Creditbank S.A.L.

ANNUAL REPORT 2014

CHAIRMAN'S LETTER

The Lebanese market place continues to witness tension and uncertainty, as the instable geopolitical situation in the region prevails. Naturally, this has had its implications on the country's banking sector.

On one level, Lebanon's economy has not grown at the same pace as the banking sector. This dwarfed perspective poses an existential threat, especially to the sector's undersized players lacking economies of scale.

On another level, new regulatory requirements, which aim to brace the sector against the threat of any possible sovereign risk-rating deterioration, add to the banks' minimum capital requirements. As a consequence of these developments, the Lebanese banking sector is likely to witness a trend of further consolidation.

In addition, Lebanon's banks are increasingly confronted by a new global reality, which sees non-regulated institutions entering the financial services scene thanks to the hyper-connected world we live in today.

And yet, despite these and many other challenges, Lebanon's banking sector has succeeded to evolve to an extent that today it matches and, at times, even surpasses banks in more developed economies in terms of global standards on banking governance, risk management and compliance.

Governed by a zero-tolerance policy formulated by the Lebanese Central Bank, the nation's seasoned regulatory body, the banking sector has continued to grow domestically and expand internationally.

Creditbank is no exception. Its net profit increased by 42.3% in 2014, while total assets grew by 13.5% to amount to USD 3 billion, compared to an average growth rate of 9.8% among its peer Alpha Banks. Deposits in 2014 increased by 14.1% to reach USD 2.6 billion.

Creditbank furthermore recorded a loans-to-deposits ratio of 56.93%, which is one of the highest among Lebanese banks. The latter reflects our sense of optimism and faith regarding Lebanon's future, as well as our deep-felt belief that a bank's primary role is to help generate economic growth within the private sector.

Creditbank finalized the full acquisition of Anelik Bank CJSC Armenia and Russia in 2013. Creditbank's Armenian subsidiary in 2014 booked a positive result and saw the number of branches in its network increase to a total of 14.

However, we believe, that the real measure of the bank's health and success lies beyond the world of growth statistics alone. It is primarily found in the impetus that is put into the advancement of the bank's business culture.

Our management team was fully engaged in reorganizing and improving the bank's basic customer services by creating an eminent and constantly evolving digital platform.

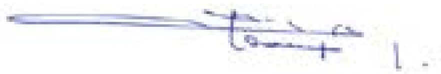
As part of our policy to further differentiate banking products and services, and enhance customer comfort, the very morphology of a typical Creditbank branch was altered and implementation of the new interior design has been accelerated throughout the country.

Furthermore, a matrix of parameters was introduced focusing more on sales activities within the bank's network and more on processing within its central departments, which will lead to a leaner, more rewarding customer experience and as such produce a greater promise of customer loyalty.

Also, as we believe in the commitment to the communities we operate in, Creditbank continues to support numerous projects as part of its nationwide Corporate Social Responsibility Program.

Last but not least, true to our motto "Creditbank: people you can bank on," and recognizing that our success is first and foremost the result of the hard work, commitment, know-how and professionalism of our workforce, we continue to invest in rigorous people training and expand our team by recruiting some of the country's finest and brightest.

Tarek Khalifé
Chairman



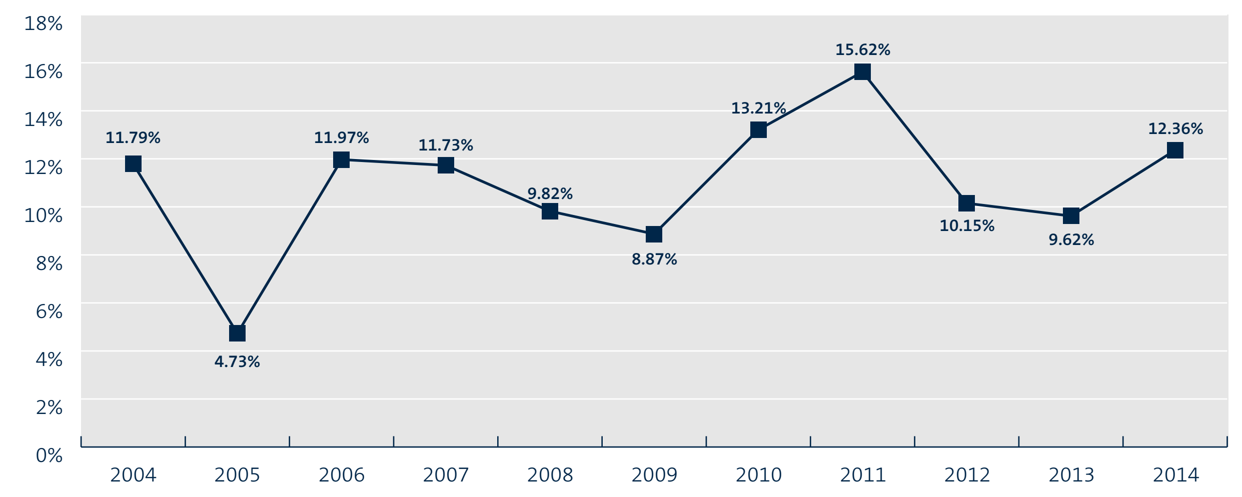
MAIN FINANCIAL INDICATORS

USD Million	2014	2013	2012	2011
Main Financial Indicators				
Total Assets	3,000	2,643	2,219	1,893
Customer Deposits	2,601	2,280	1,902	1,632
Net Loans	1,481	1,298	1,081	967
Net Liquid Assets	1,236	1,162	946	795
Shareholders' Equity	210	207	170	150
Total Operating Income	95	76	71	72
Net Profit	26	18	16	23
EBITA	42	28	27	33
Number of Branches (Local)	22	19	18	17
Number of Branches (Abroad)	15	14	14	13
Number of ATM's (Local)	43	37	35	30
Number of ATM's (Abroad)	64	55	47	41
Number of Employees (Local)	508	465	434	406
Number of Employees (Abroad)	508	404	479	479
Profitability & Efficiency Ratios (%)				
ROAA	0.91%	0.75%	0.79%	1.33%
ROAE	12.36%	9.62%	10.15%	15.62%
Leverage Multiplier	13.51	12.89	12.85	11.74
Spread	1.97%	1.96%	1.81%	2.21%
Net Interest Margin	2.23%	2.26%	2.13%	2.55%
Cost / Income	58.70%	67.45%	66.15%	57.76%
Assets Quality Ratios (%)				
Gross Non Performing loans / Gross Loans	4.02%	4.81%	2.45%	4.55%
NPL Provisions / Non Performing Loans	59.06%	33.62%	52.65%	32.13%

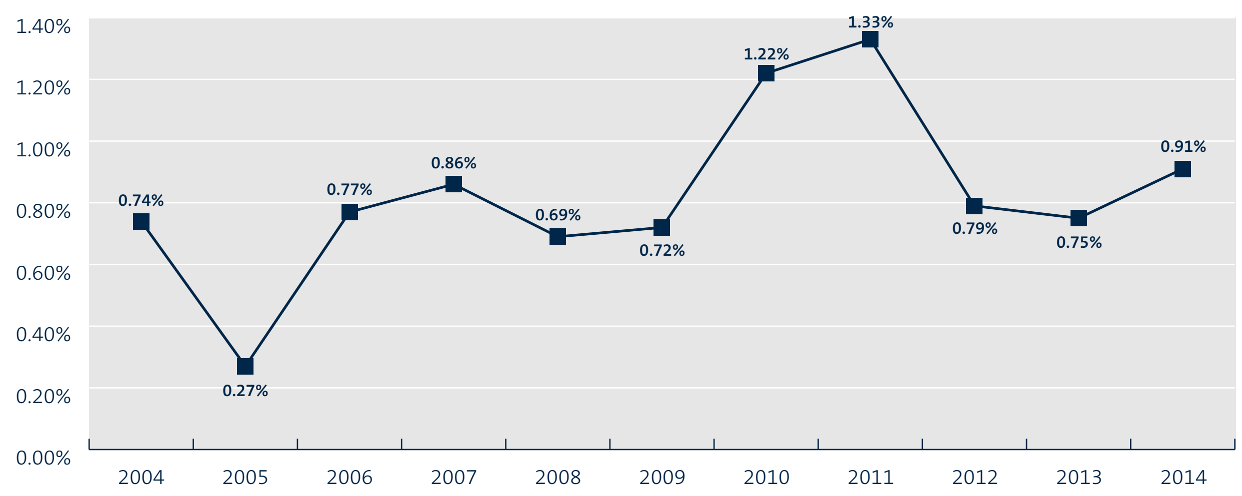
USD Million	2014	2013	2012	2011
Liquidity & Funding Ratios (%)				
Net Loans / Assets	49.36%	49.12%	48.70%	51.08%
Customer Deposits / Assets	86.70%	86.27%	85.72%	86.21%
Net Liquid Assets / Assets	41.20%	43.95%	42.64%	41.99%
Net Loans / Customer Deposits	56.93%	56.94%	56.81%	59.25%
Capital Adequacy Ratios (%)				
Total Capital Adequacy Ratio (CAR)	10.45%	11.04%	10.44%	9.02%
Equity / Total Assets	7.01%	7.85%	7.65%	7.92%
Internal Capital Growth	10.36%	5.34%	6.19%	10.59%
Growth Indicators (Creditbank)				
% Growth in Assets	13.49%	19.12%	17.22%	25.00%
% Growth in Deposits	14.06%	19.88%	16.55%	31.20%
% Growth in Net Loans	14.04%	20.16%	11.74%	32.50%
% Growth in Shareholders' Equity	1.32%	22.23%	13.13%	7.30%
% Growth in Total Operating Income	24.87%	8.14%	-2.03%	16.10%
% Growth in Net Profit	42.27%	11.69%	-29.37%	32.80%
Growth Indicators (Banking Sector)				
% Growth in Assets	9.30%	9.70%	8.40%	7.70%
% Growth in Deposits	8.50%	9.50%	8.80%	7.50%
% Growth in Net Loans	11.00%	15.20%	11.70%	14.00%
% Growth in Shareholders' Equity	10.80%	8.60%	12.90%	-0.10%
% Growth in Total Operating Income	9.10%	3.80%	11.90%	3.00%
% Growth in Net Profit	9.70%	0.50%	7.40%	-5.10%

FINANCIAL HIGHLIGHTS

RETURN ON AVERAGE EQUITY



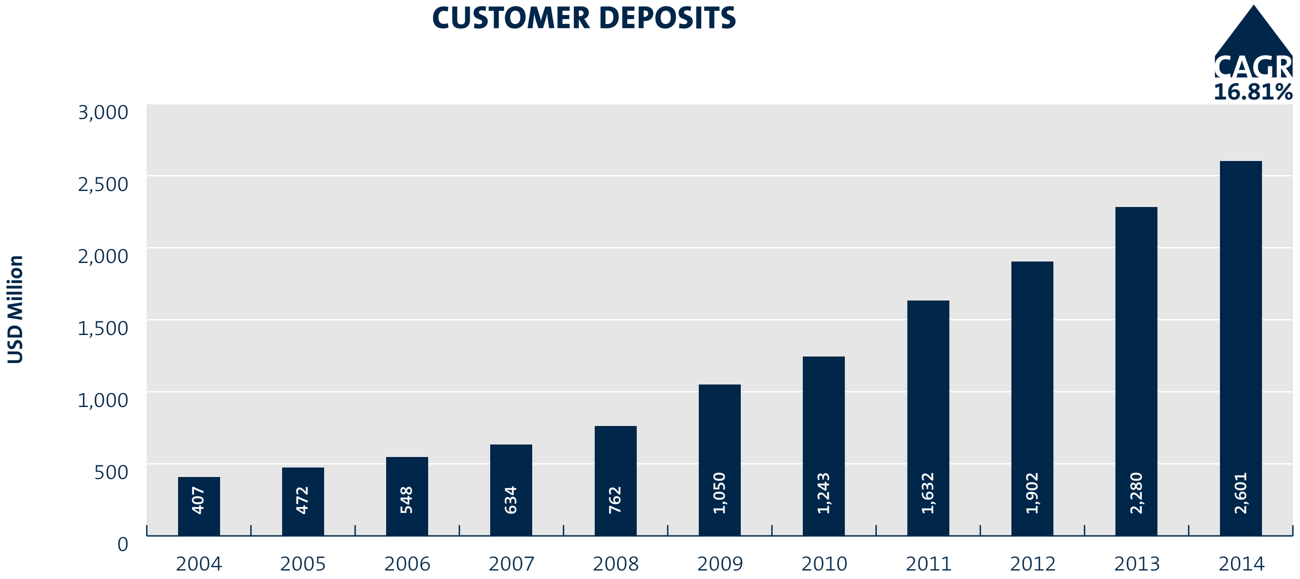
RETURN ON AVERAGE ASSETS



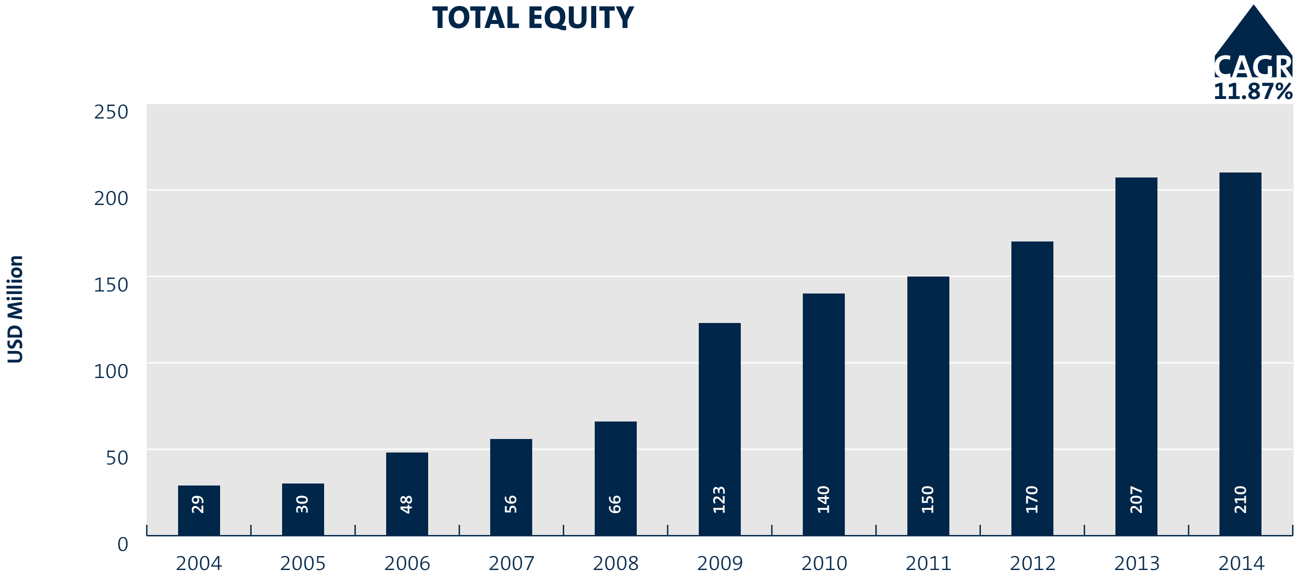
FINANCIAL HIGHLIGHTS

CAGR CALCULATION IS BASED ON 2011/2014 FIGURES

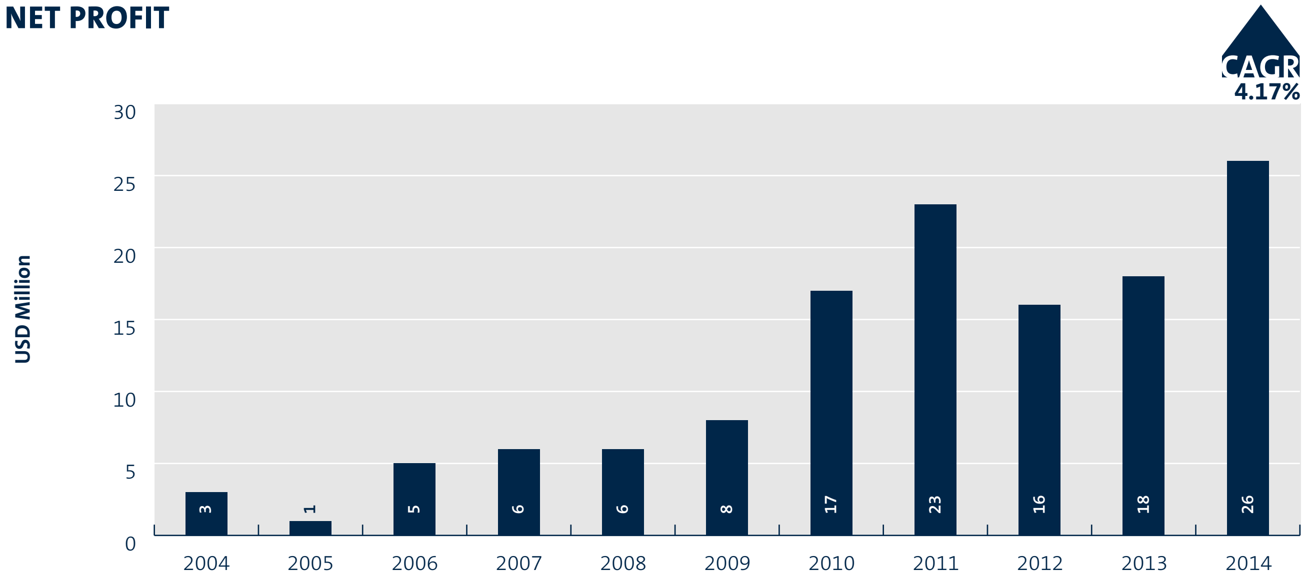
CUSTOMER DEPOSITS



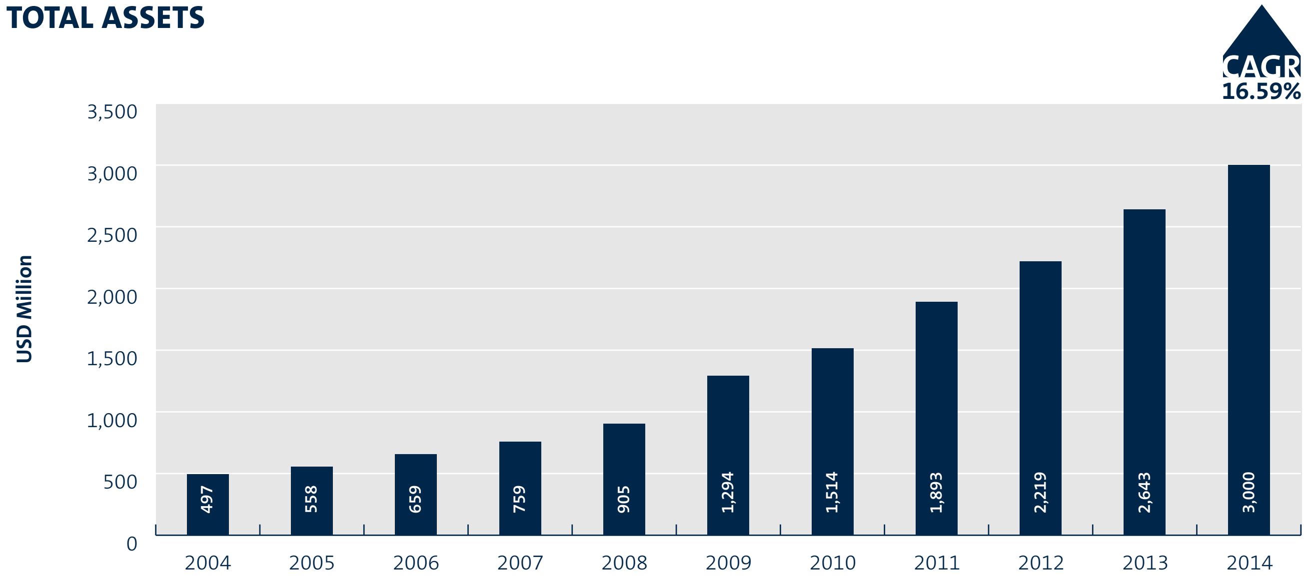
TOTAL EQUITY



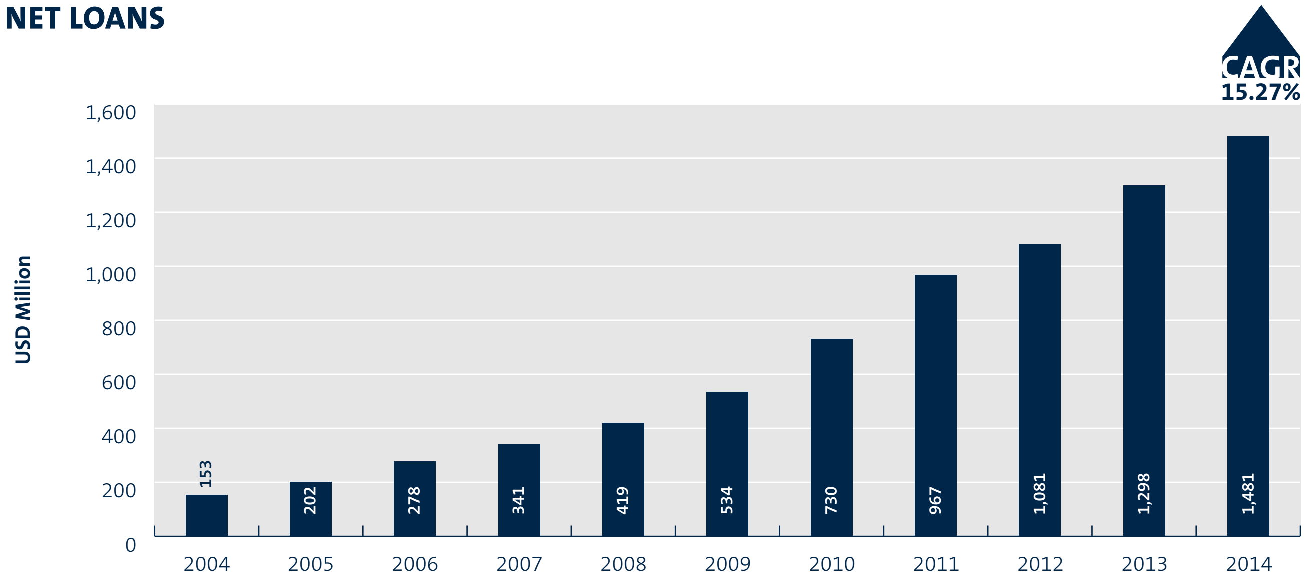
NET PROFIT



TOTAL ASSETS



NET LOANS



EXECUTIVE SUMMARY

Despite a challenging working environment both domestically and regionally, Creditbank in 2014 witnessed an impressive end-of-year financial result and continued its journey on a strong path of profitability, growth and expansion. A 42.3% rise in net profit, among other sound results, testified to last year's remarkable performance.

Additionally, the group's total assets, customer deposits, loans and advances grew significantly. The group furthermore physically expanded in terms of branches, staff and ATM machines.

Creditbank stood out among its peers, as total assets recorded a 13.5% increase to amount to USD 3 billion, compared to a 9.8% average assets growth rate registered among Lebanon's Alpha Banks.

Total deposits increased by 14.1% to reach USD 2.6 billion, mostly due to a rise in savings and term deposits. The share of deposits in foreign currencies, mainly USD, by the end of 2014 stood at 59%, while deposits in LBP amounted to 41%, a ratio similar to the previous year. In comparison, the Lebanese banking sector in 2014 recorded an average deposits growth rate of 8.5%.

Creditbank in 2014 had a loans-to-deposits ratio of 56.93%, which is one of the highest among Lebanese banks and reflects its belief that a bank should help drive economic growth by financing the private sector.

Creditbank saw its net loans increase by 14% to amount to USD 1.48 billion. Over 82% of the bank's loan portfolio is extended in Lebanon, while 12.9% and 4.9% were granted cross-border to individuals and institutions based in Europe and the Middle East respectively. The loans granted in Europe in particular recorded a marked increase of 27.7%.

While 25.6% of loans were destined to individuals, 74.4% were extended to a wide variety of industries and enterprises. The Group aims to diversify and grant loans to a wide array of targeted companies and economic sectors in order to avoid concentration risk.

The segment "enterprises and buildings" represented 18.3% of total loans, followed by "trade" (11.2%), "manufacturing industries (9.9%) and "real estate, rental and other services" (8.5%).

Corporate lending by the end of 2014 amounted to USD 387 million representing 26.1% of total loans, compared to USD 460 million or 35.4% of total loans in 2013. The decrease is a direct consequence of the management's strategy of portfolio yield optimization.

Retail lending by the end of 2014 stood at USD 500 million or 33.8% of total loans compared to USD 411 million or 31.7% in 2013, which represented a year-on-year increase of 21.6%. The marked increase falls in line with the bank's strategy to secure a leading and profitable stronghold in the retail lending sector.

SME lending amounted to USD 594 million or 40.1% of total loans in 2014, compared to USD 427 million or 32.9% of total loans in 2013, a year-on-year increase of 39.1%. Ever since its foundation in 1981, Creditbank firmly believes that entrepreneurship lies at the heart of any healthy economy.

To promote Lebanon's burgeoning entrepreneurial sector, an elaborate corporate and SME finance program offering an extensive range of tailor-made financial products and consultancy services was introduced along with a special "hand-holding" approach for start-ups. As a result, Creditbank won the Best SME Loan Award at the 2014 Banker Middle East Levant Product Awards organized by CPI Financial.

EXECUTIVE SUMMARY

While 78% of gross loans by the end of 2014 were qualified as “good” loans and 18 % as “watch” loans, only 4% were identified as “substandard,” “doubtful” or “bad” loans. This excellent ratio is the natural outcome of Creditbank adhering to a thorough and comprehensive risk management strategy with a sound coverage of all types of credit, market and operational risks.

Finally, Creditbank branches across Lebanon in 2014 grew from 19 to 22. The group’s Armenian subsidiary Anelik Bank CJSC by the end of 2014 had a total of 14 branches, while its Russian subsidiary CB Anelik RU LLC operated from 1 main branch in Moscow.

Creditbank saw its staff increase domestically from 465 to 508 and abroad from 404 to 508, bringing the total number of employees to 1016. The number of ATM machines in Lebanon jumped from 37 to 43, while its foreign subsidiaries saw the number of ATM machines increase from 55 to 64. Most of Creditbank’s branches are equipped with the latest generation of smart ATMs that allow customers to safely and efficiently make a variety of transactions, including checks and cash deposits and loan payments.

STRATEGY OVERVIEW

Despite the challenging economic and political situation, Creditbank succeeded to maintain a favorable and sustainable growth rate with encouraging results.

Customer service is a major element of focus at Creditbank. Creditbank’s new and renovated branches are characterized by a blend of cutting-edge technology with an emphasis on personalized banking through the introduction of one-on-one pods that offer even more privacy, as well as a state-of-the-art waiting lounge and queuing system.

Looking ahead, the bank backed by a strong managerial strategy and sound financial fundamentals is poised to continue its journey on a path of growth and expansion in both Lebanon and abroad. The bank’s reinforced capacity to maintain its current client base, to attract new customers, besides its drive to continuously expand and enhance its range of customer services will undoubtedly bring more value added rewards to all its stakeholders, to the Lebanese community and economy.

ECONOMIC OVERVIEW

LEBANON

The Lebanese economy in 2014 continued to struggle yet managed to record a modest 2% growth. Many of the main economic indicators, including trade, tourism and foreign investment have witnessed a gradual decline due mainly to the political and security challenges related to the conflict in neighboring Syria since 2011.

According to the United Nations High Commissioner for Refugees (UNHCR), Lebanon by the end of 2014 had the highest per capita concentration of refugees in the world, as it hosted over 1 million uprooted Syrians on a population of over 4 million. The country's "extraordinary generosity" has come at a price, as Lebanon suffered a loss of trade, tourism and investment, the UNHCR reported.
Despite Lebanon's taxing domestic working environment, the banking and financial industry – traditionally one of the Lebanon's core sectors – continued to book positive results. Lebanon's banks by the end of 2014 recorded an annual growth of 6.6% in assets, 6.0% in deposits and 7.4% in loans.

The Lebanese Central Bank (BDL) saw its foreign currency and gold reserves reach record heights in 2014. While foreign currency assets grew to USD 37.9 billion and gold reserves amounted to USD 11 billion by December 31, 2014, the BDL continued to play an all important role as a national financial regulator and intermediary between the government and the country's embattled economy.
A case in point is the BDL's soft loan packages worth USD 1.47 billion in 2013 and USD 928 million in 2014 that were instrumental in maintaining sound economic growth and stability. The BDL estimated the monetary interventions represented some 50% of annual growth. A third package worth USD 1 billion is set to be introduced in the second half of 2015.

According to the BDL, Lebanon's Gross Domestic Product (GDP) amounted to USD 45.7 billion by the end of 2014, which represented a 2% rise compared to the previous year. The IMF and World Bank forecast a similar growth in 2015.

Seeing the many obstacles Lebanon is facing, 2% can be considered a robust result, although it remains a far cry from the average annual growth rate of 8.25% recorded between 2007 and 2010. The latter is a hopeful reminder of Lebanon's true potential. Inflation in 2014 remained below the 4% mark, which was within the BDL policy goals set for the year.

Traditionally a trading nation, Lebanon's import and export constituted 47.7% of GDP in 2014. The trade deficit witnessed a 0.64% decrease to amount to USD 17.3 billion. Total imports declined from USD 21.33 billion in 2013 to USD 20.49 billion in 2014, due mainly to the decrease in international oil prices and a slight appreciation of the Lebanese pound against the Euro. Lebanon's main imports include mineral products, machinery, chemical products and vehicles.

Export in 2014 decreased from USD 3.98 billion in 2013 to USD 3.31 billion. Pearls and precious stones were Lebanon's leading export items followed by prepared foodstuffs. In terms of value, 52.4% of export is destined for other Arab countries, while 19.6% goes to Africa. Most import stems from Europe (42.7%) and other Arab countries (10.3%).

Finally, 16,663 new construction permits were issued in 2014, representing a marginal decrease of 0.4% when compared to 2013, which in turn recorded a YOY decline of 8.1%. The total surface area of new construction permits recorded a 4.8% increase to reach 13.5 million square meters (sqm) in 2014, following a decrease of 12% and 10.8% in 2013 and 2012 respectively.

The total number of foreign visitors to Lebanon witnessed a slight increase from USD 1.27 billion in 2013 to USD 1.36 billion in 2014. Most foreign embassies continue to uphold a negative travel advice for parts of Lebanon due to the fragile security situation. In comparison, a record USD 2.2 million tourists flocked to Lebanon in 2010.

Remittances of Lebanese expatriates witnessed a 13.2% increase from USD 7.86 billion in 2013 to USD 8.9 billion in 2014, according to a World Bank report. With a share of 17.8% of GDP, Lebanon was the world's 14th-largest recipient of remittances in 2014.

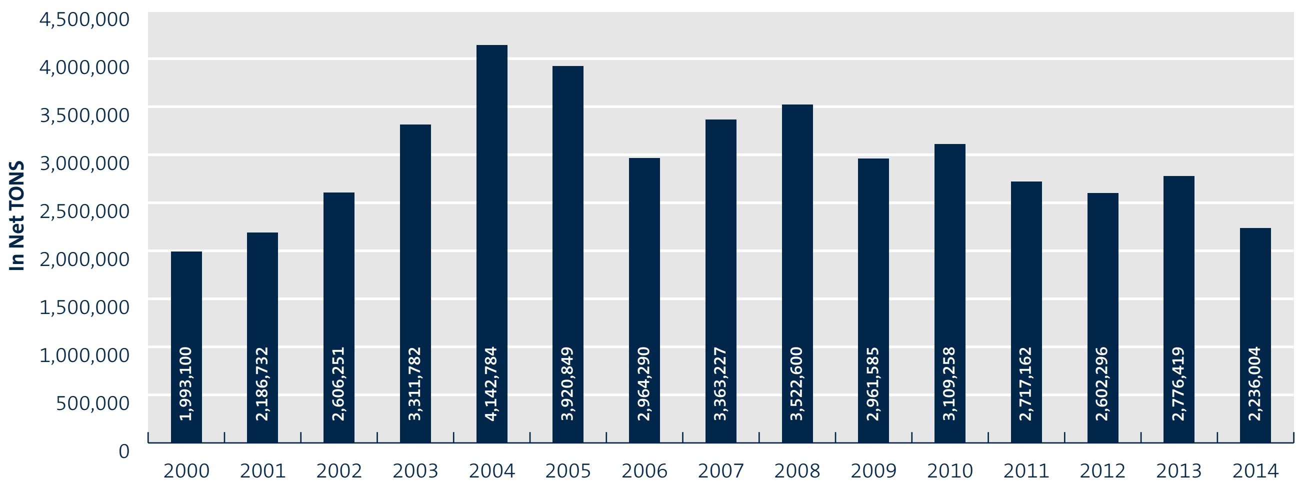
According to the BDL, as a consequence of the subdued economic climate, Lebanon's debt to GDP ratio increased from 130% to 143%. The BDL expects the country's debt burden and debt-to-GDP ratio to further increase in 2015.

Despite the economic obstacles, Lebanon's resilient banking sector continued to flourish. As capital inflows to Lebanon amounted to some USD 16 billion, total banking activity in the country grew by around 7%. According to the Association of Banks in Lebanon, total assets and deposits of Lebanese banks by the end of 2014 amounted to USD 175 billion and USD 147 billion respectively.

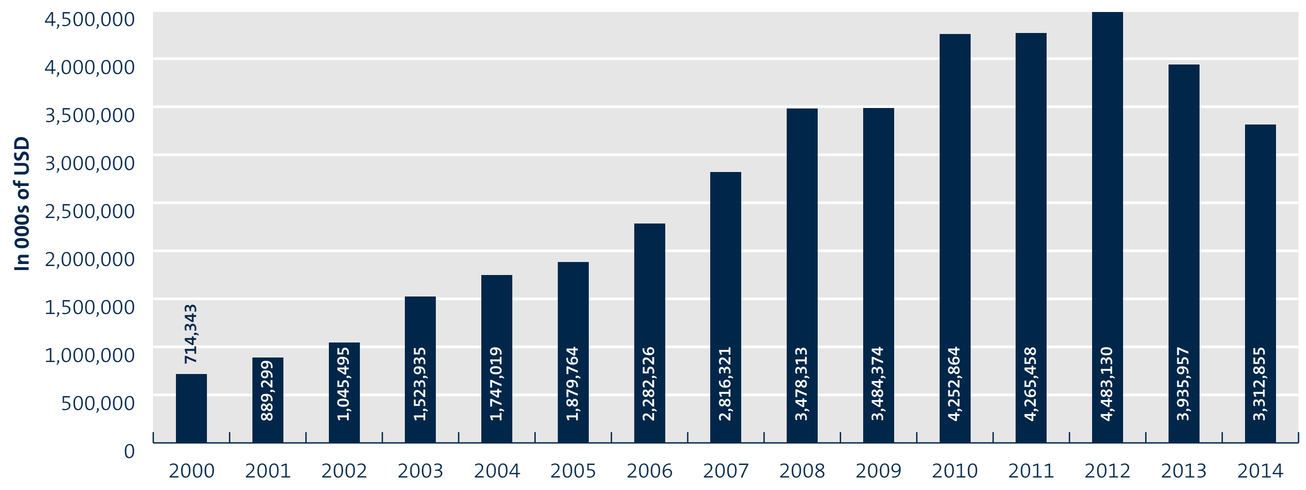
The high level of liquidity has allowed Lebanon's banks to continue to fulfill their primary role: to finance public and private sector needs, while maintaining a stable interest rate. In terms of capitalization, most Lebanese banks in 2015 are expected to meet the BDL capital adequacy ratio of 12%, which exceeds the minimal requirements set by Basel III, a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector developed by the Basel Committee on Banking Supervision.

ECONOMIC
OVERVIEW

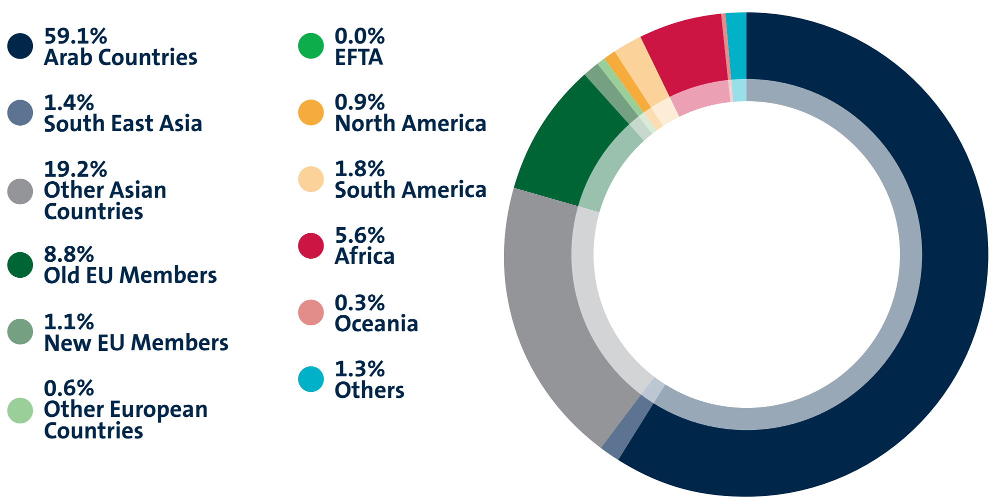
TOTAL LEBANESE EXPORTS BY VOLUME 2000 - 2014



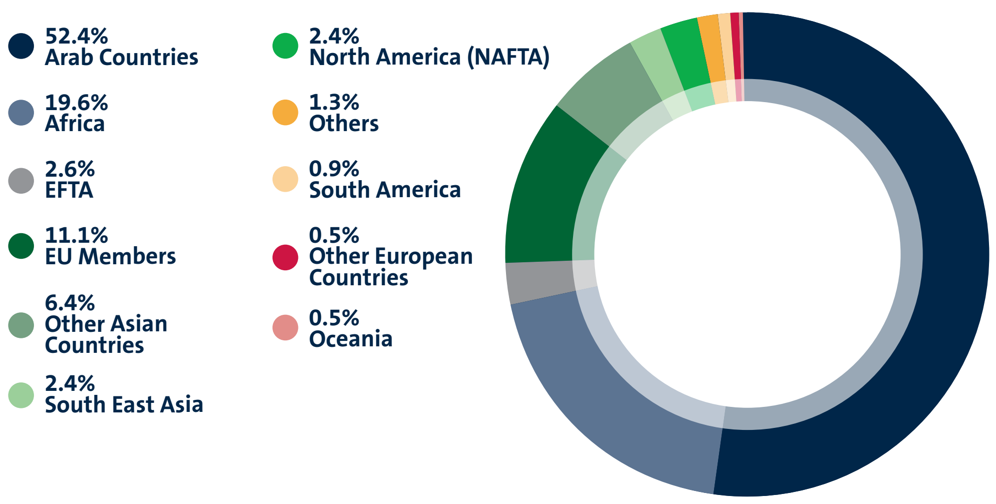
TOTAL LEBANESE EXPORTS BY VALUE 2000 - 2014



EXPORTS FROM LEBANON BY VOLUME AND DESTINATION 2014

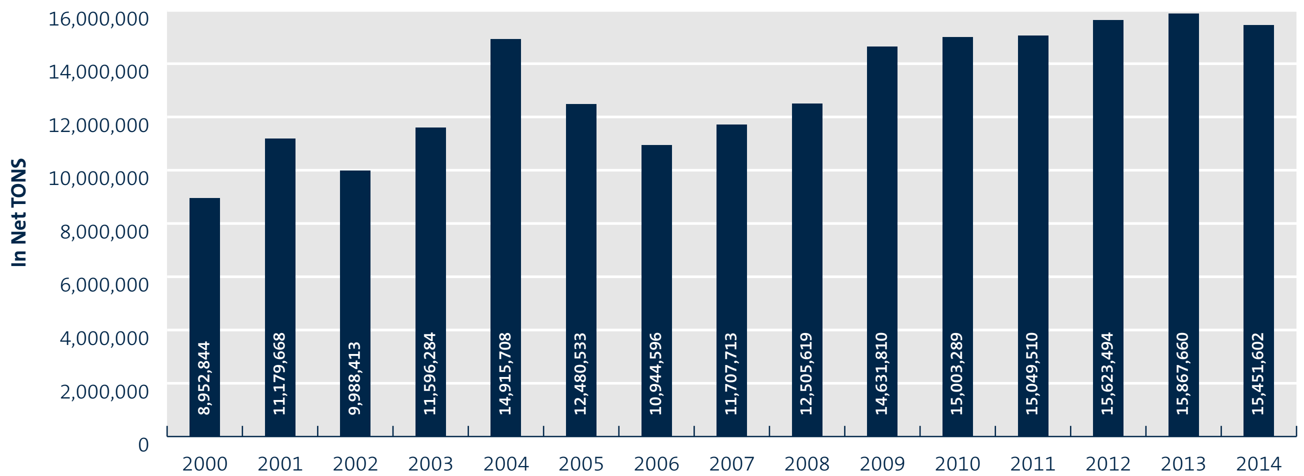


EXPORTS FROM LEBANON BY VALUE AND DESTINATION 2014

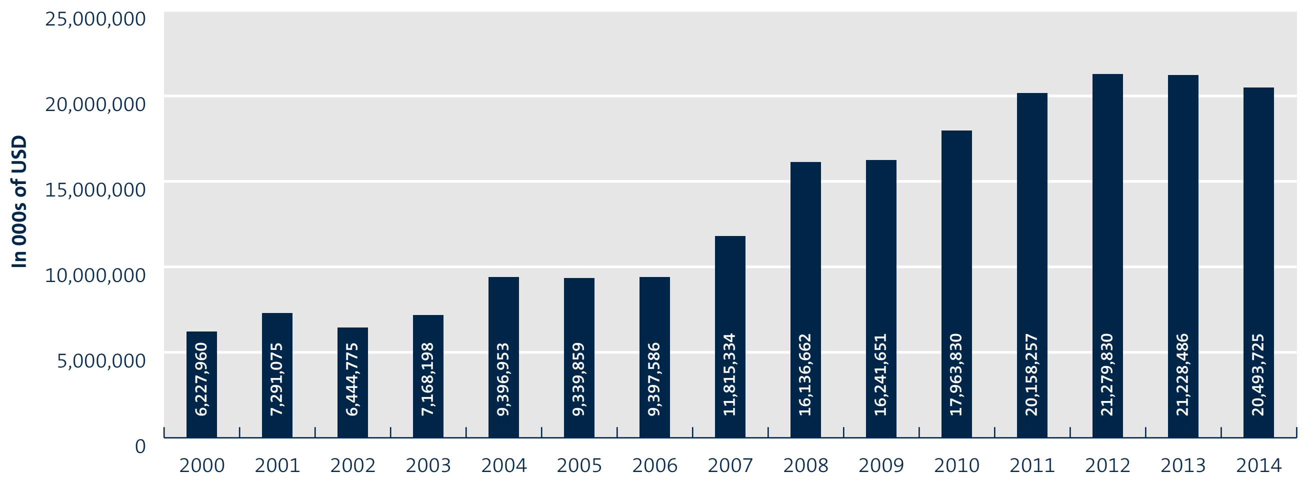


ECONOMIC
OVERVIEW

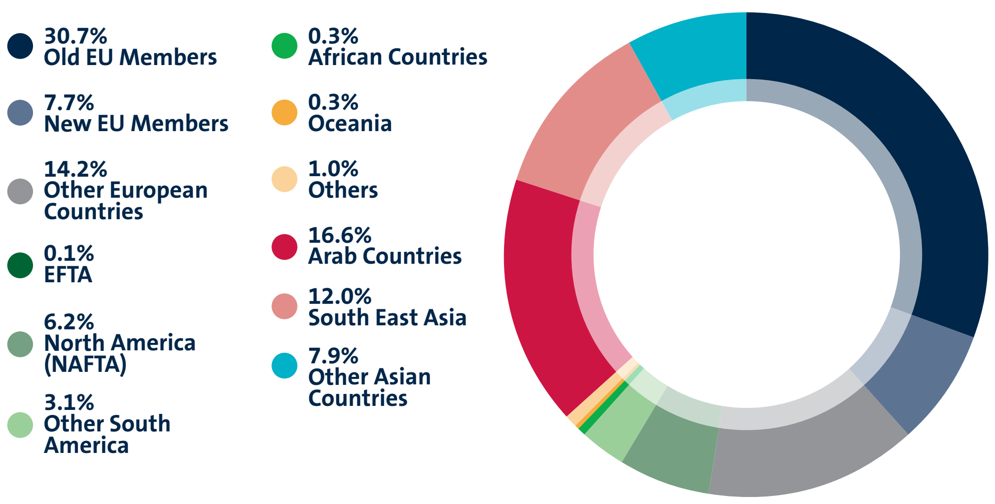
TOTAL LEBANESE IMPORTS BY VOLUME 2000 - 2014



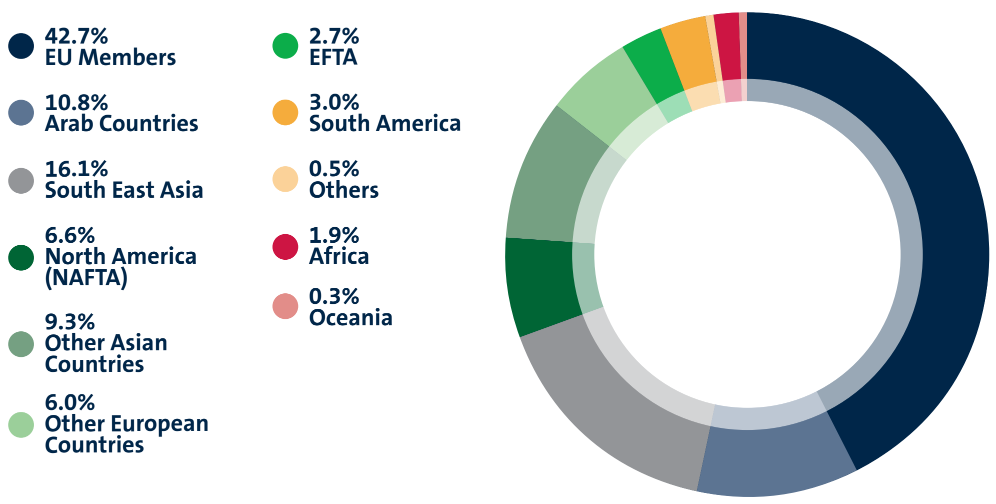
TOTAL LEBANESE IMPORTS BY VALUE 2000 - 2014



IMPORTS FROM LEBANON BY VOLUME AND DESTINATION 2014



IMPORTS FROM LEBANON BY VALUE AND DESTINATION 2014



ECONOMIC OVERVIEW

REGION

The Middle East and North Africa (MENA) region in 2014 proved a mixed bag in terms of economic results. The IMF estimated the region as a whole grew by 2.4% in 2014, which it expects to increase to some 2.9% in 2015. The average growth figure masks considerable differences between high and low-income sections within the region. For example, the rich Gulf region, despite lower oil prices, recorded an average growth rate of up to 5%, while developing countries witnessed a growth as low as 0.7%.

It speaks for itself that the violent conflicts in such countries as Syria and Yemen, as well as troublesome political transitions in Egypt, Libya and Tunisia have a hampering effect on the development of the region as a whole. In terms of banking, the MENA region still reported a satisfactory growth, as both deposits and loans grew by 7.8%

SUBSIDIARIES

Armenia

Armenia continued on its arduous path of economic recovery following the 2008 financial crisis. Armenian GDP increased by 4.8% from USD 10.4 billion in 2013 to USD 10.9 billion in 2014. The country has not yet reached the double-digit growth figures it recorded prior to 2008, due to the relative economic crisis in the Russian economy. About one third of Armenia's export is destined for Russia.

According to the Central Bank of Armenia, the country's 21 commercial banks saw assets grow by 16.1% to reach AMD 3,410.6 billion (USD 7,107.49 billion), while the total amount of outstanding loans grew by 21.2% to reach AMD 2,163.0 billion (USD 4,508 billion) by December 31, 2014. Total deposits grew by 4.8% to reach AMD 1,701.1 billion (USD 3,545) by the end of 2014, while the banks' liquidity ratio amounted to 25.1%.

Russia

The World Bank estimated that Russian GDP in 2014 increased by 0.6% to amount to USD 1.8 trillion. It furthermore projected the Russian economy to contract by 3.8% and 0.3% in 2015 and 2016 respectively, due mainly to the fall in global oil prices and the international sanctions that was imposed on the country following Russia's military intervention in Ukraine.

The economic sanctions, in combination with high interest rates, have left their mark on the struggling Russian banking sector, which consists of over 800 financial institutions. For example, Moody's Investors Service estimated that the amount of bad loans would increase from 9.5% by the end of 2014 to 15% by the end of 2015. Most experts expected 2015 to be a year of mergers and takeovers, while the removal of weaker banks would likely lead to better lending practices and more transparency.

GENERAL PROFILE

Creditbank is one of Lebanon's dynamic fastest growing banks, carving out a solid and stable presence in Lebanon and overseas. When deposits in 2013 surpassed the USD 2 billion mark, the bank was given the country's prestigious Alpha status, a term that identifies the first tier of Lebanon's banking sector, which currently comprises of 14 out of 54 operating banks.

Creditbank was founded in 1981 as Crédit Bancaire by Joseph Khalifé and Fouad Zoghby who, despite the many years of political turmoil in Lebanon, strongly believed in the country's ability to regain its position as the region's main banking hub. A renewed commitment to a strategy of growth in November 2002 resulted in the acquisition of Crédit Lyonnais s.a.l. prompting the bank to change its name to Creditbank s.a.l.

Ever since, Creditbank has consistently continued to grow. The bank in 2013 finalized the full acquisition of the Armenian Anelik Bank CJSC and its subsidiary CB Anelik RU LLC in Russia. With a shareholders' equity of USD 210 million, the bank saw assets and deposits increase by 13.49% and 14.06% respectively, whereas the average assets growth rate among Alpha Banks amounted to only 9.8% in 2014.

Furthermore, Creditbank by the end of 2014 had a network of 22 domestic branches spread across the country, as well as 2 subsidiaries with 15 branches abroad. The bank's total number of staff amounted to 508 domestically and 508 abroad.

Conform to its belief that a bank should primarily serve as a catalyzer for the market in general and the private sector in particular, Creditbank has one of Lebanon's highest loans-to-deposits ratio. According to the Alpha Report issued by Bankdata Financial Services, the bank's loans-to-deposits ratio in 2014 amounted to 57%.

Creditbank has a solid reputation for its advisory and consultancy role towards its clients, and for introducing innovative, state-of-the-art, tailor-made products and personalized services. Creditbank is engaged in all traditional and emerging banking activities, varying from Retail, Corporate and SME Banking to Specialized Financial Services.

As a consequence of the bank's solid growth in recent years, the Creditbank management felt the need to redefine its corporate identity and position itself more distinctly in Lebanon's rapidly changing and highly competitive market. Taking inspiration from Creditbank's previous emblem and acronym 'CB,' the fluid new logo is vibrant and dynamic, and captures the bank's DNA in a more aspirational and conceptual manner. Creditbank's legacy rests on two main pillars: first, the ability to listen and understand people's ever changing needs in an ever changing market; second, the ability to act in a manner that is both personal and professional in order to establish a long-term partnership.

Creditbank's new identity was reinforced by a revamped interior design for its branches and an intelligent workflow concept first introduced through the opening of its 20th branch in early 2014. Equipped with the latest state-of-the-art technology to optimize the bank's personalized services, the spacious Sodeco outlet is the prototype for all newly opened and soon to be renovated branches.

In 2014, Creditbank introduced two more new branches, in Jbeil and Verdun, and renovated the Kornet Chehwan outlet. The new branch platform allows every customer to engage in a unique and smart experience, as customer centricity lies at the heart of the Creditbank business model.

Last but not least, Creditbank has always been committed to the highest standards of business ethics, integrity and transparency, as embodied in its corporate governance framework, and actively pursues a policy of support for social activities, particularly in the field of youth, education and community building.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

MR. TAREK JOSEPH KHALIFÉ

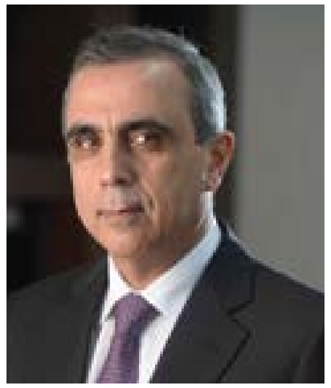
CHAIRMAN AND GENERAL MANAGER

Mr. Khalifé holds a bachelor's degree in Civil Engineering and a master's degree in Business Administration. A major shareholder, he was first elected as Managing Director to Creditbank's Board in 1994, before becoming Chairman and General Manager in 2004. Mr. Khalifé chairs the Executive & Investment Committee and Corporate Governance Committee. He is also a Board Member at Anelik Bank, Creditbank's Armenian subsidiary and at CB Anelik RU LLC, Creditbank's Russian subsidiary.

MR. FREDDY ZRAICK

GENERAL MANAGER AND BOARD MEMBER

Representing Holfiban s.a.l Holding on the Board of Directors, Mr. Zraick is a member of two board committees, presides over several management committees and is chairman of Credex SAL, Creditbank's subsidiary and exclusive insurance brokerage firm. Having obtained a bachelor's degree in Economics, Mr. Zraick spent years working in the local banking industry before joining Creditbank as Head of Corporate Banking and Small & Medium Enterprises. He was appointed as General Manager in 2009 and has been a member of the bank's Executive & Investment Committee since 2008. Mr. Zraick is also a Board Member at Anelik Bank CJSC and CB Anelik RU LLC, Creditbank's Armenian and Russian subsidiaries respectively.



MR. FADI BARBAR

BOARD MEMBER

Representing the Lebanese holding company Financial Profile s.a.l on the Board of Directors as a non-executive Board Member. Mr. Barbar holds a degree in Business Administration and owns a series of major business interests in Africa. Mr. Barbar also represents Financial Profile holding s.a.l at the bank's Board Committee on Audit.

H.E. MR. DIMYANOS KATTAR

INDEPENDENT BOARD MEMBER

A former Lebanese Minister of Finance and Economy, Mr. Kattar was elected as an independent Board Member on June 1, 2007. He has headed the Board Committee on Audit since August 13, 2009 and is a member of the Board Committee on Corporate Governance. Mr. Kattar studied Management and Strategy, as well as Political Economics. He has been active in both the advisory and academic arena, and has a wealth of experience in the field of corporate and public governance in the Arab World.

BOARD
OF DIRECTORS

MRS. MARIA KHALIFÉ-BAZERJI

BOARD MEMBER

Mrs. Bazerji holds a master's degree in Business Administration and is an executive Board Member at Creditbank. Mrs. Bazerji is furthermore the bank's Deputy General Manager in charge of Human Resources and Administration. In that capacity, Mrs. Bazerji is a member of the bank's Board Committee on Risk Management and several management committees including the Executive and Investment Committee.

DR. HENRI CHAOUL

INDEPENDENT BOARD MEMBER

Dr. Chaoul holds a PhD in Economics and is currently an independent Board Member, as well as a member of the Board Committees on Audit and Corporate Governance and Chairman of the Board Committee on Risk Management. Through his many tenures in financial firms in Europe, Asia, North America and the Middle East, Dr. Chaoul gained a wealth of experience in investment banking, private equity, financial consulting, economic, merger and acquisition analysis.

MTRE. PAUL HARB

BOARD MEMBER

Mtre. Harb represents Financial Trust Participation Holding s.a.l on the Board of Directors. He holds an LLB in Private Law and a master's degree in Advanced Private Law studies and is a member of the Beirut Bar Association. Mtre. Harb joined Creditbank as Head of the Legal Department in 2003. Today, he is Secretary of the bank's Committee on Corporate Governance, Secretary at the Board of Directors and member of the Executive and Investment Committee. Mtre. Harb is also a Board Member at Creditbank's Armenian subsidiary Anelik Bank CJSC. Since 2012, he is a senior partner at the Abirached Harb Moussa law firm.

MTRE. RENÉ ABIRACHED

SECRETARY OF THE BOARD

A senior partner at the Abirached Harb Moussa law firm, Mtre. Abirached holds a Lebanese and French master's degree in law. A member of the Beirut Bar Association, Mtre. Abirached is "Chargé d'enseignement" of International Private Law and a member of both the International Arbitration Center in Lebanon and the International Penal Law Association.

MTRE. MAROUN ZEIN

SECRETARY OF THE BOARD

Holding a law degree from Saint Joseph University, Mtre. Zein has been a member of the Beirut Bar Association since 1962. He is the founder of and a senior partner in Zein Law Firm, which specializes in legal banking matters. Mtre. Zein has acted as Creditbank's legal advisor since 1985 and serves as Secretary of the Board of Directors.

BOARD COMMITTEES

To help streamline its activities and make its oversight more efficient, the Board of Directors (the Board), has created three committees: the Audit Committee, Risk Management Committee and Corporate Governance Committee.

In accordance with the requirements and recommendations of the Lebanese Central Bank and Banking Control Commission, the Audit Committee comprises 3 members. Its mission is to review and report to the Board the bank's annual financial results and all other accounting judgments prior to publication. The Audit Committee furthermore checks the adequacy of the bank's internal and external controls and reviews the criteria adopted for reporting. The Audit Committee is able to obtain any information from the bank's management and to meet with any manager.

The Risk Management Committee is charged with the regular review of the bank's risk management strategies. The committee's creation was proposed by the management and has been approved by the Board. The committee shall make regular reports to the Board.

The Corporate Governance Committee comprises three directors to oversee the bank's commitment to good corporate governance. The Board has formally adopted the following documents regarding Corporate Governance: The Corporate Governance Code, the Terms of Reference for the Board of Directors and the Code of Ethics and Business Conduct. Moreover an annual report on Corporate Governance is submitted to the General Assembly of shareholders.

In accordance with the requirements and recommendations of the Lebanese Central Bank and Banking Control Commission, the Corporate Governance Code's main guiding principles are the following:

- Responsibility – a clear division and delegation of authority.
- Accountability in the relations between the bank's management and the Board, and between the Board, the shareholders and other stakeholders.
- Transparency to enable stakeholders to assess the bank's financial condition.
- Fairness in the treatment of all stakeholders

CORPORATE GOVERNANCE FRAMEWORK

The Board currently consists of 7 members elected for a period of 3 years by the General Assembly of Shareholders. It is composed of executive, non-executive and independent directors. It is the bank's policy to always appoint at least two board members who are fully independent.

Board meetings take place on a regular basis, yet at least eight times a year. The Board's role is to provide strategic guidance for the bank and effective oversight of its management. It is responsible for the bank's financial operations and ensures that the interests of shareholders, depositors, creditors, employees and other stakeholders are met.

The Board, among other tasks, approves the bank's administrative framework and all rules and regulations deemed necessary to conduct business; establishes temporary or permanent management committees; creates new branches; determines the policy and limits regarding placements, investments, participations and expenditures; ratifies investment decisions.

The Board furthermore elects the bank's Chairman from among its members for a maximum period of three years. The Chairman aims to promote a constructive relationship between the Board and the bank's management and exercises the function of General Manager according to Lebanese laws.

In order to ensure a more effective follow-up of the bank's day-to-day management, until the Lebanese law allows the separation between the functions of Chairman and General Manager, the Board – upon request of the Chairman – appoints a General Manager and confirms the clear separation of powers between the Chairman on the one hand and the General Manager on the other. The Board also approves the appointment of all other senior executives including the heads of other divisions within the bank, the head of Internal Audit and the head of Compliance.

The bank's management committees include:

- Anti-Money Laundering/Counter Financing Terrorism Committee
- Asset Liability Committee (ALCO)
- Committee on Operational Risk Management
- Credit Committee
- Executive and Investment Committee
- Fiduciary Committee
- Follow up Committee for Subsidiaries Abroad
- Human Resources Committee
- Internal Control Committee
- IT and Organization Committee
- Network and Retail Committee
- Non-Performing Loans Committee
- Procurement Committee
- Security Committee

CORPORATE SOCIAL RESPONSIBILITY

"Goodness is the only investment that never fails"
-Henry David Thoreau

As a corporate citizen, Creditbank has a responsibility to contribute to the sustainable development of our country. In 2014, we upheld our engagement through various social activities and programs and are proud to highlight here below some of these contributions.

Our strong belief in youth empowerment led us to collaborate with INJAZ Lebanon to help organize their annual Young Entrepreneurs' Competition (YEC). INJAZ is a non-governmental organization (NGO) dedicated to train and educate Arab youth to start up a business in order to create a healthy culture of entrepreneurship and business innovation. Since its establishment in 1999, INJAZ recruited around 2,500 volunteers from the private sector and involved over 60,000 students in Lebanon to enhance awareness about the culture of entrepreneurship in the country.

Students received different types of training within a business framework. The competition we engaged in had students over a period of four months experience a "full company life cycle" under the supervision of ten corporate professionals. Moreover, Creditbank presented the "Most Innovative Product" award to the winning team.

In parallel, we partnered with the Goguikian Foundation in organizing a competition for Arabic Writing Skills. "The non-profit Goguikian Foundation promotes an Armenian community fully integrated with all other communities in Lebanon, serving the interest of all Lebanese and their communities, and in particular those of Armenian descent." Its mission is to empower Armenian youth through training and education, which includes mastering the Arabic language. As a result, a total of 42 students received an award of excellence for their skills in Arabic.

In addition, we joined hands with the Lebanese Welfare Association for the Handicapped (LWAH) in its annual "Painting with the Stars" event. Founded in 1984, the LWAH has become a leading national center offering rehabilitation services to children with disabilities. It serves over 300 children daily and has over 39,000 registered patients.

In the "Painting with the Stars" event, more than 180 children showcased their creative talents in the presence of national celebrities. Creditbank was present during the event to support the children and nurture their talents.

Creditbank also extended its collaboration to the Toufoula Foundation, which aims to improve the lives of children suffering from cancer and blood diseases. Founded in 2006, Toufoula offers art therapy and creates a playful and colorful environment in all Lebanese hospitals that have an oncology ward. To date, Toufoula has transformed 56 hospital rooms across Lebanon by creating "dream rooms" in order to offer the children a glimpse of hope and wonder.

On another front, we consolidated our partnership with the Georges N. Khoriaty (GNK) Traffic Academy in Kfarhazir in north Lebanon. The GNK academy aims to promote road safety awareness from a driver's, cyclist's and pedestrian's perspective among Lebanese school children aged 6 to 18.

We helped establish and sustain the GNK academy which continues to play a key role in the safety orientation program, as well as in the coordination of liaisons between the institution and Lebanese schools.

Our brand promise "People you can bank on" is reflected in the core of our partnerships with the communities we operate in. Our aim is to carry on with consistent initiatives that deliver on our brand promise.

MANAGEMENT NOTES

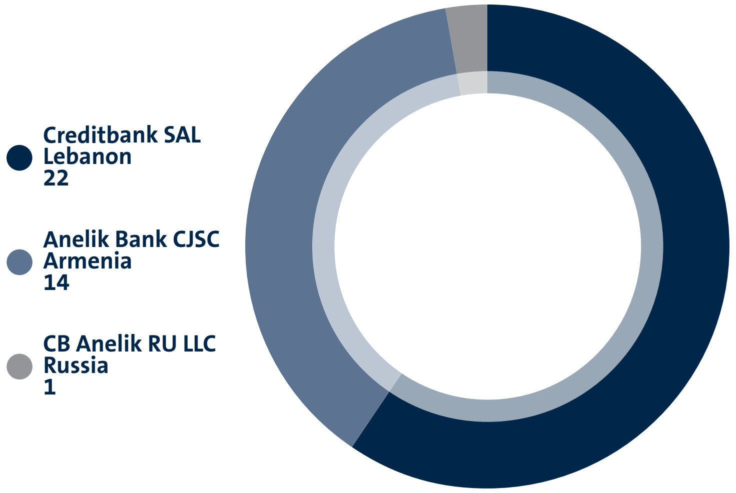
OVERVIEW

The Group Today

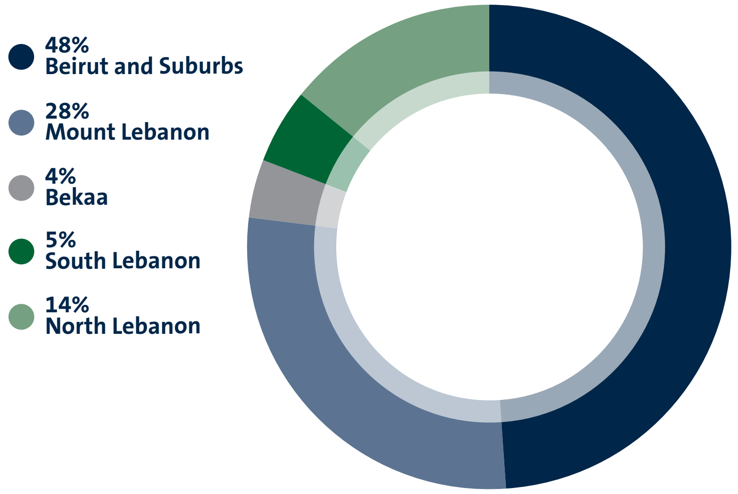
As at 31 December 2014, the Group had 1016 employees. It had 22 branches in Lebanon. Anelik Bank CJSC in the Republic of Armenia, the Group's 100% owned subsidiary, had a total of 14 branches (8 in Yerevan and 6 in other regions of Armenia). CB Anelik RU LLC in the Russian Federation, the Group's 100% owned subsidiary, had its main branch in Moscow. In addition, the Group owned 99.76% of Credex S.A.L, an insurance brokerage firm, and 99% of Baabda 1587 S.A.L. and Achrafieh 784 S.A.L. real estate companies.

The following discussion covers the performance of the Group during the fiscal year 2014 compared with the previous year. The data is based on the Group's audited consolidated financial statements.

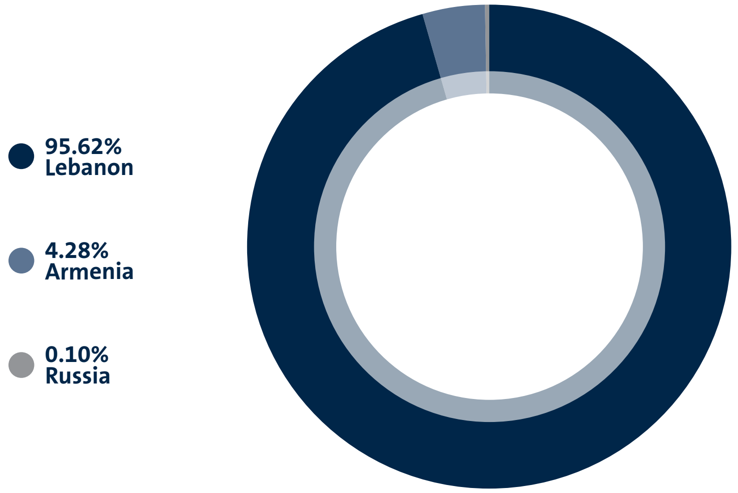
GROUP BRANCHES



GEOGRAPHICAL DISTRIBUTION OF ATMS IN LEBANON



GEOGRAPHICAL DISTRIBUTION OF ASSETS



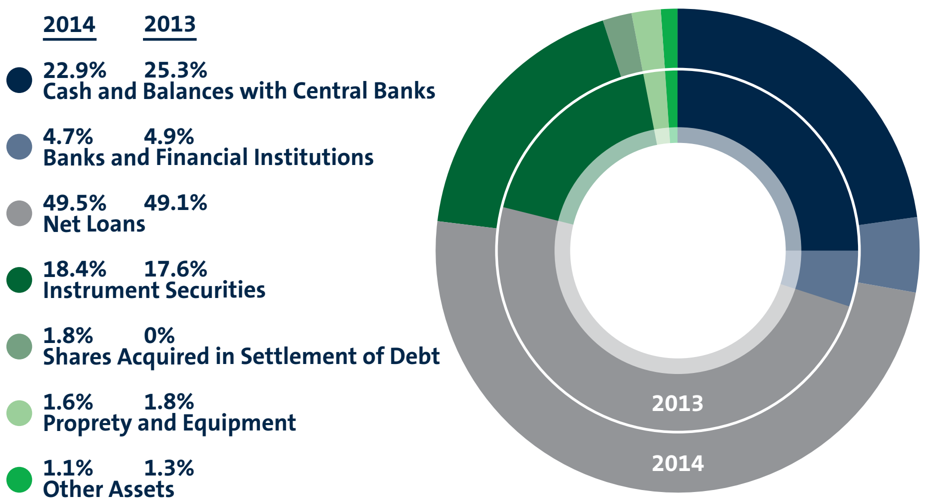
MANAGEMENT NOTES

TOTAL ASSETS

The following table shows the composition of the Group's Total Assets, as well as the percentage of total and percentage changes therein, as at December 31, 2014, and December 31, 2013, respectively:

LBP MILLION	2014	% Total	2013	% Total	Growth	% Growth
Cash and Balances with Central Banks	1,035,938	22.9%	1,007,088	25.3%	28,850	2.9%
Banks and Financial Institutions	214,370	4.7%	195,143	4.9%	19,227	9.9%
Net Loans	2,232,209	49.5%	1,957,383	49.1%	274,826	14.0%
Investment Securities	834,041	18.4%	703,081	17.6%	130,960	18.6%
Shares Acquired in Settlement of Debt	83,339	1.8%	-	0.0%	83,339	N/A
Property and Equipment	72,820	1.6%	70,547	1.8%	2,273	3.2%
Other Assets	49,400	1.1%	51,382	1.3%	(1,983)	-3.9%
Total Assets	**4,522,116**		**3,984,624**		**537,492**	**13.5%**

BREAKDOWN OF TOTAL ASSETS



The growth in Total Assets was remarkable as it reached 13.5% during the year 2014, compared to the 9.8% average growth rate as recorded by the Alpha group's peer banks.

Total Assets amounted to LBP 4,522,116 million (USD 3,000 million) as at 31/12/2014, up LBP 537,492 million (USD 357 million) from LBP 3,984,624 million (USD 2,643 million) as at 31/12/2013.

The growth is best explained through the increase of Net Loans and Investment Securities, which recorded growth rates of 14.0% and 18.6% respectively in 2014.

The Net Loans grew to reach LBP 2,232,209 million (USD 1,481 million) at the end of 2014 compared to LBP 1,957,383 million (USD 1,298 million) at the end of 2013.

The Investment Securities increased from LBP 703,081 million (USD 466 million) by the end of 2013 to LBP 834,041 million (USD 553 million) by the end of 2014.

MANAGEMENT NOTES

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

The following table sets out the composition of the Group's loan portfolio by the borrower's business segment, as well as the percentage changes therein, as at December 31, 2014, and December 31, 2013, respectively:

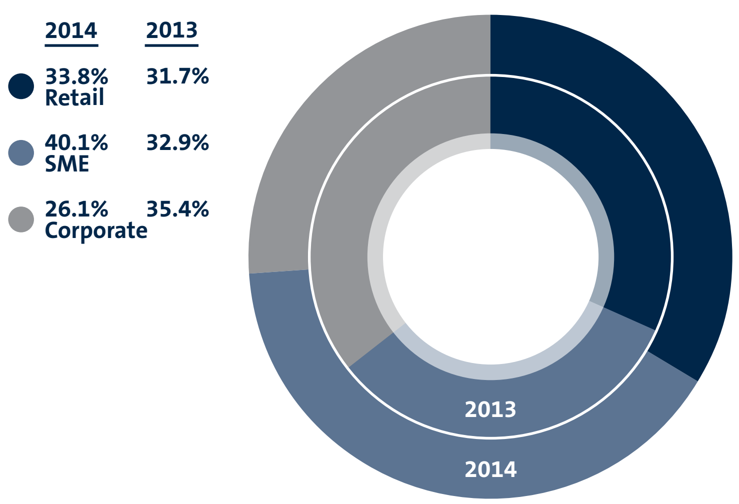
LBP MILLION	2014	% of portfolio	2013	% of portfolio	Growth	% Growth
Retail	753,565	33.8%	619,614	31.7%	133,951	21.6%
SME	895,799	40.1%	644,121	32.9%	251,678	39.1%
Corporate	582,845	26.1%	693,648	35.4%	(110,803)	-16.0%
Total	**2,232,209**		**1,957,383**		**274,826**	**14.0%**

On December 31, 2014, Corporate Lending amounted to LBP 582,845 million (USD 387 million) or 26.1% of total loans, compared to LBP 693,648 million (USD 460 million) or 35.4% of total loans on December 31, 2013, reflecting a year-on-year decrease of 16.0%.

SME lending amounted to LBP 895,799 million (USD 594 million) or 40.1% of total loans on December 31, 2014, compared to LBP 644,121 million (USD 427 million) or 32.9% of total loans on December 31, 2013, reflecting a year-on-year increase of 39.1%.

Retail Lending stood at LBP 753,565 million (USD 500 million) or 33.8% of total loans on December 31, 2014, compared to LBP 619,614 million (USD 411 million) or 31.7% of total loans on December 31, 2013, reflecting a year-on-year increase of 21.6%.

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT



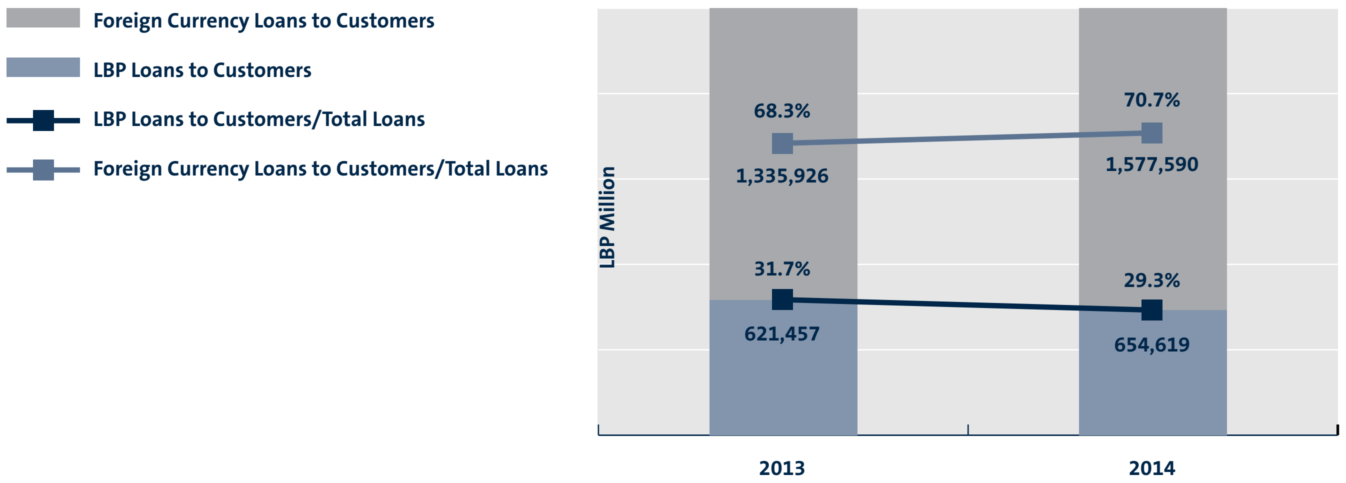
DISTRIBUTION OF LOANS BY CURRENCY

The following table sets out the composition of the Group's loan portfolio by currency, as well as the percentage changes therein as at December 31, 2014, and December 31, 2013, respectively:

LBP MILLION	2014	2013	Growth	% Growth
LBP Loans to Customers	654,619	621,457	33,162	5.3%
Foreign Currency Loans to Customers	1,577,590	1,335,926	241,664	18.1%
Total	**2,232,209**	**1,957,383**	**274,827**	**14.0%**

MANAGEMENT NOTES

LOANS BY CURRENCY



On December 31, 2014, LBP 654,619 million (USD 434 million) or 29.3% of total loans were denominated in Lebanese Pounds, with the remaining 70.7% denominated in foreign currencies, principally U.S. Dollars, compared to LBP 621,457 million (USD 412 million) or 31.7% of total loans denominated in Lebanese Pounds, with the remaining 68.3% denominated in foreign currencies, principally U.S. Dollars, on December 31, 2013.

Loans in foreign currencies represented 68.15% of total foreign currency customers' deposits as at December 31, 2014, compared to 65.17% as at December 31, 2013.

DISTRIBUTION OF LOANS BY LOCATION

The following table shows the composition of the Group's loan portfolio by geographical location, as well as the percentage of total and percentage changes therein, as at December 31, 2014, and December 31, 2013, respectively:

LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Lebanon	1,832,591	82.1%	1,640,072	83.8%	192,519	11.7%
North America	1,718	0.1%	2,796	0.1%	(1,078)	-38.6%
Europe	287,369	12.9%	225,045	11.5%	62,324	27.7%
Asia Pacific	1,934	0.1%	118	0.0%	1,816	1539.0%
Middle East and Africa	108,597	4.9%	89,352	4.6%	19,245	21.5%
Total Loans	**2,232,209**		**1,957,383**		**274,826**	**14.0%**

As at 31/12/2014, 82.1% of the Group's loan portfolio was based in Lebanon, while 12.9% and 4.9% of loans were granted for use in Europe and Middle East and Africa respectively.

Loans in Lebanon witnessed a LBP 192,519 million (USD 128 million) increase from LBP 1,640,072 million (USD 1,088 million) by the end of 2013 to LBP 1,832,591 million (USD 1,216 million) by the end of 2014, representing an annual increase of 11.7%.

The portfolio in Europe recorded a growth of 27.7% in 2014, increasing by LBP 62,324 million (USD 41 million) from LBP 225,045 million (USD 149 million) by the end of 2013 to LBP 287,369 million (USD 191 million) by the end of 2014.

MANAGEMENT NOTES

DISTRIBUTION OF LOANS BY ECONOMIC SECTOR

The following table sets out the composition of the Group's loan portfolio by the borrower's economic activity, as well as the percentage changes therein, as at December 31, 2014, and December 31, 2013, respectively:

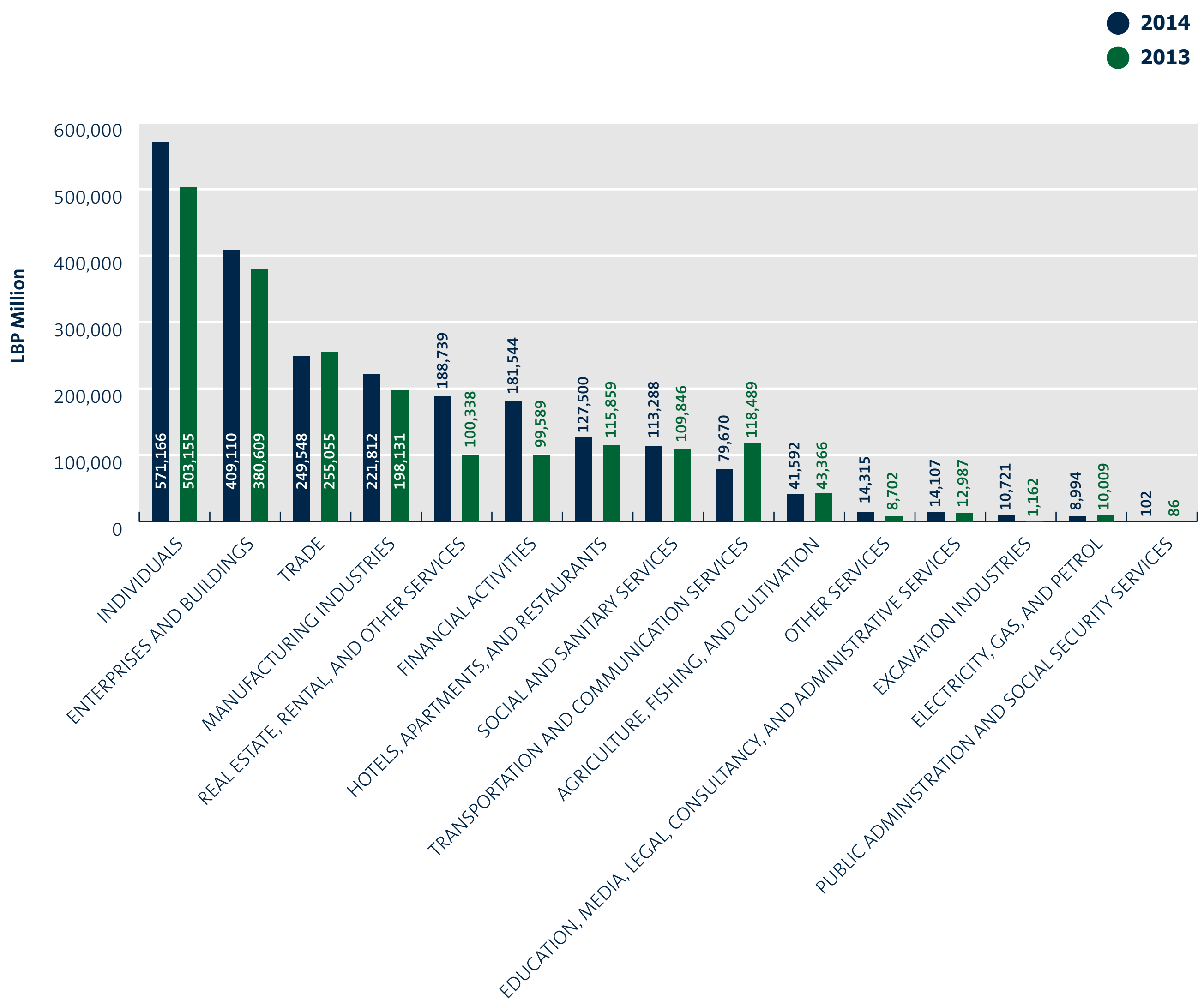
LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Individuals	571,166	25.59%	503,155	25.71%	68,010	13.5%
Enterprises and buildings	409,110	18.33%	380,609	19.44%	28,500	7.5%
Trade	249,548	11.18%	255,055	13.03%	-5,507	-2.2%
Manufacturing industries	221,812	9.94%	198,131	10.12%	23,681	12.0%
Real Estate, rental, and other services	188,739	8.46%	100,338	5.13%	88,401	88.1%
Financial activities	181,544	8.13%	99,589	5.09%	81,956	82.3%
Hotels, apartments, and restaurants	127,500	5.71%	115,859	5.92%	11,641	10.0%
Social and sanitary services	113,288	5.08%	109,846	5.61%	3,442	3.1%
Transportation and communication services	79,670	3.57%	118,489	6.05%	-38,819	-32.8%
Agriculture, fishing, and cultivation	41,592	1.86%	43,366	2.22%	-1,774	-4.1%
Other services	14,315	0.64%	8,702	0.44%	5,614	64.5%
Educational, media, legal, consultancy, and administrative services	14,107	0.63%	12,987	0.66%	1,120	8.6%
Excavation industries	10,721	0.48%	1,162	0.06%	9,559	822.5%
Electricity, gas, and petrol	8,994	0.40%	10,009	0.51%	-1,015	-10.1%
Public administration and social security services	102	0.00%	86	0.00%	16	18.4%
Total	**2,232,209**	**100.00%**	**1,957,383**	**100.00%**	**274,826**	**14.0%**

Enterprises and buildings loans decreased to 18.33% of total loans on December 31, 2014, compared to 19.44% on December 31, 2013.

The Group's loans regarding trade, manufacturing industries, real estate and financial activities comprised, respectively, 11.18%, 9.94%, 8.46% and 8.13% of total loans on December 31, 2014, compared to 13.03%, 10.12%, 5.13% and 5.09% of total loans on December 31, 2013.

Real estate and financial activities showed a significant growth of LBP 88,401 million (USD 59 million) and LBP 81,956 million (USD 54 million) which represented a growth of 88.1% and 82.3% in 2014 respectively. The Group is well aware of the distribution of its loan portfolio among the industries and aims to diversify in order to avoid concentration risk.

LOANS BY ECONOMIC SECTOR



MANAGEMENT
NOTES

GROSS AND NET LOANS

The following tables set out the composition of the Bank's gross and net loans portfolio by loan classification, as well as the percentage of total and percentage changes therein as at December 31, 2014, and December 31, 2013, respectively:

Gross Loans

LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Good Loans (1-2)	1,777,808	77.8%	1,682,967	84.4%	94,841	5.6%
Watch Loans (3)	416,747	18.2%	215,288	10.8%	201,459	93.6%
Substandard Loans (4)	13,359	0.6%	22,013	1.1%	(8,654)	-39.3%
Doubtful Loans (5)	68,430	3.0%	73,765	3.7%	(5,335)	-7.2%
Bad Loans (6)	10,179	0.4%	74	0.0%	10,105	13655.7%
Total Gross Loans	**2,286,523**		**1,994,107**		**292,416**	**14.7%**

Net Loans

LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Good Loans (1-2)	1,774,410	79.5%	1,678,467	85.8%	95,943	5.7%
Watch Loans (3)	415,919	18.6%	215,288	11.0%	200,631	93.2%
Substandard Loans (4)	10,602	0.5%	21,314	1.1%	(10,712)	-50.3%
Doubtful Loans (5)	31,276	1.4%	42,314	2.2%	(11,038)	-26.1%
Bad Loans (6)	2	0.0%	-	0.0%	2	N/A
Total Net Loans	**2,232,209**		**1,957,383**		**274,826**	**14.0%**

The above tables indicate the quality of the Group's portfolio of loans.
79.5% of the net loans by the end of 2014 were qualified as good loans and 18.6 % as watch loans, while only 1.9% were qualified as Substandard and Doubtful Loans.
The sustainability of the loans' high quality is a result of the Group's consistent credit policy.

LOANS CLASSIFICATION AND PROVISIONING

The Group classifies its portfolio of loans into five categories in accordance with Central Bank Decision N° 7159 dated November 10, 1998, as amended from time to time, and Decision N° 9794 dated December 14, 2007, as follows: (1) ordinary/regular loans; (2) loans to be followed-up; (3) loans to be followed-up and regularized; (4) sub-standard loans; (5) doubtful loans; and (6) bad or ailing loans.

Ordinary/regular loans display regular credit movement sufficient to repay the loan in accordance with the repayment schedule. The borrower's financial conditions, based on the most recent financial statements available and collateral, are adequate to cover the loan.

Loans to be followed-up display the same criteria as sub-class A above, if that collateral is adequate and the loan's repayment in accordance with the established schedule is foreseen, yet the borrower's file is incomplete to the extent that the borrower is late in submitting his or her financial statements.

Loans to be followed-up and regularized display signs of irregular credit movements or exceed the credit limit on a continuous basis. Recent financial statements for the borrower are unavailable and adverse conditions and trends of an economic or other nature are present, which may affect the borrower's ability to repay debt. Collateral has not been evaluated for a period exceeding three years. The loan is considered as recoverable, however, it is closely monitored for a year, at the end of which, if the specified conditions above are not regularized, the loan is reclassified.

Less than ordinary/sub-standard loans cover loans, which display most or all of the following: a significant decline in the borrower's profitability, causing a decrease in the cash flow into a corresponding account and/or resulting in repetitive delays in repayment exceeding a period of three months; a noticeable depreciation in the value of the collateral provided; or the use of funds for a purpose other than that specified in the loan agreement. The Credit Risk Committee will review the repayment schedule with the borrower and keep the loan under close monitoring. Interest and commissions are classified as unrealized until the loan is regularized.

Doubtful loans cover loans, which display all of the conditions of a non-performing loan in addition to having a complete lack of deposits into a corresponding account for a period of six months and/or delay in payments of rescheduled loan exceeding three months from the date of maturity. A partial provision is made for the loan and interest and commissions are treated as unrealized.

Bad or ailing loans cover all doubtful loans in respect of which all or most of the obligations are regarded as uncollectable. In this case, interest ceases to be accrued and a provision of 100% of the principal is made. The loan is under litigation until a ruling by the court is made, after which it is written-off. Following the Banking Control Commission circular N° 235, banks are also required to transfer any bad debt more than four years overdue to off-statement of financial position accounts.

MANAGEMENT
NOTES

DISTRIBUTION OF LOANS BY COLLATERAL TYPE

The following table sets out the composition of the Group's loan portfolio by type of collateral on December 31, 2014, and 2013, respectively:

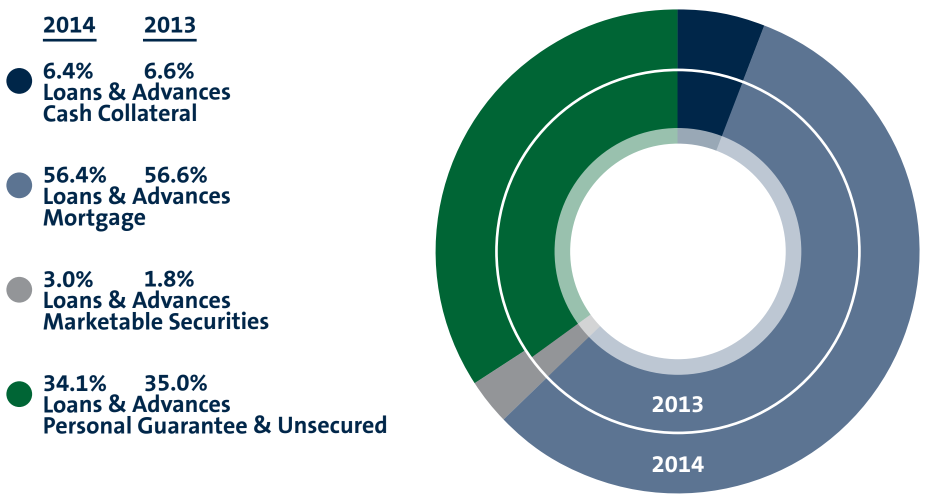
LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Loans & Advances - Cash Collateral	142,522	6.4%	129,205	6.6%	13,317	10.3%
Loans & Advances - Mortgage	1,259,721	56.4%	1,115,620	56.6%	144,101	12.9%
Loans & Advances - Marketable Securities	68,023	3.0%	34,832	1.8%	33,191	95.3%
Loans & Advances - Personal Guarantee & Unsecured	761,943	34.1%	677,726	35.0%	84,217	12.4%
Total	**2,232,209**		**1,957,383**		**274,826**	**14.0%**
Secured Loans as % of Total Loans	65.9%		64.9%			

A significant proportion of the Group's loans is secured or guaranteed.

The types of security include cash collateral, mortgages over land and other property and securities (e.g., Lebanese treasury bills and debt and equity securities).

The Group's high percentage of secured loans as at December 31, 2014 and 2013 primarily reflects the Group's conservative policies with respect to collateral requirements.

LOANS AND ADVANCES BY COLLATERAL TYPE



INVESTMENT SECURITIES

The following tables set out the composition of the Group's investment securities as at December 31,2014, and 2013 respectively:

LBP MILLION	Equity Instrument at Fair Value through P or L	Debt Instrument at Fair Value through P or L	Debt Instrument at Amortized Cost	Equity Instrument at Fair Value through OCI	Total
31 December 2014					
Lebanese Government Treasury Bills and Eurobonds	-	23,357	51,565	-	74,922
Treasury Bills Pledged Under Repurchase Agreements	-	-	7,337	-	7,337
Certificates of Deposit	-	181,817	539,402	-	721,219
Equity Securities	1,367	-	-	3,931	5,298
Funds	-	1,884	4,523	-	6,407
Interest Receivable	-	2,736	16,122	-	18,858
Total By Category	1,367	209,794	618,949	3,931	834,041
31 December 2013					
Lebanese Government Treasury Bills and Eurobonds	-	175,923	284,366	-	460,289
Treasury Bills Pledged Under Repurchase Agreements	-	-	-	-	-
Certificates of Deposit	-	40,150	165,810	-	205,960
Equity Securities	16,531	-	-	3,901	20,432
Funds	-	1,131	4,523	-	5,654
Interest Receivable	-	2,596	8, 150	-	10,746
Total By Category	16,531	219,800	462,849	3,901	703,081

MANAGEMENT NOTES

The Group on January 1, 2011, started applying the IFRS 9 Financial Instruments, which were issued in October 2010 in accordance with the Lebanese Banking Control Commission Circular 265. This circular requires the adoption of the part relating to financial assets starting on January 1, 2011.

The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 Financial Instruments: recognition and measurement in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: amortized cost and fair value. Unless it is designated as measured at fair value, a financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for sale and loans and receivables.

IFRS 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated. Instead, the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

For investments in equity instruments that are not held for trading, IFRS 9 allows for an irrevocable election, on an investment-by-investment basis, to present fair value changes from the investment in other comprehensive income. Dividends on such investments are generally recognized in profit or loss.

IFRS 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis from January 1, 2011, without restatement of prior periods. Differences between the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in opening retained earnings for the year ended December 31, 2011, i.e. as at January 1, 2011.

The provisions of IFRS 9 have not been applied to financial assets and financial liabilities derecognized before December 31, 2010.

MANAGEMENT NOTES

INVESTMENT SECURITIES BY CLASSIFICATION

The Group classifies its portfolio of investment securities (which includes Lebanese and non-Lebanese treasury bills, bonds and other fixed-income securities, stocks and other variable-income securities) according to the following categories:

- Subsequent to initial recognition, investment securities are accounted for depending on their classification as either amortised cost, fair value through profit or loss, or fair value through other comprehensive income. Investment securities are measured at amortised cost using the effective interest method, if:

  > such securities are held within a business model with an objective to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest; and
  > such securities have not been designated previously as measured at fair value through profit or loss.

- The Group elects to present changes in fair value of certain investments in equity instruments held for strategic purposes in other comprehensive income. The election is irrevocable and is made on an instrument-by-instrument basis at initial recognition.
- Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.
- Other investment securities are measured at fair value through profit or loss.

TOTAL LIABILITIES

The following table sets out the composition of the Group's total liabilities, as well as the percentage of total and percentage changes therein as at December 31, 2014, and 2013 respectively:

LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Due to Banks and Financial Institutions	222,296	4.9%	154,174	3.9%	68,122	44.2%
Deposits From Customers and Related Parties	3,920,746	86.7%	3,437,478	86.3%	483,268	14.1%
Other Liabilities	61,820	1.4%	80,142	2.0%	(18,323)	-22.9%
Provisions	440	0.0%	144	0.0%	296	205.7%
Total Liabilities	**4,205,302**	**93.0%**	**3,671,938**	**92.2%**	**533,364**	**14.5%**
Shareholders' Equity	316,813	7.0%	312,686	7.8%	4,128	1.3%
Total Liabilities & Shareholders' Equity	**4,522,116**		**3,984,624**		**537,492**	**13.5%**

Total Liabilities recorded a 14.5% growth in 2014.

As at December 31, 2014, Total Liabilities amounted to LBP 4,205,303 million (USD 2,790 million) compared to LBP 3,671,938 million (USD 2,436 million) as at December 31, 2013.

The increase in the Total Liabilities & Shareholders' Equity was mainly due to the growth recorded in Deposits from Customers and Related Parties, which had a share of 86.7% of Total Liabilities & Shareholders' Equity by the end of 2014, while Due to Banks and Financial Institutions had a share of 4.9%.

"The growth of deposits from customers and related parties continued in 2014 and recorded 14.1% growth to reach LBP 3,920,746 million (USD 2,601 million) on December 31, 2014, against LBP 3,437,478 million (USD 2,280 million) on December 31, 2013. "

The Group's equity increased by LBP 4,128 million (USD 2.7 million) or 1.3% from LBP 312,686 million (USD 207 million) by the end of 2013 to LBP 316,813 million (USD 210 million) by the end of 2014, due mainly to an LBP 5,374 million (USD 4 million) increase in retained earnings in 2014.

MANAGEMENT NOTES

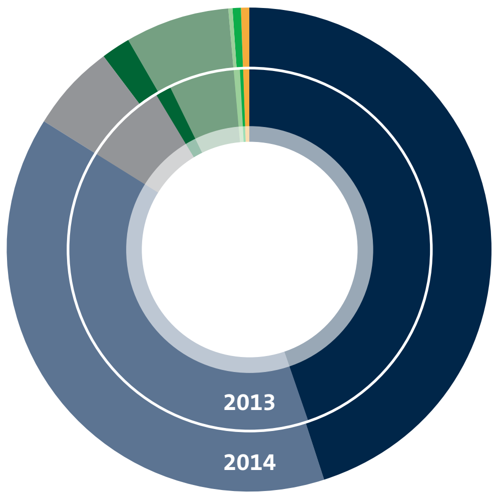
DEPOSITS FROM CUSTOMERS & RELATED PARTIES

The following table sets out the composition of the Group's deposits by type of account, as well as the percentage of total and percentage changes therein as at December 31, 2014, and 2013 respectively:

LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Savings	1,770,724	45.2%	1,542,884	44.9%	227,841	14.8%
Term Deposits	1,515,611	38.7%	1,339,087	39.0%	176,524	13.2%
Current Deposits	237,902	6.1%	258,593	7.5%	(20,690)	-8.0%
Deposits Under Fiduciary Contracts	75,517	1.9%	54,794	1.6%	20,723	37.8%
Net Creditor and Cash Collateral Against Debtor Accounts	270,963	6.9%	195,122	5.7%	75,842	38.9%
Margins on Letter of Credits	4,997	0.1%	9,461	0.3%	(4,465)	-47.2%
Interest Payable	27,771	0.7%	20,861	0.6%	6,910	33.1%
Deposits from Related Parties	17,260	0.4%	16,676	0.4%	584	3.5%
Total Deposits	**3,920,746**		**3,437,478**		**483,268**	**14.1%**

BREAKDOWN OF DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

	2014	2013
Savings	45.2%	44.9%
Term Deposits	38.7%	39.0%
Current Deposits	6.1%	7.5%
Deposits Under Fiduciary Contracts	1.9%	1.6%
Net Creditor and Cash Collateral Against Debtor Accounts	6.9%	5.7%
Margins on Letter of Credits	0.1%	0.6%
Interest Payable	0.7%	0.3%
Deposits from Related Parties	0.4%	0.4%



Deposits from Customers and Related Parties are the main source of the Group's funding, as they constituted at mentioned dates 86.7 % and 86.3 % of the Group's total assets by December 31, 2014, and 2013, respectively.

The Group's Total Deposits increased from LBP 3,437,478 million (USD 2,280 million) on December 31, 2013, to LBP 3,920,746 million (USD 2,601 million) on December 31, 2014.

The 14.1% increase in total customers' deposits in 2014 was mainly due to the growth of savings and term deposits.

"Savings grew by 14.8%, reaching LBP 1,770,724 million (USD 1,175 million) or 45.2% of total deposits on December 31, 2014, increasing LBP 227,841 million (USD 151 million) from LBP 1,542,884 million (USD 1023 million) or 44.9% of total deposits on December 31, 2013.

Term deposits grew by 13.2%, reaching LBP 1,515,611 million (USD 1,005 million) or 38.7% of total deposits by the end of 2014 from LBP 1,339,087 million (USD 888 million) or 39.0% of total deposits by the end of 2013. Current deposits, which earn the minimum balance rate offered by the Bank, represented 6.1 % and 7.5 % of total deposits on December 31, 2014 and December 31, 2013, respectively."

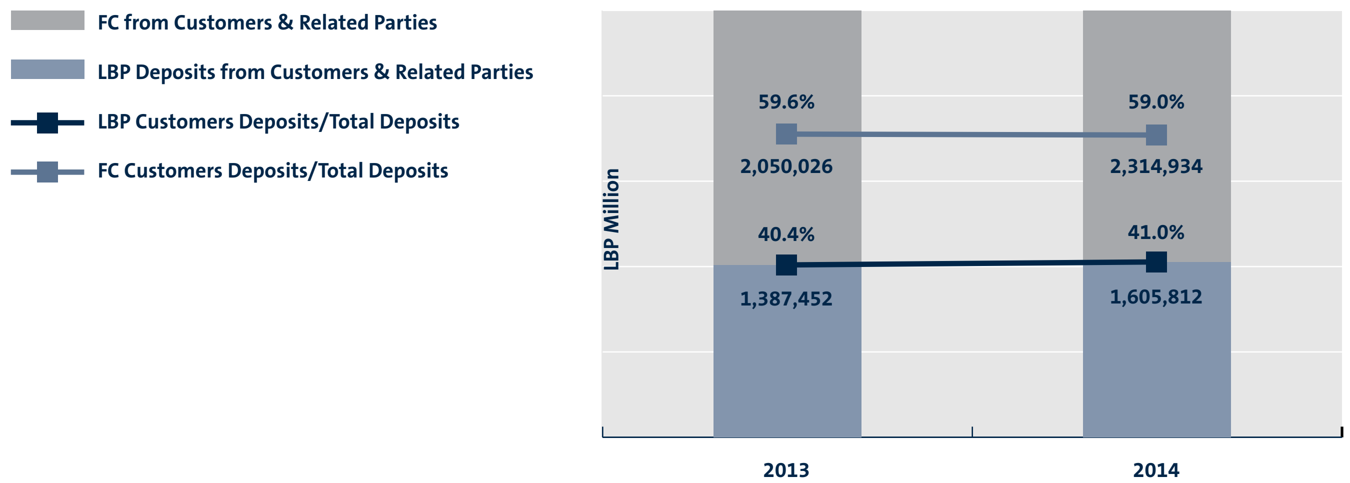
MANAGEMENT NOTES

DISTRIBUTION OF DEPOSITS BY CURRENCY

The following table sets out the composition of the Group's deposit portfolio by currency, as well as percentage changes therein as at December 31, 2014, and 2013 respectively:

LBP MILLION	2014	2013	Growth	% Growth
LBP Deposits from Customers & Related Parties	1,605,812	1,387,452	218,360	15.7%
FC Deposits from Customers & Related Parties	2,314,934	2,050,026	264,908	12.9%
Total Deposits	**3,920,746**	**3,437,478**	**483,268**	**14.1%**

DEPOSITS BY CURRENCIES



The share of the deposits in foreign currencies was 59.6% in 2013 compared to 59.0% in 2014. The stake of deposits in LBP remained constant at 40.4% and 41% by the end of 2013 and 2014 respectively.

As at end of 2014, LBP 1,605,812 million (USD 1,065 million) of total deposits, were denominated in Lebanese Pounds, and LBP 2,314,935 million (USD 1,536 million) denominated in foreign currencies, principally U.S. Dollars, compared to LBP 1,387,452 million (USD 920 million) denominated in Lebanese Pounds and LBP 2,050,026 million (USD 1,360 million) denominated in foreign currencies, principally U.S. Dollars, as at December 31, 2013.

PROFITABILITY

The following table sets out the composition of the Group's profitability, as well as the percentage changes therein for the year 2014, and 2013, respectively:

LBP MILLION	2014	2013	Growth	% Growth
Net Interest Income	90,977	79,781	11,196	14.0%
Net Fees and Commissions Income	18,678	22,717	(4,039)	-17.8%
Net Profits on Financial Operations	24,584	5,328	19,256	361.4%
Other Revenue	9,352	7,161	2,191	30.6%
Total Operating Income (Before Impairment)	**143,591**	**114,989**	**28,602**	**24.9%**
Net Impairment Loss on Loans and Advances to Customers	(13,766)	(5,685)	(8,081)	142.1%
Total Operating Income (After Impairment)	**129,825**	**109,304**	**20,521**	**18.8%**
Operating Expenses	(79,786)	(73,244)	(6,542)	8.9%
Depreciation & Amortization	(4,495)	(4,320)	(175)	4.1%
Tax Expense	(6,634)	(4,391)	(2,243)	51.1%
Net Income	**38,909**	**27,349**	**11,560**	**42.3%**
Bank's Share	**38,904**	**27,343**		
Dividend on Preferred Shares Series 1	-	3,460		
Dividend on Preferred Shares Series 2	2,186	2,186		
Dividend on Preferred Shares Series 3	3,279	72		
Dividend on Preferred Shares Series 4	838	-		
Net Income related to Common Shares	32,601	21,626		
Number of Common Shares During the Period	2,135,603	1,865,603		
Earnings per Common Share **(In LBP)**	15,266	11,592		

MANAGEMENT NOTES

For the year 2014, the Group realized a net income after tax of LBP 38,909 million (USD 26 million) compared to LBP 27,349 million (USD 18 million) for the year 2013.

The Group's net interest income amounted to LBP 90,977 million (USD 60 million) for the period ended December 31, 2014, compared to LBP 79,781 million (USD 53 million) for the period ended December 31, 2013, reflecting a year-on-year growth of 14%.

Profit on financial operations also recorded an increase of LBP 19,255 million (USD 13 million) to reach LBP 24,584 million (USD 16 million) as at end of year 2014, from LBP 5,328 million (USD 4 million) as at end of year 2013.

Creditbank outperformed the Alpha Group's average growth rate of net profits: growing by 42.3% compared to the peer groups average growth rate of 8.9% for the year ending 2014.

The Group realized a Return on Average Equity (ROAE) of 12.36 % and a Return on Average Assets (ROAA) of 0.91% for the year ended December 31, 2014, as compared to an ROAE and ROAA of 9.62% and 0.75% respectively, for the year ended December 31, 2013.

OPERATING INCOME

The following table sets out the composition of the Group's operating income, as well as the percentage changes therein for the year 2014, and 2013, respectively:

LBP MILLION	2014	2013	Growth	% Growth
Balances With Central Banks	39,133	34,824	4,310	12.4%
Banks and Financial Institutions	2,467	1,847	620	33.6%
Loans and Advances to Customers and Related Parties	186,851	158,235	28,616	18.1%
Investment Securities	58,408	45,064	13,344	29.6%
Other Interest Income	798	2,771	(1,973)	-71.2%
Total Interest Income	**287,658**	**242,741**	**44,917**	**18.5%**
Deposits from Banks	7,109	6,510	600	9.2%
Deposits from Customers	188,971	156,068	32,903	21.1%
Other Interest Expense	601	382	218	57.2%
Total Interest Expense	**196,681**	**162,960**	**33,721**	**20.7%**
Net Interest Income	**90,977**	**79,781**	**11,196**	**14.0%**
Fees and Commissions Income	28,164	29,176	(1,011)	-3.5%
Fees and Commissions Expense	(9,486)	(6,458)	(3,028)	46.9%
Net Fees and Commissions Income	**18,678**	**22,717**	**(4,039)**	**-17.8%**
Net Trading Income	4,457	3,576	881	24.6%
Net Income from Financial Instruments at Fair Value	15,699	615	15,084	2452.1%
Net Income from Financial Assets at Amortised Cost	4,177	849	3,328	392.1%
Dividend Income	250	288	(39)	-13.4%
Other Operating Income	9,352	7,161	2,191	30.6%
Net Income from Other Operating Activities	**33,936**	**12,490**	**21,446**	**171.7%**
Total Non-Interest Income	**52,614**	**35,207**	**17,407**	**49.4%**
Total Operating Income	**143,591**	**114,988**	**28,603**	**24.9%**

MANAGEMENT NOTES

The Group's interest income amounted to LBP 287,658 million (USD 191 million) for the period ended December 31, 2014, compared to LBP 242,741 million (USD 161 million) for the period ended December 31, 2013, reflecting a year-on-year increase of 18.5%. Interest income from loans and advances to customers and related parties amounted to LBP 186,851 million (USD 124 million) by the end of 2014, compared to LBP 158,235 million (USD 105 million) by the end of 2013, reflecting a year-on-year increase of 18.1%

The Group's interest expense was LBP 196,681 million (USD 130 million) for the period ended December 31, 2014, compared to LBP 162,960 million (USD 108 million) for the period ended December 31, 2013, reflecting a year-on-year increase of 20.7%.

Total deposits interest expenses paid by the Group to customers increased to reach LBP 188,971 million (USD 125 million) for the period ended December 31, 2014 compared to LBP 156,068 million (USD 104 million) for the period ended December 31, 2013, reflecting a year-on-year increase of 21.1%. The increase in total deposits interest expenses during 2014 was due to the growth of customers' deposits.

The Group's net interest income before provisions increased by 14% to amount to LBP 90,977 million (USD 60 million) for the year 2014, as compared to LBP 79,781 million (USD 53 million) for the year 2013.

Non-interest income increased by 49.4% to reach LBP 52,614 million (USD 35 million) by the end of 2014 compared to LBP 35,207 million (USD 23 million) by the end of 2013.

The increase in non-interest income in 2014 was mainly due to the 2,452.1% increase in income from financial instruments classified at FV from LBP 615 million (USD 0.4 million) for the year 2013, to LBP 15,699 million (USD 10.4 million) for the year 2014, and an increase of 392.1% in income from financial assets classified at AC reaching LBP 4,177 million (USD 2.8 million) for the year 2014, compared to LBP 849 million (USD 0.6 million) for the year 2013.

The Group in 2014 recognized a LBP 8,717 million (USD 5.783 million) profit from the revaluation of IBL Bank S.A.L. shares.

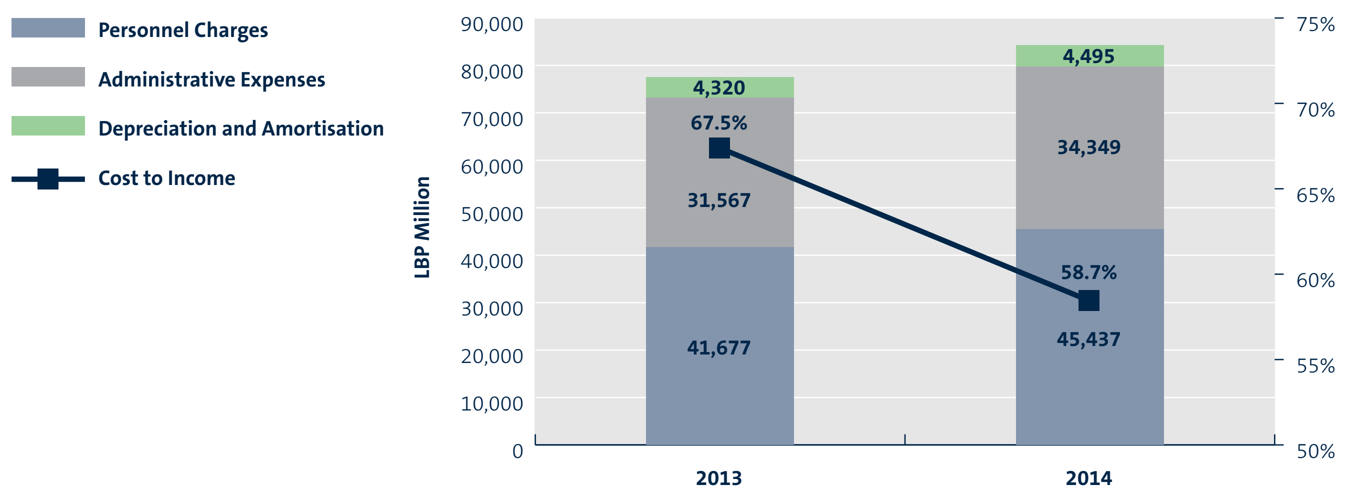
The Group's total operating income increased by 24.9% to amount to LBP 143,591 million (USD 95 million) for the period ended December 31, 2014, compared to LBP 114,988 million (USD 76 million) for the period ended December 31, 2013.

OPERATING EXPENSES

The following table sets out the composition of the Group's operating expenses, as well as the percentage changes therein for the year 2014, and 2013, respectively:

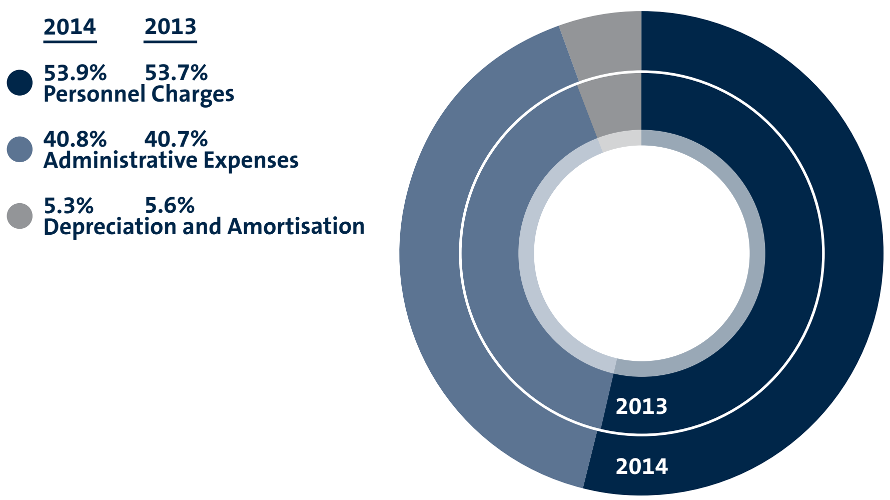
LBP MILLION	2014	% of Total	2013	% of Total	Growth	% Growth
Personnel Charges	45,437	53.9%	41,677	53.7%	3,760	9.0%
Administrative Expenses	34,349	40.8%	31,567	40.7%	2,783	8.8%
Depreciation and Amortisation	4,495	5.3%	4,320	5.6%	175	4.1%
Total Operating Expenses	**84,282**		**77,563**		**6,718**	**8.7%**

OPERATING EXPENSES



MANAGEMENT
NOTES

BREAKDOWN OF OPERATING EXPENSES



The Group's growth strategy was also reflected in the Group's growing expenses. Personnel and administrative expenses reached LBP 45,437 million (USD 30.1 million) and LBP 34,349 million (USD 22.8 million) respectively by the end of 2014, compared to LBP 41,677 million (USD 28 million) and LBP 31,567 million (USD 21 million) by the end of 2013.

The stake of personnel charges and administrative expenses as part of the Group's operating expenses by the end of 2014, compared to 2013 remained constant at 54% and 41% respectively.

RISK MANAGEMENT

Introduction

"Together everyone achieves more" has never been a truer statement when it comes to risk management in challenging economic times. With the banking sector exposed to numerous pressures and risks, Creditbank has introduced a series of measures to evaluate and enhance its risk capacity: the ability to identify the financial resources, expertise and operating mandate needed to determine how much risk can be taken, subject to risk limits and other controls.

The promoted governance and internal control processes have been instrumental in supporting Creditbank to weigh emerging risks and maximize long-term results. Providing an upgraded set of tools to protect assets, revenues and reputation, they have allowed Creditbank to determine its capacity more clearly, particularly in terms of risk tolerance and risk appetite.

With the help of regular departmental reports, Creditbank's Board Committee on Risk Management and Executive and Investment Committee make up a solid governance framework that oversees risk management. All risk-related policies and strategic decision are approved by the Board Committee on Risk Management, as well as the Board of Directors.

On another level related to risk management, Creditbank managed to maintain its strong financial position through enhanced capital management practices in order to continue to take advantage of growth opportunities, maintain access to financial markets and return capital to its shareholders.

This in particular is being achieved through Creditbank's yearly Internal Capital Adequacy Assessment Process (ICAAP), which consists of capital guidelines to steer the bank through adverse economic scenarios and to cover all risks to which it is exposed, as well as external risk factors emanating from the environment.
Creditbank's capital adequacy ratio stood at 10.45% as at December 31, 2014.

However, as a consequence of the issuance of 250,000 non-cumulative preferred shares (Series 5) with a nominal value of LBP 26,000 each at an issue price of LBP 150,750 (USD 100 per share) totaling USD 25 million, the capital adequacy ratio of the Group exceeded the regulatory minimum requirements of 11.5% as at 31/12/2014.

In short, Creditbank's solid risk management and capital management policies have enabled the bank to maintain market resilience, withstand economic turbulence, retain value for its stakeholders and set the stage for growth.

MANAGEMENT NOTES

Risk Management Processes and Accountability

The risk management process includes identifying, measuring, mitigating, controlling, monitoring, testing, reporting and reviewing of all kinds of operational, reputational and strategic risks. The process is adapted to all business activities, while establishing accountability for all associates involved.

Business-line managers and associates are held accountable for identifying, managing and reporting all existing and emerging risks in their business units. They ensure that their business activities are conducted within the risk appetite, as defined by management and approved by the Board in accordance with risk policies and procedures.

The Risk Management Department continues to play a key role in ensuring that the appropriate risk management practices remain in place and in line with the bank's overall strategy, thus adding an extra layer of protection to both the bank and its shareholders.

The bank's activities are exposed to credit Risk, liquidity Risk and interest rate risk. It is also subject to various operational risks.

Risk Management Framework

1. Credit Risk: The bank studies the borrower's profile, repayment sources, underlying collateral and many other factors to determine and monitor credit risk. The bank controls its credit exposure by setting limits in line with regulations on the exposure to one borrower, a group of borrowers and/or industry segments. Such limits are continuously monitored.

Credit risk exposure is managed through regular analysis of the obligors' ability to meet interest and capital repayment obligations, as well as by obtaining collateral and/or other guarantees and by assessing the obligors' collateral's eligibility to mitigate the gross credit risk exposure. The bank's Internal Credit Grading System allows it to analyze and rate the many conditions related to each obligor to determine the probability of default. An analysis of eligible collaterals and/or guarantees is furthermore used to determine the loss in case of the obligor's potential default, upon which provisioning and risk pricing are based.

Reference page 50 (Distribution of Loans by Collateral Type)

Analysis of Risk Concentration

The Group's concentration of risk are managed by Economic Sector, Location, Business Segment, and by Currency.

The following tables shows the maximum exposure to credit risk for the components of the statement of financial position.

Reference pages 42...47 (Distribution of Loans by Business Segment, Currency, Location, and Economic Sector)

MANAGEMENT
NOTES

2. Liquidity Risk: Funding and liquidity risk management allows the bank to maintain excess liquidity and access diverse funding sources, including the bank's stable deposit base.

The bank developed a Liquidity Risk Management Policy and Contingency Funding Plan (CFP) to manage and monitor the liquidity on a daily basis.

References: pages 56-57 (Deposits from Customers & Related Parties) and page 58 (Distribution of Deposits by Currency)

The liquidity position is assessed using various scenarios and stress tests that may impact the Immediate Liquidity Ratio.

3. Interest Rate Risk: The bank manages interest rates to ensure that rate fluctuations do not adversely affect core net interest income and the economic value of equity. The IRR arises from the mismatch of re-pricing of assets and liabilities.

4. Market Risk: Market risk arises from open positions in interest rates (related to debt instruments that are being traded), currency and equity instruments (classified at Fair Value through Profit or Loss - FVTPL). All of which are exposed to general and specific market movements.

Reference pages 51...54 (Investment Securities: Equity and Debt instruments)

The bank abides by all applicable regulatory limits with respect to market risk.

Currency Risk is a major source of market risk type and arises when the value of a portfolio falls due to changes in foreign exchange rates.

5. Operational Risk: Operational Risk Management (ORM) is a continual process that consists of six stages: risk identification, assessment, analysis, mitigation decision, mitigation implementation, and supervision/review. This cycle enhances control for all of the bank's processes, products, activities and systems. The framework for managing and controlling operational risks encompasses various tools, including Risk and Control Assessment (RCA), operational risk event and key risk indicators.

6. Enterprise-wide Stress Testing: Periodic enterprise-wide stress tests to enable a better understanding and reveal the potential impact of the bank's risk profile in terms of earnings, capital and liquidity. Such tests also help tackle unanticipated market conditions.

"It would be a mistake to conclude that the only way to succeed in banking is through ever-greater size and diversity. Indeed, better risk management may be the only truly necessary element of success in banking"
-Alan Greenspan, Former Chairman of Federal Reserve

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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To the shareholders of Creditbank S.A.L.

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO, Semaan, Gholam & Co

11 June 2015
Beirut, Lebanon

KPMG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

IN THOUSANDS OF LEBANESE POUND	Note	2014	2013
Assets			
Cash and balances with Central Banks	9	1,035,937,735	1,007,087,915
Banks and financial institutions	10	214,370,163	195,142,991
Loans and advances to customers and related parties	11	2,232,209,471	1,957,382,676
Investment securities	12	834,040,743	703,080,867
Shares acquired in settlement of debt	13	83,338,523	–
Property and equipment	14	72,819,644	70,547,036
Intangible assets	15	958,598	1,042,139
Other assets	16	22,841,161	26,151,631
Non-current assets held for sale	17	15,871,603	14,460,321
Goodwill		9,728,373	9,728,373
Total assets		**4,522,116,014**	**3,984,623,949**
Liabilities			
Due to banks and financial institutions	18	222,296,329	154,174,363
Deposits from customers and related parties	19	3,920,746,436	3,437,477,889
Current tax liabilities		3,453,200	4,067,206
Other liabilities	20	58,366,374	76,074,791
Provisions	21	440,253	144,038
Total liabilities		**4,205,302,592**	**3,671,938,287**
Equity			
Share capital - common shares	22	55,525,678	48,505,678
Share capital - preferred shares	22	18,200,000	20,020,000
Share premium - preferred shares	23	87,324,999	96,057,499
Cash contribution to capital	24	10,854,000	10,854,000
Reserves	25	134,376,295	120,093,658
Other non-distributable reserves	25	247,913	140,660
Translation reserve	25	(18,898,531)	(6,786,055)
Retained earnings		29,154,735	23,780,531
Equity attributable to equity holders of the bank		**316,785,089**	**312,665,971**
Non-controlling interest		**28,333**	**19,691**
Total equity		**316,813,422**	**312,685,662**
Total liabilities and equity		**4,522,116,014**	**3,984,623,949**

The notes 1 to 37 are an integral part of these consolidated financial statements.
The consolidated financial statements were authorised for issue by the Chairman of the Board of Directors on 11 June 2015:

Mr. Tarek Khalifeh
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

The notes 1 to 37 are an integral part of these consolidated financial statements.

IN THOUSANDS OF LEBANESE POUND	Note	2014	2013
Interest income		287,657,806	242,741,043
Interest expense		(196,680,818)	(162,959,864)
Net interest income	**26**	**90,976,988**	**79,781,179**
Fees and commissions income		28,164,131	29,175,576
Fees and commissions expense		(9,485,889)	(6,458,190)
Net fees and commissions income	**32**	**18,678,242**	**22,717,386**
Net trading income	27	4,457,204	3,575,812
Net gain on investment securities at fair value through profit or loss	28	15,699,279	615,146
Net gain on investment securities at amortised cost	29	4,177,440	848,968
Dividend income		249,751	288,454
Other revenue		9,352,323	7,161,286
Revenue		**143,591,227**	**114,988,231**
Personnel charges	30	(45,436,967)	(41,676,829)
Net impairment loss on loans and advances to customers	11	(13,766,053)	(5,684,786)
Depreciation and amortisation	14, 15	(4,495,488)	(4,320,040)
Administrative expenses	31	(34,349,408)	(31,566,512)
Profit before tax		**45,543,311**	**31,740,064**
Income tax expense	33	(6,633,867)	(4,390,736)
Profit for the year		**38,909,444**	**27,349,328**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Net unrealized gain on investment securities at fair value through other comprehensive income		50,744	180,062
Total other comprehensive income for the year		**50,744**	**180,062**
Total comprehensive income for the year		**38,960,188**	**27,529,390**
Profit attributable to:			
Equity holders of the Bank		38,904,333	27,342,870
Non-controlling interests		5,111	6,458
Profit for the year		**38,909,444**	**27,349,328**
Total comprehensive income attributable to:			
Equity holders of the Bank		38,955,077	27,522,932
Non-controlling interests		5,111	6,458
Total comprehensive income for the year		**38,960,188**	**27,529,390**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

IN THOUSANDS OF LEBANESE POUND	Share capital -common shares	Share capital -preferred shares	Share premium -preferred shares	Cash contribution to capital	Capital reserves	Non-current assets held for sale reserve	Fair value reserve	Real estate revaluation reserve	Other non-distributable reserves	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balances at 1 January 2014	48,505,678	20,020,000	96,057,499	10,854,000	111,589,967	180,236	228,229	8,095,226	140,660	(6,786,055)	–	23,780,531	312,665,971	19,691	312,685,662
Transactions with owners recorded directly in equity															
Profit for the year	–		–	–	–	–	–	–	–	–	–	38,904,333	38,904,333	5,111	38,909,444
Other comprehensive income, net of tax															
Net change of financial assets measured at fair value through other comprehensive income:															
Net change in fair value on equity instruments designated at fair value through other comprehensive income	–	–	–	–	–	–	50,744	–	–	–	–	–	50,744	–	50,744
Total other comprehensive income	–	–	–	–	–	–	50,744	–	–	–	–	–	50,744	–	50,744
Total comprehensive income for the year	–	–	–	–	–	–	50,744	–	–	–	–	38,904,333	38,955,077	5,111	38,960,188
Transactions with owners of the Bank															
Contributions by and distributions															
Issue of common shares (note 22) from other reserve	7,020,000	–	–	–	–	–	–	–	–	–	–	–	7,020,000	–	7,020,000
Issue of preferred shares (series 4) (note 22)	–	5,200,000	24,950,000	–	–	–	–	–	–	–	–	–	30,150,000	–	30,150,000
Redemption of preferred shares (series 1) (note 22)	–	(7,020,000)	(33,682,500)	–	–	–	–	–	–	–	–	–	(40,702,500)	–	(40,702,500)
Dividends paid to holders of preferred shares (series 2 & 3)	–	–	–	–	–	–	–	–	–	–	–	(5,717,453)	(5,717,453)	–	(5,717,453)
Dividends paid to holders of common shares	–	–	–	–	–	–	–	–	–	–	–	(6,450,000)	(6,450,000)	–	(6,450,000)
Total contributions to owners	**7,020,000**	**(1,820,000)**	**(8,732,500)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,167,453)**	**(15,699,953)**	**–**	**(15,699,953)**
Change in ownership interest in subsidiaries															
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	3,531	3,531
Total change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	–		–	–	3,531	3,531
Other transactions recorded directly in equity															
Transfer to reserves (note 25)	–	–	–	–	13,597,531	637,769	–	–	107,253	–	–	(14,342,553)	–	–	–
Transfer from retained earnings to other reserves	–	–	–	–	–	–	–	–	–	–	7,020,000	(7,020,000)	–	–	–
Transfer from other reserves to common shares	–	–	–	–	–	–	–	–	–	–	(7,020,000)	–	(7,020,000)	–	(7,020,000)
Exchange rate difference arising on consolidation	–	–	–	–	–	–	–	–	–	(12,112,476)	–	–	(12,112,476)	–	(12,112,476)
Adjustments	–	–	–	–	(3,407)	–	–	–	–	–	–	(123)	(3,530)	–	(3,530)
Total other transactions recorded directly in equity	**–**	**–**	**–**	**–**	**13,594,124**	**637,769**	**–**	**–**	**107,253**	**(12,112,476)**	**–**	**(21,362,676)**	**(19,136,006)**	**–**	**(19,136,006)**
Total transactions recorded directly in equity	**7,020,000**	**(1,820,000)**	**(8,732,500)**	**–**	**13,594,124**	**637,769**	**–**	**–**	**107,253**	**(12,112,476)**	**–**	**(33,530,129)**	**(34,835,959)**	**3,531**	**(34,832,428)**
Balances at 31 December 2014	**55,525,678**	**18,200,000**	**87,324,999**	**10,854,000**	**125,184,091**	**818,005**	**278,973**	**8,095,226**	**247,913**	**(18,898,531)**	**–**	**29,154,735**	**316,785,089**	**28,333**	**316,813,422**

The notes 1 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

IN THOUSANDS OF LEBANESE POUND	Share capital -common shares	Share capital -preferred shares	Share premium -preferred shares	Cash contribution to capital	Capital reserves	Non-current assets held for sale reserve	Fair value reserve	Real estate revaluation reserve	Other non-distributable reserves	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balances at 1 January 2013	48,505,678	12,220,000	58,632,499	10,854,000	86,996,829	505,136	43,857	8,029,864	3,251,236	(5,874,564)	27,270,066	250,434,601	5,388,711	255,823,312
Total comprehensive income for the year														
Profit for the year	–		–	–	–	–	–	–	–	–	27,342,870	27,342,870	6,458	27,349,328
Other comprehensive income														
Net change of financial assets measured at fair value through other comprehensive income:														
Net change in fair value on equity instruments designated at fair value tthrough other comprehensive income	–	–	–	–	–	–	180,062	–	–	–	–	180,062	–	180,062
Total other comprehensive income	–	–	–	–	–	–	180,062	–	–	–	–	180,062	–	180,062
Total comprehensive income for the year	–	–	–	–	–	–	180,062	–	–	–	27,342,870	27,522,932	6,458	27,529,390
Transactions with owners of the Bank														
Contributions by and distributions														
Issue of preferred shares (series 3)	–	7,800,000	37,425,000	–	–	–	–	–	–	–	–	45,225,000	–	45,225,000
Dividends paid to holders of preferred shares (series 1 & 2)	–	–	–	–	–	–	–	–	–	–	(3,525,408)	(3,525,408)	–	(3,525,408)
Dividends paid to holders of common shares	–	–	–	–	–	–	–	–	–	–	(6,030,000)	(6,030,000)	–	(6,030,000)
Total contributions to owners	–	7,800,000	37,425,000	–	–	–	–	–	–	–	(9,555,408)	35,669,592	–	35,669,592
Change in ownership interest in subsidiaries														
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–		–	(5,375,478)	(5,375,478)
Total change in ownership interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,375,478)**	**(5,375,478)**
Other transactions recorded directly in equity														
Transfer to reserves	–	–	–	–	24,552,626	(324,900)	–	–	(3,110,576)	–	(21,117,150)	–	–	–
Exchange rate difference arising on consolidation	–	–	–	–	–	–	–	–	–	(911,491)	–	(911,491)	–	(911,491)
Adjustments	–	–	–	–	40,512	–	4,310	65,362	–	–	(159,847)	(49,663)	–	(49,663)
Total other transactions recorded directly in equity	**–**	**–**	**–**	**–**	**24,593,138**	**(324,900)**	**4,310**	**65,362**	**(3,110,576)**	**(911,491)**	**(21,276,997)**	**(961,154)**	**–**	**(961,154)**
Total transactions recorded directly in equity	**–**	**7,800,000**	**37,425,000**	**–**	**24,593,138**	**(324,900)**	**4,310**	**65,362**	**(3,110,576)**	**(911,491)**	**(30,832,405)**	**34,708,438**	**(5,375,478)**	**29,332,960**
Balances at 31 December 2013	**48,505,678**	**20,020,000**	**96,057,499**	**10,854,000**	**111,589,967**	**180,236**	**228,229**	**8,095,226**	**140,660**	**(6,786,055)**	**23,780,531**	**312,665,971**	**19,691**	**312,685,662**

The notes 1 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

The notes 1 to 37 are an integral part of these consolidated financial statements.

IN THOUSANDS OF LEBANESE POUND	Note	2014	2013
Cash flows from operating activities			
Profit for the year		38,909,444	27,349,328
Adjustments for:			
-Depreciation		4,224,275	3,811,376
-Amortisation		271,213	513,883
-Net impairment losses on loans and advances to customers		13,766,053	5,684,786
-Net gain on investment securities at FVTPL		(15,699,279)	(615,146)
-Net gain on investment securities at amortised cost		(4,177,440)	(848,968)
-Dividend income		(249,751)	(288,454)
-Gain on sale of non-current assets held for sale		(104,924)	(61,672)
-(Reversal of) impairment of non-current assets held for sale		(1,115,199)	1,249,526
-Loss on sale of property and equipment		11,967	58,867
-Net interest income		(90,976,988)	(79,781,179)
-Income tax expense		6,633,867	4,390,736
		(48,506,762)	**(38,536,917)**
Changes in:			
-Balances held with Central Banks		31,053,445	(267,798,690)
-Banks and financial institutions		1,197,239	6,598,435
-Loans and advances to customers and related parties		(290,828,509)	(335,943,089)
-Other assets		3,310,470	19,095,967
-Due to banks and financial institutions		64,445,276	5,291,745
-Deposits from customers and related parties		476,358,563	565,674,367
-Provisions		296,215	23,050
-Other liabilities		(17,708,417)	13,088,738
		219,617,520	**(32,506,394)**
Interest received		278,379,313	240,691,338
Interest paid		(188,764,001)	(158,942,542)
Income tax paid		(7,247,873)	(3,445,276)
Net cash from operating activities		**301,984,959**	**45,797,126**
Cash flows from investing activities			
Net change in investment securities		(102,671,046)	34,414,977
Acquisition of shares acquired in settlement of debt		(83,338,523)	–
Acquisition of property and equipment		(9,818,424)	(11,180,151)
Acquisition of intangible assets		(357,079)	(514,211)
Proceeds from sale of property and equipment		402,206	91,494
Proceeds from sale of property acquired in settlement of debt		1,850,007	1,110,840
Net cash (used in) from investing activities		**(193,932,859)**	**23,922,949**
Cash flows from financing activities			
Net redemption / issuance of preferred shares		(1,820,000)	7,800,000
(Redemption) / issuance of premium - preferred shares		(8,732,500)	37,425,000
Change in non-controlling interest		–	(5,375,478)
Dividends paid		(12,167,453)	(9,555,408)
Net cash (used in) from financing activities		**(22,719,953)**	**30,294,114**
Net increase in cash and cash equivalents		**85,332,147**	**100,014,189**
Cash and cash equivalents at 1 January		324,379,328	225,176,515
Effect of exchange rate fluctuations on cash and cash equivalents		(8,841,205)	(811,376)
Cash and cash equivalents at 31 December	34	**400,870,270**	**324,379,328**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

(1) REPORTING ENTITY

Creditbank S.A.L. (the “Bank" or “Group”) is a joint stock company domiciled in Lebanon. The Bank is registered under No.103 on the list of banks published by the Central Bank of Lebanon. The consolidated financial statements of the Bank as at and for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as the Group and individually as Group entities). The Head office of the Bank is located in Dekwaneh (Freeway Center). The Group is primarily involved in investment, retail and corporate banking.

(2) BASIS OF PREPARATION

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Details of the Bank’s accounting policies, including change during the year, are included in Notes 3 and 4.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Investment securities at fair value through other comprehensive income are measured at fair value;
- Investment securities designated at fair value through profit or loss are measured at fair value; and
- Shares acquired in settlement of debt are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Lebanese Pound (LBP), which is the Bank’s functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is set out below in relation to the impairment of financial instruments and in the following notes:

- Notes 21 and 35 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 7 - determination of the fair value of financial instruments with significant unobservable inputs.

Management discusses with the Board of Directors the development and disclosure of the Bank’s critical accounting policies and estimates, and the application of these policies and estimates.

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4 (k)(vii).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the recoverable amounts that are expected to be received. In estimating the recoverable amount, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of amounts considered recoverable are independently approved by the concerned committees.

A collective component of the total allowance is established for:

- groups of homogenous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances and investments securities at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Investments in equity securities were evaluated for impairment on the basis described in Note 4 (k)(vii).

In making an assessment of whether an investment in sovereign debt is impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of the creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

The Group's assessment of whether there is objective evidence of impairment of its investments in sovereign debt, based on the above factors, see note 6 (b).

(e) Basis of consolidation

(i) Business combinations
Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately Transactions costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, bargain purchase gain is recognised immediately in the profit or loss.

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

(ii) Non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries
'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement within the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(3) CHANGE IN ACCOUNTING POLICIES

Except for the change below, the Group has consistently applied the accounting policies as set out in note (4) to all years presented in these consolidated financial statements.

The Group has adopted the following amendments to standards, with a date of initial application of 1 January 2014.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

As a result of the amendments to IAS 32, the Group has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The change did not have a material impact on the Bank's consolidated financial statements.

(4) SIGNIFICANT ACCOUNTING POLICIES

Except for the change explained in note (3), the accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Presentation of consolidated financial statements
The Group has elected to present consolidated financial statements.

The Group produces consolidated financial statements that are available for public use and that comply with IFRS. These consolidated financial statements can be obtained from the Bank's registered office in Dekwaneh (Freeway Center).

(b) Subsidiaries
Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investees. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. Subsidiaries are accounted for at cost in these consolidated financial statements.

(c) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(d) Interest
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income, see note 4(m).

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in 'net gain from investments securities at fair value through profit or loss' in the statement of profit or loss and other comprehensive income.

(e) Fees and commission
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate (see (d)).

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees, are recognised as the related services are performed.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(f) Net trading income
Net trading income comprises gains less losses related to trading assets and liabilities, and includes foreign exchange differences.

(g) Net gain from investments securities at fair value through profit or loss
Net gain from investments securities at fair value through profit or loss includes all realised and unrealised fair value changes and interest.

(h) Dividend income
Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(i) Lease payments - Lessee
Payments made under operating lease are recognised in profit or loss on a straight-line basis over the term of the lease.

(j) Income tax
Income tax expense comprises current tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI).

(i) Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Tax exposures
In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(k) Financial assets and financial liabilities

(i) Recognition
The Group initially recognises loans and advances and deposits on the date at which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets
The Group classifies its financial assets as measured at amortised cost or fair value. See notes 4(l), (n) and (o). A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; 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.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Group makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

Financial liabilities
The Group classifies its financial liabilities at amortized cost. See accounting policies 4(s).

(iii) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that has been recognized in other comprehensive income is recognized in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such case, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, the restructuring of a loan or advance by the Bank on terms that the Group would not consider otherwise, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Group considers evidence of impairment for loans and advances and investment securities measured at amortised cost at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount of the financial amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or investment securities at amortised cost. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. The Group writes off certain loans and advances and investment securities, when Group Credit Committee determines that there is no realistic prospect of recovery.

(viii) Designation at fair value through profit or loss

The Group has designated financial assets at fair value through profit or loss in either of the following circumstances:

- The assets are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 7 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with the Central Bank of Lebanon, Central Bank of Armenia, Central Bank of Russia and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(m) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of "Net gain from investments securities at fair value".

(n) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in Group's financial statements.

(o) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

Investment securities are measured at amortised cost using the effective interest method, if:

- they are held within a business model with an objective to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest; and
- they have not been designated previously as measured at fair value through profit or loss.

The Group elects to present changes in fair value of certain investments in equity instruments held for strategic purposes in other comprehensive income. The election is irrevocable and is made on an instrument-by-instrument basis at initial recognition.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Other investment securities are measured at fair value through profit or loss.

(p) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income / other expenses in profit or loss.

(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

- Buildings 50 years
- Furniture and equipment 5 - 12.5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Intangible assets

Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(r) Non-current assets held for sale
Properties acquired through the enforcement of security over loans and advances to customers are accounted for in accordance with the Directives issued by the Central Bank of Lebanon and the Banking Control Commission.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable. They are stated at lower of fair value of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A reserve is constituted for assets not disposed of within two years of the date of enforcement at a rate of 20% or 5%.

The accumulated amortisation is classified under "Reserves" (note 25).

(s) Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, based on the management's best estimate.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(t) Deposits
Deposits are the Group's source of debt funding.

Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(u) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is determined using management's best estimates to the risk specific to the liability.

(v) Financial guarantees and loan commitments
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

(5) STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. The Group does not plan to early adopt these standards.

(i) IFRS 15 Revenue from contracts with customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.
IFRS 15 is effective for annual reporting periods on or after 1 January 2017, with early adoption permitted.
The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

(ii) IFRS 9 Financial instruments
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

This standard is expected to have a pervasive impact on the Group's consolidated financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

(6) FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework - Corporate Governance

(i) Board Committees

Board of Directors
The Board is ultimately responsible for the conduct of the Group's affairs. However, for added efficiency, Board Committees may be set up with declared role and responsibilities. The Board Committees should regularly report to the full Board. In addition to the Audit Committee, a Corporate Governance Committee and a Risk Management Committee have been formed.

There is a formal and transparent process for appointments to the Board Committees and their membership is made public on the group's website. The function, roles, and responsibilities of each Board Committee are set out in terms of reference and shall be published on the group's website.

Each Board Committee has direct access to appropriate members of the Group's management, in accordance with the provisions of its respective function. A permanent written record of Board Committee discussions, motions, and Directors' votes is kept by the committee secretary.

The Group expects to set up more Board Committees over time. It may also decide to combine the functions of several committees if appropriate or if administratively more convenient.

Audit Committee
In accordance with the requirements and recommendations of the Lebanese Central Bank and Banking Control Commission, in particular the principal circular n°118, the Group has a Board Committee on Audit comprising 3 members. Membership of the Audit Committee shall be disclosed in the annual report.

The Group's policy is that at least one member of the Audit Committee should have accounting or other financial management qualifications and expertise.

The Audit Committee reviews, and reports to the full Board

- the Group's annual financial results prior to publication or distribution;
- the accounting judgments that are intrinsic to the financial statements;
- the accuracy of the financial statements and of the efficiency of the criteria adopted for reporting;
- the Group's internal controls and, in consultation with management and the external auditors, the integrity of the Group's financial reporting processes and controls;
- any significant findings of the external auditors together with management's responses;
- compliance with the Lebanese Central Bank circulars as well as the reports and circulars of the Banking Control Commission;
- the scope, results, and adequacy of the Group's internal and external audits;
- any significant changes to the Group's accounting principles, and any items required to be communicated by the external auditors;
- the objectivity and independency of both external and internal auditors;
- other non-audit work performed by the external auditors so as not to compromise the auditors' objectivity. Such non-audit work is to be disclosed in the annual report.
- the scope of the Audit Committee's work also covers the bank's subsidiaries in Lebanon and abroad. The Committee shall assist the Board of Directors in fulfilling its duties with regard to overview of the subsidiaries financial statements' soundness and the capital adequacy and financial ratios in such a way as to assess the risks related to the investment, thus allowing the Board of Directors to mitigate such risks.

The Audit Committee has the ability to obtain any information from management and to meet with any manager of the Group.

The Audit Committee has the ability to meet each of the Group's external auditors and its internal auditors, without (other) management being present, at least once a year. The Group considers that a strong and open relationship between the Audit Committee and these two audit functions is critical to the successful functioning of this important governance mechanism.

The Audit Committee ensures a follow-up of the corrective suggestions mentioned in the external and internal audit reports. The Audit Committee ensures the efficiency and sufficiency of the regulations of procedures of the Internal Audit. The Group recognizes that the Audit Committee does not substitute for the responsibilities of the Board of Directors or the Group's management for the supervision and adequacy of the Group's internal control systems.

Corporate Governance Committee
The Board has formed a Corporate Governance Committee to oversee the preparation and amendments of its Code.

The Committee comprises three Directors (including one non-executive Director) as well as the Board's Secretary. Membership of the Committee is disclosed in the annual report and may be published in the Group's website. The Corporate Governance Committee may also supervise compliance with, and enforcement of the Code.

Risk Management Committee
The review of risk management is in the first instance handled by a coherent and comprehensive Risk Management Department.

The Board, on a regular basis, reviews and approves the risk management strategies and policies of the Group. Senior management is responsible for implementing the strategies that have been approved by the Board, and for developing the policies and procedures for managing the various types of risk.

The creation of a Risk Management Board Committee has been proposed by management, and approved by the Board.

The Group considers that the rapid development and increasing sophistication and complexity of risk management requires that the Risk Management Department and later Committee keep fully informed of the developments in the Group's risk management functions. Accordingly, the Committee shall make regular reports to the full Board.

(ii) Bank's Management Committees
The Group operates through a number of committees, set up with clear missions, authorities and responsibilities, as follows:

Executive and Investment Committee
The Executive and Investment Committee is composed of five members; it meets on a monthly basis. The Executive and Investment Committee roles and responsibilities are set as follows:

- To define the strategic orientations of the Group and to submit them to the Board of Directors.
- To periodically set and review Group policies and submit them to the Board of Directors.
- To set targets and define the relevant budget and carry on the follow-up thereof.
- To discuss any new investments including mergers and acquisition, partnership agreements, investments in companies or financial institutions.
- To define Network expansion.
- To validate recommendations and supervise the activity of various Committees.

Asset Liability Committee (ALCO)
The ALCO Committee is composed of five members; it meets on a bi-monthly basis. The main roles and responsibilities of the ALCO Committee are set as follows:

- To define interest rate policies and enforce the application of the assets liability management standards analyze the Group's financial ratios, GAP Review and Analysis.
- To decide on the trading operations and financial instruments, manage placements, deposits and credit lines.
- To review Credit risk, Market Risk, Liquidity Risk, Interest Rate Risk Limits and Reports. All related reports / recommendations will be sent to the Board of Directors.
- To propose to the Executive and Investment Committee market risk limits.
- To ensure the reporting to the Board of Directors through the Executive and Investment Committee.

The Credit Committee
The Credit Committee is composed of four voting members and a fifth non-voting member, it meets weekly. The main roles and responsibilities of the Credit Committee are set as follows:

- To evaluate customer risk and decide on the facilities to grant, as well as the terms and conditions thereof.
- To decide on the transfer of a file to the non-performing loan Committee.
- To propose to the Executive and Investment Committee a credit policy.

The Non-Performing Loans Committee
The Non-Performing Loans Committee is composed of five voting members in addition to one non-voting member, it meets on a semi-annual basis. The Non-Performing Loans Committee main roles and responsibilities are set as follows:

- To review and take decisions on non-performing loans and recommend actions on a going forward basis with respect to the relevant files.
- To follow up on cases handed over to the Legal Department and approve settlements.
- To propose adequate provisions.

The Internal Control Committee
The Internal Control Committee is composed of five voting members and one non-voting member, its meets on a monthly basis. The main roles and responsibilities of the Internal Control Committee are set as follows:

- To ensure the proper application of procedures and regulations.
- To analyse audit reports and the departments' answers thereto.
- To take adequate decisions and recommend solutions.

The Security Committee
The Security Committee is composed of five voting members and two non-voting members; it meets on a quarterly basis. This Committee's roles and responsibilities are defined in the Banking Control Commission circular № 222 dated 18 August 2000.

The Anti-Money Laundering/Counter Financing Terrorism Committee
The Anti-Money Laundering/Counter Financing Terrorism Committee is composed of seven members; it meets on a quarterly basis. Responsibilities of this Committee are as defined in the Central Bank Intermediary Decisions N° 8488 dated 17 September 2003 and N° 10725 dated 21 May 2011.

The Operational Risk Management Committee
The Operational Risk Management Committee is composed of five members, it meets upon request. Its main roles and responsibilities are set as follows:

- To review and approve the operational risk management procedures developed by the Risk Manager and enhance the overall handling of operational risk,
- To ensure the abidance by the Group's operational risk policies and procedure, examine and recommend on the operational risks inherent to the Group's activities, and
- Discuss the risk management operational risk and control assessment process (ORCAP) outcome.

(b) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers, banks and financial institutions, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading assets is managed independently.

(i) Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction- specific or counterparty-specific approval from the Bank's ALCO Committee.

(ii) Management of credit risk

The Board of Directors has delegated responsibility for the management of individual credit risk to the Credit Committee. A Risk Management Department reporting to the General Manager, is responsible for the management of the Group's Corporate (portfolio) credit risk, in coordination with commercial and credit assessment functions, including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and sectors. The Group's approach to controlling this concentration of exposure is by the diversification of its commitments and by setting limits at level of aggregate of products, economic sectors, region and segments.
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current Internal Rating framework consists of 10 grades (mapped to the Central Bank of Lebanon's 6 grades) reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting the final risk grades lies with the Credit Committee and is subject to regular reviews.
- Reviewing compliance with agreed exposure limits, including those for selected industries, and product types. Regular reports on the credit quality of local portfolios are discussed in ALCO and appropriate corrective action is taken in coordination with Credit Committee.
- Providing advice, guidance to promote best practice throughout the Group in the management of credit risk.

(iii) Grading of credit risk

Each credit officer is required to implement the Group credit policies and procedures, with credit approval authorities delegated from the Board of Directors. Each Credit officer reports on all credit related matters to management and the Group Credit Committee. Each Credit officer is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in his/her portfolios, including those subject to central approval.

Regular audits of Group Credit processes are undertaken by Internal Audit.

To measure the credit risk of loans and advances to customers and to banks at a counterparty level, the Group rates its counterparties according to the six rating classes defined by the Central Bank of Lebanon ("BDL") and the Banking Control Commission of Lebanon ("BCC") requirements as follows:

- Low fair risk / Normal and follow up (grades 1 and 2) – types of loans that are expected to be repaid on a timely and consistent basis; for grade 2, the client file is not complete.
- Watch / Special mention (grade 3) – type of loan that is expected to be repaid but current conditions lead to believe that the probability of repayment would be lowered;
- Substandard (grade 4) – type of loan where the client is witnessing a difficult financial condition and might not be in a position to settle the loan in full;
- Doubtful (grade 5) – type of loan where there is no movement in the clients' balance;
- Bad (grade 6) – type of loan where the probability of repayment is low and almost nil.

(iv) Credit quality analysis

The tables below set out information about the credit quality of financial assets and the allowance for impairment / loss held by the Group against those assets.

IN THOUSANDS OF LEBANESE POUND	Note	Loans and advances to customers and related parties 2014	Loans and advances to customers and related parties 2013	Due from Central Banks, banks and financial institutions 2014	Due from Central Banks, banks and financial institutions 2013	Investment securities (debt securities) 2014	Investment securities (debt securities) 2013	Lending commitments and financial guarantees 2014	Lending commitments and financial guarantees 2013
Maximum exposure to credit risk									
Carrying amount	9,10,11,12	2,232,209,471	1,957,382,676	1,208,186,662	1,160,007,995	828,742,805	682,648,666	–	–
Amount committed / guaranteed		–	–	–	–	–	–	321,965,966	335,758,421
At amortised cost									
Grade 1-2: Low-fair risk		1,777,808,117	1,682,967,257	1,205,157,704	1,160,007,995	618,948,504	462,849,082		
Grade 3: Watch		416,746,671	215,288,062	–	–	–	–		
Grade 4: Substandard		13,359,261	22,012,583	–	–	–	–		
Grade 5: Doubtful		68,430,068	73,765,232	3,109,877	–	–	–		
Grade 6: Bad		10,179,253	74,468	9,283,437	9,351,482	–	–		
Total gross amount		**2,286,523,370**	**1,994,107,602**	**1,217,551,018**	**1,169,359,477**	**618,948,504**	**462,849,082**		
Allowance for impairment (individual and collective)		(54,313,899)	(36,724,926)	(9,364,356)	(9,351,482)	–	–		
Net carrying amount		**2,232,209,471**	**1,957,382,676**	**1,208,186,662**	**1,160,007,995**	**618,948,504**	**462,849,082**		
At fair value through profit or loss									
Grade 1: Low-fair risk		–	–	–	–	209,794,301	219,799,584		
Total carrying amount	12	–	–	–	–	209,794,301	219,799,584		
Off balance sheet									
Maximum exposure									
Lending commitments & Financial guarantees									
Grade 1-3: low-fair risk								321,890,528	335,730,858
Grade 5: Impaired								75,438	27,563
Total exposure								**321,965,966**	**335,758,421**

		Loans and advances to customers and related parties		Due from Central Banks, banks and financial institutions		Investment securities (debt securities)		Lending commitments and financial guarantees	
IN THOUSANDS OF LEBANESE POUND	Note	2014	2013	2014	2013	2014	2013	2014	2013
Neither past due nor impaired									
Grade 1-2: Low-fair risk		1,772,897,047	1,682,967,257	1,205,157,705	1,160,007,995	828,742,805	682,648,666		
		1,772,897,047	1,682,967,257	1,205,157,705	1,160,007,995	828,742,805	682,648,666		
Past due but not impaired									
Grade 3: Watch		416,675,761	215,288,062	–	–	–	–		
		416,675,761	215,288,062	–	–	–	–		
Individually impaired									
Grade 1-2: Low-fair risk		4,911,070	–	–	–	–	–		
Grade 3: Watch		70,910	–	–	–	–	–		
Grade 4: Substandard		13,359,261	22,012,583	–	–	–	–		
Grade 5: Doubtful		68,430,068	73,765,232	3,109,877	–	–	–		
Grade 6: Bad		10,179,253	74,468	9,283,437	9,351,482	–	–		
		96,950,562	95,852,283	12,393,314	9,351,482	–	–		
Total		**2,286,523,370**	**1,994,107,602**	**1,217,551,019**	**1,169,359,477**	**828,742,805**	**682,648,666**		
Allowance for impairment									
Individual		(50,916,185)	(32,224,504)	(9,364,356)	(9,291,952)	–	–		
Collective		(3,397,714)	(4,500,422)	–	(59,530)	–	–		
Total allowance for impairment	**10,11**	**(54,313,899)**	**(36,724,926)**	**(9,364,356)**	**(9,351,482)**	**–**	**–**		

Impaired loans and investment debt securities
The Group regards a loan and advance or a debt security (not carried at fair value through profit or loss) as impaired where there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset. Loans that are subject to a collective incurred but not yet reported (IBNR) provision are not considered impaired.

Debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same grading.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

	Loans and advances to customers		Banks and financial institutions	
IN THOUSANDS OF LEBANESE POUND	Gross	Net	Gross	Net
31 December 2014				
Grades 1,2 and 3: Performing loans	4,981,980	4,154,738	–	–
Grade 4: Individually impaired	13,359,261	10,601,807	–	–
Grade 5: Individually impaired	68,430,068	31,276,201	3,109,877	3,028,958
Grade 6: Individually impaired	10,179,253	1,631	9,283,437	–
Total	**96,950,562**	**46,034,377**	**12,393,314**	**3,028,958**
31 December 2013				
Grades 1,2 and 3: Performing loans	–	–	–	–
Grade 4: Individually impaired	22,012,583	21,313,711	–	–
Grade 5: Individually impaired	73,765,232	42,314,067	–	–
Grade 6: Individually impaired	74,468	–	9,351,482	
Total	**95,852,283**	**63,627,778**	**9,351,482**	**–**

Write-off policy
The Group writes-off a loan or an investment debt security balance, and any related allowances for impairment losses and suspended interest, when the Group's committees determine that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Loans and investment debt securities that are past due but not impaired
Loans and investment debt that are past due but not impaired are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at fair value through profit or loss.

Loans with renegotiated terms
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in 4 (k)(vii).

Debt securities
Debt securities held by the Group consist of Lebanese treasury bills, Eurobonds issued by the Lebanese Government, certificates of deposits issued by Central Bank of Lebanon and other foreign debt instruments. These securities are rated B- based on rating agency Standard & Poor's.

(v) Collateral held and other credit enhancements

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and updated regularly. Collateral generally is held over banks and financial institutions in cases of LCs confirmations but not held over investment securities, and no such collateral was held at 31 December 2014 or 2013.

An estimate made at the time of borrowing and as at year end of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

Loans and advances to customers	Fair value of collateral at inception (for the Group)		Fair Value of collateral at year end	
IN THOUSANDS OF LEBANESE POUND	**2014**	**2013**	**2014**	**2013**
Against impaired				
Mortgaged property	12,026,971	9,989,621	17,502,247	14,376,614
Equities	514,991	514,991	262,437	253,484
Other including cash	4,662,689	5,129,654	4,662,689	5,837,875
Against substandard				
Mortgaged property	12,444,646	8,879,105	15,302,375	19,063,010
Other including cash	2,246,914	321,180	2,246,914	1,040,989
Against regular loans and advances				
Mortgaged property	1,030,836,499	889,584,380	1,793,139,563	1,543,267,410
Debt securities	4,505,954	4,497,696	15,198,080	4,222,084
Equities	60,811,389	75,562,506	48,373,812	116,564,612
Other including cash	312,809,680	231,315,359	359,911,088	246,656,840
Total	**1,440,859,733**	**1,225,794,492**	**2,256,599,205**	**1,951,282,918**

Residential mortgage lending

The table below stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

IN MILLIONS OF LEBANESE POUND	**2014**	**2013**
Loan to value (LTV) ratio		
Less than 50%	66,133,789	64,585,249
51% to 70%	64,175,048	42,246,644
71% to 90%	34,778,776	28,775,590
91% to 100%	7,976,618	4,819,065
More than 100%	17,433,026	4,610,298
Total	**190,497,257**	**145,036,846**

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate customer's creditworthiness, the Group does also routinely update the valuation of the collateral held against all loans to corporate customers. Valuation of collateral is also updated when the credit risk of a loan deteriorates significantly as the loan is monitored more closely. The Group obtains appraisals of collateral because current value of the collateral is an input to the impairment measurement.

(vi) Concentration of credit risk by sector and by location

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities at the reporting date is shown below:

		Due from Central Banks, banks and financial institutions		Loans and advances to customers and related parties		Investment securities (debt securities)		Lending commitments and financial guarantees	
IN THOUSANDS OF LEBANESE POUND	**Note**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Carrying amount	**8, 9, 10, 35**	**1,208,186,662**	**1,160,007,995**	**2,232,209,471**	**1,957,382,676**	**828,742,805**	**682,648,666**	**321,965,966**	**335,758,421**
Concentration by sector									
Corporate		–	–	1,478,644,243	1,337,769,114	6,821,702	5,735,614	236,495,552	266,072,732
Sovereign		993,816,498	964,865,005	–	–	821,921,103	676,913,052	–	–
Bank		214,370,164	195,142,990	–	–	–	–	7,650,007	8,935,994
Retail		–	–	753,565,227	619,613,562	–	–	77,820,407	60,749,695
		1,208,186,662	**1,160,007,995**	**2,232,209,470**	**1,957,382,676**	**828,742,805**	**682,648,666**	**321,965,966**	**335,758,421**
Concentration by location									
Lebanon		1,048,314,481	982,070,183	1,832,590,669	1,640,072,000	821,087,608	681,466,205	299,230,220	287,287,281
North America		42,235,000	41,018,000	1,718,000	2,796,000		–	198,493	22,613
Europe		112,480,000	104,529,812	287,369,447	225,044,676	7,655,197	1,182,461	17,734,643	24,391,630
Asia Pacific		14,000	1,370,000	1,934,000	118,000	–	–	39,538	19,962
Middle East and Africa		5,032,181	30,834,000	108,597,355	89,352,000	–	–	4,763,072	24,036,935
Australia		111,000	186,000	–	–	–	–	–	–
	8, 9, 10, 35	**1,208,186,662**	**1,160,007,995**	**2,232,209,471**	**1,957,382,676**	**828,742,805**	**682,648,666**	**321,965,966**	**335,758,421**

Concentration by location for loans and advances and for lending commitments and financial guarantees is based on the customer's country of utilisation. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Cash and cash equivalents

The Group held cash and cash equivalents of LBP 400,870,270 thousand at 31 December 2014

(2013: LBP 324,379,328 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with Central Banks. In addition, cash and cash equivalents include cash held also with reputable banks and financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury Department receives information regarding the liquidity profile of their financial assets and financial liabilities. The Treasury Department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, deposits with banks and financial institutions and other facilities, to ensure that sufficient liquidity is maintained within the Group. The daily liquidity position is monitored. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group as a whole.

The Group relies on deposits from customers and banks as its primary sources of funding. Deposits from customers and banks and financial institutions generally have short maturities. The short-term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining high quality service and constant monitoring of market trends.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment debt securities for which there is an active and liquid market less any deposits from banks and financial institutions, other borrowings and commitments maturing within the following month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Central Bank of Lebanon and the Lebanese Banking Control Commission.

Details of the reported Bank ratio of net liquid assets to customers' deposits at the reporting date and during the reporting period were as follows:

IN THOUSANDS OF LEBANESE POUND	**2014**	**2013**
At 31 December	39.36%	27.60%

(iii) Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

IN THOUSANDS OF LEBANESE POUND	Note	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
31 December 2014								
Non-derivative liabilities								
Due to banks and financial institutions	18	222,296,329	(248,301,541)	(65,969,535)	(23,524,656)	(50,012,250)	(39,387,121)	(69,407,979)
Deposits from customers and related parties	19	3,920,746,436	(3,991,782,874)	(2,789,127,116)	(353,119,302)	(622,383,547)	(217,053,293)	(10,099,616)
		4,143,042,765	**(4,240,084,415)**	**(2,855,096,651)**	**(376,643,958)**	**(672,395,797)**	**(256,440,414)**	**(79,507,595)**
Non-derivative assets								
Cash and balances with the Central Banks	9	1,035,937,735	1,299,341,834	273,013,506	11,063,412	74,854,616	322,983,521	617,426,779
Banks and financial institutions	10	214,370,163	214,589,665	211,399,070	788,401	1,959,364	271,950	170,880
Loans and advances to customers and related parties	11	2,232,209,471	3,323,216,894	368,981,945	114,567,542	429,772,132	1,082,726,335	1,327,168,940
Investment securities	12	834,040,743	1,859,900,547	17,312,793	9,693,840	44,147,282	150,431,895	1,638,314,737
Shares acquired in settlement of debt	13	83,338,523	83,338,523	–	–	–	83,338,523	–
		4,399,896,635	**6,780,387,463**	**870,707,314**	**136,113,195**	**550,733,394**	**1,639,752,224**	**3,583,081,336**
31 December 2013								
Non-derivative liabilities								
Due to banks and financial institutions	18	154,174,363	(207,830,338)	(54,695,293)	(17,526,582)	(22,714,205)	(45,575,083)	(67,319,175)
Deposits from customers and related parties	19	3,437,477,889	(3,440,424,366)	(2,566,064,965)	(306,196,081)	(484,506,320)	(79,592,000)	(4,065,000)
		3,591,652,252	**(3,648,254,704)**	**(2,620,760,258)**	**(323,722,663)**	**(507,220,525)**	**(125,167,083)**	**(71,384,175)**
Non-derivative assets								
Cash and balances with the Central Banks	9	1,007,087,915	1,293,946,007	307,427,599	16,273,287	26,374,619	319,953,339	623,917,163
Banks and financial institutions	10	195,142,991	195,355,334	195,242,551	11,064	49,788	51,931	–
Loans and advances to customers and related parties	11	1,957,382,676	2,763,207,064	386,656,740	98,294,282	329,334,693	970,109,356	978,811,993
Investment securities	12	703,080,867	1,110,253,432	21,295,061	7,959,402	33,259,864	133,077,769	914,661,336
		3,862,694,449	**5,362,761,837**	**910,621,951**	**122,538,035**	**389,018,964**	**1,423,192,395**	**2,517,390,492**

The above table shows the undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- Demand deposits from customers are expected to remain stable or increase;
- Unrecognised loan commitments are not all expected to be drawn down immediately; and
- Retail mortgage loans have an original contractual maturity between 20 and 25 years but an earlier maturity because some customers might take advantage of early repayment options.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and balances with the Central Bank of Lebanon, banks and financial institutions, and investment securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with banks.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency, while optimising the return on risk.

(i) Management of market risks

Overall authority for market risk management is vested in ALCO.

(ii) Exposure to interest rate risks – Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. ALCO is the monitoring body for compliance with these limits and the Risk Management is monitoring these limits monthly.

A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

IN THOUSANDS OF LEBANESE POUND	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non bearing interest
31 December 2014								
Cash and balances with the Central Banks	9	1,035,937,735	35,813,180	6,570,060	45,761,235	265,453,716	427,862,500	254,477,044
Banks and financial institutions	10	214,370,163	49,262,090	1,909,301	–	67,082	375,910	162,755,780
Loans and advances to customers and related parties	11	2,232,209,471	1,549,584,634	22,621,000	67,121,000	343,288,000	209,623,000	39,971,837
Investment securities - debt securities	12	618,948,504	12,351,748	–	–	30,785,515	559,688,239	16,123,002
		4,101,465,873	**1,647,011,652**	**31,100,361**	**112,882,235**	**639,594,313**	**1,197,549,649**	**473,327,663**
Due to banks and financial institutions	18	(222,296,329)	(63,574,000)	(23,561,000)	(20,533,000)	(14,937,000)	(73,230,849)	(26,460,480)
Deposits from customers and related parties	19	(3,920,746,436)	(2,888,830,097)	(230,322,000)	(366,045,000)	(199,675,000)	(6,101,000)	(229,773,339)
		(4,143,042,765)	**(2,952,404,097)**	**(253,883,000)**	**(386,578,000)**	**(214,612,000)**	**(79,331,849)**	**(256,233,819)**
		(41,576,892)	**(1,305,392,445)**	**(222,782,639)**	**(273,695,765)**	**424,982,313**	**1,118,217,800**	**217,093,844**
31 December 2013								
Cash and balances with the Central Banks	9	1,007,087,915	42,615,747	3,391,874	–	257,720,084	417,712,500	285,647,710
Banks and financial institutions	10	195,142,991	52,226,830	–	–	–	–	142,916,161
Loans and advances to customers and related parties	11	1,957,382,676	1,375,263,098	19,004,000	52,822,000	313,299,000	136,330,000	60,664,578
Investment securities - debt securities	12	462,849,082	4,203,556	–	1,116,000	38,925,323	410,452,075	8,152,128
		3,622,462,664	**1,474,309,231**	**22,395,874**	**53,938,000**	**609,944,407**	**964,494,575**	**497,380,577**
Due to banks and financial institutions	18	(154,174,363)	(42,951,647)	(5,603,000)	(13,257,000)	(16,474,000)	(45,876,000)	(30,012,716)
Deposits from customers and related parties	19	(3,437,477,889)	(2,627,181,214)	(241,294,000)	(270,655,000)	(54,207,000)	(482,000)	(243,658,675)
		(3,591,652,252)	**(2,670,132,861)**	**(246,897,000)**	**(283,912,000)**	**(70,681,000)**	**(46,358,000)**	**(273,671,391)**
		30,810,412	**(1,195,823,630)**	**(224,501,126)**	**(229,974,000)**	**539,263,407**	**918,136,575**	**223,709,186**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200bp. The following is an analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position:

IN THOUSANDS OF LEBANESE POUND	Change in bp	Sensitivity of net interest income	Sensitivity of Tier I and Tier II (EVE)
31 December 2014			
LBP	+200	-18.00%	-51.14%
USD	+200	-11.32%	-18.31%
EUR	+200	0.26%	-0.70%
31 December 2013			
LBP	+200	-16.28%	-36.41%
USD	+200	-12.17%	-18.70%
EUR	+200	-1.12%	-1.12%

Overall interest rate risk positions are managed by Risk Management, which uses investment securities, advances to banks, deposits from banks to manage the overall position arising from the Bank's activities.

(iii) Exposure to currency risks – Non-trading portfolios

The Group is subject to currency risk on financial assets and liabilities denominated in currencies other than the Group's functional currency, which is the Lebanese Pound (LBP). Most of these financial assets and liabilities are denominated in US Dollars or Euros. The following is an analysis of the Group's sensitivity to a change in currency rates, assuming all other variables remain constant:

IN THOUSANDS OF LEBANESE POUND	Increase in currency rate	Effect on profit before tax	Effect on Tier I and Tier II
31 December 2014			
USD	1%	0.0781%	0.0123%
EUR	1%	-0.0304%	-0.0048%
GBP	1%	0.0000%	0.0000%
CAD	1%	0.0001%	0.0000%
CHF	1%	0.0000%	0.0000%
31 December 2013			
USD	1%	-0.0953%	-0.0108%
EUR	1%	-0.0006%	-0.0001%
GBP	1%	-0.0001%	0.0000%
CAD	1%	0.0001%	-
CHF	1%	0.0002%	-

(iv) Exposure to foreign currency exchange risk
The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Group, and with regard to the translation of foreign operations into the presentation currency of the Group.

The following table presents the breakdown of assets and liabilities by currency:

	31 December 2014			31 December 2013		
IN THOUSANDS OF LEBANESE POUND	LBP	C/V LBP	Total	LBP	C/V LBP	Total
Assets						
Cash and balances with Central Banks	403,246,948	632,690,787	1,035,937,735	413,200,263	593,887,652	1,007,087,915
Banks and financial institutions	2,664,403	211,705,760	214,370,163	2,391,780	192,751,211	195,142,991
Loans and advances to customers and related parties	654,619,062	1,577,590,409	2,232,209,471	621,456,587	1,335,926,089	1,957,382,676
Investment securities	799,605,836	34,434,907	834,040,743	564,648,103	138,432,764	703,080,867
Shares acquired in settlement of debt	–	83,338,523	83,338,523	–	–	–
Property and equipment	49,483,326	23,336,318	72,819,644	43,836,733	26,710,303	70,547,036
Intangible assets	109,058	849,540	958,598	171,234	870,905	1,042,139
Other assets	4,218,188	18,622,973	22,841,161	3,208,363	22,943,268	26,151,631
Non-current assets held for sale	–	15,871,603	15,871,603	–	14,460,321	14,460,321
Goodwill	–	9,728,373	9,728,373	–	9,728,373	9,728,373
Total assets	**1,913,946,821**	**2,608,169,193**	**4,522,116,014**	**1,648,913,063**	**2,335,710,886**	**3,984,623,949**
Liabilities and equity						
Due to banks and financial institutions	76,844,164	145,452,165	222,296,329	40,907,899	113,266,464	154,174,363
Deposits from customers and related parties	1,605,811,867	2,314,934,569	3,920,746,436	1,387,452,155	2,050,025,734	3,437,477,889
Current tax liabilities	3,453,200	–	3,453,200	4,067,206	–	4,067,206
Other liabilities	17,414,044	40,952,330	58,366,374	23,677,336	52,397,455	76,074,791
Provisions	311,432	128,821	440,253	100,625	43,413	144,038
Share capital - common shares	55,525,678	–	55,525,678	48,505,678	–	48,505,678
Share capital - preferred shares	18,200,000	–	18,200,000	20,020,000	–	20,020,000
Share premium - preferred shares	–	87,324,999	87,324,999	–	96,057,499	96,057,499
Cash contribution to capital	–	10,854,000	10,854,000	–	10,854,000	10,854,000
Reserves	126,307,168	8,069,127	134,376,295	112,075,276	8,018,382	120,093,658
Non-distributable reserves	247,913	–	247,913	140,660	–	140,660
Retained earnings	41,341,212	(12,186,477)	29,154,735	33,811,496	(10,030,965)	23,780,531
Translation reserve	–	(18,898,531)	(18,898,531)	–	(6,786,055)	(6,786,055)
Non-controlling interest	28,333	–	28,333	19,691	–	19,691
Total liabilities and equity	**1,945,485,011**	**2,576,631,003**	**4,522,116,014**	**1,670,778,022**	**2,313,845,927**	**3,984,623,949**

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

Operational Risk Management (ORM) at the Group is a continuous process comprising six stages of identical importance: Risk Identification, Risk Assessment, Control Analysis, Mitigation Decision, Mitigation Implementation, and Supervision and Review.

Historical loss data is being collected and analysed and Key Risk Indicators (KRIs) are being identified. Risk and Control Self-Assessment (RCSA) is being conducted for all organisation units' processes.

(f) Capital management

Regulatory capital
The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- To apply mitigation techniques that may help lower the capital charge;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines issued by the Central Bank of Lebanon (in line with the guidelines issued by the Basel Committee). The required information is filed with the authority on a semi-annual basis.

The Group maintains a ratio of total regulatory capital to its risk-weighted assets (the 'Basel Ratio') above the minimum level set by the Central Bank of Lebanon.

The Group's total risk weighted assets and regulatory capital adequacy ratio at 31 December were as follows:

IN THOUSANDS OF LEBANESE POUND	2014	2013
Credit risk	2,448,686,007	2,189,017,862
Market risk	122,189,998	182,625,000
Operational risk	204,873,870	182,539,375
Total risk weighted assets	**2,775,749,875**	**2,554,182,237**

	2014	2013
Capital adequacy ratio	10.45%	11.04%

To monitor the adequacy of its capital, the Group uses ratios established by the Bank for International Settlements (BIS). In line with Basel III and Central Bank of Lebanon Basic Circular no. 44 amended by the Central Bank of Lebanon Intermediary Circular no. 282, the minimum requirements for capital adequacy ratios are set at 8% by the BIS and 11.5% by the Central Bank of Lebanon at the end of year 2014 (10.5% at the end of year 2013), to reach 12% at the end of year 2015. These ratios measure capital by comparing the Group's eligible capital with its consolidated statement of financial position, off-statement of financial position commitments and market and operational risk positions at weighted amounts to reflect their relative risk.

Following the sharp devaluation of the Russian Rouble and the Armenian Drams, the loss of exchange resulting from the Group investment in Russia and Armenia and accounted for under Shareholders Equity as "translation reserve" increased from LBP 6,786,059 as of 31 December 2013 to LBP 18,898,529 thousands as of 31 December 2014, of which LBP 9,282,000 thousands in November and December 2014 which impacted negatively the capital adequacy ratio of the Group that dropped to 10.45% by the end of 2014.

To remedy to this drop, the Extraordinary General Assembly of shareholders resolved on 20 February 2015 to issue 250,000 non-cumulative perpetual preferred shares (Series 5) with a nominal value of LBP 26,000 each at an issue price of LBP 150,750 (USD 100 per share) totalling USD 25 million. The said issuance was successfully concluded on 9 May 2015.

As a consequence of this capital increase, the capital adequacy ratio of the Group again exceeded the regulatory minimum requirements.

The market risk approach covers the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the level of risk necessary to support them.

Off-statement of financial position credit instruments are taken into account by applying different categories of conversion factors, designed to convert these items into statement of financial position equivalents. The resulting equivalent amounts are then weighted for risk using the same percentages as for assets in the statement of financial position.

In accordance with the Central Bank of Lebanon basic circular no. 43, the Group's capital is constituted of the following:

- Tier 1 capital, which includes ordinary share capital, cash contribution to capital, preferred shares, share premium, retained earnings after deduction of dividends to be distributed, capital reserves after deductions of goodwill, intangible assets and 100% of unrealized losses on equity instruments measured at fair value through other comprehensive income, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes 50% of the fair value reserve relating to unrealised gains on equity instruments measured at fair value through other comprehensive income.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Group has changed its capital structure; refer to note 22.

IN THOUSANDS OF LEBANESE POUND	2014	2013
Tier 1 capital		
Share capital	73,725,678	68,525,678
Cash contribution to capital	10,854,000	10,854,000
Share premium	87,324,999	96,057,499
Capital reserves	125,184,091	111,589,967
Other reserve	(18,898,529)	(6,786,059)
Non-distributable reserves	–	140,660
Retained Earnings	22,461,770	11,359,310
Non-controlling interest	28,335	19,691
Less:		
Goodwill	(9,728,373)	(9,728,373)
Intangible assets	(958,598)	(1,042,139)
100% Fair value reserve of financial assets at FVTOCI - loss	(106,430)	(89,244)
	289,886,943	**280,900,990**
Tier 2 capital		
50% Fair value reserve of financial assets through OCI - gain	192,702	158,737
100% collective provision taken on retail portoflio	–	1,008,046
	192,702	1,166,783
Total regulatory capital	**290,079,645**	**282,067,773**

(7) FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade 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.
The Group's accounting policy on fair value measurement is discussed under note 4 (k)(vi).

(a) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, bond and equity prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurment that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity security exchange-traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

IN THOUSANDS OF LEBANESE POUND	Level 1	Level 2	Level 3	Total
31 December 2014				
Financial instruments at fair value through profit or loss	87,757,936	123,403,636	–	211,161,572
Financial instruments at fair value through other comprehensive income	775,433	3,037,999	117,235	3,930,667
Shares acquired in settlement of debt	–	83,338,523	–	83,338,523
	88,533,369	**209,780,158**	**117,235**	**298,430,762**
31 December 2013				
Financial instruments at fair value through profit or loss	48,000,545	188,329,920	–	236,330,465
Financial instruments at fair value through other comprehensive income	728,375	3,038,328	134,617	3,901,320
	48,728,920	**191,368,248**	**134,617**	**240,231,785**

(c) Financial instruments not measured at fair value

IN THOUSANDS OF LEBANESE POUND	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
31 December 2014					
Financial assets					
Cash and balances with Central Banks	42,121,236	993,816,499	–	1,035,937,735	1,035,937,735
Banks and financial institutions	–	214,370,163	–	214,370,163	214,370,163
Loans and advances to customers and related parties	–	2,328,759,739	–	2,328,759,739	2,232,209,471
Investment securities at amortised cost	13,783,242	609,340,906	–	623,124,148	618,948,504
	55,904,478	**4,146,287,307**	**–**	**4,202,191,78**	**4,101,465,873**
Financial liabilities					
Due to banks and financial institutions	–	222,296,329	–	222,296,329	222,296,329
Deposits from customers and related parties	–	3,932,381,508	–	3,932,381,508	3,920,746,436
	–	**4,154,677,837**	**–**	**4,154,677,837**	**4,143,042,765**

IN THOUSANDS OF LEBANESE POUND	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
31 December 2013					
Financial assets					
Cash and balances with Central Banks	42,222,911	964,865,004	–	1,007,087,915	1,007,087,915
Banks and financial institutions	–	195,142,991	–	195,142,991	195,142,991
Loans and advances to customers and related parties	–	2,037,506,995	–	2,037,506,995	1,957,382,676
Investment securities at amortised cost	77,590,724	370,770,157	–	448,360,881	462,849,082
	119,813,635	**3,568,285,147**	**–**	**3,688,098,782**	**3,622,462,664**
Financial liabilities					
Due to banks and financial institutions	–	154,174,363	–	154,174,363	154,174,363
Deposits from customers and related parties	–	3,438,359,081	–	3,438,359,081	3,437,477,889
	–	**3,592,533,444**	**–**	**3,592,533,444**	**3,591,652,252**

(8) CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below provides reconciliation between line items in the consolidated statement of financial position and categories of financial instruments:

IN THOUSANDS OF LEBANESE POUND	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
31 December 2014					
Cash and balances with the Central Banks	9	–	–	1,035,937,735	1,035,937,735
Banks and financial institutions	10	–	–	214,370,163	214,370,163
Loans and advances to customers and related parties	11	–	–	2,232,209,471	2,232,209,471
Investment securities	12	211,161,572	3,930,667	618,948,504	834,040,743
Shares acquired in settlement of debt	13	83,338,523	–	–	83,338,523
		294,500,095	**3,930,667**	**4,101,465,873**	**4,399,896,635**
Due to banks and financial institutions	18	–	–	222,296,329	222,296,329
Deposits from customers and related parties	19	–	–	3,920,746,436	3,920,746,436
		–	**–**	**4,143,042,765**	**4,143,042,765**

IN THOUSANDS OF LEBANESE POUND	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
31 December 2013					
Cash and balances with the Central Banks	9	–	–	1,007,087,915	1,007,087,915
Banks and financial institutions	10	–	–	195,142,991	195,142,991
Loans and advances to customers and related parties	11	–	–	1,957,382,676	1,957,382,676
Investment securities	12	236,330,465	3,901,320	462,849,082	703,080,867
		236,330,465	**3,901,320**	**3,622,462,664**	**3,862,694,449**
Due to banks and financial institutions	18	–	–	154,174,363	154,174,363
Deposits from customers and related parties	19	–	–	3,437,477,889	3,437,477,889
		–	**–**	**3,591,652,252**	**3,591,652,252**

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(9) CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Cash	42,121,236	42,222,911
Unrestricted balances with the Central Banks	509,235,142	540,180,252
Compulsory reserves held with Central Banks	470,071,439	411,331,991
Interest receivable	14,509,918	13,352,761
	1,035,937,735	**1,007,087,915**

In application of the Central Bank of Lebanon basic circular number 84, banks in Lebanon are required to constitute a compulsory reserve in local currency representing 15% of the weekly average of term deposits and 25% of the weekly average of current and call deposits in Lebanese Pound, and compulsory reserve in foreign currency representing 15% of their deposits in foreign currencies.

The Group also maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 2% of certain obligations of the Anelik Bank Armenia denominated in Armenian Drams and 20% on certain obligations of Anelik Bank Armenia denominated in foreign currencies. Additionally, a minimum restricted reserve deposits is also maintained with the Ventral Bank of Russia and is a non-interest bearing deposit.

Restricted balances held with Central Banks are not available for use in the Group's day-to-day operations.

(10) BANKS AND FINANCIAL INSTITUTIONS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Current accounts	161,080,473	136,889,497
Money market placements	58,436,024	47,958,199
Cash collateral	4,190,330	19,628,805
Interest receivable	27,692	17,972
Allowance for impairment	(9,364,356)	(9,351,482)
	214,370,163	**195,142,991**

(11) LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

IN THOUSANDS OF LEBANESE POUND	Gross amount	Impairment allowance 2014	Carrying amount	Gross amount	Impairment allowance 2013	Carrying amount
Retail customers:						
Mortgage lending	190,497,257	(124,556)	190,372,701	145,036,846	(3,279,676)	141,757,170
Personal loans	560,252,851	(20,047,411)	540,205,440	468,720,588	(10,539,581)	458,181,007
Credit cards	23,444,170	(1,799,584)	21,644,586	20,416,665	(1,002,839)	19,413,826
Other	1,358,412	(15,912)	1,342,500	274,766	(13,209)	261,557
	775,552,690	**(21,987,463)**	**753,565,227**	**634,448,865**	**(14,835,305)**	**619,613,560**
Corporate customers:						
Secured lending	982,305,154	(20,535,370)	961,769,784	868,195,144	(14,822,066)	853,373,078
Other lending	528,665,526	(11,791,066)	516,874,460	491,463,593	(7,067,555)	484,396,038
	1,510,970,680	**(32,326,436)**	**1,478,644,244**	**1,359,658,737**	**(21,889,621)**	**1,337,769,116**
	2,286,523,370	**(54,313,899)**	**2,232,209,471**	**1,994,107,602**	**(36,724,926)**	**1,957,382,676**

(a) Allowances for impairment – Movement

IN THOUSANDS OF LEBANESE POUND	2014	2013
Specific allowance for impairment		
Balance at 1 January	32,224,508	21,323,174
Impairment loss and suspended interest		
Charge for the year	13,512,566	6,931,392
Transfer from collective provision	1,512,485	–
Provision written back	3,109,162	919,218
Suspended interest written back	(769,589)	(55,215)
Suspended interest during the year	6,190,759	4,351,906
Write-offs resulting from settlements	(3,434,062)	(1,324,012)
Difference of exchange	(1,429,639)	78,045
Balance at 31 December	**50,916,190**	**32,224,508**

Collective allowance for impairment	2014	2013
Balance at 1 January	4,500,418	5,573,154
Impairment loss for the year		
Charge for the year	679,109	281,407
Provision written back	–	(1,357,947)
Transfer to specific	(1,512,485)	
Difference of exchange	(269,333)	3,804
Balance at 31 December	**3,397,709**	**4,500,418**
Total allowance for impairment	**54,313,899**	**36,724,926**

(b) Net impairment loss on loans and advances to customers recognised in profit or loss

IN THOUSANDS OF LEBANESE POUND	2014	2013
Provisions written back	589,050	420,774
Loans directly written off from profit or loss	(163,428)	1,229,935
Charge for the year - specific provision	(13,512,566)	(7,054,085)
Charge for the year - collective provision	(679,109)	(281,410)
	(13,766,053)	**(5,684,786)**

(12) INVESTMENT SECURITIES

IN THOUSANDS OF LEBANESE POUND	2014	2013
Financial assets at fair value through profit or loss (a)	211,161,572	236,330,465
Financial assets at fair value through other comprehensive income(b)	3,930,667	3,901,320
Investment securities at amortised cost (c)	618,948,504	462,849,082
	834,040,743	**703,080,867**

(a) Financial instruments at fair value through profit or loss

IN THOUSANDS OF LEBANESE POUND	2014	2013
Lebanese government treasury bills and eurobonds	23,356,561	175,922,532
Certificates of deposit	181,817,334	40,150,000
Funds	1,884,375	1,130,625
Interest receivable	2,736,031	2,596,427
Debt securities	**209,794,301**	**219,799,584**
Equity securities	**1,367,271**	**16,530,881**
	211,161,572	**236,330,465**

(b) Financial instruments at fair value through other comprehensive income

IN THOUSANDS OF LEBANESE POUND	2014	2013
Equity securities	**3,930,667**	**3,901,320**

(c) Financial instruments at amortised cost

IN THOUSANDS OF LEBANESE POUND	2014	2013
Lebanese government treasury bills and eurobonds	51,565,464	284,366,454
Treasury bills pledged under repurchase agreements	7,336,746	–
Certificates of deposit	539,401,553	165,809,899
Funds	4,522,500	4,522,500
Interest receivable	16,122,241	8,150,229
Debt securities	**618,948,504**	**462,849,082**

(13) SHARES ACQUIRED IN SETTLEMENT OF DEBT

During the year, the Group acquired 2,113,194 shares in Intercontinental Bank of Lebanon SAL (IBL) (representing 10.83% of its share capital) as a settlement of debt amounting to USD 49,500 thousand related to a corporate client. The Central Bank has approved the amount of such acquisition on 5 June 2014. Subsequently, the Group has revalued those shares and has increased the investment value by the amount of revaluation surplus. The Group should dispose of those shares within a period of two years from the date of acquisition.

(14) PROPERTY AND EQUIPMENT

IN THOUSANDS OF LEBANESE POUND	Land and bulidings	Furniture and equipment	Work in progress	Total
Cost				
Balance at 1 January 2013	43,343,933	38,690,075	9,593,448	91,627,456
Additions	1,105,640	2,183,723	7,890,788	11,180,151
Disposals	–	(587,858)	–	(587,858)
Transfers	1,154,745	3,067,037	(4,221,782)	–
Effects of movement in exchange rates	9,627	(182,712)	–	(173,085)
Balance at 31 December 2013	**45,613,945**	**43,170,265**	**13,262,454**	**102,046,664**
Balance at 1 January 2014	45,613,945	43,170,265	13,262,454	102,046,664
Additions	11,774	2,143,493	7,663,157	9,818,424
Disposals	–	(1,008,992)	–	(1,008,992)
Transfers	1,677,147	6,520,651	(8,197,798)	–
Adjustment	–	(44,973)	(87,802)	(132,775)
Effects of movement in exchange rates	(2,445,144)	(2,528,792)	–	(4,973,936)
Balance at 31 December 2014	**44,857,722**	**48,251,652**	**12,640,011**	**105,749,385**
Depreciation				
Balance at 1 January 2013	6,505,271	21,770,614	–	28,275,885
Depreciation for the year	1,099,805	2,711,571	–	3,811,376
Disposals	–	(437,497)	–	(437,497)
Effects of movement in exchange rates	9,011	(159,147)	–	(150,136)
Balance at 31 December 2013	**7,614,087**	**23,885,541**	**–**	**31,499,628**
Balance at 1 January 2014	7,614,087	23,885,541	–	31,499,628
Depreciation for the year	881,566	3,342,709	–	4,224,275
Disposals	–	(711,153)	–	(711,153)
Adjustment	–	(16,441)	–	(16,441)
Effects of movement in exchange rates	(297,196)	(1,769,372)	–	(2,066,568)
Balance at 31 December 2014	**8,198,457**	**24,731,284**	**–**	**32,929,741**
Carrying amounts				
At 1 January 2013	**36,838,662**	**16,919,461**	**9,593,448**	**63,351,571**
At 31 December 2013	**37,999,858**	**19,284,724**	**13,262,454**	**70,547,036**
At 31 December 2014	**36,659,265**	**23,520,368**	**12,640,011**	**72,819,644**

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(15) INTANGIBLE ASSETS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Cost		
At 1 January	4,686,961	4,544,421
Additions	357,081	514,211
Disposals	–	(351,367)
Effects of movement in exchange rates	(363,998)	(20,303)
At 31 December	**4,680,044**	**4,686,962**
Amortization		
At 1 January	3,644,823	3,496,761
Amortization expense	271,213	513,883
Disposals	–	(351,367)
Effects of movement in exchange rates	(194,590)	(14,454)
At 31 December	**3,721,446**	**3,644,823**
Carrying amount		
At 1 January	**1,042,138**	**1,047,660**
At 31 December	**958,598**	**1,042,139**

(16) OTHER ASSETS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Accounts receivable and prepayments	8,378,179	11,388,040
Debtors by acceptances (a)	11,353,491	13,777,541
Other assets	3,109,491	986,050
	22,841,161	**26,151,631**

(a) Debtors by acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its customers against commitments provided by them, which are stated as a liability in the balance sheet under other liabilities under caption "Engagement by acceptances". Debtors and engagements by acceptances are considered as current assets and liabilities.

(17) NON-CURRENT ASSETS HELD FOR SALE

IN THOUSANDS OF LEBANESE POUND	2014	2013
Balance at 1 January	14,460,321	15,007,852
Disposals	(1,745,083)	(1,049,168)
Additions	3,665,300	1,744,435
Impairment	1,115,199	(1,249,526)
Effects of movements in exchange rates	(1,624,134)	6,728
Balance at 31 December	**15,871,603**	**14,460,321**

These assets represent properties acquired in settlement of debt against settlement of facilities of defaulting clients. As per BDL basic circular no.78 and article no.154 of the Money and Credit Act, banks have two years (from the date of acquisition) to liquidate those assets, else they are required to constitute reserves (through appropriation of retained earnings) against these assets, prior to distribution of dividends (refer to note 25).

(18) DUE TO BANKS AND FINANCIAL INSTITUTIONS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Current deposits	24,276,637	28,835,706
Term deposits	94,794,499	58,027,661
Loan granted from Central Banks	67,309,979	45,955,972
Loan from banks and financial institutions	9,757,966	9,856,054
Loan granted from the European Investment Bank	8,898,405	10,321,960
Loan granted from Proparco	15,075,000	–
Interest payable	2,183,843	1,177,010
	222,296,329	**154,174,363**

Following the Central Bank of Lebanon basic decision no. 6116 related to basic circular no. 23 and intermediate circular no. 367 issued on 11 August 2014, the Central Bank of Lebanon offered the commercial banks facilities that are subject to an interest rate of 1% per annum payable on a yearly basis. These facilities were given subject to granting mainly housing loans back to clients at an average interest rate of 5.2%.

(19) DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

IN THOUSANDS OF LEBANESE POUND	2014	2013
Savings	1,770,724,495	1,542,883,755
Term deposits	1,515,611,206	1,339,087,124
Current deposits	237,902,395	258,592,839
Deposits under fiduciary contracts	75,517,323	54,794,437
Net creditor and cash collateral against debtor accounts	270,963,470	195,121,568
Margins on letter of credits	4,996,661	9,461,444
Interest payable	27,771,131	20,861,147
Deposits from related parties	17,259,755	16,675,575
	3,920,746,436	**3,437,477,889**

Deposits from customers above LBP 1,500,000 thousand threshold amounted to LBP 2,090,204 thousands representing 55.48% of total deposits and are held by 356 customers. Same tiers representing 54.46% of total customers' deposits amounting to LBP 1,803,458 thousands were held by 319 customers in year 2013.

Deposits from customers include coded accounts amounting to LBP 17,674,217 thousand as at 31 December 2014 limited to 14 accounts (2013: LBP 17,789,589 thousand limited to 14 accounts) which are subject to the provisions of the Article 3 of the Banking Secrecy Law dated 3 September 1956. Under the provisions of this Article, the Bank cannot reveal the identity of these depositors to third parties including auditors. Since 2013, management has been working on closing these accounts.

(20) OTHER LIABILITIES

IN THOUSANDS OF LEBANESE POUND	2014	2013
Checks for collection	14,592,439	10,502,931
Engagement by acceptances	11,353,491	13,777,541
Provision for employee benefits obligations (a)	6,887,132	6,081,146
Other creditors and accruals	13,960,088	35,859,448
Operational taxes and social security payables	6,097,190	3,140,415
Accrued expenses	2,350,325	3,391,254
Commission received in advance	2,949,126	2,505,346
Other	176,583	816,710
	58,366,374	**76,074,791**

(a) Provision for employee benefits obligations

IN THOUSANDS OF LEBANESE POUND	2014	2013
Balance at 1 January	6,081,146	5,679,068
Net provision raised during the year	1,025,618	661,660
Indemnity paid during the year	(219,632)	(259,582)
Balance at 31 December	**6,887,132**	**6,081,146**

(21) PROVISIONS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Provision for various matters	128,821	43,413
Provision for loss on structural exchange position	12,925	12,925
Provision for fluctuations in foreign exchange rates (a)	298,507	87,700
	440,253	**144,038**

(a) Provisions for fluctuations in foreign exchange rates
As per local regulatory requirements the Bank provides for an amount equivalent to 5 percent of its year-end foreign exchange position.

(22) SHARE CAPITAL

The share capital of the Bank as at 31 December is as follows:

	2014		2013	
	Number of shares	Value in 000 LBP	Number of shares	Value in 000 LBP
Common shares	2,135,603	55,525,678	1,865,603	48,505,678
Preferred shares	700,000	18,200,000	770,000	20,020,000
	2,835,603	**73,725,678**	**2,635,603**	**68,525,678**

The extraordinary general assembly of the shareholders of the Bank held on 11 July 2014, resolved to increase the capital of the Bank from LBP 68,525,678 thousand to LBP 73,725,678 thousand by issuing 200,000 new preferred shares (series 4) according to the provisions of the law No 308/2001, of LBP 26 thousand each subscribed to and paid in cash. Additionally, at the same date, the extraordinary general assembly of the shareholders of the Bank, resolved to redeem 270,000 preferred shares (series 1) at a redemption price of USD 101 and to issue in return 270,000 common shares in order not to decrease the Bank's share capital. These common shares were distributed to the common shareholders according to their percentage of ownership.

The Central Bank of Lebanon has approved the above transactions on 6 August 2014.

Below is a summary of the prospectus issued relating to preferred shares series 2, 3 and 4:

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	Series 2	Series 3	Series 4	Total
Date of Extraordinary General				
Assembly Resolution Date	5-Oct-12	20-Sep-13	11-Jul-14	
Number of Shares issued	200,000	300,000	200,000	700,000
Share Nominal Value in '000 LBP	26	26	26	
Total Nominal Value in '000 LBP	5,200,000	7,800,000	5,200,000	18,200,000
Share Issue Price USD	100	100	100	
Issue Premium	Calculated in USD as the difference between USD100 and the counter value of the nominal value per share based on the exchange rate at the underwriting dates.	Calculated in USD as the difference between USD100 and the counter value of the nominal value per share based on the exchange rate at the underwriting dates.	Calculated in USD as the difference between USD100 and the counter value of the nominal value per share based on the exchange rate at the underwriting dates.	
Issue Premium Amount in '000 LBP	24,949,999	37,425,000	24,950,000	87,324,999
Benefits	Annual dividends of USD 7.25 per share	Annual dividends of USD 7.25 per share	Annual dividends of USD 7.25 per share	
Call Option	(i) at any time after the Issue Date, if a Regulatory Event shall occur at a redemption price equal to the issue price (i.e. U.S. $ 100.00 per share) ; or (ii) within 60 days following the lapse of a 5-year period as of the date of the Confirmation EGM and for each subsequent year thereafter within 60 days following the date of the Ordinary General Assembly of Shareholders held to approve the accounts of the Bank for the immediately preceding fiscal year.	(i) at any time after the Issue Date, if a Regulatory Event shall occur at a redemption price equal to the issue price (i.e. U.S. $ 100.00 per share) ; or (ii) within 60 days following the date of the Ordinary General Assembly of Shareholders held to approve the annual accounts of the Bank for the year 2018 subject to the lapse of 5-years from the date of the Extraordinary General Assembly held to confirm the due issuance of the Series 3 Preferred Shares, and annually thereafter within 60 days following each such subsequent Ordinary General Meeting (or any other shareholders' meeting) at which the annual audited financial accounts for the Bank are approved for the immediately preceding fiscal year, in its sole discretion.	(i) at any time after the Issue Date if a Regulatory Event (as defined below) shall occur, at a redemption price equal to the issue price (i.e. USD 100 per share); or (ii) for the first time, within 60 days following the lapse of a 5-year period as of the date of the Extraordinary General Assembly held to ascertain the due issuance of the Series 4 Preferred Shares, and, for each subsequent year thereafter, within 60 days following the date of each Ordinary General Assembly of Shareholders held to approve the annual accounts of the Bank for the immediately preceding fiscal year.	
Redemption Value USD	101, if in 2018, increased by 1 USD for each subsequent year	100	100	

(23) SHARE PREMIUM

The premium resulted from the increase of the capital of the Bank by issuing preferred shares which represents the difference between the amount paid by the shareholders and the nominal value of the shares.
Refer to the table in note 22.

(24) CASH CONTRIBUTION TO CAPITAL

The cash contributions to capital are subject to the following terms:

- The balance is blocked with the Bank over the lifetime of the Bank,
- These contributions may be used to cover any losses,
- These contributions can be used to increase the capital of the Bank,
- Interest equal to Libor three months can be paid on these contributions after the approval of the Banking Control Commission.

The amounts of cash contributions to capital as at 31 December 2014 were LBP 10,854,000 thousand (2013: LBP 10,854,000 thousand). No interest has been paid on these cash contributions.

(25) RESERVES

IN THOUSANDS OF LEBANESE POUND	**2014**	**2013**
General banking risks reserve (a)	35,229,406	27,974,095
Legal reserve (b)	19,815,618	16,439,791
Reserve appropriated to capital increase (c)	67,042,433	65,247,716
General reserves	3,096,634	1,890,072
Capital reserves	125,184,091	111,551,674
Non-current assets held for sale reserve (d)	818,005	180,236
Fair value reserve (e)	278,973	221,202
Real estate revaluation reserve (f)	8,095,226	8,140,546
Other non-distributable reserves	247,913	140,660
Translation reserve	(18,898,531)	(6,786,055)
	115,725,677	**113,448,263**

(a) General banking risks reserve

According to the Central Bank of Lebanon basic circular no.50, banks in Lebanon are required to appropriate from their annual net profit a minimum of 0.2 percent and a maximum of 0.3 percent of total risk weighted assets and off statement of financial position items based on rates specified by the Central Bank of Lebanon to cover general banking risks. This ratio should not be less than 1.25 percent of these risks at the end of year ten (2007) and 2 percent at the end of year twenty (2017). This reserve is part of Tier I, but is not available for distribution.

(b) Legal reserve

The Money and Credit Act, article no. 132 and the Bank's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. This reserve is not available for distribution.

(c) Reserve appropriated to capital increase

This reserve includes the transfer from the general reserves according to the decision of the ordinary general assembly dated 17 June 2014. This reserve is not available for distribution.

(d) Non-current assets held for sale reserve

In compliance with the Central Bank of Lebanon circular no.78, banks are required to deduct from annual profits an amount of 20% or 5% of the carrying value of its properties acquired in settlement of debt (note 16), in case the Bank failed to liquidate the properties within 2 years from the date of acquisition. The required reserves are established through appropriation of retained earnings. This reserve is not considered as part of the Bank's Tier Capital nor is available for distribution. As per the Banking Control Commission circular no. 173, the gain realised on the sale of an asset acquired in settlement of debt should be recognised in the statement of comprehensive income at the date of the sale and transferred subsequently to the statement of changes in equity.

(e) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of equity investments measured at fair value through other comprehensive income. When such equity instruments are derecognised, the related cumulative amount in the fair value reserve is transferred to retained earnings.

(f) Real estate revaluation reserve

According to the provisions of law no.282 dated 30 December 1993 and decree no.5451 dated 26 July 1994 and the Central Bank of Lebanon and the Banking Control Commission regulations, the Bank proceeded in 1999 to the revaluation of its owned buildings. The Central Bank of Lebanon approved, on 26 January 2000 the revaluation amounting to LBP 7,444,856 thousand.

(26) NET INTEREST INCOME

IN THOUSANDS OF LEBANESE POUND	2014	2013
Interest income		
Balances with Central Banks	39,133,213	34,823,675
Banks and financial institutions	2,467,455	1,847,128
Loans and advances to customers and related parties	186,850,868	158,235,024
Investment securities	58,408,301	45,064,155
Other interest income	797,969	2,771,061
Total interest income	**287,657,806**	**242,741,043**
Interest expense		
Due to banks and financial institutions	(7,109,393)	(6,509,561)
Deposits from customers and related parties	(188,970,923)	(156,068,293)
Other interest expense	(600,502)	(382,010)
Total interest expense	(196,680,818)	(162,959,864)
Net interest income	**90,976,988**	**79,781,179**

(27) NET TRADING INCOME

IN THOUSANDS OF LEBANESE POUND	2014	2013
Foreign exchange income	**4,457,204**	**3,575,812**

(28) NET GAIN ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Unrealized gain from financial instruments at fair value	8,747,082	1,399,444
Urealized loss from financial instruments at fair value	(12,001)	(784,298)
Realized gain from financial instruments at fair value	6,978,275	–
Realized loss from financial instruments at fair value	(14,077)	–
	15,699,279	**615,146**

(29) NET GAIN ON INVESTMENTS SECURITIES AT AMORTISED COST

IN THOUSANDS OF LEBANESE POUND	2014	2013
Gain from financial assets at amortised cost	4,177,887	1,805,675
Loss from financial assets at amortised cost	(447)	(956,707)
	4,177,440	**848,968**

The Group derecognises some debt instruments classified at amortised cost due to liquidity gap and yield management. During the year, the Group sold investment securities classified at amortised cost with a nominal value of LBP 453,479,317 thousand (2013: LBP 791,669,440 thousand) and realized a net gain of LBP 4,177,440 thousand (2013: 848,968 thousand).

Below is a detailed listing of the sale transactions occurred during the year 2014:

IN THOUSANDS OF LEBANESE POUND

Type of investment securities	Maturity	Nominal value	Net gain on sale
Eurobonds (USD)	12-Jun-25	7,537,500	1,623
	12-Nov-22	8,983,192	18,065
	2-Nov-16	2,562,750	7,009
	28-Nov-26	9,949,500	4,694
	12-Oct-17	5,050,125	399
	9-Mar-20	6,030,000	2,330
	12-Apr-21	12,813,750	23,882
	29-Nov-27	10,552,500	5,785
		63,479,317	**63,787**
Lebanese Treasury Bills (LBP)	**30-Oct-25**	**175,000,000**	**1,590,580**
Certificates of deposits (LBP)	19-Jan-23	109,000,000	785,390
	26-Jan-23	15,000,000	106,511
	27-Apr-23	10,000,000	118,928
	20-Apr-23	11,000,000	74,028
	20-Jan-23	5,000,000	20,734
	26-Feb-26	30,000,000	818,815
	12-Feb-26	20,000,000	544,919
	2-Jul-26	15,000,000	53,748
		215,000,000	**2,523,073**
		453,479,317	**4,177,440**

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(30) PERSONNEL CHARGES

IN THOUSANDS OF LEBANESE POUND	Note	2014	2013
Wages and salaries		28,301,488	26,229,814
Social security contributions		3,574,453	3,190,138
Provision for employee benefits obligations	20	1,025,618	661,660
Representation fees		921,969	816,813
Exceptional indemnities		3,574,674	2,868,554
Scholarships		1,181,641	1,288,756
Transportation		1,108,981	1,007,997
Insurance and medical expenses		926,450	896,632
Chairman and vice chairman remunerations	36	1,657,863	1,523,277
Other benefits		3,163,830	3,193,188
		45,436,967	**41,676,829**

(31) ADMINISTRATIVE EXPENSES

IN THOUSANDS OF LEBANESE POUND	2014	2013
Marketing and advertising	5,581,584	5,596,764
Professional fees	4,098,851	3,681,492
Taxes	3,647,032	2,252,529
Rental expenses	1,694,275	1,471,064
Maintenance and repair	2,962,982	2,709,123
Utilities	988,327	765,110
Board of Directors attendance allowance	900,300	847,800
Telecommunication and postage	1,356,833	1,256,698
Stationary and printings	983,009	760,771
Transportation expense	181,435	173,026
Premium of the guarantee of deposits	1,679,527	1,376,839
Other expenses	10,275,253	10,675,296
	34,349,408	**31,566,512**

(32) NET FEES AND COMMISSION INCOME

IN THOUSANDS OF LEBANESE POUND	2014	2013
Fees and commission income		
Fees on letters of credit and acceptances	1,535,450	5,650,442
Fees on transactions with customers	14,499,331	11,206,839
Fees on letters of guarantee	1,214,882	1,273,975
Fees on various banking transactions	10,914,468	11,044,320
Total fees and commission income	28,164,131	29,175,576
Fees and commission expense		
Fees on banks and financial institutions accounts	(1,909,706)	(1,252,060)
Fees on various banking transactions	(7,576,183)	(5,206,130)
Total fees and commission expense	(9,485,889)	(6,458,190)
Net fees and commission income	**18,678,242**	**22,717,386**

(33) INCOME TAX EXPENSE

IN THOUSANDS OF LEBANESE POUND	2014		2013	
Profit before tax		**45,543,311**		**31,740,064**
Income tax using the enacted tax rate	14.63%	6,662,956	14.36%	4,556,599
Non-deductible taxes	0.98%	444,615	-2.75%	(872,742)
Non-deductible provisions	0.00%	–	0.13%	42,210
Irrecoverable loans	0.05%	24,932	0.03%	7,974
Other non-deductible expenses	1.91%	869,070	2.15%	681,094
Dividends received	-0.08%	(37,217)	-0.14%	(43,101)
Write back of provision	-0.04%	(20,229)	0.00%	(670)
Gain (loss) on reevaluation of financial assets at fair value	-2.88%	(1,310,260)	0.06%	19,372
	14.57%	**6,633,867**	**13.83%**	**4,390,736**

The Bank in Lebanon is subject to a withholding tax of 5% on certain interest income which is considered as a prepayment on corporate income tax due. In case this withholding tax exceeds the calculated corporate income tax expense, the excess is not reimbursable and is considered as a final income tax expense.

The Bank's tax returns for the years 2010 to 2014 remain subject to examination and acceptance by the income tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

(34) CASH AND CASH EQUIVALENTS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Cash on hand	42,121,236	42,222,911
Unrestricted accounts with Central Banks	197,497,788	138,650,005
Banks and financial institutions	215,214,397	194,799,706
Due to banks and financial institutions	(53,963,151)	(51,293,294)
	400,870,270	**324,379,328**

(35) CONTINGENT LIABILITIES AND COMMITMENTS

IN THOUSANDS OF LEBANESE POUND	2014	2013
Guarantees		
Guarantees given to banks and financial institutions	34,438,206	53,325,552
Guarantees received from banks and financial institutions	1,675,024	1,823,796
Guarantees given to customers	74,980,135	80,938,515
Guarantees received from customers	4,326,098,946	3,733,206,911
Lending commitments	**212,547,625**	**201,494,354**
Operations in foreign currencies		
Foreign currencies to receive	83,578,072	2,882,183
Foreign currencies to deliver	82,405,659	2,896,630
Contingencies on legal disputes (a)	**37,074,455**	**27,733,624**
Fiduciary deposits	**68,284,663**	**49,997,653**
Bad loans fully provided for	**8,432,476**	**10,397,28**

(a)Contingencies on legal disputes

There were a number of legal proceedings involving claims by and against the Group at 31 December 2014, which arose in the ordinary course of business. The Group does not expect the ultimate resolution of any of the proceedings, to which the Group is party, to have a significantly adverse effect on its financial position.

(36) RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following:

IN THOUSANDS OF LEBANESE POUND	2014	2013
Short-term employee benefits	10,116,784	8,502,646
Board of Directors attendance allowance	900,300	847,800

Key management personnel accounts
A number of the board members hold positions in other entities that result in having control over the financial or operation policies of these entities.

A number of these entities transacted with the Bank in the reporting period. The aggregated value of transactions and outstanding balances related to key management personnel over which they have control were as follows:

	Balance outstanding as at 31 December	
IN THOUSANDS OF LEBANESE POUND	**2014**	**2013**
Loans and advances	6,342,626	1,634,157
Deposits	17,259,755	16,675,576

	Transactions as at 31 December	
IN THOUSANDS OF LEBANESE POUND	**2014**	**2013**
Interest income from loans and advances	257,099	425,134
Interest expenses on deposits	(328,631)	(313,414)

(37) GROUP ENTITIES

		31 December 2014	31 December 2013
	Country of incorporation	Ownership interest	Ownership interest
Anelik Bank	Armenia	100.00%	100.00%
Anelik Bank	Russia	100.00%	100.00%
Credex SAL	Lebanon	99.76%	99.76%
Baabda 1587 SAL	Lebanon	99.00%	99.00%
Achrafieh 784 SAL	Lebanon	99.00%	99.00%

2014 changes:
During the year, the Group has increased its equity participation in Anelik Bank-Armenia and Anelik Bank-Russia by LBP 3,687,713 thousand and LBP 5,748,091 thousand respectively. These equity participations consist of multiple capital injections.

DIRECTORY

MANAGEMENT

LEBANON CREDITBANK S.A.L.

Board of Directors of the Bank consists of 7 members:

1. **Mr. Tarek Khalifé,** Chairman and General Manager
2. **Mr. Freddy Zraick,** General Manager representing Holfiban s.a.l Holding - Board Member
3. **Mr. Fadi Barbar,** representing Financial Profile s.a.l - Board Member
4. **H.E. Mr. Dimyanos Kattar,** Independent Board Member
5. **Mrs. Maria Khalifé-Bazerji,** Board Member
6. **Dr. Henri Chaoul,** Independent Board Member
7. **Mtre. Paul Harb,** representing Financial Trust Participation Holding s.a.l - Board Member

HEAD OFFICE

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P.O. Box: 16-5795 Ashrafieh, Beirut, 1100 -2802, Lebanon
Tel: (01) 501600 Fax: (01) 485245
Swift: CBCBLBBE Customer Service: (04) 727555
Website: www.creditbank.com
E-Mail: info@creditbank.com

ARMENIA ANELIK BANK CJSC

Management Board of the Bank consists of 8 members:

1. **Nerses Karamanukyan,** Chairman of the Management Board
2. **Karen Janinyan,** member of the Management Board
3. **Hayk Mkrtchyan,** member of the Management Board
4. **Vardan Gevorgyan,** member of the Management Board
5. **Ruben Melikyan,** member of the Management Board
6. **Naira Grigoryan**, member of the Management Board
7. **Hayk Grigoryan,** member of the Management Board
8. **Rafik Suvaryan,** member of the Management Board

Council of the Bank consists of 5 members:

1. **Agop Kassardjian,** Chairman of the Council
2. **Tarek Khalife,** member of the Council
3. **Farid Zraick,** member of the Council
4. **Paul Harb,** member of the Council
5. **Mazen Shehayeb,** member of the Council

HEAD OFFICE

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Tel: +37410-593333, +37460-273333, Fax: +37410-593310,
Website: www.anelik.am, E-mail: anelik@anelik.am

RUSSIA CB ANELIK RU LLC

Management Board of the Bank consists of 5 members:

1. **Alexander Vladimirovich Voronin,** Chairman of the Management Board
2. **Alexey Aleksandrovich Voronin,** Deputy Chairman of the Management Board
3. **Maria Vladimirovna Satarova,** member of the Management Board, Chief Accountant
4. **Sergey Sergeevich Salpanov,** member of the Management Board
5. **Alexander Vladimirovich Prokopiev,** member of the Management Board

Council of the Bank consists of 3 members:

1. **Mazen Shehayeb,** Chairman of the Board of Directors
2. **Tarek Khalife,** member of the Board of Directors
3. **Farid Zraick,** member of the Board of Directors

HEAD OFFICE

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BRANCHES
BEIRUT & SUBURBS

HEADQUARTERS

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1st, 8th, 13th, and 15th to 19th fl.
P.O. Box: 16-5795 Ashrafieh, Beirut, 1100 -2802, Lebanon
Switchboard: (01) 501600 Fax: (01) 485245
Swift: CBCBLBBE Customer Service: (04) 727555
Website: www.creditbank.com
E-Mail: info@creditbank.com

MAIN BRANCH

Dekwaneh, Freeway Center, Sin El Fil blvd.
Switchboard: (01) 481966 / 484833 / 484866
(03) 170019 Fax: (01) 481988
2 ATMs
Opened in: 2004
Manager: Ms. Maureen Tabet
E-Mail: dekwaneh@creditbank.com

AIN EL REMMANEH

Boutros Bldg., Wadih Naim st, Chiyah
Ain El Remmaneh.
Telefax: (01) 288925 - (03) 002877
ATM
Opened in: 2013
Manager: Mr. Elie Asmar
E-Mail: ainelremmaneh@creditbank.com

ASHRAFIEH

680, Beshir Gemayel blvd., Sassine Area.
Switchboard: (01) 218183/200489 - (03) 584999
Fax: (01) 204325
ATM
Opened in: 1982
Manager: Mr. Charles Obeid
E-Mail: ashrafieh@creditbank.com

BOURJ HAMMOUD

Lampsos Bldg., Armenia st.
Telefax: (01) 256971/2 - (70) 600707
ATM
Opened in: 2011
Manager: Mr. Razmig Shememian
E-Mail: bourjhammoud@creditbank.com

CHIYAH

Wazneh bldg., Mesharrafiyeh.
Telefax: (01) 552502/3 - (03) 528900
ATM
Opened in: 1995
Manager: Mr. Adib Silbak
E-Mail: chiyah@creditbank.com

HAMRA-RAS BEIRUT

Vision 1974 bldg., Sourati st.
Telefax: (01) 352849 / 742877/8 - (03) 361836
ATM
Opened in: 1991
Manager: Ms. Noura Al Sardouk
E-Mail: hamra@creditbank.com

HAZMIEH

Ghaleb Center - Said Freiha st.
Telefax: (05) 953410 – (70) 001720
ATM
Opened in: 2012
Manager: Mr. Marcelino Saad
E-Mail: hazmieh@creditbank.com

JAL EL DIB

Emile Abou Jawdeh bldg., Internal Main Square.
Telefax: (04) 713424/6 - (03) 516051
ATM
Opened in: 2001
Manager: Mr. Elie Genadry
E-Mail: jaleldib@creditbank.com

JDEIDEH

Azure Center, New Jdeideh, st 21.
Telefax: (01) 895072 - (03) 495849
ATM
Opened in: 1981
Manager: Ms. Thérèse Etr Bourjeily
E-Mail: jdeideh@creditbank.com

SODECO-ASHRAFIEH

Belle View d'Ashrafieh 784 bldg.,
El Khatib st, Nasra.
Telefax: (01) 425818 - (76) 649992
3 ATMs
Opened in: 2014
Manager: Mr. Rafic Makzoume
E-Mail: sodeco@creditbank.com

VERDUN

Nour El Hayat Center, Rashid Karameh Avenue, Verdun.
Telefax: (01) 791345/7 - (76) 777965
ATM
Opened in: 2014
Manager: Mr. Mohamad Hachem
E-Mail: verdun@creditbank.com

BRANCHES
OTHER REGIONS

AJALTOUN

Highway Center, Main Place.
Telefax: (09) 235118/20 - (03) 249300
ATM
Opened in: 1986
Manager: Mr. Naji Abboud
E-Mail: ajaltoun@creditbank.com

AMIOUN

Chammas bldg., Main Road – Serail Junction.
Telefax: (06) 954046/7 - (70) 707616
ATM
Opened in: 2011
Manager: Ms. Lina Saadé
E-Mail: amioun@creditbank.com

CHTAURA

Al Kharfan bldg.., Damascus Road.
Telefax: (08) 542700/4 - (03) 582562
ATM
Opened in: 2005
Manager: Mr. Zafer Fadel
E-Mail: chtaura@creditbank.com

ELISSAR

Azar bldg., Main Road, Kornet Chehwan.
Telefax: (04) 921760/1 / 922986 - (03) 417600
ATM
Opened in: 1993
Manager: Mr. Patrick Jawhar
E-Mail: elissar@creditbank.com

GHAZIR

Sarkis Center, Main Road.
Telefax: (09) 852930 - (03) 234721
ATM
Opened in: 1994
Manager: Mr. Maroun Chelala
E-Mail: ghazir@creditbank.com

JBEIL

Farhat Center, Voie 13, Jbeil
Telefax: (09) 543016/8 - (70) 996682
ATM
Opened in: 2014
Manager: Mr. Joe Khalifeh
E-mail: jbeil@creditbank.com

JOUNIEH

Boueiz bldg., Main Place.
Telefax: (09) 914860/2 - (03) 312631
ATM
Opened in: 1982
Manager: Mr. Milad Sayegh
E-Mail: jounieh@creditbank.com

MANSOURIEH

New Highway.
Telefax: (04) 533870/3 - (70) 170008
ATM
Opened in: 2007
Manager: Mr. Tarek Saadé
E-Mail: mansourieh@creditbank.com

SAIDA

Sayah bldg., Dekerman area.
Switchboard: (07) 727601/3 - (03) 662220 -
Fax: (07) 727604
ATM
Opened in: 2004
Manager: Mr. Georges Al-Sahyouni
E-Mail: saida@creditbank.com

SARBA

Sarba Highway.
Telefax: (09) 637511/2 - (03) 553232
ATM
Opened in: 2002
Manager: Ms. Georgette Chalfoun
E-Mail: sarba@creditbank.com

TRIPOLI

Karim Center, Riad El Solh st, Tall Area.
Switchboard: (06) 428001/3 - (70) 949050
Fax: (06) 428004
2 ATMs
Opened in: 2003
Manager: Mr. Selim Nassim
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LEBANON CREDEX S.A.L

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