CONTENTS

CHAIRMAN'S LETTER

The struggling world economy and continued political instability in some Arab countries was countered this year with signs of a slow recovery. The banking sector in Lebanon has again proved its resilience. The sector continues to be the solid backbone, which is holding an active economic cycle, and playing a stabilizing role for the Lebanese financial sector as a whole. BBAC's achievements for 2015 confirm once again that the strategic direction for the bank continues to deliver continued growth and solid results, which have secured the bank's position among the top 10 in Lebanon, with active growth in emerging markets in the Arab World and beyond.

BBAC's figures for 2015 reflected solid gains and a continuation of a long standing pattern of sustainable growth. Total assets recorded a remarkable growth of 11.60%, from LBP 8,227 billion in 2014, to reach LBP 9,181 billion in 2015. This has placed BBAC in second place among the Alpha Group banks in terms of growth in total assets. This increase in total assets is attributed to an increase in deposits, which grew by 12.68% from LBP 7,146 billion in 2014, reaching LBP 8,052 billion by the end of December 2015. The distinguished rate of growth in deposits also earned BBAC the top spot among all Alpha Group banks in that measure. BBAC's consolidated loans and advances to customers reached LBP 2,473 billion, a growth rate of 11.78% from 2014 LBP 2,212 billion, earning the bank the third place among the Alpha Group banks in regards to growth of total loans.

The outstanding financial results went hand in hand with advancements in technology and banking practices. BBAC expanded its presence into the digital world throughout the year. Notable in 2015, is the successful completion by the IT department of the foundation of a new banking technology strategy, and upgrade to the core banking system to the most cutting edge version. These advancements provide customers, individuals and corporates, with mobile banking and digital payment platforms, which will allow customers to execute a variety of transactions via their smart phones. These digital platforms have been fortified with robust security systems that ensure layers of added safety measures.

BBAC has always been vigilant about the safety and the reputation of its stakeholders. It has constantly maintained a sustained growth strategy that accounts for the nature of its clients and their activities. The bank has even before the onset of advanced compliance and the regulatory safeguards of the international financial system, set very high standards for insuring the integrity of its transactions and those of its clients. The adoption of the AML (Anti-Money-Laundering) Lebanese Law was a welcome development in protecting the Lebanese banking industry and mitigating banking risk as well as credit risk.

Furthermore, BBAC is equipping departments with tools and software to maintain the highest levels of compliance. These developments are aimed to continuously improve by regularly conducting compliance awareness seminars to train staff to deal with sanctions, anti-money laundering procedures, terrorism financing as well as legal compliance and FATCA.

The regulatory environment has not deterred the bank from seeking further growth. The bank's expansion strategy continues to pave the way for additional success in the future. BBAC increased its branch network in Lebanon to reach 39 branches, with the latest opening in Hazmieh, an up and coming suburb of Beirut.

In addition to its domestic network, its foreign expansion remains active and with substantial growth in returns on investment; BBAC commenced its operations via a new branch in Sulaymaniyah, and will officially launch its complete operation there in 2016. This branch will add to its growing network in Iraq, which now includes a branch in Erbil, north of Iraq, and another one in the capital, Baghdad.

International growth continues to be a main driver for the future positioning of the bank. Thus, in addition to its branch in Limassol-Cyprus and its representative office in Abu Dhabi-UAE, BBAC opened another representative office in Lagos-Nigeria and looks forward to diversifying its revenue base and risk profile, by focusing on new opportunities abroad, waiting for the right chance to expand and ensuring its presence in promising emerging markets.

Faced with complex conditions, the bank continues to shoulder its social responsibilities and continuously tailor its social and development role by heavily investing in Corporate Social Responsibility through supporting community development, preserving the environment, promoting arts, culture and education and contributing to charitable organizations.

Our progress would not be possible without the unstinting support of our stakeholders. We would particularly like to thank our clients for their ongoing loyalty and confidence, our employees for their efforts led by great experience and our cohesive management team for their continuous professionalism, dedication and commitment to their work.

As 2015 lends itself to a promising 2016, our confidence in the strategic direction of the bank is delivering returns that are recognizable by our clients, our staff, and results. BBAC is constantly evolving its internal structures, adopting new technologies, and branching out into new countries; a track record that continues to fortify the bank's solid standing among its peers in Lebanon. As a an Alpha Group bank, we have performed in 2015 on top of that group, and in 2016, we look forward to delivering results that will prove BBAC's commitment to be 'Your Caring Bank'.

Sincerely,

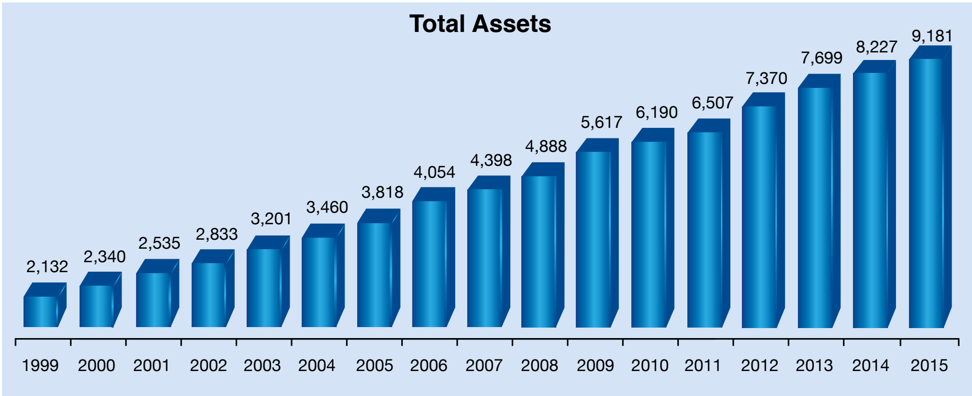
Ghassan T. Assaf
Chairman and General Manager

MANAGEMENT

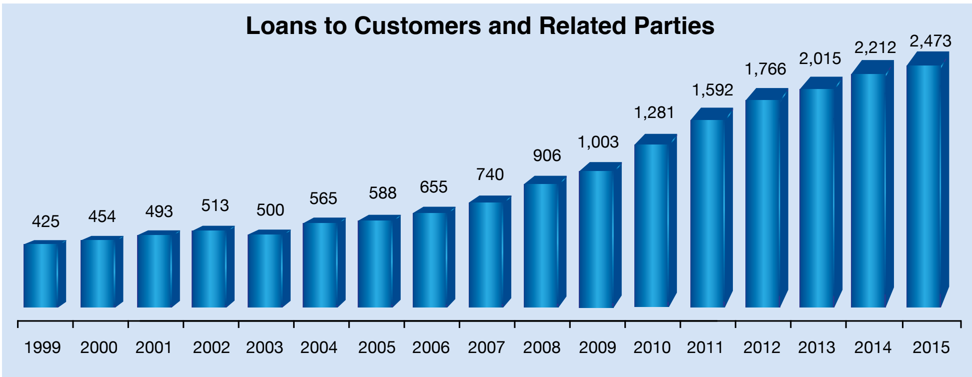
Financial Highlights

Evolution of Key Indicators (LBP billion)

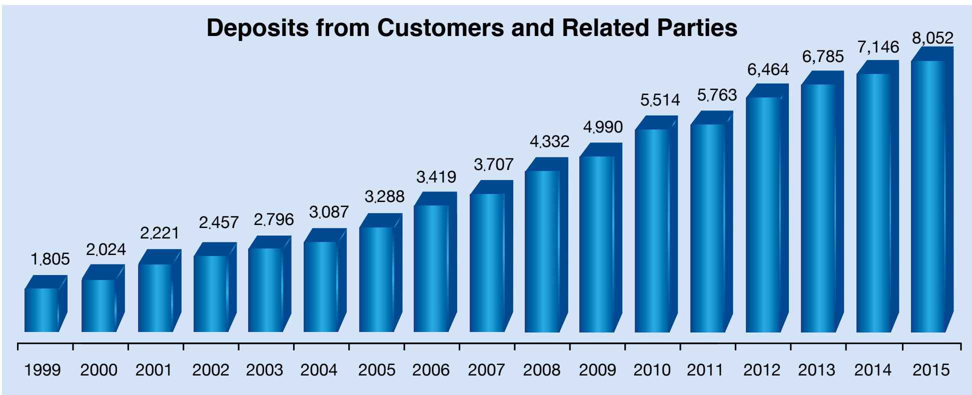
Assets



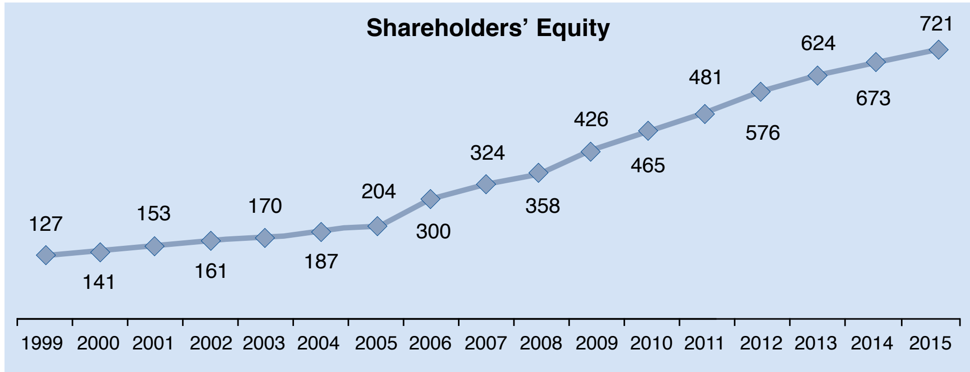
Loans



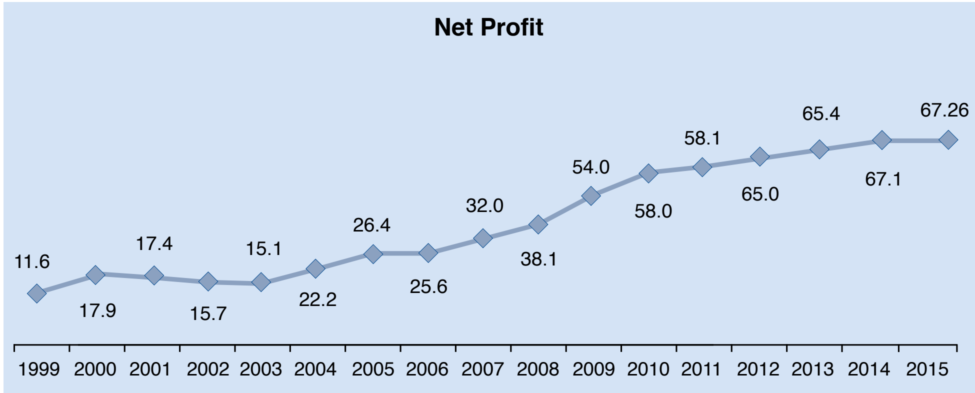
Deposits



Shareholders' Equity



Net Profit



Selected Financial Data

	(LBP million)		Growth
	2015	2014	2015-2014
Total Assets	**9,180,741**	**8,226,641**	**11.60 %**
Total Loans	**2,472,772**	**2,212,239**	**11.78%**
Total Deposits 1	**8,051,972**	**7,145,699**	**12.68%**
Net Liquid Assets 2	**6,189,585**	**5,494,909**	**12.64%**
Shareholders' Equity	**721,299**	**672,687**	**7.23%**
Net Profit	**67,264**	**67,108**	**0.23%**

1 Exclude financial liabilities held at fair value through profit or loss (FVTPL)
2 "Liquid assets" less "Deposits from banks and financial institutions"

Loan Quality: Loans and Advances by BDL Classification	(LBP million)		Growth
	2015	2014	2015-2014
Net Regular Loans (1)	**2,445,431**	**2,187,417**	**11.80%**
Add Collective Impairment on Loans and Advances	32,154	31,440	2.27%
Gross Regular Loans (2)	**2,477,585**	**2,218,857**	**11.66%**
Net Substandard Loans (3)	**3,635**	**11,579**	**-68.61%**
Add Unrealized Interest	1,304	1,980	-34.14%
Gross Substandard Loans (4)	**4,939**	**13,559**	**-63.57%**
Net Doubtful and Bad Loans (5)	**23,706**	**13,243**	**79.01%**
Add Unrealized Interest	36,492	31,220	16.89%
Add Provisions	53,286	52,649	1.21%
Gross Doubtful and Bad Loans (6)	**113,484**	**97,112**	**16.86%**
Net Non-Performing Loans (3+5)	**27,341**	**24,822**	**10.15%**
Net Loans	**2,472,772**	**2,212,239**	**11.78%**
Gross Loans	**2,596,008**	**2,329,528**	**11.44%**
Net Non-Performing to Gross Loans (3+5)/(2+4+6)	**1.05%**	**1.07%**	**-0.01 %**

Asset Quality

Net regular loans in 2015 grew by 11.80% compared with a 9.56% growth in 2014, ranking BBAC the third bank among Lebanese Alpha Group banks in terms of loan growth.

The Bank's net substandard loans decreased by 68.81% and net doubtful and bad loans increased by 79.01% in 2015 in comparison with -29.50% and 443.41% in 2014, respectively, resulting in a growth of 10.15% in net non-performing loans compared with 31.61% in 2014. The ratio of gross non-performing loans to gross loans decreased from 4.75% in 2014 to 4.56% in 2015.

Gross loans recorded a growth of 11.44% in 2015, largely driven by 11.66% growth in gross regular loans which resulted in an improvement in loan portfolio quality as shown in a decrease in net non-performing to gross loans ratio from 1.07% to 1.05% in 2015.

Key Ratios

Liquidity Ratios (%)	2015	2014
Net LBP Liquidity	87.61%	87.48%
Net FC (Foreign Currency) Liquidity	69.51%	69.80%
Net Liquidity (Total)	76.87%	76.90%
Loans / Deposits (LBP)	20.44%	21.17%
Loans / Deposits (FC)	37.74%	37.52%
Loans / Deposits (Total)	30.71%	30.96%
Liquid Assets / Total Assets	70.54%	70.24%

Asset Quality Ratios[1] (%)	2015	2014
Gross Doubtful and Bad Loans / Gross Loans	4.37%	4.17%
Gross Non-Performing Loans / Gross Loans	4.56%	4.75%
Provisions for Doubtful and Bad Loans / Gross Doubtful and Bad Loans	79.11%	86.36%
Provisions for Loans / Gross Loans	4.75%	5.03%
Net Doubtful and Bad loans/ Total Assets	0.26%	0.16%
Net Non-Performing Loans / Total Assets	0.30%	0.30%

Capital Adequacy Ratios (%)	2015	2014
Capital Adequacy Ratio According to Basel II	13.59%	13.93%

Profitability	2015	2014
Average Assets	8,703,691	7,962,942
Average Equity	696,993	648,396
Return on Average Assets ROAA after Tax (%)	0.77%	0.84%
Return on Average Equity ROAE after Tax (%)	9.65%	10.35%
Number of Common Shares Outstanding (million)	144	144
Number of Preferred Shares "B" Outstanding (million)	8	8
Earnings per Common Share (EPS) in LBP[2]	467	466
Earnings per Common Share (EPS) in LBP[3]	408	407
Dividends per Common Share (DPS) in LBP[4]	70	70
Dividends per Preferred Share "B" in LBP	1,055	1,055
Dividends Payout Ratio	27.54%	27.60%
Retention Ratio	72.46%	72.40%
Book Value per Common Share in LBP[5]	4,170	3,834

Management Efficiency Ratios (%)	2015	2014
Interest Paid / Interest Received	70.96%	68.91%
Net Commissions / Income[6]	19.75%	18.13%
Cost / Income[6]	56.88%	55.89%
Cost per Average Branch (LBP million)	2,568	2,511

[1] Non-accrual interest is included in non-performing loans; unrealized interest is included in provisions
[2] Before allocation of any dividends
[3] After the allocation of dividends on Preferred Shares
[4] An interest payment of LBP 1.4 million was made on Cash Contribution for the year 2015
[5] Before distribution of dividends
[6] Income before "Operating Expenses" and "Taxes"

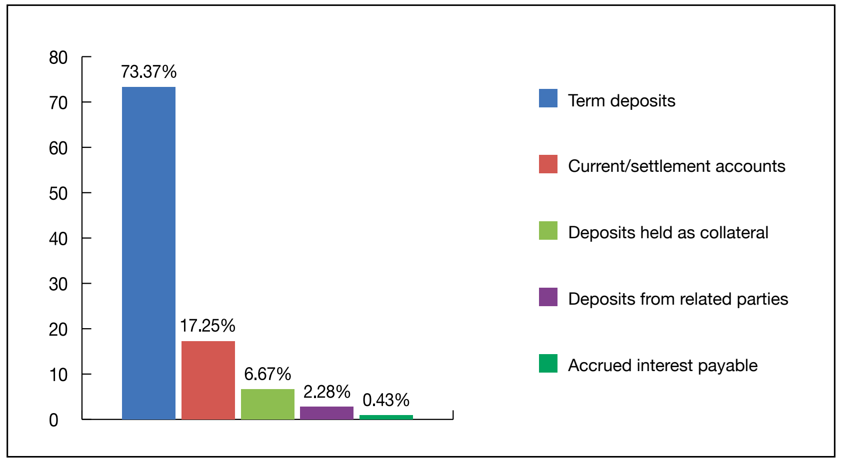
Sources of Funds

The largest and main source of funds for commercial banks so far is customers' deposits. The Bank's deposits showed a substantial growth of 12.68% compared with 5.32% only in 2014, ranking BBAC first among Lebanese Alpha Group banks (banks with deposits over USD 2 Billion). This growth is fundamentally driven by term deposits, which constitute 73.37% of total deposits growing by 18.58% from their 2014 balance. As to their maturity, 96.95% of deposits are current with 89.53% mature in a period ranging from 1 to 12 months showing a decrease from 2014 ratios of 97.29% and 92.72%, respectively. 40.66% of deposits are denominated in LBP and the rest (59.34%) in foreign currencies without any significant changes from 2014. There was a substantial increase in the Bank's share of Alpha Group banks' deposits from 2.94% in 2014 to 3.17% in 2015.

Shareholders' equity has shown a compound annual growth rate of 9.18% over a 5-year period (2010-2015). As of 2015, it has increased from LBP 672,687 million to LBP 721,299 million reaching a growth of 7.23%. This growth in equity was largely the result of an internally generated organic growth of 13.01% in retained earnings, which constitute 36.50% of total equity. An equal growth of 7.23% was achieved in total regulatory capital also driven by retained earnings. As a result of the growth in equity, book value per common share increased from LBP 3,834 to LBP 4,170 in 2015.

Breakdown of Customers' Deposits by Type and Currency Mix

Customers' Deposits by Type and Currency Mix	(LBP million)		Structure		% Change
	2015	2014	2015	2014	2015-2014
Term Deposits	5,907,565	4,981,860	73.37%	69.72%	18.58%
Current / Settlement Accounts	1,389,272	1,325,025	17.25%	18.54%	4.85%
Deposits Held as Collateral	537,368	687,946	6.67%	9.63%	-21.89%
Deposits from Related Parties	183,421	123,845	2.28%	1.73%	48.11%
Accrued Interest Payable	34,346	27,023	0.43%	0.38%	27.10%
Total	**8,051,972**	**7,145,699**	**100%**	**100%**	**12.68%**
Of which current	7,806,144	6,952,072	-	-	-
Of which non-current	245,828	193,627	-	-	-
Denominated as follow					
LBP	40.66%	40.15%	-	-	-
Foreign Currencies	59.34%	59.85%	-	-	-



Liquidity

Liquidity represents the bank's ability to fulfill its financial obligations and liabilities when they fall due, and is a core determinant of its success. To mitigate and manage liquidity risk, the bank must hold a diversified portfolio of cash and high quality liquid securities, such as cash and balances with Central Banks, LBP and foreign currency denominated Treasury Bills and short term placements with banks.

BBAC's ability to maintain high liquidity levels, to minimize risk and to ensure high quality of assets has been at the center of liquidity management and core objectives of the Bank. The Bank has successfully recorded ample liquidity in 2015 where overall liquidity stood at 76.87% compared with 76.90% in 2014. As such, Lebanese pound liquidity ratio (including Lebanese government Treasury Bills) is at 87.61% in 2015 compared with 87.48% in 2014, while foreign currency liquidity recorded 69.51% in 2015 compared with 69.80% in 2014.

Total liquid assets grew by 12.07% from their 2014 balances compared with a growth of 5.39% in 2014. The largest share of liquid assets goes to Investment Securities, which constitute 57.28% of total liquid assets followed by cash with Central Banks for a 22.97% share. Net liquid assets increased by 12.64% in 2015 compared with 3.67% in 2014, but liquidity ratio decreased slightly from 2014 (76.87% vs. 76.90%) due to an increase of 12.68% in customers' deposits.

70.54% of total assets are liquid assets in 2015 compared with 70.24% in 2014. BBAC has a stronger liquidity position in foreign currency since 55% of its liquid assets are maintained in foreign currency and 45% in LBP.

Loans to deposits ratio slightly decreased from 30.96% in 2014 to 30.71% in 2015 due to the fact that deposits grew at 12.68% in 2015 against a growth of 11.78% in total loans. The Bank's liquid assets to deposits ratio is 80.42% affirming its strong liquidity position.

Profitability Ratios

Net profit showed a compound annual growth rate of 3.01% from 2010 till 2015; however, it did not show any significant growth in 2015. The growth in net operating income in 2015 declined to 2.94% from a growth of 6.35% in 2014 due to the buildup of credit impairment charges. On the other hand, operating expenses grew by only 4.76% in 2015 compared with 9.15% in 2014 due to a decline in personnel expenses.

Return on average assets (ROAA) in 2015 was 0.77% compared with 0.84% in 2014. This decrease was due to the growth of 9.30% in average assets. As to Return on average equity (ROAE), it also decreased from 10.35% in 2014 to 9.65% in 2015 as a result of a 7.50% increase in average equity against an insignificant growth in net profit.

Dividend payout ratio (27.54%) and retention ratio (72.46%) did not show any significant changes from 2014 levels (27.60% and 72.40% respectively), due to the almost stable net profit for the year, knowing that the amount of dividend paid did not change in 2015.

Board of Directors

Chairman - General Manager
Sheikh Ghassan T. Assaf

Vice Chairman
Judge Abbas Al Halabi

Mr. Walid T. Assaf	**Member**
Mr. Ali Assaf	**Member**
Mr. Marc Maamary	**Member**
Mr. Ali Ghandour	**Member**
Assaf Holding Company S.A.L.	**Member**
Mr. Farouk Mahfouz	**Member**
Mr. Michel Tueni	**Member**
Me. Amine Rizk	**Secretary of the Board**

Major Shareholders and General Management

Major Shareholders

Assaf Family	54.453%
Fransabank s.a.l.	37.068%
Other Shareholders	8.479%

Solicitors

Me. Chafic Khalaf	Me. Paul Morcos
Me. Amine Rizk	Me. Mazen Tajeddine
Me. Ramzi Haykal	Me. Bassam Daye
Me. Assaad Najm	Me. Adnan Jisr

Auditors

PricewaterhouseCoopers - KPMG

Executive Advisors to the Chairman

Mr. Georges Mirza	Credit Affairs
Mr. Omar Saab	Business Development
Dr. Amalia Azoury	Economic Affairs

General Management

Mr. Nadim Hamadeh	Assistant General Manager - Banking
Mr. Chawki Badr	Assistant General Manager - External Expansion
Mr. Marwan Abou Assi	Assistant General Manager - Finance and Administration
Mrs. Lina Makarem	Assistant General Manager - Treasury
Mr. Anwar Abou Ghaida	Accounting and Financial Control Division
Mr. Raja Makarem	Project Finance and SME Division
Mr. Camille Moujaes	Branch Network Division
Ms. Wafaa Abed	Group Internal Audit
Mr. Bachir Yakzan	Risk Management Department – CRO
Ms. Najwa Kaedbey	Human Resources Department
Mr. Ali Al Danaf	Recovery and Restructuring Department
Mr. Marwan Abou Assi	Compliance Department
Mr. Salim Karam	Insurance Unit
Mr. Francois Balaa	Information Technology Department
Mrs. Sabah Khatounian	Administration Department
Mr. Tarek Bilal	Marketing Department
Ms. Nahed Zeid	Cards and Electronic Banking Department
Mr. Ibrahim Itani	Private Banking Unit
Mrs. Hilda Ashkar	Operations Department
Mr. Georges Moarbes	SME Credit Department
Mr. Elias Moukayed	Branch Management and Support Department
Mr. Ayman Fatayri	Corporate Credit Department
Mr. Maher Rahhal	Subsidized and Kafalat Loans Department
Mr. Salah Saab	Market Intelligence Department
Mrs. Joyce Abdelnour	Consumer Credit Department
Mr. Fadi Barakeh	Organization and Methods Department
Ms. Nawal Aziz	Project Finance Department
Mr. Wissam Al Aridi	Project Management Unit
Mrs. Hiam Halabi	Management Information System Unit
Mr. Labib Abou Dehn	Customers’ Rights Protection Unit

Corporate Governance

BBAC believes in the importance of sound Corporate Governance that guides the Bank forward while promoting the highest standards of conduct. Corporate Governance is a set of laws, regulations, and policies that define the functions of the Board of Directors (BOD) and the top management of the Bank. These policies also govern the relationship between the BOD, senior management, shareholders, and other related parties.

BBAC recognizes that the key to its long-term success is to sustain public trust in the Bank which is accomplished through serving the Bank's clients and communities in the best way with the right values. Holding the highest standards of corporate governance and ethical conduct requires a set of strong corporate governance practices that allocate rights and responsibilities among the Bank's stockholders, BOD, and management in a manner that enhances shareholder value.

The Bank's management's processes, structures, and policies help ensure compliance with laws and regulations and provide clear lines of responsibility, decision-making and accountability. Accordingly, corporate governance practices are designed not just to satisfy regulatory requirements, but also to provide effective oversight and management of the Bank as a trustee for all stakeholders.

BBAC builds and protects its culture by aggressively promoting its core values and Code of Conduct to employees. Moreover, the Bank's current organizational structure aims to divide the different functions and responsibilities between the BOD, Executive Management, Operating Management, Board Committees, and Management Committees, which are involved in decision making; by setting clear grounds for control, separation of authorities, job specialization, responsibility and accountability. These functions ensure that the values of the clients and shareholders are preserved and that the resources are utilized in the most effective and appropriate manner.

Excerpts from BBAC's Ordinary General Assembly of Shareholders

Held on May 23, 2016

Resolution No. 1

The Ordinary General Assembly of BBAC Shareholders approved the activities, accounts, balance sheet and the profit and loss statements for the year ending December 31, 2015.

Resolution No. 2

The Ordinary General Assembly of BBAC Shareholders resolved the appropriation of the profits for the year 2015 as follows:

(LBP thousands)	2015
Profits for the Year 2015	67,265,419
Less: Appropriation of Reserves for "General Banking Risks"	9,000,000
Appropriation of Reserves for "Legal Reserves"	6,726,542
Appropriation of Reserves for "Property in Settlement of Debt"	1,224,794
Appropriation of Reserves for "Retail Portfolio"	1,354,728
Unrealised Gain on Financial Instruments Held at Fair Value through Profit or Loss	4,628,017
Profits after Allocations	44,331,338
Add: Retained Earnings - December 2015	218,939,744
Total Retained Earnings - December 2015	263,271,082
Less: Dividends on Preferred Shares B	8,442,000
Dividends on Common Shares	10,080,000
Interest on Cash Contribution	1,405
Retained Earnings Carried Forward	244,747,677

MANAGEMENT DISCUSSION AND ANALYSIS

Basis of Presentation

The discussion and analysis that follows have been prepared by the management and are based on the audited financial statements of the Bank as at December 31, 2015.

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis highlights the performance of BBAC in 2015.

Any reference to "BBAC" or the "Bank" stands for BBAC s.a.l. and its international branches and any reference to "BDL" signifies the Central Bank of Lebanon. Any reference to "Central Banks" implies BDL as well as the Central Banks, in countries where BBAC's branches operate.

Unless otherwise indicated, all figures are expressed in Lebanese Pounds, whereas all US Dollar amounts have been translated at the closing exchange rate which is published by BDL at the relevant dates, which remained at LBP 1507.50 / USD.

Corporate Profile

BBAC s.a.l was established as a commercial bank in 1956 under the name of "Bank of Beirut and the Arab Countries" by a group of prominent investors headed by Sheikh Toufic Assaf, Mr. Nashaat Sheiklard and Mr. Jamal Shehaiber. Currently, 54.453 % of the Bank's shares are owned by the Assaf family, 37.068% are owned by Fransabank s.a.l. and the remaining 8.479 % are held by other shareholders.

BBAC offers a broad range of commercial and personal financial services including Retail Banking, Corporate and Commercial Banking, Trade Finance, Private Banking, Treasury and Capital Markets, and Insurance products.

Throughout the years, the Bank followed an expansion strategy that focuses mainly on penetrating the local as well as the international markets. BBAC is rigorously following this strategy, where the most recent local branch was opened in Hazmieh area, and other branches will be inaugurated in the near future. Furthermore, various existing branches were being renovated or even relocated, with the specific aim of enhancing customer convenience and better catering to the clients' needs along with reorganizing the branches inside out, in order to convey the Bank's image in accordance with its brand strategy.

As a part of its continued growth strategy, BBAC is constantly seeking opportunities to establish new branches in targeted areas in Lebanon, as well as in key regional markets, in addition to its existing three international branches; one in Limassol-Cyprus, two in Iraq; Erbil and Baghdad and a representative office in Abu Dhabi, UAE.

Mission Statement

Integrity

BBAC believes that a sound banking relationship is built on integrity and trust. Trust is achieved by conducting clients' personal and business transactions efficiently and with strict confidentiality.

Service

BBAC constantly strives to recognize and satisfy evolving customers' needs by developing services, products and solutions tailored to meet their requirements.

Growth

BBAC is committed to being a leading participant in the economic development of the community where it is present. The extent of the Bank's success in attaining this objective is reflected positively in the measure of its growth.

Business Overview

BBAC offers clients a wide range of financial products and services that varies from the traditional banking activities to the most recent financially engineered products. These are provided through:

Corporate and Commercial Banking

Fulfilling its role in stimulating the growth of the Lebanese economy, BBAC continuously seeks to provide existing and potential participants in the economy with optimum solutions for their business needs. By supporting and funding clients' business plans, whether they are business-oriented individuals or organizations, BBAC is able to capitalize on development opportunities.

BBAC continued to expand its credit portfolio benefiting from its high liquidity and its excess in deposits. In this regard, 2015 witnessed an increase in Commercial and Corporate portfolio, mainly due to the extension of new loans to corporate clients as well as to small and medium enterprises (SMEs), whilst preserving the conservative credit practices of the Bank.

Despite the continuing economic challenges and political conditions prevailing in several key markets that triggered a slowdown in new lending in some markets and a decrease of exposure in other markets, BBAC managed to sustain a solid growth of lending which was the outcome of a strategy followed by the Corporate and Commercial Banking department to maintain a strong relationship with customers during those challenging times and provide them with suitable solutions across the Bank's network.

In fulfilling the diverse needs of its clients, BBAC offers short and long term loans as well as a variety of fixed and variable repayment loans. In addition, the range of facilities at BBAC extends from simple lines of credit and term loans to the more advanced forms of financing. These products are granted to entities in numerous industries, such as real estate development, construction, manufacturing, trading, among many others.

Moreover, as a way to support SMEs, BBAC presents various types of specialized loans, such as Kafalat loans and Subsidized loans for non-costly financing. These loans benefit from interest rate subsidies and expand to industries, such as tourism and agriculture, which are considered key players in increasing Lebanon's GDP and providing job opportunities to the population.

BBAC extended new loans covering a variety of sectors including fertilizer production, retail and commercial development, construction and contracting, real estate, and is currently processing to mandate and participate in several syndicated loans to finance oil drill and gas projects.

High expertise, integrity and quality of service represent the basis of the Corporate and Commercial Banking department's philosophy, whilst strictly adhering to the regulatory environment and internal policies governing project finance activities.

Retail Banking

At Retail Banking, BBAC offers a wide variety of innovative products and services, including retail loans, credit cards, mortgages and savings and term deposit accounts to serve the various financial needs of customers and help them reach their goals and aspirations.

BBAC is committed to building long-term relationships with its customers, and aims to making daily banking and financial decisions easier and creating the best experience for its customers across all touch points. In 2015, BBAC continued to pursue these goals through geographic expansion and digital solutions.

BBAC strengthened its presence in strategic locations in Lebanon by opening a new branch in Hazmieh area. With the opening of the Hazmieh branch, the number of local branches has reached 39 with 61 ATMs distributed all over the Lebanese regions.

BBAC also launched the second generation of its Online Banking service for personal and business customers along with its new Mobile Payment and Mobile Banking services. The Bank has tailored this collection of secure electronic banking services to provide supreme comfort and satisfaction to its customers, as well as accelerate and facilitate the completion of banking operations wherever they are and at any time. BBAC has also taken every precaution necessary to ensure a climate of trust and to protect the confidentiality and the security of its customers' financial and payment information.

In order to match the customers' needs and preferences, BBAC recommends customized banking accounts and products to clients who wish to control their payments, save money or make future plans. These particular accounts and products are comprised of domiciliation accounts, current accounts, savings accounts and fixed term accounts, in addition to the direct debit of service bills.

BBAC also offers a number of personal loans, such as Public Sector loan, Private Sector loan, Small Business loan, Educational loans and Outlet loans to meet consumers' different plans easily. With a strong emphasis on providing unparalleled customer service, the Bank continually invests in evolving its products and services to meet the changing needs of its customers.

Morevoer, BBAC strives to meet the increasing financial demands of the Lebanese housing sector through various mortgage offers, including the Iskan Housing loan, Military Housing loan, Internal & General Security Forces Housing loan, BDL Housing loan, Expatriate Housing Loan and BBAC's own housing loan program. Building on a strong track record of success, an increase of 14.5% in the year 2015 was achieved in housing loan programs.

BBAC has always demonstrated its commitment to women through an array of products and services designed to cater to their banking and financial needs. Through the 'Mother Account', BBAC became the first bank in Lebanon to welcome and allow mothers to open an account for their children independent of the father's legal consent. Moreover, BBAC dedicates each year the whole month of March to honor and celebrate women by presenting exclusive offers on a uniquely arranged bouquet of banking products that suit their tastes and meet their financial needs. In parallel, the Bank also offers the "Diamond Card", which is designed exclusively for women and offered to them free of charge for life with a chance to win valuable prizes of jewelry and diamonds.

In light of the growing payment services, BBAC also offers a diversified payment cards portfolio such as the 'Classic', 'Gold' and 'Platinum' credit cards designed to offer financial flexibility and purchasing power relative to need and lifestyle. Other credit cards are also available, such as the 'Euro' card for travel enthusiasts, which help avoid the hassle of exchange rates when travelling to Europe. BBAC also provides its elite customers with the 'Visa Infinite' card, which offers a range of exclusive services that fall in line with their distinctive and luxurious lifestyle. For customers looking for a secure online shopping experience, BBAC offers the 'Internet' card, which is a charge card designed to provide a sense of confidence and flexibility when making purchases over the Internet.

Always keeping in mind the responsibility it bears as a Lebanese institution, BBAC offers its clients an opportunity to contribute to humanitarian causes through the following two credit cards: the 'CCCL' card that donates 1% of the purchases made to the Children's Cancer Center of Lebanon (CCCL) to help treat children with cancer; and the 'Kunhadi' card that grants 1% of the purchases made to the Kunhadi Association for youth awareness on road safety.

BBAC consistently introduces seasonal offers to double the value-added benefits on its credit cards. In an effort to provide its clients with the utmost banking experience, BBAC is planning to launch a loyalty program through which the Bank will offer new benefits to all cardholders. The Bank is also working on introducing new types of cards, focusing particularly on the needs of the young demographic.

Private Banking

The Private Banking unit offers personal financial and investment services to the Bank's high-net-worth clients through a dedicated professional team. The timely services are rendered with confidentiality and trust and include trade execution, portfolio administration and advice on investment opportunities and market insights.

The Private Banking team performs global market research to identify new active markets in financial services; in addition to monitoring money and capital markets and carrying out market studies and technical analysis. The Private Banking unit offers a wide variety of trading services in several simple and sophisticated financial products such as derivatives, futures, options, equities, and commodities.

The Private Banking unit has a wide client base and it is continuously targeting for high-net-worth individuals by promoting the Bank's financial products and wealth management services, which allows the Bank to constantly improve its profitability and financial stability.

Treasury and Capital Markets

The main function of the Treasury department is to manage the Bank's liquidity and cash position by evaluating the daily liquidity report and interest rate fluctuations. Through its various sections, the Treasury department engages in several foreign exchange, money market and capital market operations guided by the regulatory authorities' rules and regulations and the policies and procedures set by concerned committees such as the Board of Directors and Asset Liability Management Committee (ALCO).

When conducting its transactions, the Treasury department aims at maximizing the Bank's return and profit by seeking suitable market opportunities and investments given the Bank's risk exposure limits.

The Treasury department manages a diversified investment portfolio with various asset classes including equities and fixed income securities, aiming at investing excess liquidity to generate high returns in compliance with ALCO and the Board of Directors' decisions. The Treasury department also identifies placements and borrowing needs in line with the Bank's policies in order to maintain a strong liquidity position.

The Treasury department performs its trading and investment activities through Beirut Stock Exchange, regional and international exchanges and major correspondent banks. It provides the Bank's clients with round-the-clock services in FX spots, forwards and financial instruments, among others. The transactions are executed in a fast and accurate manner ensuring high quality customer service.

Insurance Services

BBAC differentiates itself by providing its clients with ultimate customer care and a broad portfolio of products and services that address the entire range of its clients' financial well-being objectives. Accordingly, the Bank offers insurance services as well as savings plans throughout its branch network in partnership with insurers known for their solidity, security, and expertise.

In collaboration with The Capital Insurance and Reinsurance Co. s.a.l., a subsidiary of BBAC, the Bank offers flexible and competitive insurance products that are especially designed to satisfy all clients' requirements in terms of premium, cover, security, and services. These products include: (1) Term Life Insurance & Personal Accidents; (2) Private Car Insurance (All Risk, TPL, Total Loss, Orange Card); (3) Cargo & Marine Insurance (Sea Freight, Air Freight, Hull & Machinery); (4) Public Liability; (5) Workmen's Compensation (Employer's Liability); (6) Money Insurance & Financial Risks (Cash in Safe, Cash in Transit, Fidelity Guarantee); (7) Foreign Domestic Helper Insurance (life and medical expenses covering domestic workers); (8) Home Insurance (Burglary, Fire, Neighbors, Earthquake & Allied Perils); (9) Travel Insurance;

(10) Engineering Risks (C.A.R., E.A.R., Machinery Breakdown, Electronic Equipment All Risks).
BBAC continues to offer two investment plans; JANA Retirement Plan and NAJAH Education Plan, in partnership with Allianz SNA s.a.l. These plans are designed to give BBAC's clients and their families' protection and guaranteed benefits, offering the opportunity to safeguard their financial future.

Information Technology

Throughout 2015, and in-line with increasing competition and new trends in the market, the Information Technology (IT) department has developed and set up the foundation of the Bank's technology strategy to make a real transformation in the Bank's operations behavior. This strategy is spread across the coming years, up to 2018.

This transformation stressed on enhancing the basic and primary banking domain such as upgrading the core banking system to the latest version and providing customers, individuals and corporates, with a new Online/ Mobile Banking and Payment platform.

This transformation process will provide the critical basis for the next phase of the strategic development and abilities of the Bank in conjunction with the ongoing growth of the digital channels and increasing customer demand to more convenient and self-service facilities. Consequently, the Bank has been developing technology-based products and services on regular basis in order to enhance the customer experience and appetite.

This new Online Banking platform offering a wide variety of services that are being continuously expanded and improved is nowadays empowered with a high level of security controls. These restrict the customer to provide his username and password, in addition to an SMS-based One-Time Password (OTP) sent to his mobile phone for authentication. Moreover an online real-time SMS alerting system was integrated to instantly inform customers about any or specific movements/operations on all/selected accounts or cards.

On the other hand, the IT department was highly committed to maintaining and enhancing the IT infrastructure by integrating additional layers to defend, prevent and alert security threats on all customer channels and services that are provided online, as well as improving the hardening of internal application platforms. It is worth mentioning that the IT department is committed to the business owners and to the Bank's control functions in order to achieve effective execution of the Bank's plans and objectives.

In order to ensure the continuity of the Bank's business services, BBAC successfully tested the scenario of being fully operational from the Disaster Recovery Site for a whole business day, covering all the activities of essential business units in charge of keeping the Bank in operational mode. This test is repeated on yearly basis.

From a governance and regulatory compliance perspective, the Bank is implementing IT Governance Directives to comply with all regulatory matters requested by the Internal and External Auditors as well as the Banking Control Commission.

Compliance

The mission of the Compliance Function at BBAC is to ensure that the Bank and its subsidiaries are compliant with the local and international laws and regulations in order to protect the integrity and reputation of the Bank, avoid financial losses, protect correspondent banking relationships, and enhance its credibility towards its stakeholders.

The Compliance Function ensures that the Bank applies what is required by the Central Bank of Lebanon (BDL) specifically concerning Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT). In this respect, the Bank has implemented a Compliance Program, which comprises of the Policies and Procedures related to AML/ CFT and Sanctions, Legal Compliance, and FATCA; in addition, to the designated Compliance Officers who are required to be certified in AML through the Certified Anti-Money Laundering Specialists (CAMS) certification as per a BDL Directive. The Compliance Program is subject to regular independent reviews by the Bank's Internal Auditors, External Auditors, and FIU (SIC).

The Compliance Function is independent from any other business or control activity of the Bank, and reports the deviations and Compliance Issues to the Bank's Compliance Committee and Senior Management, and has an essential role in assisting the Senior Management to identify and mitigate the Compliance risks.

Moreover, and in order to ensure that the Bank is compliant with the FATCA requirements, a FATCA section was established under BBAC Compliance Department, along with its existing AML/CFT & Sanctions Section and Legal Compliance Section.

Risk Management

BBAC continues to improve its risk management practices through updating its policies and procedures, enhancing its controls, and developing its stress-testing framework. In 2015, the Bank set the roadmap for the implementation of IFRS9 standard for which new methodologies in credit risk are under development in an attempt to enhance credit risk measurement and comply to the accounting standard.

BBAC continues to set high standards of corporate governance and ethical conduct through regularly updating its Code of Corporate Governance, which clearly segregates the functions and responsibilities between the Board of Directors (BOD) and the executive management. A clear separation of functions also exists between front office, control, and support functions, to ensure proper and transparent management of the Bank.

The responsibilities of BBAC's Risk Management Department are based on a three-line defense model, where the relationship between these functions is clearly defined and responsibilities are properly divided. The Bank regularly updates its well-structured authorization matrix to ensure its alignment with the Bank strategy and organizational changes.

Risk Organization

The Risk Management Department is an independent function headed by the Chief Risk Officer (CRO) who reports directly to the Chairman-General Manager and to the Board Risk Committee.

The department ensures that effective risk management practices and processes are in place; risk management policies are compliant with the Bank's risk appetite and risks and limits are monitored properly. However, the department deploys risk management above and beyond compliance activities, as the chances of achieving organizational objectives while protecting enterprise value will be maximized by having a clear grasp on business risks and controls and tying risk tolerance to performance. Besides, the department is in continuous development of risk measurement techniques for different types of risks.

The role of the Board Risk Committee reflects the constructive Board engagement, which is actively and concurrently exercising judgment as to any change in the risk profile of the Bank. The committee meets regularly to discuss the different risk reports, study and approve risk management policies, risk limits and methodologies, ICAAP reports, and give directions and recommendations on risk related issues to the executive management.

Credit Risk

Credit Risk is managed through defined Credit Risk Appetite and prudent credit risk policy; both reflected by the high quality portfolio of loans and advances to the private sector.

Well-controlled, yet quick and efficient credit granting and underwriting processes with clear approval limits support the credit policy. Credit processes ensure credit exposures are regularly monitored, exposures with counterparts adhere to the set limits and credit worthiness of counterparts is continually assessed. Approval limits are monitored on an ongoing basis and are reviewed on annual basis.

The Bank uses Moody's Risk Analyst as an internal rating system for rating its Corporate and Commercial borrowers. The internal rating system supports the Bank in assessing the quality of its portfolio and sets the plan to adopt internal rating-based approaches under Basel II accord. In addition, the Bank conducts regular impairment tests assessing all credit facilities for objective evidence of impairment.

In relation to Retail Credit Risk, to assess the creditworthiness of its borrowers, the bank has an in-house developed application scorecard and is setting the floor to acquire a behavioral scorecard application, which will serve as a dynamic indicator of the credit quality of the retail exposures.

Market Risk

The Bank updated its Market Risk Management policy that details the roles and responsibilities and sets clear limits for the allowed investments. In this regard, the Bank maintains a relatively small trading portfolio (FVTPL) that does not have a substantial impact on the overall performance of the Bank or on its capital adequacy. The biggest part of the financial securities is held at amortized cost.

In its preparation for IFRS 9 standard adoption, the Bank is considering changing its business model to establish a portfolio of Fair Value through other Comprehensive Income (FVTOCI) securities.

Liquidity Risk

Liquidity Risk Management is implemented through the Liquidity Risk policy, which sets internal liquidity risk limits and early warning indicators, in addition to a Contingency Funding Plan.

The Bank maintains a high level of liquidity reflected by internal ratios that considerably exceed the regulatory minimum set by the local regulations. The Bank has also adopted Liquidity Coverage Ratio and Net Stable Funding Ratio that were introduced by Basel III, yet while applying major haircuts on High Quality Liquid Assets. Both ratios are well above the minimum requirements.

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book is managed through limits for the impact on the Net Interest Income and the Economic Value of the Equities. The impact of changes in market on Interest Rate Risk in the Banking Book is captured by stress tests, which are carried out on a regular basis.

The Bank is currently in the process of acquiring an Asset and Liability Management tool to generate and monitor interest rate in the banking book.

Operational Risk

The Operational Risk Section conducts risk and control assessments on all operational units at the Bank. It maintains a detailed Loss Incidents database that is supported by well-applied event capturing procedures and continuous awareness sessions. Key risk indicators are being defined for key risks identified. Thorough operational risk assessments are being done on all new products applied by the Bank before launching them. Action plans to enhance controls and propose risk mitigants are initiated by certain incidents, KRIs or risk and control assessments.

During 2015, the Operational Risk department embarked in a vendor selection process for the implementation of Operational Risk Management software. The new software is set to be implemented in 2016.

Information Security and Business Continuity

The Bank is continuously enhancing its management information systems and information security systems by investing in new state-of the art solutions that serve in adopting advanced risk management methodologies and help in establishing a more controlled environment. Necessary IT measures are also taken to keep improving and refining the quality of data. Strategically, the Bank is following the ISO27001 international standard as an Information Security Management System and practicing it in its day-to-day business. Security Policies and Procedures have been updated, and comprehensive IT Risk assessments have been conducted along with physical security visits and reporting to all local and foreign branches.

Information security monitoring is being performed continuously on a daily basis, along with security review and hardening for the IT infrastructure, additionally to all necessary security testing for all applications supporting the launching of its new e-services.

To preserve the high quality of service to its customer and ensure the continuity of its business operations, the Bank has established a disaster recovery site, along with a detailed business continuity plan that is tested regularly. The Bank has also drafted an evacuation procedure, which was tested through fire drills conducted to ensure the safety of its personnel.

Other Risks

The Bank always monitors its exposure to other types of risks, and takes the necessary measures to properly mitigate them. In fact, all material risks from concentration, legal, compliance and others are subject to routine and stringent process of identification, assessment and quantification where possible, and as a result, proper controls are added to ensure optimum mitigation of these risks.

Internal Capital Adequacy Assessment Process

BBAC strictly complies with local regulatory requirements, as well as Basel guidelines. The Bank addresses Pillar 1 of Basel II by measuring credit risk and market risk using the standardized approaches, and operational risk using the basic indicator approach. The Bank also addresses Pillar 2 of Basel II by developing and maintaining a comprehensive model for the Internal Capital Adequacy Assessment Process (ICAAP).

The Bank benefits from the ICAAP to assess the adequacy of its capital on the basis of an evaluation of its risk profile. A set of stress tests applied to ensure the adequacy of the capital base in stressful situations complements this process. This makes it an integral part of the capital planning process.

Capital Adequacy

The Bank aims to maintain a strong capital base that will ensure the adequate level of capital needed to support its growth strategies, while complying with regulatory requirements.

By the end of 2015, the three capital adequacy ratios were well above the regulatory requirements set by Banque du Liban circular No. 44. Total Capital Adequacy Ratio reached 13.59%, Tier 1 ratio reached 13.38% and Common Equity Tier 1 constitutes the bulk of this capital with a CET1 ratio of 10.92%.

Capital Funds as per Basel III (LBP million)		
As of December 31	2015	2014
Net Common Equity Tier One Capital	535,467	490,518
Net Tier One Capital	656,331	611,382
Total Capital	666,331	621,382

Capital Adequacy Ratio as per Basel III		
As of December 31	2015	2014
Net Common Equity Tier 1/ Total Risk Weighted Assets	10.92%	11%
Net Tier 1 / Total Risk Weighted Assets	13.38%	13.71%
Total Capital/ Total Risk Weighted Assets	13.59%	13.93%

Basel III Implementation in Lebanon as per BDL circular No.44				
	2012	2013	2014	2015
Common Equity Tier 1 CAR	5%	6%	7%	8%
Tier 1 CAR	8%	8.50%	9.50%	10%
Total Capital CAR	10%	10.50%	11.50%	12%

The major exposure of the Bank is the credit risk, being 90.5% of total risk weighted assets. The major component of credit risk weighted assets bear the sovereign risk in the form of Central Bank Placements, Certificates of Deposits and Eurobonds issued by the Lebanese government. They constitute 32.7% of credit risk weighted assets. The corporate portfolio represents 15.2% and the remaining credit portfolio, which includes SME, Retail, Housing and Claims Secured by Commercial Real Estate, represents 30.4%.

Risk Weighted Assets (LBP million)				
As of December 31	2015	% of total RWA *	2014	% of total RWA
Credit Risk	4,439,849	90.5%	4,070,507	91.25%
Market Risk	151,593	3.1%	86,860	1.95%
Operational Risk	313,132	6.4%	303,002	6.8%
Total Risk Weighted Assets	**4,904,574**	**100%**	**4,460,368**	**100%**

*RWA: Risk Weighted Assets

Human Resources Management

By the end of 2015, BBAC had a total workforce of 823 employees; 50% of which falling under the age of 40 years and 75% of which are university degree holders.

The gender distribution was similar to 2014 with Males constituting 57% of the staff and Females 43% of the total staff population.

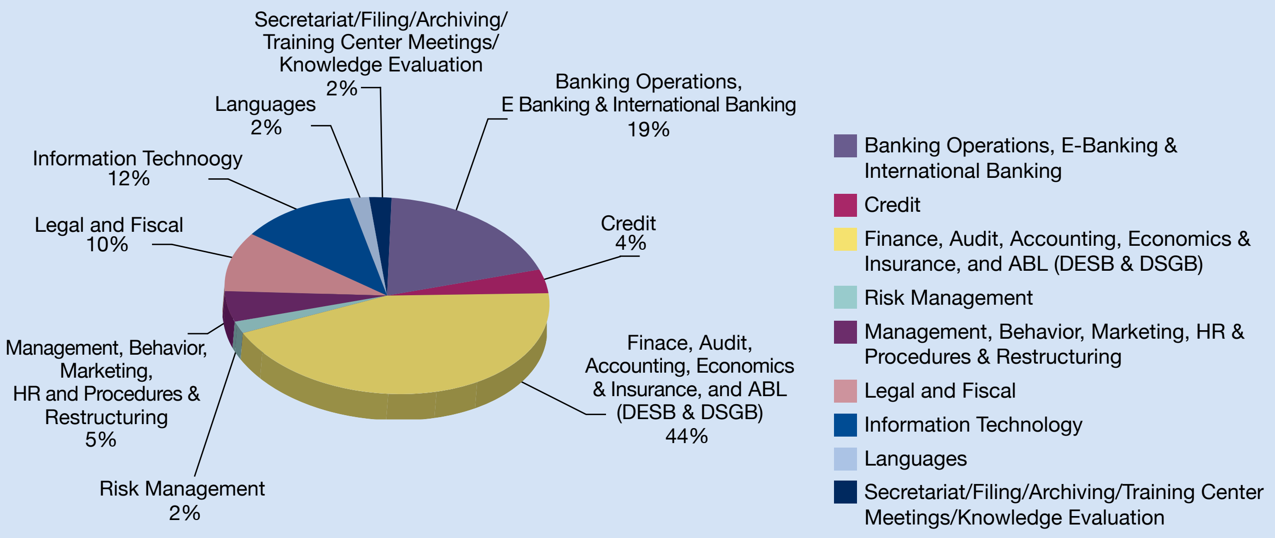
At BBAC, we are very keen on providing equal career and growth opportunities for all employees regardless of gender and this is clearly reflected in the high percentage of females currently occupying managerial positions at the Bank.

BBAC has always been committed to developing its workforce and encouraging its employees to evolve both on a professional and personal level by offering them the financial support needed to pursue post graduate studies or certifications.

Throughout 2015, BBAC took part in the annual job fairs of major universities such as the American University of Beirut (AUB), Lebanese American University (LAU), École Supérieure des Affaires (ESA), Sagesse University and Modern University for Business and Science (MUBS), in an effort to continuously connect with graduating students and attract potential talent for various positions.

BBAC also offered summer internships at its different branches during which interns were given the opportunity to learn about the various banking operations and activities offered by the Bank.

Distribution of Training Hours According to Training Subjects for 2014



Corporate Social Responsibility

Since its inception in 1956, BBAC has been committed to serving the financial needs of its customers, while still upholding the highest ethical standards, and remaining supportive and engaged in local communities. As one of the leading banks in Lebanon, BBAC is cognizant that a responsible approach to business is a decisive factor in determining the long-term viability and success of the Bank. For this reason, BBAC's dedication to sustaining a sound financial standing and performance, providing the best banking solutions to its customers and practicing responsible employment comes in concurrence with a commitment to preserve the common interests of all its stakeholders through a best practice corporate governance framework that sets the tone and provides the foundation for all its banking and Corporate Social Responsibility (CSR) activities.

For BBAC, CSR is not a choice; it is a central business need. The Bank believes that its core responsibility as a corporation goes beyond having a purely financial impact and must also have a social impact. The two go hand in hand because it is only by delivering social and economic value today that the Bank can create long-term sustainable benefits for tomorrow. Over the course of almost 60 years, BBAC has consistently enhanced its ethical standards and has balanced social and economic imperatives to address the concerns and expectations of all its stakeholders. Today, it is advancing on its sustainable journey by setting CSR commitments across the whole business because BBAC understands that it is only through its own exemplary actions that it can continue to prove its reputation as Lebanon's 'Caring Bank'.

As part of its community development and strategic philanthropy efforts, BBAC actively engages in a range of well-selected and tailored CSR initiatives. Among some of its most prominent areas of engagement are health and the environment, economic affairs, humanitarian and social issues in addition to contributions in the arenas of culture and arts, sports, education and youth programs.

In addition to having a positive impact in the communities it serves through a spectrum of donations and sponsorships, BBAC relies on the valuable volunteering and fundraising efforts of its employees. It also engages in various types of partnerships with leading Lebanese non-governmental organizations (NGOs) and initiatives to maximize its reach and impact on the country's most vulnerable and disadvantaged community groups.

In another dimension, BBAC aims to contribute to economic growth and revitalization through varied and multiple contributions and targeted initiatives that help stimulate entrepreneurship and job creation. BBAC is specifically keen on assisting small and medium-sized enterprises (SMEs), which are considered the backbone of the national economy.

In this context, BBAC continued to promote various loans that possess socially responsible attributes, thus offering borrowers favorable conditions such as interest rate subsidies. The Kafalat loan is one example, which is offered to SMEs operating throughout Lebanon in sectors such as tourism, agriculture, industry, high technology and crafts. These loans also encourage environmentally friendly investments and empower startups by committing the Bank's investments directly into different venture capital funds. The ultimate goal is to energize Lebanon's future economic development by creating an ecosystem that promotes investment and production in the country.

BBAC also supports the local economy in other ways, including meeting people's financial needs at the various stages of their business and personal life cycles and helping them reach their goals, whether they want to buy a home, expand their business, pay for college or plan for retirement.

BBAC is making steady progress with regard to social and economic responsibilities; however, it still has much work ahead before making sustainability a mainstream component of its business. Its continued growth and sustainability journey is sure to present challenges as well as opportunities especially amid the still-difficult economic, social, environmental and political climate facing Lebanon. But whatever lies ahead, BBAC's commitment to responsible banking and its caring nature for the community will remain solid. That's BBAC's responsibility, that's its promise and the mission that it inspires it to succeed.

Financial Activities and Performance Highlights

Overview of the Lebanese Economy and Banking Sector

During 2015, Lebanon suffered from continued regional uncertainties and disturbances on several levels. The country is widely affected by unfavorable political, economic and social consequences of the Syrian war. The number of refugees has amounted to almost quarter of the Lebanese population, imposing a substantial burden on public spending, resources, environment and unemployment.
Most of the economic indicators underperformed in 2015 compared with 2014, supporting slower economic growth with real GDP growth rate less than 1% and inflation close to zero percent in 2015. The government fiscal deficit increased to reach 7.7% of GDP. The wider deficit affected the moderate growth in gross public debt which reached LBP 105,994 billion (5.6% growth from 2014) exceeding the growth in nominal output and thus Debt to GDP ratio mounted to around 138.5% in 2015. Government revenues, including budget revenues and treasury receipts, summed up to LBP 14,435 billion in 2015 compared to LBP 16,400 billion in 2014. On the other hand, government expenditures reached LBP 20,393 billion as of December 2015 against LBP 21,032 billion in 2014. As such, total deficit increased from LBP 4,632 billion to LBP 5,958 billion in 2015.

The Lebanese banking sector maintained high liquidity levels in 2015 and remained committed to financing part of the government deficit and credit needs of the private sector, maintaining stable interest rates. Deposits of commercial banks' customers grew by 5 % in 2015, down from 6 % in 2014, to reach USD 159 billion. The key performance metrics for the banking sector improved in 2015 in relation to the previous year with Return on average assets at 1.02 % (0.97% in 2014) and Return on equity at 11.63 % (11.32 % in 2014). Loans to deposits ratio scored 35.77% at the end of 2015 implying above benchmark liquidity levels. Total assets of commercial banks reached LBP 280,379 billion growing by 5.9% over 2014. Loans granted by commercial banks to the private sector grew by 6.5% scoring LBP 81,744 billion by year end. On the other hand, private sector deposits amounted to LBP 228,515 billion at the end of December 2015 increasing by 4.96% from 2014 figures.

Despite all the challenges and difficulties, the Lebanese banking sector remains robust and strong supported by the Central Bank which continuously issues circulars and laws to ensure compliance with the international standards and practices and to promote financial stability and well-being of the banking sector.

Breakdown of Assets and Liabilities

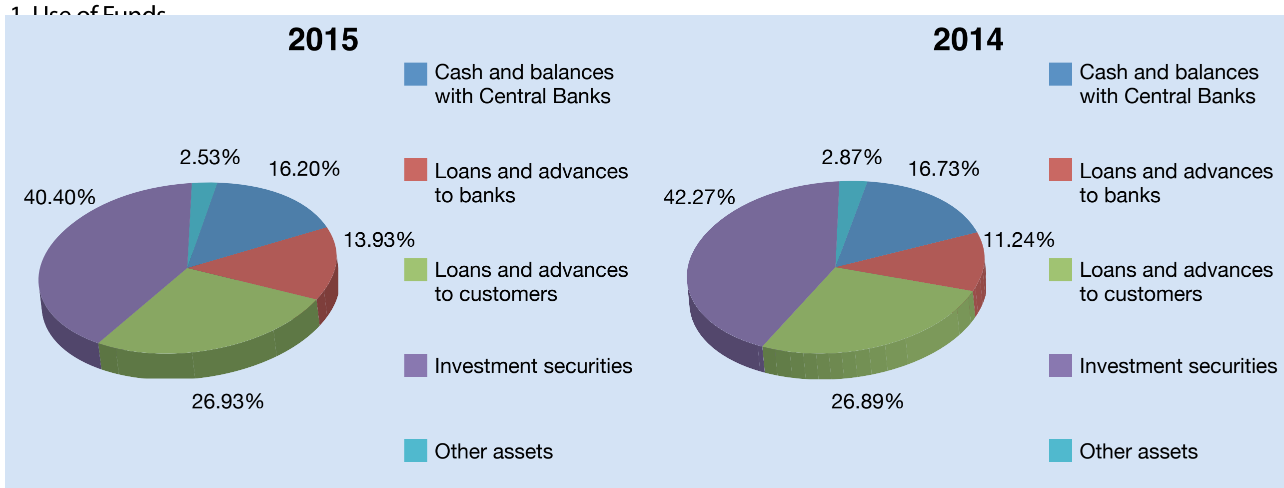
The Bank manages its asset base in a prudent and effective way, allocating 90.29% of its mix of assets to interest earning assets which reached a growth of 13.02% in 2015 in comparison with 6.86% in 2014. Trading and investment securities comprise 44.26% of interest earning assets growing by 6.50% from 2014 consequently contributing the most to interest income. Loans and advances to customers and related parties grew by 12.36% in 2015 taking a share of 29.40% of interest earning assets. In 2015, BBAC's total assets share of Alpha Banks increased to 2.99% from the 2014 ratio of 2.81%.

Breakdown of Assets by Interest-Earning and Non-Interest Earning Accounts

Interest and Non-Interest Earning Assets	(LBP million)		Structure		% Change
	2015	2014	2015	2014	2015-2014
Balances with Central Banks	1,081,022	976,998	11.77%	11.88%	10.65%
Due from Banks and Financial Institutions	1,102,553	743,778	12.01%	9.04%	48.24%
Trading and Investment Securities	3,668,671	3,444,675	39.96%	41.87%	6.50%
Loans and Advances to Customers & Related Parties	2,437,279	2,169,222	26.55%	26.37%	12.36%
Total Interest Earning Assets	**8,289,525**	**7,334,673**	**90.29%**	**89.16%**	**13.02%**
Total Non-Interest Earning Assets	**891,216**	**891,968**	**9.71%**	**10.84%**	**-0.08%**
Total Assets	**9,180,741**	**8,226,641**	**100.00%**	**100.00%**	**11.60%**

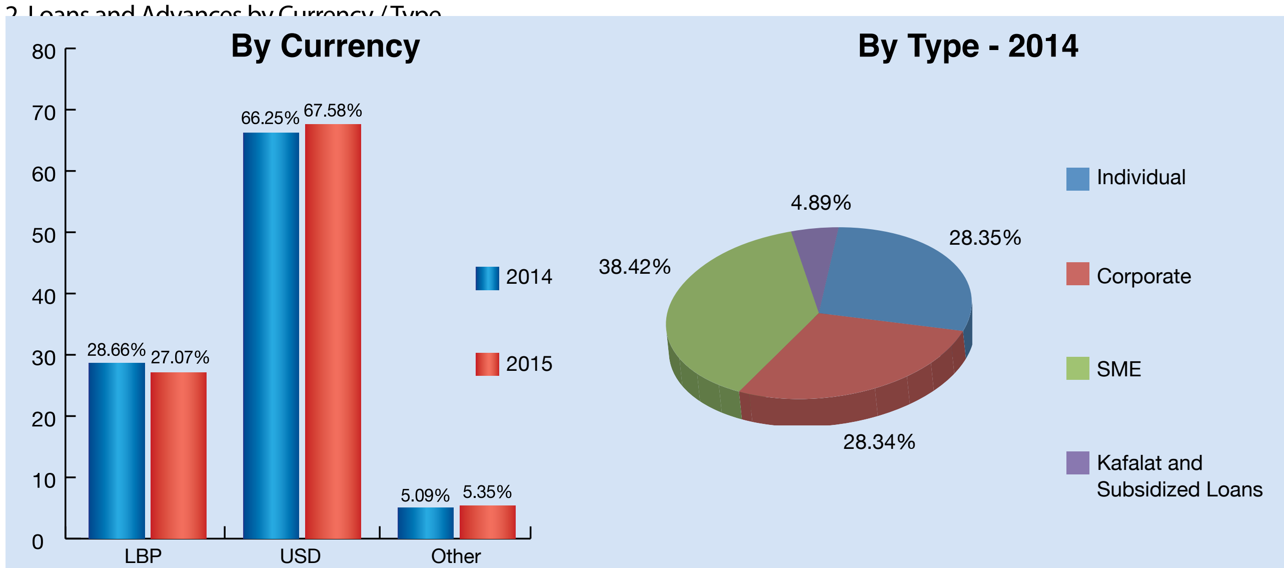
Asset and Liability Management

1. Use of Funds



In 2015, BBAC's assets grew by 11.60% with loans and advances to banks scoring the highest growth rate of 38.25% among all other asset classes. As such, its share of total assets grew by 11.24% in 2014 and by 13.93% in 2015. Investment securities made up 40.40% of total assets in 2015, compared to 42.27% in 2014, of which 93.82% are invested at amortized cost and 6.18% at fair value through profit or loss. Loans and advances to customers' share of total assets increased slightly in 2015 to reach 26.93% compared to 26.89% in 2014.

2. Loans and Advances by Currency / Type



BBAC ranked in third place in loans and advances to customers growth among Alpha Banks in 2015. 95.44% of the Banks total gross loans are performing loans and 4.56% are non- performing loans compared to 95.25% and 4.75% in 2014, respectively. Almost 95% of loans and advances to customers in 2015 are granted in two major currencies LBP and USD. 67.58% of total loans are denominated in USD in 2015, compared with 66.25% in 2014. This increase came at the expense of LBP loans which share decreased from 28.66% in

2014 to 27.07% in 2015. Loans granted in other currencies, mainly EUR, also witnessed an increase in 2015. The loan portfolio witnessed a huge shift of loans from corporate to SME loans. Corporate loans decreased from 49.96% in 2014 to 28.34% of total loans in 2015. On the other hand, SME to total loans ratio increased from 17.06% to 38.42% in 2015. This reclassification of loans between SME and Corporate was in line with revised BDL circular number 396 issued in September 2015.

3. Interest-Earning Loans by Geography

87.03% of the total loan portfolio, of LBP 2,472,772 million, granted in 2015 and amounting to LBP 2,152,007 million, are concentrated in Lebanon compared to 86.90% in 2014, followed by 9.46% to Arab countries. There was a slight increase of 0.28% in loans granted to European countries, which comprise 2.34% of total loans and sum to LBP 57,922 million.

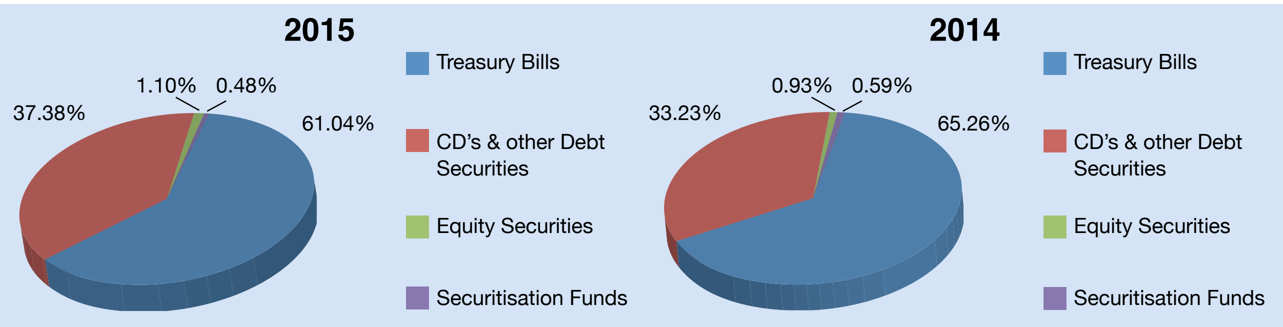
Profitability and Efficiency

1. Interest Margin Analysis

(LBP million)	2015 Total	2014 Total
Average Interest Earning Assets	7,812,099	7,099,405
Interest Paid	314,821	277,953
Interest Received	443,663	403,331
Net Interest Received	128,842	125,378
Cost of Average Interest Earning Assets (in %)	4.03%	3.92%
Return on Average Interest Earning Assets (in %)	5.68%	5.68%
Gross Interest Margin (in %)	**1.65%**	**1.77%**
Net Releases (Provisions) on Loans and Advances	(7,572)	1,084
Net Interest Margin (in %)	**1.55%**	**1.78%**
Average Interest Earning Assets to Average Assets (in %)	89.76%	89.16%
Gross Spread (in %)	1.48%	1.57%
Net Spread (in %)	1.39%	1.59%

Net interest received increased by 2.76% in 2015 to reach LBP 128,842 million compared to a 6.69% growth in 2014. This is due to a 13.26% growth in interest paid surpassing the 10% growth in interest received as a result of the huge growth of 12.68% in deposits in 2015 compared to 5.32% only in 2014.

Cost of average interest earning assets increased from 3.92% to 4.03% due to the 13.26% growth in interest paid. Return on average interest earning assets remained unchanged in 2015. As a result, gross interest margin decreased from 1.77% to 1.65% in 2015. The net provisions on loans and advances coupled with high average interest earning assets caused the net interest margin to decrease by 0.23% from 2014 ratio to reach 1.55% in 2015. This was also reflected in net spread ratio which declined to 1.39% in 2015.



Breakdown of Investment Securities by Type

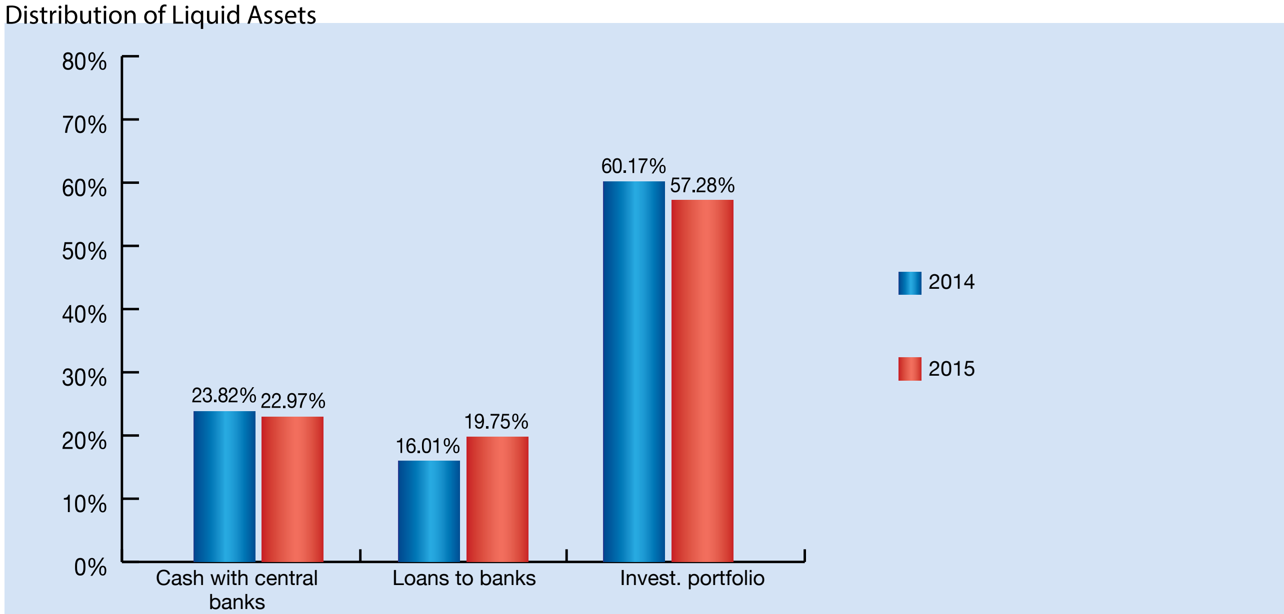
2. Profit before Income Tax

Total operating income increased by 7.68% in 2015 compared with 4.91% in 2014, but this growth was offset by net credit impairment charges, resulting in 2.94% growth in net operating income against 6.35% in 2014. Total operating expenses have increased by 4.76% only versus 9.15% in 2014. That is mainly due to a decline in personnel expenses by 1.93% in 2015, which constitute 56.25% of total operating expenses. As a result, profit before income tax amounting to LBP 81,246 million made a minimal increase of 0.63% over 2014 figure.

3. Management Efficiency Ratios

Efficiency measures how well a bank calculates its assets and liabilities internally. BBAC's interest paid to interest received ratio, closing at 68.91% in 2014, has increased in 2015 to 70.96%. That is due to the 13.26% increase in interest paid compared to 10 % increase in interest received. This was mainly driven by the superior 12.68% growth in deposits. On the other hand, net commission to income scored 19.75% in 2015 in comparison with 18.13% in 2014, as a result of the 12.11% growth in net fee and commission income. Higher cost to income in 2015 was caused mainly by a reduction in income due to net credit impairment charges.

Distribution of Liquid Assets



Net Interest and Similar Income

Interest and similar income witnessed a growth of 10% against 8.17% in 2014. Interest from loans and advances comprises 46.62% of total interest and similar income, and it rose by 11.80% in 2015 against 9.98% in 2014, mainly driven by 12.19% growth in interest from loans to customers and 155.55% growth in reverse repos. 53.38% of interest and similar income come from financial assets at fair value through profit or loss and amortized cost, and have increased by 8.47% in comparison with 6.68% in 2014. Interest income from financial assets at fair value through profit or loss reached LBP 12,078 million in 2015 growing by 185.80% over LBP 4,226 million in 2014.

AUDITORS' REPORT

CONTENTS

pwc

KPMG

Independent Auditors' Report to the Shareholders of BBAC S.A.L.

Report on the separate financial statements

We have audited the accompanying separate financial statements of BBAC S.A.L. ("the Bank"), which comprise the balance sheet as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRSs), 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.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

PricewaterhouseCoopers

PricewaterhouseCoopers

Beirut, Lebanon
10 May 2016

KPMG

Balance sheet at 31 December 2015

	Note	2015 LL Million	2014 LL Million
ASSETS			
Cash and balances with Central Banks	5	**1,487,683**	1,376,534
Deposits with banks and financial institutions	6	**1,278,673**	924,894
Loans and advances to customers	7	**2,472,772**	2,212,239
Debtors by acceptances	8	**63,525**	71,313
Financial assets:			
- Fair value through profit or loss	9	**229,358**	160,791
- Amortised cost	10	**3,480,039**	3,316,252
Investment in subsidiaries	11	**3,524**	3,524
Investment properties	12	**7,338**	7,338
Property and equipment	13	**84,941**	86,285
Intangible assets	14	**2,966**	3,934
Other assets	15	**39,648**	33,234
		9,150,467	8,196,338
Non-current assets classified as held for sale	16	**30,274**	30,303
Total assets		**9,180,741**	8,226,641
LIABILITIES			
Deposits from banks and financial institutions	17	**286,168**	283,563
Current income tax liabilities	32	**4,348**	5,340
Deposits from customers	18	**8,051,972**	7,145,699
Engagements by acceptances	8	**63,525**	71,313
Other liabilities	19	**26,991**	21,633
Retirement benefit obligations	20	**26,438**	26,406
Total liabilities		**8,459,442**	7,553,954
EQUITY			
Share capital - common shares	21	**148,752**	148,752
Share capital - preferred shares	21	**8,264**	8,264
Share premium reserve - preferred shares	21	**112,600**	112,600
Cash contributions to capital	21	**36**	36
Other reserves	22	**188,376**	170,078
Retained earnings	22	**263,271**	232,957
Total equity		**721,299**	672,687
Total equity and liabilities		**9,180,741**	8,226,641

The financial statements on pages 36 to 103 were authorised for issue by the directors on 10 May 2016 and were signed on their behalf by:

Mr. Ghassan Assaf
Chairman and General Manager

The notes on pages 41 to 103 are an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 LL Million	2014 LL Million
Interest and similar income	23	**443,663**	403,331
Interest and similar expenses	23	**(314,821)**	(277,953)
Net interest and similar income		**128,842**	125,378
Net credit impairment (charges) releases	24	**(7,572)**	1,084
Net interest and similar income after credit impairment (charges) releases		**121,270**	126,462
Fee and commission income	25	**42,534**	39,382
Fee and commission expense	25	**(5,092)**	(5,984)
Net fee and commission income		**37,442**	33,398
Dividend income		**3,867**	3,325
Net trading income	26a	**8,509**	6,007
Net gain on investment securities at fair value through profit or loss	26b	**3,830**	1,462
Net gain on investment securities at amortised cost	27	**12,745**	9,545
Other operating income	28	**1,951**	4,005
Personnel expenses	29	**(60,669)**	(61,862)
Depreciation and amortisation charges	30	**(7,026)**	(5,614)
Other operating expenses	31	**(40,161)**	(35,482)
Profit before income tax		**81,758**	81,246
Income tax expense	32	**(14,494)**	(14,138)
Profit for the year		**67,264**	67,108
Other comprehensive income		**-**	-
Total comprehensive income for the year		**67,264**	67,108

The notes on pages 41 to 103 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2015

	Share capital - Common shares LL Million	Share capital - Preferred shares LL Million	Share premium reserve LL Million	Cash contributions to capital LL Million	Other reserves LL Million	Retained earnings LL Million	Total equity LL Million
At 1 January 2014	148,752	8,264	112,600	36	151,505	202,947	624,104
Total comprehensive income for the year	-	-	-	-	-	67,108	67,108
Transactions with owners of the Bank:							
Appropriations of retained earnings (note 22)	-	-	-	-	18,573	(18,573)	-
Dividends declared relating to 2013 (note 33)	-	-	-	-	-	(18,524)	(18,524)
Interest paid on cash contributions to capital (note 33)	-	-	-	-	-	(1)	(1)
At 31 December 2014	148,752	8,264	112,600	36	170,078	232,957	672,687
At 1 January 2015	**148,752**	**8,264**	**112,600**	**36**	**170,078**	**232,957**	**672,687**
Total comprehensive income for the year	-	-	-	-	-	67,264	67,264
Transactions with owners of the Bank:							
Appropriations of retained earnings (note 22)	-	-	-	-	18,305	(18,305)	-
Dividends declared relating to 2013 (note 33)	-	-	-	-	-	(18,522)	(18,522)
Interest paid on cash contributions to capital (note 33)	-	-	-	-	-	(1)	(1)
Other	-	-	-	-	(7)	(122)	(129)
At 31 December 2015	**148,752**	**8,264**	**112,600**	**36**	**188,376**	**263,271**	**721,299**

The notes on pages 41 to 103 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2015

	Note	2015 LL Million	2014 LL Million
Cash flows from operating activities			
Profit before income tax		**81,758**	81,246
Adjustments for non cash-items:			
Net client impairment charges (releases)	24	**629**	(1,084)
Allowance on impairment of balances with central Bank of Iraq (Kurdistan) charges	24	**6,943**	-
Depreciation charge	13	**5,813**	4,640
Amortisation charge	14	**1,213**	974
Loss on disposal of property and equipment	28	**61**	21
Gain on disposal of assets classified as held for sale	28	**(156)**	(316)
Net gain on investment securities at fair value through profit or loss		**(3,050)**	(1,027)
Net gain on investment securities at amortised cost	27	**(12,745)**	(9,545)
Dividends income		**(3,867)**	(3,325)
Provision for retirement benefit obligations	20	**2,560**	4,446
Other		**(129)**	
		79,030	76,030
Change in operating assets and liabilities:			
Balances with Central Banks	5	**(18,875)**	(24,245)
Deposits with banks and financial institutions	6	**(76,119)**	(141,421)
Investment securities at fair value through profit or loss	9	**(65,517)**	(80,119)
Loans and advances to customers	7	**(261,593)**	(200,841)
Investment securities at amortised cost	10	**(151,042)**	(247,983)
Other assets	15	**(6,414)**	(1,564)
Deposits from banks and financial institutions	17	**2,605**	101,309
Deposits from customers	18	**906,273**	360,983
Other liabilities	19	**5,358**	(6,081)
Dividends received		**3,867**	3,325
Employee benefits paid	20	**(2,528)**	(1,743)
Income taxes paid	32	**(15,486)**	(16,036)
Net cash generated from (used in) operating activities		**399,559**	(178,386)
Cash flows from investing activities			
Purchase of intangible assets	14	**(245)**	(1,823)
Purchase of property and equipment	13	**(5,651)**	(10,771)
Proceeds from disposal of property and equipment		**1,121**	198
Proceeds from disposal of assets classified as held for sale		**616**	**710**
Net cash used in investing activities		**(4,159)**	(11,686)

Statement of cash flows (continued) for the year ended 31 December 2015

	Note	2015 LL Million	2014 LL Million
Cash flows from financing activities			
Interest paid on cash contributions to capital		**(1)**	(1)
Dividends paid	33	**(18,522)**	(18,524)
Net cash used in financing activities		**(18,523)**	(18,525)
Cash and cash equivalents at beginning of year	34	**1,037,598**	1,246,195
Net cash generated from (used in) operating activities		**399,559**	(178,386)
Net cash used in investing activities		**(4,159)**	(11,686)
Net cash used in financing activities		**(18,523)**	(18,525)
Cash and cash equivalents at end of year	34	**1,414,475**	1,037,598

The principal non cash transaction was mainly the acquisition of properties in settlement of non-performing loans amounting to LL 431 million (2014 – LL 5.07 billion)

The notes on pages 8 to 80 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2015

1 General information

BBAC S.A.L. ("the Bank") provides retail, private and corporate banking services through its head office in Beirut and its network of thirty nine branches across Lebanon, in addition to a branch in Cyprus and two branches in Iraq (Erbil and Baghdad).

The Bank was incorporated in Lebanon in 1956 and registered at the Commercial Court in Beirut under No. 6196. It is registered under number 28 on the list of Lebanese banks at the Central Bank of Lebanon. The address of its registered office is as follows: P.O. Box: 11-1536, Clemenceau, Beirut - Lebanon.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements relate to the Bank and are presented on a non-consolidated basis. The Bank also separately prepares consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) for the Bank and its subsidiaries ("the Group").

The consolidated financial statements can be obtained from BBAC S.A.L. registered office: P.O. Box: 11-1536, Clemenceau, Beirut - Lebanon.

Users of the separate financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2015 in order to obtain full information on the balance sheet, results of operations and changes in balance sheet of the Group as a whole.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the balance sheet and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Bank for the financial year beginning on 1 January 2015

There are no IFRS's or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Bank's financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning on or after 1 January 2015 and not early adopted by the Bank:

- IFRS 9, 'Financial instruments' was issued in July 2015. The Banks are currently required to apply phase I of IFRS 9 issued in November 2009 which only addressed the classification and measurement of financial assets. This version of the standard established only two primary measurement categories for debt instruments. The complete version issued in 2015 establishes three primary measurement categories for financial assets that are debt instruments: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, the only change was the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The IFRS 9 complete version relaxes the requirements for hedge effectiveness. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The complete version of the standard is effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9. This standard is expected to have a significant impact on the Bank's financial statements, specifically in the level of impairment allowances under the expected loss model.

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

- IFRS 16, 'Leases', (effective 1 January 2019) replaces the current standard on leasing, IAS 17. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the authorisation to control the use of an identified asset for a period of time in exchange for consideration. For lessors, the accounting stays almost the same. However, as the IASB has updated the definition of a lease, lessors will be affected by the new standard. For lessees, the changes are more far-reaching. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a corresponding asset for the ability to use the asset for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees, not the lessors. The impact of this amendment is not expected to be significant on the Bank's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

2.2 Investment in subsidiaries

Subsidiaries are all entities over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated on the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The Bank has elected to account for its investments in subsidiaries under the cost method, and accordingly:

If the ownership interest in the subsidiary is reduced but significant influence/control is retained, the difference between the carrying value of the portion sold and the amount received on sale is recognised in profit or loss as 'gain/loss on sale of shares in subsidiary' within 'other operating income/loss'.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and accordingly the loss is recognised in the profit or loss as 'impairment loss on investment in subsidiary' within 'other operating income/loss'. The Bank does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the subsidiary.

Dividend income is recognised when the right to receive payment is established. A listing of the Bank's subsidiaries is shown in note 11.

2.3 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Lebanese pounds, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

2.4 Financial assets and liabilities

2.4.1 Classification and measurement

In accordance with IFRS 9, all financial assets and liabilities - which include derivative financial instruments - have to be recognised in the balance sheet and measured in accordance with their assigned category.

(a) Debt investments

(i) Invetsment securities at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the Bank's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

(ii) Invetsment securities at fair value

If either of the two criteria above is not met, the debt instrument is classified as 'fair value through profit or loss'.

(b) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Bank can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

(c) Recognition, measurement and reclassification

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Bank commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets held at fair value though profit or loss is expensed in the profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of comprehensive income within 'Net gain on investment securities at fair value through profit or loss' in the period in which they arise.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

The Bank is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

2.4.2 Financial liabilities

The Bank's holding in financial liabilities is in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities measured at amortised cost are deposits from banks or customers (even those deposits with embedded derivatives, where the derivative was separated from the host contract and accounted for as a trading derivative), debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

2.4.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using widely recognised models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, credit default swap spreads) existing at the dates of the balance sheet.

2.4.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.5 Reclassification of financial assets

When and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. An entity shall not reclassify any financial liability nor equity instruments.

If an entity reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognised gains, losses or interest.

If an entity reclassifies a financial asset so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in profit or loss.

If an entity reclassifies a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount.

2.6 Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

<table>
<tr><th colspan="2">Category
(as defined by IFRS 9)</th><th colspan="2">Class
(as determined by the Bank)</th><th>Subclass</th></tr>
<tr><td rowspan="5">Financial assets</td><td rowspan="4">At amortised cost</td><td colspan="3">Deposits with banks and financial institutions</td></tr>
<tr><td rowspan="2">Loans and advances to customers</td><td>Loans to individuals</td><td>- Overdraft
- Credit cards
- Personal loans
- Housing loans</td></tr>
<tr><td>Loans to corporate entities</td><td>- SMEs
- Large corporate entities</td></tr>
<tr><td colspan="2">Investment securities - debt instruments</td><td>Unlisted and Listed</td></tr>
<tr><td>At fair value through profit or loss</td><td colspan="2">Investment securities:
Equity instruments
Debt securities</td><td>Unlisted and Listed</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Financial liabilities at amortised cost</td><td colspan="3">Deposits from banks</td></tr>
<tr><td colspan="3">Deposits from customers and financial institutions</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees and other financial facilities</td></tr>
</table>

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

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

2.8 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to deposits with banks and financial institutions and customers are classified in "Net loan impairment charges" whilst impairment charges relating to investment securities are classified in "Net gains on investment securities at amoritsed cost". If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Renegotiated loans

If the terms of a financial asset are renegotiated or modified (mainly applicable on facilities provided to clients, who are facing financial difficulties), then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as final cash flow from the existing financial asset at the time of derecognition. This amount is discounted using the original effective interest rate of the existing financial asset.

2.9 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest and similar income" and "interest and similar expenses" in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.10 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

2.11 Dividend income

Dividends are recognised in the statement of comprehensive income when the Bank's right to receive payment is established. Usually, this is the ex-dividend date for quoted equity securities.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired in 2015 and 2014.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within "non-current assets classified as held for sale".

2.15 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. These charges are recorded within 'other operating expenses'.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.16 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Bank, are classified as investment properties. Investment properties comprise office buildings and retail parks leased out under operating lease agreements.

Some properties may be partially occupied by the Bank, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Bank can be sold separately, the Bank accounts for the portions separately. The portion that is owner -occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40.

When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Bank considers the owner-occupied portion as insignificant when the property is more than 5% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Bank uses the size of the property measured in square meter. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment if any.

Land is not depreciated. Depreciation on buildings is calculated using the straight line method to allocate the residual values over their estimated useful lives.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

2.17 Property and equipment

Land and buildings comprise mainly branches and offices and are accounted for using the revaluation model. All other items in property and equipment are accounted for using the cost model (i.e. at historical cost less accumulated depreciation and net of impairment charges, if any).

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	50
Computer equipment	5
Furniture, fixtures and equipment	12 - 13
Vehicles	10
Leasehold improvements	5 - 8

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.18 Intangible assets

Intangible assets comprise separately identifiable intangible items arising mainly from computer software licences. Intangible assets are recognised at cost. These intangible assets have a definite useful life and are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 5 years.

2.19 Non-current assets classified as held for sale

Non-current assets held for sale represent properties acquired from customers in settlement of their debt. The Bank exercises its ownership rights over the real estate collateral or acquires the customer's real estate property when it exhausts all other reasonable means for collecting non-performing loans.

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

2.20 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when (i) there is a legally enforceable right to offset current tax assets against current tax liabilities and (ii) when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority and (iii) where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

The Bank is subscribed to the compulsory defined benefit plan of the National Social Security Fund.

IAS 19 'Employee benefits' requirements:

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less contributions to the NSSF. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related pension liability and are denominated in the currency in which the benefits will be paid.

Local requirements:

With reference to the directives of the National Social Security Fund and Labour laws, the Bank is required to record a provision for staff termination indemnities as if the employment of all staff were to be terminated at the balance sheet date. This provision is calculated as the difference between total indemnities due (a factor of number of years of service and the average monthly salary, based on the last 12 months remunerations) and the total monthly contributions paid to the NSSF (which represents 8.5% of the paid employee benefits).

The difference between the two bases set out above tends not to be significant. The Bank is therefore materially in compliance with the requirements IAS 19.

2.22 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Bank recognises no provisions for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure banking facilities and/or commercial transactions.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

The fee income earned is recognised on a straight-line basis over the life of the guarantee. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management.

2.24 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the date of the balance sheet are dealt with in the subsequent events note.

(c) Cash contributions to capital

Cash contributions to capital are classified as equity. A part of these cash contributions generates interest charges paid to the respective shareholders.

3 Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's board of directors provides written principles for overall risk management, as well as guidance covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

The Bank has established the Risk Committee to assist the Board in assessing the different types of risk to which the Bank is exposed, as well as its risk management structure, organisation and processes.

The Board's Risk committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Unit. The Internal Audit Unit undertakes both regular and ad hoc reviews over risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk.

3.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk arises mainly from corporate and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ("trading exposures"), including non-equity trading portfolio assets, derivatives, settlement balances with market counterparties and repurchase agreements.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk.

3.1.1 Credit risk measurement

(a) Loans and advances to customers (including loan commitments and guarantees)

With respect to loans and advances to customers, the Bank rates its counterparties based on its internal rating system (established by reference to the Supervisory Rating Model set by the Central Bank of Lebanon):

Performing loans:

- Normal – the loan is expected to be repaid on a timely and consistent basis;
- Follow-up – the loan is expected to be repaid but the client's file is not complete;
- Special mention – the loan is expected to be repaid but current conditions lead to believe that the probability of repayment would be lowered;

Non-performing loans:

- Sub-standard – client's ability to repay is dependent on the amelioration of financial position or liquidation of collateral(s) on hand;
- Doubtful – probability of loss upon settlement of loan even after taking into consideration liquidation of collateral(s) in place; and
- Bad – the probability of repayment is low and almost nil.

These credit risk classifications are taken into consideration when measuring the impairment allowances required under IAS 39. Impairment losses are based on losses that have been incurred at the balance sheet date (the 'incurred loss model').

(b) Debt securities

For debt securities, external rating such as Standard & Poor's rating or their equivalents are used by the Asset and Liability Committee for managing the credit risk exposures.

3.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual borrowers, groups, industries, countries and types of facilities.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are set by the Board of Directors, (in compliance with the requirements of BDL basic circulars no. 48, 62 and 81). In addition,the exposure to any one borrower or related borrowers is further restricted by sub-limits covering on and off-balance sheet exposures, in compliance with the requirement of BDL basic circular no. 48.

Lending limits are reviewed in the light of changing market and economic conditions and yearly credit reviews of outstanding facilities to clients.

Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties (housing loans);
- Mortgages over commercial properties (corporate loans);
- Cash collaterals;
- Bank and public sector guarantees;
- Pledged assets such as premises, inventory, accounts receivable, commercial bills, machinery, vehicles, trade rights; and
- Pledged financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Reverse repurchase agreements are collateralised by the Central Bank of Lebanon Certificates of Deposit (note 6) for the period of the facility.

(b) Master netting arrangements

The Bank further controls its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(c) Financial covenants (for credit related commitments and loan books)

The primary purpose of these conditions is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate in addition to a cash collateral as set by the credit committee (based on the credit rating of the customer, usually a margin of no less than 15% is requested in compliance with BDL basic circular no. 52) and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Impairment and provisioning policies

Impairment allowances are only recognised for losses that have been incurred at the date of the balance sheet based on objective evidence of impairment (refer to note 2.11). Accordingly, the internal and external rating systems described in note 3.1.1 are used as indicators for impairment.

The impairment allowance shown in the separate financial statements at year-end is derived from each of the six internal supervisory rating grades of loans. The largest component of impairment allowance comes from the doubtful grade. The table below shows the percentage of loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

Bank's rating (based on the Supervisory Grading System)

	2015 Credit risk exposure (%)	**2015 Impairment provision (%)[1]**	2014 Credit risk exposure (%)	2014 Impairment provision (%)[1]
1. Performing (normal, follow up & special mention)	**95%**	**1%**	95%	1%
2. Sub-standard	**1%**	**26%**	1%	15%
3. Doubtful	**3%**	**71%**	3%	81%
4. Bad	**1%**	**100%**	1%	100%
	100%		100%	

The total impairment constitutes 5% (2014 - 5%) of the total gross loans portfolio.

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2015 LL Million	2014 LL Million
Assets		
Balances with Central Banks	**1,377,507**	1,285,756
Deposits with banks and financial institutions	**1,278,673**	924,894
Loans and advances to customers		
Loans to individuals		
- Mortgages	**435,293**	379,784
- Personal	**112,634**	103,548
- Car	**101,590**	89,676
- Other Retail	**51,586**	43,988
Loans to corporate entities		
- Large corporate customers	**700,780**	1,105,232
- Small and medium size enterprises ("SMEs")	**950,060**	377,389
- Subsidised loans	**98,734**	89,821
- Kafalat loans	**22,095**	22,801
Debtors by acceptances	**63,525**	71,313
Investment securities at fair value through profit or loss (debt securities)	**188,632**	128,423
Investment securities at amortised cost	**3,480,039**	3,316,252
Other assets	**23,750**	19,494
At 31 December	**8,884,898**	7,958,371

[1] The impairment provision is shown above as a percentage of gross loans in their respective categories.

Credit risk exposures relating to off-balance sheet items are as follows:

	Maximum exposure	
	2015 LL Million	2014 LL Million
Loan commitment (unused facilities)	**472,733**	426,580
Letters of guarantee	**190,160**	180,960
Letters of credit	**120,447**	106,336
	783,340	713,876

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

The above table for 2015 shows the split between large corporate and SME loans based on the revised BDL circular no. 396 issued on 8 September 2015. 2014 figures have not been restated in line with the new circular.

As shown above, 41% of the total maximum exposure is derived from investment securities (2014 - 43%); 28% is derived from loans and advances to customers (2014 - 28%) and 16% is derived from balances with Central Banks (2014 - 16%).

Management is confident in its ability to continue to control and sustain acceptable exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities based on the following:

- 61% of the Bank's debt securities portfolio is allocated to Lebanese treasury bills (2014 - 65 %), of which 61% is denominated in Lebanese pounds (2014 - 62%), whose risk of default is considered nil, and
- 35% of the Bank's debt securities portfolio classified at amortised cost is allocated to certificates of deposits issued by the Central Bank of Lebanon (2014 - 30%), of which 80% is denominated in Lebanese pounds (2014 - 79%), whose risk of default is considered nil.
- 95% of the loans and advances portfolio is categorised in the top two grades of the internal rating system i.e. classified as performing (2014 - 95%);
- 48% of the gross loans and advances portfolio is fully collateralised and the net exposure (gross loan amount less provisions and collaterals) represents 1% of the total gross loans and advances portfolio;
- 90% of the loans and advances portfolio are considered to be neither past due nor impaired (2014 - 91%);
- 30% of balances with Central Banks are placed in local currency, whose risk of default is considered nil.

Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2015 and as at 31 December 2014. For this table, the Bank has allocated exposures to regions based on the destination of use of funds.

	Lebanon LL Million	Arab countries LL Million	United States LL Million	European countries LL Million	Other countries LL Million	Total LL Million
Financial assets						
Balances with Central Banks	1,298,145	78,781	-	581	-	1,377,507
Deposits with banks and financial institutions	659,091	208,049	261,998	143,200	6,335	1,278,673
Loans and advances to customers	2,152,007	233,912	790	57,922	28,141	2,472,772
Debtors by acceptances	50,202	6,705	-	5,355	1,263	63,525
Investment securities at fair value through profit or loss (debt securities)	188,632	-	-	-	-	188,632
Investment securities at amortised cost	3,391,396	7,707	25,509	47,779	7,648	3,480,039
Other assets	23,608	8	-	134	-	23,750
At 31 December 2015	**7,763,081**	**535,162**	**288,297**	**254,971**	**43,387**	**8,884,898**
Financial assets						
Balances with Central Banks	1,165,784	119,493	-	479	-	1,285,756
Deposits with banks and financial institutions	533,552	28,618	235,532	123,137	4,055	924,894
Loans and advances to customers	1,922,466	212,931	1,008	45,602	30,232	2,212,239
Debtors by acceptances	62,370	7,260	-	-	1,683	71,313
Investment securities at fair value through profit or loss (debt securities)	128,423	-	-	-	-	128,423
Investment securities at amortised cost	3,196,421	12,415	10,863	85,690	10,863	3,316,252
Other assets	19,010	8	-	476	-	19,494
At 31 December 2014	**7,028,026**	**380,725**	**247,403**	**255,384**	**46,833**	**7,958,371**

3.1.5 Loans and advances

Loans and advances are summarised as follows:

	2015		2014	
	Loans and advances to customers LL Million	Loans and advances to banks LL Million	Loans and advances to customers LL Million	Loans and advances to banks LL Million
Neither past due nor impaired	**2,330,207**	**1,278,673**	2,116,893	924,894
Past due but not impaired	**147,380**	**-**	101,964	-
Individually impaired	**118,421**	**-**	110,671	-
Gross	**2,596,008**	**1,278,673**	2,329,528	924,894
Less: allowance for impairment	**(123,236)**	**-**	(117,289)	-
Net	**2,472,772**	**1,278,673**	2,212,239	924,894
Individually impaired	**(91,082)**	**-**	(85,849)	-
Collective allowance	**(32,154)**	**-**	(31,440)	-
Total	**(123,236)**	**-**	(117,289)	-

The total impairment charge for loans and advances is LL 123.24 billion (2014 - LL 117.29 billion) of which LL 91.08 billion (2014 - LL 85.85 billion) represents the individually impaired loans and the remaining amount of LL 32.15 billion (2014 - LL 31.44 billion) represents the collective allowance. Further information of the impairment allowance for loans and advances with banks and financial institutions and to customers is provided in notes 6 and 7.

During the year 31 December 2015, the Bank's total loans and advances increased by 20% as a result of the expansion of the lending business in Baghdad and Lebanon branches and focused efforts in retail business.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Individuals (retail customers)				Corporate entities				
	Mortgages LL Million	Personal LL Million	Car LL Million	Other Retail LL Million	Large corporate customers LL Million	SMEs LL Million	Subsidized LL Million	Kafalat LL Million	Total LL Million
Grades:									
1. Normal	420,094	102,268	96,270	48,269	546,012	776,185	81,770	18,973	2,089,841
2. Follow-up	6,573	677	144	711	48,282	26,012	5,084	827	88,310
3. Special mention	2,522	440	377	191	72,676	75,850	-	-	152,056
At 31 December 2015	**429,189**	**103,385**	**96,791**	**49,171**	**666,970**	**878,047**	**86,854**	**19,800**	**2,330,207**

	Individuals (retail customers)				Corporate entities				
	Mortgages LL Million	Personal LL Million	Car LL Million	Other Retail LL Million	Large corporate customers LL Million	SMEs LL Million	Subsidized LL Million	Kafalat LL Million	Total LL Million
Grades:									
1. Normal	367,629	92,794	85,607	41,421	1,033,314	348,436	77,633	18,865	2,065,699
2. Follow-up	7,145	251	184	600	23,134	2,137	3,480	529	37,460
3. Special mention	519	15	37	76	10,434	2,652	-	1	13,734
At 31 December 2014	**375,293**	**93,060**	**85,828**	**42,097**	**1,066,882**	**353,225**	**81,113**	**19,395**	**2,116,893**

The above table for 2015 shows the split between large corporate and SME loans based on the revised BDL circular no. 396 issued on 8 September 2015.
2014 figures have not been restated in line with the new circular.

(b) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances past due are not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances to customers that were past due but not impaired broken down by class were as follows:

	Individuals (retail customers)				Corporate entities				
	Mortgages LL Million	Personal LL Million	Car LL Million	Other Retail LL Million	Large corporate customers LL Million	SMEs LL Million	Subsidized LL Million	Kafalat LL Million	Total LL Million
Past due:									
Up to 30 days	10,350	10,110	4,694	2,462	38,373	17,481	9,100	645	93,215
30-60 days	-	259	483	368	4,413	26,124	-	418	32,065
60-90 days	-	67	75	69	-	4,859	400	-	5,470
Above 90 days	-	142	536	172	698	14,090	834	158	16,630
At 31 December 2015	**10,350**	**10,578**	**5,788**	**3,071**	**43,484**	**62,554**	**10,334**	**1,221**	**147,380**
Fair value of collateral	**14,271**	**7,453**	**31,712**	**3,060**	**74,066**	**105,009**	**26,867**	**1,514**	**263,952**

	Individuals (retail customers)				Corporate entities				
	Mortgages LL Million	Personal LL Million	Car LL Million	Other Retail LL Million	Large corporate customers LL Million	SMEs LL Million	Subsidized LL Million	Kafalat LL Million	Total LL Million
Past due:									
Up to 30 days	8,128	10,530	3,275	1,855	19,877	6,343	6,128	1,020	57,156
30-60 days	-	665	1,045	355	4,575	4,219	-	224	11,083
60-90 days	-	249	177	72	11,151	2,025	-	-	13,674
Above 90 days	233	459	341	208	7,161	9,989	1,465	195	20,051
At 31 December 2014	**8,361**	**11,903**	**4,838**	**2,490**	**42,764**	**22,576**	**7,593**	**1,439**	**101,964**
Fair value of collateral	**12,533**	**9,168**	**18,540**	**2,679**	**108,554**	**48,488**	**13,033**	**1,255**	**214,250**

The above table for 2015 shows the split between large corporate and SME loans based on the revised BDL circular no. 396 issued on 8 September 2015.
2014 figures have not been restated in line with the new circular.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is assessed by reference to market price or by using valuation techniques with updated market data.

(c) Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as a security, are as follows:

(i) Loans and advances to customers

At 31 December 2015

	Individuals (retail customers)				Corporate entities				
	Mortgages LL Million	Personal LL Million	Car LL Million	Other Retail LL Million	Large corporate customers LL Million	SMEs LL Million	Subsidized LL Million	Kafalat LL Million	Total LL Million
Gross amount	2,549	1,418	1,078	462	-	104,556	5,388	2,970	118,421
Fair value of collateral	**3,586**	**12**	**3,284**	**339**	**-**	**62,415**	**4,383**	**2,048**	**76,067**

At 31 December 2014

	Individuals (retail customers)				Corporate entities				
	Mortgages LL Million	Personal LL Million	Car LL Million	Other Retail LL Million	Large corporate customers LL Million	SMEs LL Million	Subsidized LL Million	Kafalat LL Million	Total LL Million
Gross amount	2,540	1,291	1,030	161	41,227	56,840	4,001	3,581	110,671
Fair value of collateral	**3,022**	**7**	**1,645**	**58**	**21,211**	**43,260**	**4,432**	**2,082**	**75,717**

The above table for 2015 shows the split between large corporate and SME loans based on the revised BDL circular no. 396 issued on 8 September 2015.
2014 figures have not been restated in line with the new circular.

(ii) Loans and advances to banks and financial institutions

The total amount of individually impaired balances with banks and financial institutions as at 31 December 2015 was nil (2014 - nil). No collateral is held by the Bank, and no impairment provision (2014 - nil) has been recognised.

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans. As shown below, restructuring is not proving to be effective as the asset continues to be impaired:

	2015 LL Million	2014 LL Million
Loans and advances to customers - individuals		
Term loans - performing loans	**1,715**	1,030
Term loans - non-performing loans	**4,206**	3,916
	5,921	4,946

3.1.6 Debt securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2015 and 2014, based on Standard & Poor's ratings:

	From AAA+ to AAA- LL Million	From AA+ to AA- LL Million	From A+ to A- LL Million	From BBB+ to BBB- LL Million	From BB+ to BB- LL Million	From B+ to B- LL Million	Total LL Million
Investment securities at fair value through profit or loss (debt securities)	-	-	-	-	-	188,632	188,632
Investment securities at amortised cost	-	-	56,253	28,232	3,044	3,392,510	3,480,039
At 31 December 2015	**-**	**-**	**56,253**	**28,232**	**3,044**	**3,581,142**	**3,668,671**

	From AAA+ to AAA- LL Million	From AA+ to AA- LL Million	From A+ to A- LL Million	From BBB+ to BBB- LL Million	From BB+ to BB- LL Million	From B+ to B- LL Million	Total LL Million
Investment securities at fair value through profit or loss (debt securities)	-	-	-	-	-	128,423	128,423
Investment securities at amortised cost	-	6,208	99,320	11,199	3,104	3,196,421	3,316,252
At 31 December 2014	**-**	**6,208**	**99,320**	**11,199**	**3,104**	**3,324,844**	**3,444,675**

3.1.7 Repossessed collateral

The Bank obtained assets by taking possession of collateral held as security, as follows:

	2015 LL Million	2014 LL Million
Nature of assets		
Residential property- carrying amount	**431**	5,066

Under the requirements of the Central Bank of Lebanon, repossessed properties (against facilities provided locally) should be sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the balance sheet within assets classified as held for sale (note 16).

3.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The Board of Directors sets limits for the acceptable level of risks that can be assumed on the trading book. ALCO is responsible of managing the Bank's exposure to the various market risk and to ensure that risks are within acceptable limits.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's investment securities.

3.2.1 Market risk measurement techniques

The major measurement technique used to measure and control market risk is outlined below.

Sensitivity analysis

A technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. This technique is used within specific boundaries that will depend on one or more input variables, such as the effect that changes in interest rates will have on a bond's price. Sensitivity analysis is a way to predict the outcome of a decision if a situation turns out to be different compared to the key predictions. The Bank performs this analysis for each type of market risk to which the Bank is exposed at each reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

Interest rate risk

If the interest rate increases/decreases by 2%, the net effect [gain/(loss)] is as follows:

	2015		2014	
	USD LL Million	LBP LL Million	USD LL Million	LBP LL Million
Effect on profit	100	(10,980)	591	(5,745)

There is no impact on Lebanese denominated financial instruments as they are held at amortised cost and carry fixed interest rates.

3.2.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its balance sheet and cash flows. The Board of Directors sets limits on the level of exposure by currency as follows:

- Net exposure by currencies should not exceed 1% of Tier I capital.
- Gross exposure (in absolute terms) by currencies should not exceed 40% of Tier I capital (as defined by BDL circular no. 43).

The above mentioned limits are set with reference to BDL basic circular no. 32. These limits are closely monitored on a daily basis by the Bank's Treasury department on a daily basis.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2015 and 2014. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

At 31 December 2015

	LBP LL Million	USD LL Million	EUR LL Million	GBP LL Million	Others LL Million	Total LL Million
FINANCIAL ASSETS						
Cash and balances with Central Banks	449,710	909,525	90,203	730	37,515	1,487,683
Deposits with banks and financial institutions	69,127	1,084,710	78,751	24,181	21,904	1,278,673
Loans and advances to customers	669,279	1,671,097	70,037	49,144	13,215	2,472,772
Debtors by acceptances	-	48,922	10,254	-	4,349	63,525
Investment securities at fair value through profit or loss (debt securities)	161,304	18,897	8,431	-	-	188,632
Investment securities at amortised cost	2,254,392	1,146,785	74,193	4,669	-	3,480,039
Other assets	10,685	11,999	144	-	922	23,750
Total financial assets	**3,614,497**	**4,891,935**	**332,013**	**78,724**	**77,905**	**8,995,074**
FINANCIAL LIABILITIES						
Deposits from banks and financial institutions	67,951	136,778	81,396	1	42	286,168
Deposits from customers	3,273,621	4,407,499	243,019	75,959	51,874	8,051,972
Engagements by acceptances	-	48,922	10,254	-	4,349	63,525
Other liabilities	9,908	1,690	806	-	83	12,487
Total financial liabilities	**3,351,480**	**4,594,889**	**335,475**	**75,960**	**56,348**	**8,414,152**
Net on-balance sheet financial position	**263,017**	**297,046**	**(3,462)**	**2,764**	**21,557**	**580,922**
Credit commitments	**69,222**	**622,106**	**63,027**	**352**	**28,633**	**783,340**

At 31 December 2014

	LBP LL Million	USD LL Million	EUR LL Million	GBP LL Million	Others LL Million	Total LL Million
FINANCIAL ASSETS						
Cash and balances with Central Banks	378,099	841,042	100,545	1,349	55,499	1,376,534
Deposits with banks and financial institutions	55,062	770,364	43,166	15,365	40,937	924,894
Loans and advances to customers	634,083	1,465,603	51,809	40,751	19,993	2,212,239
Debtors by acceptances	25	65,816	3,875	31	1,566	71,313
Investment securities at fair value through profit or loss (debt securities)	106,265	12,515	9,643	-	-	128,423
Investment securities at amortised cost	2,103,498	1,138,949	73,805	-	-	3,316,252
Other assets	7,822	10,241	486	-	945	19,494
Total financial assets	**3,284,854**	**4,304,530**	**283,329**	**57,496**	**118,940**	**8,049,149**
FINANCIAL LIABILITIES						
Deposits from banks and financial institutions	134,756	76,488	56,993	1	15,325	283,563
Deposits from customers	2,868,818	3,916,497	226,720	58,105	75,559	7,145,699
Engagements by acceptances	25	65,816	3,875	31	1,566	71,313
Other liabilities	8,887	1,807	779	-	301	11,774
Total financial liabilities	**3,012,486**	**4,060,608**	**288,367**	**58,137**	**92,751**	**7,512,349**
Net on-balance sheet financial position	**272,368**	**243,922**	**(5,038)**	**(641)**	**26,189**	**536,800**
Credit commitments	**69,741**	**545,306**	**60,357**	**6,925**	**31,547**	**713,876**

3.2.3 Interest rate risk

There is no cash flow interest rate risk on Lebanese denominated financial instruments as they are held at amortised cost and carry fixed interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Treasury department.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing (for example for floating rate notes) or maturity dates.

At 31 December 2015

	Up to 1 month LL Million	1 – 3 months LL Million	3 – 12 months LL Million	1 – 5 years LL Million	Over 5 years LL Million	Non interest bearing LL Million	Total LL Million
FINANCIAL ASSETS							
Cash and balances with Central Banks	135,349	91,034	62,207	515,278	277,154	406,661	1,487,683
Deposits with banks and financial institutions	658,912	237,372	204,666	1,603	-	176,120	1,278,673
Loans and advances to customers	861,494	229,578	806,298	461,205	78,704	35,493	2,472,772
Debtors by acceptances	-	-	-	-	-	63,525	63,525
Investment securities at fair value through profit or loss (debt securities)	-	5,143	-	20,134	163,355	-	188,632
Investment securities at amortised cost	17,177	41,447	203,355	1,748,402	1,469,658	-	3,480,039
Other assets	-	-	-	-	-	23,750	23,750
Total financial assets	**1,672,932**	**604,574**	**1,276,526**	**2,746,622**	**1,988,871**	**705,549**	**8,995,074**
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	185,977	50,213	41,918	6,628	-	1,432	286,168
Deposits from customers	5,798,384	648,572	761,637	240,887	4,940	597,552	8,051,972
Engagements by acceptances	-	-	-	-	-	63,525	63,525
Other liabilities	-	-	-	-	-	12,487	12,487
Total financial liabilities	**5,984,361**	**698,785**	**803,555**	**247,515**	**4,940**	**674,996**	**8,414,152**
Total interest repricing gap	**(4,311,429)**	**(94,211)**	**472,971**	**2,499,107**	**1,983,931**		

At 31 December 2014

	Up to 1 month LL Million	1 – 3 months LL Million	3 – 12 months LL Million	1 – 5 years LL Million	Over 5 years LL Million	Non interest bearing LL Million	Total LL Million
FINANCIAL ASSETS							
Cash and balances with Central Banks	37,957	106,279	53,139	502,281	277,342	399,536	1,376,534
Deposits with banks and financial institutions	440,731	140,201	160,843	2,003	-	181,116	924,894
Loans and advances to customers	717,845	221,421	722,290	416,278	91,388	43,017	2,212,239
Debtors by acceptances	-	-	-	-	-	71,313	71,313
Investment securities at fair value through profit or loss (debt securities)	-	-	10,274	25,354	92,795	-	128,423
Investment securities at amortised cost	85,385	36,386	275,037	1,438,995	1,480,449	-	3,316,252
Other assets	-	-	-	-	-	19,494	19,494
Total financial assets	**1,281,918**	**504,287**	**1,221,583**	**2,384,911**	**1,941,974**	**714,476**	**8,049,149**
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	264,411	4,601	568	6,618	-	7,365	283,563
Deposits from customers	5,489,976	458,520	676,827	192,963	664	326,749	7,145,699
Engagements by acceptances	-	-	-	-	-	71,313	71,313
Other liabilities	-	-	-	-	-	11,774	11,774
Total financial liabilities	**5,754,387**	**463,121**	**677,395**	**199,581**	**664**	**417,201**	**7,512,349**
Total interest repricing gap	**(4,472,469)**	**41,166**	**544,188**	**2,185,330**	**1,941,310**		

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the balance sheet against internal and regulatory requirements (BDL basic circulars no. 72, 73, 84, 86 and 87); and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (note 3.3.3).

3.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the balance sheet. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the liquidity risk based on a different basis (see note 3.3.1), not resulting in a significantly different analysis.

At 31 December 2015

	Up to 1 month LL Million	1 – 3 months LL Million	3 – 12 months LL Million	1 – 5 years LL Million	Over 5 years LL Million	Total LL Million
ASSETS						
Cash and balances with the Central Banks	541,165	90,494	61,920	530,847	478,607	1,703,033
Deposits with banks and financial institutions	833,825	237,492	206,179	1,859	-	1,279,355
Investment securities at fair value through profit or loss (debt securities)	373	6,126	11,892	70,927	217,546	306,864
Investment securities at amortised cost	31,269	81,898	376,552	2,384,360	1,770,603	4,644,682
Total financial assets	**1,406,632**	**416,010**	**656,543**	**2,987,993**	**2,466,756**	**7,933,934**
LIABILITIES						
Deposits from banks and financial institutions	186,970	50,156	41,925	6,953	-	286,004
Deposits from customers	6,378,578	650,995	781,393	273,400	8,821	8,093,187
Engagements by acceptances	63,525	-	-	-	-	63,525
Other liabilities	12,487	-	-	-	-	12,487
Total liabilities	**6,641,560**	**701,151**	**823,318**	**280,353**	**8,821**	**8,455,203**
Net financial (liabilities) / assets	**(5,234,928)**	**(285,141)**	**(166,775)**	**2,707,640**	**2,457,935**	**(521,269)**

At 31 December 2014

	Up to 1 month LL Million	1 – 3 months LL Million	3 – 12 months LL Million	1 – 5 years LL Million	Over 5 years LL Million	Total LL Million
ASSETS						
Cash and balances with the Central Banks	437,225	105,552	52,785	523,773	453,858	1,573,193
Deposits with banks and financial institutions	621,267	140,363	162,284	2,389	-	926,303
Investment securities at fair value through profit or loss (debt securities)	45	163	19,140	57,690	128,120	205,158
Investment securities at amortised cost	97,036	82,116	427,603	2,060,800	1,759,511	4,427,066
Total financial assets	**1,155,573**	**328,194**	**661,812**	**2,644,652**	**2,341,489**	**7,131,720**
LIABILITIES						
Deposits from banks and financial institutions	271,717	4,615	570	7,089	-	283,991
Deposits from customers	5,803,057	460,461	694,628	214,943	1,310	7,174,399
Engagements by acceptances	71,313	-	-	-	-	71,313
Other liabilities	11,774	-	-	-	-	11,774
Total liabilities	**6,157,861**	**465,076**	**695,198**	**222,032**	**1,310**	**7,541,477**
Net financial (liabilities) / assets	**(5,002,288)**	**(136,882)**	**(33,386)**	**2,422,620**	**2,340,179**	**(409,757)**

3.3.3 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprises:

- Cash and balances with Central Banks;
- Lebanese treasury bills denominated in foreign currency that are easily liquidated in the secondary markets; and
- Secondary sources of liquidity in the form of current accounts and short-term placements (with maturities less than 3 months) with foreign banks.
- Lebanese Treasury bills denominated in local currency that are easily absorbed by the Central Bank of Lebanon in case of exceptional deposits withdrawals.

3.4 Fair value of financial instruments

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations.

(a) Valuation models

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

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

This category includes liquid government and corporate bonds actively traded through an exchange or clearing house, and actively traded listed equities.

Valuation technique using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such valuation techniques and models incorporate assumptions about factors observable in an active market, which other market participants would use in their valuations, including interest rate yield curve, exchange rates, volatilities, prepayment and defaults rates.

This category includes liquid treasury and corporate bonds, certificates of deposits and balances with banks and the Central Banks.

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

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

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

(b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized at 31 December 2015.

At 31 December 2015

	Level 1 LL Million	Level 2 LL Million	Total fair values LL Million	Total carrying amount LL Million
ASSETS				
Balances with Central Banks (i)	-	1,484,029	1,484,029	1,377,507
Deposits with banks and financial institutions (i)	-	1,279,325	1,279,325	1,278,673
Loans and advances to customers (ii)	-	2,516,052	2,516,052	2,472,772
Investment securities at amortised cost (iii)	1,195,003	2,182,351	3,377,354	3,480,039
Total financial assets	**1,195,003**	**7,461,757**	**8,656,760**	**8,608,991**
LIABILITIES				
Deposits from banks and financial institutions (iv)	-	286,168	286,168	286,168
Deposits from customers (iv)	-	8,068,247	8,068,247	8,051,972
Total financial liabilities	**-**	**8,354,415**	**8,354,415**	**8,338,140**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized at 31 December 2014.

At 31 December 2014

	Level 1 LL Million	Level 2 LL Million	Total fair values LL Million	Total carrying amount LL Million
ASSETS				
Balances with Central Banks (i)	-	1,292,062	1,292,062	1,285,756
Deposits with banks and financial institutions (i)	-	926,304	926,304	924,894
Loans and advances to customers (ii)	-	2,248,091	2,248,091	2,212,239
Investment securities at amortised cost (iii)	1,095,686	2,046,158	3,141,844	3,316,252
Total financial assets	**1,095,686**	**6,512,615**	**7,608,301**	**7,739,141**
LIABILITIES				
Deposits from banks and financial institutions (iv)	-	283,990	283,990	283,563
Deposits from customers (iv)	-	7,159,706	7,159,706	7,145,699
Total financial liabilities	**-**	**7,443,696**	**7,443,696**	**7,429,262**

The fair value of financial assets and liabilities reflects the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs.

(i) Balances with Central Banks and deposits with banks and financial institutions

The carrying amount of floating rate placements, overnight deposits, items in the course of collection, and current accounts (i.e. maturity less than 1 year) is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances excluding overdrafts and impaired loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The carrying amount of overdrafts is a reasonable approximation of fair value. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

(iii) Investment securities at amortised cost

The fair value is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity, and yield characteristics. For more information, refer to step (ii) above.

(iv) Deposits from banks and financial institutions and deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(c) Financial instruments measured at fair value

At 31 December 2015

	Level 1 LL Million	Level 2 LL Million	Total LL Million
Investment securities at fair value through profit or loss:			
- Debt securities	27,327	161,305	188,632
- Equity securities	6,043	34,683	40,726
Total assets measured at fair value	**33,370**	**195,988**	**229,358**

At 31 December 2014

	Level 1 LL Million	Level 2 LL Million	Total LL Million
Investment securities at fair value through profit or loss:			
- Debt securities	22,157	106,266	128,423
- Equity securities	6,034	26,334	32,368
Total assets measured at fair value	**28,191**	**132,600**	**160,791**

3.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, systems failure, human error, or from external events. When controls fail to perform, it can lead to legal or regulatory implications, or financial/reputational loss. The Bank has set its policies and procedures to identify, assess, monitor, control and mitigate operational risk in addition to other types of risks relating to the banking and financial activities of the Bank as part of overall risk management activities.

Within the risk management framework the operational risk section, performs its functions in accordance with BCC circular no. 252. This section is continuously working on the following areas:

- Update of the comprehensive loss events database and creation of risk registers;
- Risk and controls self-assessments;
- Thorough assessment for all new products introduced by the Bank;
- Business continuity planning; and
- Training and awareness sessions.

Compliance with the Bank's policies and procedures and regulatory requirements are supported by a program of periodic reviews undertaken by the internal audit department. The results of Internal Audit reviews are discussed with the Audit Committee and senior management of the Bank and action plans are set for resolution of any issues. Insurance coverage is used as an external mitigation and is set in line with the Bank's depth of operations.

3.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the Balance sheet, are:

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

Capital adequacy and the use of regulatory capital are regularly managed by the Bank's management, employing techniques, as requested by the Central Bank of Lebanon, (based on the guidelines developed by the Basel Committee). The required information is filed with the regulator on a semi-annual basis.

As per the Central Bank of Lebanon directives, all banks are required to hold a minimum level of regulatory capital of LL 10 billion for the head office and LL 500 million per local branch and LL 1.5 billion per foreign branch. In addition all the Bank's branches located outside Lebanon are subject to capital requirements of their respective jurisdiction (i.e. Cyprus and Iraq).

The regulatory capital requirements are strictly observed when managing economic capital. The Bank complied with all capital ratios requirements throughout the period.

The table below summarises the composition of regulatory capital ratios for the years ended 31 December 2015 and 2014. The computation of the capital adequacy ratio was performed in accordance with the directives issued by the Banking Control Commission of Lebanon (BCCL memo no. 5/2016).

Common Equity Tier 1 ("CET 1")

	2015 LL Million	2014 LL Million
Share capital and contributions to capital	**149,439**	149,439
Reserves (excluding profit for the year)	**161,166**	143,834
Retained earnings	**229,821**	204,149
Less: regulatory adjustments		
Intangible assets	**(4,959)**	(6,904)
Total CET 1	**535,467**	490,518

Additional Tier 1 Capital ("AT 1")

	2015 LL Million	2014 LL Million
Non-cumulative preferred shares and similar financial instruments	**120,864**	120,864
Total qualifying Tier 1 Capital	**656,331**	611,382
Tier 2 Capital (real estate revaluation reserve)	**10,000**	10,000
Total regulatory capital (Tier1 + Tier2)	**666,331**	621,382

Risk- weighted assets

	2015 LL Million	2014 LL Million
Credit risk	**4,439,849**	4,070,507
Market risk	**151,593**	86,860
Operational risk	**313,132**	303,002
Total risk-weighted assets	**4,904,574**	4,460,368

The Bank's capital adequacy ratios as compared to supervisory requirements are shown below:

	BBAC		Supervisory		Basel III
	2015	2014	2015	2014	2015
Common Equity Tier 1 Ratio	**10.92%**	11.0%	**8%**	7%	**4.5%**
Tier 1 Capital Ratio	**13.38%**	13.71%	**10%**	9.5%	**6%**
Total Capital Ratio	**13.59%**	13.93%	**12%**	11.5%	**8%**

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment losses on loans and advances to clients

The Bank reviews its loan portfolios to assess impairment at least on semi-annual basis. Specific impairment provisions are determined by assessing each client facility individually. The factors taken into consideration for the individual assessment include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.
Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should be established due to incurred loss events for which there is objective evidence but whose effects are not yet evident. In assessing the need for collective provision, the Bank considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the collective provisions depends on the model assumptions and parameters used in determining the collective allowance.
Where the net present value of estimated cash flows differs +/- 5%, the impairment loss is estimated LL 1,607 million lower or higher.

(b) Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using discounted cash flow model. These cash flow models are based on underlying market prices for interest rates. Changes in market rates could affect the reported fair value of financial instruments.

(c) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

(d) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Lebanese government securities that have terms to maturity approximating the terms of the related liability.

If the discount rate differed by +/- 0.5% from management's estimates, the carrying amount of the pension obligations would decrease/increase by approximately LL 1,332 million.

4.2 Critical judgements in applying the Bank's accounting policies

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

Going concern

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

Business model

In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

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

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

5 Cash and balances with Central Banks

	2015 LL Million	2014 LL Million
Cash in hand	**95,075**	81,253
Other money market placements	**111,920**	7,538
Balances with central bank other than mandatory reserve deposits	**261,457**	280,444
Included in cash and cash equivalents (note 34)	**468,452**	369,235
Mandatory reserve deposits with Central Banks	**898,543**	773,305
Mandatory reserve – cash in hand (Central Bank of Iraq)	**15,101**	9,525
Placements with BDL other than mandatory reserves	**105,590**	217,539
Less: allowance for impairment (note 24)	**(6,943)**	-
Accrued interest receivable – BDL	**6,940**	6,930
	1,019,231	1,007,299
	1,487,683	1,376,534
Current	**700,339**	602,440
Non-current	**787,344**	774,094
	1,487,683	1,376,534

Under BDL basic circulars no. 84, 86 and 87, the Bank is required to constitute non-interest bearing mandatory reserves in Lebanese Pounds calculated on the basis of 15% of the weekly average of term deposits and 25% of the weekly average of current accounts denominated in Lebanese Pounds. The Bank is also required to constitute an interest-bearing mandatory reserve in foreign currency calculated on the basis of 15% of the weekly average of deposits denominated in foreign currencies.

Foreign branches (i.e. Iraq and Cyprus) are also subject to mandatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are operating.

Mandatory reserves are not available for use in the Bank's day to day operations.

Balances with Central Banks included sight deposits with the Central Bank of Iraq (Kurdistan) amounting to LL 8.5 billion, for which an allowance for impairment of LL 6.9 billion was recorded in accordance with the Banking Control Commission (BCC) directive.

Cash in hand are non-interest bearing, whereas other money market placements are floating rate assets.

6 Deposits with banks and financial institutions

	2015 LL Million	2014 LL Million
Current accounts	**352,950**	328,673
Placements with other banks (with original maturities of less than 3 months)	**485,160**	310,170
Reverse repurchase agreements with a financial institution (with original maturities of less than 3 months) (see below)	**68,632**	-
Items in course of collection from other banks	**39,281**	29,520
Included in cash and cash equivalents (note 34)	**946,023**	668,363
Deposits with banks and financial institutions	**28,364**	25,103
Reverse repurchase agreements with a financial institution (see below)	**301,919**	230,188
Interest receivable	**2,367**	1,240
	332,650	256,531
	1,278,673	924,894
Current	**1,277,073**	922,894
Non-current	**1,600**	2,000
	1,278,673	924,894

In 2014, the Bank entered into reverse repurchase agreements ("reverse repos") with a local financial institution against Certificates of Deposit ("CDs") which are to be sold back to the financial institution at a specific price at maturity (usually within 6 month).

7 Loans and advances to customers

	2015 LL Million	2014 LL Million
Performing loans:		
Medium and long term loans	**1,978,565**	1,815,527
Overdrafts	**375,291**	302,435
Short term loans	**65,498**	61,700
Scheduled loans	**39,081**	18,454
Discounted bills	**4,365**	5,599
Loans and advances to related parties (note 36)	**6,013**	4,734
Net debit against credit accounts – speculation accounts	**279**	220
Creditors accidentally debtors	**1,146**	1,789
Unpaid bills	**932**	2,541
Interest receivable	**6,415**	5,858
Non-performing loans:		
- Substandard	**4,939**	13,559
- Doubtful	**82,569**	70,658
- Bad	**30,915**	26,454
Gross loans and advances to customers	**2,596,008**	2,329,528
Less: allowance for impairment (see below)	**(123,236)**	(117,289)
Net loans and advances to customers	**2,472,772**	2,212,239
Current	**1,932,863**	1,704,573
Non-current	**539,909**	507,666
	2,472,772	2,212,239

Allowance for impairment is broken down as follows:

	2015 LL Million	2014 LL Million
Unrealised interest		
Facilities rated substandard	**1,304**	1,980
Facilities rated doubtful	**24,200**	21,215
Facilities rated bad	**12,292**	10,005
	37,796	33,200
Specific provision	**53,286**	52,649
Total specific allowance	**91,082**	85,849
Collective allowance		
Facilities provided locally	**28,127**	27,442
Facilities provided by foreign branches (Iraq)	**3,080**	3,051
Other	**947**	947
	32,154	31,440
	123,236	117,289

The collective provision on facilities provided locally includes an amount of LL 2.04 billion (2014 - LL 1.11 billion) against facilities provided to clients operating in Syria. The Bank computed the collective provision against Syrian facilities in accordance with requirements of BCC correspondence 512/14C (issued on April 2, 2012).

As for collective provision recorded against the facilities in Iraq, it represents 2% of the facilities granted in Iraq, as stipulated by the Central Bank of Iraq.

Reconciliation of allowance account for loans and advances to customers is as follows:

	2015 Specific allowance for impairment LL Million	2015 Collective allowance for impairment LL Million	2014 Specific allowance for impairment LL Million	2014 Collective allowance for impairment LL Million
At 1 January	**85,849**	**31,440**	92,300	27,938
Increase in impairment allowances (note 24)	**4,674**	**714**	5,605	2,056
Unrealised interest	**7,801**	**-**	1,326	-
Reversal of impairment (note 24)	**(4,759)**	**-**	(8,745)	-
Transfers	**-**	**-**	(1,446)	1,446
Write-off of non-performing loans	**(2,483)**	**-**	(3,191)	-
At 31 December	**91,082**	**32,154**	85,849	31,440

8 Debtors and engagements by acceptances

	2015 LL Million	2014 LL Million
Customers' acceptances	**63,525**	71,313

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

9 Financial assets at fair value through profit or loss

	2015 LL Million	2014 LL Million
Listed debt securities		
Lebanese treasury bills (eurobonds)	**27,328**	22,157
Unlisted debt securities		
Lebanese treasury bills	**103,279**	70,587
Certificates of deposit - BDL	**58,025**	35,679
	161,304	106,266
Total debt securities at fair value through profit or loss	**188,632**	128,423
Equity securities		
- Listed	**6,043**	6,034
- Unlisted	**34,683**	26,334
Total equity securities at fair value through profit or loss	**40,726**	32,368
Total investment securities at fair value through profit or loss	**229,358**	160,791

The above mentioned financial assets are held for trading purposes.

10 Financial assets at amortised cost

	2015 LL Million	2014 LL Million
Listed debt securities		
- Lebanese treasury bills (denominated in USD)	**841,144**	842,355
- Other debt securities	**87,618**	71,844
	928,762	914,199
Unlisted debt securities		
- Lebanese treasury bills	**1,292,615**	1,333,934
- Certificates of deposit - BDL (denominated in LL)	**970,565**	772,676
- Certificates of deposit - BDL (denominated in USD)	**236,981**	192,510
- Certificates of deposit - commercial banks	**15,079**	18,125
- Securitisation funds	**17,707**	20,360
- Other debt securities	**18,330**	64,448
	2,551,277	2,402,053
Total financial assets at amortised cost	**3,480,039**	3,316,252
Current	**309,048**	396,808
Non-current	**3,170,991**	2,919,444
	3,480,039	3,316,252

All debt securities have fixed coupons.

The movement in financial assets at amortised cost is summarised as follows:

	2015 LL Million	2014 LL Million
At 1 January	**3,316,252**	3,058,724
Additions	**917,676**	1,070,253
Sales	**(358,276)**	(363,526)
Redemptions	**(388,350)**	(444,581)
Exchange differences on financial assets	**(7,263)**	(4,618)
At 31 December	**3,480,039**	3,316,252

11 Investment in subsidiaries

	% ownership	2015 LL Million	2014 LL Million
The Capital for Insurance and Reinsurance Company S.A.L. (i)	80%	**3,524**	3,524
Informatics Co. S.A.R.L. (ii)	84%	**-**	-
Société Libanaise de Service S.A.R.L. (iii)	91%	**-**	-
		3,524	3,524

(i) The Capital for Insurance and Reinsurance Company S.A.L. provides life and general insurance services for the local Lebanese market The Company's equity amounted to LL 21.4 billion (2014 - LL 19.9 billion).

(ii) Informatics Co. S.A.R.L. was established to provide information technology services to the Bank. However, the Company ceased its operations in 1999 and is now only managing its cash balances. The Company's equity amounted to LL 2.1 billion (2014 - LL 2 billion).

(iii) Société Libanaise de Service S.A.R.L. manages the properties of the Bank and third parties and provides security and maintenance services. The Company's equity amounted to LL 5.5 billion (2014 - LL 5.3 billion).

12 Investment properties

	Land LL Million	Buildings LL Million	Total LL Million
At 1 January 2014	**5,747**	**1,922**	7,669
Transfer to property and equipment (note 13)	-	(331)	(331)
At 31 December 2014	**5,747**	**1,591**	**7,338**
At 1 January 2015	**5,747**	**1,591**	**7,338**
At 31 December 2015	**5,747**	**1,591**	**7,338**

As at 31 December 2015, the fair value of this property amounted to LL 10.28 billion as determined by comparable market prices for similar plots. This is considered as a level 2 fair valuation, as the most significant input into the valuation model is the price per square metre of comparable plots in close proximity.

The following amounts have been recognised in the statement of comprehensive income:

	2015 LL Million	2014 LL Million
Rental income (note 28)	**79**	92
Maintenance expense (note 31)	**(146)**	(150)
	(67)	(58)

13 Property and equipment

	Land and buildings LL Million	Construction in progress LL Million	Computer equipment LL Million	Furniture, fixtures and equipment LL Million	Vehicles LL Million	Leasehold improvements LL Million	Total LL Million
At 1 January 2014							
Cost or valuation	59,019	17,919	13,105	10,693	482	26,772	127,990
Accumulated depreciation	(16,963)	-	(10,138)	(6,458)	(151)	(14,238)	(47,948)
Net book amount	**42,056**	**17,919**	**2,967**	**4,235**	**331**	**12,534**	**80,042**
Year ended 31 December 2014							
Opening net book amount	42,056	17,919	2,967	4,235	331	12,534	80,042
Additions	3,328	1,468	3,449	844	111	1,571	10,771
Disposals	-	-	(216)	-	(3)	-	(219)
Transfers	1,815	(2,543)	-	29	-	699	-
Transfer from investment properties (note 12)	331	-	-	-	-	-	331
Depreciation charge (note 30)	(1,822)	-	(1,062)	(666)	(50)	(1,040)	(4,640)
Closing net book amount	**45,708**	**16,844**	**5,138**	**4,442**	**389**	**13,764**	**86,285**
At 31 December 2014							
Cost or valuation	64,493	16,844	15,805	11,410	591	29,042	138,185
Accumulated depreciation	(18,785)	-	(10,667)	(6,968)	(202)	(15,278)	(51,900)
Net book amount	**45,708**	**16,844**	**5,138**	**4,442**	**389**	**13,764**	**86,285**

	Land and buildings LL Million	Construction in progress LL Million	Computer equipment LL Million	Furniture, fixtures and equipment LL Million	Vehicles LL Million	Leasehold improvements LL Million	Total LL Million
Year ended 31 December 2015							
Opening net book amount	45,708	16,844	5,138	4,442	389	13,764	86,285
Additions	1,054	24	1,591	732	68	2,182	5,651
Disposals	-	-	(927)	-	-	(255)	(1,182)
Transfers	14,714	(14,996)	-	4	-	278	-
Depreciation charge (note 30)	(2,217)	-	(1,501)	(760)	(67)	(1,268)	(5,813)
Closing net book amount	**59,259**	**1,872**	**4,301**	**4,418**	**390**	**14,701**	**84,941**
At 31 December 2015							
Cost or valuation	80,262	1,872	15,574	11,882	659	31,247	141,496
Accumulated depreciation	(21,003)	-	(11,273)	(7,464)	(269)	(16,546)	(56,555)
Net book amount	**59,259**	**1,872**	**4,301**	**4,418**	**390**	**14,701**	**84,941**

If land and building were stated at historical cost basis, the amounts would be as follows:

	2015 LL Million	2014 LL Million
Cost	**60,463**	44,695
Accumulated depreciation	**(12,428)**	(10,637)
Net book amount	**48,035**	34,058

An independent valuation of the Bank's land and buildings was performed by licensed independent valuers (and approved by the Central Bank of Lebanon) to determine the fair value of land and buildings as at 31 December 1998. The revaluation surplus amounting to LL 21 billion, net of applicable capital gain taxes (as defined under the provisions of fiscal law 282/93) were credited to shareholders' equity under caption ''Revaluation Reserve" (note 22).

The different levels for valuation of land and buildings have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is derived from prices) (Level 2).

- Inputs for the assets or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

No revaluation for land and buildings has been performed since 1998. However, the preliminary assessment conducted by the independent licensed valuers (as appointed by the Bank) shows a revaluation surplus of approximately LL 70 billion (gross of applicable capital gain tax), however the resulting revaluation was not reflected in the financial statements.

14 Intangible assets

	Computer Software Licenses LL Million
At 1 January 2014	
Cost	9,290
Accumulated amortisation	(6,205)
Net book amount	**3,085**
Year ended 31 December 2014	
Opening net book amount	3,085
Additions	1,823
Amortisation charge (note 30)	(974)
Closing net book amount	**3,934**
At 31 December 2014	
Cost	11,109
Accumulated amortisation	(7,175)
Net book amount	**3,934**
Year ended 31 December 2015	
Opening net book amount	3,934
Additions	245
Amortisation charge (note 30)	(1,213)
Closing net book amount	**2,966**
At 31 December 2015	
Cost	11,349
Accumulated amortisation	(8,383)
Net book amount	**2,966**

15 Other assets

	2015 LL Million	2014 LL Million
Advances on purchases of property and equipment (i)	**12,695**	11,637
Electronic card facilities – not yet allocated to client accounts (ii)	**7,342**	6,764
Prepaid expenses	**3,203**	2,103
Receivable from National Social Security Fund (iii)	**2,776**	2,464
Other receivables	**6,309**	3,458
Doubtful receivables (iv)	**15,104**	14,590
Less: allowance for impairment	**(7,781)**	(7,782)
	39,648	33,234
Current	**23,240**	20,504
Non-current	**16,408**	12,730
	39,648	33,234

(i) Advances on purchases of property and equipment include an amount of LL 5.4 billion (2014 - LL 5.4 billion) paid to a contractor in respect of the construction of a branch in Beirut Central District. The project was substantially completed at the end of 2014. The property has not yet been delivered to the Bank pending finalisation of negotiations around the contractual price.

(ii) This account represents transactions executed by the clients on their electronic cards but not yet allocated to their accounts.

(iii) This account represents medical expenses advanced by the Bank to the employees prior to collection from the National Social Security Fund.

(iv) This account includes: (i) doubtful receivables of LL 2.9 billion (2014 - LL 2.9 billion) from one of the Bank's money dealers. Management recorded a provision of LL 1.8 billion (2014 - LL 1.8 billion) to cover the expected loss. (ii) an amount of LL 3.2 billion (2014 - LL 3.2 billion) that is fully provided for to cover losses incurred in connection with contentious depositors' claims in one of the Bank's branches. (iii) amounts receivable from two employees of LL 8.9 billion (2014 - LL 8.4 billion), who were involved in fraudulent activities. Management recorded a provision of LL 2.5 billion (2014 - LL 2.5 billion) against the uncovered exposure.

16 Non-current assets classified as held for sale

The movement of non-current assets classified as held for sale is as follows:

	2015 LL Million	2014 LL Million
At 1 January	**30,303**	25,631
Acquisitions during the year	**431**	5,066
Disposals during the year	**(460)**	(394)
At 31 December	**30,274**	30,303

These assets represent properties acquired against settlement of defaulting clients' facilities. As stipulated by the code of money and credit, banks have two years (from date of acquisition) to liquidate those assets, otherwise banks are required to constitute reserves (through appropriation from retained earnings) against these assets, prior to distribution of dividends (note 22).

In 2014, the bank appointed licensed independent valuers to revalue the above mentioned assets. The fair value has been measured using observable inputs, being the prices for recent sales of similar properties, and is therefore within level 2 of the fair value hierarchy. The fair value of the above mentioned properties was estimated at LL 37.24 billion. The Bank does not believe market prices differ materially in 2015.

17 Deposits from banks and financial institutions

	2015 LL Million	2014 LL Million
Deposits from banks	**267,063**	267,537
Deposits from financial institutions	**18,351**	15,712
Interest payable	**754**	314
	286,168	283,563
Current	**279,558**	276,953
Non-current	**6,610**	6,610
	286,168	283,563

Deposits from banks and financial institutions are classified as liabilities at amortised cost and are set at fixed rates.

18 Deposits from customers

	2015 LL Million	2014 LL Million
Term deposits	**5,907,565**	4,981,860
Current/settlement accounts (a)	**1,389,272**	1,325,025
Deposits held as collateral (b)	**537,368**	687,946
Deposits from related parties (note 36)	**183,421**	123,845
Accrued interest payable	**34,346**	27,023
Total deposits from customers	**8,051,972**	7,145,699
Current	**7,806,144**	6,952,072
Non-current	**245,828**	193,627
	8,051,972	7,145,699
(a) Current/settlement accounts:		
Checking and current accounts	**962,468**	912,952
Saving accounts - demand	**353,220**	340,823
Debtors accidentally creditors	**40,530**	50,859
Payment orders	**32,826**	20,275
Public sector deposits	**228**	116
	1,389,272	1,325,025
(b) Deposits held as collateral:		
Blocked accounts against credit facilities	**468,647**	595,564
Margins against issuance of documentary credits	**39,795**	64,672
Margins against issuance of letters of guarantee	**26,953**	25,730
Margins on speculation accounts	**1,973**	1,980
	537,368	687,946

Deposits from customers only include financial instruments classified as liabilities at amortised cost. All deposits are at fixed interest rates.

19 Other liabilities

	2015 LL Million	2014 LL Million
Due to credit card institution (see below)	**5,479**	4,636
Due to National Deposit Guarantee Institution	**3,370**	3,251
Withholding taxes and other charges	**3,306**	2,928
Due to employees	**2,744**	2,436
Penalty on currency auctions - Central Bank of Iraq (Baghdad)	**2,315**	-
Accrued expenses	**2,137**	3,523
Due to National Social Security Fund	**690**	751
Dividends payable and interest payable on cash contribution to capital	**248**	192
Other provisions	**4,825**	2,929
Other liabilities	**1,877**	987
	26,991	21,633

The amount due to credit card institution of LL 5.48 billion represents transactions executed by the clients through their credit cards and not yet settled by the Bank.

Other liabilities are expected to be settled within no more than 12 months of the date of the balance sheet.

20 Retirement benefit obligations

Provision for retirement benefit obligations comprises the following:

	2015 LL Million	2014 LL Million
Provision for retirement benefit obligations	**26,643**	26,611
Advances against retirement benefit obligations	**(205)**	(205)
	26,438	26,406

The movement in provision for retirement benefit obligations can be summarised as follows:

	2015 LL Million	2014 LL Million
At 1 January	**26,611**	23,908
Charge for the year (note 29)	**2,560**	4,446
Payments during the year	**(2,528)**	(1,743)
At 31 December	**26,643**	26,611

The principal assumptions used were as follows:

	2015	2014
Discount rate	**9%**	9%
Future salary increases	**6%**	6%

21 Share capital and cash contributions to capital

	2015 LL Million	2014 LL Million
Share capital:		
Common shares (i)	**148,752**	148,752
Preferred shares (ii)		
Par value	**8,264**	8,264
Total share capital (i) + (ii)	**157,016**	157,016
Share premium:		
Share premium reserve (iii)	**112,600**	112,600
Cash contributions to capital:		
Cash contributions to capital		
Interest bearing (5.5% per annum)	**36**	36

(i) The Bank's common shares consist of 144,000,000 fully paid shares with a nominal value of LL 1,033 each.

(ii) The Bank's preferred shares consist of 8,000,000 shares (preferred shares 'B') with a nominal value of LL 1,033 each and an issue price of LL 15,075 (USD 10 per share). These shares were fully issued and paid. These shares are (i) redeemable at the sole discretion of the issuer (after 5 years from issuance date) (ii) are non-cumulative (iii) distribution of returns to the holders is contingent on the distribution of dividends to the common stocks and adequacy of regulatory reserves and retained earnings. On that basis, the preferred shares are deemed to be equity instruments, specifically because payment on these shares is at the discretion of the Bank. BDL circular no.44 treats such preferred shares as "Additional Tier One Capital" for the purposes of computing the Regulatory Capital Adequacy Ratios.

(iii) The share premium reserve of LL 112.6 billion represents the premium on issuance of preferred shares at an amount of USD 10 per share

22 Other reserves and retained earnings

	2015 LL Million	2014 LL Million
Reserves		
Real estate revaluation reserve (a)	**21,061**	21,061
Legal reserve (b)	**77,000**	70,281
Reserve for unidentified banking risks (c)	**75,969**	66,969
Reserve for capital increase (d)	**3,377**	3,221
Reserve for liquidation of assets classified as held for sale (e)	**7,288**	6,321
Reserve against retail portfolio (f)	**2,538**	1,183
Other reserves	**1,143**	1,042
	188,376	170,078
Retained earnings (g)		
Retained earnings - available for distribution	**251,535**	225,600
Retained earnings - not available for distribution (h)	**11,736**	7,357
	263,271	232,957

(a) Real estate revaluation reserve

The revaluation reserve arose from the revaluation of investment properties and property and equipment. The revaluation was performed by an independent valuer under the provisions of fiscal law 282/93 based on the market values of 31 December 1993. This reserve is not available for distribution.

(b) Legal reserve

In compliance with the requirements of Code of Commerce and Code of Money and Credit article number 132, banks are required to appropriate 10% of their annual profits as legal reserve. This reserve is not available for distribution.

(c) Reserve for unidentified banking risks

In compliance with the Central Bank of Lebanon basic circular no. 50, banks are required to appropriate from annual profits an amount between 2 per mil and 3 per mil of risk-weighted assets (on and off balance sheet) as a reserve for unspecified banking risks. In addition, this reserve should not be less than 1.25% of the denominator at the end of the tenth financial years (i.e. 31 December 2007) and 2% of the denominator at the end of the twentieth financial years (i.e. 31 December 2017). This reserve is considered part of Tier I capital and is not available for distribution.

(d) Reserve for capital increase

In compliance with Banking Control Commission circular no. 173, all gains recognised on the sale of properties acquired in settlement of debt (note 16) should be appropriated from retained earnings and recorded as "Reserve for capital increase".

(e) Reserve for liquidation of assets classified as held for sale

In compliance with BDL basic circular no. 78, banks are required to deduct from annual profits an amount of 5% or 20% of the carrying value of its properties acquired in settlement of debt (note16), in case the Bank failed to liquidate the properties within 2 years from the date of acquisition. And, in accordance with the Banking Control Commission memo 4/2008 and 10/2008, the required reserves are established through appropriation of retained earnings. This reserve is not considered as part of the Bank's Tier Capital nor is available for distribution. Upon disposal of these properties this reserve is transferred to a reserve specifically restricted to future increases in share capital.

(f) Reserve against retail portfolio

BCC circular no. 280 introduced the requirement to establish a reserve for performing retail portfolio (i.e. where late settlements do not exceed 30 days) equal to 0.5% of the carrying amount of the portfolio at 31 December 2015. This reserve amounted to LL 2.54 billion at the balance sheet date. Additional appropriations of 0.5% per annum are required for six consecutive years starting from 2015.

(g) Retained earnings

	2015 LL Million	2014 LL Million
At 1 January	**232,957**	202,947
Profit for the year	**67,264**	67,108
Dividends declared (note 33)	**(18,522)**	(18,524)
Interest on cash contributions to capital (note 33)	**(1)**	(1)
Other	**(122)**	-
Transfers to other reserves:		
Transfer to legal reserve	**(6,726)**	(7,075)
Transfer to reserve for unidentified banking risks	**(9,000)**	(9,000)
Transfer to reserve for liquidation of assets classified as held for sale	**(1,068)**	(999)
Transfer to reserve for capital increase (note 28)	**(156)**	(316)
Transfer to reserve for performing retail portfolio	**(1,355)**	(1,183)
	(18,305)	(18,573)
At 31 December	**263,271**	232,957

(h) Retained earnings - not available for distribution

Cumulative unrealised gains (gross of losses) are treated as retained earnings not available for distribution under BCC circular no. 270 regulations. These gains will become available for distribution upon disposal of the related instrument.

Movement on these retained earnings is summarised as follows:

	2015 LL Million	2014 LL Million
At 1 January	**7,357**	5,613
Unrealised gain on investment securities at fair value through profit or loss (note 26)	**4,628**	1,860
Revaluation gains related to investment securities sold (transferred to realised)	**(249)**	(116)
At 31 December	**11,736**	7,357

23 Net interest and similar income

	2015 LL Million	2014 LL Million
Interest and similar income		
Loans and advances:		
- Customers	**163,439**	145,675
- Banks and financial institutions	**36,144**	36,299
- Reverse repos	**6,974**	2,729
- Loans and advances to related parties (note 36)	**296**	318
	206,853	185,021
Financial assets at fair value through profit or loss	**12,078**	4,226
Financial assets at amortised cost	**224,732**	214,084
	443,663	403,331
Interest and similar expenses		
Deposits from customers	**(306,699)**	(271,512)
Deposits from banks and financial institutions	**(1,822)**	(1,002)
Deposits from related parties (note 36)	**(6,300)**	(5,439)
	(314,821)	(277,953)

24 Net credit impairment (charges) releases

	2015 LL Million	2014 LL Million
Reversal of impairment (note 7)	**4,759**	8,745
Increase in impairment allowance - specific (note 7)	**(4,674)**	(5,605)
Increase in impairment allowance - collective (note 7)	**(714)**	(2,056)
Increase in impairment allowance - Central Bank of Iraq (Kurdistan) (note 5)	**(6,943)**	-
	(7,572)	1,084

25 Net fee and commission income

	2015 LL Million	2014 LL Million
Fee and commission income		
Commissions on banking operations	**13,361**	11,978
Credit-related fees and commissions	**12,038**	11,696
Commissions on letters of credit and guarantees	**7,108**	7,220
Commissions on transfers	**5,938**	4,700
Brokerage fees	**3,535**	3,213
Other	**554**	575
	42,534	39,382
Fee and commission expense		
Commissions on banking operations	**(3,029)**	(3,524)
Brokerage fees paid	**(1,956)**	(1,824)
Other	**(107)**	(636)
	(5,092)	(5,984)
Net fee and commission income	**37,442**	33,398

26a Net trading income

	2015 LL Million	2014 LL Million
Net gains on foreign exchange transactions (realised)	**3,268**	1,174
Net gains on foreign exchange translation (unrealised)	**5,241**	4,833
	8,509	6,007

26b Net gain on investments at fair value through profit or loss

	2015 LL Million	2014 LL Million
Unrealised loss on revaluation	**(1,578)**	(833)
Unrealised gain on revaluation (note 22)	**4,628**	1,860
Net unrealised gain	**3,050**	1,027
Realised gain on sale of investment securities	**780**	435
	3,830	1,462

27 Net gain on investment securities at amortised cost

	2015 LL Million	2014 LL Million
Sale of investment securities at amortised cost	**12,745**	9,545

During 2015, the Bank sold investment securities from its amortised cost portfolio. Management justifications are as follows:

- In May 2015, the Bank performed an exchange transaction with a local bank on a portion of its certificates of deposit and treasury bills portfolio with a nominal value of LL 165 billion. This transaction consisted of exchanging long term certificates of deposit and treasury bills with shorter term certificates of deposit and was made for maturity gap management purposes. This transaction generated a profit of LL 6.2 billion.
- In June 2015, the Bank performed an exchange transaction with a local bank on a portion of its certificates of deposit and treasury bills portfolio with a nominal value of LL 70 billion. This transaction included certificates of deposit and treasury bills with different maturities and was made for the purposes of maintaining the required liquidity. This transaction generated a profit of LL 3.5 billion.
- In June 2015, the Bank performed an exchange transaction with a local bank on a portion of its treasury bills portfolio with a nominal value of LL 55.5 billion. This transaction consisted of exchanging short term treasury bills with treasury bills having longer maturities and was made for maturity gap management purposes. This transaction generated a profit of LL 300 million.

- In August and November 2015, the Bank performed an exchange transaction with a local bank on a portion of its treasury bills portfolio with a nominal value of LL 62.6 billion. This consisted of exchanging treasury bills with treasury bills having longer maturities and higher yields and was made for maturity gap management purposes. This transaction generated a profit of LL 2.7 billion.

During 2014, the Bank sold investment securities from its amortised cost portfolio. Management justifications are as follows:

- In March 2014, the bank performed an exchange transaction with a local bank on a portion of its certificates of deposit portfolio with a nominal value of LL 151 billion. This transaction consisted of exchanging short term certificates of deposit with certificates of deposits having longer maturities and was made for maturity gap management purposes. This transaction generated a profit of LL 8 billion.
- In November 2014, the bank sold Lebanese treasury bills with a nominal amount of LL 30 billion and acquired certificates of deposits with a nominal value of LL 30 billion with different maturities to adjust for the maturity mismatch between its assets and liabilities. This transaction resulted in a gain of LL 1 billion.

28 Other operating income

	2015 LL Million	2014 LL Million
Release from provision for liabilities and charges	**1,120**	2,997
Gain on disposal of assets classified as held for sale (note 22)	**156**	316
Rental income (note 12)	**79**	92
Loss on disposal of property and equipment	**(61)**	(21)
Other	**657**	621
	1,951	4,005

29 Personnel expenses

	2015 LL Million	2014 LL Million
Wages and salaries	**42,859**	41,150
Social security costs	**5,651**	5,542
Scholarship	**3,023**	2,960
Pension costs - defined benefit plan (note 20)	**2,560**	4,446
Transportation	**1,940**	2,415
Medical expenses	**1,597**	1,716
Training expenses	**326**	321
Other employee benefits	**2,713**	3,312
	60,669	61,862

30 Depreciation and amortisation charges

	2015 LL Million	2014 LL Million
Depreciation charge (note 13)	**5,813**	4,640
Amortisation charge (note 14)	**1,213**	974
	7,026	5,614

31 Other operating expenses

	2015 LL Million	2014 LL Million
Office supplies and utilities	**5,180**	5,601
Professional fees	**4,769**	3,421
Deposit guarantee premiums	**3,370**	3,253
Municipality and other taxes	**2,698**	2,184
Penalty on currency auctions - Central Bank of Iraq (Baghdad) (see below)	**2,604**	-
Advertising expense	**2,218**	2,311
Software costs	**2,175**	2,224
Repairs and maintenance	**2,163**	2,482
Travel expense and entertainment	**1,981**	2,023
Security Expense	**1,736**	1,651
Insurance expense (note 36)	**1,470**	1,140
Operating leases	**1,359**	1,291
Directors' remuneration (note 36)	**1,350**	1,348
Transportation expense	**1,349**	1,119
Subscriptions	**874**	934
Donations	**728**	873
Directors' attendance fees (note 36)	**654**	653
Maintenance expense related to investment properties (note 12)	**146**	150
Other	**3,337**	2,824
	40,161	35,482

The Bank was subject to a penalty of LL 2.6 billion by the Central Bank of Iraq (Baghdad) relating to currency auctions in prior years.

32 Income tax expense

	2015 LL Million	2014 LL Million
Lebanon branches ("Head Office")	**12,902**	12,594
Foreign branches (Cyprus and Iraq)	**1,592**	1,544
Tax charge for the year	**14,494**	14,138

The tax on the Bank's profit differs from the theoretical amount that would arise using the basic tax rate applicable in the local jurisdiction (Lebanon) as follows:

	2015 LL Million	2014 LL Million
Profit before income tax	**81,757**	81,246
Less: profit before income tax foreign branches	**(11,094)**	(9,320)
Profit before income tax local branches	**70,663**	71,926
Tax using the local corporation tax rate of 15%	**10,599**	10,789
Add back charges not accountable for tax purposes:		
Differences between accounting and fiscal depreciation	**148**	116
Net unrealised gain on investment securities and financial liabilities	**(462)**	(129)
Impairment on balances with Central Bank of Iraq (Kurdistan)	**1,041**	-
Penalty on currency auctions - Central Bank of Iraq (Baghdad)	**304**	-
Donations and other provisions	**213**	242
Other	**1,059**	1576
Local income tax	**12,902**	12,594
Foreign income tax	**1,592**	1,544
Total income tax expense	**14,494**	14,138

The movement in the current income tax liability is as follows:

	2015 LL Million	2014 LL Million
At 1 January	**5,340**	7,238
Charge for the year	**14,494**	14,138
Payments during the year	**(15,486)**	(16,036)
At 31 December	**4,348**	5,340

The breakdown in the current income tax liability is as follows:

Lebanon branches ("Head Office")	**2,646**	3,645
Foreign branches (Cyprus and Iraq)	**1,702**	1,695
At 31 December	**4,348**	5,340

The fiscal years from 2012 till 2015 for the Head Office remain subject to examination by the income tax authorities.

33 Dividends per share and interest on cash contributions

The following dividends were declared by the Bank and accounted for in the years shown below:

	2015 LL Million	2014 LL Million
LL 70 (2014 - LL 70) per common share	**10,080**	10,080
LL 1,055 (2014- LL 1,055) per preferred share (designated ''B")	**8,442**	8,444
	18,522	18,524

In addition the Bank paid interest on cash contribution of LL 1 million (2014 - 1 million).

After the reporting date, the following dividends were proposed by the board of directors. These dividends are subject to ratification by the General Assembly and are not yet recognised as liabilities in these financial statements.

	LL Million
LL 70 per common share	**10,080**
LL1,055 per preferred share (designated ''B")	**8,442**
	18,522

34 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks.

	2015 LL Million	2014 LL Million
Cash and balances with Central Banks (note 5)	**468,452**	369,235
Deposits with banks and financial institutions (note 6)	**946,023**	668,363
	1,414,475	1,037,598

35 Contingent liabilities and commitments

(a) Legal proceedings

There were a number of lawsuits involving claims by and against the Bank at 31 December 2015, which arose in the ordinary course of business. The Bank does not expect these claims to give rise to any significant liability on the Bank.

(b) Loan commitments, guarantees and other financial facilities

At 31 December 2015 the following table indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2015 LL Million	2014 LL Million
Loan commitment (unused facilities)	**472,733**	426,580
Letters of guarantee (see below)	**190,160**	180,960
Letters of credit	**120,447**	106,336
	783,340	713,876

The nature and the amounts of the letters of guarantee are as follows:

	2015 LL Million	2014 LL Million
Guarantees given to customers	**111,863**	104,265
Guarantees against bank facilities	**78,297**	76,695
	190,160	180,960

36 Related-party transactions

The Bank is controlled by Assaf Holding S.A.L. (incorporated in Lebanon) which owns 46% of the ordinary shares, and Fransabank S.A.L. (incorporated in Lebanon) which owns 37% of the ordinary shares. The remaining 17% of the shares are widely held.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other financial facilities (i.e. loan commitments, guarantees, etc.).

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

(a) Loans and advances to related parties

	Directors and other key management personnel (and close family members)		Related companies (associated companies and subsidiaries)	
	2015 LL Million	2014 LL Million	2015 LL Million	2014 LL Million
Loans and advances to customers (note 7)	**6,013**	4,734	**-**	-
Interest income (note 23)	**296**	318	**-**	-

No provisions have been recognised in respect of loans given to related parties (2014 - nil).

Loans and advances to related parties comprise loans with fixed rates. The majority of these loans are secured by real estate mortgages.

As stipulated by Code of Money and Credit article 152, loans and advances to related parties are subject to general assembly approval on yearly basis.

(b) Deposits from related parties

	Directors and other key management personnel (and close family members)		Related companies (associated companies and subsidiaries)	
	2015 LL Million	2014 LL Million	2015 LL Million	2014 LL Million
Deposits (note 18)	**62,161**	35,361	**121,260**	88,484
Interest expense (note 23)	**2,623**	2,014	**3,677**	3,425

Deposits from related parties are unsecured and comprise deposits with variable rates (repayable on demand), and fixed rates (repayable at maturity) of LL 26 billion (2014 - LL 23.5 billion) and LL 157 billion (2014 - LL 100 billion) respectively.

Interest incurred on related parties balances totaled LL 6,300 million (2014 - LL 5,439 million).

(c) Letters of guarantee

	2015 LL Million	2014 LL Million
The Capital Insurance and Reinsurance Company S.A.L.	**290**	290

(d) Other transactions with related parties

	2015 LL Million	2014 LL Million
The Capital Insurance and Reinsurance Company S.A.L.		
Commission income	**3,109**	2,789
Dividend income	**1,800**	1,800
Insurance expense - Bank (note 31)	**(1,470)**	(1,140)
Insurance expense - staff	**(260)**	(253)
Other		
Cost of other services received	**(629)**	(623)
Commissions paid	**(6)**	(10)

(e) Key management compensation

Directors' remuneration (note 31)	**1,350**	1,348
Directors' attendance fees (note 31)	**654**	653
Other key management compensation	**3,596**	3,561

37 Events occurring after the reporting period

A recommendation by the Board of Directors to raise the Bank's equity by an amount of up to USD 60 million through the issuance of a new series of preferred shares (Class "C") is to be put to the Extraordinary General Assembly that is due to be held on 23 May 2016 for its ratification.

NETWORK

NETWORK

Branch Network

Head Office

250 Clemenceau Street
BBAC s.a.l. Building
P.O.Box: 11-1536 Riad El Solh
Beirut 1107 2080 Lebanon
Tel: (01) 360460 - 366630/1
Fax: (01) 365200
Call Center: (04) 727747
E-mail: contactus@bbac.com.lb
www.bbacbank.com

BEIRUT

Clemenceau Central Branch
(Head Office)
Tel: (01) 360460 - 366630/1
Fax: (01) 365200

Unesco (Corniche El Mazraa)
Tel: (01) 867144/5/6 - 810390
(03) 233733 Fax: (01) 790394

Hamra (Abd El Aziz Street)
Tel: (01) 341280/2 - 351261
(03) 414514 Fax: (01) 353745

Mazraa (Corniche El Mazraa, Cola Intersection)
Telefax: (01) 818429/31- 302540
Tel: (03) 265266

Achrafieh - Mar Nicolas (Charles Malek Avenue)
Tel: (01) 201780/1- 331599
(03) 541542 Fax: (01) 331690

Achrafieh - Istiklal (Al Istiklal Street near Rizk Hospital)
Tel: (01) 203991/2 - 204016
Fax: (01) 203987

Bliss (End of Bliss Street, Salman Building)
Telefax: (01) 361088/98

Badaro - Sami El Solh (Sami El Solh Street, Ivoire Building)
Tel: (01) 386285 - (71) 432666
Fax: (01) 386284

MOUNT LEBANON

Metn

Zalka (Amaret Chalhoub, Haroun Hospital Street, Strassco Tower)
Tel: (01) 893910 - 886764
(03) 534111 Fax: (01) 893486

Dekwaneh (Boulevard Camille Chamoun)
Tel: (01) 682391/2 - (03) 542543
Fax: (01) 682389

Elyssar - Mazraat Yachouh (Main Road)
Telefax: (04) 913211/21
Tel: (03) 714150

Sin El Fil (Al Hayek Crossroad, Lubnania Building)
Telefax: (01) 488871/2

Dora (Dora Highway, St. Jacques Center)
Telefax: (01) 255381/2

Baabda

Furn El Chebbak (Damascus Road)
Tel: (01) 291528/9 - (03) 388611
Fax: (01) 280906

Bir El Abed (Haret Hreik)
Tel: (01) 548900 - 545435
(03) 539540 Fax: (01) 548901

Chiyah (Al Arees Highway, Fawaz Building near the Ministry of Labor)
Telefax: (01) 554172/3

Hazmieh (Damascus International Road, Kassis Center)
Tel: (05) 951762/3/4

Aley

Aley - Saha (Aley Main Square)
Tel: (05) 555433/4 - 557433
(03) 548549 Fax: (05) 557434

Choueifat (Old Saida Road)
Tel: (05) 433302 - 433600/1
(03) 271194 Fax: (05) 433303

Metn - Hamana (Btekhnay Crossroad)
Tel: (05) 530050 - 530822
(03) 265504 Fax: (05) 530482

Aley - Baqaa (Bkheshtay Road)
Tel: (05) 554701 - 557701/2
(03) 563564 Fax: (05) 554432

Shahhar - Kabr Chmoun
Tel: (05) 410281/2 - (03) 265509
Fax: (05) 411190

Chouf

Baakline (Main Road)
Tel: (05) 300776 - 304060
(03) 265503 Fax: (05) 300348

Bekaata (Main Road)
Telefax: (05) 507587 - 500587 - 501587/706
Tel: (03) 265506

Manassef - Kfarheem (Main Road)
Telefax: (05) 720598/9
Tel: (03) 220729

Keserwan/Jbeil

Kaslik (Tripoli - Beirut Highway)
Telefax: (09) 221437/8/9
Tel: (03) 494495

Jbeil (Main Road)
Telefax: (09) 546700/567/ 407
Tel: (03) 180250

BEKAA

Chtaura (Damascus Road)
Tel: (08) 542451/3 - (03) 840844
Fax: (08) 542452

Bar Elias (Damascus Road)
Tel: (08) 510014 - (03) 840842
Fax: (08) 511085

Rachaya El Wadi (Main Road)
Telefax: (08) 561244 - 591243 - 590240
Tel: (03) 840845

Jib Jannine (Main Road)
Tel: (08) 660370/240 - (03) 840843
Fax: (08) 662740

Ferzol (Main Road)
Tel: (08) 950850/1/2 - (03) 840841
Fax: (08) 950853

Baalbek (Main Road)
Tel: (08) 374014 /5 - (03) 614899
Fax: (08) 374016

SOUTH

Saida (Nejmeh Square)
Telefax: (07) 723857 - 724369 - 734116
Tel: (03) 535536

Tyr - Buss (Main Road, Jal El Bahr)
Tel: (07) 343651/2 - (03) 265505
Fax: (07) 343650

Bint Jbeil (Main Road, Saff El Hawa, Bazzi Center)
Telefax: (07) 450121/2
Tel: (03) 499300

Hasbaya (Chehabi's Sarail Road)
Telefax: (07) 550272/3
Tel: (03) 311788

NORTH

Tripoli - Tall (Tall Square)
Telefax: (06) 430460/1
Tel: (03) 388622

Tripoli - Mina (Al Mina Street, Dannaoui Building)
Tel: (06) 200103/4/5/6 - (03) 566635
Fax: (06) 611555

OVERSEAS

Limassol - Cyprus
144 Archbishop Makarios III Avenue,
BBAC Building, 3021 Limassol
P.O.Box: 56201 3305 Limassol
Tel: (+357) 25 - 381290/369
Telefax: (+357) 25 - 381584

Erbil - Iraq
60 Meter Street, End of Iskan Tunnel
Tel: (+964) 66 - 257 4300/400/500
(+964) 750 - 765 8888

Baghdad - Iraq
Al Karrada Area, Al Arasat Street, BBAC Building
Tel: (+964) 782 - 333 3031 / 271 8199
(+964) 771 - 224 6496

Sulaymaniyah - Iraq
King Mahmood Street, 60 Meter Road
near Talary Hunar, Shazad Building
Tel: (+964) 53 – 319 6468
(+964) 771 - 642 8888

Abu Dhabi - United Arab Emirates (Representative Office)
Mourour Street, C 60 Building,
Mezzanine Floor
P.O.Box: 41840 Abu Dhabi
Tel: (+971) 2 - 446 1516/7
Fax: (+971) 2 - 446 1518

Lagos - Nigeria (Representative Office)
10/14 Abebe Court, Flat A5
Bourdillon Road, Ikoyi
Tel: (+234) 818 829 7124

Correspondent Banks

Abu Dhabi
National Bank of Abu Dhabi

Amman
Jordan Ahli Bank Plc

Colombo
Bank of Ceylon

Copenhagen
Danske Bank A/S

Doha
Qatar National Bank SAQ

Dubai
MashreqBank PSC

Frankfurt
Deutsche Bank AG
Commerzbank AG

Geneva
Commerzbank AG, Frankfurt

Hong Kong
Standard Chartered Bank

Kuwait
National Bank of Kuwait SAK

London
Barclays Bank Plc
Standard Chartered Bank

Madrid
BBVA SA

Milano
Intesa Sanpaolo SpA
Unicredit Bank

New York
The Bank of New York Mellon
Citibank N.A.
JPMorgan Chase Bank N.A.
Standard Chartered Bank

Oslo
DNB Nor Bank ASA

Paris
Société Générale
Banque Audi Saradar France SA

Riyadh
Banque Saudi Fransi

Stockholm
Skandinaviska Enskilda Banken AB

Sydney
Westpac Banking Corporation

Tokyo
The Bank of New York Mellon, London

Toronto
Bank of Montreal

Vienna
Unicredit Bank Austria AG

Subsidiaries

- **Informatics Co. s.a.r.l.**

  It is a software company that offers commercial and technical services. It was established in 1980 and is chaired by Sheikh Ghassan Assaf. BBAC owns 84 % of the company's shares.

- **Société Libanaise de Service s.a.r.l.**

  The company is active in real estate management. It was established in 1980 and is chaired by Sheikh Ghassan Assaf. BBAC owns 91 % of the company's shares.

- **The Capital Insurance and Reinsurance Co. s.a.l.**

  The company provides a full-range of insurance and reinsurance services. It is chaired by Mr. Assad G. Merza. BBAC owns 80% of the company's shares.