North Africa Commercial Bank S.A.L.

Beirut – Lebanon

ANNUAL REPORT

2014

North Africa Commercial Bank S.A.L.

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North Africa Commercial Bank S.A.L.

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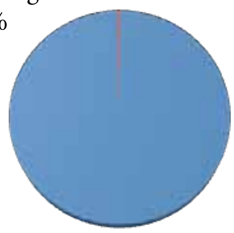
Ownership, BOD, General Management



Ownership

Libyan Foreign Bank	99.56%
Demoreco Holding S.A.L.	0.43%
Others	0.01%

Board of Directors Members

Mr. Mohamed Najib Hmida El-Jamal	**Chairman/General Manager**
Representative of Libyan Foreign Bank *Mr. Mohammad Najib Hassan Manssor Mugber*	Member
Representative of Demoreco Holding S.A.L. *Mr. Rida El Din Mohamed Bashir Banougah*	Member
Mr. Youssef Mabrouk Al Ajail	Member
Dr. Abubaker Mohamed Al Waddan	Member
Mr. Jean Paul Marsel Touma	Member
Mr. Mohamad Mounir Naffi	Member
Dr. Khaled Mohamed El Kurdi	Member
Mr. Tarek Sami Nahas	Member
Mr. Rawi Boutros Kenaan	Member
Mrs. Rania Joseph El hage	Secretary of the board

General Management

Mr. Mohamed Najib Hmida El-Jamal	**Chairman/General Manager**
Mr. AlHadi Emjahed Altaher	Assistant General Manager
Mr. Rafic Hassan Houry	Assistant General Manager

North Africa Commercial Bank S.A.L.

The Board of Directors Members of North Africa Commercial Bank S.A.L.

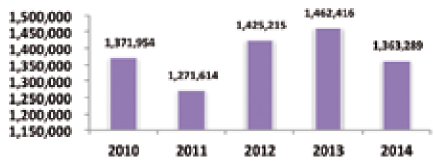
Members Name	Independent	Executive	Audit Committee	Risk Management Committee	Remuneration Committee
Mr. Mohamed Najib Hmida El-Jamal		•			
Representative of Foreign Libyan Bank Mr. Mohammad Najib Hassan Manssor Mugber				•	•
Representative of Demoreco Co. Holding Mr. Rida El Din Mohamed Bashir Banougah				•	
Mr. Youssef Mabrouk Al Ajail			•		
Dr. Abu Baker Al Waddan	•		•		•
Mr. Tarek Sami Nahass	•		•		
Dr. Khaled Mohammad Al Kurdi	•		President •		
Mr. Mohammad Mounir Al Naffi	•			President •	
Mr. Jean Paul Marcel Touma	•			•	
Mr. Rawi Boutros Kenaan	•			•	President •

Mrs.Rania El hage Secretary of the Board
Mrs. Henriette Gemayel Secretary of Risk Committee
Mr. Hassan Ghalayini Secretary of Internal Audit Committee

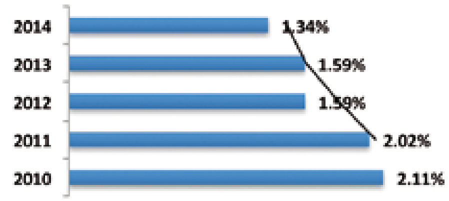
Financial Highlights

in Million of LBP

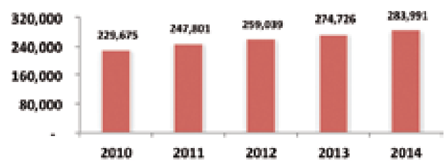
Total Assets



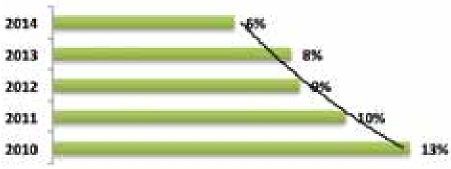
Return on Assets



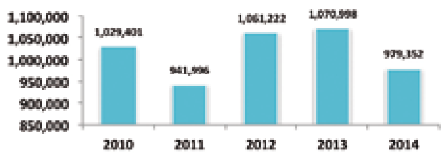
Shareholders' Equity



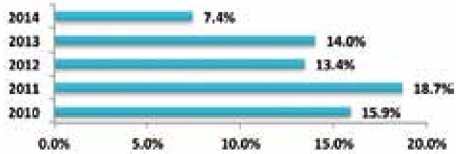
Return on Equity *



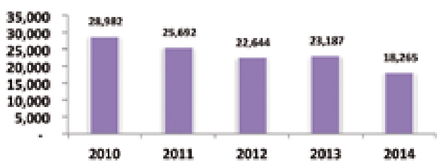
Total Deposits



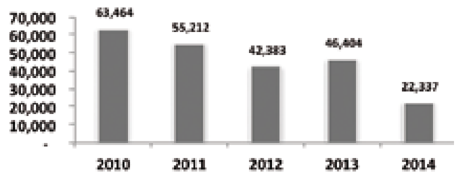
Loans and Advances to Deposits



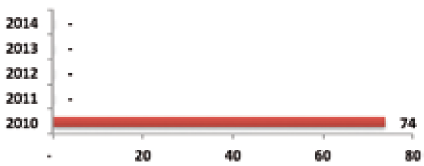
Net Profit



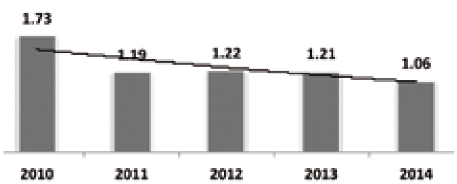
Financial Portfolio



Doubtful Debts



Gearing ratio



* Before Doubtful Provision and Taxes

Board of Directors Report

Chairman's letter

Dear Sirs,

We all know that Arab countries are suffering from an economic and financial burden due to the ongoing wars that had heavy repercussions on some Arab societies, and resulted in political instability, human disasters, and massive displacements without precedent since World War II. All this negatively affected the system of their public institutions and various sectors, including the banking sector. As a matter of fact, we are now in a very serious phase requiring an urgent awakening, wisdom, and statesmanship. Therefore, economic and financial experts should seek the best ways to treat this institutional disintegration, in a world where economic indicators show that the coming years will bring more confrontations and major crises.

There is no doubt that the majority of banks in our Arab world were affected by its tragic events, especially in the countries where political conflicts took place, including Libya, which is rich in oil and minerals, and has a unique geographical location and a long history. The ongoing war disrupted many economic sectors and activities, halted oil exports, and caused an imbalance in the country's public institutions, the most important of which is the banking sector that is facing great difficulties and many challenges. However, North Africa Commercial Bank in Lebanon will continue meeting the needs of the Libyan market at this stage, taking into consideration the banking links and relations with Libyan banks and companies all over Libya.

The bank's interim goals were set to be up to its aspirations; these include increasing the capital as a preliminary essential measure to support the capital base of the bank, in order to implement the banking merger strategy which will contribute to any negotiations to integrate in a balanced share allowing it to occupy a leading position in any banking group, with sister or related banks, or to attract another external partner, to face the hard challenges in the future and preserve the bank's solvency, while doubling growth rates, for that small banks cannot face strong competition and resist financial crises expected in international financial markets.

The serious circumstances that our Arab region is going through require a race against time to preserve our economic and financial institutions and the banking sector during this critical phase, and to embark on achieving the common goal, build banking clusters, work hard, and rise to the level of responsibility by taking crucial strategic decisions foreseeing our resources management in the future, keeping pace with the progress, setting goal-based well-thought and appropriate plans for the future, and adopting the clustering or merger policy, which is the only possible alternative.

Finally, we pray to God Almighty to give us strength and determination, protect our homelands to overcome these difficult ordeals, and bestow on us stability, security, and safety.

Mohamed Najib Hmida El-Jamal
CEO & Chairman of the Board

Corporate Governance

Corporate governance is of critical importance for banks in light of the banking environment complexities and dynamism, in order to guarantee long term sustainability, and preserve the confidence of relevant parties and shareholders, including regulators, investors, customers, and employees. Therefore, North Africa Commercial Bank encourages the principle of corporate governance and its regular practice on the level of the Board and the bank's executive senior management.

Applying corporate governance standards in the previous period led to many positive results, the most important of which are increased disclosure and transparency, decreased risks in dealing with other banks, less collapses, more financing, and reduced costs.

North Africa Commercial Bank adopts the corporate governance guide, through cooperation and collaboration between the executive management and employees, the clear and transparent distribution of tasks and responsibilities among supervision, organizational, and executive parties. The items related to internal, external and financial control are among the important issues through which the bank seeks to guarantee the implementation of financial integrity.

The Board and the executive senior management of North Africa Commercial Bank continuously seek to create a balance between the requirements of Lebanese regulatory authorities, applying Basel standards and the requirements of protecting the bank and its assets, by organizing its strategic priorities and goals, through performance control, protection of shareholders and depositors rights; moreover, giving attention to their relations with external parties defined by the organizational framework and the regulatory commissions' authorities; and the application of international accounting standards, as well as the promotion of human resources through training.

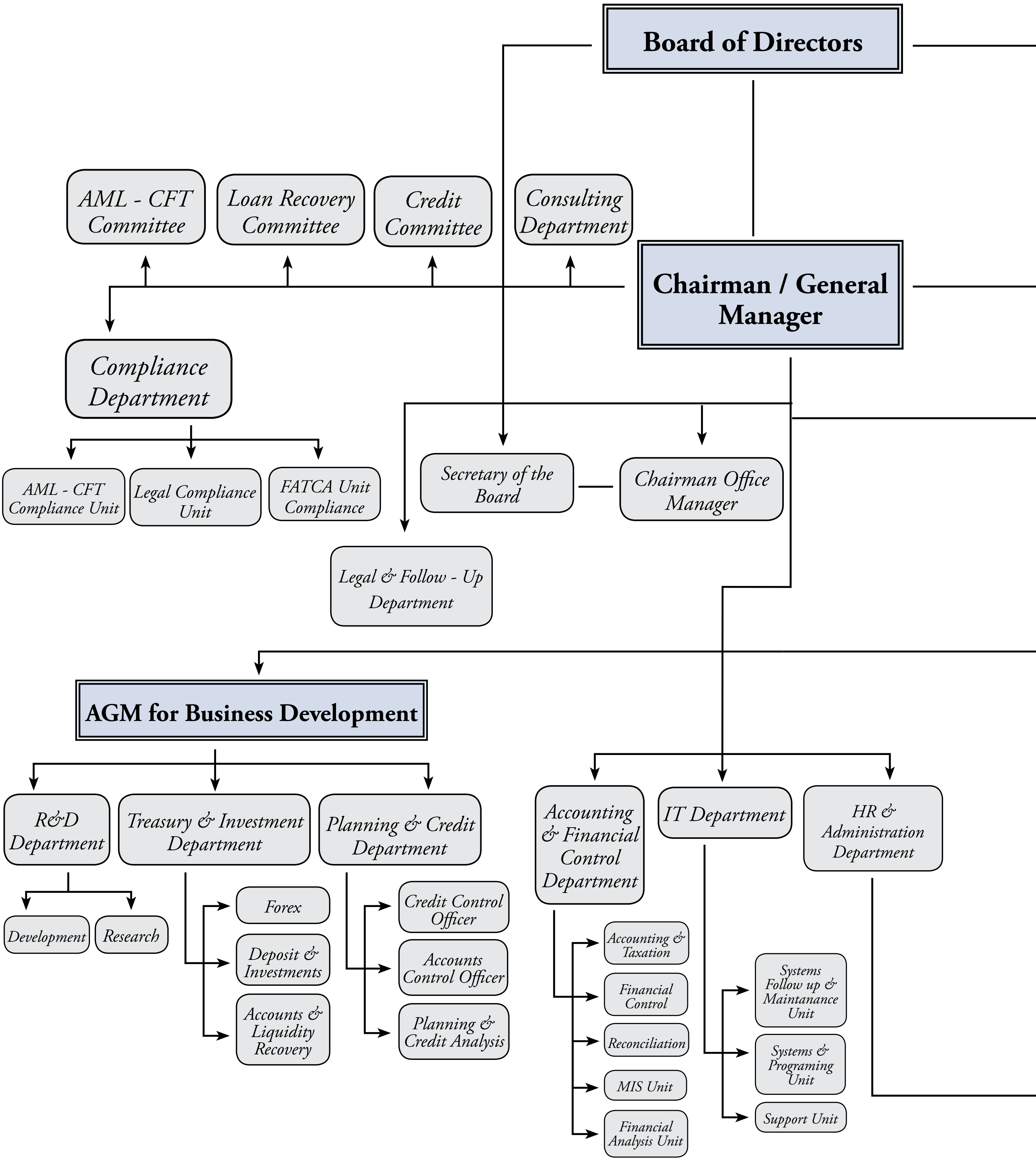
The success of corporate governance in North Africa Commercial Bank is not only related to setting control rules, but also to the importance of their application and assessment by the Central Bank and its regulatory authorities.

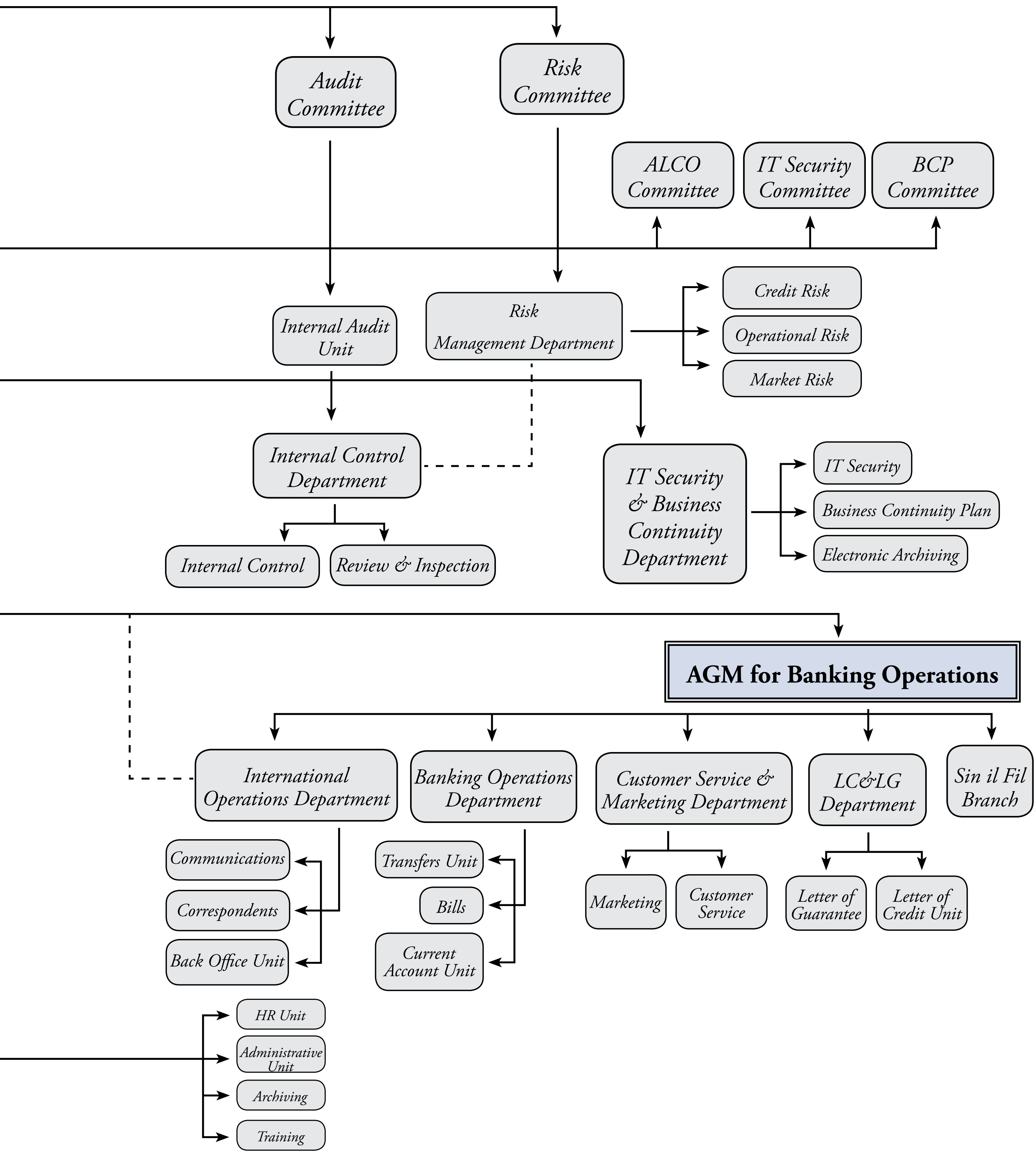
The executive senior management works on assessing the financial and organizational performance subject to accountability through the optimization of employees' capabilities and competencies, and the management of its available resources that would work on developing the bank.

Transparency is also important to achieve effective corporate governance allowing the management to reassess and study the extent and feasibility of investments, and to take the appropriate decisions. The Board seeks to implement corporate governance through a complete practical framework including a specific organization structure, to be able to apply all the main standards and pillars of corporate governance according to the adopted policy and best practices.

The banking activities are applied through the following organization structure:

North Africa Commercial Bank S.A.L.




Audit Committee
Risk Committee
ALCO Committee
IT Security Committee
BCP Committee
Internal Audit Unit
Risk Management Department
Credit Risk
Operational Risk
Market Risk
Internal Control Department
Internal Control
Review & Inspection
IT Security & Business Continuity Department
IT Security
Business Continuity Plan
Electronic Archiving
AGM for Banking Operations
International Operations Department
Banking Operations Department
Customer Service & Marketing Department
LC&LG Department
Sin il Fil Branch
Communications
Correspondents
Back Office Unit
Transfers Unit
Bills
Current Account Unit
Marketing
Customer Service
Letter of Guarantee
Letter of Credit Unit
HR Unit
Administrative Unit
Archiving
Training

Although the processes of forming and selecting committees and Board members are diversified, all these share the same specificity of working to protect the bank's assets and improve its returns on investment, by adopting and implementing the best management activities and practices, taking into account the diversity of experience and banking competencies.

The charters of the above are shown in the following chart:

Board of Directors' Committees

Internal Audit Committee

- Ensuring qualifications and independence of both regulators and internal audit unit.

- Monitoring the integrity of financial statements and reviewing disclosures standards adopted in the Bank.

- Assuring adequacy and effectiveness of systems and internal control procedures.

- Follow up the good execution of corrective suggestions presented in the reports of the internal audit unit and the regulatory authorities and controller's commission.

- Monitoring the bank's compliance to regulations and recommendations issued by the Central Bank of Lebanon and the Banking Control Commission.

Remuneration Committee

- Reassess the "Remuneration Policy" and set the "Remuneration System", and submit them both to the Board of Directors for approval.

- Supervise the proper implementation of both the "Remuneration Policy" and "Remuneration System", and review periodically the efficiency and effectiveness of this policy.

- Submit to the Board of Directors specific proposals about the Senior Executive Management remunerations.

Risk Committee

- Review the Risk Management strategy, as well as the risk appetite approved by the Board of Directors.

- Ensure the availability of risk management policies, frameworks, programs, and tools to do so, in parallel to the periodic revision to ensure their effectiveness and modify them if necessary.

- Revise stress tests used in the analysis of credit, market, and operational risks and approve plans for emergency cases.

- Discuss the reports of risk management.

- Monitor's the Bank's preparations to apply Basel 2 and 3 requirements with respect to the risk management and measurement.

Core Decisions' Executive Committees

Credit Committee

- Issues the necessary decisions on credit operations according to the limits and terms specified by the Bank Board of Directors.

- Examines and follows up on everything pertaining to the Credit Department, including the development of its policies and procedures.

Shareholding & Participation Committee

- Make all necessary decisions related to shareholding and participation operations, as well as real estate investments.

- Put the general framework of the bank's investment policy.

- Set the appropriate strategies for Bank's free capital.

ALCO Committee

- Issues all major decisions relating to investment processes in order to contribute, participate and ensure an optimal return.

- Illustrates the general framework for market risk management policy, including interest rate risk, liquidity risk, and Forex risk.

Senior Management Committees

Strategic Committee

- Formulates guidelines for conducting a new strategy in the Bank
- Recognizes expansion plans in terms of offering new products, accessing new markets, developing Bank activities, and training staff.

Human Resource Committee

- Examines all the basic issues concerning human resources at the Bank.
- Plans for the enhancement of the staff capabilities to keep pace of developments in the banking industry.

Information Technology Security Committee

- Supervises the preparation of policies to ensure the safety of information technology systems.
- Examines and assesses all the information security risks.
- Reviews and adopts alternative plans to ensure the integrity of information systems in the Bank.

Internal Control Policies and Procedures Committee

- Supervises the development of internal control policies and procedures in the Bank depending on the nature of its activities and the degree of complexity of its operations.
- Continues to update these policies and procedures to keep pace with the progress of operational processes and controls in the Bank and any updates in the banking industry.

Anti-Money Laundering Committee

- Publishes a comprehensive guide for antimoney laundering activities.
- Follows up and discusses periodic reports filed by the Compliance Unit on banking operations, and ensures appropriate reporting to the Board.

Business Continuity Plan Committee

- Develops business continuity plan to mitigate the risk of disasters and exceptional conditions.
- Categorizes the Bank's activities priorities to basic, necessary and not obligatory.
- Identifies alternative location and key staff to perform this task.

Management Information Systems Committee

- Creates comprehensive and complete databases.
- Plans and develops Management Information Systems, especially those related to financial reports for authorities and regulators, disclosures and risk management systems.

Foreign Account Tax Compliance Act-(FATCA) Committee

- Follow up the requirements of the Foreign Account Tax Compliance Act (FATCA) and the necessary procedures to be applied accordingly, taking into consideration the schedule enclosed in this Act.
- Coordinate directly with the Committee formed in the parent bank (Libyan Foreign Bank) to follow up the (FATCA) application, because of the close correlation to the bank owner in the application of this law, as stated in the texts.
-Provide the necessary training to all The Bank's staff, especially to those who deal directly with customers.

The Bank Internal Control and Risk Management Systems

The steady technical progress of the banking sector on one hand, and the progress of electronic means and electronic payment systems on the other hand, resulted in increased and more diversified banking services provided by banks, and in more complex banking processes in a market characterized by strong competition. Therefore, and in order to cope with this progress and its risks, it is necessary to control the level of risks and set the required control measures to manage appropriately the negative effects of such risks. The progress of internal control and risk management principles at North Africa Commercial Bank reflects these developments and special needs. Internal audit also became a consultative and guiding source that helps in assuming the risk management responsibilities, and reducing risks to acceptable levels.

The Internal Audit unit

The Internal Audit Unit plays a role in helping the senior management and the Board in protecting the bank and its reputation, through an independent and objective assessment of the work of all departments and units at the bank, its activities and branches, by setting systematic methods to assess and improve the efficiency of internal control, risk management, and corporate governance systems. Therefore, the Internal Audit Unit would give an added value to the bank in a way which increases its efficiency and improves its performance.

The Internal Audit Unit is completely independent and objective in its work, and submits its reports mainly to the Audit Committee. These include the audit tasks that were specified according to the risk-based approach, in addition to assessment and follow-up tasks. The Internal Audit Unit complies with international best practices.

Risk Management Department

North Africa Commercial Bank attaches great importance to risk management that is considered an integral part of the corporate governance practical framework, in compliance with the concept of activating cooperation and collaboration among regulatory authorities in order to improve their capabilities to face challenges. The bank stresses the need to abide by the latest requirements of Basel Banking Committee, in light of developing several internal and external regulatory reforms, to improve and strengthen the bank's immunity and ability to absorb chocks and pressure, and be ready to hedge against unexpected crises, and thus to reduce the risks within the limits and levels of risk margins and improving management systems.

The internal control mechanisms and procedures adopted by the bank aim at reducing the risks, and defining investment trends and supporting mechanisms, the regulatory capital and the new capital reserves according to Basel III standards, international liquidity standards and stress tests, the newly introduced controls, the Internal Capital Adequacy Assessment Process (ICAAP), the corporate governance and risk management good practices, and forecasting and early warning indicators supported by the Management Information System (MIS) adopted by the bank.

The Risk Management Department is allied to the Risk Committee and to the Chairman General Manager; it submits its reports directly to the Risk Committee. It also supports the bank's committees such as Credit and Assets and Liabilities Management Committees in performing their tasks according to their prerogatives. The main achievements of the Risk Management Department are:

- Participating in the development of modern concepts of risk management
- Deepening the understanding of the bank's risk policy across sections and departments
- Increasing risks transparency and disclosure
- Keeping high Capital Adequacy Ratios by maintaining the quality of the bank's assets and reducing the rate of non-performing loans
- Contributing to the implementation of different creative programs to facilitate assets growth by using credit assessment programs, and management information systems
- Improving liquidity measurement samples and stress test scenarios.
- Conducting quantitative impact studies of Basel III indicators for regulators, and abiding by leverage ratios
- Encouraging continuous learning to identify the risks by designing and providing training and educational programs in the bank

Compliance Department

1- Legal Compliance Unit

The Legal Compliance Unit completed the preparation of its working mechanism according to the size and nature of the bank's operations to review its compliance with the laws and regulations in-force.

2- Anti-Money Laundering and Combating Financing Terrorism Compliance Unit

The bank designed and applied special software to control the operations in terms of countering money laundering and combating the financing of terrorism, according to the Financial Action Task Force on Money Laundering (FATF) standards. The bank also registered at the International Chamber of Commerce (ICC) which provides protection against fraud offenses on the level of trade finance. The guide to anti-money laundering and combating the financing of terrorism was updated, and a number of training sessions were provided to the bank's employees. Moreover, a new customer identification form (KYC) was created covering the requirements of money laundering, the financing of terrorism, and the Foreign Account Tax Compliance Act (FATCA), and due diligence measures were promoted by giving front line staff access to Word Check program.

3- FATCA Compliance Unit

In compliance with FATCA, the bank applied the measures of the first phase and amended the relevant banking documents, and is in the process of preparing the measures relevant to the next phases.

IT Security and Business Continuity Department

The bank is fully ready to apply all circulars, laws, international best practices, and all BDL laws. It commits to the security measures adopted to protect all information systems and devices, in order to guarantee and secure business continuity and the different logistical and technical activities of the bank. Therefore, the bank applies all the policies related to IT security basics and standards, in addition to disseminating and promoting information governance culture. On the other hand, the disaster recovery site has been equipped by all information devices and systems and all other requirements related to basics where necessary. Tests are now taking place on all levels. The evacuation plan and the emergency plan were also updated according to the ongoing changes. Early this year, a training session on the evacuation plan was organized, knowing that this is one of the main pillars of the business continuity plan.

Bank's financial analysis

The economic situation in Lebanon in 2014 was difficult and gloomy; the majority of economic and financial indicators decreased because of the repercussions of internal political decisions and continuous external crises. However, due to the induced efforts, North Africa Commercial Bank was able to make 18,265 million Lebanese Pounds of profits, and its assets amounted to 1,363,289 million Lebanese Pounds, with good financial indicators in comparison with local banks of the same category, in spite of the difficult circumstances that the region is going through, especially the Lebanese market which is suffering from slow growth ratios, knowing that the banking sector in Lebanon is still strong in terms of solvency and liquidity, and is in a better situation in comparison with other sectors in neighboring countries.

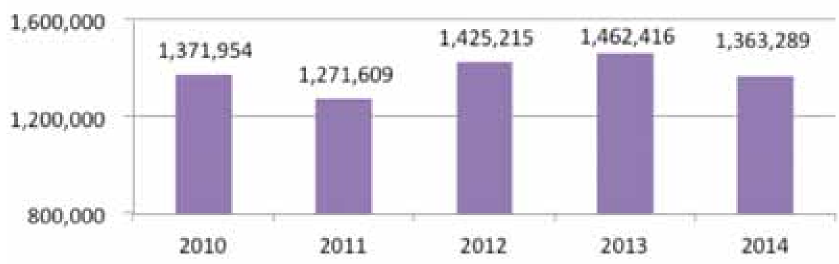
Below we expose the developments regarding the growth of assets and liabilities, as well as the analysis of profitability, liquidity, and solvency for the last five years.

First. Assets:

There is no doubt that the bank's link to the mother company (Libyan Foreign Bank), and due to the repercussions of the Libyan crisis, largely affected the size of the bank's assets which decreased in 2014 in comparison with 2013. However, the bank maintained a good level in the five previous years, as a result of the attractiveness of the Lebanese market, the strength of the banking sector, high interest rates, in addition to the marketing efforts to support the confidence of depositors in the bank's strength.

Total Assets

Million Lebanese Pounds

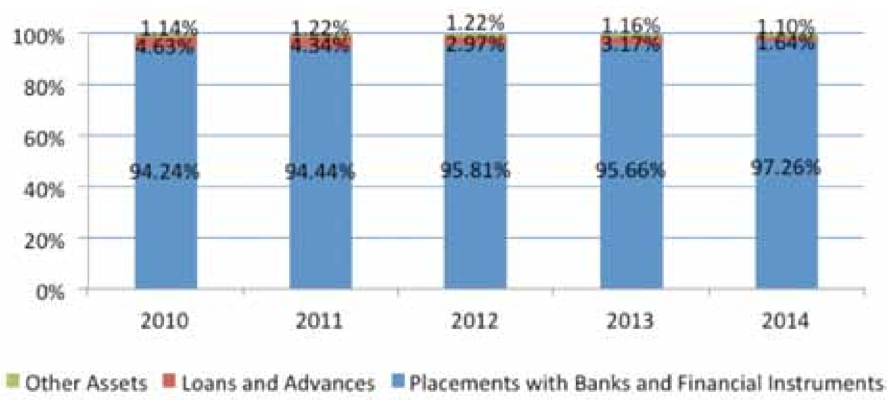


US Dollar exchange rate: 1507.50 LP

Assets distribution ratios

In recent years, the bank has followed a conservative policy in terms of funds placements and focused on rewarding and low risk investments, such as investments with banks & financial instruments in total represented 97.26% of the total assets by the end of 2014, allowing the bank to maintain high liquidity ratios, as a result of slow growth rates in the Lebanese market that do not encourage increasing credit limits.

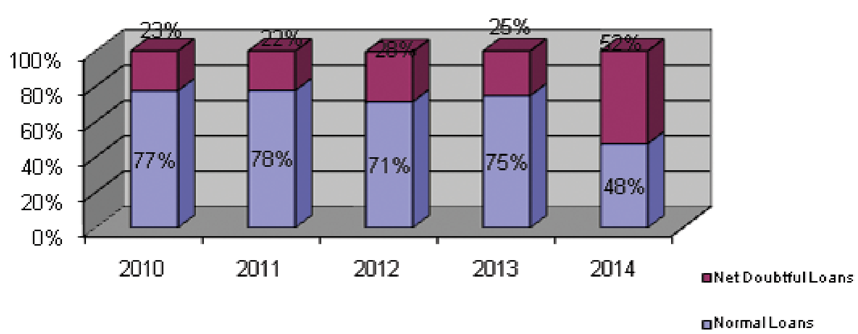
Percentage Distribution of Assets



1- Loans and advances to customers:

In the midst of political and economic situation in the region and in Lebanon, Lebanese banks took a conservative position regarding advances which were limited to specific customers, based on a long history of dealing with them. The bank remains conservative in terms of advances that are limited to loans and facilities granted against sufficient guarantees. The bank was able to liberate its financial position from the burden of non-performing loans by creating sufficient provisions and reserves for these debts.

Loans & Advances



US Dollar exchange rate: 1507.50 LP

In Millions of LBP	2010	2011	2012	2013	2014
Normal Loans	49,178	42,902	30,326	34,690	10,630
Net Doubtful Loans	14,286	12,310	11,971	11,714	11,707
Total Loans	63,464	55,212	42,483	46,404	22,337

2- Investments with banks

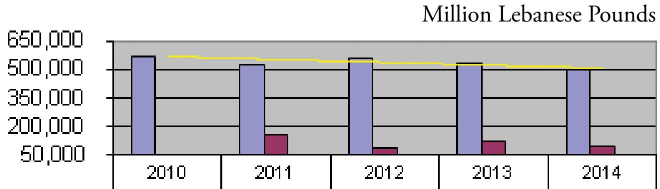
Investments with banks and financial institutions witnessed an important development by the end of 2014, when these reached 50% of the bank's total assets. The bank also kept short term investments represented by term deposits with commercial banks in order to maintain the necessary liquidity levels which include mandatory reserves and investments with BDL.

3- Financial instruments

The portfolio of financial instruments witnessed a recent important development, for that it represented 47% of the bank's total assets in 2014. These investments are composed of treasury bills and Eurobonds issued by the Lebanese Republic, certificates of deposit and debt securities issued by BDL and Lebanese banks, in addition to some investment funds. The development of these instruments was as follows:

Financial Bills & Other Investments

Million Lebanese Pounds



	2010	2011	2012	2013	2014
Lebanese T-Bills	569,218	525,943	557,443	536,963	494,670
Bonds and Financial instruments with fixed income	32,207	159,884	85,402	121,227	100,732
Other Investments	3,440	6,226	6,148	6,377	29,450

US Dollar exchange rate: 1507.50 LP

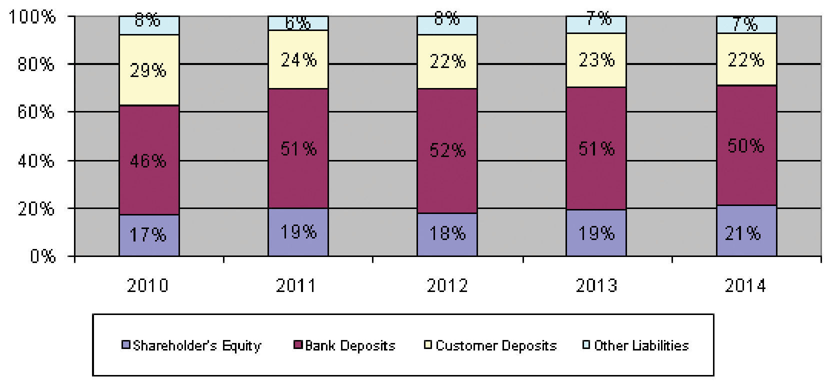
Second. Liabilities and Shareholders' equity

The decrease of economic indicators, the internal political situation, and the aggravating crises in the Arab region, especially in Libya, negatively affected the bank's activity. The size of deposits decreased, especially by non-resident banks and institutions.

Liabilities distribution ratios and Shareholders' equity:

A substantial change in the structure of the bank's sources of funds took place recently where shareholders' equity represented 21% of these sources by the end of 2014, whereas banks' deposits represented the largest part 49% followed by customers' deposits 22%.

Percentage Distribution of Liabilities

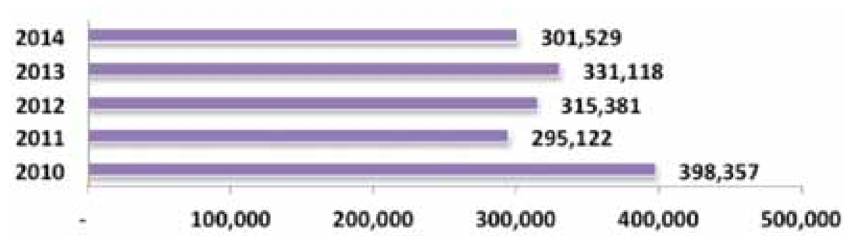


1-Customers' deposits

The customers' deposits portfolio represented 22% of the total sources of funds by the end of 2014. Similarly to other indicators, customers' deposits decreased by 9% in comparison with 2013, because of the current political and economic situation.

Customer Deposits

Million Lebanese Pounds



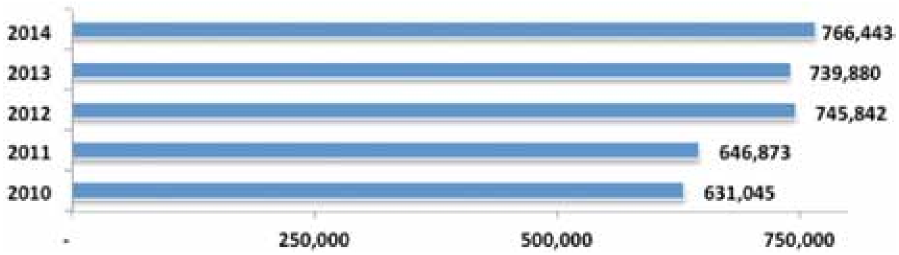
US Dollar exchange rate: 1507.50 LP

2- Banks' deposits

The efforts made in the last five years contributed to attracting deposits from many banks. However, in 2014, and due to the political situation in the region, the size decreased to 766,443 million Lebanese Pounds in comparison with 739,880 million Lebanese Pounds by the end of 2013. These deposits represented 50% of the total sources of funds by the end of 2014.

Bank Deposits

Million Lebanese Pounds

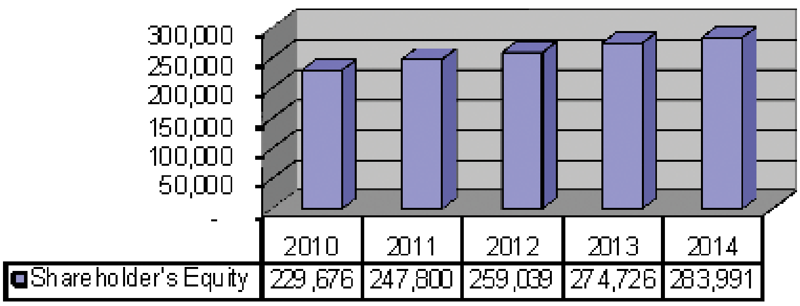


3- Shareholders' equity

The bank works annually on strengthening its own equity through reserves to prevent risks. Shareholders' equity amounted to 283,991 million Lebanese Pounds by the end of 2014, in comparison with 274,726 million Lebanese Pounds at the end of 2013, before allocating 2014 profits. Shareholders' equity in the last five years grew as follows:

Shareholder's Equity

Million Lebanese Pounds



US Dollar exchange rate: 1507.50 LP

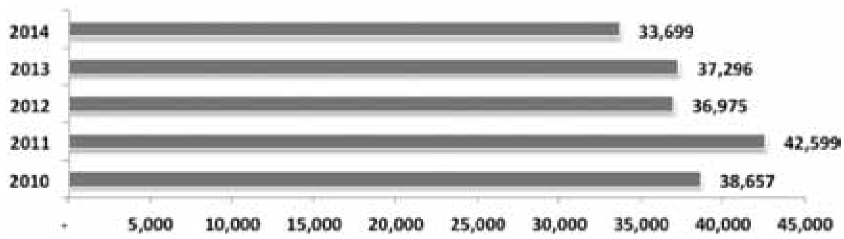
Third. Profits and Losses

1-Net interest income

Due to investments decrease, resulting from the bad economic and political situation in the region, the net interest income in 2014 went down to 33,669 million Lebanese Pounds. The net interest income in the last five years was as follows:

Net Interest Income

Million Lebanese Pounds

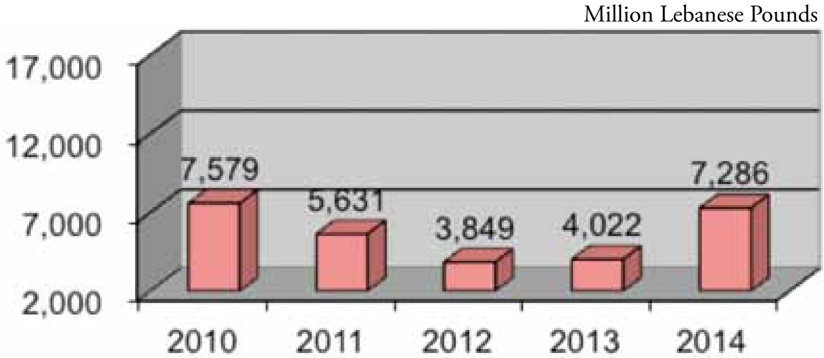


2- Net profit of commissions and other revenues

The majority of changes in this item are related to letters of credits and guarantees. In 2014, the bank was able to achieve a growth of 81% in comparison with the end of 2013. The net profit of commissions and other revenues in the last five years was as follows:

Net Commissions & Other Income

Million Lebanese Pounds



US Dollar exchange rate: 1507.50 LP

3-Administrative and general expenses

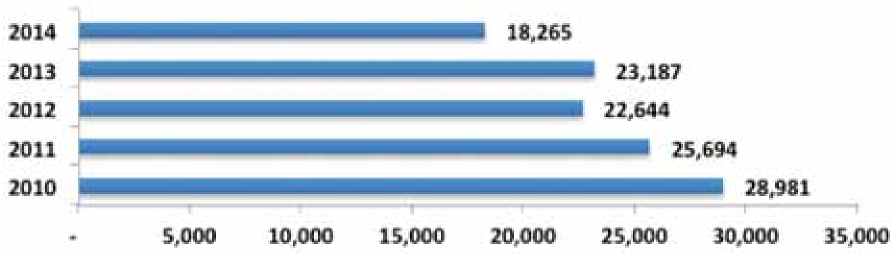
The bank maintained the policy of rationalizing the general expenses and the operational expenses in line with the growth of bank and the adopted budget.

4- Net profits

The bank was able to make net profits amounting to 18,265 million Lebanese Pounds by the end of 2014 in comparison with 23,187 million Lebanese Pounds at the end of 2013. This decrease resulted from an exceptional recovery of provisions in 2013 amounting to 5,447 million Lebanese Pounds.

Net Profit

Million Lebanese Pounds

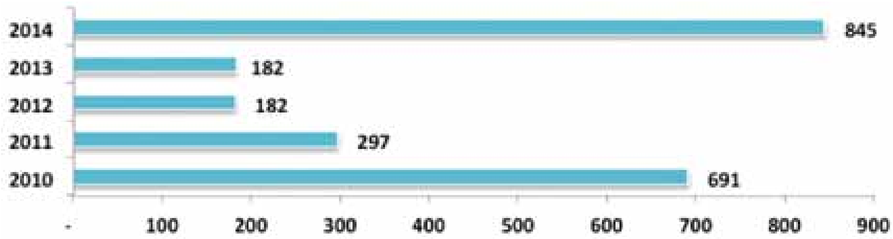


Fourth. Letters of credit

The bank played in the last few years the role of financial intermediary in the MENA region. The political and economic situation in the Arab world had negative repercussions on the size of letters of credit in the previous years. However, the bank was able to recover its activities in 2014 when the size of credits amounted to 845 billion Lebanese Pounds, in comparison with 183 billion Lebanese Pounds at the end of 2013, by an increase of 367%. The size of the letters of credit in the last five years was as follows:

Total L/Cs Processed

Billion Lebanese Pounds

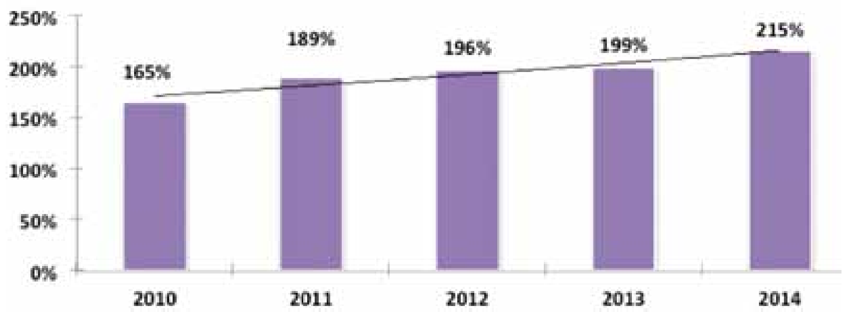


US Dollar exchange rate: 1507.50 LP

Fifth. Liquidity ratio (liquid assets to customers' deposits)

The ratio of liquid assets to customers' deposits increased to 215% in 2014, reflecting the bank's tendency for liquid investments, which ensure the necessary liquidity and the sufficient financial flexibility of the bank to face any risks or commitments.

Liquid Assets to Deposits



Sixth. Capital Adequacy Ratio (Basel III):

In line with Basel III requirements, the bank increased its shareholders' equity, resulting in higher Capital Adequacy Ratio to reach 23.57% by the end of 2014. Capital Adequacy Ratios in the last five years were as follows:

	2010	2011	2012	2013	2014
Total Capital/Risk Weighted Assets	16.25%	18.65%	18.28%	21.48%	23.57%
Required By BDL	10.00%	10.00%	10.00%	10.00%	10.00%
Tier 1 Capital/Risk Weighted Assets	16.25%	18.65%	18.28%	21.48%	23.57%
Required By BDL	8.00%	8.00%	8.00%	8.00%	8.00%
Common Equity Tier 1/Risk Weighted Assets	16.25%	18.65%	18.28%	21.48%	23.57%
Required By BDL	5.00%	5.00%	5.00%	5.00%	5.00%

US Dollar exchange rate: 1507.50 LP

Shareholders Annual Meeting

The Shareholders Annual Ordinary Meeting held on 27/04/2015 approved the board of directors' report, the balance sheet and the profit and loss account for the financial year2014 giving discharge to the members of the board.

NORTH AFRICA COMMERCIAL BANK S.A.L.

Financial statements and independent auditors' report
year ended 31 December 2014

Independent Auditor's Report

To the Shareholders

North Africa Commercial Bank S.A.L.

Beirut, Lebanon

We have audited the accompanying financial statements of North Africa Commercial Bank S.A.L., which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of local banking laws. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Africa Commercial Bank S.A.L. as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche ***Sidani & Co.***

Beirut, Lebanon

February 23, 2015

Statement Of Financial Position

LBP'000

	December 31		
	Notes	2014	2013
Assets			
Cash and Central Bank	5	222,893,129	211,578,905
Deposits with banks and financial institutions	6	453,368,250	521,129,829
Deposits with the parent, sister and other related banks	7	2,192,097	1,715,014
Loans and advances to customers	8	22,337,070	46,403,791
Investment securities at fair value through profit or loss	9	29,450,464	6,376,816
Investment securities at fair value through other comprehensive income	9	22,612,477	-
Investment securities at amortized cost	9	595,401,940	658,189,999
Customers' liability under acceptances	10	264,994	1,605,505
Assets acquired in satisfaction of loans	11	5,889,955	5,871,227
Property and equipment	12	7,272,668	7,886,092
Intangible assets	13	470,454	515,475
Other assets	14	1,135,582	1,142,769
Total Assets		1,363,289,080	1,462,415,422
Liabilities			
Deposits from a central bank	15	88,616,097	84,430,127
Deposits from banks and financial institutions	16	100,184,844	224,519,420
Deposits from the parent, sister and other related banks	17	577,640,175	515,361,238
Customers' deposits	18	301,527,671	331,118,367
Liability under acceptances	10	264,994	1,605,505
Other liabilities	19	6,065,394	26,215,555
Provisions	20	4,998,689	4,439,124
Total liabilities		1,079,297,864	1,187,689,336
Equity			
Capital	21	15,000,000	15,000,000
Cash contribution to capital	21	148,488,750	148,488,750
Reserves not available for distribution	22	52,100,907	46,010,569
Reserves available for distribution		16,515,159	8,417,602
Retained earnings		33,621,270	33,621,270
Profit for the year		18,265,130	23,187,895
Total equity		283,991,216	274,726,086
Total Liabilities and Equity		1,363,289,080	1,462,415,422
Financial instruments with off-balance Sheet risks	30		
Letters of guarantee and standby letters of credit		66,641,468	53,241,884
Letters of credit - import		2,310,901	3,434,288
Letters of credit - export confirmed		41,492,864	36,906,535

The accompanying notes form an integral part of the financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

LBP'000

	Year Ended December 31		
	Notes	2014	2013
Interest income Interest expense	23 24	49,175,866 (15,477,128)	53,067,907 (15,771,534)
Net interest income		33,698,738	37,296,373
Fee and commission income Fee and commission expense	25	5,991,508 (329,477)	2,629,459 (260,730)
Net fee and commission income		5,662,031	2,368,729
Net gain on investment securities at fair value through profit or loss Gain on difference of exchange Realized gain on disposal of securities at amortized cost Other operating income	9	517,547 99,630 - 1,012,498	100,878 156,607 1,097,434 297,606
Net financial revenues		40,990,444	41,317,627
Write-off bad debts Net write-back of impairment loss on loans and advances	8	- 835,591	(17,276) 5,237,119
Net financial revenues after write-back of impairment loss		41,826,035	46,537,470
Salaries and related charges Depreciation and amortization General and administrative expenses	27 12, 13 28	(12,780,314) (879,488) (5,478,554)	(12,648,085) (828,483) (5,221,706)
Total operating expenses		(19,138,356)	(18,698,274)
Profit before income tax Income tax expense	19	22,687,679 (4,422,549)	27,839,196 (4,651,301)
Profit for the year Other comprehensive income		18,265,130 -	23,187,895 -
Total comprehensive income for the year		18,265,130	23,187,895

The accompanying notes form an integral part of the financial statements.

Statement of changes in equity

LBP'000

	Capital	Cash contribution to Capital	Reserves not available for distribution	Reserves available for distribution	Retained Earnings	Profit for the Year	Total
Balance January 1, 2013	15,000,000	148,488,750	38,819,516	465,727	33,621,270	22,642,928	259,038,191
Allocation of 2012 profit	-	-	7,191,053	7,951,875	7,500,000	(22,642,928)	-
Dividends paid (Note 21)	-	-	-	-	(7,500,000)	-	(7,500,000)
Total comprehensive income for the year 2013	-	-	-	-	-	23,187,895	23,187,895
Balance December 31, 2013	15,000,000	148,488,750	46,010,569	8,417,602	33,621,270	23,187,895	274,726,086
Allocation of 2013 profit	-	-	6,090,338	8,097,557	9,000,000	(23,187,895)	-
Dividends paid (Note 21)	-	-	-	-	(9,000,000)	-	(9,000,000)
Total comprehensive income for the year 2014	-	-	-	-	-	18,265,130	18,265,130
Balance December 31, 2014	15,000,000	148,488,750	52,100,907	16,515,159	33,621,270	18,265,130	283,991,216

The accompanying notes form an integral part of the financial statements.

North Africa Commercial Bank S.A.L.

LBP'000

Statement of cash flows

	Notes	2014	2013
	Year Ended December 31		
Cash flows from operating activities			
Profit for the year before tax		22,687,679	27,839,196
Adjustments for:			
Depreciation and amortization	12, 13	879,488	828,483
Change in fair value of investment securities at fair value through profit or loss	26	(311,557)	(31,691)
Net write back of impairment loss on loans and advances	8	(835,591)	(5,237,119)
Provision for employees' end-of-service indemnities	20	854,206	338,275
(Gain) / loss on disposal of property and equipment	12	(1,057,226)	1,311
Dividend income	26	(205,990)	(180,366)
Interest income		(49,175,866)	(53,067,907)
Interest expense		15,477,128	15,771,534
Compulsory deposits with Central Bank of Lebanon with a maturity exceeding three months		317,805	(56,130,187)
Deposits with banks and financial institutions with a maturity exceeding three months		223,212,011	(78,807,553)
Investment securities at fair value through profit or loss	9	(22,762,091)	(197,423)
Investment securities at fair value through other comprehensive income	9	(22,612,477)	-
Investment securities at amortized cost	9	61,610,825	(14,745,689)
Loans and advances to customers	8	24,902,312	1,216,700
Other assets	14	7,187	212,470
Deposits from central banks	15	4,188,415	(8,961,214)
Deposits from banks and financial institutions	16	(124,213,290)	(18,639,525)
Deposits from parent, sister and other related banks	17	62,191,157	12,441,025
Customers' deposits	18	(29,489,580)	15,646,438
Other liabilities	19	(19,991,001)	21,468,952
Settlements made from provision for employees' end-of-service indemnities	20	(294,641)	(470,652)
		145,378,903	(140,704,942)
Income tax paid		(4,581,709)	(5,385,114)
Dividends received		205,990	180,366
Interest received		50,736,339	51,916,020
Interest paid		(15,614,195)	(15,451,245)
Net cash generated by / (used in) operating activities		176,125,328	(109,444,915)
Cash flows from investing activities:			
Acquisition of property and equipment	12	(354,675)	(355,665)
Proceeds from disposal of property and equipment	12	(1,297,958)	-
Acquisition of intangible assets	13	(107,100)	(263,401)
Improvements on assets acquired in satisfaction of loans	11	(18,728)	-
Net cash generated by / (used in) investing activities		817,455	(619,066)
Cash flows from financing activities:			
Dividends paid	21	(9,000,000)	(7,500,000)
Net cash used in financing activities		(9,000,000)	(7,500,000)
Net increase / (decrease) in cash and cash equivalents		167,942,783	(117,563,981)
Cash and cash equivalents beginning of year		244,774,022	362,338,003
Cash and cash equivalents end of year	29	412,716,805	244,774,022

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements For the year ended 31 December 2014

1. General information

North Africa Commercial Bank S.A.L. is a Lebanese joint-stock company registered in the Trade Register in 1973 under Number 30199 and in the Central Bank of Lebanon list of banks under number 62.

The Bank offers a full range of commercial banking activities in accordance with the applicable Lebanese Laws and banking regulations. The head office is situated on Justinian Street, Hamra, Beirut.

The Bank is 99.56% owned by the Libyan Foreign Bank (parent bank).

2. New and revised international financial reporting standards (IFRSS)

2.1 New and revised Standards and Interpretations effective for the current period

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

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

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

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

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

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

Amendments to IAS32 Offsetting Financial Assets and Financial Liabilities

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

Amendments to IAS36 Recoverable Amount Disclosures for Non-Financial Assets

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

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

IFRIC 21 Levies

IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

The application of the above new and revised Standards did not have a material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements.

2.2 New and revised IFRSs in issue but not yet effective:

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

Effective for annual periods beginning on or after	
1 July 2014	• Annual Improvements to IFRSs 2010-2012 Cycle that include amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.
1 July 2014	• Annual Improvements to IFRSs 2011-2013 Cycle that include amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
1 January 2017	• IFRS 15 Revenue from Contracts with Customers- establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.
1 January 2016	• Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined under IFRS 3 Business Combinations.

Effective for annual periods beginning on or after	
1 January 2016	• Amendments to IAS 16 and IAS 38 Classification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.
1 January 2016	• Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method of accounting in separate financial statements.
1 January 2016	• Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture to (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business; i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by a direct sale of the assets themselves.
1 January 2016	• Amendments to IAS 1 Presentation of Financial Statements address perceived impediments to prepares of financial statements exercising their judgment in presenting the financial reports.

Effective for annual periods beginning on or after	
1 January 2016	• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) clarify certain aspects of applying the consolidation exception for investment entities.
1 January 2016	• Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method of accounting in separate financial statements.
1 January 2016	• Annual Improvements to IFRSs 2012-2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19, and IAS34.
1 January 2018	• IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit early application for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. The main amendments to hedge accounting are summarized by (i) The 80 – 125% rule for testing of hedge effectiveness is no longer required, (ii) hedge effectiveness is measured prospectively with no more consideration for retrospective testing, (iii) funding of foreign investments in foreign currency can be considered as a hedge and related foreign currency adjustment is deferred under equity, (iv) hedging instrument can be re-designated and periodically revisited to eliminate mismatch, and (v) cash flow hedge for fixed income securities classified at amortized cost has become eligible.

Effective for annual periods beginning on or after	
	• This version of the standard remains available for application if the relevant date of initial application is before 1 February 2015.
	• The final version of IFRS 9 Financial Instruments (2014) was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 (2014) incorporates requirements for classification and measurement, impairment, general hedge accounting and derecognition. The final version of IFRS 9 introduces a) new classification for debt instruments that are held to collect contractual cash flows with ability to sell, and related measurement requirement consists of "fair value through other comprehensive income (FVTOCI), and b) impairment of financial assets applying expected loss model through 3 phases, starting by 12 month expected impairment loss to be initiated on initial recognition of the credit exposure, and life time impairment loss to be recognized upon significant increase in credit risk prior to the date the credit exposure is being impaired, and phase 3 when the loan is effectively impaired. On phase 1 and 2 income from time value is recognized on the gross amount of the credit exposure and in phase 3 income is recognized on the net exposure.

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

3. Significant accounting policies

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for some financial instruments measured at fair value.

Assets and liabilities are grouped according to their nature and presented in the financial statements in accordance to their relative liquidity.

The principal accounting policies are set out below:

A. Foreign Currencies:

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

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, which are recognized in other comprehensive income.

B.Recognition and Derecognition of Financial Assets and Liabilities:

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

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

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

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuers, are derecognized as management considers that they do meet the conditions for derecognition.

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

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

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

C. Classification of Financial Assets:

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

Debt Instruments:

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

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

that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity Instruments:

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

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

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

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

A financial asset is held for trading if:

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

Reclassification:

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

Reclassification is not allowed where:

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

D. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

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

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

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

Financial Liabilities:

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

E. Offsetting:

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

F. Fair Value Measurement of Financial Instruments:

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

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

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

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

International Financial Reporting Standard (IFRS 13) establishes the hierarchy of fair value as follows:

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

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

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

G. Impairment of Financial Assets:

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

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

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

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

H. Derivative Financial Instruments:

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

I. Loans and Advances:

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

J. Property and Equipment:

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any.

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

	Years
Buildings	50
Furniture	12.5
Office equipment	12.5
Computer equipment	5
Vehicles	4
Leasehold improvements	16.5

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

K. Intangible Assets:

Other intangible assets consisting of computer software and key money are amortized over a period of 5 years and are subject to impairment testing. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

L. Assets acquired in satisfaction of loans:

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

M. Impairment of Financial and Non-Financial Assets:

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

N. Provision for Employees' End-of-Service Indemnity:

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

O. Provisions:

Provision is recognized if, as a result of a past event, the Bank 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.

P. Revenue and Expense Recognition:

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

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

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

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

Net gain and losses on financial assets measured at fair value through profit or loss includes:

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

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

Q. Income Tax:

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of the items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Part of debt securities invested in by the Bank is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

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

R. Cash and Cash Equivalents:

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

4. Critical accounting judgments and key sources of estimation Uncertainty

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

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

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

Classification of Financial Assets:

Business Model:

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

Characteristics of the Financial Asset:

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

B. Key Sources of Estimation Uncertainty:

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

Allowances for Credit Losses - Loans and Advances to Customers:

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

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3 F. 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, uncertainly of market factors, pricing assumptions and other risks affecting the specific instrument.

5. Cash And Central Bank

LBP'000

	December 31	
	2014	2013
Cash on hand	1,254,430	1,348,105
Purchased checks	18,718	-
Current accounts with Central Bank of Lebanon (including compulsory reserves)	25,953,231	24,119,413
Term placements with Central Bank of Lebanon	195,161,250	185,796,450
Accrued interest receivable	505,500	314,937
	222,893,129	211,578,905

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

	December 31, 2014			
	Accounts in LBP	Average interest rate	Accounts in F/Cy	Average interest rate
Maturity	L.L. Million	%	L.L. Million	%
First quarter of 2015	12,000,000	2.9	155,272,500	0.16
Year 2018	-	-	12,813,750	4.75
Year 2029	-	-	15,075,000	7.5
	12,000,000		183,161,250	

	December 31, 2013			
	Accounts in LBP	Average interest rate	Accounts in F/Cy	Average interest rate
Maturity	L.L. Million	%	L.L. Million	%
First quarter of 2014	4,5000,000	2.86	166,221,450	0.46
Second quarter of 2014	-	-	15,075,000	0.23
	4,5000,000		181,296,450	

Current accounts with Central Bank of Lebanon include cash compulsory reserves in Lebanese Pound in the amount of LBP16.02 billion (LBP16.18 billion in 2013). This compulsory reserve is non-interest earning and is computed on the basis of 25% and 15% of the average weekly demand and term customers' deposits in Lebanese Pounds respectively, in accordance with the local banking regulations. Compulsory deposits are not available for use in the Bank's day-to-day operations.

Term placements with Central Bank of Lebanon include the equivalent in foreign currencies of LBP147 billion (LBP156 billion in 2013) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, which includes all types of deposits, certificates of deposits and loans acquired from non-resident financial institutions with remaining maturities of one year or less.

6. Deposits with banks and financial institutions

LBP'000

	December 31	
	2014	2013
Current accounts with correspondents	70,668,673	53,952,247
Term placements	382,187,753	466,091,956
Accrued interest receivable	511,824	1,085,626
	453,368,250	521,129,829

Term placements represents, short term maturities, having an average interest rate on outstanding balances of 1.32% at year end 2014 (1.39% at year-end 2013).

Refer to Note 31 for outstanding balances with related parties.

7. Deposits with the parent sister and other related banks

LBP'000

	December 31	
	2014	2013
Current Accounts:		
Sister Banks	1,663,653	1,439,815
Parent Bank	528,444	275,199
	2,192,097	1,715,014

8. Loans and advances to customers

LBP'000

	December 31, 2014		
	Gross amount net of unrealized interest	Impairment allowance	Carrying amount
Performing Loans - Retail - Housing loans	 2,611,607 2,700,464	 - -	 2,611,607 2,700,464
	5,312,071	-	5,312,071
Performing Loans – Companies - Corporate - Small and medium enterprises	 3,985,260 1,339,749	 - -	 3,985,260 1,339,749
	5,325,009	-	5,325,009
Non-performing loans - Doubtful and bad	 30,663,979	 (18,956,451)	 11,707,528
	30,663,979	(18,956,451)	11,707,528
Collective provision	-	(7,538)	(7,538)
	41,301,059	(18,963,989)	22,337,070

LBP'000

	December 31, 2013		
	Gross amount net of unrealized interest	Impairment allowance	Carrying amount
Performing Loans - Retail - Housing loans	 2,629,246 3,284,435	 - -	 2,629,246 3,284,435
	5,913,681	-	5,913,681
Performing Loans – Companies - Corporate - Small and medium enterprises	 26,707,524 2,068,187	 - -	 26,707,524 2,068,187
	28,775,711	-	28,775,711
Non-performing loans - Doubtful and bad	 31,581,230	 (19,866,831)	 11,714,399
	31,581,230	(19,866,831)	11,714,399
Collective provision	-	-	-
	66,270,622	(19,866,831)	46,403,791

Performing loans include an economic group having an aggregate balance around LBP2.6 billion as at December 31, 2014 (representing 25% of the total performing loans) (LBP22 billion representing 63% of the total performing loans as of December 31, 2013) in addition to indirect facilities of LBP3.2 billion (LBP8.8 billion as at December 31, 2013). These facilities are covered by real estate mortgages and treasury bills up to LBP10.5 billion, and concession of the customer's cash inflows from projects with the public sector.

In 2013, loans and advances to customers also included loans to a related party amounting to LBP3 billion that was matured and settled during 2014.

The movement of unrealized interest on substandard and doubtful loans is as follows:

LBP'000

	2014	**2013**
Balance – beginning of year	305,992,416	253,992,437
Additions	60,966,128	53,126,725
Transfer to off-balance sheet	-	(89,765)
Write-back through profit or loss	-	(477,000)
Write-off	(27,178,041)	-
Effect of exchange rates changes	(292,402)	(559,981)
Balance - end of the year	339,488,101	305,992,416

The movement of the allowance for impairment of doubtful debts is as follows:

LBP'000

	2014	**2013**
Balance – beginning of year	19,866,831	25,925,987
Additions	107,776	209,053
Transfer to off-balance sheet	(67,251)	(140,189)
Write-back through profit or loss	(943,367)	(5,466,172)
Effect of exchange rates changes	-	(681,848)
Balance - end of the year	18,963,989	19,866,831

During 2014, one of the Bank's doubtful debts was closed resulting in a write-back of provision in the amount of LBP943 million and write-off of unrealized interest in the amount of LBP27 billion.

9. Investment securities

LBP'000

	December 31, 2014								
	Fair value through profit or loss			Amortized Cost			Fair value through other comprehensive Income		
	Balances in LBP	Balances in Foreign currencies	Total	Balances in LBP	Balances in Foreign currencies	Total	Balances in LBP	Balances in Foreign currencies	Total
Unquoted equity securities	170,000	75,375	245,375	-	-	-	-	-	-
Quoted equity securities	-	61,655	61,655	-	-	-	22,612,477	-	22,612,477
Investment fund	-	29,143,434	29,143,434	-	-	-	-	-	-
Lebanese treasury bills	-	-	-	76,890,000	-	76,890,000	-	-	-
Lebanese Government bonds	-	-	-	-	378,314,370	378,314,370	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	87,000,000	21,163,422	108,163,422	-	-	-
Corporate bonds – local bank	-	-	-	-	22,612,500	22,612,500	-	-	-
	170,000	29,280,464	29,450,464	163,890,000	422,090,292	585,980,292	22,612,477	-	22,612,477
Accrued interest receivable	-	-	-	3,492,564	5,929,084	9,421,648	-	-	-
	170,000	29,280,464	29,450,464	167,382,564	428,019,376	595,401,940	22,612,477	-	22,612,477

LBP'000

	December 31, 2013								
	Fair value through profit or loss			Amortized Cost			Fair value through other comprehensive Income		
	Balances in LBP	Balances in Foreign currencies	Total	Balances in LBP	Balances in Foreign currencies	Total	Balances in LBP	Balances in Foreign currencies	Total
Unquoted equity securities	170,000	75,375	245,375	-	-	-	-	-	-
Quoted equity securities	-	60,185	60,185	-	-	-	-	-	-
Investment fund	-	6,071,256	6,071,256	-	-	-	-	-	-
Lebanese treasury bills	-	-	-	93,050,000	-	93,050,000	-	-	-
Lebanese Government bonds	-	-	-	-	435,523,266	435,523,266	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	75,000,000	21,405,351	96,405,351	-	-	-
Corporate bonds – local bank	-	-	-	-	22,612,500	22,612,500	-	-	-
	170,000	6,206,816	6,376,816	168,050,000	479,541,117	647,591,117	-	-	-
Accrued interest receivable	-	-	-	3,858,251	6,740,631	10,598,882	-	-	-
	170,000	6,206,816	6,376,816	171,908,251	486,281,748	658,189,999	-	-	-

The movement of investment securities during 2014 and 2013 is summarized as follows:

LBP'000

	Investment securities at fair value through profit or loss	Investment securities at amortized cost	Investment securities at fair value through other comprehensive income
Balance as at January 1, 2013	6,147,702	632,845,500	-
Additions	6,028,943	73,597,500	-
Sale	(5,831,520)	-	-
Redemption upon maturity	-	(66,309,318)	-
Unrealized gain from change in fair value (Note 26)	31,691	-	-
Swap (net)	-	7,000,000	-
Amortization of discount / premium	-	(682,003)	-
Effect of exchange rates changes	-	1,139,438	-
Balance as at December 31, 2013	6,376,816	647,591,117	-
Additions	22,762,091	77,777,500	22,612,477
Redemption upon maturity	-	(142,388,250)	-
Unrealized gain from change in fair value (Note 26)	311,557	-	-
Amortization of discount / premium	-	6,155,715	-
Effect of exchange rates changes	-	(3,155,790)	-
Balance as at December 31, 2014	29,450,464	585,980,292	22,612,477

During year 2013, the Bank sold certificates of deposit in Lebanese Pound issued by the Central Bank of Lebanon maturing in year 2014 classified at amortized with a carrying amount of LBP23 billion in exchange of certificates of deposit amounting to LBP30 billion maturing on February 9, 2023. The Bank realized a gain for around LBP1.1 billion booked in the statement of profit or loss.

A. Investments at Fair Value through Profit or Loss:

LBP'000

	December 31, 2014					
	LBP			F/CY		
	Cost	Fair Value	Cumulative change in fair value	Cost	Fair Value	Cumulative change in fair value
Unquoted equity securities	170,000	170,000	-	150,750	75,375	(75,375)
Quoted equity securities	-	-	-	132,951	61,655	(71,296)
Investment Fund	-	-	-	28,833,325	29,143,434	310,109
	170,000	170,000	-	29,117,026	29,280,464	163,438

LBP'000

	December 31, 2013					
	LBP			F/CY		
	Cost	Fair Value	Cumulative change in fair value	Cost	Fair Value	Cumulative change in fair value
Unquoted equity securities	170,000	170,000	-	150,750	75,375	(75,375)
Quoted equity securities	-	-	-	132,951	60,185	(72,766)
Investment Fund	-	-	-	6,028,945	6,071,256	42,311
	170,000	170,000	-	6,312,646	6,206,816	(105,830)

During 2014, the Bank subscribed in investment funds issued by local banks amounting to LBP22.7 billion. These funds are subject to an annual return ranges between 3% to 5% of the issuing price in condition that the issuing banks have sufficient net profits to settle these returns. These securities were classified as investment securities at fair value through profit or loss under "Investment funds" section.

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B. Investment Securities at Amortized Cost:

LBP'000

	December 31, 2014					
	LBP			C/V of F/CY		
	Amortized Cost	Accrued interest receivable	Fair Value	Amortized Cost	Accrued interest receivable	Fair Value
Lebanese Government bonds	-	-	-	378,314,370	5,520,279	376,189,636
Lebanese treasury bills	76,890,000	1,524,716	77,303,495	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon	87,000,000	1,967,848	85,467,326	21,163,422	386,925	21,349,245
Corporate bonds – Local bank	-	-	-	22,612,500	21,880	22,763,250
	163,890,000	3,492,564	162,770,821	422,090,292	5,929,084	420,302,131

LBP'000

	December 31, 2013					
	LBP			C/V of F/CY		
	Amortized Cost	Accrued interest receivable	Fair Value	Amortized Cost	Accrued interest receivable	Fair Value
Lebanese Government bonds	-	-	-	435,523,266	6,331,826	434,420,318
Lebanese treasury bills	93,050,000	2,058,257	94,649,271	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon	75,000,000	1,799,994	74,433,488	21,405,351	386,925	21,922,310
Corporate bonds – Local bank	-	-	-	22,612,500	21,880	22,612,500
	168,050,000	3,858,251	169,082,759	479,541,117	6,740,631	478,955,128

Investments at amortized cost are segregated over remaining period to maturity as follows:

	December 31, 2014							
	Balances in LBP				Balances in Foreign Currency			
	Nominal value	Amortized Cost	Fair value	Average Coupon Rate	Nominal value	Amortized Cost	Fair value	Average Coupon Rate
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:								
- Up to one year	-	-	-	-	25,983,270	26,228,850	26,236,622	7.85
- 1 year to 3 years	-	-	-	-	100,132,736	100,233,777	101,890,939	7.01
- 3 years to 5 years	-	-	-	-	105,730,197	105,619,210	102,163,506	5.33
- 5 years to 10 years	-	-	-	-	138,690,000	146,232,533	145,898,569	7.19
	-	-	-	-	370,536,203	378,314,370	376,189,636	-
Corporate bonds – Local bank								
- 5 to 10 years	-	-	-	-	22,612,500	22,612,500	22,763,250	6.83
	-	-	-	-	22,612,500	22,612,500	22,763,250	-
Lebanese treasury bills:								
- Up to one year	14,890,000	14,890,000	15,217,975	6.21	-	-	-	-
- 1 year to 3 years	35,000,000	35,000,000	35,553,023	6.50	-	-	-	-
- 3 years to 5 years	18,000,000	18,000,000	18,241,902	6.96	-	-	-	-
- 5 years to 10 years	4,000,000	4,000,000	4,136,003	6.96	-	-	-	-
- Above 10 years	5,000,000	5,000,000	4,154,592	8.74	-	-	-	-
	76,890,000	76,890,000	77,303,495	-	-	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon:								
- Up to one year	-	-	-	-	21,105,000	21,163,422	21,349,245	10.00
- 1 year to 3 years	4,000,000	4,000,000	4,206,547	7.90	-	-	-	-
- 3 years to 5 years	73,000,000	73,000,000	73,997,408	8.23	-	-	-	-
- 5 years to 10 years	10,000,000	10,000,000	7,263,371	8.48	-	-	-	-
	87,000,000	87,000,000	85,467,326	-	21,105,000	21,163,422	21,349,245	-
Grand Total	163,890,000	163,890,000	162,770,821	-	414,253,703	422,090,292	420,302,131	-

	December 31, 2013							
	Balances in LBP				Balances in Foreign Currency			
	Nominal value	Amortized Cost	Fair value	Average Coupon Rate	Nominal value	Amortized Cost	Fair value	Average Coupon Rate
	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:								
- Up to one year	-	-	-	-	116,228,250	116,233,261	116,530,230	7.75
- 1 year to 3 years	-	-	-	-	68,193,270	69,060,485	66,333,085	5.93
- 3 years to 5 years	-	-	-	-	120,829,973	120,829,973	122,247,008	6.88
- 5 years to 10 years	-	-	-	-	128,891,250	129,399,547	129,309,995	6.11
	-	-	-	-	434,142,743	435,523,266	434,420,318	-
Corporate bonds – Local bank								
- 5 to 10 years	-	-	-	-	22,612,500	22,612,500	22,612,500	6.83
	-	-	-	-	22,612,500	22,612,500	22,612,500	-
Lebanese treasury bills:								
- Up to one year	26,160,000	26,160,000	27,178,288	7.64	-	-	-	-
- 1 year to 3 years	21,890,000	21,890,000	22,293,490	6.20	-	-	-	-
- 3 years to 5 years	34,000,000	34,000,000	34,167,671	6.61	-	-	-	-
- 5 years to 10 years	6,000,000	6,000,000	6,043,753	7.85	-	-	-	-
- Above 10 years	5,000,000	5,000,000	4,966,069	8.74	-	-	-	-
	93,050,000	93,050,000	94,649,271	-	-	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon:								
- 1 year to 3 years	-	-	-	-	21,105,000	21,405,351	21,922,310	10
- 3 years to 5 years	4,000,000	4,000,000	4,191,758	7.9	-	-	-	-
- 5 years to 10 years	71,000,000	71,000,000	70,241,730	8.24	-	-	-	-
	75,000,000	75,000,000	74,433,488	-	21,105,000	21,405,351	21,922,310	-
Grand Total	168,050,000	168,050,000	169,082,759	-	477,860,243	479,541,117	478,955,128	-

(c) Investment Securities at far value through other comprehensive income

During 2014, the Bank has acquired priority shares issued by a local bank in the aggregate amount of LBP22.6 billion (USD15 million). These shares earn an annual dividends of 4% of the issue price provided there are enough declared net profits for the issued bank to allow the payment of such dividends.

10. Customers' liability under acceptances

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

11. Assets acquired in satisfaction of loans

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these assets should be liquidated within 2 years from the Central Bank approval acquisition date. In case of default of liquidation, the Bank should appropriate a special reserve from the yearly net profits over a period of 5 years. This statutory reserve is recorded under "Reserves" in shareholders' equity (Note 22).

A recent appraisal made by an independent expert, shows that the fair value of these assets exceeds its book value.

LBP'000

	December 31	
	2014	2013
Foreclosed assets acquired in satisfaction of loans	5,889,955	5,871,227

12. Property and equipment

LBP'000

	Property and buildings	Office and computer equipment	Furniture and fixtures	Vehicles	Leasehold Improvements	Advance Payments	Total
Cost:							
Balance – January 1, 2013	6,864,364	2,606,752	2,293,535	465,355	5,868,913	121,000	18,219,919
Additions	-	99,933	135,717	3,015	-	117,000	355,665
Transfers	-	-	33,000	-	92,689	(179,863)	(54,174)
Disposals	-	-	(1,311)	-	-	-	(1,311)
Balance - December 31, 2013	6,864,364	2,706,685	2,460,941	468,370	5,961,602	58,137	18,520,099
Additions	-	97,995	11,447	132,170	58,137	54,926	354,675
Disposals	(360,198)	(12,814)	-	(91,962)	-	-	(464,974)
Balance - December 31, 2014	6,504,166	2,791,866	2,472,388	508,578	6,019,739	113,063	18,409,800
Accumulated depreciation:							
Balance – January 1, 2013	(1,897,179)	(2,300,381)	(1,707,032)	(376,168)	(3,638,343)	-	(9,919,103)
Depreciation charge	(137,287)	(121,326)	(86,797)	(35,903)	(333,591)	-	(714,904)
Balance - December 31, 2013	(2,034,466)	(2,421,707)	(1,793,829)	(412,071)	(3,971,934)	-	(10,634,007)
Depreciation charge	(133,685)	(118,768)	(89,097)	(47,123)	(338,694)	-	(727,367)
Disposals	119,466	12,814	-	91,962	-	-	224,242
Balance - December 31, 2014	(2,048,685)	(2,527,661)	(1,882,926)	(367,232)	(4,310,628)	-	(11,137,132)
Net Book Value:							
Balance - December 31, 2014	4,455,481	264,205	589,462	141,346	1,709,111	113,063	7,272,668
Balance - December 31, 2013	4,829,898	284,978	667,112	56,299	1,989,668	58,137	7,886,092

During 2014, the Bank sold plot number 5023 in Msaytbeh which resulted a gain of LBP1.1 billion recorded under other operating income.

13. Intangible assets

LBP'000

	Computer Software
Cost:	
Balance, January 1, 2013	1,067,843
Additions	263,401
Transfer from property and equipment	54,174
Balance, December 31, 2013	1,385,418
Additions	107,100
Balance, December 31, 2014	1,492,518
Accumulated Depreciation:	
Balance, January 1, 2013	756,364
Amortization for the year	113,579
Balance, December 31, 2013	869,943
Amortization for the year	152,121
Balance, December 31, 2014	1,022,064
Carrying Value:	
Balance, December 31, 2014	470,454
Balance, December 31, 2013	515,475

14. Other assets

LBP'000

	December 31	
	2014	**2013**
Receivables from the National Social Security Fund	367,959	414,142
Prepaid expenses	260,594	213,412
Receivable from the Ministry of Finance	74,746	74,746
Sundry debtors	432,283	440,469
	1,135,582	1,142,769

15. Deposits from a central bank

This caption consists of deposits from foreign central bank – the ultimate parent company.

LBP'000

	December 31	
	2014	**2013**
Demanda deposits	13,235,703	9,047,288
Term deposits	75,375,000	75,375,000
Accrued interest payable	5,394	7,839
	88,616,097	84,430,127

16. Deposits from banks and financial institutions

LBP'000

	December 31	
	2014	2013
Current accounts	48,303,645	37,974,211
Term deposits	51,830,070	186,372,794
Accrued interest payable	51,129	172,415
	100,184,844	224,519,420

17. Deposits from the parent, sister and other related banks

LBP'000

	December 31	
	2014	2013
Current accounts:		
Sister banks	277,105	40,896
Parent bank	237,309	1,061,842
	514,414	1,102,738
Term deposits:		
Sister banks	4,522,500	61,807,500
Parent bank	566,074,737	446,069,250
	570,597,237	507,876,750
Cash margin with parent bank	5,862,849	5,803,855
Accrued interest payable	665,675	577,895
	577,640,175	515,361,238

Term deposits from parent and sister banks have the following maturities:

	December 31, 2014		December 31, 2013	
	Accounts In F / CY	Average Interest Rate	Accounts In F / CY	Average Interest Rate
	LBP'000	%	LBP'000	%
First quarter of 2014	-	-	507,876,750	0.45
First quarter of 2015	570,597,237	0.49	-	-
	570,597,237		507,876,750	

18. Customers' deposits

LBP'000

	December 31, 2014		
	LBP	F / CY	Total
Deposits from customers:			
Current/demand deposits	3,052,981	6,978,147	10,031,128
Term deposits	99,114,170	188,114,628	287,228,798
Collateral against loans and advances	1,212,162	88,371	1,300,533
	103,379,313	195,181,146	298,560,459
Margins and other accounts:			
Margins on letters of guarantee	-	2,128,486	2,128,486
Accrued interest payable	30,809	807,917	838,726
Total	103,410,122	198,117,549	301,527,671

LBP'000

	December 31, 2014		
	LBP	F / CY	Total
Deposits from customers:			
Current/demand deposits	723,132	5,387,141	6,110,273
Term deposits	104,584,412	193,860,938	298,445,350
Collateral against loans and advances	1,305,702	19,689,339	20,995,041
	106,613,246	218,937,418	325,550,664
Margins and other accounts:			
Margins on letters of guarantee	-	4,627,861	4,627,861
Accrued interest payable	178,680	761,162	939,842
Total	106,791,926	224,326,441	331,118,367

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

	December 31, 2014					
	LBP			F/CY		
	No. of Customers	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	Total
		LBP'000	%	LBP'000	%	LBP'000
Less than LBP 250 million	1,651	28,054,204	27	16,588,872	8	44,643,076
Between LBP 250 million and LBP 1,5 billion	134	53,441,405	52	21,433,879	11	74,875,284
Above LBP 1,5 billion	26	21,914,513	21	160,094,798	81	182,009,311
	1,811	103,410,122	100	198,117,549	100	301,527,671

	December 31, 2014					
	LBP			F/CY		
	No. of Customers	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	Total
		LBP'000	%	LBP'000	%	LBP'000
Less than LBP 250 million	1,677	27,565,170	26	15,559,220	7	43,124,390
Between LBP 250 million and LBP 1,5 billion	131	51,157,649	48	20,191,713	9	71,349,362
Above LBP 1,5 billion	27	28,069,107	26	188,575,508	84	216,644,615
	1,835	106,791,926	100	224,326,441	100	331,118,367

Customers' deposits at December 31, 2014 include coded deposit accounts in the aggregate of LBP216 million (LBP548 million in 2013). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which stipulates that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its Bank's independent auditors.

Customers' deposits include related party deposits in the amount of LBP7.3 billion at December 31, 2014 (LBP5.57 billion in 2013).

19. Other liabilities

LBP'000

	December 31	
	2014	2013
Provision for income tax	4,462,293	4,724,215
Payment orders	-	19,891,175
Withheld taxes payable	636,470	503,332
Accrued charges	411,609	692,769
Due to the National Social Security Fund	190,000	175,000
Payable to personnel	23,635	20,569
Sundry payables	341,387	208,495
	6,065,394	26,215,555

Payment orders represent transfers to foreign banks settled at the beginning of year 2014.

Provision for income tax as of December 31, 2014 is presented net of amounts paid in advance and deducted at source on certain interest income amounting to LBP628 million (LBP531 million in 2013).

During 2014, the tax returns for the year 2009 till 2012 were reviewed by the tax authorities. Subsequent to the financial position date the Bank was charged additional taxes and penalties which were settled from the provision of income tax account.

The tax returns for the years 2013 to 2014 are still subject for review and final assessment by the tax authorities.

20. Provisions

Provisions consist of the following:

LBP'000

	December 31	
	2014	2013
Provision for employees' end-of-service indemnity	4,829,689	4,270,124
Provision for loss on fixed foreign currency position	169,000	169,000
	4,998,689	4,439,124

The movement of the provision for employees' end-of-service indemnity is summarized as follows:

LBP'000

	2014	2013
Balance – beginning of year	4,270,124	4,402,501
Additions (Note 27)	854,206	338,275
Settlements	(294,641)	(470,652)
Balance - end of the year	4,829,689	4,270,124

21. Share capital

At December 31, 2014 and 2013, the Bank's authorized ordinary share capital amounted to LBP15,000million consisting of 300,000 fully paid shares of LBP50,000 par value each.

Cash contribution to capital amounting to LBP148billion as at December 31, 2014 and 2013, represents funds injected by the bank's shareholders in order to promote, support and develop the activities of the Bank. These contributions are not subject to interest. According to local banking regulations, cash contribution to capital is considered as a core capital ratio in terms of calculating Bank's solvency.

As at 2014 year-end, the Bank has a fixed exchange position in the amount of USD3.5million, authorized by the Central Bank of Lebanon, to hedge its equity against exchange fluctuations within the limit of 60% of equity denominated in Lebanese Pound.

In its meeting held on May 12, 2014, the Ordinary General Assembly resolved to distribute dividends to shareholders of LBP9 billion (LBP7.5 billion in 2013).

22. Reserves not available for distribution

LBP'000

	December 31	
	2014	2013
Legal reserve (a)	12,153,082	9,834,293
Reserve for general banking risks (b)	23,326,630	19,061,354
Special reserve (c)	11,914,974	13,587,566
Regulatory reserve for assets acquired in satisfaction of loans (Note 11)	4,706,221	3,527,356
	52,100,907	46,010,569

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of annual net profit. This reserve is not available for distribution. The Bank's General Assembly held on May 12, 2014 resolved to appropriate an amount of LBP2.319 million from the net profit of 2013.

(b) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil annually and a maximum of 3 per mil of the total risk weighted assets, off-balance-sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end, on condition that the cumulative rate should not be less than 1.25% at the end of the tenth financial year, (starting from year 1998, i.e. 2007) and 2% at the end of the 20th year. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the total risk weighted assets and off-balance-sheet items. This reserve is not available for distribution, and is used to cover any annual or unpredicted losses after being communicated and approved by the Banking Central Commission. The Bank's General Assembly held on May 12, 2014 resolved to appropriate an amount of LBP4.265 million from the net profit of 2013.

(c) This special reserve is made in connection with the uncovered portion of doubtful debts and impaired loans subject of item No.4 of Article II of basic decision No. 7694 and Central Bank intermediary circular No. 209.

23. Interest income

LBP'000

	Year Ended December 31	
	2014	2013
Interest income from:		
Deposits with the Central Bank of Lebanon	1,932,367	983,390
Deposits with banks and financial institutions	6,061,299	6,217,148
Loans and advances to customers	977,904	2,535,203
Investment securities at amortized cost	40,204,296	43,332,166
	49,175,866	53,067,907

Refer to Note 31 for interest income from related parties.

24. Interest expense

LBP'000

	Year Ended December 31	
	2014	2013
Interest expense on:		
Deposits from banks and financial institutions	3,686,045	4,318,139
Deposits from customers	11,519,305	11,346,700
Deposits from related parties	271,778	106,695
	15,477,128	15,771,534

Refer to Note 31 for interest expense from related parties.

25. Fee and commission income

LBP'000

	Year Ended December 31	
	2014	2013
Commission on documentary credits and guarantees	5,653,966	2,007,824
Commission on banking operations	272,606	407,087
Fees and commission on credit facilities	64,936	214,548
	5,991,508	2,629,459

26. Net gains on investment securities at fair value through profit or loss

LBP'000

	Year Ended December 31	
	2014	2013
Dividends income	205,990	180,366
Net realized losses	-	(111,179)
Unrealized gain/(losses)	311,557	31,691
	517,547	100,878

27. Salaries and related charges

LBP'000

	Year Ended December 31	
	2014	2013
Salaries	8,086,629	8,252,593
Vacation and other staff benefits	1,616,403	1,631,628
Provision for employees' end-of-service indemnity	854,206	338,275
Social Security contributions	938,809	952,909
Insurance expenses	567,452	594,109
School allowance	431,650	586,489
Transportation	285,165	292,082
	12,780,314	12,648,085

28. General and administrative expenses

LBP'000

	Year Ended December 31	
	2014	2013
Directors' remunerations attendance fees and representation allowances	1,470,566	1,277,606
Travel expenses	159,105	205,641
Maintenance and repairs	470,959	392,816
Professional fees	606,084	560,221
Water electricity and telecommunication	366,697	474,462
Rent	754,060	753,581
Municipality and other taxes	276,410	89,830
Subscription	562,346	529,654
Insurance	152,640	124,007
Other operating expenses	659,687	813,888
	5,478,554	5,221,706

29. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of the following:

LBP'000

	Year Ended December 31	
	2014	2013
Cash and deposits with Central Bank (net of compulsory reserve)	128,738,952	117,297,486
Term deposits with banks and financial institutions (a)	253,891,723	125,761,522
Term deposits with parent bank, sister and related banks (a)	30,086,130	1,715,014
	412,716,805	244,774,022

(a) Term deposits with banks comprise balances with original maturities of 90 days or less.

30. Financial instruments with off-balance-sheet risks

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

31. Balances and transactions with related parties

In the ordinary course of its activities, the Bank conducts transactions with related parties including shareholders, directors and related companies.

The size of these related-party transactions and outstanding balances at year-end, and relating expense and income for the year are as follows:

(a) Deposits with related banks and financial institutions (Note 6)

LBP'000

	December 31	
	2014	2013
Current accounts	549,862	327,191
Term deposits	50,501,250	28,642,500
Accrued interest receivable	24,044	35,661
	51,075,156	29,005,352

(b) Deposits with parent sister and other related banks (Note 7)

LBP'000

	December 31	
	2014	2013
Current accounts:		
Sister banks	1,663,653	1,439,816
Parent bank	528,444	275,199
	2,192,097	1,715,015

(c) Loans and advances to related parties (Note 7)

LBP'000

	December 31	
	2014	2013
Related companies	-	3,029,844

(d) Deposits from a central bank (Foreign Central Bank Ultimate parent company) (Note 15)

LBP'000

	December 31	
	2014	2013
Current accounts	13,235,703	9,047,288
Term deposits	75,375,000	75,375,000
Accrued interest payable	5,394	7,839
	88,616,097	84,430,127

(e) Deposits from parent sister and other related banks (Note 17)

LBP'000

	December 31	
	2014	2013
Current accounts:		
Sister banks	277,105	40,896
Parent bank	237,309	1,061,842
	514,414	1,102,738
Term deposits:		
Sister banks	4,522,500	61,807,500
Parent bank	566,074,737	446,069,250
	570,597,237	507,876,750
Cash margin with parent bank	5,862,849	5,803,855
Accrued interest payable	665,675	577,895
	577,640,175	515,361,238

(f) Customers' deposits (Note 18)

LBP'000

	December 31	
	2014	2013
Customers' deposits – related parties	7,229,609	5,567,552

(g) Interest income and expense:

Interest income are broken-down as follows:

LBP'000

	Year Ended December 31	
	2014	2013
Interest income on:		
Deposits with related banks and financial institutions	81,275	56,000
Deposits with parent, sister and other related banks	-	36,571
Loans and advances to related companies	38,678	69,582
	119,953	162,153
Interest expense on:		
Deposits from foreign Central Bank (ultimate parent company)	268,025	113,268
Deposits from parent, sister and other related banks	2,736,354	2,461,000
Customers' deposits - related parties	271,778	106,695
	3,121,400	2,835,720

(h) Board of directors remunerations (Note 28)

LBP'000

	Year Ended December 31	
	2014	2013
Board of directors remunerations representation and attendance fees	1,470,566	1,277,606

32. Financial risk management

Risk Management Framework

The Bank is exposed to different types of risk mainly credit risk, liquidity risk, operational risk and market risk. These risks are inherent in the Bank's activities but are managed through an ongoing process of identification, measurement, monitoring and mitigation.

The Board of Directors, the Risk Management Committee and the Risk Management Division are responsible for overseeing the Bank's risks, while the Internal Audit Department has the responsibility independently to monitor the implemented risk management process to ensure adequacy and effectiveness of the risk control procedures.

The Risk Management Division ensures that the capital is adequate to cover all types of risks that the Bank is exposed to and monitors compliance with risk management policies, procedures and lending limits. The Bank assesses its risk profile to ensure that it is in line with the bank's risk strategy and goals. The Board of Directors receives quarterly risk reports on the Bank's risk profile and capital management process.

Credit Risk

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

Management of credit risk mainly includes:

- Identifying credit risk through implementing credit processes related to credit origination, analysis, approval and review.
- Measuring credit risk by ensuring that it is within the limits set by the Bank and the related authorities in addition to the assessment of guarantees taken.

The Bank manages the level of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower, and/or groups of related borrowers and to geographical and industry segments without exceeding limits of the facilities set by the local Bank's regulations. Such risk is monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposures to any one borrower including banks are further restricted by sub-limits covering on and off-financial position exposures. Actual exposures against limits are monitored on a regular basis.

The principal collateral types for loans and advances consist of mortgages over real estate properties and bank guarantees. The Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

The Bank enters into netting arrangements with counterparties having a significant volume of transactions in order to restrict its exposure to credit losses. These arrangements do not generally result in an offset of assets and liabilities in the statement of financial position.

Measurement of Credit Risk

Loans and advances to customers

In measuring credit risk of loans and advances, the Bank considers the following:

- Ability of the counterparty to honor its contractual obligations based on the account's performance, recurring overdues and related reasons, the counterparty's financial position and effect thereto of the economic environment and market conditions;
- Exposure levels of the counterparty and unutilized credit limits granted;
- Exposure levels of the counterparty with other banks;
- Purpose of the credit facilities granted to the counterparty and conformity of utilization by the counterparty.

In accordance with Central Bank of Lebanon circular No.58 the loans and advances to customers are classified into six classifications as described below:

Classification	Description	
1	Standard monitoring	Indicates that borrowers are certainly able to honor their commitments. Some of the indicators related to this category are: continuous cash inflows, and availability of updated financial statements.
2	Follow up	Indicates that borrowers have an adequate ability to honor their commitments. Major characteristics of this category are inadequate documentation regarding borrower's activity and declining profitability.

3	Special mention	Indicates that borrowers are still able to honor their commitments with the existence of some weaknesses that may reduce ability to settle. Some indicators related to this category are delayed payments (60 to 90 days), decline in profitability and cash flows, excess over limit of more than 10%, more than one time debt rescheduling and borrower highly relying on leverage and rising conflict among shareholders.
4	Substandard	Indicates that borrowers› ability to serve their commitments is in question and depending on the improvement of financial and economic conditions on the liquidation of available collateral. The main characteristics of this category are repetitive overdues between 90 and 180 days, inability to cover interest payments for more than 6 months, remarkable decrease in cash flows and losses incurred for over three consecutive years. In this case, the Bank considers interests and commissions as unrealized but does not establish an allowance for impairment.
5	Doubtful	Indicates that Bank may not be able to recover loan in full. Major indicators are no movement for over six months and borrower is unable to settle rescheduled commitments. In this case, the Bank considers interests and commissions as unrealized and established an allowance for impairment accordingly.
6	Bad	Indicates that commitments cannot be recovered. Some signals of this category would be inexistence of collateral low value of collateral and / or, losing contact with the borrower. In this case, the bank considers interests and commissions as unrealized, ceases their accumulation, and provides the whole amount of the exposure's balance.

The Bank adopted a risk-rating system (RCMS) to provide the ability to assess the risk of customers, and is used as a practical tool during all phases of the granting facility in the Bank.

The system approved by the Board of Directors aims to rate the risk of individual institutions, small businesses and medium-sized businesses, trading companies and new projects according to a special classification (Loan Grading System), mainly in terms of identifying the risk of the portfolio of loans and advances as loans and advances granted are assessed according to the six rating classes as follows:

- 7 classes to rate performing loans;
- 3 classes to rate non-performing loans.

Debt investment securities and other bills

The risk of the debt instruments included in the investment portfolio at amortized cost relates mainly to sovereign risk (including Central bank of Lebanon) to the extent of 96% in 2014 and 2013.

Concentration of credit risk by geographical location:

The Bank distributes exposures to geographical segments based on the original country of the contracting party as follows:

LBP'000

	December 31, 2014					
	Lebanon	**Arab countries**	**Africa**	**Europe**	**Other**	**Total**
Financial Assets						
Cash and Central Bank	222,893,129	-	-	-	-	222,893,129
Deposits with banks and financial institutions	297,945,165	2,358,145	-	108,136,212	44,928,728	453,368,250
Deposits with parent, sister and other related banks	-	-	528,444	1,663,653	-	2,192,097
Loans and advances to customers	22,337,057	13	-	-	-	22,337,070
Investment securities at fair value through profit or loss	29,375,089	75,375	-	-	-	29,450,464
Investment securities at fair value through other comprehensive income	22,612,477	-	-	-	-	22,612,477
Investment securities at amortized cost	595,401,940	-	-	-	-	595,401,940
Customers' liability under acceptances	-	264,994	-	-	-	264,994
	1,190,564,857	2,698,527	528,444	109,799,865	44,928,728	1,348,520,421
Off-balance sheet items						
Letters of guarantee and standby letters of credit	65,211,851	1,354,142	-	-	75,475	66,641,468
Letters of credit – import	-	2,310,901	-	-	-	2,310,901
Letters of credit - export confirmed	-	41,492,864	-	-	-	41,492,864
	65,211,851	45,157,907	-	-	75,475	110,445,233

LBP'000

	December 31, 2013					
	Lebanon	Arab countries	Africa	Europe	Other	Total
Financial Assets						
Cash and Central Bank	211,578,905	-	-	-	-	211,578,905
Deposits with banks and financial institutions	292,069,083	146,598	245,306	204,615,133	24,053,709	521,129,829
Deposits with parent, sister and other related banks	-	-	275,199	1,439,815	-	1,715,014
Loans and advances to customers	43,373,946	-	-	-	3,029,845	46,403,791
Investment securities at fair value through profit or loss	6,031,441	75,375	-	-	-	6,376,816
Investment securities at amortized cost	658,189,999	-	-	-	-	658,189,999
Customers' liability under acceptances	-	-	1,605,505	-	-	1,605,505
	1,211,513,374	221,973	2,126,010	206,054,948	27,083,554	1,466,999,859
Off-balance sheet items						
Letters of guarantee and standby letters of credit	50,002,766	3,184,296	-	-	54,822	53,241,884
Letters of credit – import	-	3,434,288	-	-	-	3,434,288
Letters of credit - export confirmed	-	36,906,535	-	-	-	36,906,535
	50,002,766	43,525,119	-	-	54,822	93,582,707

Concentration of credit risk by industry or sector:

LBP'000

	December 31, 2014							
	Sovereign Risk	Financial Institutions	Manufacturing	Construction	Trading	Other	Individual	Total
Financial Assets								
Cash and Central Bank	222,893,129	-	-	-	-	-	-	222,893,129
Deposits with banks and financial institutions	-	453,368,250	-	-	-	-	-	453,368,250
Deposits with parent, sister and other related banks	-	2,192,097	-	-	-	-	-	2,192,097
Loans and advances to customers	-	17,674	5,339,630	5,903,975	5,802,684	837,516	4,435,591	22,337,070
Investment securities at fair value through profit or loss	-	29,388,809	-	61,655	-	-	-	29,450,464
Investment securities at fair value through other comprehensive income	-	22,612,477	-	-	-	-	-	22,612,477
Investment securities at amortized cost	572,767,560	22,634,380	-	-	-	-	-	595,401,940
Customers' liability under acceptances	-	264,994	-	-	-	-	-	264,994
	795,660,689	530,478,681	5,339,630	5,965,630	5,802,684	837,516	4,435,591	1,348,520,421
Off-balance sheet items								
Letters of guarantee and standby letters of credit	-	61,379,750	1,034,250	3,232,730	47,033	121,831	825,874	66,641,468
Letters of credit – import	-	-	1,423,240	-	887,661	-	-	2,310,901
Letters of credit - export confirmed	-	41,492,864	-	-	-	-	-	41,492,864
	-	102,872,614	2,457,490	3,232,730	934,694	121,831	825,874	110,445,233

LBP'000

	December 31, 2013							
	Sovereign Risk	Financial Institutions	Manufacturing	Construction	Trading	Other	Individual	Total
Financial Assets								
Cash and Central Bank	211,578,905	-	-	-	-	-	-	211,578,905
Deposits with banks and financial institutions	-	521,129,829	-	-	-	-	-	521,129,829
Deposits with parent, sister and other related banks	-	1,715,014	-	-	-	-	-	1,715,014
Loans and advances to customers	-	3,069,339	5,786,388	25,363,256	5,591,549	1,083,298	5,509,961	46,403,791
Investment securities at fair value through profit or loss	-	6,316,631	-	60,185	-	-	-	6,376,816
Investment securities at amortized cost	635,555,619	22,634,380	-	-	-	-	-	658,189,999
Customers' liability under acceptances	-	1,605,505	-	-	-	-	-	1,605,505
	847,134,524	556,470,698	5,786,388	25,423,441	5,591,549	1,083,298	5,509,961	1,446,999,859
Off-balance sheet items								
Letters of guarantee and standby letters of credit	-	40,441,817	1,064,582	8,903,510	1,816,704	-	1,015,271	53,241,884
Letters of credit – import	-	-	-	425,000	3,009,288	-	-	3,434,288
Letters of credit - export confirmed	-	-	571,000	33,290,535	3,045,000	-	-	36,906,535
	-	40,441,817	1,635,582	42,619,045	7,870,992	-	1,015,271	93,582,707

Guarantees held against loans and advances to customers:

LBP'000

	December 31, 2014						
				Value of Collateral Received			
	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Pledged Funds	First degree Mortgage on Properties	Personal Guarantees	Total Guarantees
Performing Loans:							
Retail	2,611,607	-	2,611,607	1,300,533	4,037,840	1,691,170	7,029,543
Housing Loans	2,700,464	-	2,700,464	-	3,399,413	-	3,399,413
Performing Loans - Corporate:							
Corporate	3,985,260	-	3,985,260	-	12,587,625	-	12,587,625
Small and medium enterprises	1,339,749	-	1,339,749	-	3,860,227	63,003	3,923,230
Doubtful and bad debts	30,663,979	(18,956,451)	11,707,528	-	38,534,715	-	38,534,715
Collective provision	-	(7,538)	(7,538)	-	-	-	-
	41,301,059	(18,963,989)	22,337,070	1,300,533	62,419,820	1,754,173	65,474,526

LBP'000

	December 31, 2013						
				Value of Collateral Received			
	Gross Exposure Net of Unrealized Interest	Allowance for Impairment	Net Exposure	Pledged Funds	First degree Mortgage on Properties	Personal Guarantees	Total Guarantees
Performing Loans:							
Retail	2,629,246	-	2,629,246	1,083,904	1,291,927	1,375,115	3,750,946
Housing Loans	3,284,435	-	3,284,435	-	3,354,188	-	3,354,188
Performing Loans - Corporate:							
Corporate	26,707,524	-	26,707,524	19,743,426	12,587,625	-	32,331,051
Small and medium enterprises	2,068,187	-	2,068,187	167,711	4,684,078	89,298	4,941,087
Doubtful and bad debts	31,581,230	(19,866,831)	11,714,399	-	42,303,465	-	42,303,465
	66,270,622	(19,866,831)	46,403,791	20,995,041	64,221,283	1,464,413	86,680,737

Market Risks

Market risk is defined as the risk of losses in on and off-financial position, arising from adverse movements in market prices. The risks subject to Market Risk include: Interest Rate Risk and Foreign Exchange Risk.

Foreign Exchange risk

Foreign exchange risk arises from the exposure on banking assets and liabilities, denominated in foreign currencies.

LBP'000

	December 31, 2014					
	LBP	**USD**	**GBP**	**Euro**	**Other**	**Total**
Assets						
Cash and Central Bank	33,093,800	189,035,792	67,976	695,561	-	222,893,129
Deposits with banks and financial institutions	574,283	408,469,309	305,961	42,209,157	1,809,540	453,368,250
Deposits with the parent sister and other related banks	-	1,175,314	450,894	512,555	53,334	2,192,097
Loans and advances to customers	1,069,238	21,267,832	-	-	-	22,337,070
Investment securities at fair value through profit or loss	170,00	29,280,464	-	-	-	29,450,464
Investment securities at amortized cost	167,382,564	403,875,955	-	24,143,421	-	595,401,940
Investment securities at fair value throug other comprehensive income	-	22,612,477	-	-	-	22,612,477
Customers' liability under acceptances	-	-	-	264,994	-	264,994
Assets acquired in satisfaction of loans	5,889,955	-	-	-	-	5,889,955
Property and equipment	7,272,668	-	-	-	-	7,272,668
Intangible assets	470,454	-	-	-	-	470,454
Other assets	1,135,582	-	-	-	-	1,135,582
Total assets	217,058,544	1,075,717,143	824,831	67,825,688	1,862,874	1,363,289,080
Liabilities						
Deposits from a Central Bank	-	82,985,725	-	5,630,372	-	88,616,097
Deposits from banks and financial institutions	-	60,365,519	112,484	39,696,214	10,627	100,184,844
Deposits form the parent sister and other related banks	-	577,401,246	-	238,929	-	577,640,175
Customers' deposits	103,410,122	173,717,799	670,792	21,946,926	1,782,032	301,527,671
Liability under acceptances	-	-	-	264,994	-	264,994
Other liablities	5,475,507	589,457	-	-	430	6,065,394
Provisions	4,003,819	994,870	-	-	-	4,998,689
Total liabilities	112,889,448	896,054,616	783,276	67,777,435	1,793,089	1,079,297,864
Net assets	104,169,096	179,662,527	41,555	48,253	69,785	283,991,216

LBP'000

	December 31, 2013					
	LBP	USD	GBP	Euro	Other	Total
Assets						
Cash and Central Bank	24,634,924	165,606,596	71,155	21,266,230	-	211,578,905
Deposits with banks and financial institutions	106,569	421,364,741	1,116,202	96,634,227	1,908,090	521,129,829
Deposits with the parent sister and other related banks	-	687,852	297,627	713,475	16,060	1,715,014
Loans and advances to customers	913,129	45,490,662	-	-	-	46,403,791
Investment securities at fair value through profit or loss	170,000	6,206,816	-	-	-	6,376,816
Investment securities at amortized cost	171,908,251	458,966,811	-	27,314,937	-	658,189,999
Customers' liability under acceptances	-	706,092	-	899,413	-	1,605,505
Assets acquired in satisfaction of loans	5,871,227	-	-	-	-	5,871,227
Property and equipment	7,886,092	-	-	-	-	7,886,092
Intangible assets	515,475	-	-	-	-	515,475
Other assets	1,142,769	-	-	-	-	1,142,769
Total assets	213,148,436	1,099,029,570	1,484,984	146,828,282	1,924,150	1,462,415,422
Liabilities						
Deposits from a Central Bank	-	79,944,906	-	4,485,221	-	84,430,127
Deposits from banks and financial institutions	-	125,780,503	65,915	98,661,212	11,790	224,519,420
Deposits form the parent sister and other related banks	-	515,211,511	-	149,727	-	515,361,238
Customers' deposits	106,791,925	191,521,574	1,419,069	29,553,503	1,832,296	331,118,367
Liability under acceptances	-	706,092	-	899,413	-	1,605,505
Other liablities	5,746,252	7,449,415	-	13,019,448	440	26,215,555
Provisions	3,781,358	657,766	-	-	-	4,439,124
Total liabilities	116,319,535	921,271,767	1,484,984	146,768,524	1,844,526	1,187,689,336
Net assets	96,828,901	177,757,803	-	59,758	79,624	274,726,086

Interest rate risk

Interest rate risk of the banking portfolio is mainly managed through continuous monitoring of the interest rate repricing gap.

Exposure to Interest rate risk

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

LBP'000

	December 31, 2014						
	Not subject to Interest	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Assets							
Cash and Central Bank	27,226,379	95,194,927	72,407,198	175,875	12,813,750	15,075,000	222,893,129
Deposits with banks and financial institutions	24,691,863	288,036,350	92,075,839	48,564,198	-	-	453,368,250
Deposits with the parent sister and other related banks	2,192,097	-	-	-	-	-	2,192,097
Loans and advances to customers	15,718,284	3,678,225	3,942	155,813	2,780,806	-	22,337,070
Investment securities at fair value through profit or loss	29,450,464	-	-	-	-	-	29,450,464
Investment securities at amortized cost	-	9,442,890	2,043,890	52,320,984	266,314,252	265,279,924	595,401,940
Investment securities at fair value through other comprehensive income	22,612,477	-	-	-	-	-	22,612,477
	121,891,564	396,352,392	166,530,869	101,216,870	281,908,808	280,354,924	1,348,255,427
Financial Liabilities							
Deposits from a Central Bank	13,235,703	52,764,922	22,615,402	-	-	-	88,616,097
Deposits from banks and financial institutions	48,303,645	16,934,516	7,547,466	27,399,217	-	-	100,184,844
Deposits form the parent sister and other related banks	514,414	352,956,654	224,169,107	-	-	-	577,640,175
Customers' deposits	39,517,387	225,623,130	16,343,627	20,043,527	-	-	301,527,671
	101,571,149	648,279,292	270,675,602	47,442,744	-	-	1,067,968,787

LBP'000

	December 31, 2013						
	Not subject to Interest	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Assets							
Cash and Central Bank	25,467,517	121,250,231	49,784,292	15,076,865	-	-	211,578,905
Deposits with banks and financial institutions	53,525,204	144,986,728	139,170,153	183,447,744	-	-	521,129,829
Deposits with the parent sister and other related banks	1,715,014	-	-	-	-	-	1,715,014
Loans and advances to customers	11,721,959	27,537,101	62,948	3,173,165	3,908,618	-	46,403,791
Investment securities at fair value through profit or loss	6,376,816	-	-	-	-	-	6,376,816
Investment securities at amortized cost	-	5,143,550	2,043,560	137,723,042	275,762,093	237,517,754	658,189,999
	98,806,510	298,917,610	191,060,953	339,420,816	279,670,711	237,517,754	1,445,394,354
Financial Liabilities							
Deposits from a Central Bank	9,047,288	75,382,839	-	-	-	-	84,430,127
Deposits from banks and financial institutions	37,974,211	37,187,469	68,243,007	81,114,733	-	-	224,519,420
Deposits form the parent sister and other related banks	1,102,738	308,159,224	191,024,276	15,075,000	-	-	515,361,238
Customers' deposits	48,399,831	198,009,697	45,570,892	39,137,947	-	-	331,118,367
	96,524,068	618,739,229	304,838,175	135,327,680	-	-	1,155,429,152

Liquidity Risk

Liquidity risk is the risk of being unable to meet net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To face this risk, management distributes its sources of funding and manage its assets according to a cash policy that seeks to preserve an adequate liquidity balance and financial instruments than can be readily liquidated in the financial market.

Financial liabilities based on the earliest possible contractual maturity:

LBP'000

	December 31, 2014		
	Up to 3 months	3 months to 1 year	Total
Financial liabilities			
Deposits from a central bank	88,616,097	-	88,616,097
Deposits from banks and financial institutions	72,785,627	27,399,217	100,184,844
Deposits from the parent, sister and related banks	577,640,175	-	577,640,175
Customer deposits	281,484,144	20,043,527	301,527,671
	1,020,526,043	47,442,744	1,067,968,787

LBP'000

	December 31, 2013		
	Up to 3 months	3 months to 1 year	Total
Financial liabilities			
Deposits from a central bank	84,430,127	-	84,430,127
Deposits from banks and financial institutions	143,404,687	81,114,733	224,519,420
Deposits from the parent, sister and related banks	500,286,238	15,075,000	515,361,238
Customer deposits	291,980,420	39,137,947	331,118,367
	1,020,101,472	135,327,680	1,155,429,152

32. Capital management

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

Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10 billion for the head office (in Lebanon) and LBP500 million for each local branch and LBP1.5 billion on each branch abroad (for Lebanese banks, in addition to the required amount by the related authorities abroad).

The Bank's capital is split as follows:

Tier I capital: Comprises share capital, cash contribution to capital, reserves from appropriation of profits, retained earnings (exclusive of profit for the year) after deductions for intangible assets.

Tier II capital: Comprises qualifying subordinated loans and bonds and change in fair value resulting from revaluation of real estate.

The bank's capital adequacy ratio was as follows:

LBP'000

	December 31	
	2014	**Restated 2013**
Tier I capital Tier II capital	248,634,438 -	246,468,000 -
Total regulatory capital	248,634,438	246,468,000
Credit risk Market risk Operational risk	916,422,000 64,196,646 74,376,875	1,049,828,885 18,582,719 78,946,875
Risk-weighted assets of credit, market and operational risks	1,054,995,521	1,147,358,479
Equity Tier I ratio	23.57 %	21.48%
Tier I capital ratio	23.57 %	21.48%
Risk based capital ratio- Tier I and Tier II capital	23.57 %	21.48%

Following memo number 3/2014 issued by the Banking Control Commission, the Bank restated the capital adequacy of 2013 whereby it reached 21.48% compared to 17.87% which was previously declared.

33. Fair value of financial assets and liabilities

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

LBP'000

	December 31, 2014					
			Fair Value			
	Notes	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value						
Investment securities at fair value through profit or loss						
Unquoted equity securities	9	245,375	-	-	245,375	245,375
Quoted equity securities	9	61,655	61,655	-	-	61,655
Investment fund	9	29,143,434	-	-	29,143,434	29,143,434
		29,450,464	61,655	-	29,388,809	29,450,464
Investment securities at fair value through other comprehensive income		22,612,477	22,612,477	-	-	22,612,477
Quoted equity securities		22,612,477	22,612,477	-	-	22,612,477
Financial assets at amortized cost						
Investment securities at amortized cost						
Lebanese treasury bills	9	76,890,000	-	77,303,495	-	77,303,495
Lebanese Government bonds	9	378,314,370	-	376,189,636	-	376,189,636
Certificates of deposits in LBP issued by Central Bank	9	87,000,000	-	85,467,326	-	85,467,326
Certificates of deposits in foreign currencies issued by Central Bank	9	21,163,422	-	21,349,245	-	21,349,245
Corporate bonds – local bank	9	22,612,500	-	22,763,250	-	22,763,250
Loans and advances to customers	8	22,337,070	-	26,612,320	-	26,612,320
		608,317,362	-	609,685,272	-	609,685,272

LBP'000

	December 31, 2013					
	Fair Value					
	Notes	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value						
Investment securities at fair value through profit or loss						
Unquoted equity securities	9	245,375	-	-	245,375	245,375
Quoted equity securities	9	60,185	60,185	-	-	60,185
Investment fund	9	6,071,256	-	-	6,071,256	6,071,256
		6,376,816	60,185	-	6,316,631	6,376,816
Financial assets at amortized cost						
Investment securities at amortized cost						
Lebanese treasury bills	9	93,050,000	-	94,649,271	-	94,649,271
Lebanese Government bonds	9	435,523,266	-	434,420,318	-	434,420,318
Certificates of deposits in LBP issued by Central Bank	9	75,000,000	-	74,433,488	-	74,433,488
Certificates of deposits in foreign currencies issued by Central Bank	9	21,405,351	-	21,922,310	-	21,922,310
Corporate bonds – local bank	9	22,612,500	-	22,612,500	-	22,612,500
Loans and advances to customers	8	46,403,791	-	50,737,628	-	50,737,628
		693,994,908	-	698,775,515	-	698,775,515

There have been no transfers between Level 1 and Level 2 during the year.

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

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

Financial instruments	Date of valuation	Valuation technique and key inputs	Significant unobservable inputs
Quoted equity securities	December 31,2014	Quoted prices at active markets	N/A
Unquoted equity securities	December 31,2014	Non resident	N/A
Investment Fund	December 31,2014	Fair value was provided by the fund manager	N/A
Lebanese treasury bills	December 31,2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Lebanese Government bonds	December 31,2014	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor.	N/A
Certificates of deposits in foreign currencies issued by Central Bank	December 31,2014	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Corporate bonds-Local bank	December 31,2014	Fair value was provided by the issuer	N/A
Loans and advances to customers	December 31,2014	DCF at a discount rate determined based on the average rate of return of the receivables bearing fixed interest rate for more than one year.	N/A

34. Contingent liabilities

There are some lawsuits filed against the bank; the bank's management and legal advisor do not expect to incur material liability as result of the disputed claims.

As stated in note 19, the tax returns for the years from 2013 to 2014 remain subject to tax examination and final assessment by the tax authorities.

35. Approval of the financial statements

The financial statements for the year ended December 31, 2014 were approved by the Bank's Board of Directors in its meeting held on February 23, 2015.

North Africa Commercial Bank S.A.L.