,780
Other liabilities	9,030,816	-	-	-	-	-	-	9,030,816
Provisions	4,975,375	-	-	-	-	-	-	4,975,375
Total Liabilities	60,706,074	284,301,694	84,500,086	3,065,337	3,535,825	2,532,379	381,251	439,022,646
Maturity Gap	60,394,667	(273,899,740)	(65,270,877)	66,589,694	80,267,439	99,603,444	102,878,719	70,563,346

The tables below show the Group's assets and liabilities in **Foreign Currencies** base accounts segregated by maturity:

December 31, 2015								
F/Cy Base Accounts								
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and deposits with central banks	67,336,188	19,736,640	37,559,880	63,407,610	141,820,650	46,732,500	-	376,593,468
Deposits with banks and financial institutions	70,251,760	80,755,738	42,548,050	-	-	-	-	193,555,548
Financial assets at fair value through profit or loss	5,488,941	-	-	75,375	286,802	2,332,707	1,956,440	10,140,265
Loans to banks and financial institutions and reverse repurchase agreement	185,453	31,816,105	16,865,925	-	-	-	-	48,867,483
Loans and advances to customers	634,296,266	329,190,935	14,647,276	863,115	58,487	-	-	979,056,079
Loans and advances to related parties	1,378,527	431,911	20,351	10,861	-	-	-	1,841,650
Financial assets at amortized cost	3,367,887	-	184,838	46,475,805	41,247,080	129,095,994	52,338,490	272,710,094
Financial assets at fair value through other comprehensive income	24,082	-	-	-	-	-	-	24,082
Customers' liability under acceptances	-	21,534,748	3,761,404	-	-	-	-	25,296,152
Investments in associates	17,645,342	-	-	-	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	-	-	2,046,944
Property and equipment	668,009	-	-	-	-	-	-	668,009
Intangible assets	3,439	-	-	-	-	-	-	3,439
Other assets	5,741,738	-	-	-	-	-	-	5,741,738
Total Assets	808,434,576	483,466,077	115,587,724	110,832,766	183,413,019	178,161,201	54,294,930	1,934,190,293
LIABILITIES								
Deposits and borrowings from banks and financial institutions	17,086,634	40,499,451	-	-	-	-	-	57,586,085
Customers' accounts at amortized cost	309,176,024	1,039,523,076	200,839,746	40,101,546	1,011,533	-	-	1,590,651,925
Related parties' accounts at amortized cost	40,395,927	34,045,482	8,630,446	1,507,500	-	-	-	84,579,355
Acceptance liability	-	21,534,748	3,761,404	-	-	-	-	25,296,152
Other liabilities	5,002,163	-	-	-	-	-	-	5,002,163
Provisions	1,067,414	-	-	-	-	-	-	1,067,414
Subordinated Bonds	-	-	-	-	-	37,687,500	-	37,687,500
Total Liabilities	372,728,162	1,135,602,757	213,231,596	41,609,046	1,011,533	37,687,500	-	1,801,870,594
Maturity Gap	435,706,414	(652,136,680)	(97,643,872)	69,223,720	182,401,486	140,473,701	54,294,930	132,319,699

The tables below show the Group's assets and liabilities in **Lebanese Pounds** base accounts segregated by maturity:

December 31, 2014								
LBP Base Accounts								
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and deposits with central banks	45,220,589	-	-	-	-	-	-	45,220,589
Deposits with banks and financial institutions	5,022,698	-	-	-	-	-	-	5,022,698
Financial assets at fair value through profit or loss	288,477	4,962,323	-	-	-	1,039,867	8,291,833	14,582,500
Loans and advances to customers	15,356,663	26,231,301	11,661	-	-	-	-	41,599,625
Loans and advances to related parties	29,971	-	-	-	-	-	-	29,971
Financial assets at amortized cost	5,692,542	8,562,371	10,071,359	53,345,409	70,510,212	142,201,113	26,885,065	317,268,071
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	615,120
Property and equipment	14,825,754	-	-	-	-	-	-	14,825,754
Intangible assets	726,221	-	-	-	-	-	-	726,221
Other assets	3,127,608	-	-	-	-	-	-	3,127,608
Total Assets	90,905,643	39,755,995	10,083,020	53,345,409	70,510,212	143,240,980	35,176,898	443,018,157
LIABILITIES								
Deposits and borrowings from banks and financial institutions	1,116,866	18,262,001	14,549,236	-	-	-	-	33,928,103
Customers' accounts at amortized cost	40,956,774	238,450,918	41,866,236	4,515,959	-	-	-	325,789,887
Related parties' accounts at amortized cost	1,459,403	533,697	-	-	-	-	-	1,993,100
Other term borrowings	45,455	138,532	450,765	1,338,001	1,340,101	2,374,751	534,255	6,221,860
Other liabilities	6,373,066	-	-	-	-	-	-	6,373,066
Provisions	4,602,826	-	-	-	-	-	-	4,602,826
Total Liabilities	54,554,390	257,385,148	56,866,237	5,853,960	1,340,101	2,374,751	534,255	378,908,842
Maturity Gap	36,351,253	[217,629,153]	[46,783,217]	47,491,449	69,170,111	140,866,229	34,642,643	64,109,315

The tables below show the Group's assets and liabilities in **Foreign Currencies** base accounts segregated by maturity:

December 31, 2014								
F/Cy Base Accounts								
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS								
Cash and deposits with central banks	39,641,920	26,117,055	26,995,155	94,040,070	103,636,800	37,687,500	-	328,118,500
Deposits with banks and financial institutions	78,653,331	101,338,410	16,780,616	-	-	-	-	196,772,357
Financial assets at fair value through profit or loss	5,070,802	-	-	303,008	-	493,727	3,110,871	8,978,408
Loans to banks and financial institutions and reverse repurchase agreements	7,120,671	10,552,500	45,683,292	-	-	-	-	63,356,463
Loans and advances to customers	556,815,182	342,044,946	26,195,256	1,428,212	227,220	-	-	926,710,816
Loans and advances to related parties	900,091	263,000	56,185	114,977	-	-	-	1,334,253
Financial assets at amortized cost	3,098,483	-	62,510,023	34,233,637	33,869,713	59,066,943	3,055,707	195,834,506
Financial assets at fair value through other comprehensive income	26,820	-	-	-	-	-	-	26,820
Customers' liability under acceptance	-	22,845,215	9,135,623	-	-	-	-	31,980,838
Investment in associates	18,860,293	-	-	-	-	-	-	18,860,293
Assets acquired in satisfaction of loans	2,259,705	-	-	-	-	-	-	2,259,705
Property and equipment	507,186	-	-	-	-	-	-	507,186
Intangible assets	18	-	-	-	-	-	-	18
Other assets	6,820,489	-	-	-	-	-	-	6,820,489
Total Assets	719,774,991	503,161,126	187,356,150	130,119,904	137,733,733	97,248,170	6,166,578	1,781,560,652
LIABILITIES								
Deposits and borrowings from banks and financial institutions	12,508,941	58,533,961	-	-	-	-	-	71,042,902
Customers' accounts at amortized cost	310,526,795	1,027,754,470	83,661,398	24,275,876	-	-	-	1,446,218,539
Related parties' accounts at amortized cost	26,158,232	27,913,429	2,864,250	1,507,500	-	-	-	58,443,411
Acceptance liability	-	22,845,215	9,135,623	-	-	-	-	31,980,838
Other liabilities	5,688,036	-	-	-	-	-	-	5,688,036
Provisions	2,645,742	-	-	-	-	-	-	2,645,742
Subordinated bonds	30,976	-	-	-	-	37,687,500	-	37,718,476
Total Liabilities	357,558,722	1,137,047,075	95,661,271	25,783,376	-	37,687,500	-	1,653,737,944
Maturity Gap	362,216,269	[633,885,949]	91,694,879	104,336,528	137,733,733	59,560,670	6,166,578	127,822,708

Concentration of Liabilities by counterparty:

Information regarding the concentration of liabilities by counterparty is disclosed under the respective notes to the financial statements.

C. Market Risks

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

1. Management of market risks:

Market risks include interest rate risk and exchange risk.

The Group has established an Assets and Liabilities Management Committee (ALCO) to manage market risks. ALCO's primary objective is to maximize interest income spread and trading income while maintaining market risks at an appropriate level through regular management and measurement of these risks.

The Group has developed policies and procedures to manage market risks and ensure compliance with regulatory requirements and limits in addition to internal risk strategies and limits.

2. Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The treasury department is responsible for monitoring the compliance with the regulatory ratios set by the regulatory authorities. ALCO is supported by the finance department by reports of any breach of these ratios.

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						
	LBP	USD	Euro	GBP	Other Currencies	Total
	C/V in LBP	C/V in LBP	C/V in LBP	C/V in LBP	C/V in LBP	
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	63,620,133	307,148,282	68,857,793	447,248	140,145	440,213,601
Deposits with banks and financial institutions	7,686,503	94,420,835	88,754,075	4,190,054	6,190,584	201,242,051
Financial assets at fair value through profit or loss	15,560,385	7,903,665	2,199,303	37,297	-	25,700,650
Loans to banks and financial institutions and reverse repurchase agreements	-	48,867,483	-	-	-	48,867,483
Loans and advances to customers	37,213,706	869,930,282	82,189,233	9,960,008	16,976,556	1,016,269,785
Loans and advances to related parties	14,221	1,832,862	8,788	-	-	1,855,871
Financial assets at amortized cost	365,207,104	271,093,809	1,616,285	-	-	637,917,198
Financial assets at fair value through other comprehensive income	615,120	-	24,082	-	-	639,202
Customers' liability under acceptances	-	13,255,331	10,917,811	-	1,123,010	25,296,152
Investments in associates	-	17,645,342	-	-	-	17,645,342
Assets acquired in satisfaction of loans	-	2,046,944	-	-	-	2,046,944
Property and equipment	16,029,993	668,009	-	-	-	16,698,002
Intangible assets	614,762	3,439	-	-	-	618,201
Other assets	3,024,065	4,987,536	753,874	140	188	8,765,803
Total Assets	509,585,992	1,639,803,819	255,321,244	14,634,747	24,430,483	2,443,776,285
LIABILITIES						
Deposits and borrowings from banks and financial institutions	53,765,532	31,396,703	20,650,113	3,892,894	1,646,375	111,351,617
Customers' accounts at amortized cost	359,298,984	1,325,298,473	226,705,280	22,835,553	15,812,619	1,949,950,909
Related parties' accounts at amortized cost	4,421,159	84,579,355	-	-	-	89,000,514
Acceptance liability	-	13,255,330	10,917,812	-	1,123,010	25,296,152
Other term borrowings	7,530,780	-	-	-	-	7,530,780
Other liabilities	9,030,816	(9,113,643)	4,166,273	12,173,458	(5,188,258)	11,068,646
Provisions	4,975,375	975,795	91,619	-	-	6,042,789
Subordinated bonds	-	37,687,500	-	-	-	37,687,500
Total Liabilities	439,022,646	1,484,079,513	262,531,097	38,901,905	13,393,746	2,237,928,907
Currencies to be delivered	226,125	200,074,619	205,467,260	16,963,543	10,777,087	433,508,634
Currencies to be received	(226,125)	(213,586,968)	(201,804,074)	(4,822,114)	(16,033,686)	(436,472,967)
	-	(13,512,349)	3,663,186	12,141,429	(5,256,599)	(2,964,333)
Net on-balance sheet financial position	70,563,346	142,211,957	(3,546,667)	(12,125,729)	5,780,138	202,883,045

December 31, 2014

	LBP	USD	Euro	GBP	Other Currencies	Total
	C/V in LBP	C/V in LBP	C/V in LBP	C/V in LBP	C/V in LBP	
ASSETS	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	45,220,589	261,090,351	66,461,306	519,931	46,912	373,339,089
Deposits with banks and financial institutions	5,022,698	111,439,509	66,638,198	12,033,776	6,660,874	201,795,055
Financial assets at fair value through profit or loss	14,582,500	7,957,303	966,191	54,914	-	23,560,908
Loans to banks and financial institutions and reverse repurchase agreements	-	63,356,463	-	-	-	63,356,463
Loans and advances to customers	41,599,625	831,670,051	86,714,356	1,797,988	6,528,421	968,310,441
Loans and advances to related parties	29,971	1,164,763	169,490	-	-	1,364,224
Financial assets at amortized cost	317,268,071	195,834,506	-	-	-	513,102,577
Financial assets at fair value through other comprehensive income	615,120	-	26,820	-	-	641,940
Customers' liability under acceptances	-	24,877,493	7,103,345	-	-	31,980,838
Investments in associates	-	18,860,293	-	-	-	18,860,293
Assets acquired in satisfaction of loans	-	2,259,705	-	-	-	2,259,705
Property and equipment	14,825,754	507,186	-	-	-	15,332,940
Intangible assets	726,221	18	-	-	-	726,239
Other assets	3,127,608	6,079,813	752,109	(10,204)	(1,229)	9,948,097
Total Assets	443,018,157	1,525,097,454	228,831,815	14,396,405	13,234,978	2,224,578,809
LIABILITIES						
Deposits and borrowings from banks and financial institutions	33,928,103	14,375,115	51,193,778	4,782,536	691,473	104,971,005
Customers' accounts at amortized cost	325,789,887	1,184,077,942	226,812,946	21,099,594	14,228,057	1,772,008,426
Related parties' accounts at amortized cost	1,993,100	49,979,432	7,647,273	683,608	133,098	60,436,511
Acceptance liability	-	24,877,493	7,103,345	-	-	31,980,838
Other term borrowings	6,221,860	-	-	-	-	6,221,860
Other liabilities	6,373,066	1,835,912	1,520,015	930,477	670,415	11,329,885
Provisions	4,602,826	2,552,640	93,102	-	-	7,248,568
Subordinated bonds	-	37,718,476	-	-	-	37,718,476
Total Liabilities	378,908,842	1,315,417,010	294,370,459	27,496,215	15,723,043	2,031,915,569
Currencies to be delivered	-	247,140,218	293,242,027	14,465,905	14,220,133	569,068,283
Currencies to be received	-	(328,631,736)	(228,134,238)	(1,351,190)	(11,682,336)	(569,799,500)
	-	(81,491,518)	65,107,789	13,114,715	2,537,797	(731,217)
Net on-balance sheet financial position	64,109,315	128,188,926	(430,855)	14,905	49,732	191,932,023

3. Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on the Group's net interest income, while a long term impact is on Group's net worth since the economic value of Group's assets, liabilities and off-balance sheet exposures are affected.

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimizing the return on risk.

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between **Lebanese Pound** base accounts:

December 31, 2015 Lebanese Pounds Base Accounts											
	Floating Interest Rate				Fixed Interest Rate						Grand Total
	Non-Interest Bearing	Up to Three Months	Over 3 Months less than 1 Year	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS											
Cash and deposits with central banks	3,176,378	60,443,755	-	60,443,755	-	-	-	-	-	-	63,620,133
Deposits with banks and financial institutions	2,686,503	-	5,000,000	5,000,000	-	-	-	-	-	-	7,686,503
Financial assets at fair value through profit or loss	358,275	400,573	-	400,573	-	-	-	14,801,537	-	14,801,537	15,560,385
Loans and advances to customers	3,349	37,160,344	-	37,160,344	12,000	28,248	9,765	-	-	50,013	37,213,706
Loans and advances to related parties	-	14,221	-	14,221	-	-	-	-	-	-	14,221
Financial assets at amortized cost	6,975,357	-	-	-	14,217,209	69,626,783	83,793,499	87,334,286	103,259,970	358,231,747	365,207,104
Financial assets at fair value through other comprehensive income	615,120	-	-	-	-	-	-	-	-	-	615,120
Property and equipment	16,029,993	-	-	-	-	-	-	-	-	-	16,029,993
Intangible assets	614,762	-	-	-	-	-	-	-	-	-	614,762
Other assets	3,024,065	-	-	-	-	-	-	-	-	-	3,024,065
Total Assets	33,483,802	98,018,893	5,000,000	103,018,893	14,229,209	69,655,031	83,803,264	102,135,823	103,259,970	373,083,297	509,585,992
LIABILITIES											
Deposits and borrowings from banks and financial institutions	1,336,032	37,052,000	-	37,052,000	15,377,500	-	-	-	-	15,377,500	53,765,532
Customers' accounts at amortized cost	514,486	287,330,428	-	287,330,428	68,445,830	1,254,603	1,753,637	-	-	71,454,070	359,298,984
Related parties' accounts at amortized cost	2,876,906	1,544,253	-	1,544,253	-	-	-	-	-	-	4,421,159
Other term borrowings	68,955	278,517	-	278,517	676,756	1,810,734	1,782,188	2,532,379	381,251	7,183,308	7,530,780
Other liabilities	9,030,816	-	-	-	-	-	-	-	-	-	9,030,816
Provisions	4,975,375	-	-	-	-	-	-	-	-	-	4,975,375
Total Liabilities	18,802,570	326,205,198	-	326,205,198	84,500,086	3,065,337	3,535,825	2,532,379	381,251	94,014,878	439,022,646
Interest rate gap position	14,681,232	(228,186,305)	(5,000,000)	(223,186,305)	(70,270,877)	66,589,694	80,267,439	99,603,444	102,878,719	279,068,419	70,563,346

December 31, 2014 | Lebanese Pounds Base Accounts

	Floating Interest Rate			Fixed Interest Rate						Grand Total
	Non-Interest Bearing	Up to Three Months	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	
ASSETS										
Cash and deposits with central banks	45,220,589	-	-	-	-	-	-	-	-	45,220,589
Deposits with banks and financial institutions	1,817,842	3,204,856	3,204,856	-	-	-	-	-	-	5,022,698
Financial assets at fair value through profit or loss	288,477	4,962,323	4,962,323	-	-	-	1,039,867	8,291,833	9,331,700	14,582,500
Loans and advances to customers	3,159	41,584,805	41,584,805	11,661	-	-	-	-	11,661	41,599,625
Loans and advances to related parties	-	29,971	29,971	-	-	-	-	-	-	29,971
Financial assets at amortized cost	5,692,542	8,562,371	8,562,371	10,071,359	53,345,409	70,510,212	142,201,113	26,885,065	303,013,158	317,268,071
Financial assets designated at fair value through other comprehensive income	615,120	-	-	-	-	-	-	-	-	615,120
Property and equipment	14,825,754	-	-	-	-	-	-	-	-	14,825,754
Intangible assets	726,221	-	-	-	-	-	-	-	-	726,221
Other assets	3,127,608	-	-	-	-	-	-	-	-	3,127,608
Total Assets	72,317,312	58,344,326	58,344,326	10,083,020	53,345,409	70,510,212	143,240,980	35,176,898	312,356,519	443,018,157
LIABILITIES										
Deposits and borrowings from banks and financial institutions	4,075,072	14,853,031	14,853,031	15,000,000	-	-	-	-	15,000,000	33,928,103
Customers' accounts at amortized cost	3,074,097	276,333,595	276,333,595	41,866,236	4,515,959	-	-	-	46,382,195	325,789,887
Related parties' accounts at amortized cost	2,066	1,991,034	1,991,034	-	-	-	-	-	-	1,993,100
Other term borrowings	45,455	138,532	138,532	450,765	1,338,001	1,340,101	2,374,751	534,255	6,037,873	6,221,860
Other liabilities	6,373,066	-	-	-	-	-	-	-	-	6,373,066
Provisions	4,602,826	-	-	-	-	-	-	-	-	4,602,826
Total Liabilities	18,172,582	293,316,192	293,316,192	57,317,000	5,853,960	1,340,101	2,374,751	534,255	67,420,068	378,908,842
Interest rate gap position	54,144,730	(234,971,866)	(234,971,866)	(47,233,980)	47,491,449	69,170,111	140,866,229	34,642,643	244,936,452	64,109,315

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Foreign Currencies base accounts:

December 31, 2015													
	Floating Interest Rate					Fixed Interest Rate							Grand Total
	Non-Interest Bearing	Up to 3Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS													
Cash and deposits with central banks	67,336,188	19,736,640	37,559,880	63,407,610	141,820,650	262,524,780	-	-	-	46,732,500	-	46,732,500	376,593,468
Deposits with banks and financial institutions	70,251,760	80,755,738	-	-	-	80,755,738	42,548,050	-	-	-	-	42,548,050	193,555,548
Financial assets at fair value through profit or loss	5,488,941	-	-	-	-	-	-	75,375	286,802	2,332,707	1,956,440	4,651,324	10,140,265
Loans to banks and financial institutions and reverse repurchase agreements	8,425,509	25,366,974	-	-	-	25,366,974	15,075,000	-	-	-	-	15,075,000	48,867,483
Loans and advances to customers	497,088	962,990,113	-	-	-	962,990,113	14,647,276	863,115	58,487	-	-	15,568,878	979,056,079
Loans and advances to related parties	665,750	1,144,688	-	-	-	1,144,688	20,351	10,861	-	-	-	31,212	1,841,650
Financial assets at amortized cost	3,367,887	-	-	-	-	-	184,838	46,475,805	41,247,080	129,095,994	52,338,490	269,342,207	272,710,094
Financial assets at fair value through other comprehensive income	24,082	-	-	-	-	-	-	-	-	-	-	-	24,082
Customers' liability under acceptances	25,296,152	-	-	-	-	-	-	-	-	-	-	-	25,296,152
Investments in associates	17,645,342	-	-	-	-	-	-	-	-	-	-	-	17,645,342
Assets acquired in satisfaction of loans	2,046,944	-	-	-	-	-	-	-	-	-	-	-	2,046,944
Property and equipment	668,009	-	-	-	-	-	-	-	-	-	-	-	668,009
Intangible assets	3,439	-	-	-	-	-	-	-	-	-	-	-	3,439
Other assets	5,741,738	-	-	-	-	-	-	-	-	-	-	-	5,741,738
Total Assets	207,458,829	1,089,994,153	37,559,880	63,407,610	141,820,650	1,332,782,293	72,475,515	47,425,156	41,592,369	178,161,201	54,294,932	393,949,171	1,934,190,293
LIABILITIES													
Deposits and borrowings from banks and financial institutions	17,086,634	40,499,451	-	-	-	40,499,451	-	-	-	-	-	-	57,586,085
Customers' accounts at amortized cost	5,382,078	1,343,317,022	-	-	-	1,343,317,022	200,839,746	40,101,546	1,011,533	-	-	241,952,825	1,590,651,925
Related parties' accounts at amortized cost	372,586	74,068,823	-	-	-	74,068,823	8,630,446	1,507,500	-	-	-	10,137,946	84,579,355
Acceptance liability	25,296,152	-	-	-	-	-	-	-	-	-	-	-	25,296,152
Other liabilities	5,002,163	-	-	-	-	-	-	-	-	-	-	-	5,002,163
Provisions	1,067,414	-	-	-	-	-	-	-	-	-	-	-	1,067,414
Subordinated bonds	-	-	-	-	-	-	-	-	-	37,687,500	-	37,687,500	37,687,500
Total Liabilities	54,207,027	1,457,885,296	-	-	-	1,457,885,296	209,470,192	41,609,046	1,011,533	37,687,500	-	289,778,271	1,801,870,594
Interest rate gap position	153,251,802	(367,891,143)	37,559,880	63,407,610	141,820,650	(125,103,003)	(136,994,677)	5,816,110	40,580,836	140,473,701	54,294,930	104,170,900	132,319,699

The effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Group for the subsequent fiscal year is LBP 7.87 billion increase/decrease.

December 31, 2014													
	Floating Interest Rate					Fixed Interest Rate							Grand Total
	Non-Interest Bearing	Up to 3Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Total	Over 3 Months less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS													
Cash and deposits with central banks	8,607,162	57,151,813	26,995,155	86,502,570	103,636,800	274,286,338	-	7,537,500	-	37,687,500	-	45,225,000	328,118,500
Deposits with banks and financial institutions	16,278,662	148,144,594	-	-	-	148,144,594	32,349,101	-	-	-	-	32,349,101	196,772,357
Financial assets at fair value through profit or loss	5,070,802	-	-	-	-	-	-	303,008	-	493,727	3,110,871	3,907,606	8,978,408
Loans to banks and financial institutions	7,120,671	41,160,792	-	-	-	41,160,792	15,075,000	-	-	-	-	15,075,000	63,356,463
Loans and advances to customers	1,127,449	897,929,665	-	-	-	897,929,665	26,030,602	1,395,881	227,219	-	-	27,653,702	926,710,816
Loans and advances to related parties	-	1,163,091	-	-	-	1,163,091	56,185	114,977	-	-	-	171,162	1,334,253
Financial assets at amortized cost	3,098,483	-	-	-	-	-	62,510,023	34,233,637	33,869,713	59,066,943	3,055,707	192,736,023	195,834,506
Financial assets at fair value through other comprehensive income	26,820	-	-	-	-	-	-	-	-	-	-	-	26,820
Customers' liability under acceptances	31,980,838	-	-	-	-	-	-	-	-	-	-	-	31,980,838
Investments in associates	18,860,293	-	-	-	-	-	-	-	-	-	-	-	18,860,293
Assets acquired in satisfaction of loans	2,259,705	-	-	-	-	-	-	-	-	-	-	-	2,259,705
Property and equipment	507,186	-	-	-	-	-	-	-	-	-	-	-	507,186
Intangible assets	18	-	-	-	-	-	-	-	-	-	-	-	18
Other assets	6,820,489	-	-	-	-	-	-	-	-	-	-	-	6,820,489
Total Assets	101,758,578	1,145,549,955	26,995,155	86,502,570	103,636,800	1,362,684,480	136,020,911	43,585,003	34,096,932	97,248,170	6,166,578	317,117,594	1,781,560,652
LIABILITIES													
Deposits and borrowings from banks and financial institutions	107,315	70,935,587	-	-	-	70,935,587	-	-	-	-	-	-	71,042,902
Customers' accounts at amortized cost	4,703,032	1,333,578,233	-	-	-	1,333,578,233	83,661,398	24,275,876	-	-	-	107,937,274	1,446,218,539
Related parties' accounts at amortized cost	394,390	53,677,271	-	-	-	53,677,271	2,864,250	1,507,500	-	-	-	4,371,750	58,443,411
Acceptance liability	31,980,838	-	-	-	-	-	-	-	-	-	-	-	31,980,838
Other liabilities	5,688,036	-	-	-	-	-	-	-	-	-	-	-	5,688,036
Provisions	2,645,742	-	-	-	-	-	-	-	-	-	-	-	2,645,742
Subordinated bonds	30,976	-	-	-	-	-	-	-	-	37,687,500	-	37,687,500	37,718,476
Total Liabilities	45,550,329	1,458,191,091	-	-	-	1,458,191,091	86,525,648	25,783,376	-	37,687,500	-	149,996,524	1,653,737,944
Interest rate gap position	56,208,249	(312,641,136)	26,995,155	86,502,570	103,636,800	(95,506,611)	49,495,263	17,801,627	34,096,932	59,560,670	6,166,578	167,121,070	127,822,708

The effect of a 200 basis point change in interest rates upwards or downwards on the earnings of the Group for the subsequent fiscal year is LBP4.98 billion increase/decrease.

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the fair values of financial assets and liabilities (excluding accrued interest) 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					
	Carrying Value	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	5,406,294	5,406,294	-	-	5,406,294
Lebanese treasury bills	14,166,027	-	14,166,027	-	14,166,027
Foreign Government treasury bills	327,681	327,681	-	-	327,681
Lebanese Government bonds	608,062	-	608,062	-	608,062
Certificates of deposit issued by the Central Bank of Lebanon	1,036,083	-	1,036,083	-	1,036,083
Corporate bonds	3,715,581	3,715,581	-	-	3,715,581
	25,259,728	9,449,556	15,810,172	-	25,259,728
Financial assets at fair value through other comprehensive income:					
Equities - Unquoted	639,202	-	-	639,202	639,202
Preferred shares- Unquoted	52,641,854	-	-	52,641,854	52,641,854
	53,281,056	-	-	53,281,056	53,281,056
Financial assets at amortized cost:					
Lebanese treasury bills	170,611,032	-	175,665,881	-	175,665,881
Lebanese Government Bonds	151,730,640	-	148,936,447	-	148,936,447
Certificates of deposit issued by Central Bank	270,384,749	-	272,160,482	-	272,160,482
Corporate bonds	34,847,533	34,831,549	-	-	34,831,549
	627,573,954	34,831,549	596,762,810	-	631,594,359
Financial liabilities measured at amortized cost:					
Subordinated bonds	37,687,500	-	-	36,811,085	36,811,085
	37,687,500	-	-	36,811,085	36,811,085

December 31, 2014					
	Carrying Value	Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	4,999,322	4,999,322	-	-	4,999,322
Lebanese treasury bills	9,116,581	-	9,116,581	-	9,116,581
Lebanese Government bonds	1,568,252	-	1,568,252	-	1,568,252
Certificates of deposits issued by the Central Bank of Lebanon	5,177,442	-	5,177,442	-	5,177,442
Certificates of deposits issued by banks	303,008	-	303,008	-	303,008
Corporate Bonds	2,036,346	2,036,346	-	-	2,036,346
	23,200,951	7,035,668	16,165,283	-	23,200,951
Financial assets at fair value through other comprehensive income:					
Equities - Unquoted	641,940	-	-	641,940	641,940
Preferred shares – Unquoted	52,641,854	-	-	52,641,854	52,641,854
	53,283,794	-	-	53,283,794	53,283,794
Financial assets at amortized cost:					
Lebanese treasury bills	206,627,905	-	211,700,048	-	211,700,048
Lebanese Government Bonds	78,134,242	-	76,259,198	-	76,259,198
Certificates of deposits issued by Central Bank	186,027,161	-	188,765,224	-	188,765,224
Corporate bonds	33,522,244	33,520,912	-	-	33,520,912
	504,311,552	33,520,912	476,724,470	-	510,245,382
Financial liabilities measured at amortized cost:					
Subordinated bonds	37,718,476	-	-	36,697,970	36,697,970
	37,718,476	-	-	36,697,970	36,697,970

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

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

December 31, 2015		
Financial Assets	Date of Valuation	Valuation Technique and key Inputs
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.
Lebanese Government Bonds	December 31, 2015	DCF at discount rates determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2015	N/A
Preferred shares – Unquoted	December 31, 2015	Management estimates based on unobservable input related to market volatility and liquidity.
At amortized cost:		
Lebanese treasury bills	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.
Lebanese Government Bonds	December 31, 2015	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2015	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Foreign currency	December 31, 2015	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2015	DCF at a discount rate determined based on unobservable input related to risk.

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

December 31, 2014		
Financial Assets	Date of Valuation	Valuation Technique and key Inputs
At fair value through profit or loss:		
Lebanese treasury bills	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.
Certificates of deposits issued by banks	December 31, 2014	DCF at a discount rate based on observable yield curve at measurement date.
Lebanese Government Bonds	December 31, 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 factor
At fair value through other comprehensive income:		
Equities - Unquoted	December 31, 2014	N/A
Preferred shares – Unquoted	December 31, 2014	Management estimates based on unobservable input related to market volatility and liquidity.
At amortized cost:		
Lebanese treasury bills	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.
Lebanese Government Bonds	December 31, 2014	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
Certificates of deposits issued by the Central Bank of Lebanon - Local currency	December 31, 2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.
Certificates of deposits issued by the Central Bank of Lebanon - Foreign currency	December 31, 2014	DCF at a discount rate based on observable yield curve at measurement date
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2014	DCF at a discount rate determined based on unobservable input related to risk.
There have been no transfers between Level 1 and Level 2 during the period.		

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2015 were approved by the Board of Directors in its meeting held on April 8, 2016.

2015-2020

FLOURISHING TO FURTHER REACH

BSEC
Bemo Investment Firm
BBSF
BEMO EUROPE - Banque Privée

“Striving to cement the synergy by building on the image of BEMO Group offering team”

4



BSEC

Bemo Securitisation SAL (BSEC) is a Lebanese financial institution providing investment banking solutions to corporates primarily in Lebanon as well as the MENA region.

BSEC was established in 1993, it is a subsidiary of Banque BEMO SAL and aims to be the reference financial advisor in Lebanon and the region.

The mission of BSEC is to be at the heart of the creation and development of the local financial ecosystem, by providing tier one corporates with adapted financing solutions that would be adequate investment opportunities

BSEC has built a solid track record by closing numerous transactions with a high level of professionalism and technical know-how.

Reputed for its specialization in structured finance and securitization in particular, BSEC has built on such expertise to develop further and enhance its service-offering spectrum in line with the growing client needs. BSEC caters for clients with sophisticated funding requirements and offers three primary solutions:

1. Securitization (off balance sheet financing)

2. Issuance of Corporate Bonds and Commercial Papers

3. Equity transactions including mergers & acquisitions and capital raising

BSEC also monitors the performance of the funds it has launched on the market, through a dedicated transaction banking service, with systematic reporting sent to investors and other related parties.

BSEC working teams strive to offer a complete financing solution to the clients. Specific alliances are contemplated with other market players on particular transaction cases and in markets where BSEC does not have a direct presence.

BSEC also works closely with the other entities of the Banque BEMO group in their various operating markets, in the view of providing a 360° solution to the clients. BSEC has aligned its

strategy and growth prospects to those of Banque BEMO, and continues to be a specialized and dedicated investment banking institution offering tailor-made financing solutions.

In 2015 BSEC has closed some notable transactions, among which:

–Debbane Frères SAL: A USD 13.3M securitization issuance for a leading Lebanese company in the agriculture sector, thus providing a new exposure for banks in a sector with promising growth potential.

–Chedid Capital Holding SAL: BSEC has advised Euromena Funds on the sale of the shares they own in Chedid Capital Holding SAL, a leading insurance and re-insurance brokerage group operating in the Middle East and Africa.

–Diamond Meat Processing: Sale of 100% of the shares of Diamond Meat Processing, a meat processing factory based in Dubai and previously owned by a major UAE conglomerate ETA Star House, to Siniora Food Industries, a leading meat processing based in Jordan, and Emerging Investment Partners, a private equity fund based in Lebanon.

In 2015 BSEC has also completed securitization issuance for new and existing funds, among which:

–Cylinder III SIF: Bassoul & Heneine 3rd securitization transaction. The transaction is a USD 7.58M auto loans backed issuance for Lebanon's exclusive distributor of BMW, Renault, Mini Cooper and Dacia car brands and auto parts.

–TGF Star SIF: T. Gargour & Fils securitization fund issuance increase of USD 2.71M. This is the 3rd issuance increase for the exclusive distributors in the Levant region of Mercedes-Benz, Jeep and Chrysler passenger and commercial vehicles; the fund has now reached a total size of USD 16.36M.

–Rymco Drive III SIF: An issuance increase of USD 5M for the third fund set-up for Rasamny-Younis Motor Company SAL (RYMCO SAL), the local distributor for Nissan, Infiniti, GMC and other car brands; the fund was established in 2013 and has reached a total size of USD 12.715M.

BSEC is regulated by the Central Bank of Lebanon, the Capital Markets Authority and the Banking Control Commission. It is also a member of the Association of Financial Institutions in Lebanon.

Bemo Securitisation (BSEC) is located at:



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Beirut, Lebanon

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Fax: +961 1 994801

Website: www.bsec-sa.com

BEMO INVESTMENT FIRM

Bemo Investment Firm Ltd (BIF) was established in 2007 at the Dubai International Financial Center (DIFC) as a subsidiary to Banque BEMO. Since its establishment, BIF has built very solid relationships in the region with various industry players. Its presence in the DIFC, which is considered as an important regional financial and banking hub, has helped create awareness and promote the BEMO group's business within the international finance community.

BIF works closely with all the entities of the BEMO Group: on the investment banking side, BIF helps in originating and placing deals jointly with BSEC, whereas on the private banking side, BIF assists in building ties with existing and potential clients to offer the state of the art private banking solutions developed by BEMO EUROPE - Banque Privée.

The BEMO vision is to leverage on BIF presence in the region and to put all of its built relationships at the disposal of the group's clients, in order to help them get access to new products and markets thereby achieving their financial goals.



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BANQUE BEMO SAUDI FRANSI SA – SYRIA

Named after its founding members, Banque BEMO S.A.L. and Banque Saudi Fransi, BBSF is the trading name for Banque Bemo Saudi Fransi, a Syrian privately owned joint stock company operating in accordance with world-class standards.

BBSF, Syria's first private bank established in 2004, has, through 10 years of growth and success, developed in size and stature to become the number one non Islamic Private Bank in Syria in terms of total assets, clients' deposits and loans' portfolio based on the published financials of the 3rd quarter of 2015 . BBSF is also a key player in financing corporate and commercial, industrial, and contracting activities, hence largely contributing to the development of these sectors and the overall economy of Syria.

BBSF's branches network, covering all Syrian cities, offers customers a growing suite of products and a broad spectrum of services including loans, deposits, payments and cash management services. Though some branches were temporarily closed due to the prevailing circumstances in some areas, it still remains the largest Private Bank network in Syria.

BBSF has the ambition to maintain its leadership in Syria's banking sector, with a strong focus on both Corporate and Retail banking. BBSF also services multinational and financial institutions.

Shareholders	Country Of Origin	Shares In Capital
Banque Saudi Fransi (BSF)	Saudi Arabia	27%
Banque BEMO Sal	Lebanon	22%
Obegi Family	Syria	7.51%
Other shareholders	Syria	43.49%



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BEMO EUROPE - BANQUE PRIVÉE

BEMO EUROPE – Banque Privée is a Private Bank headquartered, registered in Luxembourg and supervised by the Financial Sector Supervisory Commission (CSSF).

The Paris branch is similarly supervised by the CSSF. Registered in France, it is also supervised by the French Banking Supervisory Authority (ACPR), and by the French Financial Markets Authority (AMF).

The mission of BEMO EUROPE – Banque Privée is to offer its Clients personalized solutions and the best service to help them preserve and increase their wealth. The wide range of expertise provided by its team of highly qualified professionals enables BEMO EUROPE to offer tailor-made investment advisory and financing solutions guided by the fundamentals of each client's specific financial priorities.

The values of BEMO EUROPE are: Integrity, Excellence, Conservatism, Family Spirit.

BEMO EUROPE was founded as a universal bank in Brussels in 1973. Since then the Bank has constantly evolved.

- 1976: Establishment of the financial company EMIC in Luxembourg. Owner of the Bank, EMIC's sole shareholders are private families. The Paris office opened in the same year.
- 1984: Establishment of the Bank in Luxembourg.
- 1998: The Board of Directors adopted Private Banking as the main business activity.
- 1999: The Bank closed its Brussels office and transferred the activities to Luxembourg and Paris.
- 2007: Opening of an office in Dubai through a joint venture with Oddo & Cie banking group.
- 2011: The Bank expands its scope of activities and offers Wealth Management services.
- 2013: BEMO EUROPE moves its head office to the European financial center of Luxembourg.

- 2015: The Bank inaugurates its new office located at 26 Boulevard Royal in Luxembourg.

BEMO EUROPE Banque Privée offers the following services:

- Wealth engineering
- Multi-currency financial investments and advisory
- Real estate financing and Lombard credit
- Banking services
- Conciergerie services



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05 | LIST OF CORRESPONDENT BANKS &
CUSTODIANS

2015 2020

PRIORITY TO **SERVE**

*Our Motto:
"Relationships are built
Trust is earned"*

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LIST OF CORRESPONDENT BANKS

Country	City	Correspondent
Austria	Vienna	UniCredit Bank Austria AG
Belgium	Brussels	KBC Bank NV
China	Beijing	Bank of China limited
Cyprus	Nicosia	Bank of Cyprus Public Company Limited
France	Paris	BEMO EUROPE - Banque Privée
France	Paris	Union de Banques Arabes et Francaises-U.B.A.F.
Germany	Frankfurt	Deutsche Bank AG
Germany	Frankfurt	Commerzbank AG
Italy	Milan	Intesa Sanpaolo SPA
Japan	Tokyo	Deutsche Bank AG
KSA	Riyadh	Banque Saudi Fransi
Luxembourg	Luxembourg	BEMO EUROPE-Banque Privée
Qatar	Doha	Doha Bank QSC
Spain	Madrid	Banco Sabadell SA
Switzerland	Zurich	UBS AG
Turkey	Istanbul	Yapi ve Kredi Bankasi AS
UAE	Abu Dhabi	Abu Dhabi Commercial Bank
UAE	Dubai	MashreqBank PSC
UK	London	Deutsche Bank AG
USA	New York	The Bank of New York Mellon
USA	New York	Deutsche Bank Trust Company Americas

LIST OF CUSTODIANS

Country	Custodian
Belgium	KBC Securities NV
Germany	Commerzbank AG
Lebanon	Midclear sal
Luxembourg	BEMO EUROPE - Banque Privée
Switzerland	Credit Suisse AG
Switzerland	Bank Julius Baer and Co. Ltd

2015-2020

OPERATING WITH THE UTMOST **EXCELLENCE**

*Our Mission Statement:
“Live our values while achieving
high return on equity and offering
our customers outstanding quality”*



BANQUE BEMO NETWORK

HEAD OFFICE

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Fax: + 357 25 587 064
Swift: EUMOCY2I

BANQUE BEMO NETWORK

BRANCHES IN LEBANON

Ashrafieh

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Tel: 01 200 505 | 01 203 267
Fax: 01 217 860 "ATM Machine"

Riad El Solh

Beirut Central District, Riad El Solh Square,
Esseily Building, Bloc A, 7th Floor ,
Tel: 01 992 600
Fax: 01 983 368

Dora

Dora Highway, Tashdjian Banking Center,
Tel: 01 257 771 / 2
Fax: 01 257 775 "ATM Machine"

Gemmayzeh

Medawar Area,
96 Pasteur Building
Tel: 01 568 250 /2/3/4
Fax: 01 568 360 "ATM Machine"

Zouk

Zouk Mekayel Highway, Vega Center, 1st Floor,
Tel & Fax: 09 211 182

Verdun

Ramlet El Baida, Saeb Salam Avenue,
Al Iwan Building,
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Fax: 01 799 427 "ATM Machine"

Sin El Fil

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Tel: 01 513 990
Fax: 01 513 997 "ATM Machine"

Rabieh

Rabieh Main Road, Lahlouh Center,
Tel: 04 408 910
Fax: 04 408 917 "ATM Machine"