

ANNUAL  
REPORT

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2015



**FRANSABANK**



ANNUAL  
REPORT

2015



### We care for the environment

The environmentally friendly paper used in this report is from sustainable sources and adheres to strict international guidelines for the preservation of the world's forests and ecosystems.

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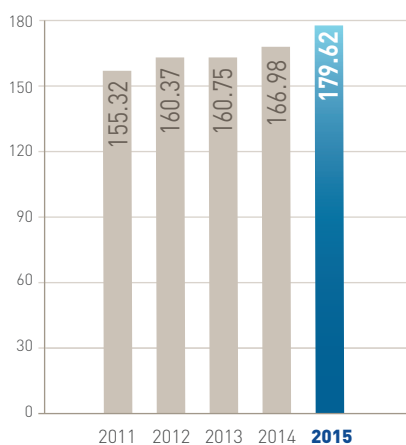
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## Consolidated Financial Highlights

In million of USD	31.12.11	prog-12/11	31.12.12	prog-13/12	31.12.13	prog-14/13	31.12.14	prog-15/14	31.12.15
Customers' Creditor Accounts	11,747.17	+11%	13,065.30	+8.08%	14,121.09	+8.68%	15,346.48	+6.26%	16,306.91
Loans & Advances to Customers (net)	4,426.22	+9%	4,839.17	+9.38%	5,292.86	+9.94%	5,819.06	+8.07%	6,288.59
Net Profit for the Financial Year	155.32	+3%	160.37	+0.24%	160.75	+3.88%	166.98	+7.57%	179.62
Shareholders' Equity	1,295.51	+15%	1,488.57	+11.16%	1,654.76	+12.75%	1,865.74	+4.86%	1,956.34
Total Balance Sheet	14,444.12	+9%	15,750.64	+7.71%	16,964.39	+11.66%	18,942.47	+5.55%	19,993.66
	as per Basel III		as per Basel III		as per Basel III		as per Basel III		as per Basel III
Capital Adequacy Ratio	10.01%		12.44%		14.72%		15.07%		14.74%
Number of Local Branches	108		114		116		124		124
Staff Number	3,074		3,227		3,265		3,416		3,493
Exchange Rate USD/LBP	1,507.5		1,507.5		1,507.5		1,507.5		1,507.5

### Net Profit For The Financial Year

(in million of USD)

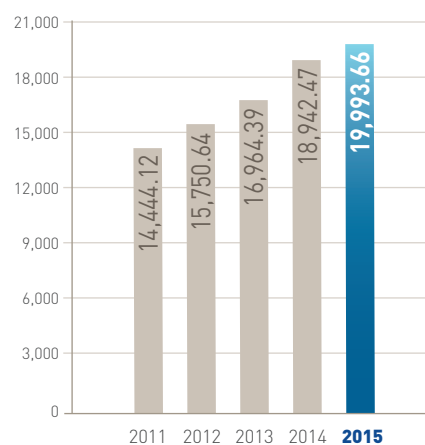


+ 3.70%

CAGR

### Total Assets

(in million of USD)

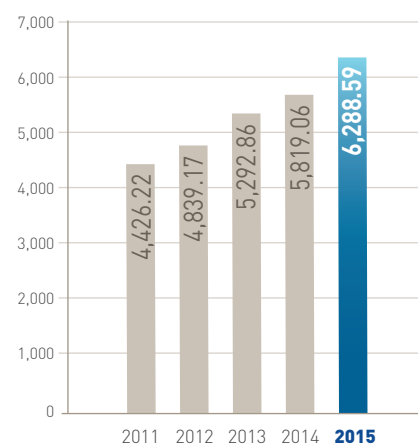


+ 8.47%

CAGR

### Loans & Advances To Customers (Net)

(in million of USD)

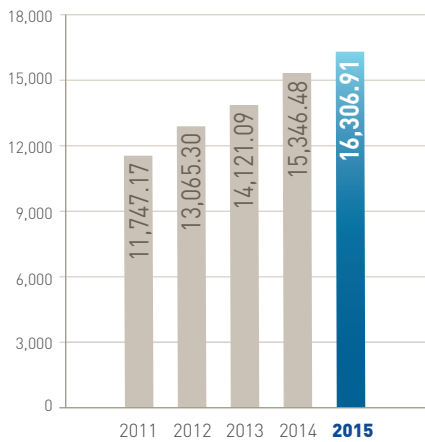


+ 9.18%

CAGR

### Customers' Creditor Accounts

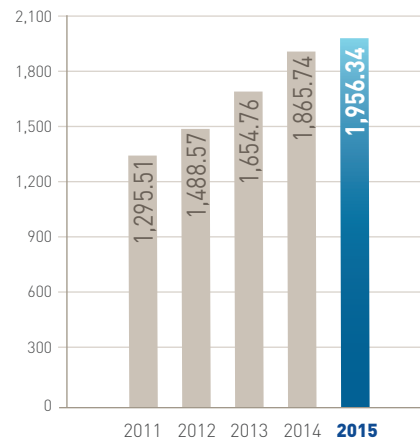
(in million of USD)



**+ 8.54%** CAGR

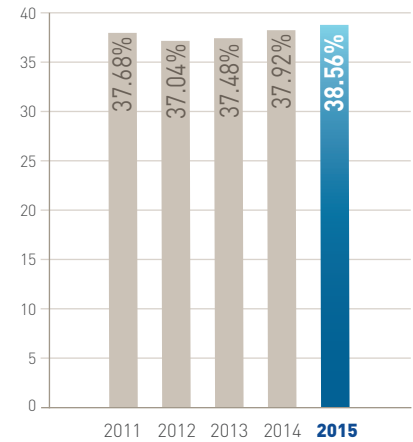
### Shareholders' Equity

(in million of USD)



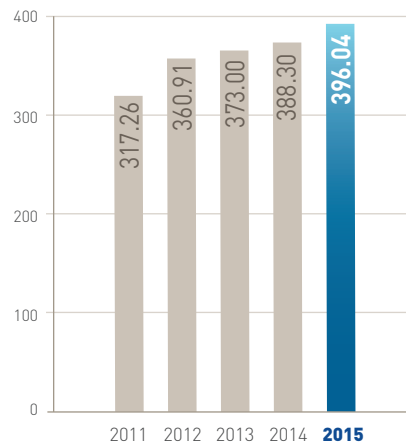
**+ 10.85%** CAGR

### Loans & Advances To Customers To Customers' Creditor Accounts (%)



### Net Interest Income

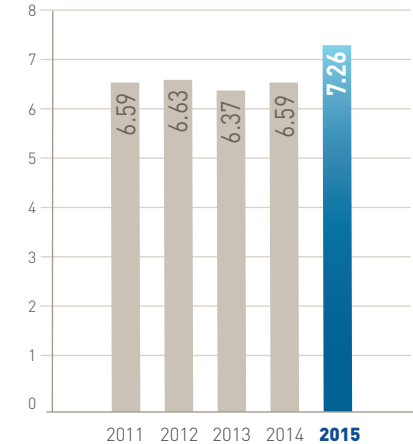
(in million of USD)



**+ 5.70%** CAGR

### Earnings per Common Share


(in USD)



**+ 2.45%** CAGR



INTEGRITY



Regardless of where we are, how much time has passed, or what the future holds, our values have remained unshakeable, inspiring the foundation we have built upon and believed in since the very beginning. The fruit of these values is nothing but success which has stood the test of time. With us, there will always be room for growth and transformation, in an unrelenting pursuit of excellence, and with many tomorrows that are yet to come.

## STATEMENT OF THE CHAIRMAN

## Statement of the Chairman



Adnan Kassar - Chairman & Adel Kassar - Deputy Chairman

I am pleased to present you with Fransabank Group 2015 Annual Report.

In 2015, Lebanon was experiencing another period of unfavorable circumstances which were largely accentuated by the persisting geopolitical instability in some of the Arab countries, mainly in neighboring Syria. Yet, the Lebanese banking sector witnessed a relatively adequate activity growth in 2015, whereby, total assets of banks operating in Lebanon grew by 6% reaching USD 190.5 billion and customers' deposits and loans increasing by 5% and 6.3% respectively at year-end 2015.

Fransabank Group has managed another satisfactory year and recorded a solid 2015 performance by all standards, supported by a dynamic well perceived and thoroughly implemented business strategy.

In this vein, Fransabank Group has achieved net profit of USD 179.6 million in 2015, up by 7.6% from USD 167 million in 2014 and total assets reached USD 20 billion, an increase by 5.5% from USD 18.9 billion at year-end 2014. Net loans and advances to customers stood at USD 6.3 billion at year-end 2015, up by 8.1% from year-end 2014. Customers' deposits amounted to USD 16.3 billion at year-end 2015, an increase of 6.3% from year-end 2014.

The preceding has advanced Fransabank Group's ranking in Lebanon in terms of total assets from the fourth position at end 2014 to the third position at end 2015, consolidated its third ranking in terms of loans and advances to customers and maintained its fourth ranking in terms of customers' deposits.

Fransabank Group expansion strategy in its both strategic axes: local and international, has unfolded with its multi-dimensional components exactly as intended.

At the local level, this was achieved by several acquisitions and mergers, product diversification and local branch network expansion strategy. Fransabank clients enjoy a very wide basket of state-of-art, creative and innovative products and services designed with utmost efficiency, superior service delivery and most competitive terms and conditions.

At the international level, we, at all times, attach great importance to our international expansion strategy, backed by very developed resources, a robust financial structure, and management expertise necessary for this expansion. Consequently, in 2015, we inaugurated a representative office in Abidjan, Ivory Coast. This strategic initiative will help us to expand our markets, while keeping other potential regional and international prospects in perspective.

In 2015, we continued as well to further optimize our strategic focus on China, since our Bank was the first Bank in the Arab world to dedicate a China Desk for the development of the

banking and finance ties with China. Since its inception, China Desk has been proactively developing its products and services in correspondent banking, corporate, SME, and retail banking in its effort to cater to the needs of our local clientele as well as Chinese companies with business interest in the 11 countries where our Bank maintains a presence.

From another perspective, our Bank is aiming to boost the private sector's investments in clean energy – "Go Green" mainly companies keen on acquiring green technology, increasing their competitiveness by reducing costs, and improving their productivity. In addition, our Bank has integrated in its commercial prospection and follow-up with existing clients, an approach to enquire on their energy use and their environmental and social impacts, in order to encourage them to control and reduce the environmental impact of their activities, embrace renewable energy and responsible and sound environmental management practices. We were very diligent to develop and grow our portfolio in these very promising sustainable energy economic activities.

Fransabank executive management is committed to develop, implement and promote an advanced compliance culture across the Group. In this prime concern, it has made significant investments in technology and human resources to develop and consolidate its compliance requirements objectives with pertinent local and international laws and regulations, and covering risk management, corporate governance, AML, FATCA, etc...

We are striving to alleviate the various components of our corporate social responsibility strategy to higher levels. We continue our commitment and support to the ten principles of the United Nations Global Compact (UNGC), as well as the UN Sustainable Development Goals (SDGs) which provide a framework for our corporate responsibility approach.

We are further developing our efforts to create long-term value for all our stakeholders via providing them the needed capital for investments, helping our customers achieve their ambitions, and offering our extended support to the communities to stimulate economic growth and sustainable development.

Our Group is very well positioned locally, regionally and internationally. We enjoy efficient financial strengths, effective operational attributes, and a dynamic strategy which places us as the forefront to further drive our growth to higher levels on solid and sustainable grounds.

We constantly thrive to create value for all our stakeholders: for our shareholders, whose support is our foundation; for our customers, who we are keen to exceed their expectations; for our employees, who are our greatest assets; and for our communities.

Sincerely,



Adnan Kassar

A nighttime photograph of a coastal town. The buildings are illuminated with warm yellow and orange lights, and their reflections are visible in the calm water in the foreground. The sky is a deep, clear blue. The word "TRANSPARENCY" is overlaid in the lower half of the image in a white, outlined, sans-serif font.

# TRANSPARENCY



C O R P O R A T E  
G O V E R N A N C E



## Corporate Governance Framework

**Fransabank is committed to implement sound Corporate Governance practices, which focus on the main guiding principles of transparency, accountability, responsibility and fairness in the treatment of all stakeholders.**

Fransabank Corporate Governance framework revolves essentially around the Corporate Governance Code as adopted by the Board of Directors in line with the regulatory requirements and international best practices. It also includes a set of governance related policies and charters as well as a Code of Conduct & Ethics.

This framework promotes the commitment of the Bank to the highest level of transparency, integrity, fairness and accountability and helps in disseminating a strong governance culture within the Bank.

The Group's strategy remains to standardize the Corporate Governance practices across its entities and to strengthen its governance and control culture, taking into consideration the Corporate Governance requirements of host jurisdictions.

### Governance Structure

Fransabank governance structure, which aims to provide an efficient framework for the assignment of responsibility and

accountability, includes the General Assembly of Shareholders; the Board of Directors; the Chairman; the Deputy Chairman; the various Committees; control functions; the external auditors; senior management and the business and support functions.

### Rights of Shareholders

Shareholders enjoy all rights conferred upon them by the Lebanese Code of Commerce, including the right to vote at the General Assembly, the right to receive dividends, the right to transfer their shares and the preferential right to subscribe to capital increases. All common shareholders, including minority shareholders, enjoy the same rights and benefits and have one voting right for each common share (the principle of one share, one vote) without limitation. Shareholders who own registered shares for at least two years are entitled to a double voting right according to Article 117 of the Lebanese Code of Commerce.

<b>Main Holders of Common Shares as at December 31, 2015</b>	<b>PERCENT <sup>(1)</sup></b>
Adnan Kassar	39.55
Adel Kassar	39.55
Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG) <sup>(2)</sup>	5.00
Al-Fadl Holdings Limited	2.70
The Public Institution for Social Security – Kuwait	2.00
Others <sup>(3)</sup>	11.20
<b>Total Shareholding</b>	<b>100</b>

(1) Percent of total share capital consisting of 21,500,000 Common Shares as at 31.12.2015

(2) Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG) is one of Germany's top development and investment banks. DEG is owned by Kreditanstalt für Wiederaufbau KfW, which, in turn, is owned by the German Government.

(3) Each with less than 2%.

## Board of Directors

Fransabank is governed by a Board of Directors, which consists of twelve members elected by the General Assembly of shareholders for three years.

The management of the Bank is vested in the Board of Directors, which at Fransabank consists of a sufficient mixture of non-executive and independent members. The majority of Board members qualify as non-executive. This composition aims to safeguard the governance and effectiveness of the Board and to ensure the objective of adding value to all shareholders, investors, clients and community in the short, medium and long terms.

The Board has overall responsibility of the Bank, including adopting and overseeing the implementation of the Bank's strategic objectives, risk strategy, risk policies, corporate governance and corporate values, as well as ensuring that adequate, effective and independent controls are in place.

During 2015, the Board of Directors has met four times.

In carrying out its oversight duties, the Board is supported by the Corporate Governance Committee, Risk Management Committee, Audit Committee and Remuneration Committee. These committees are chaired by independent non-executive members and comprise non-executive board members.

The Corporate Governance Committee, Risk Management Committee and Audit Committee meet at least quarterly and when necessary. A charter was established to each Committee, which indicates the Committee's scope of work, membership structure and composition, meetings as well as its roles and responsibilities. The Remuneration Committee shall meet at least semi-annually.

### Board Members

H.E. Mr. Adnan Kassar	Executive Director
Mr. Adel Kassar	Executive Director
Mr. Antoine Jeancourt Galignani	Non-Executive Director Chair of the Audit Committee and the Corporate Governance Committee
Mr. Bernd Tümmers	Non-Executive Director
The Public Institution for Social Security - Kuwait	Non-Executive Director
Mrs. Magda Rizk	Non-Executive Director Chair of the Remuneration Committee and Member of the Risk Management Committee
H.E. Mr. Nehmé Tohmé	Non-Executive Director
H.E. Mr. Walid Daouk, Esq.	Non-Executive Director Member of the Audit Committee, the Corporate Governance Committee and the Remuneration Committee
Mr. Rafic Charafeddine	Non-Executive Director Member of the Remuneration Committee
Mr. Nadim Kassar	Executive Director
Dr. Walid Naja	Non-Executive Director Member of the Risk Management Committee, the Audit Committee and the Corporate Governance Committee
Mr. Henri Guillemin	Non-Executive Director Chair of the Risk Management Committee

## Charter of Board Committees

### Corporate Governance Committee

The responsibility of the Corporate Governance Committee is to provide oversight of all material Corporate Governance issues affecting the Bank and its subsidiaries; and to ensure that Fransabank Corporate Governance practices are in line with the regulatory requirements and international best practices.

### Risk Management Committee

The Risk Management Committee's responsibilities are to assist the Board of Directors in fulfilling its risk-related duties and to oversee the proper implementation of the risk management principles. In discharging its responsibilities, the Committee monitors the Bank's risk profile through the reports submitted by the Chief Risk Officer to the Risk Management Committee prior to presenting them to the Board of Directors. The Committee is also responsible for recommending to the Board of Directors the Bank's risk policy including the risk appetite and risk tolerance.

### Audit Committee

The Audit Committee is established to assist the Board of Directors in its oversight responsibilities regarding the:

- Evaluation of the internal control regulations and procedures
- Assessment of the qualifications and independence of the external auditors
- Supervision of the internal audit's activities
- Integrity of the financial statements
- Review of the Bank's disclosure standards

During 2015, each of the Corporate Governance Committee, Risk Management Committee and Audit Committee held four meetings.

### Remuneration Committee

The Remuneration Committee ensures that the Bank has comprehensive remuneration policies and procedures and oversees their implementation.

During 2015, the Committee held two meetings.

## Management

The Chairman of the Board may suggest to the Board the appointment of one or more General Managers, who shall act for account and under the full responsibility of the Chairman. At Fransabank, and in addition to the Chairman and the Deputy Chairman, the Senior Management includes General Managers, Deputy General Managers and Heads of key departments. Also an Executive Committee and several Management Committees are established to support the Chairman and the Deputy Chairman in running the day-to-day management of the Bank.

## Control Functions

Fransabank implements sound internal control systems to ensure appropriate segregation of duties and avoidance of conflicts of interest within the organization structure.

The Bank recognizes the importance of implementing sound control functions at the Bank including Risk Management, Internal Audit, Compliance, Corporate Governance and Inspection functions. These functions ensure that the Bank's activities are performed in accordance with the prevailing laws and regulations as well as with the Bank's policies and procedures.

## Biographies of Board Members



### H.E. Mr. Adnan Kassar

| Chairman of the Board of Directors

#### Born in 1930 - Lebanon

H.E. Mr. Adnan Kassar is the Chairman & CEO of Fransabank Group and member of the Board of Directors of BLC Bank SAL, Fransabank (France) SA and Fransabank Syria SA. He is also the Chairman of the Supervisory Board of Fransabank OJSC in Belarus. He and his brother Adel acquired Fransabank in 1980. H.E. Mr. Kassar served as Minister of Economy and Trade in Lebanon from 2004 to 2005 and Minister of State in Lebanon from 2009 to 2011. He was the first Arab businessman elected Chairman of the International Chamber of Commerce (ICC) and headed the World Business Organization from 1999 to 2000. He is also former President of the Lebanese Federation of Chambers of Commerce, Industry and Agriculture in Lebanon and headed this Federation for over thirty years (from 1972 to 2002). He is the President of the Lebanese Economic Organizations and is the Honorary Chairman of the General Union of Chambers of Commerce, Industry and Agriculture of the Arab Countries which groups millions of companies and associations from the 22 member Arab countries. Mr. Kassar has received global awards and high distinguished decorations from many Heads of States and International Organizations including the Oslo Business for Peace Award in 2014 and the "China Arab Outstanding Contribution" Award from China's President Xi in 2016. He holds a law degree from Saint Joseph University, Beirut and an Honorary Doctorate from the Lebanese American University. [www.adnankassar.com](http://www.adnankassar.com)



### Mr. Adel Kassar

| Deputy Chairman of the Board of Directors

#### Born in 1932 - Lebanon

Mr. Adel Kassar is the Deputy Chairman and Chief Executive Officer of Fransabank Group. He is the Chairman of the Board of Directors of Fransabank France SA and Fransabank Syria SA. He is also the Chairman of the Board of Directors and General Manager of Bancassurance SAL and Lebanese Leasing Company SAL. He is member of the Board of Directors of BLC Bank SAL and member of the Supervisory Board of Fransabank OJSC in Belarus. He and his brother Adnan acquired Fransabank in 1980. He is a former Chairman of the Association of Banks in Lebanon and is the Honorary Consul General of the Republic of Hungary in Lebanon. He holds a degree in Lebanese and French law from Saint Joseph University, Beirut.



### Mr. Antoine Jeancourt Galignani

| Chair of the Audit Committee & the Corporate Governance Committee

#### Born in 1937 - France

Mr. Antoine Jeancourt Galignani started his career at the French Ministry of Finance and later joined Chase Manhattan Bank in New York and Crédit Agricole. He was appointed as Managing Director, then Chairman of Bank Indosuez. He was also member of the Board of Directors of Banque Saudi Fransi, in Saudi Arabia and the Chairman and CEO of AGF, which was later acquired by Allianz Group and the Chairman of the holding company of SNA. He also served in numerous Boards such as TOTAL, Bouygues and Société Générale and he chaired the Board of the Institute of International Finance in Washington from 1991 to 1994. Mr. Galignani was until the 1<sup>st</sup> of December 2012 the Chairman of the Board of Eurodisney France. He is currently a director of Oddo, a Paris based Investment Bank. He holds a master degree in economics and political sciences from ENA, France.



### Mr. Bernd Tümmers

**Born in 1947 - Germany**

Mr. Bernd Tümmers began his career as business administration trainer in a German manufacturing company, followed by being the assistant to the CFO of a large engineering and construction company in the USA. He joined Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG), Cologne - member of the KfW Banking Group, as Investment Manager for South East and East Asia in 1980 and then Head of Department in charge of DEG's activities in Asia. In 1996, he became Senior Vice President and served in various management positions; among others, he was responsible for DEG's investments for approximately five hundred companies worldwide with an investment volume of USD 6 billion. After his retirement in 2012, he founded his own consulting firm and became partner of AdminiStraight GmbH, a company advising German companies in different fields. He still serves as a member of the Board of Directors in DEG's few companies. He holds an MBA degree from University of Cologne, Germany.



### The Public Institution for Social Security – Kuwait

The Public Institution for Social Security is a public institution which has an independent budget and is under the supervision of the Minister of Finance. The Institution has a Board of Directors, chaired by the Minister of Finance and a General Manager who is responsible for executing the policy as drawn-up by the Board of Directors. The Public Institution for Social Security is represented by Mr. Mohammad Al-Qassar in the Board of Directors.



### Mrs. Magda Rizk

| Chair of the Remuneration Committee & Member of the Risk Management Committee

**Born in 1957 - Lebanon**

Mrs. Magda Rizk is the owner and manager of Rizk Real Estate and Agricultural Properties. She is Board member of Fransabank SAL since 1991. She was a member of the Audit Committee at Fransabank SAL from 2008 to 2012. She is a specialized lawyer in property law and a member of the Beirut Bar Association. She holds a degree in Lebanese and French law from Saint Joseph University, Beirut.



### H. E. Mr. Nehmé Tohmé

**Born in 1939 - Lebanon**

H.E. Mr. Nehmé Tohmé is the Chief Executive Officer for many contractor companies operating in Saudi Arabia, Qatar and Bahrain. He also established several corporations and was a shareholder, partner or member of the Board of Directors in many companies. He was elected as member of the Lebanese Parliament in 2000 and served as Minister of Displaced from 2005 to 2008. He holds a BS in civil engineering from the American University of Beirut.



### H.E. Mr. Walid Daouk , Esq.

| Member of the Audit Committee, the Corporate Governance Committee & the Remuneration Committee

**Born in 1958 - Lebanon**

H.E. Mr. Walid Daouk, Esq is specialized lawyer in commercial law, civil and property law. He started his career, in 1981, as an associate in Takla & Trad law firm becoming thereafter a partner. In 2005, he occupied the position of Vice Chairman at the International Affairs Commission at the Beirut Bar Association, and in 2008, he became a member of the Arbitration Commission. In 2011, he was appointed Minister of Information and Minister of Justice per interim. After the termination of his appointment in 2014, he resumed his practice as lawyer and legal consultant in above mentioned firm. He is a lawyer and legal advisor for multinational and Lebanese companies performing business in various fields. Also, he is a Board member of many corporations in Lebanon and abroad including Fransabank SAL, Fransabank (France) SA, Fransabank El Djazair SPA, BLC Bank SAL, Semiramis SAL, Beirut Waterfront Development SAL, Tourism and Hotel Development Company SAL. He was a member of the Board of Directors of the Counsel for Development and Reconstruction of Lebanon (CDR) 2001-2004. He is the Commissioner of the Lebanese Government at the Beirut Stock Exchange since 1994. He holds a degree in Lebanese and French law from Saint Joseph University, Beirut and had prepared a degree in Business Management from Beirut University College.



### **Mr. Rafic Charafeddine**

| Member of the Remuneration Committee

**Born in 1939 - Lebanon**

Mr. Rafic Charafeddine is a businessman, and has participations in various companies. He deals in construction projects and real estate investments.



### **Mr. Nadim Kassar**

**Born in 1964 - Lebanon**

Mr. Nadim Kassar is a General Manager of Fransabank SAL. He is also the Vice Chairman and General Manager of BLC Bank SAL, Founder and Board Member of Fransa Invest Bank SAL (FIB), Founder and Chairman of Fransabank El Djazaïr SPA, Board Member of the Association of Banks in Lebanon since 2001, Vice Chairman and Board Member of USB Bank PLC, Board Member of Lebanese International Finance Executives (LIFE), Co-Manager of A.A. Kassar (France) SARL and General Manager of A.A. Kassar SAL. Mr. Kassar is also a Board Member of the following institutions: MasterCard Incorporated Asia, Pacific, Middle East & Africa, SAMEA Regional Board of Directors since 2005, NetCommerce, International Payment Network (IPN) SAL, Credit Card Management, Founder and Board Member of the American Lebanese Chamber of Commerce. He holds as well the position of Deputy Chairman of Société Financière du Liban SAL. He holds a bachelor's degree in Business Administration from the American University of Beirut.



### **Dr. Walid Naja**

| Member of the Risk Management Committee, the Audit Committee & the Corporate Governance Committee

**Born in 1941 - Lebanon**

Dr. Walid Naja is former Chairman of the Banking Control Commission - Central Bank of Lebanon. He previously served as Economic Counselor at the Lebanese Embassy in Washington D.C., and General Manager of the Federation of Chambers of Commerce, Industry and Agriculture in Lebanon. He holds graduate degrees in economics and international relations from the American University of Beirut and Yale University, USA.



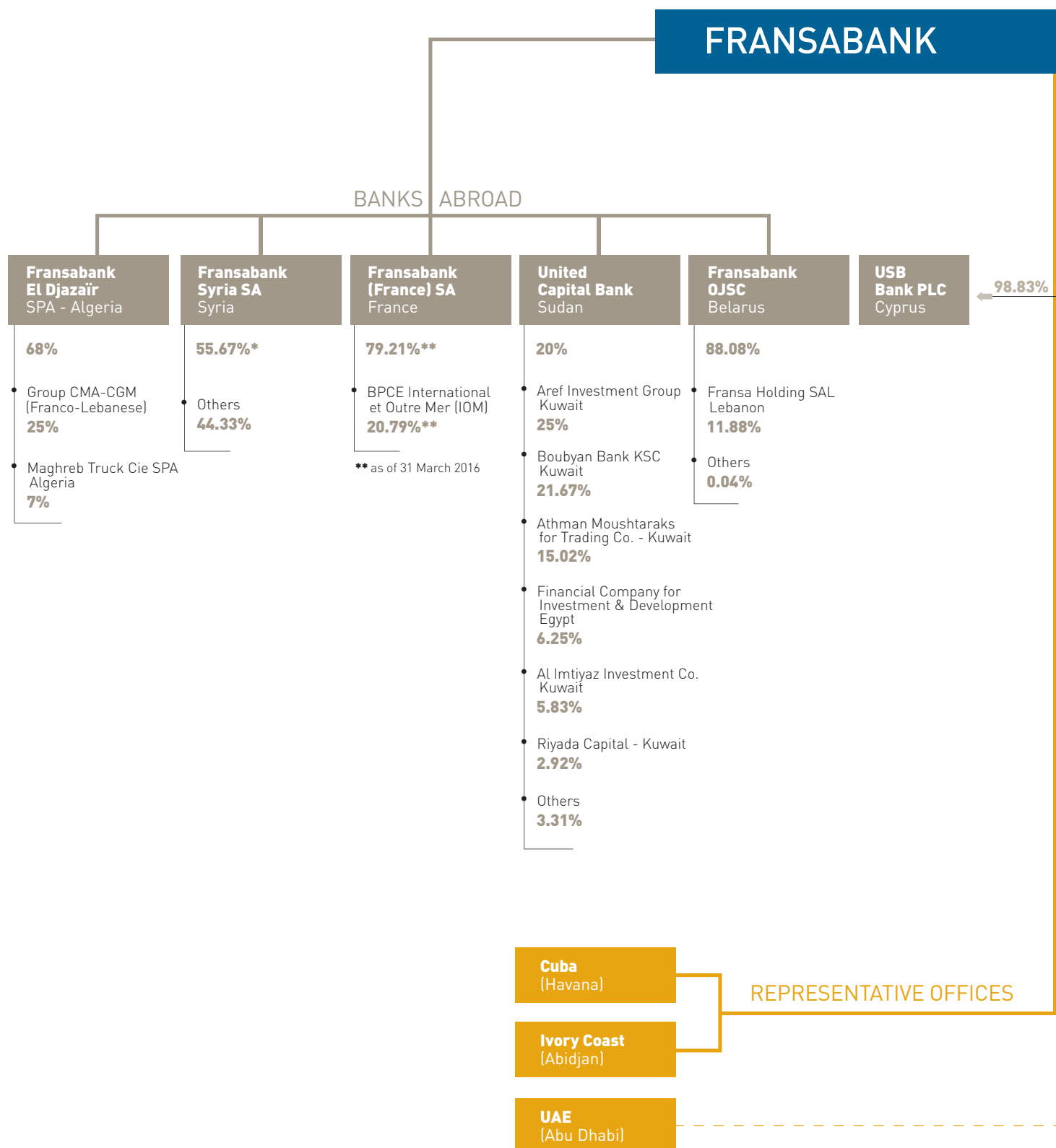
### **Mr. Henri Guillemain**

| Chair of the Risk Management Committee

**Born in 1947 - France**

Mr. Henri Guillemain started his career at Crédit Lyonnais. He then joined Indosuez Bank in 1978 and was appointed at different management positions in Singapore, Saudi Arabia (Jeddah and Riyadh), Bahrain and Paris. He became Managing Director of Banque Saudi Fransi in Riyadh in 1993 for four years and then was promoted Director for the Middle East and Africa region for Crédit Agricole Indosuez, based in Paris. Mr. Guillemain was the Managing Director of Crédit Agricole Egypt SAE, Cairo between 2007 and 2011. He holds a degree in economic sciences from Sorbonne University, Paris, as well as a degree in political studies, and an MBA degree from INSEAD Fontainebleau.

## Group Chart



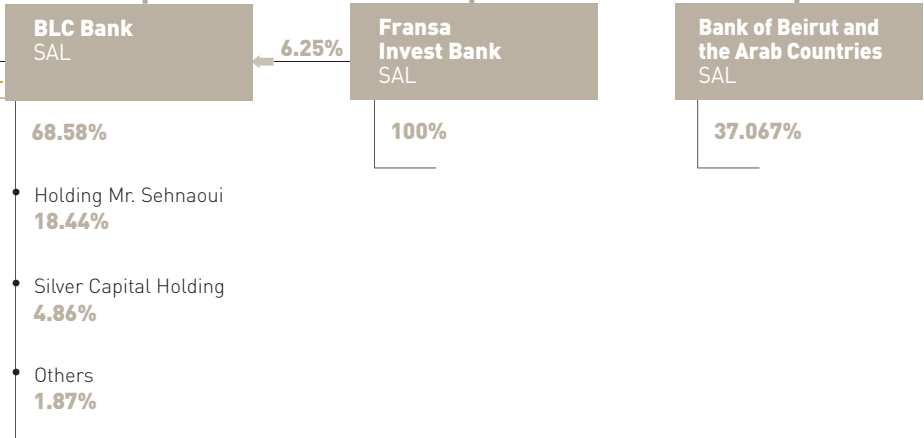
**Nota:** Fransabank Group Chart updated for events occurring up to April 2016

\* or 65.22% to paid-up capital.

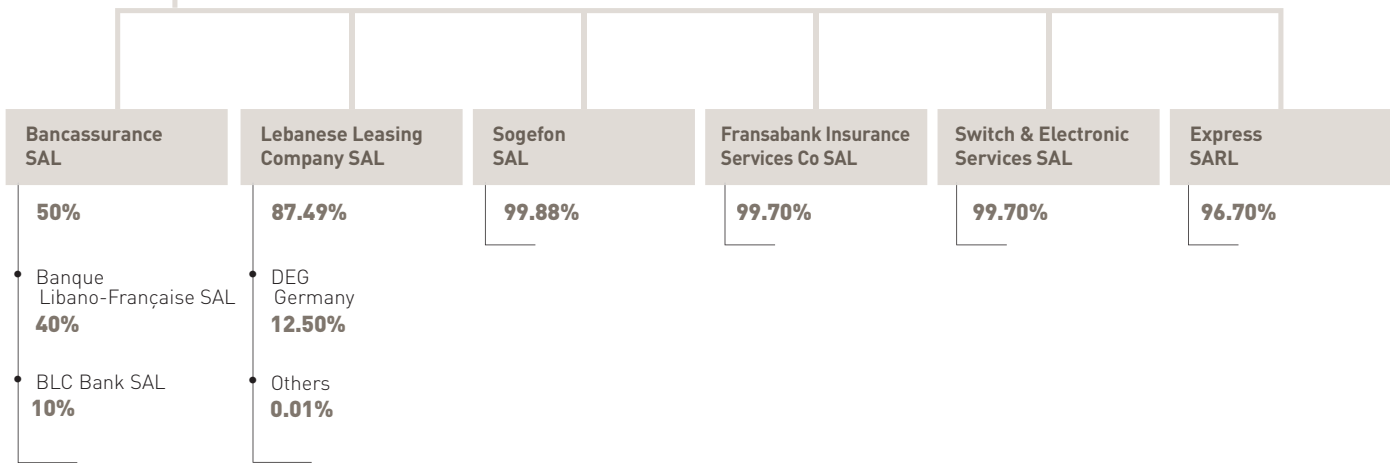
BLC Bank has three subsidiaries in Lebanon: BLC Invest, BLC Finance & BLC Services.

SAL

BANKS IN LEBANON



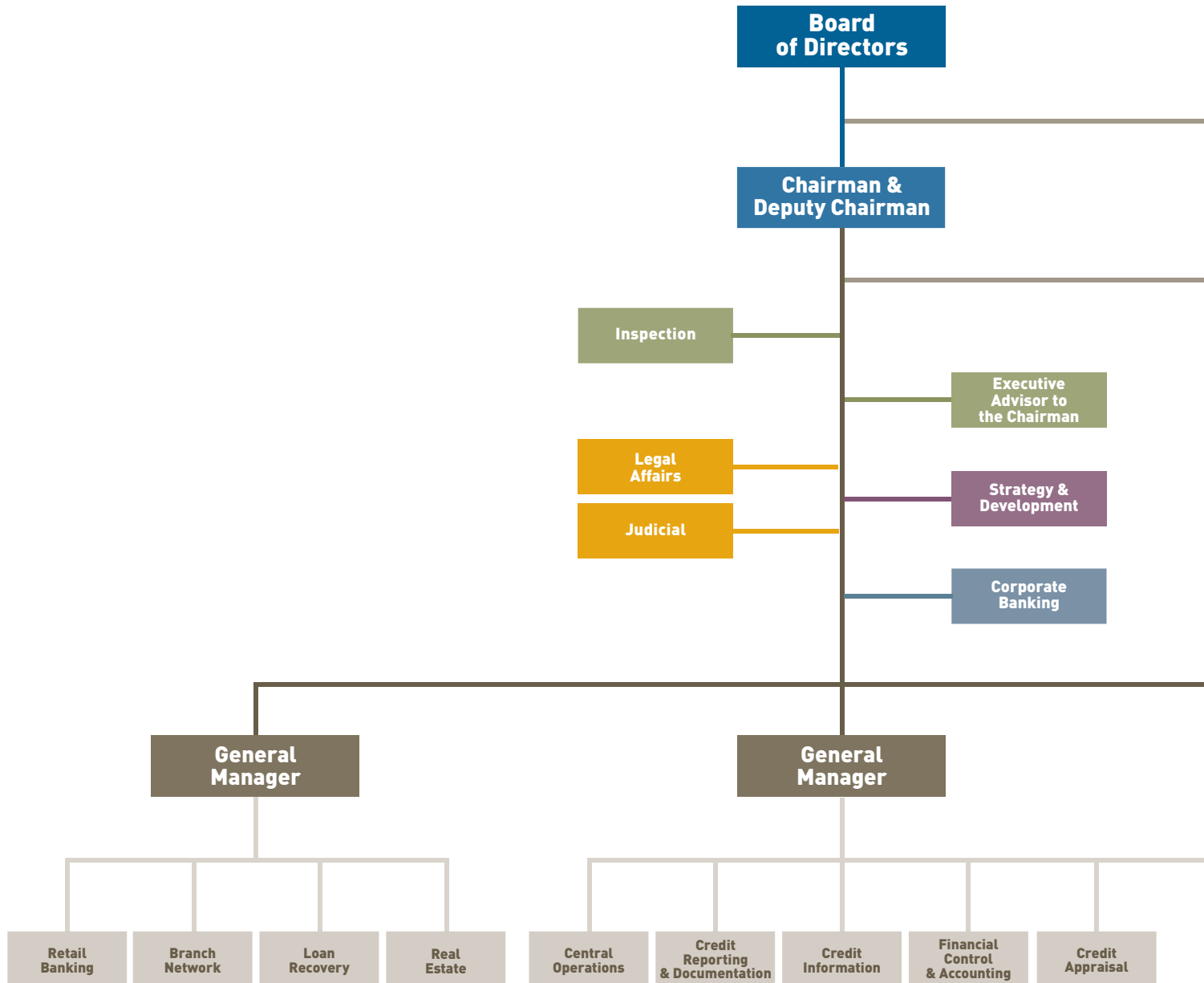
COMPANIES IN LEBANON

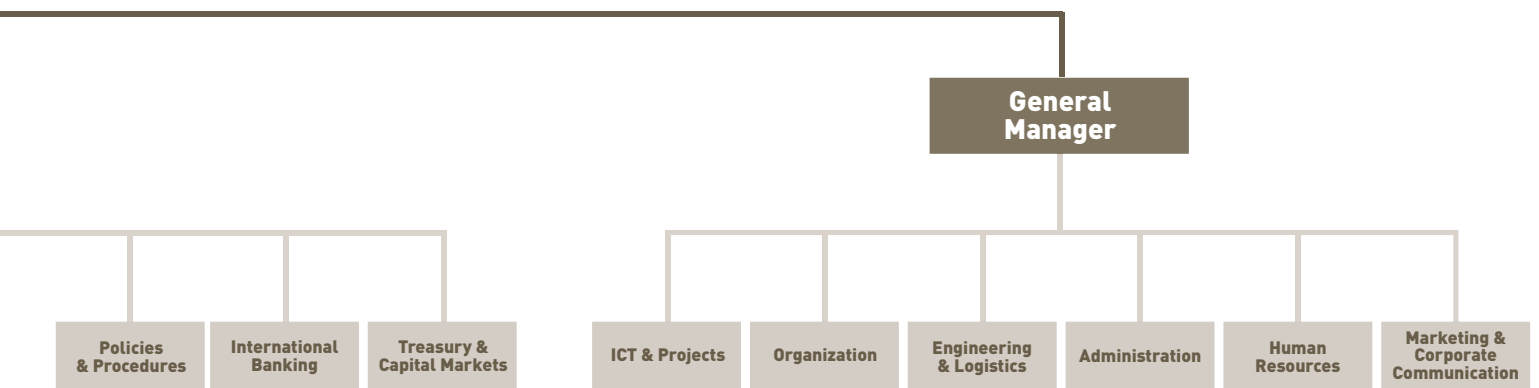
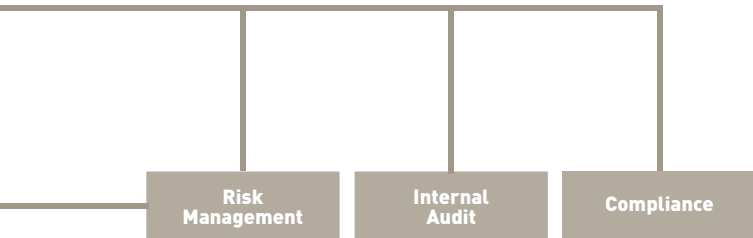


74 branches in Lebanon and 2 branches in Iraq

48 branches in Lebanon

## Organization Chart - Fransabank sal





## Executive and Management Committees – Fransabank SAL

### Executive Committee

H.E. Mr. Adnan Kassar & or	Chairman General Manager
Mr. Adel Kassar	Deputy Chairman General Manager
Mr. Nadim Kassar	General Manager
Mr. Mansour Bteish	General Manager
Mr. Nabil Kassar	General Manager
Mr. Joe Sarrouh	Executive Advisor to the Chairman
Miss Mona Khoury	Group Chief Risk Officer <i>(Non-voting Member)</i>
Mr. Nabih Saddy	Group Chief Financial Officer

### Management Committees

Management Committee

Credit Committees

Assets & Liabilities Committees

Overseas Expansion Committee

Banking Technology Committee

Information Security Committee

Compliance Committee

Human Resources Committee

Marketing & Corporate Communication Committee

Purchasing Committee

## Management – Fransabank SAL

	H.E. Mr. Adnan Kassar Mr. Adel Kassar	Chairman General Manager Deputy Chairman General Manager
<b>General Management</b>	Mr. Nadim Kassar Mr. Mansour Bteish Mr. Nabil Kassar Mr. Wajdi Abi Chacra	General Manager General Manager General Manager Secretary General
<b>Advisors to the Chairman</b>	Mr. Joe Sarrouh Mr. Fawzi Moussa	Executive Advisor to the Chairman Advisor, Corporate Banking
<b>Management</b>	Dr. Mohamad Daher Mr. Philippe El Hajj Dr. Nicolas Khairallah Miss Mona Khoury Mr. Nadim Moujaes Mr. Nabih Saddy Mr. Nabil Tannous Mr. Fouad Helou Mr. Antoine Younes Mr. Pierre Posbic Mr. Antoine Asmar Mr. Roland Tabib Mr. Georges Andraos Mr. Zouheir Chouraiki Mr. Zakaria El Khatib Mr. Khalil Assaf Mrs. Dania Kassar Miss Hoda Kadi Mr. Antoine Zarifeh Mrs. Magida Kasbani Mr. Adel Moubarak Mrs. Lama Dick Mrs. Dalal Halabi Mr. Roger Abboud Mrs. Lama Ghoutaymi Mr. Nagi Makhoul Mr. Fouad Khalifeh Me. Joumana Oueidat Mrs. Greta Boustany Mrs. Sawsan Rawda	Deputy General Manager, Head of Corporate Banking Deputy General Manager, Head of Retail Banking Deputy General Manager, Head of Human Resources Deputy General Manager, Group Chief Risk Officer Deputy General Manager, Head of Strategy & Development Deputy General Manager, Group Chief Financial Officer Deputy General Manager, Head of Treasury & Capital Markets Head of Central Operations Head of Credit Appraisal Head of Organization Business Development Consultant, Corporate Banking Chief Information Officer, Head of ICT & Projects Head of International Banking Group Chief Internal Auditor Head of Inspection Head of Special Credits Head of Marketing & Corporate Communication Head of Policies & Procedures Head of Small & Medium Enterprises Head of Administration Head of Security & Business Continuity Head of Local & Overseas Credit Cards Head of Credit Reporting & Documentation Head of Credit Information Head of Loan Recovery Head of Engineering & Logistics Group Chief Compliance Officer Head of Judicial Head of Trade Finance Head of Quality Service
<b>Local Network Management</b>	Mr. Joseph Akiki  Mrs. Najwa Sandid Mr. Antoine Nehmeh Mr. Francis Abi Nakhoul Mr. Georges Saliba Mr. Amine Abou Mhaya Mr. Assaad Fadel Mr. Nazih Chaarani Mr. Farouk Chreif Mr. Raed Hajj	Head of Branch Management, Regional Manager, Hamra Main Branch Regional Manager, Beirut I Regional Manager, Beirut II Regional Manager, Mount Lebanon, Group A Regional Manager, Mount Lebanon, Group B Regional Manager, Bekaa Regional Manager, South Regional Manager, North Area Manager, Bekaa Area Manager, Beirut I

## Local Banking Subsidiaries

Board of Directors and General Managers

### LEBANON

#### BLC Bank SAL

##### Board of Directors

H.E. Mr. Maurice Sehnaoui	Chairman General Manager
Mr. Nadim Kassar	Vice Chairman General Manager
H.E. Mr. Adnan Kassar	Member
Mr. Adel Kassar	Member
Mr. Nabil Kassar	Member
H.E. Mr. Walid Daouk, Esq.	Member
Mr. Mansour Bteish	Member
H.E. Mr. Nazem El Khoury	Member
Mr. Walid Ziade, Esq.	Member
H.E. Mr. Ziad Baroud, Esq.	Member
Mr. Henri De Courtivron	Member

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<b>General Manager</b>	Mr. Nadim Kassar
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#### BLC Invest SAL

##### Board of Directors

H.E. Mr. Maurice Sehnaoui	Chairman General Manager
Mr. Nadim Kassar	Vice Chairman General Manager
H.E. Mr. Walid Daouk, Esq.	Member
Mr. Nabil Kassar	Member
Mr. Mansour Bteish	Member
Mr. Walid Ziade, Esq.	Member
Mr. Joe Sarrouh	Member

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<b>General Manager</b>	Mr. Fouad Rahme
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#### Fransa Invest Bank SAL

##### Board of Directors

Mr. Nabil Kassar	Chairman General Manager
Mr. Nadim Kassar	Member
H.E. Mr. Walid Daouk, Esq.	Member
Mr. Mansour Bteish	Member
Mr. Michel Saroufim	Member
Mr. Mohammed Mou'minah	Member
Mr. Henri Guillemin	Member
Fransabank SAL	Member

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<b>General Manager</b>	Mr. Michel Saroufim
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#### BLC Services SAL

##### Board of Directors

H.E. Mr. Nazem El Khoury	Chairman General Manager
BLC Bank SAL	Member <i>represented by H.E. Mr. Maurice Sehnaoui</i>
Holding M. Sehnaoui SAL	Member <i>represented by H.E. Mr. Maurice Sehnaoui</i>
H.E. Mr. Walid Daouk, Esq.	Member
Mr. Khaled Salman	Member
Mr. Walid Ziade, Esq.	Member

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<b>General Manager</b>	H.E. Mr. Nazem El Khoury
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#### BLC Finance SAL

##### Board of Directors

Mr. Mansour Bteish	Chairman General Manager
Holding M. Sehnaoui SAL	Member
Fransabank SAL	Member

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<b>General Manager</b>	Mr. Mansour Bteish
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## Overseas Banking Subsidiaries & Associate

Board of Directors and General Managers

### FRANCE

#### Fransabank (France) SA

##### Board of Directors

Mr. Adel Kassar	Chairman
BPCE IOM, <i>represented by Mr. Philippe Garsuault</i>	Vice Chairman
Fransabank SAL, <i>represented by Mr. Nabil Kassar</i>	Member
H.E. Mr. Adnan Kassar	Member
Mr. Mansour Bteish	Member
H.E. Mr. Walid Daouk, Esq.	Member
Mr. Yvan de La Porte du Theil	Member
Mrs. Patricia Lantz	Member
Mr. Henri de Courtivron	Member

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<b>General Manager</b>	Mr. Andre Tyan
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### ALGERIA

#### Fransabank El Djazair SPA

##### Board of Directors

Mr. Nadim Kassar	Chairman
Fransabank SAL, <i>represented by Mr. Nabil Kassar</i>	Member
CMA CGM SA, <i>represented by Mr. Raja Sarkis</i>	Member
Merit Corporation SAL, <i>represented by Mr. Raja Sarkis</i>	Member
H.E. Mr. Walid Daouk, Esq.	Member
Mr. Mansour Bteish	Member

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<b>General Manager</b>	Mr. Mehemed Belghit
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**SYRIA****Fransabank Syria SA****Board of Directors**

Mr. Adel Kassar	Chairman
Mr. Ahmad Al Shahabi	Vice Chairman
Fransabank SAL, <i>represented by</i> <i>H.E. Mr. Adnan Kassar</i>	Member
Fransabank SAL, <i>represented by Mr. Nabil Kassar</i>	Member
Fransabank SAL, <i>represented by Mr. Shady Karam</i>	Member
Mr. Elie Sioufi	Member
Mr. Ali Wahib Merhi	Member
Mr. Thaer El Laham	Member

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<b>General Manager</b>	Mr. Nadim Moujaes
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**CYPRUS****USB Bank PLC** (Subsidiary of BLC Bank)**Board of Directors**

H.E. Mr. Maurice Sehnaoui	Chairman Non Independent, Non-Executive (BLC Bank)
Mr. Nadim Kassar	Vice Chairman Non Independent, Non-Executive (BLC Bank)
Fransa Invest Bank SAL, <i>represented by Mr. Mansour Bteish</i>	Non Independent, Non-Executive (shareholder in BLC Bank)
H.E. Mr. Ziad Baroud, Esq.	Independent, Non-Executive
Mr. Henri Guillemin	Independent, Non-Executive
Mr. Agis Taramides	Independent, Non-Executive
Mr. George Galatariotis	Independent, Non-Executive
Mr. George Stylianou	Independent, Non-Executive
Mr. Philippos Philis	Independent, Non-Executive
Mr. Andreas Theodorides	Non Independent-Executive (USB Bank)
Mrs. Despo Polycarpou	Non Independent-Executive (USB Bank)

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<b>General Management</b>	Mr. Andreas Theodorides, CEO
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## BELARUS

### Fransabank OJSC

#### Supervisory Board

H.E. Mr. Adnan Kassar	Chairman, <i>representing Fransabank SAL</i>
Mr. Adel Kassar	Deputy Chairman, <i>representing Fransa Holding</i>
Mr. Georges Andraos	Member, Independent Director
Mr. Ghantous Gemayel	Member, Independent Director

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<b>General Manager</b>	Mr. Alexandr Ignatov
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## SUDAN

### United Capital Bank

#### Board of Directors

Mr. Mohamad Al Adasani	Chairman <i>representing Aref Investment Group</i>
Mr. Mansour Bteish	Vice Chairman
Mr. Abdul Salam Alsaleh	Member <i>representing Boubyan Bank</i>
Mr. Ghanem Al Ghanem	Member <i>representing Aref Investment Group</i>
Mr. Yousuf EL-Thuwaihk	Member <i>representing Aref Investment Group</i>
Mrs. Amira Al Alami	Member <i>representing Financial Company for Investment and Development - Egypt</i>
Mr. Al Sherif Badur	Member <i>Independent Director</i>
Prof. Ahmed Al Majzoub Ahmed	Member <i>Independent Director</i>
Mr. Yousif Ahmed EL-Tinay	Member

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<b>General Manager</b>	Mr. Yousif Ahmed EL-Tinay
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LEGACY



# HISTORICAL MILESTONES

## Historical Milestones

<p>Fransabank was first established in Beirut as a full branch of one of the major French banks then, Crédit Foncier d'Algérie et de Tunisie (C.F.A.T.).</p> <hr/> <p>Fransabank is registered n° 1 on the list of banks operating in Lebanon indicating that it is the oldest Bank in the country.</p>	<p>C.F.A.T. changed its name to Société Centrale de Banque.</p>	<p>Société Centrale de Banque in Beirut was acquired by Banque Française pour le Moyen-Orient SAL (B.F.M.O.), a Lebanese company whose shares were predominantly owned by Banque Indosuez Group.</p>	<p>Banque Indosuez (now Crédit Agricole Corporate and Investment Bank – CACIB which is the investment arm of Crédit Agricole SA) was also the major shareholder of Banque Sabbag SAL. Banque Indosuez merged these two banks under the name of Banque Sabbag et Française pour le Moyen-Orient SAL.</p>	<p>Banque Indosuez sold its shares in Banque Sabbag et Française pour le Moyen-Orient SAL to a financial group headed by Messrs. Adnan &amp; Adel Kassar.</p>	<p>The Bank's denomination was changed to Fransabank SAL.</p> <hr/> <p>Fransabank concluded a cooperation agreement with Crédit Agricole SA – France. It led at first to the joint creation in Paris of Fransabank (France) SA, and to the participation of Crédit Agricole SA - France in the shareholding of Fransabank SAL. In line with its global strategy, Crédit Agricole SA exited from Fransabank (France) SA in 2007 and from Fransabank SAL shareholding in 2012.</p>
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1921	1963	1971	1978	1980	1984
2002	2003	2005	2006	2007	2008

<p>Fransabank acquired United Bank of Saudi &amp; Lebanon SAL.</p>	<p>Fransabank acquired all the shares of Banque de la Békaa SAL. Subsequently, in 2007, the Bank sold Banque de la Békaa as an empty shell.</p>	<p>Fransabank acquired 37.067% in BBAC SAL.</p>	<p>Fransabank was the first Lebanese Bank to enter the Algerian market with the opening of its subsidiary Fransabank El Djazaïr SPA.</p> <hr/> <p>Fransabank launched its operations in Sudan through an associate bank, United Capital Bank.</p>	<p>Fransabank acquired BLC Bank SAL along with its two subsidiaries, BLC Services SAL and BLC Finance SAL.</p> <hr/> <p>Fransabank concurrently purchased 34% of the share capital of Fransabank (France) SA held by Crédit Agricole SA (bringing its participation in the share capital to 100%), and sold 40% of the share capital of Fransabank (France) SA to Financière Océor, a subsidiary of Groupe Caisse d'Épargne (France) - currently BPCE, following which the Bank's participation in the share capital of Fransabank (France) SA became 60%.</p>	<p>Fransabank issued its Series "A" preferred shares for USD 100 million as additional Tier 1 capital.</p> <hr/> <p>Fransabank acquired Fransabank OJSC - Belarus, formerly known as Golden Taler Bank.</p>
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<p>Fransabank acquired the assets &amp; liabilities of Chase Manhattan Bank's branches in Beirut.</p>	<p>Fransabank acquired Banque Tohmé sal.</p>	<p>Fransabank concluded an agreement with Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG), which led to the acquisition by DEG of 5% of the Bank's share capital.</p>	<p>A private placement of shares took place, pursuant to which 5% of the Bank's shares were sold to Lebanese, Arab and foreign investors.</p>	<p>The Public Institution for Social Security – Kuwait, acquired 2% of the Bank's share capital.</p>	<p>Fransabank acquired Universal Bank sal.</p>	<p>Fransabank and Predica SA – the insurance arm of Crédit Agricole SA – France established Bancassurance SAL.</p>	<p>Fransabank opened its branch in the Damascus free zone in Syria.</p>
<p>Fransabank established the Lebanese Leasing Company SAL.</p>	<p>Fransabank acquired Banque Tohmé sal.</p>	<p>Fransabank established the Lebanese Leasing Company SAL.</p>	<p>The Public Institution for Social Security – Kuwait, acquired 2% of the Bank's share capital.</p>	<p>Fransabank acquired Universal Bank sal.</p>	<p>Fransabank and Predica SA – the insurance arm of Crédit Agricole SA – France established Bancassurance SAL.</p>	<p>Fransabank opened its branch in the Damascus free zone in Syria.</p>	<p>Fransabank opened its branch in the Damascus free zone in Syria.</p>

1985

1993

1995

1997

1998

1999

2001

2009

2010

2011

2012

2013

2014

**2015**

Fransabank became operational in Syria through its subsidiary, Fransabank Syria SA.

Fransabank issued its Series "B" preferred shares for USD 85 million as additional Tier 1 capital.

Fransabank celebrated its 90 years anniversary of legacy and expertise.

Fransabank issued its Series "C" preferred shares for USD 75 million as additional Tier 1 capital.

Fransabank has set up a China Desk with the objective to promote and facilitate exchanges between Lebanon and Chinese businessmen by using Fransabank platform.

Fransabank inaugurated its two new branches in Baghdad and in Erbil-Kurdistan, Iraq.

Fransabank acquired and merged Ahli International Bank SAL.

Fransabank issued its Series "D" preferred shares for USD 85 million as additional Tier 1 capital.

Fransabank redeemed its Series "A" preferred shares for USD 100 million and issued Series "E" preferred shares for USD 105 million as additional Tier 1 capital.

Fransabank established a representative office in Abidjan - Ivory Coast.

BLC Bank SAL acquired 9.9% of USB Bank PLC – Cyprus and increased this share gradually to reach 98.83% in May 2015.

BLC Bank opened its representative office in Abu Dhabi.





# MANAGEMENT REPORT

## Lebanon's Economic Performance in 2015

Lebanon's economy, in 2015, registered yet another weak performance well beyond its intrinsic strength and growth potential; influenced by the domestic political divide and the persisting regional conflicts.

Three pillars define most of the Lebanese economy. As such, the real estate sector activities witnessed a further relative slowdown. Construction permits contracted by 8.9% and the number of property sales transactions decreased by 10.5%. Tourism relatively improved in 2015 as compared to 2014 with an increase of 12.1% in the number of passengers, while, the Lebanese banking sector sustained its growth in 2015, at a slower pace than in 2014. Consolidated assets increased by 6%

at end-December 2015 reaching USD 190.5 billion compared to USD 179.8 billion at end-December 2014. The banking sector total deposits increased by 5% during this period, reaching USD 157.1 billion at the end of 2015 as compared to USD 149.6 billion at the end of 2014. Total loans to the private sector increased by 6.3% to USD 55.5 billion at the end of 2015, compared to USD 52.2 billion at the end of 2014, while total loans to the public sector reached USD 38.3 billion at the end of 2015, compared to USD 37.9 billion at the end of 2014, registering an increase of 1.1%. The banks' aggregate capital base reached USD 17.9 billion at the end of 2015, compared to USD 16.9 billion at the end of 2014, registering an increase of 5.9%.

### • BANKING SECTOR (COMMERCIAL & INVESTMENT BANKS)

In billion of USD	2015	2014	Variation
Total assets	190.5	179.8	+6%
Total deposits	157.1	149.6	+5%
Total claims on the private sector	55.5	52.2	+6.3%
Total claims on the public sector	38.3	37.9	+1.1%
Total capital accounts	17.9	16.9	+5.9%

Sources: Central Bank of Lebanon and Association of Banks in Lebanon

This economic performance resulted in a decrease of 12% in public revenues, which include budget and Treasury receipts, and a decline in public spending of 3%. Accordingly, the fiscal deficit rose by 28.7% and it increased from 6.2% of GDP in the year 2014 to 7.8% of GDP in the year 2015. The gross public debt reached USD 70.3 billion at the end of 2015, an annual increase of 5.6% as compared to USD 66.6 billion at end-2014.

Excluding the public sector's deposits at the Central Bank of Lebanon and those at commercial banks from the total public debt, the net public debt increased by 7.3% to USD 61.5 billion at end-2015 compared to USD 57.3 billion at end-2014. The debt-to-GDP ratio increased to 138.4% in 2015, against 133.7% in 2014, still below the peak of 2006 recording 182%.

### • PUBLIC FINANCE

In billion of USD	2015	2014	Variation
Public revenues	9.58	10.88	-12%
Public spending	13.53	13.95	-3%
Fiscal deficit	-3.95	-3.07	+28.7%
Gross public debt	70.3	66.6	+5.6%
Net public debt	61.5	57.3	+7.3%
Gross public debt / Nominal GDP	138.4%	133.7%	-

Sources: Ministry of Finance and the Central Bank of Lebanon

Based on the data issued by the Central Bank of Lebanon, the year 2015 was marked by a slight decrease in foreign currency assets of the Central Bank of Lebanon reaching USD 37.1 billion at end-2015, a decrease of 2.1% as compared to USD 37.9 billion at end-2014. Likewise, gold reserves were valued at USD 9.8 billion in 2015, as compared to USD 11 billion in 2014. In contrast, the financial sector deposits at the Central Bank of Lebanon reached USD 72.9 billion at end-2015, as compared to USD 65 billion at end-2014, with an increase of 12.2%.

The Consumer Price Index decreased by 3.7% on average in 2015 as compared to an increase of 1.9% on average in 2014; while the Beirut Traders Association-Fransabank Retail Index stood at 55.56 for the fourth quarter of the year 2015 as compared to 58.42 for the fourth quarter of the year 2014. The Kafalat loans for small and medium sized enterprises contracted by 19.2%.

#### • MONETARY SITUATION

In billion of USD	2015	2014	Variation
Central Bank of Lebanon gross foreign currency assets	37.1	37.9	-2.1%
Consumer Price Index (CPI Variation)	-3.7%	+1.9%	-
Central Bank of Lebanon gold reserves	9.8	11	-10.9%
Financial sector deposits	72.9	65	+12.2%

Sources: Central Bank of Lebanon and Association of Banks in Lebanon

Trade deficit decreased by 12.2% and reached USD 15.1 billion in 2015 as compared to USD 17.2 billion in 2014. Imports decreased by 11.7% registering USD 18.1 billion in 2015 as compared to USD 20.5 billion in 2014, and exports decreased

by 9.1% to reach USD 3 billion in 2015 as compared to USD 3.3 billion in 2014. The balance of payments posted a deficit of USD 3.3 billion in 2015 compared to a deficit of USD 1.4 billion a year earlier.

#### • FOREIGN TRADE SECTOR

In billion of USD	2015	2014	Variation
Exports	3	3.3	-9.1%
Imports	18.1	20.5	-11.7%
Trade deficit	-15.1	-17.2	-12.2%
Balance of payments (Result)	-3.3	-1.4	-

Sources: Central Bank of Lebanon and Higher Customs Council

The World Bank assessed real GDP growth at 1% for 2015 as compared to 2.2% in 2014, and estimated a GDP growth between 1% and 1.5% for the year 2016.

## Consolidated Results of Operations

### Overview

The extremely violent and largely unstabling geo-political events which have been rocking for the past few years, some of the region's countries and particularly the neighboring Syria, have increased the political divide in Lebanon and deepened the stagnation of the economy, which has avoided recession for yet another year. A growth which, in absolute terms, demonstrates one more time remarkable resilience. Albeit it remains short from the country's public and private development needs. Fransabank Group in the context of this very challenging business environment has managed for another winning performance in 2015. Which can be qualified as more of the same good thing and in the same vein is highly indicative of the Group's resilience supported by a dynamic, well perceived thoroughly, efficiently implemented and well proven business strategy.

#### 1 • Net Income

In 2015, Fransabank SAL net income, amounted to LBP 184.34 billion (USD 122.28 million) compared to LBP 182.86 billion (USD 121.30 million) in 2014, an increase of 0.81%. This has translated into a Return on Average Assets of 0.92% and a Return on Average Common Equity of 10.43%.

In 2015, the Group's net income amounted to LBP 270.78 billion (USD 179.62 million) compared to LBP 251.72 billion (USD 166.98 million) in 2014, an increase of 7.57%. This has translated into a Return on Average Assets of 0.92% and a Return on Average Common Equity of 10.96%.

#### 1.1 Net Interest Income

In 2015, the Group's net interest income amounted to LBP 597.04 billion (USD 396.04 million) compared to LBP 585.36 billion (USD 388.30 million) in 2014, an increase of 1.99%.

In 2015, the Group's interest received amounted to LBP 1,610.22 billion (USD 1,068.14 million) compared to

LBP 1,515.59 billion (USD 1,005.37 million) in 2014, an increase of 6.24%. Interest received from loans and advances to customers, investment securities, loans to banks & placements with banks and investments at Fair Value Through Profit or Loss (FVTPL), represents 39.54%, 42.35%, 15.07%, and 3.04% respectively of total 2015 interest income, compared to 41.43%, 41.24%, 15.14%, and 2.19% respectively in 2014.

#### • BREAKDOWN OF INTEREST RECEIVED

In thousands of LBP	2015	2014
From loans and advances to customers	636,741,639	627,895,858
From investment securities	682,003,635	625,101,078
From loans to banks and placements with banks	242,587,377	229,414,556
From investments at FVTPL	48,888,397	33,176,718
<b>TOTAL</b>	<b>1,610,221,048</b>	<b>1,515,588,210</b>

In 2015, the Group's monthly average interest-earning assets reached LBP 26,128.08 billion (USD 17,332.06 million) compared to LBP 24,422.37 billion (USD 16,200.58 million) in 2014 (+ 6.98%). This growth is due to the increase in:

- investment securities (+ LBP 1,138.10 billion or c/v USD 754.96 million),

- loans and advances to customers (+ LBP 396.07 billion or c/v USD 262.73 million),
- loans to banks and financial institutions plus placements with banks and financial institutions (+ LBP 171.54 billion or c/v USD 113.79 million).

#### • AVERAGE VOLUME OF INTEREST-EARNING ASSETS

In thousands of LBP	2015	2014
Investment securities	10,580,883,531	9,442,784,853
Banks and financial institutions	7,146,421,755	6,974,886,158
Loans and advances to customers	8,400,772,677	8,004,699,917
<b>TOTAL</b>	<b>26,128,077,963</b>	<b>24,422,370,928</b>

In 2015, the Group's interest paid amounted to LBP 1,013.18 billion (USD 672.10 million) compared to LBP 930.23 billion (USD 617.07 million) in 2014 (+ 8.92%). In 2015, the largest

single component of interest paid belongs to customers' deposits, which represents 95.86% of the total compared to 96.12% in 2014.

#### • BREAKDOWN OF INTEREST PAID

In thousands of LBP	2015	2014
On deposits and borrowings from banks	(37,169,074)	(30,118,887)
On deposits from customers and related parties at amortized cost	(969,306,289)	(894,120,611)
On deposits from customers designated at FVTPL	(1,931,890)	-
On obligation under finance lease	(325,744)	-
On subordinated loans	(3,168,868)	(3,940,585)
On bonds issued and Certificates of deposits	(255,015)	(847,772)
On cash contributions to Share Capital	(1,026,833)	(1,197,972)
<b>TOTAL</b>	<b>(1,013,183,713)</b>	<b>(930,225,827)</b>

In 2015, the Group's monthly average interest-bearing liabilities reached LBP 25,316.21 billion (USD 16,793.51 million) compared to LBP 23,641.69 billion (USD 15,682.71 million) in 2014

(+ 7.08%). This growth is largely attributed to an increase in the customers' creditor accounts at amortized cost of 6.04%, i.e. LBP 1,330.10 billion (USD 882.32 million).

#### • AVERAGE VOLUME OF INTEREST-BEARING LIABILITIES

In thousands of LBP	2015	2014
BDL, Banks and financial institutions	1,843,667,360	1,514,739,238
Liabilities designated at FVTPL	39,185,175	-
Customers' creditor accounts at amortized cost	23,367,774,244	22,037,671,729
Bonds issued and Certificates of deposits	6,374,884	18,992,427
Subordinated loans	42,095,016	53,172,486
Cash contributions to Share Capital	17,113,885	17,113,885
<b>TOTAL</b>	<b>25,316,210,564</b>	<b>23,641,689,765</b>

## 1.2 Net Fee and Commission Income

In 2015, the Group's net fee and commission income reached LBP 84.64 billion (USD 56.15 million) compared to LBP 83.00 billion (USD 55.06 million) in 2014, an increase of 1.97%.

Fees and commissions received in 2015 reached LBP 108.10 billion (USD 71.71 million) compared to LBP 109.12 billion (USD 72.38 million) in 2014, a decrease of 0.94%.

Fees and commissions received comprise mainly fees on customers' transactions and commissions on documentary

LCs and on LGs, which represented 75.52% and 23.64% respectively compared to 73.29% and 25.54% in 2014.

Fees and commissions paid reached LBP 23.46 billion (USD 15.56 million) compared to LBP 26.12 billion (USD 17.32 million) in 2014, a decrease of 10.17%.

Fees and commissions paid comprise fees on customers' transactions and commissions on transactions with banks, which represents 85.94% and 14.06% respectively compared to 89.06% and 10.94% in 2014.

### • BREAKDOWN OF NET FEE AND COMMISSION INCOME

In thousands of LBP	2015	2014
<b>Fee and commission received</b>	<b>108,100,417</b>	<b>109,121,149</b>
Commissions on documentary LCs and on LGs	25,552,830	27,866,699
Service fees on customers' transactions	81,634,377	79,971,013
Commissions on transactions with banks	679,329	959,971
Asset management fees	233,881	323,466
<b>Fee and commission paid</b>	<b>(23,459,711)</b>	<b>(26,116,728)</b>
Commissions on transactions with banks	(3,298,376)	(2,857,770)
Other commissions paid (including those on customers' transactions)	(20,161,335)	(23,258,958)
<b>NET FEE AND COMMISSION INCOME</b>	<b>84,640,706</b>	<b>83,004,421</b>

### 1.3 Other Net Gain / (Loss) on Investments at FVTPL

In 2015, the Group's other net gain on investments at FVTPL reached LBP 18.21 billion (USD 12.08 million) compared to LBP 40.05 billion (USD 26.56 million) in 2014, a decrease of 54.53%. This decrease results mainly from the change in fair value of investments at FVTPL which was a gain of LBP 32.84 billion (USD 21.78 million) in 2014 compared to a loss of LBP 1.92 billion (USD 1.27 million) in 2015.

The net gain on Investments at FVTPL includes, dividends received on investments at FVTPL, change in fair value and gain on sale of investments at FVTPL, which represented 13.44%, - 10.55% and 97.11% compared 4.94%, 82.01% and 13.05%, in 2014 respectively.

### • BREAKDOWN OF OTHER NET GAIN / (LOSS) ON INVESTMENTS AT FVTPL

In thousands of LBP	2015	2014
Dividends received on investments at FVTPL	2,446,743	1,978,090
Change in fair value of investments at FVTPL (net)	(1,920,339)	32,840,872
Gain on sale of investments at FVTPL (net)	17,683,444	5,227,281
<b>OTHER NET GAIN / (LOSS) ON INVESTMENTS AT FVTPL</b>	<b>18,209,848</b>	<b>40,046,243</b>

### 1.4 Foreign Exchange Gain

In 2015, foreign exchange gain amounted to LBP 17.93 billion (USD 11.89 million) compared to LBP 15.43 billion (USD 10.23 million) in 2014, an increase of 16.19%.

### 1.5 Other Operating Income

In 2015, other operating income amounted to LBP 24.99 billion (USD 16.58 million) compared to LBP 29.59 billion (USD 19.63 million) in 2014, a decrease of 15.55%. This decrease was mainly due to the decline in the gain from the sale of assets acquired in settlement of loans, properties and equipment from LBP 6.45 billion (USD 4.28 million) in 2014 to LBP 1.23 billion (USD 0.81 million) in 2015.

Other operating income comprises dividends received on investment securities, share in profit of associates, gain on sale of assets acquired in settlement of loans and gain on sale of properties & equipment, change in fair value of investment properties and other income, which represented 15.63%, 63.55%, 4.91%, - 9.56% and 25.47% in 2015 compared to 12.39%, 52.53%, 21.81%, - 10.60% and 23.87% in 2014 respectively.

## • BREAKDOWN OF OTHER OPERATING INCOME

In thousands of LBP	2015	2014
Dividends income on investment securities	3,904,459	3,667,030
Share in profit of associates	15,879,755	15,543,198
Gain resulting from the sale of assets acquired in settlement of loans, properties and equipment	1,227,694	6,451,807
Change in fair value of investment properties	(2,388,213)	(3,135,314)
Other	6,363,237	7,061,768
<b>OTHER OPERATING INCOME</b>	<b>24,986,932</b>	<b>29,588,489</b>

### 1.6 Net Allocation to Provisions for Loans & Advances to Customers

In 2015, the Group's net allocation to provisions for loans and advances to customers amounted to LBP 61.96 billion (USD 41.10 million) compared to LBP 99.55 billion (USD 66.03 million) in 2014, a decrease of 37.76%, which may be described as follows:

- allowance for impairment of customers' loans and advances for LBP 99.05 billion (USD 65.71 million) compared to LBP 120.30 billion (USD 79.80 million) in 2014, a decrease of 17.66%,

- bad debts expense for LBP 0.74 billion (USD 0.49 million), compared to bad debts recovery for LBP 0.26 billion (USD 0.17 million) in 2014,

- write-back of impairment loss on loans and advances for LBP 37.48 billion (USD 24.86 million), against LBP 20.22 billion (USD 13.42 million) in 2014, an increase of 85.34%,

- write-back of discount on purchased loan portfolio for LBP 0.35 billion (USD 0.24 million) against LBP 0.27 billion (USD 0.18 million) in 2014, an increase of 30.40%.

## • NET ALLOCATION TO PROVISIONS FOR LOANS & ADVANCES TO CUSTOMERS

In thousands of LBP	2015	2014
Allowance for impairment of loans and advances and off Balance Sheet items	(99,054,299)	(120,297,896)
Write-back of impairment loss on loans and advances and off Balance Sheet items	37,479,478	20,221,754
Bad debts expense/recovery	(737,415)	259,102
Write-back of discount on purchased loan portfolio	352,865	270,600
<b>TOTAL</b>	<b>(61,959,371)</b>	<b>(99,546,440)</b>

### 1.7 General Expenses

In 2015, the Group's general expenses comprising staff costs, administrative expenses, depreciation and amortization of assets, reached LBP 403.13 billion (USD 267.42 million) compared to LBP 398.60 billion (USD 264.41 million) in 2014, an increase of 1.14%. This increase is due to the following :

- salaries and related charges amounted to LBP 254.00 billion (USD 168.50 million) in 2015 compared to LBP 245.15 billion (USD 162.62 million) in 2014, an increase of 3.61%,

- administrative expenses amounted to LBP 118.98 billion (USD 78.92 million) in 2015 compared to LBP 126.42 billion (USD 83.86 million) in 2014, a decrease of 5.89%,

- depreciation and amortization of assets amounted to LBP 30.15 billion (USD 20.00 million) in 2015 compared to LBP 27.03 billion (USD 17.93 million) in 2014, an increase of 11.55%.

## • BREAKDOWN OF GENERAL EXPENSES

In thousands of LBP	2015	2014
Staff costs	(254,007,016)	(245,148,131)
Administrative expenses	(118,977,713)	(126,425,230)
Depreciation and amortization of assets	(30,148,911)	(27,027,223)
<b>TOTAL</b>	<b>(403,133,640)</b>	<b>(398,600,584)</b>

## 1.8 Income Tax and Deferred Tax

The Group's income tax for the financial year 2015 amounted to LBP 58.58 billion (USD 38.86 million), compared to LBP 51.28 billion (USD 34.02 million) for the financial year 2014, an increase of 14.23%. Deferred tax on associates and

subsidiaries' profits for the financial year 2015 amounted to LBP 8.02 billion (USD 5.32 million), compared to LBP 7.47 billion (USD 4.95 million) for the financial year 2014, an increase of 7.44%.

## 2• Total Balance Sheet

As at 31 December 2015, the Group's Total Balance Sheet amounted to LBP 30,140.45 billion (USD 19,993.66 million) compared to LBP 28,555.77 billion (USD 18,942.47 million) as at year-end 2014, an increase of 5.55%. As at 31 December 2015, the Group advanced its ranking within the Lebanese banking sector in terms of Total Balance Sheet to 3rd rank coming from the 4th as at 31 December 2014. Market share reached 9.85% as at 31 December 2015 compared to 9.82% as at 31 December 2014.

### 2.1 Funding Sources

As at 31 December 2015, the Group's funding sources amounted to LBP 29,497.34 billion (USD 19,567.06 million) compared to LBP 27,990.42 billion (USD 18,567.44 million) as at 31 December 2014, an increase of 5.38%.

Similar to all other banks in Lebanon, the principal source of funding is customers' creditor accounts which represented as at 31 December 2015, 83.33% of total funding sources as

compared to 82.65% as at 31 December 2014. Other funding sources include in addition to the shareholders' equity which includes preference shares, long-term credit lines provided by international banks and financial institutions, deposits of banks and financial institutions, subordinated loans, certificates of deposits and soft loans granted by Banque du Liban for the Bank mergers and acquisitions according to the pertinent Lebanese Law of mergers and acquisitions.

### • BREAKDOWN OF FUNDING SOURCES AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Soft loans from <i>Banque du Liban</i>	323,290,668	1.10%	323,472,150	1.15%
Long-term borrowings	1,315,013,895	4.46%	1,079,293,717	3.86%
Banks and financial institutions	295,311,936	1.00%	548,839,273	1.96%
Customers' creditor accounts at FVTPL	48,867,277	0.16%	-	-
Customers' creditor accounts at amortized cost	24,533,805,856	83.17%	23,134,814,756	82.65%
Subordinated loans	31,874,580	0.11%	50,034,601	0.18%
Certificates of deposits	-	-	41,361,128	0.15%
Shareholders' equity	2,949,177,947	10.00%	2,812,599,728	10.05%
<b>TOTAL</b>	<b>29,497,342,159</b>	<b>100%</b>	<b>27,990,415,353</b>	<b>100%</b>

### • FUNDING SOURCES BY CURRENCY AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Lebanese Pounds	12,949,529,796	43.90%	11,776,749,280	42.07%
U.S. Dollars	13,911,098,077	47.16%	13,554,871,343	48.43%
Euros	2,140,486,375	7.26%	2,181,753,320	7.80%
Other foreign currencies	496,227,911	1.68%	477,041,410	1.70%
<b>TOTAL</b>	<b>29,497,342,159</b>	<b>100%</b>	<b>27,990,415,353</b>	<b>100%</b>

As at 31 December 2015, 56.10% of the Bank's major funding sources were denominated in foreign currencies, as compared to 57.93% as at 31 December 2014.

#### • FUNDING SOURCES BY MATURITY AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Short-term funding (less than 1 year)	25,581,022,727	86.72%	24,040,063,547	85.89%
Medium-term funding (between 1 & 5 years)	505,985,969	1.72%	889,803,026	3.18%
Long-term funding (more than 5 years)	3,410,333,463	11.56%	3,060,548,780	10.93%
<b>TOTAL</b>	<b>29,497,342,159</b>	<b>100%</b>	<b>27,990,415,353</b>	<b>100%</b>

#### Customers' Creditor Accounts

As at 31 December 2015, the Group's customers' creditor accounts at FVTPL and at amortized cost amounted to LBP 24,582.67 billion (USD 16,306.91 million) compared to LBP 23,134.81 billion (USD 15,346.48) million as at 31 December 2014, an increase of 6.26%.

The 6.26% increase was mainly due to the growth in (i) term deposits accounts of LBP 459.97 billion (USD 305.12 million), in (ii) time saving accounts of LBP 451.46 billion (USD 299.48 million), in (iii) related parties accounts of LBP 195.08 billion (USD 129.41 million) and in (iv) margins

and collateral accounts of LBP 282.34 billion (USD 187.29 million). As at 31 December 2015, customers' creditor accounts represent 81.56% of the Group's Total Balance Sheet as compared to 81.02% as at 31 December 2014.

As at 31 December 2015, the Group maintained its 4<sup>th</sup> ranking within the Lebanese banking sector in terms of customers' creditor accounts, with a market share of 9.71% compared to 9.52% as at 31 December 2014.

#### • BREAKDOWN OF CUSTOMERS' CREDITOR ACCOUNTS BY TYPE AS AT 31 DECEMBER

In thousands of LBP	2015	2014
<b>Customers' Liabilities at Fair Value Through Profit or Loss (FVTPL)</b>	<b>48,867,277</b>	-
Customers' Liabilities at Fair Value Through Profit or Loss	48,485,734	-
Accrued interest	381,543	-
<b>Customers' Creditor Accounts at Amortized Cost</b>	<b>24,533,805,856</b>	<b>23,134,814,756</b>
Demand and sight saving accounts	2,392,904,616	2,398,104,480
Time saving accounts	13,369,995,910	12,918,532,075
Term deposits	4,890,948,051	4,430,976,884
Blocked accounts	72,109,048	67,943,464
Margins and collateral accounts	1,616,394,146	1,334,057,175
Related parties accounts	2,044,596,684	1,849,517,796
Accrued interest	146,857,401	135,682,882
<b>TOTAL CUSTOMERS' CREDITOR ACCOUNTS AT FVTPL &amp; AT AMORTIZED COST</b>	<b>24,582,673,133</b>	<b>23,134,814,756</b>
Lebanese Pounds	39.80%	38.32%
Foreign currencies	60.20%	61.68%

### • BREAKDOWN OF CUSTOMERS' CREDITOR ACCOUNTS BY AMOUNT AS AT 31 DECEMBER 2015

In thousands of LBP	LBP			FCs			TOTAL		
	Amount	%	% Cum.	Amount	%	% Cum.	Amount	%	% Cum.
A < 50 million	1,362,950,578	13.93%	13.93%	1,351,026,319	9.13%	9.13%	2,713,976,897	11.04%	11.04%
50 million ≤ A < 100 million	925,258,770	9.46%	23.39%	956,955,879	6.47%	15.60%	1,882,214,649	7.66%	18.70%
100 million ≤ A < 200 million	1,410,155,011	14.42%	37.81%	930,467,280	6.29%	21.89%	2,340,622,291	9.52%	28.22%
200 million ≤ A < 500 million	1,724,968,153	17.63%	55.44%	1,835,366,280	12.40%	34.29%	3,560,334,433	14.48%	42.70%
500 million ≤ A < 1.5 billion	1,693,818,939	17.31%	72.75%	1,985,461,263	13.41%	47.70%	3,679,280,202	14.97%	57.67%
1.5 billion ≤ A < 5 billion	1,206,499,699	12.33%	85.08%	2,239,089,828	15.13%	62.83%	3,445,589,527	14.02%	71.69%
A ≥ 5 billion	1,459,557,047	14.92%	100%	5,501,098,087	37.17%	100%	6,960,655,134	28.31%	100%
<b>TOTAL</b>	<b>9,783,208,197</b>	<b>100%</b>		<b>14,799,464,936</b>	<b>100%</b>		<b>24,582,673,133</b>	<b>100%</b>	

### • BREAKDOWN OF CUSTOMERS' CREDITOR ACCOUNTS BY INITIAL MATURITY AS AT 31 DECEMBER 2015

In thousands of LBP	LBP			FCs			TOTAL		
	Amount	%	% Cum.	Amount	%	% Cum.	Amount	%	% Cum.
P ≤ 1 month	7,098,801,893	72.56%	72.56%	8,988,565,683	60.74%	60.74%	16,087,367,576	65.44%	65.44%
1 month < P ≤ 3 months	1,738,392,178	17.77%	90.33%	3,035,911,610	20.51%	81.25%	4,774,303,788	19.42%	84.86%
3 months < P ≤ 12 months	860,328,631	8.79%	99.12%	2,618,826,329	17.70%	98.95%	3,479,154,960	14.16%	99.02%
1 year < P ≤ 3 years	17,497,068	0.18%	99.30%	48,594,124	0.33%	99.28%	66,091,192	0.27%	99.29%
3 years < P ≤ 5 years	1,146,679	0.01%	99.31%	26,741,381	0.18%	99.46%	27,888,060	0.11%	99.40%
P > 5 years	7,312	-	99.31%	621,301	-	99.46%	628,613	-	99.40%
Accrued interest	67,034,436	0.69%	100%	80,204,508	0.54%	100%	147,238,944	0.60%	100%
<b>TOTAL</b>	<b>9,783,208,197</b>	<b>100%</b>		<b>14,799,464,936</b>	<b>100%</b>		<b>24,582,673,133</b>	<b>100%</b>	

Number of accounts	301,249	297,187	598,436
Average per account	32,475	49,798	41,078

## Shareholders' Equity

Shareholders' equity as at 31 December 2015 amounted to LBP 2,949.18 billion (USD 1,956.34 million), compared to LBP 2,812.60 billion (USD 1,865.74 million) as at 31 December 2014, an increase of 4.86%. This increase is mainly due to the incorporation of 2015 net profits.

## 2.2 Uses of Funds

The Bank uses its funds to comply with Central Banks regulatory reserve requirements, cash, short term placements and liquid financial instruments with international banks and financial

institutions, loans and advances to customers and investment securities.

### • BREAKDOWN OF USES OF FUNDS AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Cash on hand	230,236,685	0.80%	193,048,656	0.71%
Compulsory / regulatory deposits and Central Banks	6,250,477,138	21.70%	6,314,397,426	23.16%
Banks and financial institutions	1,409,364,496	4.89%	1,725,730,506	6.33%
Investment securities	11,438,709,648	39.70%	10,254,504,424	37.62%
Loans and advances to customers	9,480,043,915	32.91%	8,772,225,688	32.18%
<b>TOTAL</b>	<b>28,808,831,882</b>	<b>100%</b>	<b>27,259,906,700</b>	<b>100%</b>

## • USES OF FUNDS BY CURRENCY AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Lebanese Pounds	13,090,621,115	45.44%	12,361,031,214	45.35%
U.S. Dollars	12,969,557,592	45.02%	12,161,620,486	44.61%
Euros	2,028,544,087	7.04%	2,104,304,091	7.72%
Other foreign currencies	720,109,088	2.50%	632,950,909	2.32%
<b>TOTAL</b>	<b>28,808,831,882</b>	<b>100%</b>	<b>27,259,906,700</b>	<b>100%</b>

As at 31 December 2015, the Group's uses of funds amounted to LBP 28,808.83 billion (USD 19,110.34 million) compared to LBP 27,259.91 billion (USD 18,082.86 million) as at 31 December 2014, an increase of 5.68%.

## Cash, Central Banks, Banks and Financial Institutions

As at 31 December 2015, cash, Central Banks and banks & financial institutions portfolio amounted to LBP 7,890.08 billion (USD 5,233.88 million) and constituted 26.18% of total assets

compared to LBP 8,233.18 billion (USD 5,461.48 million) and 28.83% of total assets as at 31 December 2014. This represents a year-on-year decrease of 4.17%.

## • BREAKDOWN OF CASH, CENTRAL BANKS, BANKS AND FINANCIAL INSTITUTIONS AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
<b>Cash on hand</b>	<b>230,236,685</b>	<b>2.92%</b>	<b>193,048,656</b>	<b>2.35%</b>
<b>Compulsory / regulatory deposits and Central Banks</b>	<b>6,250,477,138</b>	<b>79.22%</b>	<b>6,314,397,426</b>	<b>76.69%</b>
Compulsory deposits with Central Banks	660,043,944	8.37%	472,333,855	5.74%
Regulatory placements with Central Banks	1,854,217,678	23.50%	1,789,332,661	21.73%
Current accounts with Central Banks	198,611,260	2.52%	302,889,151	3.68%
Free placements with Central Banks	3,393,102,147	43.00%	3,673,057,614	44.61%
Blocked deposits with Central Banks	70,588,203	0.89%	-	-
Allowance for deposits with other Central Banks	(9,045,000)	-0.11%	-	-
Accrued interest	82,958,906	1.05%	76,784,145	0.93%
<b>Banks and financial institutions</b>	<b>1,409,364,496</b>	<b>17.86%</b>	<b>1,725,730,506</b>	<b>20.96%</b>
Current accounts with banks & FIs	316,431,143	4.01%	344,035,540	4.18%
Term placements with banks & FIs	980,861,501	12.43%	1,046,885,229	12.72%
Blocked margins with banks & FIs	3,292,003	0.04%	4,060,828	0.05%
Purchased checks for collection	37,564,503	0.48%	43,781,015	0.53%
Loans to banks & FIs	70,592,896	0.89%	285,997,022	3.47%
Accrued interest	622,450	0.01%	970,872	0.01%
<b>TOTAL</b>	<b>7,890,078,319</b>	<b>100%</b>	<b>8,233,176,588</b>	<b>100%</b>

## Investment Securities

As at 31 December 2015, the Group's investment securities portfolio, which consists of both fixed and variable rates income securities, amounted to LBP 11,438.71 billion (USD 7,587.87 million) compared to LBP 10,254.50 billion

(USD 6,802.32 million) as at 31 December 2014, an increase of 11.55%. Investment securities constituted 37.95% of total assets as at 31 December 2015 compared to 35.91% as at 31 December 2014.

### • BREAKDOWN OF INVESTMENT SECURITIES PORTFOLIO BY CLASSIFICATION AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Securities measured at FVTPL	776,960,114	6.79%	988,404,892	9.64%
Amortized cost securities	10,369,736,891	90.66%	8,988,537,674	87.65%
Securities measured at fair value through other comprehensive income	292,012,643	2.55%	277,561,858	2.71%
<b>TOTAL</b>	<b>11,438,709,648</b>	<b>100%</b>	<b>10,254,504,424</b>	<b>100%</b>

### • BREAKDOWN OF INVESTMENT SECURITIES PORTFOLIO BY TYPE AS AT 31 DECEMBER

In thousands of LBP	2015		2014	
	Amount	%	Amount	%
Equities and preference shares	349,113,026	3.05%	334,391,450	3.26%
Lebanese Treasury bills	3,199,348,203	27.97%	3,421,457,426	33.37%
Lebanese Government bonds	2,767,589,947	24.20%	2,178,342,370	21.24%
Foreign Government bonds	257,887,807	2.26%	165,687,504	1.62%
Foreign Eurobonds issued by banks	196,951,347	1.72%	196,077,548	1.91%
Subordinated Eurobonds	1,507,500	0.01%	1,507,500	0.02%
Certificates of deposit issued by Central Bank of Lebanon	4,361,355,355	38.13%	3,658,022,883	35.67%
Certificates of deposit issued by banks	40,439,997	0.35%	40,457,942	0.39%
Corporate bonds	38,132,349	0.33%	41,324,814	0.40%
Asset-backed securities	50,166,749	0.44%	58,327,614	0.57%
Mutual fund	3,526,818	0.03%	3,502,722	0.03%
Accrued interest	172,690,550	1.51%	155,404,651	1.52%
<b>TOTAL</b>	<b>11,438,709,648</b>	<b>100%</b>	<b>10,254,504,424</b>	<b>100%</b>
Lebanese Pounds	68.10%		69.23%	
Foreign currencies	31.90%		30.77%	

### Loans and Advances to Customers

As at 31 December 2015, the Group's loans and advances to customers, net of provisions and unrealized interest for non-performing loans and discount on loan book, amounted to LBP 9,480.04 billion (USD 6,288.59 million) compared to LBP 8,772.23 billion (USD 5,819.06 million) as at 31 December 2014, an increase of 8.07%.

As at 31 December 2015, the Group maintained its 3<sup>rd</sup> ranking within the Lebanese banking sector in terms of net loans and advances to customers, with a market share of 9.66% compared to 9.37% as at 31 December 2014.

## • BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE AS AT 31 DECEMBER

In thousands of LBP	2015	2014
Short term (Commercial loans & other current debtor accounts)	4,390,466,274	4,137,780,445
Medium & long term	4,390,732,060	4,167,657,877
Consumer loans	757,402,635	703,560,616
Housing loans	803,877,029	718,846,334
EPH housing loans	585,943,124	581,304,951
Housing loans to army personnel	137,571,743	111,417,966
Educational loans	40,916,603	38,968,183
Loans subsidized by the Government	391,732,596	415,416,944
Kafalat guaranteed loans	143,913,501	146,502,566
Car loans	257,072,431	281,884,027
Loans to enterprises	1,262,071,284	1,129,565,302
Other loans	10,231,114	40,190,988
Loans and advances to related parties	223,032,535	33,215,974
Substandard debts	144,263,774	100,616,873
Doubtful and bad debts	1,543,937,088	1,644,247,724
Accrued interest	25,325,978	27,133,926
<b>TOTAL</b>	<b>10,717,757,709</b>	<b>10,110,652,819</b>
Less:		
Provisions and unrealized interest for substandard debts	(38,892,494)	(30,746,100)
Provisions and unrealized interest for doubtful and bad debts	(1,139,841,418)	(1,242,436,734)
Discount on loan book	(6,746,122)	(7,209,597)
Collective provisions for un-classified debts	(52,233,760)	(58,034,700)
<b>NET LOANS AND ADVANCES TO CUSTOMERS</b>	<b>9,480,043,915</b>	<b>8,772,225,688</b>
Lebanese Pounds	23.48%	23.21%
Foreign currencies	76.52%	76.79%

## • ASSET QUALITY AS AT 31 DECEMBER

In thousands of LBP	2015	2014
Regular, watch and unclassified accounts	9,004,230,869	8,338,654,296
Doubtful & bad debts	1,541,710,822	1,642,021,458
Substandard debts	144,263,774	100,616,873
Purchased loan book	2,226,266	2,226,266
Accrued interest	25,325,978	27,133,926
<b>TOTAL LOANS AND ADVANCES TO CUSTOMERS</b>	<b>10,717,757,709</b>	<b>10,110,652,819</b>
<b>Less provisions, discount and unrealized interest for non performing debts</b>	<b>(1,237,713,794)</b>	<b>(1,338,427,131)</b>
Provisions for doubtful and bad debts	(349,688,715)	(349,265,823)
Discount on loan book	(6,746,122)	(7,209,597)
Collective provisions for un-classified debts	(52,233,760)	(58,034,700)
Collective provisions for doubtful and bad debts	(36,398,951)	(40,723,382)
Unrealized interest for doubtful and bad debts	(753,753,752)	(852,447,529)
Provisions for substandard debts	(1,132,619)	-
Unrealized interest for substandard debts	(37,759,875)	(30,746,100)
<b>NET LOANS AND ADVANCES TO CUSTOMERS</b>	<b>9,480,043,915</b>	<b>8,772,225,688</b>

As at 31 December 2015:

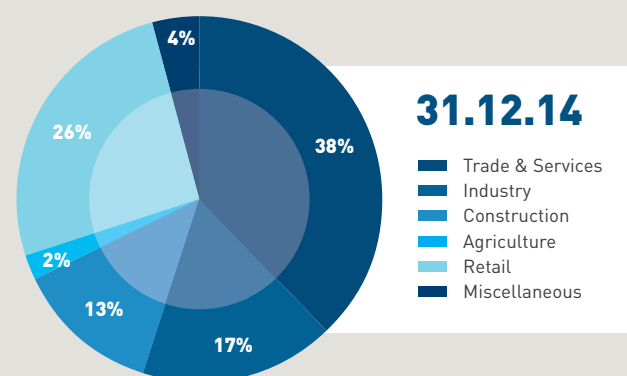
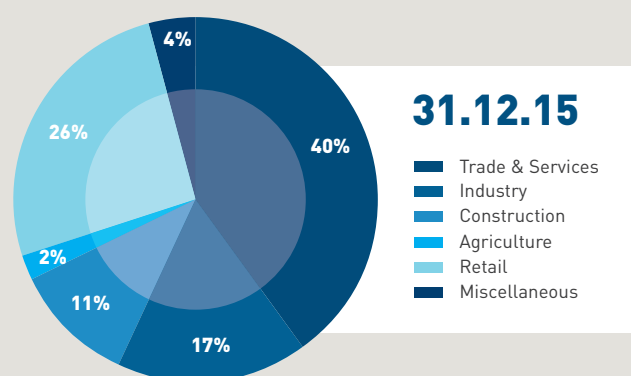
- The Group's doubtful and bad debts, net of provisions, discount and unrealized interest, amounted to LBP 397.35 billion (USD 263.58 million) compared to LBP 394.60 billion (USD 261.76 million) as at 31 December 2014.
- The Group's provisions, discount and unrealized interest for doubtful and bad debts amounted to LBP 1,146.59 billion (USD 760.59 million) against LBP 1,249.65 billion

(USD 828.95 million) as at 31 December 2014. This places the coverage ratio in 2015 at 74.26% compared to 76% in 2014.

- The Group's substandard debts, net of provisions and unrealized interest, amounted to LBP 105.37 billion (USD 69.90 million) compared to LBP 69.87 billion (USD 46.35 million) as at 31 December 2014.

**• ASSET QUALITY RATIOS AS AT 31 DECEMBER**

	2015	2014
Doubtful and bad debts and purchased loans (net) to Total loans and advances to customers (net)	4.19%	4.50%
Doubtful and bad debts and purchased loans (net) to Shareholders' equity	13.47%	14.03%
Substandard debts (net) to Total loans and advances to customers (net)	1.11%	0.80%
Provisions, discount and unrealized interest to Doubtful and bad debts and purchased loans	74.26%	76.00%
Provisions and unrealized interest for substandard debts to Substandard debts	26.96%	30.56%

**• BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY ECONOMIC SECTOR**

**• BREAKDOWN OF GROSS LOANS AND ADVANCES TO CUSTOMERS BY AMOUNT AS AT 31 DECEMBER 2015**

In thousands of LBP	LBP			FCs			TOTAL		
	Amount	%	% Cum.	Amount	%	% Cum.	Amount	%	% Cum.
A < 50 million	630,829,129	23.06%	23.06%	689,504,171	8.64%	8.64%	1,320,333,300	12.32%	12.32%
50 million ≤ A < 100 million	237,151,674	8.67%	31.73%	210,859,170	2.64%	11.28%	448,010,844	4.18%	16.50%
100 million ≤ A < 200 million	545,279,596	19.93%	51.66%	357,961,482	4.48%	15.76%	903,241,078	8.43%	24.93%
200 million ≤ A < 500 million	447,278,545	16.35%	68.01%	688,018,793	8.62%	24.38%	1,135,297,338	10.59%	35.52%
500 million ≤ A < 1.5 billion	192,163,732	7.02%	75.03%	1,096,301,704	13.74%	38.12%	1,288,465,436	12.02%	47.54%
1.5 billion ≤ A < 5 billion	146,238,711	5.34%	80.37%	1,730,267,495	21.68%	59.80%	1,876,506,206	17.51%	65.05%
A ≥ 5 billion	537,123,153	19.63%	100%	3,208,780,354	40.20%	100%	3,745,903,507	34.95%	100%
<b>TOTAL</b>	<b>2,736,064,540</b>	<b>100%</b>		<b>7,981,693,169</b>	<b>100%</b>		<b>10,717,757,709</b>	<b>100%</b>	

**3• Capital Adequacy Ratio**

The Board of Directors have decided to include 2014 and 2015 net profits in the calculation of the respective Equity ratios. This decision has been taken in anticipation of the 2014 and 2015 General Assembly meetings ratification and subject to the deduction of the related estimated dividends distribution. To note that the 2015 and 2014 Ordinary General Assemblies which were held respectively on 23.05.2016 and 22.05.2015 approved the Board a/m decisions. Accordingly, the Group's total capital adequacy ratio as at 31 December 2015 is 14.74% (2015 profit included), as compared to 15.07% (2014 profit included) as at 31 December 2014.

The capital adequacy ratio is calculated according to Central Bank of Lebanon guidelines, which are in line with the

recommendations of the Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements (the Basel III Accord).

On a stand-alone basis, Fransabank's capital adequacy ratio as at 31 December 2015, stood at 16.91% (2015 profit included), as compared to 17.48% (2014 profit included) as at 31 December 2014.

The statutory minimum total capital adequacy ratio requested by the Central Bank of Lebanon is 12% as at end December 2015 which was raised from 11.5% as at end December 2014.

## Main Ratios

	2015	2014
<b>A. PROFITABILITY</b>		
ROAA (Return on Average Assets)	0.92%	0.93%
ROACE (Return on Average Common Equity)	10.96%	10.65%
Total interest paid to Total interest received	62.92%	61.38%
Net interest income to Average assets	2.03%	2.16%
Net commissions to Net financial revenues (before allocation to provisions)	10.58%	10.57%
Operating expenses to Net financial revenues (before allocation to provisions) (Cost-to-income ratio)	50.37%	50.75%
Non-interest income to Net financial revenues (before allocation to provisions)	25.40%	25.48%
Operating expenses to Average customers' creditor accounts	1.69%	1.79%
EPS in USD (Earnings per common share in US Dollar)	7.26	6.59
DPS in USD (Dividend per common share in US Dollar)*	1.79	1.66
Dividend payout ratio (Dividends on common and preferred shares / Distributable profits)*	79.43%	84.00%
<b>B. LIQUIDITY</b>		
Average net customers' loans to Average customers' creditor accounts	38.25%	37.71%
Average customers' creditor accounts to Average total deposits	98.16%	97.91%
Foreign currency customers' loans to Foreign currency customers' creditor accounts	49.02%	47.21%
<b>C. CAPITAL ADEQUACY</b>		
Shareholders' equity to Total assets	9.78%	9.85%
Shareholders' equity to Loans and acceptances	30.11%	31.38%
Capital Adequacy Ratio (as per Basel III)		
Common Tier I Ratio	9.53%	9.47%
Tier I Ratio	13.55%	13.73%
Total Capital Ratio	14.74%	15.07%
<b>D. ASSET QUALITY RATIOS</b>		
Doubtful debts (net) to Total customers' loans (net)	4.19%	4.50%
Doubtful debts (net) to Shareholders' equity	13.47%	14.03%
Provisions for doubtful debts to Doubtful debts	74.26%	76.00%
Substandard debts (net) to Total customers' loans (net)	1.11%	0.80%
Unrealized interest & provisions for substandard debts to Substandard debts	26.96%	30.56%
Total provisions and unrealized interest to Total gross customers' loans	11.55%	13.24%

(\*) On an unconsolidated basis.

## Resolutions of Fransabank SAL Ordinary General Assembly

### The Ordinary General Assembly of Fransabank SAL held on 23 May 2016:

- Approved the accounts and the Balance Sheet of Fransabank SAL as at end December 2015
- Acquitted Fransabank SAL Board of Directors for their management of the business activities of the fiscal year 2015
- Decided to allocate out of Fransabank SAL net profit (LBP 184,336,791 thousands) as follows:
  - 10% to legal reserve (LBP 18,433,679 thousands),
  - LBP 34,500,000 thousands to reserve for general banking risks,
  - LBP 8,933,346 thousands to reserve for assets acquired in settlement of bad loans,
  - LBP 16,000,000 thousands to general reserve for performing corporate and SME loans,
  - LBP 2,147,083 thousands to general reserve for performing retail loans,
  - LBP 58.05 billion (LBP 2,700/share) as dividend distribution on common shares, LBP 8,649,281 thousands on preferred shares - Series B, LBP 7,631,719 thousands on preferred shares - Series C, LBP 8,328,938 thousands on preferred shares - Series D, and LBP 117,089 thousands on preferred shares - Series E, representing 55.70%, 8.30%, 7.33%, 7.99% and 0.11% respectively of the Bank's 2015 distributable profits,
  - LBP 109,750 thousands to unrealized profits on securities classified as FVTPL,
  - LBP 21,435,906 thousands i.e. the remaining balance, to the free reserves.

## Core Banking Activities

### Investment and Private Banking

In 2015, Fransa Invest Bank SAL (FIB) embarked on several projects and initiatives, delivering another successful year.

Under the private banking/asset management and capital markets operations, FIB achieved the following:

- Structured and marketed two retail investment products for Fransabank in 2015. The first product was a structured deposit that was issued in April 2015, raising USD 35 million, with attractive features including guaranteed average annual coupons of 4% p.a. over a 5-year term, in addition to participation at maturity in the performance of a basket of indices. The second product was a retail product structured by FIB for Fransabank SAL and in collaboration with Bancassurance SAL. It is a 5-year term product with 25% interest at maturity coupled with guaranteed capital and life insurance. This product successfully closed in July 2015 and raised USD 13 million.
- Designated as the placement agent and book runner for Fransabank Series E preferred shares, which closed in December 2015, raising USD 105 million. The issued shares were Tier I, non-cumulative and redeemable. The transaction was oversubscribed and set at a very favorable dividend rate of 6.75% p.a.
- Mandated by the Ministry of Finance, in collaboration with Fransabank SAL, and along with three other banks to act as lead manager in carrying out a Eurobond voluntary exchange and new cash issue. The transaction successfully closed in November 2015 by meeting the Ministry's objectives, including extending the maturity profile of outstanding Eurobonds at favorable rates especially given the difficult economic and political backdrop. Three new tenors were issued: 9-year, 13-year and 20-year notes for a total issue amount of USD 1.6 billion. The voluntary exchange portion of the November transaction registered a participation rate of 42.4% of the USD 750 million 8.5% notes due January 2016.
- Introduced new services in 2015, including offering its high net worth clients access to a wide-range of Swiss private banking products and services through European partners. Clients can now open investment accounts in Switzerland while continuing to deal with their local FIB advisors.

And for the advisory services/equity and debt financing, Fransa Invest Bank's corporate finance department analyzed, structured, closed and managed several investment opportunities in funds, startups companies in various industries mainly in the ICT (Information and Communication Technology) sector, fintech (Financial Technology) and healthcare. These activities were of a proprietary nature and/or as advisory services to Fransabank SAL.

The main transactions completed during the fiscal year 2015 include the following:

- Acted as a financial advisor for Fransabank SAL in relation to the merger of two fintech companies and the subsequent investment by Fransabank in the "combined entity". Its scope of work included valuations, conducting financial, legal and technical due diligence, and following-up on the preparation of the closing documentation.
- Analyzed and conducted the legal due diligence and closing of investments in the aggregate amount of USD 15.5 million in three knowledge-based venture capital funds under the Banque du Liban Intermediate Circular 331. In addition, FIB is in the process of closing additional USD 6.3 million commitments for Fransabank and FIB in other funds under the same circular. The funds that are still under review by FIB are of a total size of USD 80 million.
- Advised on the structure of a new direct equity fund. FIB assisted the general partner in formulating the concept, strategy and objectives, setting the corporate governance policies and procedures, and applying for the related regulatory approvals. It also advised on the valuation of potential portfolio companies.

### Corporate Banking

Fransabank corporate lending activities have actively contributed to the strengthening of the Bank's position and to the achievement of its main objectives, by applying diversification and addressing new segments, focusing on key initiatives, such as Sustainable Energy Finance (SEF) and Green Environment that falls also within the Bank's Corporate Social Responsibility (CSR) strategy, and various entrepreneurial corporate projects.

The following are a few selected projects marking the Bank's distinction and innovation in reaching its targets:

- Financing of renewable energy projects was at the center of the Bank's focus in 2015, as it actually gave total support to such potential projects, not only for their business prospects and opportunities in Lebanon, but also to ensure a continuity of the worldwide trend in this area. As a result, various key green projects were financed, and additional services were provided to corporate clients in these areas, through its Energy Auditing Report that enables them to foresee their savings over the years when venturing into such business.
- Financing various projects with the municipalities, the hospitals, the educational sector and the green environment, as well as the construction projects throughout the country.

- Financing a green electrical project.
- Aligning its retail services with its corporate clients and offering them a wide portfolio of services, such as education, health, insurance, etc...

Furthermore, entering into new markets and granting its services to the Lebanese expatriates' community in potential businesses as follows:

- The Bank's newly established representative office in Africa provided the Lebanese corporate diaspora, with their various fields of business, attractive services in the financing of hotels, manufacturing and production of cacao, luxury items, perfume, FMCG, etc..
- Foreign trading in Cuba, Algeria and Iraq offered corporate clients long and short lending terms in different sectors, such as tourism, production, manufacturing, etc...
- Contribution into the construction via well-established corporation.
- Supporting regional and international initiatives by assisting its lead corporate clients in aligning with an external cooperation within the same business and interest.

Finally, it is noteworthy that Fransabank sustained its contribution to the development of Lebanon's economical real growth, the improvement of its infrastructure, the promotion of vital services and technological innovations and the financing of prime businesses and projects both nationally and internationally, including but not limited to:

- Continuously supporting the improvement of the educational, pharmaceutical, health, electrical, and infrastructure sectors.
- Developing and financing key real estate projects by aiding contractors and developers with a good track record.
- Strengthening the trade and the commerce sector with China as a strategic potential market via providing attractive products and financial services to prominent and new businesses in various sectors, such as contracting, trade financing, agriculture, production, FMCG, etc...

These projects have enabled the Bank to effectively offer distinguished, competitive, and diversified corporate products and services.

## Retail Banking

Fransabank's success depends on the satisfaction and loyalty of its customers. This is why the Bank continuously develops its portfolio of retail products and services to ensure an excellent customer-centric experience.

In 2015, customer expectations were fulfilled via the introduction of new functionalities or the development of previously existent retail products as follows:

- Re-promoting Fransabank's Eco-Business Loan and proposing financial solutions for small and medium size enterprises to adopt clean energy, while providing cost effective access to energy efficient technology and equipment for a higher level of productivity.
- Signing a Memorandum of Understanding (MoU) with the Union of Municipalities of Kalaat Al Istiklal in West Bekaa, Lebanon in order to provide the residents of the villages of the said union with the benefits of the eco-home loan.
- Launching of the LEAD Account that is targeting the youth from 16 to 25 years old coupled with advantageous features and benefits.
- Conducting Small and Medium Size Enterprises (SME) workshops and seminars throughout Lebanon, thus providing consultancy services to the Bank's existing and potential customers. These workshops discussed energy efficiency and renewable energy and were mainly held in partnership with the local municipalities such as the ones of Jezzine, Kalaat El Istiklal, and the North region. Through the ongoing workshops, Fransabank worked on strengthening the bonds with its valuable customers.
- Strengthening its cooperation with Lebanon's second largest city – Tripoli, to promote communication and partnership with orders and syndicates, as well as to provide advanced banking products, services and programs. Thus, Fransabank launched tailor-made credit cards including:
  - Fransabank MasterCard Platinum credit card and MasterCard World especially designed for the Order of Engineers in Tripoli carried the Order's logo. The cards are offered in US dollars and Euro respectively.
  - Fransabank Visa Infinite credit card especially designed for the Syndicate of lawyers in Tripoli incorporated the Syndicate's logo coupled with special benefits. In addition, a Memorandum of Understanding was signed between Fransabank and the Syndicate to provide lawyers with special offers, conditions and preferential interest rates on deposits, credit cards, SMS service, housing, personal and SME loans.
- Launching of a housing loan campaign promoting the reimbursement of 100% of registration fees to approved new applicants. In parallel, two housing loan protocols were signed with the State Security Directorate and the Customs Directorate.
- Launching of a car loan campaign whereby three approved applicants won back their car loan amount.

- Launching of two spending campaigns in association with MasterCard as a mean to strengthen the customers' loyalty through appealing rewards:
  - A cross-border spending campaign whereby cardholders had the chance to win Apple watches while spending on Fransabank MasterCard debit or credit cards outside Lebanon.
  - A 2<sup>nd</sup> edition of the MasterCard UEFA spending campaign, whereby 14 winners attended the UEFA Champions League.
- Signing MoU with select educational institutions, namely the American University of Beirut (AUB) and the Modern University of Business & Sciences (MUBS), which helped in expanding existing partnership and business relations with the aforesaid universities, be it through special tailor-made offerings to its students, staff and faculty members; or through other active contributions that aims at acquainting students with Fransabank' services (e.g. participation in events, installation of dedicated ATM, etc...).

Standing as a customer-centric Bank, Fransabank positions customer satisfaction at the top of its priorities. In this respect, a Mystery Shopper research project was conducted in 2015, to measure and re-assess the customer service quality and ranking as compared to the competition. Through the exercise, an appraisal of the branches' service performance and adherence to high standards was completed out of real life customer experiences which in turn helped identify best practices/need gaps. The project covered specific criteria as per the branches exterior, interior, customer service officers' appearance, behaviours and interaction, in addition to a telebanking overall evaluation. Fransabank's 74 branches were visited twice per month, during peak and off-peak periods; with more than 200 visits to competitive local banks branches.

While the project's results were interesting, it also proved to be a necessity to periodically conduct market research surveys especially in a highly competitive market that increasingly relies on efficient customer service and higher customers' contentment.

However, the Bank's responsibilities go beyond the satisfaction of its customers; it is a duty to elucidate to customers their rights and duties. Therefore, a "Know Your Rights & Duties" initiative was applied across Fransabank branches in accordance with Banque du Liban basic circular No. 134 dated 12/02/2015. The rights and duties' list was also posted on the Bank's website for an easy access, additional transparency and building a stronger relationship with the customers.

Furthermore, Fransabank continued to expand its activities on social media with a noteworthy increase in the number of followers on its Facebook, Twitter and Instagram accounts. The Twitter account was active, especially during conferences

and special events, with live tweets reporting main highlights, leading to a double in followers from 212 followers in 2014 to 432 followers in 2015. The Instagram page, which was introduced in 2014, dispatched attractive pictures of the Bank's major events and campaigns, in addition to key national and international occasions. Its followers tripled reaching 677 as compared to 209 in 2014. As for the Facebook page, it included 43,404 fans at the end of 2015, compared with 37,951 fans at the end of 2014. This upward trend stresses the concern of the Bank's customers and non-customers in what Fransabank does while bringing to light customers' loyalty.

### Local Geographical Expansion

During the year 2015 and in line with the Bank's expansion strategy, Fransabank Group local network maintained its leading position as the largest branch network in Lebanon with 124 branches spread all over the country. Hence, in line with the aforesaid expansion vision, three new off-premises ATMs were installed and are now operational at Miramar – North, ABC – Achrafieh, and the Sérail Hotel – Ehden.

Moreover, additional branches are scheduled to open throughout the upcoming couple of years, most forthcoming at Bliss Street and at Adlieh; as well around 10 off-premises ATMs are projected at various strategic locations. Besides, it is worth noting that some branches shall be relocated to new premises or be totally renovated with the same innovative concept applied in all new branches, which depicts an evolved image of the Bank.

### Business Growth

- **Clients' deposits** portfolio has shown a steady increase, with a compounded annual growth rate of 10.6% over the past five years. Similarly, total clients' deposits portfolio grew by 6.3% in 2015.
- **SME loans and facilities** more than doubled, improving by 2.2 times, with a compounded annual growth rate of 16.7% between 2010 and 2015. Total SME portfolio registered a growth rate of 7.5% during 2015.
- **Retail loans** recorded more than twofold rise, while sustaining a compounded annual growth rate of 17.9% over the past five years. Likewise, in 2015, total retail portfolio increased by 9.8% while maintaining a mixed portfolio distributed among housing loans (59%), consumer loans (33%), car loans (6%), and other loans (2%).
- **Number of payment cards** maintained a steady increase of 4.9% in 2015.
- **Bancassurance products** portfolio registered a compounded annual growth rate of 10.1% between 2010 and 2015. Similarly, total Bancassurance portfolio progressed by 7.9% throughout 2015.

## China Desk

Fransabank China Desk intensified its efforts to further strengthen its relations with China, continuing to serve Chinese and local businesses, entities and persons dealing with China thus promoting trade, investment and cooperation opportunities between China and Fransabank Group markets, all while pursuing the different projects implemented since its inception.

During 2015, China Desk focused on the following:

- The establishment of **strategic relations with leading Chinese companies** in Fransabank markets that are involved in large infrastructure projects.
- The development and consolidation of existing correspondent banking relations with Chinese banks as well as the establishment of new relations with new Chinese banks and insurance companies.
- Assistance and support to Fransabank Group subsidiaries abroad in developing their relations with Chinese embassies and companies active in each market.

- **The Launching of Fransabank Platinum Union Pay Card**

Fransabank, in its effort to cater for the needs of its local clientele, Chinese companies and travelers, teamed up with Union Pay International – cards accepted in over 170 countries and issued in 30 countries outside China – to introduce the first Union Pay cards in Lebanon.

- Promoting Lebanon as a hub for China Arab ties through the organization of the **Arab Chinese Business Conference**  
To commemorate over 60 years since the signing of the Lebanon-China Trade Agreement, Fransabank hosted in May 2015, the 60<sup>th</sup> anniversary celebration in Lebanon. China Desk was the organizer of this event attended by a high level China State leader and a delegation of more than 250 Chinese officials and business leaders, joining high level public and private sector leaders from over 15 Arab countries with participation exceeding 700.
- **The Organization of a Familiarization Tour (FAM Tour)** for the promotion of Lebanon to Chinese tourists  
Fransabank hosted in October 2015 the top 20 Chinese travel agencies with offices nation-wide for a full 8-day familiarization tour to effectively promote the tourism of Lebanon in the Chinese market. Fransabank started the FAM Tour with a high level press conference under the patronage of the Lebanese Minister of Tourism and attended by all tourism sector related entities from travel agencies, hotels, restaurants, syndicates and media.
- **Promoting China Arab Banking Cooperation**  
In November 2015, Fransabank held a China-Arab Roundtable on the occasion of the 20<sup>th</sup> Annual Arab Banking Conference organized by the Union of Arab Banks

in Beirut. Discussions revolved around One Road One Belt initiative, including the banks' roles in the New Silk Road Strategy, the requirements and challenges for successful Chinese Arab cooperation including and not limited to language, culture, regulations and legislations, Islamic banking in China, RMB internationalization. Leading Chinese and Arab bankers, officials and business leaders were among the speakers at this roundtable, chaired by Fransabank's China Desk.

## Local Subsidiaries and Associate

### BLC Bank SAL

BLC Bank was able to maintain good results at the level of both the balance sheet growth and the profitability, despite the political turmoil and the deteriorating macroeconomic conditions.

As far as profits are concerned, net income reached USD 44.1 million on a consolidated basis by the end of 2015. On the balance sheet side, BLC Bank total consolidated deposits stood at USD 4.6 billion, with an increase of 6.8% compared to 2014, while the total consolidated assets stood at USD 5.7 billion, with an increase of 6.8% compared to 2014. On the other hand, consolidated customer loans stood at USD 1.9 billion unchanged from December 2014 mainly due to the translation effect of consolidation in light of the drop in the Euro exchange rate, noting that the growth scored by BLC Bank in the Lebanese market was at 4.2% on customer loans and 11% on deposits. Furthermore, BLC Bank's net spread reached 2.34% as at December 2015, standing among the best in the sector.

BLC Bank's Capital Adequacy Ratio reached 14.7% compared to a regulatory requirement of 12.0% as at 31 December 2015 reflecting the solidity of its capital structure and a conservative approach to business.

At the level of the Bank's Cyprus operation and despite the challenging economic situation, USB Bank is still witnessing a capital adequacy ratio of 9% which is above the required level of 8%. Additional capital is budgeted, which is expected to better position USB making the Bank able to cope with changes in the market conditions and achieve potential growth. As far as liquidity is concerned, USB Bank maintained a healthy liquidity ratio of 24%, which is above the 20% regulatory required ratio.

BLC Bank continued during 2015 to build up on its major strategic axes, namely, SMEs, women segments, personal loans, car loans, and Cloud Banking, maintaining its positioning among the leaders both on the retail and the corporate side.

The Bank remained focused on widening the non-financial services to Small and Medium enterprises in tandem with an expansion in the consumer products side. Road shows have been conducted in the regions and multiple value-added services are delivered to clients and prospects as well.

At the Women segment level, the Bank reaffirmed its position as a leader in the economic empowerment of women through the We Initiative program providing a set of financial and non-financial solutions. In this context, BLC Bank became a Bank of reference hosting study tours and training banks from all around the world on the best practices in serving this segment. The active role played in this area, has been recognized by the Global Banking Alliance (GBA), which elected last year the Bank's AGM for Support and Marketing, Mrs. Tania Moussallem, as a Chairman of the Organization's Board of Directors.

BLC Bank successfully conducted the fourth edition of the Brilliant Lebanese Awards (BLA) for 2015. The Business of the Year, Women Entrepreneur of the Year, and the People Choice Award were announced in a TV event broadcasted live taking the Bank a step forward in its commitment to honor successful men and women entrepreneurs.

### Fransa Invest Bank SAL (FIB)

Fransa Invest Bank, the Bank's wholly owned investment and private banking subsidiary, is one of the leading investment and private banking institutions in Lebanon. FIB aims to provide value-added investment banking services meeting the needs of its institutional and individual clients through a full range of dedicated professional financial services.

FIB's activities include:

- **Financial Advisory Services** – with an emphasis on mergers and acquisitions, equity capital markets, private investments, corporate equity/debt advisory, re-organization and balance sheet re-structuring.
- **Equity and Debt Financing** – for corporate and projects encompassing corporate and project finance (medium to long term loans), feasibility study/business plan, legal and financial due diligence, debt/equity structuring, equity placement and debt arrangement.
- **Private Banking and Asset Management** – providing clients with a full range of private banking and asset management products and services that caters to different investors' objectives and risk appetites.
- **Capital Markets Services** - available through a very well equipped and staffed trading room, which provides full brokerage services for equities, fixed income, options and futures with access to local, regional and international markets.
- **Research** - FIB provides in-house research and analysis on financial markets, as well as economic and country analysis, supported by international banks and asset managers upon the request of clients.

Fransa Invest Bank stays abreast of all events in the banking and financial markets and their potential impact on the development of national, regional and international economies. The Bank draws on this know-how to provide clients with strategic advice and develop solutions to meet their investment and financial objectives. The Bank's long-term success is based on core principles of superior client service, teamwork, excellence, and accountability.

## **Lebanese Leasing Company SAL (LLC)**

The Lebanese Leasing Company, Fransabank Group's leasing arm, has recorded in 2015, yet another profitable year, despite the difficult local and regional environments. Pursuing its conservative policy, LLC managed to reach around USD 1 million in net profits after provisions and taxes, and increased its customers' lease portfolio by 13% in 2015.

LLC customers' lease portfolio includes lease contracts of eco-friendly industries and energy saving equipment financed through the Sustainable Energy Finance (SEF) loan for USD 3 million, signed with the International Finance Corporation (IFC) in May 2014 and utilized in 2015. Another SEF loan with a value of USD 4 million was arranged in 2015 and signed early 2016, within a global credit line of USD 7 million, allowing LLC to provide lending to small businesses looking to invest in clean energy, thus boosting the adoption of energy-efficient technology and contributing to climate change mitigation.

We are confident that the LLC will reach its goals set for the year 2016, to be the leading leasing company in Lebanon, by increasing its market share in different economic sectors.

## **Bancassurance SAL**

With over 16 years of experience, Bancassurance, the life insurance arm of Fransabank Group, is ranked 1<sup>st</sup> life bancassurer in Lebanon with a total market share of 15.8% in 2015.

Despite a tough year, Bancassurance was able to achieve good results, thus the turnover increased by 23%, reaching USD 74.63 million, and net profits rose by 9.5% amounting to USD 14.74 million in 2015.

Furthermore, Bancassurance aims to ensure and provide financial security to the Bank's customers through its full-fledged insurance and financial services targeted for individuals and groups, coupled with competitive returns.

A new investment product "Invest & Insure II" was launched by Bancassurance and Fransabank in 2015. It is designed to provide customers with 5 years high guaranteed rate of return, coupled with a life insurance cover.

Bancassurance products vary from pure life insurance to saving and investment. They include:

- Term life insurance products for family protection
- Saving and life insurance plans for retirement, education and housing
- Investment and life insurance plans with access to the international financial markets
- Compulsory life insurance products to cover all types of loans.

## **Société Générale Foncière SAL (SOGEFON)**

In 2015, Lebanon's real estate market witnessed a slowdown in its activities, due to the local and regional developments. Within this context, Sogefon - the real estate subsidiary of Fransabank Group was able to maintain a satisfactory performance in 2015 and to achieve a 10% profit margin.

Plans for next year are to continue to have an active presence in the market and to achieve better performance.

## Overseas Subsidiaries and Associate

The general world political and economic situations in 2015 have been to a large extent a continuation coupled with an aggravation of the early signs of turmoil which started two years earlier and which have had an immediate repercussion on the security situation in the region and in other countries.

Social unrests and military conflicts in certain parts of the world were accompanied by discouraging economic performances sometimes translated into a lack of growth. Currency devaluation trends in part of the developing countries, tumbling oil and stock market prices and increasing budget deficits have created a bleak business atmosphere, despite the various measures undertaken by many governments to boost their economies such as maintaining very low interest rates, increasing subsidies, etc...

Added to that, the migrant crisis has come to generate more social problems, hence the pressing need for drastic solutions in order to contain the influx of refugees, along with immediate funds extended from donating countries. With such an unforeseen future, the incurred damage would be difficult to evaluate, as long as those conflicts are not resolved in the short run. Lebanon is the mostly affected country in the region by this humanitarian problem.

Fransabank Group subsidiaries abroad have adapted their activities to the prevailing situation in each country where they are present, which allowed them to sustain a growing activity. Naturally Fransabank, the parent company, and its local partners, where the case may be, have continued to provide them with all the financial and logistical support they need, and closely monitored the business conducted and the results achieved.

In coordination with the management of each overseas unit, fairly conservative business plans were set for the near future, taking into consideration the specificities of each market. Furthermore, Fransabank Group has materialized its presence in the West Coast of Africa by opening a representative office in Abidjan – Ivory Coast, to better serve its existing clientele and to be closer to neighboring countries for future business development.

The parent company is continually ensuring that the proper synergy among the Group entities is maintained, which allows increasing efficiency, streamlining the activity, and increasing the volume of business.

At Fransabank, we certainly look forward to maintain a steady growth in 2016. The Bank is confident that this can be achieved through the efforts deployed by absolutely all members of Fransabank Group.

### FRANSABANK (FRANCE) SA

In 2015, Fransabank (France) pursued the rapid expansion of its customer base, which started in 2013. Its main focus was on prime corporate and private clients among the Lebanese

Diaspora and other Middle-Eastern communities based in West Africa, the Middle East, North Africa and France. Loans to customers increased by 45% and clients' deposits grew by more than 25% at end of 2015.

The Bank has also strengthened the synergy with its shareholders, Fransabank SAL and BPCE (the second largest banking group in France), thus increasing the volume of its trade finance business and developing its activities related to financing acquisitions of real estate in France for the accounts of Middle-Eastern customers.

Fransabank (France) also launched a new product based on term deposits in Euros and U.S. Dollars, allowing Fransabank Group customers in Lebanon to secure and diversify a portion of their savings in France and Europe, at competitive rates. As of end 2014 and in a joint effort with Natixis (affiliated to BPCE), the Bank has put in place a foreign exchange dealing platform allowing its customers to benefit from competitive currency prices.

Fransabank (France) pursued its conservative policy and constituted in 2015 provisions leading to a net profit after provisions and taxes of Euro 2 million. Its total assets amounted to Euro 319 million, an increase of 51% from year-end 2014.

### FRANSABANK EL DJAZAÏR SPA

The continuing drop in oil and gas prices has impacted the social and economic situations in Algeria in 2015. The challenging outlook dominated by low oil prices has pushed Algeria along with other oil producing countries to undergo several adjustments in order to mitigate the effect of lower oil revenues on the trade balance and the budget deficit.

In this context of shifting the Algerian economy towards enhancing production with the support of the financial institutions, Fransabank El Djazaïr registered a strong growth with net income increasing by 59% in 2015 compared to the previous year.

Such performance was namely due to the 64% increase in both funded and non-funded business of the Bank. Focus was directed towards conducting business with medium sized enterprises and investments were fully oriented towards the development of the commercial network, enabling the Bank to deliver high quality service to its existing and future customers.

Another important aspect is the synchronization which Fransabank El Djazaïr is building up with Fransabank Group, namely its parent company in Lebanon, and with Fransabank (France) SA in coordination with BPCE where the case may be. This synergy is mostly present in the field of trade finance, where the related instruments are directed to these units for advising to end beneficiaries in Europe and elsewhere, and reciprocally facilities are put at the disposal of multinationals conducting business in Algeria.

## **FRANSABANK OJSC (Belarus)**

In 2015, the Republic of Belarus was directly affected by the crisis between Russia and Ukraine, its main and biggest trade partners. Consequently, a severe contraction of the economy was registered and Belarus entered into a recession with a GDP decrease of 3.9%.

In addition, inflation was still recording a double-digit figure of 12% and the Belarus Ruble (BYR) continued its devaluation, losing in 2015, more than 55% against the U.S. Dollar, from BYR 11,850 as at end of 2014 to BYR 18,569 as at end of 2015. The Ruble got further devalued against the U.S. Dollar at the beginning of 2016, hitting BYR 22,000 during February 2016.

In this context, Fransabank OJSC maintained its double-folded strategy launched during the last quarter of 2014, i.e. (i) a very selective/conservative lending policy along with an adequate provisioning level to pair any eventual defaults and (ii) a reduction of expenses based on the restructuring of some departments along more efficient/productive business lines.

Net profit during 2015 amounted to c/v USD 1.72 million. Total assets, at end of 2015, totaled c/v USD 68.3 million, customers' loans stood at c/v USD 27.9 million, customers' deposits at c/v USD 22.2 million and shareholders' equity reached to c/v USD 31 million (including Tier II Capital subordinated loan of USD 12 million).

## **FRANSABANK SYRIA SA**

The year 2015 witnessed two important developments in the Syrian crisis, the first is broadening the scope of the conflict and the second being the first signs of a "war economy" where the adaptation of certain sectors to the new situation that emanated after 5 years of war is taking place.

Despite a critical economic and monetary environment, with the Syrian Pound approaching steadily USD/SYP = 400, Fransabank Syria has succeeded in setting a "modus operandi" that allowed it to limit the impact of the economic slowdown on its results. Since 2011, Fransabank Syria has deployed its business continuity plan, and has pursued a conservative strategy which translated into a sound business operation, assorted by an important level of provisions and resulted in a sustainable level of performing assets, thus generating recurrent operational profits and reinforcing the Bank's equity. All these elements will definitely allow the Bank to be ready when the time comes, to cope with any favorable political and economic developments in the country.

The staff engagement and dedication and their high level of attachment to the institution have permitted the Bank to continue its operations in four major districts (Damascus, Aleppo, Lattakia & Tartous) with no operational incidents recorded to date, while Homs and Rif Damascus branches are still currently closed.

Fransabank Syria continues adapting its strategy to the rapid ongoing developments thus allowing the structure and the supporting human resources to be ready to tackle any positive future events that might occur with the return of the situation to normal.

## **FRANSABANK SAL IRAQ BRANCHES**

The Bank managed in 2015 to more than double its balance sheet size compared to year-end 2014, thus achieving growth in both credits and customers' deposits, and ranking as one of the top players amongst its peers in the market.

Despite the prevailing security and economic situation, Fransabank believes in the potential of Iraq and maintains a presence in both Baghdad and Erbil. It is concentrating on building up solid grounds and infrastructure in order to be in a position to serve its clientele in the most professional way and to offer a wide array of services in a country marked by increasing challenges.

Fransabank Group has been very close to the Iraqi market for a long period of time and has been keen on having a presence in this market in order to capitalize on its growth potential and banking expertise.

## **UNITED CAPITAL BANK (Sudan)**

Sudan is at present experiencing a stronger economic cooperation with the Gulf countries particularly with Saudi Arabia with whom the trade exchanges are expected to increase mainly in agriculture and possibly in major infrastructural projects.

On the political scene, the situation between Sudan and South Sudan is easing with the opening in January 2016 of the borders between the countries and the reaching of agreements related to oil transit to the Red Sea.

Our associate bank in Sudan, United Capital Bank, has registered net profits of c/v USD 8.244 million in 2015. Total assets stood at c/v USD 312.3 million and shareholders' equity at c/v USD 72.9 million at end of 2015.

United Capital Bank has continued to concentrate on trade related business, thus generating a sizable amount of commissions and counts among its corporate clients major operators in the various sectors of the economy and is considering to expand its branch network and to gain more local market share.

## Risk Management

### RISK MANAGEMENT PRIORITIES 2015 ONWARD

Fransabank has set risk management as a strategic priority, aiming to clearly define the Bank's perspective with regards to capital management, risk profile, stress testing, risk appetite and risk-adjusted performance measures.

In 2015, efforts continued to be exerted to achieve a more advanced risk management model and to roll out the risk management processes at all Group entities, so to ensure proactive risk governance and management both at the individual and Group level.

During the said year, Fransabank risk management focus revolved around the following main themes:

- Promoting integrated risk management at all hierarchical levels in the Bank.
- Improving the quality of data and reporting, in addition to standardizing the reporting requirements from Fransabank Group entities.
- Reviewing and updating the risk management policies and limits.
- Enhancing the rating system by introducing new models (project finance, SME scorecard and high net worth individuals) and expanding its coverage to the Group entities.
- Promoting a strong risk culture by disclosing risks to various stakeholders at the Bank and providing continuous trainings to staff.
- Further develop the capital management techniques mainly in what concerns the Internal Capital Adequacy Assessment Process (ICAAP), upgrading for that purpose the adopted methodologies for risk measurement and stress testing.
- Launching the preparatory works for the implementation of International Financial Reporting Standard (IFRS) 9, mainly in what concerns the impairment of financial instruments, requiring to move by 1.1.2018 from the incurred loss model to the expected loss model.

With that end in view, the Bank will seek to invest in forward-looking technology (IT systems) and processes in order to support these targets and improve its risk management capabilities.

### CAPITAL MANAGEMENT

The Group manages its capital structure to continuously remain at adequate healthy levels to support its risk profile, growth plans and expansion strategy, as well as to remain well above the regulatory minimum under normal and stressed situations.

As at 31.12.2015, and with more than 60% of Fransabank Group regulatory capital formed of Common Equity Tier 1 (CET1), the ratio of CET 1 Capital to Pillar 1 Risk Weighted Assets stood at 9.53% versus the 8% minimum regulatory and the Total Capital ratio at 14.74% as compared to the regulatory minimum of 12%.

In its Circular n° 283 dated 6 October 2015, the Banking Control Commission required banks operating in Lebanon to prepare and submit the ICAAP Report based on the 2015 year-end consolidated financials.

Under the Internal Capital Adequacy Assessment Process (ICAAP), which is a Pillar 2 requirement of Basel II Accord, banks should:

- Assess the amounts and types of capital considered adequate to cover all material risks. The capital on all these risks would be determined on the basis of the quantitative and qualitative assessment.
- Build a strategy to maintain the capital levels with a forward-looking view and assess future needs in light of the Bank's planned growth.
- Re-assess the Bank's financial position under multiple stress test scenarios that should be exceptional but plausible.

At Fransabank, and in line with the Banking Control Commission requirements, the capital required under the ICAAP was determined based on the Pillar 1+ Approach and the internal approach. For the latter approach, the Bank has derived the credit risk weights for rated borrowers in accordance with the Basel II foundation Internal Rating Based (IRB) approach using the borrowers' internal ratings and probabilities of default generated by Moody's RiskAnalyst.

The results of the ICAAP exercise based on the Pillar 1+ Approach and as a matter of fact, on the Internal Approach, revealed that the Group's Available CET 1 Capital, Tier 1 Capital and Total Capital stand at a comfortable level above the respective minimum ICAAP Capital requirement.

Under its capital management processes, Fransabank also monitors the Leverage Ratio, which is another supplementary non-risk based measurement, introduced by Basel III framework and calculated as Capital to Total On and Off Balance Sheet Exposure; the Group's Tier 1 Leverage Ratio exceeds by far the level of 3% proposed by Basel III.

### RISK MANAGEMENT FRAMEWORK

Fransabank Group is mainly exposed to credit risk, and to a lesser extent market risk and operational risk. Other risks to which the Bank is also exposed would mainly include concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk and reputational risk.

Fransabank has established and implemented the appropriate framework, charters, policies and processes to identify, assess, manage and monitor risks across the Bank.

The ultimate responsibility of risk oversight lies with the Board of Directors. The Board of Directors delegates specific oversight of risk management activities in the Bank to the Board Risk Committee.

Senior management ensures a proper segregation of duties and separation of functions through an effective internal control framework. The business lines act as a first control level, risk management and compliance as the second and internal audit as the third.

The Board of Directors and senior management lay significant importance on risk culture, promoting commitment to integrity and highest ethical standards across the Bank.

## RISK APPETITE KEY ELEMENTS

The Group's risk profile reflects a conservative approach, translating the Bank's strategic objectives, business plan and risk appetite.

### Credit Risk

The Bank adopts prudent credit standards in designing its credit policies and procedures.

Fransabank credit risk embeds its exposures on sovereigns, on clients – corporates, SMEs and retail, as well as on banks and financial institutions. The Bank manages the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower or groups of related borrowers. Country limits and sub-limits for banks, clients and sovereigns are established and reviewed on regular basis.

Each credit request, in that respect, is subject to an independent credit risk assessment that thoroughly analyses and identifies the embedded risks. Corporate, SME and retail files are processed through a uniform credit proposal that assesses the client's quantitative and qualitative risks using as applicable, an internal risk rating system. The assessment of sovereigns, banks and financial institutions would take into consideration the credit ratings assigned to them by external credit rating agencies. Credit files are submitted for approval to ad hoc committees and eventually to the Board of Directors.

The Bank's credit processes are supplemented by regular portfolio reviews focused on countries, regions or specific industries to ensure portfolio diversification.

### Market Risk

Fransabank has a low appetite to market risk in the Fair Value through Profit or Loss Portfolio, which is kept at a minimal level.

Various risk identification and measurement techniques are adopted to control and monitor current and potential market risk exposures to abide by the Bank's conservative policy.

### Interest Rate Risk in the Banking Book (IRRBB)

IRRBB emerges from the negative reprising gap between Rate Sensitive Assets and Rate Sensitive Liabilities. The

resulting mismatch between long term assets and short term liabilities is inherent in banking activities and is a structural characteristic of the Lebanese banking sector.

Fransabank has set internal limits for monitoring IRRBB, taking into consideration a stressed interest rate environment.

### Liquidity Risk

The Group puts high emphasis on maintaining a strong liquidity base. Stress scenarios on the liquidity position have been carried out to test the Bank's resilience under difficult situations.

The Bank measures and monitors liquidity using internal liquidity ratios as well as the Liquidity Coverage Ratio (LCR) developed in line with Basel III guidelines.

### Operational Risk

Fransabank implements sound and reliable set of management processes to identify, assess, control, and monitor operational risks, as part of the overall strengthening and continuous improvement of the controls within the Bank.

The Bank has developed an operational Loss Incident Reporting tool and expanded the collection of operational loss incidents. In addition, Risk and Control Self-Assessments (RCSA) are periodically conducted for the business and support units in order to evaluate the effectiveness of the internal control system and to eventually recommend corrective action(s). Mitigation of operational risk is also insured through the purchase of comprehensive insurance policies.

The minimization of operational risk is a prime responsibility of all staff. To support this, Fransabank believes that a strong risk culture is essential; hence, investing in ongoing training and development at all staff levels to increase knowledge and promote the improvement of risk management practices.

### Strategic Risk

Strategic risk is assessed in light of the compatibility of the Bank's strategic goals and business strategies, in addition to the efficiency of the risk appetite framework.

Fransabank Board of Directors and senior management critically review the strategic direction of the Bank at the time the business plans are prepared and approved.

### Reputational Risk

Fransabank Group lays significant emphasis on managing its reputation and has low tolerance to reputational risk.

The assessment of reputational risk includes the evaluation of several factors, including financial soundness, ethical business practices, sound risk management, customer protection, legal and regulatory compliance, etc.

## Compliance

Effective compliance risk management aims at stimulating, monitoring and controlling the observation of laws, regulations, internal rules - including the compliance principles outlined in Fransabank's Code of Conduct - and establishing good business standards that are relevant to the integrity and, hence, to the reputation of Fransabank. Integrity is the focus in managing compliance risk and, therefore, the driving force behind everything Fransabank does. Controlling integrity risk is accordingly placed within the scope of the compliance function.

The compliance function of Fransabank SAL supports the entity and its management in managing the compliance risks and embedding and improving the compliance arrangements in all levels and structures of the entity. The compliance function therefore has the following objectives:

- Identify, assess, control, monitor, test and report on the compliance risks faced by Fransabank SAL.
- Assist, support and advise the Board of Directors, top and senior management of Fransabank SAL, in fulfilling their responsibilities to manage compliance risks.
- Foster a compliance culture among staff and enhancing compliance awareness throughout the organization.
- Implement the compliance program in a fashion that is in line with regulatory environment and expectations.
- Enforce compliance policies and procedures which implement applicable laws and regulations and adopt industry standards and best practices.
- Advise any staff member of Fransabank SAL with respect to their personal responsibility to manage compliance risks.

The Group compliance team is headed by the Group Chief Compliance Officer who coordinates "overall compliance" within Fransabank Group. He is the internal supervisor and responsible for ensuring that Fransabank Group operates within the defined compliance framework. The Group Chief Compliance Officer is supported by a number of designated officers and controlling bodies within Fransabank's Group organization structures.

The scope of compliance depends on the nature, the size and the location of business activities. It generally includes:

- Legal/Regulatory Compliance including: compliance with rules & regulations, FATCA law, and local and international sanctions and restrictive measures (UN, US, EU sanctions).
- Anti-Money Laundering and Combating the Financing of Terrorism including: customer acceptance – Know Your Customer/Customer Due Diligence, transaction monitoring, investigation and reporting.
- Capital Markets Compliance including: treatment of confidential information, management of conflicts of interest, prevention of insider trading and market manipulation, new product approval, and fair treatment of customers.

## Governing Principles

### AML/CFT

Fransabank Group's AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) Policy primarily aims at setting, within the Group, the essential standards for fighting money laundering operations and terrorism financing. Should the applicable AML/CFT laws and regulations of any country or jurisdiction require higher standards, Fransabank Group's overseas subsidiaries and associate banks must conform to those standards. However, in case the relevant subsidiary or associate bank comes across any applicable law that is inconsistent with the Group's policy, it must first refer to the Group's compliance department to resolve the conflict.

The AML/CFT Policy also encompasses the following objectives:

- Promoting a Know Your Customer (KYC) standard as a cornerstone principle for Fransabank Group business ethics and practices: prior to any transaction of any type, Fransabank Group's entities gather and document the relevant customer identification data, along with the background information, the purpose and the intended nature of the business. Fransabank Group's entities retain and document any additional customer information relevant to the assessment of the money laundering risk, by adopting a risk-based approach which triggers the proper enhanced due diligence for the relevant customers.
- Enforcing the following additional due diligence measures while establishing and maintaining correspondent relations: (i) gathering sufficient documentary evidence on a respondent institution, to avoid any relationships with "shell banks", (ii) enquiring about the good reputation of a respondent institution from public sources of information, including whether it has been subject to a Money Laundering or Terrorist Financing investigation or other regulatory action, and (iii) verifying, on a periodic basis, that the respondent institution is implementing sufficient and effective procedures to fight Money Laundering and Terrorist Financing.
- Monitoring and reporting suspicious transactions/activity: Fransabank Group's entities apply due diligence measures whenever they detect any unusual or suspicious transaction or activity, taking into account the legal framework of the concerned institution. All suspicious transactions or activities complying with the laws and regulations of the corresponding jurisdiction are reported, and the Group's compliance department is notified of all suspicious transactions or activities when doubts arise.
- Developing an effective internal control structure where no activity with a customer is carried out without obtaining in advance all the required information relating to the customer.

- Consolidating, within the Group, the AML/CFT efforts deployed by Fransabank entities.
- Conducting self-evaluation processes on the compliance with the AML/CFT policy and measures.

Consequently, the adoption of the AML/CFT Policy is crucial to ascertain that all Fransabank Group's entities, whatever their geographic location, fully comply with the enacted AML legislation. Thus, the Group is committed to overseeing its AML/CFT strategies, objectives and guidelines on an ongoing basis, and supporting an effective AML/CFT Policy within the Group's business.

## Compliance

Fransabank Group's compliance governing principles are as follows:

- Integrity and reputation are vital assets to maintain the healthy growth of business.
- Management is the owner of compliance to foster the adequate enterprise-wide culture.
- The compliance function is independent from business lines, yet is a shared responsibility of all employees.
- A transparent and constructive relationship between the Fransabank's Group and its' regulators is maintained.
- Effective monitoring of compliance risks is implemented.
- Timely, accurate and systematic compliance reporting is provided.
- The compliance function will continue to improve itself by improving its governance, its measurement methods, its policies and procedures, and adopting the industry's best practice in line with local and global developments.

## Human Resources

The long-term success of Fransabank ultimately relies on the skills and experience of its employees. Therefore, the Bank is taking that same path, mainly by implementing a strategic human resources management, which encompasses effectiveness and efficiency in daily HR operations (compensation & benefits, training, recruiting and services) and medium and long-term corporate objectives related to development, retention of staff, talents and competencies enhancement.

At Fransabank, we recognize the value of a diverse and inclusive organization. With a diversity of employees and various skills, knowledge and experience, the Bank has a flexible organization to better respond to our clients' needs, allowing a broader range of business opportunities.

In 2015, Fransabank SAL population counted among its ranks 1,681 staff with the following characteristics:

- The proportion of female to male employees remained unchanged: as in the past three years, standing at 46% female employees against 54% male employees. Moreover, we are keen on maintaining female representation in managerial positions at Fransabank branches (either branch manager or deputy branch manager), comprising 45% of all employees holding these ranks in the year 2015.
- The average age in 2015 reached 38.2 years.
- The percentage of university degree holders raised by 8% to reach a total ratio of 70% of Fransabank's population.

We also believe that recruiting people, training and retaining them and building strong teams are the basis for securing customers' needs and increasing productivity. Therefore, the employees training and development programs enable the Bank to improve the quality of services and advisory offerings by continuously adapting our business to changing markets and clients' needs.

Training in Fransabank is need based and built on competences gaps and job requirements. It covers a range of fields from banking and financial techniques, management and behavioral skills, to marketing and selling skills and information technology, as well as comprehensive programs on the Bank's regulatory control, risk management and compliance.

In 2015, Fransabank employees completed 100,792 hours of training programs with an average of 60 training hours per employee.

Furthermore, the Bank's four-structure development programs proved to be much satisfactory in terms of boosting job satisfaction and morale among employees, stimulating motivation, which generated higher efficiency in processes, and stabilized employees' turnover rate.

The development programs include:

- The Talents Management program that helps broaden the career prospects of fast-track employees and provide them with better support.
- The Polyvalence Enhancement program that focuses on the employees' ability to handle multiple functions.
- The Potentials Development program that prepares competent employees for occupying higher positions.
- The Succession Planning program that initiates employees into future organizational requirements.

In 2015, the development programs effectively focused on promoting 34 individuals from branches and departments management, preparing 398 employees for rotation as part of the potentials development, and guaranteeing contingency planning for 439 staff members in branches through the polyvalence program.

Furthermore, and as part of Fransabank's continuous commitment to its overseas subsidiaries, the Bank welcomed 15 foreign employees coming from Algeria, Iraq, Cuba, Syria, Benin, Ivory Coast, and Gabon. These employees received customized training according to their business needs at Fransabank departments and branches.

In respect of the circular No 103 set by the Central Bank of Lebanon, employees continued to enroll in specific certifications related to regulatory banking functions. In 2015, 128 employees passed the tests (87 in branches and 41 in departments) and were certified to reach a cumulative number of 382 employees (217 in branches and 165 in departments).

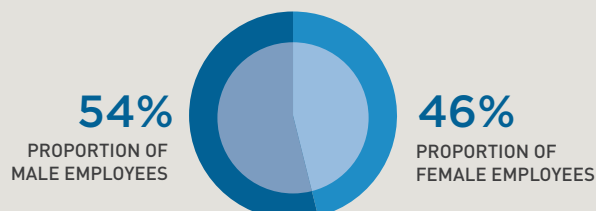
As much as the Bank gives priority to its employees training and career development, it also considers internship as a win-win practice, whereby many doors are open for students who would gain in return, a financial education and inclusion. A total of 215 university students took part in the Bank's summer internship program in 2015. The program was specifically designed to provide each student with knowledge and tasks that suit their educational studies and future career. The internship program lasted four to eight weeks on average and covered the Bank's departments and branches.

Aiming at attracting high potential graduates from prominent universities in Lebanon, Fransabank has a yearly presence at job fairs. These annual fairs contribute to the recruitment of promising young professionals from top local universities, namely the American University of Beirut (AUB), Lebanese American University (LAU), University Saint Joseph (USJ), and Ecole Supérieure des Affaires (ESA). As a matter of fact, the Bank provides students with advice regarding career planning and supports them by offering a wide range of career opportunities within the Bank.

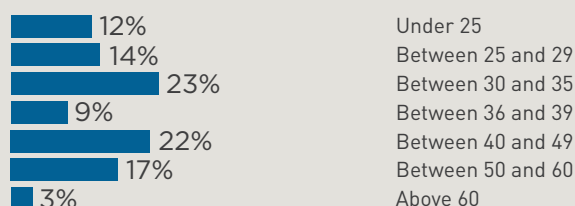
## • EMPLOYEES FACTS & FIGURES AS OF DECEMBER 31, 2015

1,681

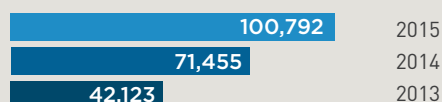
FRANSABANK SAL  
TOTAL NUMBER OF EMPLOYEES



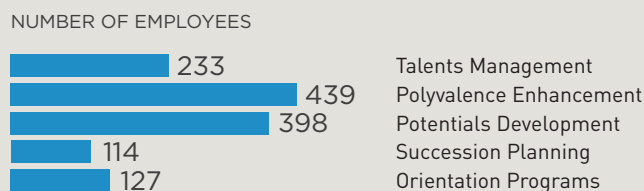
### EMPLOYEE SPLIT BY AGE



### TOTAL TRAINING HOURS EVOLUTION



### TRAINING & DEVELOPMENT PROGRAMS



## Information and Communication Technology

The main pillar of Fransabank's Information Technology is to ensure the ability to successfully drive and support the business growth and development. Being effectively viewed as a transformative force for advancing innovative technologies and a tool to improve user productivity to meet customers' expectations remains a growing challenge. This year, the heavy projects portfolio and the solid foundations that were put in place and the large investments in the banking service IT applications started blooming as follows:

- **New Data Center to Keep "IT Cool" and Highly Available:** Fransabank ICT hosts many mission-critical systems including core banking, ATM switch, online banking and email. These systems and many others in the data center are vital to business functions, so ensuring they are operating on the clock is the highest priority. Gladly, Fransabank is in the final implementation stages of a new state-of-the-art Tier 3 compliant design data center which is one of the most technologically advanced centers in the region. The data center is fully designed to be maintained and upgraded without any downtime or service interruption due to its multiple redundancies, and is fully managed and monitored by an advanced DCIM software technology.
- **Enhanced Collaboration, More Productivity:** Fransabank ICT always strives for increased productivity. Actually, the Bank is finalizing the implementation of an intranet portal that has the latest cutting-edge collaboration and communication features. This can make all the difference with collaboration features easily generating increased productivity and cost savings.
- **Additional Delivery Channels:** Since Fransabank has a mobile-first strategy; it has added and enhanced apps across the mobile ecosystem. So, in addition to the long list of supported channels, it now introduced an Apple watch app to give the consumer broader access to his/her information at a glance. Fransabank customers can now keep track of their money at hand securely in real time and at a single glance at their wrists.
- **Environmental Footprint Reduction:** With the use of technology, Fransabank constantly aims at minimizing its environmental footprint. That is why it created a work environment in which the use of paper is greatly reduced. Moreover, the Bank is in the process of converting most of its documents into a digital form, because it believes that going paperless can save money, boost productivity, save space, and help the environment at the same time. In addition to that, Fransabank uses a Virtualization-first strategy to decrease the energy consumption to a bare minimum, by consolidating multiple services onto the same hardware, thus saving on cost and carbon footprint. Furthermore, the new cutting-edge data center uses a containment system to efficiently cool the data center. This is one of the most technologically advanced strategies in data center design and Fransabank is the first in the country to use it, to help improve capacity and energy efficiency by reducing by-pass airflow.
- **Investment in Information Security:** In the ongoing endeavor to enhance its information security which Fransabank considers as a very important part of its strong governance framework, new initiatives were launched at different levels:
  - The ever growing risk of phishing attacks targeting the customer base of the financial market using social engineering

imposes the reshuffling of the Bank's security awareness program provided to the employees and its extension to its clientele, along with a more rigid internal control in order to protect the customers' accounts. More specifically, a multi-factor authentication was added to the Bank's internet banking, where customers are challenged with something they know (username and password) and something they have (their mobile device), to boost security and thwart hackers.

- Security systems were deployed to provide more protection for the data, preventing leakage and ensuring accessibility and better response to incidents, in addition to the drastic enhancement of the physical security layer. The convergence of information, IT and physical security adopted by Fransabank, is nowadays a worldwide trend that ensures that information and systems are protected end to end, providing the proper security and a better availability of the banking services, leaving no room for back doors.
- Regarding the business continuity plan, the construction project of the new Tier 3 availability standard Business Continuity and Disaster recovery site is about to start. It will be one of the most technologically advanced centers in the region, using the best proactive monitoring and advanced technologies from the world leaders in the field.

Aligned with the same strategic objective of Fransabank in this respect, specific initiatives have already been launched, namely a Security Information and Event Management (SIEM), an approach of security management that seeks to provide a holistic view of the Bank's Information Technology (IT) security, as well as a vulnerability management software allowing it to pinpoint any weaknesses and rectify them in time to keep the risk at an acceptable level.

- **Standardized Service Management:** Fransabank is focusing on the development of its human capital, composed of a large team of technology specialists, functional and business analysts and experts (the organization department), senior developers and administrators. This team is responsible for the design, transition, delivery and improvement of services to meet the business requirements. All initiatives and projects are running in the direction of compliance with the ISO 20000 Standard.
- **Integrated Credit Card and Merchant Management Solution:** Beside the implementation of an integrated credit card and merchant management solution, Fransabank was able to develop a wider range of products more adapted to the market demands, characterized with an increased reliability and security.
- **New ATM Switch:** That entails advanced security features and compliance to the best security standards (full-fledged EMV services...). The advanced fraud prevention tools and solutions are also a major pillar of the plastic card business development, as well as the advanced ATM functionalities that will be gradually applied on all the ATMs.
- **New Generation Core Banking:** A new solution based on a multi-tier architecture and integrated workflows will be the cornerstone of the Fransabank banking technology services.
- **Major Upgrades:** New functions and security features were added to the online delivery channels (Internet Banking, Call Center, CRM...)

## Corporate Social Responsibility

There is a strong positive relationship between corporate social performance and financial performance in the banking industry. To be a sustainable bank, Fransabank provides customers with their required products and services, manages the impact of the Bank on economy and environment, and invests in the future of its employees and community.

In the same context, Fransabank recognizes the importance of engaging with stakeholders: customers, employees, shareholders, investors, media, government and regulators, and suppliers, in achieving its business goals and upholding its CSR commitment.

By listening to stakeholders, the Bank gains insight into their perspectives and the issues that matter to them, and help in developing products, services and policies that are responsive to their needs.

Regular meetings and marketing research studies help secure relevant feedback from customers. Likewise, periodic in-depth interviews with selected employees assess their level of engagement in the internal CSR initiatives, while helping the Bank promote its diversity and inclusion goals. The continuous constructive dialogues and partnerships with all stakeholders including regulators at all levels, investors, NGOs, and suppliers are a key strategy through which Fransabank guarantees an appropriate internal development.

In 2015, two internal materiality assessment sessions were held to reevaluate the non-financial drivers that have an impact on Fransabank's role in society, economy, and environment. By listening to the Bank's internal stakeholders, Fransabank has a clear perception of their opinion and of the matters of importance to them. It highlighted the areas in which the Bank needs to manage and monitor issues that are important but not currently addressed; at the same time, it identified the areas of interest to them.

This engagement will be a continuous process which welcomes dialogue with all stakeholders, and responds actively to constructive suggestions for improvement and support.

Subsequently, and in line with the UN Global Compact universal principles, Fransabank has put great focus on four aspects; the areas of human rights, labour, environment and anti-corruption. The Bank contributes, in a certain approach, through its consistent work in the above mentioned areas towards meeting the objectives of almost the 17 Sustainable Development Goals (SDGs), also known as the UN Global Goals which focus on creating a future that's more inclusive, just and sustainable. By taking into consideration the SDGs while applying core business, the Bank reiterates its faith in the private sector's capabilities in positively affecting the course of the world and the generations to come.

Focusing on the following five pillars of interest, the highlights of 2015 consist of:

### 1. Operating Responsibly

Fransabank strongly believes that sound governance steers any successful business. The Bank is dedicated to maintaining governance structures, policies and processes that best serve the changing needs of employees, clients and communities focusing on transparency, accountability, responsibility and fairness.

The Bank is also committed to conducting business in accordance with the highest ethical standards and in full compliance with all applicable anti-money laundering and corruption laws and regulations. Measures to train employees to combat anti-money laundering have been covering FATCA, KYC, AML, terrorist financing, as well as fraud and information protection. In addition, Fransabank's Code of Conduct provides the necessary leadership for the Bank's employees to abide by the highest forms of professionalism, ethical behavior, and integrity. The Code of Conduct is always updated and upgraded to ensure the best practices of our employees.

Bearing in mind that many other policies related to business security, including customers' information security, data protection, and safe and sound systems are regularly improved and foster accountability.

### 2. Supporting our Economy

As a Bank through its core business activities, Fransabank provides financial support and services to companies, small and medium size businesses and individuals. As at end-2015, Fransabank made USD 640.22 million in total performing SMEs loans through a team of dedicated small business bankers in communities across Lebanon.

In the same scope, Fransabank supports the Vitas Micro credit program because of its critical role in providing capital to small businesses that have growth potential but may not qualify for conventional loans. The micro credit strategy of the Bank gives preference to women owned businesses over any other lender.

The high point of 2015 lies in the total of micro-credit beneficiaries which reached 3,338 clients, compared with 1,776 clients in 2014. The figures almost doubled, pointing out the great potentials the society has to offer to the Lebanese economy. Simultaneously, the outstanding amount of micro-credits reached around USD 5.4 million at the end of December 2015, compared with USD 2.5 million at the end of December 2014; a year-on-year increase of 116%. The total number of sustained jobs reached 1,789 and the number of jobs created stood at 2,278 in 2015.

Measuring Fransabank's value of disbursed micro credit loans since 1997 till the end of year 2015, it has contributed with an amount exceeding USD 26.5 million to 13,467 entrepreneurs.

In addition, Fransabank is among the leading banks to embrace the Central Bank of Lebanon Circular 331 into the Bank's strategic business activities and has taken a participation in three funds.

With respect to the Bank's responsibility towards its customers, mystery shoppers' visits were conducted to all Fransabank branches as well as selected competitive banks branches, with the objective of assessing quality service and therefore build durable customer relationships. Accordingly, we continuously organize customer-focused and selling skills training to branches' employees.

Yet, for the Bank to act as a better citizen, its functions do not stop at the satisfaction of its customers. As it is a duty to offer the best products and services, it is also a must to explain in a clear and direct manner to customers their rights and duties.

Therefore, a “Know Your Rights & Duties” initiative was implemented across Fransabank branches in accordance with the Central Bank of Lebanon basic circular No. 134. Thus, a list of rights and duties was shared with customers on the Bank’s website. These steps forward ensure a good and lasting relationship based on transparency. Likewise, the Bank has a standardized complaint handling procedure to ensure customer feedback is dealt with in an efficient manner that abides by the service pledges.

In parallel, Fransabank launched several retail products and services targeting all segments of the society whether youth, business owners, or entrepreneurs, offering quality products. Fransabank is continuously working on the customers’ needs and expectations, developing state-of-the-art systems that would strengthen the ties and reinforce long-term partnerships.

### 3. Investing in our Human Capital

Fransabank focuses on attracting and retaining a talented and diverse employee base, developing their potential, rewarding their success, while emphasizing on the importance of a culture of inclusion.

Diversity is a prerequisite for maintaining a healthy work environment. It is based on equal opportunities for all staff regardless of gender, religion, or any personal belief, in addition to fair treatment in employment and development. Actually, the Bank has already come a long way in developing a diversified and inclusive workforce. In 2015, the workforce gender segmentation was unchanged compared with the previous year, with an employment share almost equally distributed on women (46%) and men (54%).

The long-term growth and success of the Bank depends on its capacity to attract and retain the valuable individuals through a continual assessment and motivation. Therefore, we implement extensive training programs that would help strengthen all our employees’ skills and train them at each stage of their career. In 2015, Fransabank employees completed 100,792 hours of their training programs with an average of 60 training hours per employee.

In addition, Fransabank employees are involved with their communities through CSR projects that help them engage in social works and promote the spirit of giving back. Per se, Fransabank employees have been committed to raising funds for non-profit organizations. As of end 2015, 425 Fransabank employees were enrolled in the “Partner in Life Employee Giving Program” with the Children Cancer Center of Lebanon (CCCL). Their joint efforts resulted in the collection of more than USD 265,000 from November 2005 till end of year 2015. This individual and voluntary commitment came out of the employee’s own sense of responsibility and his/her wish to make a difference on the social level.

### 4. Looking after our Environment

At Fransabank, we believe there is a great potential for energy efficiency to address a range of sustainability challenges affecting the environment. With the “Go Green” strategy, Fransabank has built capacity to become the Sustainable Energy Finance Banker in Lebanon.

In this context, Fransabank has been developing its know-how in terms of Sustainable Energy Finance to propose the best products and services to its clients with the aim to

maximize their profits and return on investment while reducing greenhouse gas emission and supporting the environmental cause. The Bank partnered with several international finance institutions to become a Sustainable Energy Finance leader in the market. The impact of this project resulted in launching an Environmental & Social Management System (ESMS), taking into consideration the environmental and social impacts and in counseling customers who desire to employ sustainable solutions using energy efficient technologies and instilling a culture of green sustainability in our employees’ habits.

The Bank’s financing allocations for Sustainable Energy Finance projects reached approximately USD 120 million for about 150 projects in 2015.

In 2015, Fransabank partnered with the Lebanese oil private sector, in particular the IPT Gas Stations, and signed a Memorandum of Understanding (MoU) on the implementation of IPT Energy and Environmental Management Strategy (EEMS) which aims to transform IPT Stations into green and sustainable ones. The importance of this initiative came at a critical time while Lebanon was facing a tremendous garbage crisis.

Similarly, the Bank signed a MoU with the Union of Municipalities of Qalaat Al Istiklal, West Bekaa, Lebanon to launch eco-friendly loans for the citizens in the area aiming at reducing household expenses and energy consumption, while preserving the environment.

Within the same context, an internal green awareness program was initiated targeting Fransabank employees at the Headquarters and branches. This initiative considerably contributed to the reduction of paper waste, reaching 107 tons and 310 Kg of recycled papers in 2015, thus saving approximately: 2,575 trees, 2,046,938 gallons of waste water, and 110,851 Kg of solid waste (*Sources: www.csuohio.edu & www.conservatree.org*).

In addition, following last year’s success, the “Bouchons Roulants” project continued in 2015 with 1.5 tons of recyclable plastics collected as end of December 2015. The plastics collected were sold to a recycling company in order to provide with that respective value, a wheelchair to a person with special needs. Therefore, two wheelchairs were donated; one resulting from Fransabank employees efforts and another one from the Bank’s management as an equal contribution to the staff’s effort.

### 5. Standing by our Communities

Over the years, Fransabank has demonstrated a strong commitment to causes that fit with its mission of promoting financial and social inclusion, educational advancement and community development leading to a better connection with society. With a total investment of around USD 1.3 million in 2015, Fransabank continued to showcase a sense of unbounded citizenship.

Being familiar with the importance of a higher education in a very competitive market and conscious that a much-needed knowledgeable Lebanese youth is the key to our country’s economic thrive, Fransabank Group Chairman, Mr. Adnan Kassar, proceeded in his giving endeavors and donated USD 10 million as an Endowment Fund for the Lebanese American University (LAU), one of the highest donations in the university’s history. This step for promoting education in Lebanon is of major importance nowadays especially with the struggling economic situation.

## Environmental and Social Management System (ESMS)

In this respect, Fransabank Educational Loan offers all qualified students the opportunity to pursue their education at very competitive rates and flexible repayment periods. 1,151 educational loans were granted and the total outstanding amount reached USD 14.94 million as end of December 2015.

Subsequently, after four decades, the Bank launched an initiative that exemplifies its commitment to the next generation. Through the #WeDesign competition, the Bank offered Lebanese architecture students a thrilling opportunity to work on and propose a "facelift" to the building, one of the great legacies of the modern architectural movement in Lebanon which was designed by renowned international architects, Alvar Aalto and Alfred Roth. Architects in-the-making learned more about the history of modern architecture in Lebanon, and had the chance to improve their talent, boost creativity, and discover more of the world of design.

On the other hand, Fransabank JABAL exhibition was sustained through its 11<sup>th</sup> edition, promoting Lebanese contemporary art of young artists from different Lebanese regions, while creating a cultural exchange platform between art professionals, the artists and the visitors, and boosting the country's artistic heritage. JABAL 2015 was coupled with several other strategic partnerships with international and local festivals.

Through initiatives that focus on removing barriers to education, enabling communities to prosper, and promoting cultural experiences to wider audiences, the Bank continuously partners with non-profit organizations. Yet, organizations are carefully chosen and go through due diligence to ensure that they meet appropriate philanthropic criteria. By meeting the requirements, NGOs with whom Fransabank collaborates receive full support while the Bank tries to create partnership programs that would boost employee's engagement. The Bank's social initiatives provide assistance and support to children, youth, women, the elderly, the disabled, and families living in poverty and social isolation.

In 2015, the Bank's support was especially extended to orphan children in particular, as they need not only the financial, but even more the social and emotional support. So, during the holy month of Ramadan, an Iftar was organized for 75 orphans from the Social Welfare Institute's Orphanage along with a movie outing to watch "The Prophet" – the film version of the famous masterpiece of Gibran Khalil Gibran. Likewise, Fransabank hosted at its Headquarters a "Christmas Holiday Food Drive" event for 240 children selected by the Ministry of Social Affairs from various Lebanese charities. The event was organized in partnership with the Lebanese Food Bank. Through all these efforts, we see a way of shedding light on the Lebanese Food Bank's vision "to eliminate hunger in Lebanon by 2020".

In line with Fransabank's green strategy and deriving from a corporate conscience and awareness that environmental and social growth and sustainability are no longer a choice but rather a pressing need, the Bank developed an Environmental and Social Management System (ESMS), allowing the use of Fransabank's relationship with businesses to encourage them to control and reduce the environmental impact of their activities, embrace renewable energy and responsible and sound environmental management practices.

The Environmental and Social Management System (ESMS) consists of conducting due diligence of a project to evaluate its environmental and social risks, and its compliance with international environmental best practices and applicable local laws, based on an onsite visit and on an assessment of the environmental and social management practices in place (waste management, efficiency of resources, labor and working conditions, pollution prevention, community health safety, conservation of biodiversity in proximity of the project premises, etc...).

Following this due diligence, a risk category to each project at hand will be assigned, ranging from low to high risk, whereby a high risk category will entail corrective measures to be followed-up closely by the Bank.

This system will thus urge businesses not only to identify the practices hindering environmental and social sustainability, but also to take action towards reforming these practices, until improvement of environmental stewardship across the country.

In this context, ongoing training is provided to staff members directly dealing with credit files to increase their awareness and expertise on the subject. The Bank has also appointed an ESMS officer responsible to manage proper implementation of the system, and to provide assistance to front office personnel.

Through this system, Fransabank aims at initiating a nationwide awareness that the responsibility of banks goes beyond self-regulation to actually adapting environmental and social sustainability within the core lending process thus expanding the positive impact for the greater benefit.

### CORPORATE SOCIAL RESPONSIBILITY REPORTING

This is an executive summary of our Corporate Social Responsibility (CSR) progress in 2015.

A comprehensive Communication on Progress (COP) is published separately. It looks at a wider range of topics with an all-embracing content about Fransabank CSR strategy, initiatives, facts, figures and case studies.

For additional information, please be sure to visit Fransabank webpage on the following address:  
<http://bit.ly/11ZkcqM>

A coastal landscape at dusk. Two large, layered rock formations stand in the sea. In the background, a cliffside town is illuminated by lights. The sky is a gradient of blue and purple.

# RESILIENCE



CONSOLIDATED  
FINANCIAL  
STATEMENTS

## **Independent Auditors' Report**

TO THE SHAREHOLDERS  
FRANSABANK SAL  
BEIRUT, LEBANON

### **Report on the financial statements**

We have audited the accompanying consolidated financial statements of Fransabank SAL, (the "Bank") and its subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

## Opinion

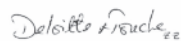
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon  
May 9, 2016

DFK Fiduciaire du Moyen-Orient



Deloitte & Touche



**Consolidated Statement of Financial Position**

As at December 31,

**ASSETS**

LBP'000	Notes	2015	2014
Cash and Central Banks	5	6,480,713,823	6,507,446,082
Deposits with banks and financial institutions	6	1,338,400,921	1,439,194,932
Loans to banks	7	70,963,575	286,535,574
Loans and advances to customers	8	9,480,043,915	8,772,225,688
Investment securities	9	11,438,709,648	10,254,504,424
Customers' liability under acceptances	10	313,406,593	190,422,114
Investments in associates	11	67,170,770	59,825,856
Assets acquired in satisfaction of loans	12	200,601,020	200,738,519
Investment properties	12	77,443,175	56,402,506
Property and equipment	13	394,820,242	391,196,109
Intangible assets	14	12,914,900	13,441,912
Goodwill	15	54,965,245	55,654,472
Other assets	16	210,294,318	328,181,041
<b>TOTAL ASSETS</b>		<b>30,140,448,145</b>	<b>28,555,769,229</b>

**FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS**

Documentary and commercial letters of credit	40	341,844,525	214,966,721
Guarantees and standby letters of credit	40	798,355,522	724,993,147
Forward contracts		1,050,232,734	1,349,469,471

## LIABILITIES

LBP'000	Notes	2015	2014
Deposits and borrowings from banks	17	295,311,936	548,839,273
Liabilities designated at fair value through profit or loss	18	48,867,277	-
Customers' accounts at amortized cost	19	24,533,805,856	23,134,814,756
Customers' acceptance liability	10	313,406,593	190,422,114
Other borrowings	20	1,638,304,563	1,402,765,867
Subordinated loan	21	31,874,580	50,034,601
Certificates of deposit	22	-	41,361,128
Other liabilities	23	287,476,890	336,518,559
Provisions	24	42,222,503	38,413,203
<b>TOTAL LIABILITIES</b>		<b>27,191,270,198</b>	<b>25,743,169,501</b>

## EQUITY

Issued capital - Ordinary shares	25	430,000,000	420,000,000
Issued capital - Preference shares	27	35,000,000	34,500,000
Share premium - Preference shares	27	492,625,000	485,587,500
Shareholders' cash contribution to capital	26	17,113,885	17,113,885
Reserves	28	371,852,429	326,599,151
Cumulative change in fair value of financial assets	29	163,798,343	159,088,218
Brought forward retained earnings		746,945,526	693,909,410
Net profit for the year	31	254,304,555	238,681,259
Equity attributable to the owners of the Bank		2,511,639,738	2,375,479,423
Non-controlling interests	30	437,538,209	437,120,305
<b>TOTAL EQUITY</b>		<b>2,949,177,947</b>	<b>2,812,599,728</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>30,140,448,145</b>	<b>28,555,769,229</b>

**Consolidated Statement of Profit or Loss**

For the financial year ended December 31,

LBP'000	Notes	2015	2014
Interest income	33	1,561,332,651	1,482,411,492
Interest expense	34	(1,011,251,823)	(930,225,827)
<b>Net interest income</b>		<b>550,080,828</b>	<b>552,185,665</b>
Fee and commission income	35	108,100,417	109,121,149
Fee and commission expense	36	(23,459,711)	(26,116,728)
<b>Net fee and commission income</b>		<b>84,640,706</b>	<b>83,004,421</b>
Net interest and other gain / (loss) on financial assets at fair value through profit or loss	37	67,098,245	73,222,961
Interest expense on financial liabilities designated at fair value through profit or loss		(1,931,890)	-
Gain on derecognition of financial assets at amortized cost	9	57,567,820	32,058,454
Other operating income (net)	38	42,912,224	45,016,694
<b>Net financial revenues</b>		<b>800,367,933</b>	<b>785,488,195</b>
Allowance for impairment of loans and advances (net)	8	(61,813,132)	(100,099,668)
Bad debts (recovery) / expense		(737,415)	259,102
Write-back of discount on purchased loan portfolio	8	352,865	270,600
Allowance for off-balance sheet risks		(188,836)	30,245
Recovery of loans written-off		427,147	(6,719)
Allowance for deposits with a foreign central bank	5	(9,045,000)	-
<b>Net financial revenues after impairment losses</b>		<b>729,363,562</b>	<b>685,941,755</b>
Income originated from contractual future cash flows	16 (b)	11,995,957	26,163,596
Staff costs		(254,007,016)	(245,148,131)
Administrative expenses		(118,977,713)	(126,425,230)
Depreciation and amortization	13, 14	(30,148,911)	(27,027,223)
Provisions for charges (net)	39	(842,293)	(3,030,638)
<b>Profit before income tax</b>		<b>337,383,586</b>	<b>310,474,129</b>
Income tax expense	23	(58,582,776)	(51,284,827)
Deferred tax on investees undistributed profits	31	(8,023,773)	(7,467,965)
<b>NET PROFIT FOR THE YEAR</b>		<b>270,777,037</b>	<b>251,721,337</b>
Attributable to:			
Owners of the Bank	31	254,304,555	238,681,259
Non-controlling interests	31	16,472,482	13,040,078
		<b>270,777,037</b>	<b>251,721,337</b>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended December 31,

LBP'000	Notes	2015	2014
Net profit for the year		270,777,037	251,721,337
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Unrealized gain on financial assets designated at fair value through other comprehensive income (IFRS 9)	9	5,950,654	66,101,837
Revaluation surplus	13	593,470	1,524,814
Share in other comprehensive income of associates	11	(40,156)	-
Deferred tax		(343,890)	(7,001,544)
		6,160,078	60,625,107
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation adjustment		(48,004,694)	(34,956,268)
Total other comprehensive income		(41,844,616)	25,668,839
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>228,932,421</b>	<b>277,390,176</b>
Attributable to:			
Owners of the Bank		224,625,477	278,129,808
Non-controlling interests		4,306,944	(739,632)
		228,932,421	277,390,176

**Consolidated Statement of Changes in Equity**

For the financial year ended December 31,

LBP'000	Equity Attributable to				
	Capital Ordinary Shares	Preference Shares	Share Premium on Preference Shares	Shareholders' Cash Contribution to Capital	Reserves
<b>BALANCE AS AT JANUARY 1, 2014</b>	<b>420,000,000</b>	<b>26,000,000</b>	<b>365,950,000</b>	<b>17,113,885</b>	<b>267,550,007</b>
Dividends paid (Note 32)	-	-	-	-	-
Issuance of preference shares	-	8,500,000	119,637,500	-	-
Effect of acquisition of additional equity interest	-	-	-	-	87
Effect of increase of capital in subsidiary	-	-	-	-	(2,788,031)
Deferred liabilities	-	-	-	-	-
Other movement	-	-	-	-	-
Allocation of 2013 profit	-	-	-	-	74,419,098
Reallocation between reserves and retained earnings	-	-	-	-	(1,373,816)
Board of Directors' remuneration in subsidiaries	-	-	-	-	-
Effect of acquisition of subsidiary through merger	-	-	-	-	-
Comprehensive income for the year 2014	-	-	-	-	(19,457,390)
<b>BALANCE AS AT DECEMBER 31, 2014</b>	<b>420,000,000</b>	<b>34,500,000</b>	<b>485,587,500</b>	<b>17,113,885</b>	<b>318,349,955</b>
Dividends paid (Note 32)	-	-	-	-	-
Issuance of preference shares	-	10,500,000	147,787,500	-	-
Redemption of preference shares (Note 27)	-	(10,000,000)	(140,750,000)	-	-
Effect of acquisition of additional equity interest	-	-	-	-	-
Capital increase and reconstruction (Note 25)	10,000,000	-	-	-	-
Deferred liabilities	-	-	-	-	-
Other movement	-	-	-	-	-
Allocation of 2014 profit	-	-	-	-	77,352,668
Reallocation between reserves and retained earnings	-	-	-	-	(821,030)
Board of Directors' remuneration in subsidiaries	-	-	-	-	-
Newly acquired subsidiary by the Cypriot subsidiary	-	-	-	-	-
Comprehensive income for the year 2015	-	-	-	-	(34,349,047)
<b>BALANCE AS AT DECEMBER 31, 2015</b>	<b>430,000,000</b>	<b>35,000,000</b>	<b>492,625,000</b>	<b>17,113,885</b>	<b>360,532,546</b>

## the Owners of the Bank

Special Reserve and General Reserve on Performing Loans	Retained Earnings	Profit for the Year	Cumulative Change in Fair Value of Financial Assets	Total	Non-Controlling Interests	Total Equity
<b>6,271,835</b>	<b>625,477,829</b>	<b>226,536,524</b>	<b>100,182,279</b>	<b>2,055,082,359</b>	<b>439,475,850</b>	<b>2,494,558,209</b>
-	-	(85,969,685)	-	(85,969,685)	(5,462,771)	(91,432,456)
-	-	-	-	128,137,500	-	128,137,500
-	(176,024)	-	-	(175,937)	175,937	-
-	1,311,577	-	-	(1,476,454)	3,183,965	1,707,511
-	(595,807)	-	-	(595,807)	842,438	246,631
-	2,633,363	-	-	2,633,363	(355,482)	2,277,881
1,977,361	64,170,380	(140,566,839)	-	-	-	-
-	1,373,816	-	-	-	-	-
-	(474,534)	-	-	(474,534)	-	(474,534)
-	188,810	-	-	188,810	-	188,810
-	-	238,681,259	58,905,939	278,129,808	(739,632)	277,390,176
<b>8,249,196</b>	<b>693,909,410</b>	<b>238,681,259</b>	<b>159,088,218</b>	<b>2,375,479,423</b>	<b>437,120,305</b>	<b>2,812,599,728</b>
-	-	(92,150,783)	-	(92,150,783)	(9,616,247)	(101,767,030)
-	-	-	-	158,287,500	-	158,287,500
-	(5,276,253)	-	-	(156,026,253)	-	(156,026,253)
-	(65,177)	-	-	(65,177)	65,177	-
-	(10,000,000)	-	-	-	-	-
-	1,607,906	-	-	1,607,906	931,395	2,539,301
-	(8,207)	-	-	(8,207)	(135,518)	(143,725)
3,070,687	66,107,121	(146,530,476)	-	-	-	-
-	821,030	-	-	-	-	-
-	(110,148)	-	-	(110,148)	-	(110,148)
-	-	-	-	-	4,866,153	4,866,153
-	(40,156)	254,304,555	4,710,125	224,625,477	4,306,944	228,932,421
<b>11,319,883</b>	<b>746,945,526</b>	<b>254,304,555</b>	<b>163,798,343</b>	<b>2,511,639,738</b>	<b>437,538,209</b>	<b>2,949,177,947</b>

## Consolidated Statement of Cash Flows

For the financial year ended December 31,

LBP'000	Notes	2015	2014
<b>Cash flows from operating activities</b>			
Profit for the year before tax		337,383,586	310,474,129
Adjustments for:			
Unrealized loss/(gain) on financial assets at fair value through profit or loss	37	1,920,339	(32,840,872)
Change in fair value of investment properties	12	2,388,213	3,135,314
Share in profits of associates	38	(15,879,755)	(15,543,198)
Board of Directors' remuneration in subsidiaries		-	(300,000)
Negative goodwill – Indirect acquisition of a subsidiary		-	489,459
Depreciation and amortization	13, 14	30,148,911	27,027,223
Net impairment allowance of loans and advances to customers and write back of discount on purchased loans	8	61,460,267	99,829,068
Allowance for term deposits with a foreign central bank	5	9,045,000	-
Regulatory allowance / (write-back) for country risk – Deposits with banks	6	(5,988)	1,500
Regulatory/(write-back) allowance for country risk – Loans with banks	7	(24,324)	81,883
Impairment allowance of investment in securities	9	9,989	15,704
Impairment allowance of other assets	16	-	34,158
Income generated from contractual future cash flows	16	(11,995,957)	(26,163,596)
(Gain)/loss on disposal of property and equipment	38	(136,847)	169,371
Gain on disposal of assets acquired in satisfaction of loans	38	(1,090,847)	(6,621,178)
Provisions	24	8,088,497	5,854,720
Interest expense		1,013,183,713	930,225,827
Interest income		(1,610,221,048)	(1,515,588,210)
Dividend income	37, 38	(6,351,202)	(5,645,120)
		<b>(182,077,453)</b>	<b>(225,363,818)</b>
Net decrease/(increase) in loans to banks	7	215,393,029	(193,559,741)
Net increase in loans and advances to customers	8	(793,145,272)	(661,444,355)
Net decrease in investment securities	9	(1,162,762,270)	(394,147,944)
Net decrease in other assets	16	101,609,271	5,230,345
Net increase in compulsory deposits with Central Banks	5	(203,244,903)	(71,383,065)
Net (decrease)/increase in deposits and borrowings from banks	17	(252,724,042)	103,575,870
Net interests in deposits at FVTPL		1,387,816,581	-
Net increase in deposits at amortized cost	19	48,485,734	775,727,513
Net decrease in other liabilities	23	(59,666,911)	(8,154,679)
Proceeds from disposal of foreclosed assets		3,892,574	11,971,717
Settlement of provisions	24	(3,260,527)	(1,724,757)
		<b>(899,684,189)</b>	<b>(659,272,914)</b>
Interest paid		(1,003,025,158)	( 809,209,432)
Interest received		1,597,157,250	1,526,627,476
Dividends received		14,337,650	9,564,530
Income tax paid		(53,785,896)	(47,536,217)
		<b>(345,000,343)</b>	<b>20,173,443</b>

LBP'000	Notes	2015	2014
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property and equipment		466,462	202,215
Paid-up share in business combination	15	-	(155,272,500)
Net decrease in placements with banks		406,488,641	170,970,029
Acquisition of property, plant and equipment	13	(48,359,768)	(38,647,433)
Acquisition of intangible assets	14	(3,648,010)	(3,305,858)
		<b>354,947,325</b>	<b>(26,053,547)</b>
<b>Cash flows from financing activities</b>			
Issuance of preference shares	27	158,287,500	128,137,500
Redemption of preference shares		(156,026,253)	-
Decrease in certificates of deposit	22	(40,702,500)	(3,015,000)
Decrease in subordinated loan		(18,156,473)	-
Net increase in other borrowings	20	235,470,732	612,072,525
Subscription of capital by non-controlling interests		4,866,153	1,707,511
Dividends paid	32	(101,767,030)	(91,432,456)
		<b>81,972,129</b>	<b>647,470,080</b>
Net increase in cash and cash equivalents		91,919,111	641,589,976
Unrealized currency translation adjustment and other		(13,542,308)	(5,819,470)
Cash received through business combination		-	6,319,066
Cash and cash equivalents beginning of year		2,856,085,924	2,213,996,352
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b>41</b>	<b>2,934,462,727</b>	<b>2,856,085,924</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

### 1 • General Information

Fransabank SAL (the "Bank") is a Lebanese joint-stock company registered in the Trade Register under Number 25699 and in the Central Bank of Lebanon list of banks under number 1. The consolidated financial statements of the Bank comprise the Bank and its subsidiaries (the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Bank's registered address is Fransabank Center, Hamra, P.O. Box 11-0393 Beirut, Lebanon.

No ultimate direct or indirect Company controls the Group. The Group is controlled by individual shareholders of the Kassar family members.

The consolidated subsidiaries consist of the following as at December 31:

INVESTEES	Country of Incorporation	Interest		Business Activity
		2015 %	2014 %	
Fransa Invest Bank SAL	Lebanon	99.99	99.99	Specialized Bank
Fransabank (France) SA	France	59.98	59.98	Banking
Lebanese Leasing Company SAL	Lebanon	87.49	87.49	Financial Institution
Switch and Electronics Services SAL	Lebanon	99.70	99.70	Financial Services
Sogefon SAL	Lebanon	99.88	99.88	Real Estate Company
Fransabank Insurance Services Co. SAL	Lebanon	99.70	99.70	Insurance
Fransabank El Djazaïr SPA	Algeria	67.99	67.99	Banking
BLC Bank SAL & its Subsidiaries (BLC Services SAL, BLC Finance SAL, BLC Invest SAL & USB Bank PLC)	Lebanon	74.83	74.83	Banking
Express SARL	Lebanon	98.35	98.35	Restaurant
Fransabank Syria	Syria	65.98	65.98	Banking
Fransabank OJSC	Belarus	88.08	88.08	Banking
The Kuwaiti Lebanese Company for Real Estate Services SAL	Lebanon	100	100	Real Estate Company

Financial information of subsidiaries that have material non-controlling interests is provided under Note 30.

The Group has interest in the following associates:

INVESTEES	Country of Incorporation	Interest		Business Activity
		2015 %	2014 %	
Bancassurance SAL	Lebanon	60.00	60.00	Life Insurance
United Capital Bank PLC	Republic of Sudan	20.00	20.00	Islamic Banking
International Payment Network SAL	Lebanon	20.30	20.30	Payment Network

Information on the Group's associates is provided under Note 11.

Information on other related party relationships is provided under Note 41.

### 2 • New and Revised International Financial Reporting Standards (IFRSs)

#### 2.1 Application of New and Revised International Financial Reporting Standards (IFRSs)

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

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

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

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

#### 2.2 New and Revised IFRSs in Issue but Not Yet Effective

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

- IFRS 14 Regulatory Deferral Accounts. **Effective for annual periods beginning on or after 1 January 2016.**
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative. **Effective for annual periods beginning on or after 1 January 2016.**
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations. **Effective for annual periods beginning on or after 1 January 2016.**
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization. **Effective for annual periods beginning on or after 1 January 2016.**
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants. **Effective for annual periods beginning on or after 1 January 2016.**
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. **Effective for annual periods beginning on or after 1 January 2016.**
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28

*Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities. [Effective for annual periods beginning on or after 1 January 2016.](#)

- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. [Effective for annual periods beginning on or after 1 January 2016.](#)
- IFRS 9 *Financial Instruments* (revised versions in 2013 and 2014). [Effective for annual periods beginning on or after 1 January 2018.](#)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

- IFRS 7 *Financial Instruments*: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. [When IFRS 9 is first applied.](#)
- IFRS 15 *Revenue from Contracts with Customers*. [Effective for annual periods beginning on or after 1 January 2018.](#)

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- **Step 1:** Identify the contract(s) with a customer.
- **Step 2:** Identify the performance obligations in the contract.
- **Step 3:** Determine the transaction price.
- **Step 4:** Allocate the transaction price to the performance obligations in the contract.
- **Step 5:** Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

- IFRS 16 *Leases*. [Effective for annual periods beginning on or after 1 January 2019.](#)

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. [Effective date deferred indefinitely.](#)

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

### 3 • Basis of Preparation

#### Statement of Compliance

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

#### Basis of Measurement

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

- Financial instruments at fair value through profit or loss.
- Investments in equities.
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.
- Derivative financial instruments.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

Assets and liabilities are grouped according to their nature and presented in the consolidated statement of financial position in an approximate order that reflects their relative liquidity.

### Summary of Significant Accounting Policies

Following is a summary of the most significant accounting policies applied in the preparation of these consolidated financial statements:

#### A. BASIS OF CONSOLIDATION:

The consolidated financial statements of Fransabank SAL incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are

eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

#### B. BUSINESS COMBINATIONS:

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Where applicable, adjustments are made to provisional values of recognized assets and liabilities related to facts and circumstances that existed at the acquisition date. These are adjusted to the provisional goodwill amount. All other adjustments including above adjustments made after one year are recognized in profit and loss except to correct an error in accordance with IAS 8.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Non-controlling interests in business acquisitions transacted so far by the Group were initially measured at the non-controlling interests' proportionate share of net assets acquired.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

### **C. FOREIGN CURRENCIES:**

The consolidated financial statements are presented in Lebanese Pound (LBP) which is the reporting currency of the Group. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar. The Lebanese Pound rate has been constant to the U.S. Dollars since many years.

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

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period when this is a reasonable approximation. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

### **D. RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES:**

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the

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

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

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

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

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

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

### **E. CLASSIFICATION OF FINANCIAL ASSETS:**

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

#### **DEBT INSTRUMENTS**

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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

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

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

### EQUITY INSTRUMENTS

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

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

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

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

### RECLASSIFICATION

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

## F. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS:

### CLASSIFICATION AS DEBT OR EQUITY

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in

accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments is an equity instrument.

### FINANCIAL LIABILITIES

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

### G. OFFSETTING:

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

## H. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

market participants at the measurement date.

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

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

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

For financial reporting purposes, fair value measurement are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the asset or liability.

## **I. IMPAIRMENT OF FINANCIAL ASSETS:**

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

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

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

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is

reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

## **J. DERIVATIVE FINANCIAL INSTRUMENTS:**

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

### **EMBEDDED DERIVATIVES**

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

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

### **HEDGE ACCOUNTING**

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

### **FAIR VALUE HEDGE**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement of profit or loss relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for

## Notes to the Consolidated Financial Statements

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hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

### CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of profit or loss as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

### K. LOANS AND ADVANCES:

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

### L. FINANCIAL GUARANTEES:

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

Financial guarantee liabilities are initially measured at their fair value, and subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

### M. INVESTMENTS IN ASSOCIATES:

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

### N. PROPERTY AND EQUIPMENT:

Property and equipment except for buildings acquired prior to 1993 are stated at historical cost, less accumulated depreciation and impairment loss, if any.

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

	USEFUL LIFE - YEARS
Buildings	50
Office improvements and installations	5 - 17
Furniture, equipment and machines	5 - 12
Computer equipment	3 - 5
Vehicles	5 - 10

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

#### **O. INTANGIBLE ASSETS AND GOODWILL:**

##### **GOODWILL**

Refer to Note 3B for the measurement of goodwill at initial recognition arising on the acquisition of subsidiaries. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

##### **OTHER INTANGIBLE ASSETS**

Other intangible assets consisting of computer software and key money are amortized over a period of 3 to 5 years and 6.66 years respectively and are subject to impairment testing. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### **P. LEASING:**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

#### **Q. FORECLOSED ASSETS:**

##### **Policy Applicable to the Lebanese Group Entities**

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

#### **R. INVESTMENT PROPERTIES:**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the balance sheet date. Gain or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss. Valuations are carried out by independent qualified valuers on the basis of current market values.

The Group's Cypriot entity acquires in its normal course of business properties in satisfaction of debts. These properties are directly held by the Group or by special purpose entities for the sole purpose of managing these properties. To reflect the substance of transactions, these are classified as investment properties and are consolidated without the entities being explicitly disclosed as subsidiaries.

#### **S. IMPAIRMENT OF NON-FINANCIAL ASSETS:**

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial, asset other than investment properties and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested annually for impairment. Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

An impairment loss in respect of goodwill is not reversed.

#### **T. DEFERRED ASSETS:**

Deferred assets on business acquisition and against contractual projected cash flows are stated at amortized cost. Such deferred charges are amortized over the period of related benefits deriving from the net return of the invested funds funded through committed structured medium term debt purpose to offset exceptional impairment losses. Amortization charge is treated as a yield adjustment to the interest income of the invested funds.

#### **U. PROVISION FOR EMPLOYEES' END-OF-SERVICE INDEMNITY:**

##### **Policy Applicable to the Lebanese Group Entities**

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

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paid to the Lebanese Social Security National Fund and interest accrued by the Fund.

### Policy Applicable to Other Jurisdictions

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

### V. PROVISIONS:

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted where the impact is material.

### W. REVENUE AND EXPENSE RECOGNITION:

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

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

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

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

- Interest on financial assets and liabilities at amortized cost.
- Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Interest income on financial assets measured at fair value through profit or loss are presented separately in the statement of profit or loss under "Net Interest and Other Gain / (Loss) on financial assets at fair value through profit or loss" (See below).

Net Interest and Other Gain / (Loss) on financial assets measured at fair value through profit or loss includes:

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

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

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive

income in accordance with IFRS 9, are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

### X. INCOME TAX:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

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

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

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

### Y. FIDUCIARY ACCOUNTS:

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

### Z. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents comprise balances with maturities of a period of three months including: cash and balances with the central banks and deposits with banks and financial institutions.

## 4 • Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

## **A. CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES:**

### **CLASSIFICATION OF FINANCIAL ASSETS**

#### **Business Model**

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

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

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

#### **Characteristics of the Financial Asset**

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

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

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

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

- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

## **B. KEY SOURCES OF ESTIMATION UNCERTAINTY:**

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

### **ALLOWANCES FOR CREDIT LOSSES - LOANS AND ADVANCES TO CUSTOMERS**

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

### **DETERMINING FAIR VALUES**

When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model, as described in Note 46.

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

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

### **IMPAIRMENT OF GOODWILL**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy under Note 35. The recoverable amount is deemed to be the value in use using a discounted cash flow model. This requires the directors to estimate the future cash flows and a suitable discount rate.

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**5 • Cash and Central Banks**

LBP'000	December 31, 2015		December 31, 2014	
	Balance	of which Compulsory/Regulatory Deposits	Balance	of which Compulsory/Regulatory Deposits
Cash on hand	230,236,685	-	193,048,656	-
Current accounts with Central Bank of Lebanon	686,306,260	630,890,175	658,094,966	425,739,931
Current accounts with other Central Banks	172,348,944	29,153,769	117,128,040	46,593,924
Term placements with Central Bank of Lebanon	5,108,544,983	1,854,217,678	5,219,771,900	1,789,332,661
Term placements with other Central Banks	138,774,842	-	242,618,375	-
Blocked accounts with Central Bank of Lebanon under Intermediate Circular 313	70,563,203	-	-	-
Blocked accounts with Central Bank of Lebanon	25,000	-	-	-
Accrued interest receivable	82,958,906	-	76,784,145	-
Allowance for deposits with other Central Banks	(9,045,000)	-	-	-
<b>TOTAL</b>	<b>6,480,713,823</b>	<b>2,514,261,622</b>	<b>6,507,446,082</b>	<b>2,261,666,516</b>

Compulsory deposits under current accounts with Central Bank of Lebanon are in Lebanese Pounds and non-interest earning. These deposits are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions, in accordance with the local banking regulations. These deposits are not available for use in the Group's day to day operations.

Regulatory deposits under term placements with Central Bank of Lebanon are in foreign currencies and made in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and borrowings acquired from non-resident financial institutions.

Blocked accounts with the Central Bank of Lebanon under Intermediate Circular No. 313 represent transitory deposits to be granted to the Bank's customers, pursuant to certain conditions, rules and mechanism following Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments against facilities granted from the Central Bank of Lebanon (Note 20). These deposits and facilities earn/bear a 1% interest rate that is computed annually.

During the year 2015, the Group provided for deposits held with the Central Bank of Iraq-Kurdistan in the aggregate amount of LBP 9.04 billion (USD 6 million) under provision allowance in the consolidated statement of profit or loss.

**6 • Deposits with Banks and Financial Institutions**

LBP'000	2015	2014
Checks in course of collection	37,564,503	43,781,015
Current accounts with banks and financial institutions	294,559,904	318,899,998
Current accounts with related banks and financial institutions	-	8,218,962
Current margin accounts with banks and financial institutions	21,872,614	16,919,331
Term placements with banks and financial institutions	975,650,518	1,043,804,436
Term placements with related banks and financial institutions	5,210,983	3,080,793
Blocked margins with banks and financial institutions	3,292,003	4,060,828
Accrued interest receivable	251,771	430,494
Accrued interest receivable - Related parties	-	1,826
Regulatory allowance for country risk	(1,375)	(2,751)
<b>TOTAL</b>	<b>1,338,400,921</b>	<b>1,439,194,932</b>

The movement of the regulatory allowance for country risk was as follows:

LBP'000	2015	2014
Balance January 1	2,751	1,152
Additions (Note 39)	188,508	46,292
Write-back (Note 39)	(194,496)	(44,792)
Effect of exchange rates changes	4,612	99
<b>BALANCE DECEMBER 31</b>	<b>1,375</b>	<b>2,751</b>

## 7• Loans to Banks

Loans to banks are reflected at amortized cost and consist of the following:

LBP'000	2015	2014
Performing accounts	70,613,819	88,319,723
Loans under reverse repurchase agreement	-	197,747,967
Accrued interest receivable	370,679	538,552
Regulatory allowance for country risk	(20,923)	(70,668)
<b>TOTAL</b>	<b>70,963,575</b>	<b>286,535,574</b>

The movement of the regulatory allowance for country risk during 2015 and 2014 was as follows:

LBP'000	2015	2014
Balance January 1	70,668	-
Additions (Note 39)	52	81,883
Write-back (Note 39)	(24,376)	-
Effect of exchange rates changes	(25,421)	(11,215)
<b>BALANCE DECEMBER 31</b>	<b>20,923</b>	<b>70,668</b>

As a guarantee of performing loans in the amount of LBP 66.12 billion (LBP 76.74 billion in 2014), the borrower has pledged in favor of the Group regular and performing notes receivable against housing loans granted to its customers.

Loans under reverse repurchase agreements as at December 31, 2014 represent short term loans granted to a resident financial institution covered by certificates of deposit in U.S. Dollar issued by the Central Bank of Lebanon.

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**8 • Loans and Advances to Customers**

LBP'000	December 31, 2015					December 31, 2014				
	Gross Amount	Unrealized Interest	Discount on Loan Book	Impairment Allowance	Carrying Amount	Gross Amount	Unrealized Interest	Discount on Loan Book	Impairment Allowance	Carrying Amount
<b>Regular and Watch List Retail Customers:</b>										
Mortgage loans	1,527,391,896	-	-	-	1,527,391,896	1,411,569,251	-	-	-	1,411,569,251
Personal loans	757,402,635	-	-	-	757,402,635	703,560,616	-	-	-	703,560,616
Car loans	257,072,431	-	-	-	257,072,431	281,884,027	-	-	-	281,884,027
Credit cards	54,932,193	-	-	-	54,932,193	51,865,477	-	-	-	51,865,477
Educational loans	40,916,603	-	-	-	40,916,603	38,968,183	-	-	-	38,968,183
Other	24,182,484	-	-	-	24,182,484	23,485,050	-	-	-	23,485,050
Loans to staff	8,892,014	-	-	-	8,892,014	9,576,930	-	-	-	9,576,930
	<b>2,670,790,256</b>	-	-	-	<b>2,670,790,256</b>	<b>2,520,909,534</b>	-	-	-	<b>2,520,909,534</b>
<b>Regular and Watch List Corporate Customers:</b>										
Corporates	4,389,712,048	-	-	-	4,389,712,048	3,982,826,845	-	-	-	3,982,826,845
Small and medium enterprises	1,943,728,565	-	-	-	1,943,728,565	1,834,917,917	-	-	-	1,834,917,917
	<b>6,333,440,613</b>	-	-	-	<b>6,333,440,613</b>	<b>5,817,744,762</b>	-	-	-	<b>5,817,744,762</b>
Accrued interest receivable	25,325,978	-	-	-	25,325,978	27,133,926	-	-	-	27,133,926
<b>Allowance for Collectively Assessed Loans:</b>										
Regular and watch list loans (including allowance for country risk)	-	-	-	(52,233,760)	(52,233,760)	-	-	-	(58,034,700)	(58,034,700)
<b>Total regular and watch list</b>	<b>9,029,556,847</b>	-	-	<b>(52,233,760)</b>	<b>8,977,323,087</b>	<b>8,365,788,222</b>	-	-	<b>(58,034,700)</b>	<b>8,307,753,522</b>
<b>Non-Performing Accounts:</b>										
Purchased loan book	2,226,266	-	-	-	2,226,266	2,226,266	-	-	-	2,226,266
Substandard	144,263,774	(37,759,875)	-	(1,132,619)	105,371,280	100,616,873	(30,746,100)	-	-	69,870,773
Doubtful	1,335,408,492	(641,446,036)	(4,490,488)	(258,031,757)	431,440,211	1,287,200,772	(589,071,866)	(4,649,985)	(260,385,469)	433,093,452
Bad	206,302,330	(112,307,716)	(2,255,634)	(91,656,958)	82,022	354,820,686	(263,375,663)	(2,559,612)	(88,880,354)	5,057
Collectively Allowance: Doubtful and bad	-	-	-	(36,398,951)	(36,398,951)	-	-	-	(40,723,382)	(40,723,382)
<b>Total non-performing</b>	<b>1,688,200,862</b>	<b>(791,513,627)</b>	<b>(6,746,122)</b>	<b>(387,220,285)</b>	<b>502,720,828</b>	<b>1,744,864,597</b>	<b>(883,193,629)</b>	<b>(7,209,597)</b>	<b>(389,989,205)</b>	<b>464,472,166</b>
<b>TOTAL</b>	<b>10,717,757,709</b>	<b>(791,513,627)</b>	<b>(6,746,122)</b>	<b>(439,454,045)</b>	<b>9,480,043,915</b>	<b>10,110,652,819</b>	<b>(883,193,629)</b>	<b>(7,209,597)</b>	<b>(448,023,905)</b>	<b>8,772,225,688</b>

The carrying value of loans and advances to customers include accidentally temporary debtors with carrying value amounting to LBP 51.5 billion as of December 31, 2015 (LBP 45.3 billion in 2014).

The carrying value of loans and advances to customers include loans to related parties in the aggregate of LBP 223.11 billion as of December 31, 2015 (LBP 33.24 billion in 2014) [See Note 41].

The movement of unrealized interest was as follows:

LBP'000	2015	2014
Balance January 1	883,193,629	870,331,590
Additions	125,488,425	104,037,260
Additions through business combination	-	78,293,966
Recoveries (Note 33)	(14,836,404)	(13,231,684)
Write-off	(203,546,220)	(98,974,553)
Transfer to off-balance sheet	-	(49,050,240)
Reclassification to/from allowance account	7,965,314	(1,576,224)
Effect of exchange rates changes	(6,751,117)	(6,636,486)
<b>BALANCE DECEMBER 31</b>	<b>791,513,627</b>	<b>883,193,629</b>

The movement of allowance for impairment of loans and advances was as follows:

LBP'000	2015	2014
Balance January 1	448,023,905	389,294,725
Additions	98,809,904	120,257,392
Recoveries	(36,996,772)	(20,157,724)
Net allowance charge	61,813,132	100,099,668
Additions through business combination	-	20,306,761
Write-back against deferred assets (Note 16)	(10,083,886)	-
Write-off	(19,454,598)	(41,807,005)
Transfer from provision for contingencies (Note 24)	-	8,325,200
Transfer to/from off-balance sheet	(1,278,921)	(2,955,495)
Reclassification to/from unrealized interest	(7,965,314)	1,576,224
Effect of exchange rates changes	(31,600,273)	(26,816,173)
<b>BALANCE DECEMBER 31</b>	<b>439,454,045</b>	<b>448,023,905</b>

The allowance of impairment of loans and advances includes a general allowance for credit risk linked to country risk in the

amount of LBP 17.8 billion. This allowance is calculated on the basis of a stress test scenario performed on Syrian credit risk exposure.

The movement of the discount on purchased loan book was as follows:

LBP'000	2015	2014
Balance January 1	7,209,597	9,308,109
Additions	-	23,847
Recoveries	(352,865)	(270,600)
Transfer to off-balance sheet	-	(17,865)
Write-off	(110,610)	(1,833,894)
<b>BALANCE DECEMBER 31</b>	<b>6,746,122</b>	<b>7,209,597</b>

## 9 • Investment Securities

Investment securities are allocated as follows:

LBP'000	December 31, 2015			
	Fair Value Through Profit or Loss	Amortized Cost (Net of Impairment Allowance)	Fair Value Through Other Comprehensive Income	Total
Equities and preference shares	37,701,873	19,398,510	292,012,643	349,113,026
Lebanese Treasury bills	103,961,207	3,095,386,996	-	3,199,348,203
Lebanese Government bonds	144,857,715	2,622,732,232	-	2,767,589,947
Foreign Government bonds	-	257,887,807	-	257,887,807
Foreign Eurobonds issued by banks	180,339,789	16,611,558	-	196,951,347
Subordinated Eurobonds	-	1,507,500	-	1,507,500
Certificates of deposit issued by Central Bank of Lebanon	298,237,506	4,063,117,849	-	4,361,355,355
Certificates of deposit issued by banks	-	40,439,997	-	40,439,997
Corporate bonds	-	38,132,349	-	38,132,349
Asset-backed securities	-	50,166,749	-	50,166,749
Mutual fund	3,526,818	-	-	3,526,818
	768,624,908	10,205,381,547	292,012,643	11,266,019,098
Accrued interest receivable	8,335,206	164,355,344	-	172,690,550
<b>TOTAL</b>	<b>776,960,114</b>	<b>10,369,736,891</b>	<b>292,012,643</b>	<b>11,438,709,648</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

LBP'000

December 31, 2014

	Fair Value Through Profit or Loss	Amortized Cost (Net of Impairment Allowance)	Fair Value Through Other Comprehensive Income	Total
Equities and preference shares	39,496,357	17,333,235	277,561,858	334,391,450
Lebanese Treasury bills	283,568,756	3,137,888,670	-	3,421,457,426
Lebanese Government bonds	25,352,800	2,152,989,570	-	2,178,342,370
Foreign Government bonds	12,985,523	152,701,981	-	165,687,504
Foreign Eurobonds issued by banks	182,157,082	13,920,466	-	196,077,548
Subordinated Eurobonds	-	1,507,500	-	1,507,500
Certificates of deposit issued by Central Bank of Lebanon	432,087,501	3,225,935,382	-	3,658,022,883
Certificates of deposit issued by banks	-	40,457,942	-	40,457,942
Corporate bonds	-	41,324,814	-	41,324,814
Asset-backed securities	-	58,327,614	-	58,327,614
Mutual fund	3,502,722	-	-	3,502,722
	979,150,741	8,842,387,174	277,561,858	10,099,099,773
Accrued interest receivable	9,254,151	146,150,500	-	155,404,651
<b>TOTAL</b>	<b>988,404,892</b>	<b>8,988,537,674</b>	<b>277,561,858</b>	<b>10,254,504,424</b>

Investment at fair value through profit or loss include an amount of LBP 914 million representing the Group's share in

start ups established based on a co-sharing agreement with the regulator providing the funding.

**Investments at Amortized Cost**

Below are the details of investments classified at amortized cost with related fair value at December 31:

LBP'000

December 31, 2015

	Amortized Cost	Allowance for Impairment	Accrued Interest Receivable	Carrying Value	Fair Value
Preference shares	19,398,510	-	-	19,398,510	19,398,510
Lebanese Treasury bills	3,095,386,996	-	45,730,740	3,141,117,736	3,121,567,483
Lebanese Government bonds	2,622,732,232	-	33,359,887	2,656,092,119	2,667,267,088
Foreign Government bonds	257,887,807	-	4,497,215	262,385,022	271,748,998
Foreign Eurobonds issued by banks	16,633,331	(21,773)	171,548	16,783,106	17,041,626
Subordinated Eurobonds	1,507,500	-	97,516	1,605,016	1,605,016
Certificates of deposit issued by Central Bank of Lebanon	4,063,117,849	-	80,036,218	4,143,154,067	4,137,026,582
Certificates of deposit issued by banks	40,439,997	-	107,137	40,547,134	40,472,305
Corporate bonds	38,132,349	-	114,009	38,246,358	39,034,435
Asset-backed securities	50,166,749	-	241,074	50,407,823	50,407,823
<b>TOTAL</b>	<b>10,205,403,320</b>	<b>(21,773)</b>	<b>164,355,344</b>	<b>10,369,736,891</b>	<b>10,365,569,866</b>

LBP'000

December 31, 2014

	Amortized Cost	Allowance for Impairment	Accrued Interest Receivable	Carrying Value	Fair Value
Preference shares	17,333,235	-	-	17,333,235	17,333,235
Lebanese Treasury bills	3,137,888,670	-	52,629,525	3,190,518,195	3,196,704,383
Lebanese Government bonds	2,152,989,570	-	30,593,175	2,183,582,745	2,216,845,729
Foreign Government bonds	152,701,981	-	3,066,251	155,768,232	157,686,994
Foreign Eurobonds issued by banks	13,920,466	-	98,502	14,018,968	14,951,581
Subordinated Eurobonds	1,507,500	-	97,516	1,605,016	1,605,016
Certificates of deposit issued by Central Bank of Lebanon	3,225,935,382	-	59,271,363	3,285,206,745	3,329,222,519
Certificates of deposit issued by banks	40,457,942	-	107,154	40,565,096	40,469,643
Corporate bonds	41,341,757	(16,943)	124,815	41,449,629	42,326,675
Asset-backed securities	58,327,614	-	162,199	58,489,813	58,489,813
<b>TOTAL</b>	<b>8,842,404,117</b>	<b>(16,943)</b>	<b>146,150,500</b>	<b>8,988,537,674</b>	<b>9,075,635,588</b>

The Group has Treasury bills classified at amortized cost with carrying value of LBP 658 billion as of December 31, 2015 that are pledged against soft loans and credit facility granted by Central Bank of Lebanon – (Notes 20(e), 20(f) and 44) (LBP 638 billion in 2014).

The Group has Lebanese Government bonds classified at amortized cost with carrying value of LBP 373 billion as of December 31, 2015 that are pledged against a stand-by line facility funded by the Central Bank of Lebanon – (Notes 20(e) and 44) (LBP 370 billion in 2014).

The Group has in 2014 Certificates of deposits issued by Central Bank of Lebanon at amortized cost with carrying value of LBP 7 billion that are pledged against a credit facility granted by Central Bank of Lebanon (Notes 20 (e) and 44).

During 2015, the Group derecognized investments at amortized cost with a carrying value of LBP 1,009 billion,

thus resulting in a realized gain of LBP 58 billion (LBP 32 billion for 2014) recognized in the consolidated statement of profit or loss.

During 2015, the Group exchanged Certificates of deposit issued by Central Bank of Lebanon and Lebanese Government bonds with short term maturities having a carrying value of LBP 39.7 billion against Certificates of deposit, Lebanese Government bonds and Lebanese Treasury bills with long term maturities.

During 2014, the Group reclassified investments at amortized cost with carrying value of LBP 323 billion to investments at fair value through profit or loss resulting in an unrealized gain of LBP 22 billion recognized in the statement of profit or loss and the remaining unrealized gain of LBP 11 billion is related to investment securities originally classified at fair value through profit or loss (Note 37).

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

LBP'000	December 31, 2015				December 31, 2014			
	Redemption Value	Amortized Cost (Net of Impairment)	Fair Value	Average Interest Rate %	Redemption Value	Amortized Cost (Net of Impairment)	Fair Value	Average Interest Rate %
<b>Lebanese Treasury bills:</b>								
Up to one year	150,975,465	150,967,378	151,151,123	6.25	373,102,000	373,227,084	376,204,660	6.86
1 year to 3 years	1,001,716,965	1,005,294,082	1,012,682,411	7.33	567,118,630	567,314,535	566,402,357	6.69
3 years to 5 years	557,482,564	561,102,566	557,952,188	7.50	793,324,364	796,783,211	803,737,828	7.51
5 years to 10 years	1,342,558,990	1,378,022,970	1,354,051,021	8.31	841,150,000	850,400,897	848,266,512	8.04
Beyond 10 years	-	-	-	-	546,999,990	550,162,943	549,463,501	8.74
	<b>3,052,733,984</b>	<b>3,095,386,996</b>	<b>3,075,836,743</b>		<b>3,121,694,984</b>	<b>3,137,888,670</b>	<b>3,144,074,858</b>	
<b>Lebanese Government bonds:</b>								
Up to one year	151,360,538	152,565,685	151,742,408	8.27	39,660,170	39,887,892	39,884,135	7.04
1 year to 3 years	621,722,958	619,427,442	616,988,559	6.61	512,443,055	519,604,295	529,806,149	8.40
3 years to 5 years	523,645,208	524,073,557	516,482,717	6.04	646,796,723	640,743,505	629,149,273	5.46
5 years to 10 years	672,179,176	677,859,636	692,020,124	7.17	694,957,501	702,522,496	728,587,138	7.19
Beyond 10 years	647,243,618	648,805,912	656,673,393	6.76	250,848,000	250,231,382	258,825,859	6.61
	<b>2,616,151,498</b>	<b>2,622,732,232</b>	<b>2,633,907,201</b>		<b>2,144,705,449</b>	<b>2,152,989,570</b>	<b>2,186,252,554</b>	
<b>Foreign Government bonds:</b>								
Up to one year	92,125,491	92,059,954	92,094,833	1.90	90,891,919	90,208,015	90,523,796	3.88
1 year to 3 years	19,672,739	19,672,739	19,672,739	2.21	6,356,370	6,343,965	6,374,709	6.53
3 years to 5 years	100,626,170	100,741,059	108,304,864	4.69	-	-	-	-
5 years to 10 years	45,641,385	45,414,055	47,179,347	4.06	59,042,625	56,150,001	57,722,238	4.63
	<b>258,065,785</b>	<b>257,887,807</b>	<b>267,251,783</b>		<b>156,290,914</b>	<b>152,701,981</b>	<b>154,620,743</b>	
<b>Foreign Eurobonds issued by banks:</b>								
Up to one year	-	-	-	-	3,620,292	3,620,172	3,649,407	4.25
1 year to 3 years	1,039,089	1,039,089	1,039,089	7.00	-	-	-	-
3 years to 5 years	9,276,406	9,236,920	9,495,440	14.29	5,794,652	5,773,162	6,676,540	10.24
5 years to 10 years	6,331,500	6,335,549	6,335,549	6.71	4,522,500	4,527,132	4,527,132	7.00
	<b>16,646,995</b>	<b>16,611,558</b>	<b>16,870,078</b>		<b>13,937,444</b>	<b>13,920,466</b>	<b>14,853,079</b>	
<b>Subordinated Eurobonds:</b>								
1 year to 3 years	1,507,500	1,507,500	1,507,500	6.75	-	-	-	-
3 years to 5 years	-	-	-	-	1,507,500	1,507,500	1,507,500	6.75
	<b>1,507,500</b>	<b>1,507,500</b>	<b>1,507,500</b>		<b>1,507,500</b>	<b>1,507,500</b>	<b>1,507,500</b>	

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

LBP'000	December 31, 2015				December 31, 2014			
	Redemption Value	Amortized Cost (Net of Impairment)	Fair Value	Average Interest Rate %	Redemption Value	Amortized Cost (Net of Impairment)	Fair Value	Average Interest Rate %
<b>Remaining Period to Maturity</b>								
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>								
Up to one year	278,000,000	279,708,348	283,130,903	8.14	237,387,225	238,124,177	239,757,614	9.45
1 year to 3 years	602,612,500	603,482,653	614,422,825	7.96	930,612,500	935,491,243	959,758,371	8.04
3 years to 5 years	342,038,000	345,898,807	340,756,073	7.04	98,892,000	97,030,410	95,506,014	5.30
5 years to 10 years	723,978,750	738,354,245	734,597,999	8.06	892,978,750	893,995,653	898,066,932	7.88
Beyond 10 years	2,093,416,750	2,095,673,796	2,084,082,564	8.69	1,064,000,000	1,061,293,899	1,076,862,225	8.94
	<b>4,040,046,000</b>	<b>4,063,117,849</b>	<b>4,056,990,364</b>		<b>3,223,870,475</b>	<b>3,225,935,382</b>	<b>3,269,951,156</b>	
<b>Certificates of deposit issued by banks:</b>								
1 year to 3 years	40,418,300	40,439,997	40,365,168	5.38	40,424,880	40,457,942	40,362,489	5.38
	<b>40,418,300</b>	<b>40,439,997</b>	<b>40,365,168</b>		<b>40,424,880</b>	<b>40,457,942</b>	<b>40,362,489</b>	
<b>Corporate bonds:</b>								
Up to one year	21,108,444	21,057,510	21,107,477	0.50	4,089,840	4,080,579	4,076,932	1.44
1 year to 3 years	6,586,560	6,469,733	6,591,500	0.33	29,913,075	29,930,144	30,271,061	0.77
3 years to 5 years	3,670,328	3,672,163	3,695,715	1.09	377,114	375,696	394,839	6.25
5 years to 10 years	6,907,519	6,932,943	7,525,734	4.91	2,383,359	2,404,560	2,571,635	4.75
Beyond 10 years	-	-	-	-	4,525,366	4,533,835	4,887,393	5.00
	<b>38,272,851</b>	<b>38,132,349</b>	<b>38,920,426</b>		<b>41,288,754</b>	<b>41,324,814</b>	<b>42,201,860</b>	
<b>Assets-backed securities:</b>								
3 years to 5 years	308,063	308,063	313,901	-	-	-	-	-
5 years to 10 years	49,858,686	49,858,686	48,258,156	7.00	55,689,489	55,689,489	55,689,489	5.58
Beyond 10 years	-	-	-	5.63	2,638,125	2,638,125	2,638,125	5.50
	<b>50,166,749</b>	<b>50,166,749</b>	<b>48,572,057</b>		<b>58,327,614</b>	<b>58,327,614</b>	<b>58,327,614</b>	
<b>Preference shares redeemable starting:</b>								
From 1 year	1,507,500	1,507,500	1,507,500	-	-	-	-	-
From 2 years	10,552,500	10,552,500	10,552,500	-	2,258,235	2,258,235	2,258,235	-
From 3 years	3,015,000	3,015,000	3,015,000	-	7,537,500	7,537,500	7,537,500	-
From 4 years	4,323,510	4,323,510	4,323,510	-	3,015,000	3,015,000	3,015,000	-
From 5 years	-	-	-	-	4,522,500	4,522,500	4,522,500	-
	<b>19,398,510</b>	<b>19,398,510</b>	<b>19,398,510</b>		<b>17,333,235</b>	<b>17,333,235</b>	<b>17,333,235</b>	

**Investments at Fair Value Through Other Comprehensive Income**

LBP'000	December 31, 2015		
	Cost	Carrying Value	Cumulative Change in Fair Value
Quoted equities	1,307,019	12,919,633	11,612,614
Unquoted equities	105,616,041	279,093,010	173,476,969
<b>TOTAL</b>	<b>106,923,060</b>	<b>292,012,643</b>	<b>185,089,583</b>

LBP'000	December 31, 2014		
	Cost	Carrying Value	Cumulative Change in Fair Value
Quoted equities	1,307,019	11,139,141	9,832,122
Unquoted equities	97,115,910	266,422,717	169,306,807
<b>TOTAL</b>	<b>98,422,929</b>	<b>277,561,858</b>	<b>179,138,929</b>

On November 2, 2015, Visa Inc. and Visa Europe Ltd announced an agreement for Visa Inc. to acquire Visa Europe Ltd. Consequently, the Cypriot entity booked a positive change in fair value of its investment of EUR 1.7 million (C/V LBP 2.9 billion)

recorded under "Net change in fair value of investments at fair value through other comprehensive income" in the consolidated statement of profit or loss and other comprehensive income.

## 10 • Customers' Liability under Acceptances

Acceptances represent documentary credits which the Group has committed to settle on behalf of its customers against commitments by those customers (acceptances).

The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

## 11 • Investments in Associates

Investments in associates, which are not listed, are as follows:

LBP'000	Country of Incorporation	Interest Held %		2015	2014
		2015	2014		
Bancassurance SAL	Lebanon	60.00	60.00	43,727,949	36,595,043
United Capital Bank	Republic of Sudan	20.00	20.00	21,971,715	21,761,348
International Payment Network SAL	Lebanon	20.30	20.30	1,471,106	1,469,465
<b>TOTAL</b>				<b>67,170,770</b>	<b>59,825,856</b>

Even though, the Group's interest in Bancassurance SAL is 60%, the Group determined that it does not control this entity on the basis that according to the shareholders' agreement,

the relevant activities of Bancassurance are directed on the basis of 75% votes of the Board of Directors which does not give the Group power over the investee.

The following table summarizes the financial information of Bancassurance and United Capital Bank before intercompany eliminations:

LBP'000	BANCASSURANCE		UNITED CAPITAL BANK	
	2015	2014	2015	2014
Cash and banks	114,510,875	155,517,056	117,457,915	107,967,629
Loans and advances	-	-	219,975,082	271,971,101
Investment securities	363,118,610	295,754,192	98,458,763	62,252,971
Other investments	-	-	-	1,204,860
Other assets	21,518,063	12,226,257	34,853,153	31,056,036
Deposits from banks	-	-	(40,443,190)	(90,983,415)
Deposits from customers	-	-	(102,291,679)	(85,657,302)
Equity of unrestricted investment account holders	-	-	(145,225,296)	(147,652,560)
Bank borrowings	(11,247,936)	-	-	-
Insurance contracts liabilities	(419,461,400)	(410,263,736)	-	-
Other liabilities and provisions	(12,275,986)	(8,959,721)	(72,921,622)	(41,348,408)
<b>Net assets</b>	<b>56,162,226</b>	<b>44,274,048</b>	<b>109,863,126</b>	<b>108,810,912</b>
<b>GROUP'S SHARE IN NET ASSETS (EXCLUDING GOODWILL)</b>	<b>33,697,336</b>	<b>26,564,429</b>	<b>21,972,625</b>	<b>21,762,182</b>
Net revenues	50,409,623	47,949,828	25,000,110	25,647,752
Net income from financial assets at FVTPL	(570,400)	120,590	-	-
Claims paid and change in insurance liabilities	(17,033,219)	(20,743,026)	-	-
Other income (net)	41,067	49,488	9,285,149	8,200,232
Operating expenses	(9,617,035)	(6,236,096)	(17,233,095)	(11,829,912)
Income tax expense	(1,010,285)	(844,801)	(4,624,886)	(5,614,316)
<b>Net profit for the year</b>	<b>22,219,751</b>	<b>20,295,983</b>	<b>12,427,278</b>	<b>16,403,756</b>
<b>GROUP'S SHARE IN NET PROFIT</b>	<b>13,331,851</b>	<b>12,177,590</b>	<b>2,485,364</b>	<b>3,280,681</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

Below is the reconciliation of the carrying amount of investments in associates:

LBP'000	2015	2014
Balance January 1	59,825,856	46,769,853
Unrealized gain through other comprehensive income	(40,156)	-
Dividends received	(7,986,448)	(3,919,410)
Share in net profit (Note 38)	15,879,755	15,543,198
Board of Directors' remuneration	(110,148)	(174,534)
Prior year adjustment	-	2,668,953
Currency translation adjustment	(398,089)	(1,062,204)
<b>BALANCE DECEMBER 31</b>	<b>67,170,770</b>	<b>59,825,856</b>

**12 • Assets Acquired in Satisfaction of Loans / Investments Properties**

This section represents foreclosed real estate properties acquired through enforcement of security over loans and advances to customers.

LBP'000	2015	2014
Assets acquired in satisfaction of loans - Lebanon	200,601,020	200,738,519
Investment properties - Foreign operations	77,443,175	56,402,506
<b>TOTAL</b>	<b>278,044,195</b>	<b>257,141,025</b>

**12.1 Assets Acquired in Satisfaction of Loans**

According to the Lebanese banking regulations, the acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these are classified as "Assets acquired in satisfaction of loans" and should be

liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 or 20 years as applicable. These assets are carried at cost less impairment allowance.

Movement in the account of assets acquired in satisfaction of loans and related impairment allowance is summarized as follows:

LBP'000	Cost	Impairment Allowance	Carrying Value
Balance January 1, 2014	210,724,078	(13,322,560)	197,401,518
Foreclosures	7,105,878	-	7,105,878
Additions through business combination	2,250,331	(668,669)	1,581,662
Disposals	(5,469,849)	119,310	(5,350,539)
Balance December 31, 2014	214,610,438	(13,871,919)	200,738,519
Foreclosures	2,664,228	-	2,664,228
Disposals	(2,877,450)	75,723	(2,801,727)
<b>BALANCE DECEMBER 31, 2015</b>	<b>214,397,216</b>	<b>(13,796,196)</b>	<b>200,601,020</b>

Gain on disposals amounted to LBP 1.1 billion (LBP 6.6 billion in 2014) recorded under other income in the statement of profit or loss (Note 38).

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

**12.2 Investment Properties**

Foreclosed assets acquired by the Group's foreign entities are presented separately under investment properties and are measured at fair value.

The movement in investment properties is summarized as follows:

LBP'000

Balance January 1, 2014	57,989,822
Foreclosures	8,724,697
Revaluation loss - Note 38	(3,135,314)
Effect of exchange rates changes	(7,176,699)
Balance December 31, 2014	56,402,506
Foreclosures	29,478,488
Revaluation loss - Note 38	(2,388,213)
Effect of exchange rates changes	(6,049,606)
<b>BALANCE DECEMBER 31, 2015</b>	<b>77,443,175</b>

Investment properties are categorized as Level 3 in the fair value hierarchy since they are based on real estate market values made by independent real estate experts.

During 2015, the Group's Cypriot entity acquired 75% equity stake in an entity having a primary activity of holding and administering a commercial property held under a long-

term lease. The property and the respective finance lease obligation amounted to LBP 26 billion (C/V EUR 16 million) and LBP 6.6 billion (Note 23) respectively. Out of the LBP 26 billion, LBP 7 billion was classified under owned properties to be used as a new head office for the Cypriot entity (Note 13). Interest expense on the finance lease obligation during 2015 amounted to LBP 325 million (Note 34).

### 13 • Property and Equipment

LBP'000	Balance at January 1, 2015	Additions and Transfers from Advance Payments	Retirements	Revaluation Adjustment	Transfer between Accounts	Transfer to Intangible Assets	Currency Translation Adjustment	Balance as at December 31, 2015
<b>Cost/Revaluation:</b>								
Owned properties	337,963,096	8,928,007	(35,994)	613,936	(362,871)	-	(16,284,205)	330,821,969
Furniture, equipment and computer	110,809,478	10,882,806	(2,958,086)	3,564	-	-	(3,389,585)	115,348,177
Vehicles	5,522,527	1,017,966	(296,591)	-	-	-	(283,465)	5,960,437
Office improvements and installations	105,399,788	6,198,557	(134,937)	-	26,642	-	(2,436,128)	109,053,922
Building under finance lease (Note 12.2)	-	7,162,264	-	-	(92,818)	-	(73,966)	6,995,480
	<b>559,694,889</b>	<b>34,189,600</b>	<b>(3,425,608)</b>	<b>617,500</b>	<b>(429,047)</b>	<b>-</b>	<b>(22,467,349)</b>	<b>568,179,985</b>
Accumulated Depreciation	(186,769,053)	(26,498,797)	3,095,993	(24,030)	66,176	-	4,507,070	(205,622,641)
Provision for Impairment	(3,171,331)	-	-	-	362,871	-	-	(2,808,460)
Advance payments	21,441,604	14,170,168	-	-	-	(34,147)	(506,267)	35,071,358
<b>CARRYING VALUE</b>	<b>391,196,109</b>							<b>394,820,242</b>

LBP'000	Balance at January 1, 2014	Additions and Transfers from Advance Payments	Additions through Business Combination	Retirements	Revaluation Adjustment	Transfer to Intangible Assets	Currency Translation Adjustment	Balance as at December 31, 2014
<b>Cost/Revaluation:</b>								
Owned properties	248,154,116	45,315,478	51,255,754	(430,688)	1,585,483	-	(7,917,047)	337,963,096
Furniture, equipment and computer	96,446,332	10,661,128	8,453,558	(1,659,681)	6,068	-	(3,097,927)	110,809,478
Vehicles	5,109,283	842,541	349,523	(565,450)	-	-	(213,370)	5,522,527
Office improvements and installations	89,121,672	12,997,972	5,500,011	(34,903)	-	-	(2,184,964)	105,399,788
	<b>438,831,403</b>	<b>69,817,119</b>	<b>65,558,846</b>	<b>(2,690,722)</b>	<b>1,591,551</b>	<b>-</b>	<b>(13,413,308)</b>	<b>559,694,889</b>
Accumulated Depreciation	(157,959,998)	(23,276,963)	(11,655,775)	2,319,126	(66,737)	-	3,871,294	(186,769,053)
Provision for Impairment	(3,014,691)	(65,287)	-	(136,305)	-	-	44,952	(3,171,331)
Advance payments	56,817,492	(30,968,084)	-	-	-	(206,631)	(4,201,173)	21,441,604
<b>CARRYING VALUE</b>	<b>334,674,206</b>							<b>391,196,109</b>

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**14 • Intangible Assets**

LBP'000	Balance at January 1, 2015	Additions and Transfers from Advance Payments	Retirements	Transfer from Property and Equipment	Currency Translation Adjustment	Balance as at December 31, 2015
<b>Cost:</b>						
Purchase software	42,373,258	2,942,582	-	34,147	(864,311)	44,485,676
Licenses	501,624	129,348	(467)	-	(181,441)	449,064
Key money	196,017	-	-	-	-	196,017
	<b>43,070,899</b>	<b>3,071,930</b>	<b>(467)</b>	<b>34,147</b>	<b>(1,045,752)</b>	<b>45,130,757</b>
<b>Accumulated Depreciation:</b>						
Purchase software	(32,446,397)	(3,536,005)	-	-	477,808	(35,504,594)
Licenses	(99,319)	(110,089)	467	-	51,664	(157,277)
Key money	(152,802)	(4,020)	-	-	-	(156,822)
	<b>(32,698,518)</b>	<b>(3,650,114)</b>	<b>467</b>	<b>-</b>	<b>529,472</b>	<b>(35,818,693)</b>
Advance payments	3,069,531	576,080	-	-	(42,775)	3,602,836
<b>CARRYING VALUE</b>	<b>13,441,912</b>					<b>12,914,900</b>

LBP'000	Balance at January 1, 2014	Additions and Transfers from Advance Payments	Additions through Business Combination	Retirements	Transfer from Property and Equipment	Currency Translation Adjustment	Balance as at December 31, 2014
<b>Cost:</b>							
Purchase software	36,194,708	3,160,383	3,529,975	-	206,631	(718,439)	42,373,258
Licenses	299,368	262,899	-	(1,769)	-	(58,874)	501,624
Key money	196,017	-	-	-	-	-	196,017
	<b>36,690,093</b>	<b>3,423,282</b>	<b>3,529,975</b>	<b>(1,769)</b>	<b>206,631</b>	<b>(777,313)</b>	<b>43,070,899</b>
<b>Accumulated Depreciation:</b>							
Purchase software	(26,181,415)	(3,653,835)	(2,995,391)	-	-	384,244	(32,446,397)
Licenses	(24,810)	(92,405)	-	393	-	17,503	(99,319)
Key money	(148,782)	(4,020)	-	-	-	-	(152,802)
	<b>(26,355,007)</b>	<b>(3,750,260)</b>	<b>(2,995,391)</b>	<b>393</b>	<b>-</b>	<b>401,747</b>	<b>(32,698,518)</b>
Advance payments	3,217,152	(116,048)	-	-	-	(31,573)	3,069,531
<b>CARRYING VALUE</b>	<b>13,552,238</b>						<b>13,441,912</b>

**15 • Goodwill**

Goodwill is derived from acquisition of control of subsidiaries as follows:

LBP'000	2015	2014
Fransabank OJSC - Belarus	720,704	720,704
BLC Bank SAL	44,095,440	44,095,440
USB Bank PLC (Cyprus)	6,061,592	6,750,819
Ahli International Bank SAL (merger)	4,087,509	4,087,509
<b>TOTAL</b>	<b>54,965,245</b>	<b>55,654,472</b>

**Goodwill Allocated to BLC Bank**

The recoverable amount is determined based on fair value less cost of disposal which is determined to be higher than

the asset's carrying value using the market comparable approach.

### Goodwill Allocated to USB Bank

The movement of goodwill during 2015 and 2014 was as follows:

	Euro	Counter Value in LBP'000
Balance as at January 1, 2014	3,681,188	7,637,618
Effect of exchange rates changes	-	(886,799)
Balance as at December 31, 2014	3,681,188	6,750,819
Effect of exchange rates changes	-	(689,227)
<b>BALANCE AS AT DECEMBER 31, 2015</b>	<b>3,681,188</b>	<b>6,061,592</b>

### Goodwill from Merger of Ahli International Bank SAL

On July 31, 2014, the Group acquired "Ahli International Bank SAL" for a consideration of USD 103 million and then it was fully merged within the Group's accounts. This transaction

resulted in a goodwill for the amount of LBP 4.09 billion representing the excess of the consideration paid over the fair value of the net assets of "Ahli International Bank SAL" and the deferred assets (Note 16) as follows:

July 31, 2014

LBP'000	Carrying Value	Fair Value (before Adjustments to Net Assets)	Adjustments Made to Net Assets and Protocole Paid to Employees	Fair Value
<b>ASSETS</b>				
Cash and Central Banks	237,784,751	237,784,751	-	237,784,751
Deposits with banks and financial institutions	5,891,712	5,891,712	-	5,891,712
Loans and advances to customers	320,966,932	320,966,932	(2,411,792)	318,555,140
Investment securities	553,514,725	555,094,585	-	555,094,585
Customers' liability under acceptances	1,157,991	1,157,991	-	1,157,991
Investments in subsidiaries	300,649	300,649	-	300,649
Assets acquired in satisfaction of loans	1,581,662	1,581,662	-	1,581,662
Property and equipment	15,119,447	54,622,043	(718,972)	53,903,071
Intangible assets	3,549,584	3,549,584	(3,015,000)	534,584
Other assets	8,982,566	8,982,566	-	8,982,566
<b>TOTAL ASSETS</b>	<b>1,148,850,019</b>	<b>1,189,932,475</b>	<b>(6,145,764)</b>	<b>1,183,786,711</b>
<b>LIABILITIES</b>				
Deposits and borrowings from banks	46,478,695	46,478,695	-	46,478,695
Customers' accounts at amortized cost	953,270,732	953,270,732	-	953,270,732
Customers' acceptance liability	1,157,991	1,157,991	-	1,157,991
Certificates of deposits	44,561,158	44,561,158	-	44,561,158
Other liabilities	3,768,652	3,768,652	19,318,799	23,087,451
Provisions	3,318,701	3,318,701	-	3,318,701
<b>TOTAL LIABILITIES</b>	<b>1,052,555,929</b>	<b>1,052,555,929</b>	<b>19,318,799</b>	<b>1,071,874,728</b>
<b>NET ASSETS</b>	<b>96,294,090</b>	<b>137,376,546</b>	<b>(25,464,563)</b>	<b>111,911,983</b>
Purchase consideration of Ahli International Bank SAL				155,272,500
Net assets of Ahli International Bank SAL at fair value				111,911,983
Deferred assets resulting from the merger (Note 16)				42,963,750
Less: Non-controlling interests				(3,690,742)
<b>Goodwill</b>				<b>151,184,991</b>
				<b>4,087,509</b>

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**16 • Other Assets**

LBP'000	2015	2014
Deferred assets on business acquisitions (a)	36,830,944	45,593,083
Deferred assets against future cash flows (b)	61,944,371	84,954,950
Derivative assets held for risk management (c)	-	1,832,159
Deferred tax asset (d)	3,092,751	5,317,832
Regulatory blocked deposit (e)	17,305,003	17,711,011
Assets in process of acquisition in settlement of loans (f)	1,011,272	1,011,272
Deferred charges	-	264,996
Collateral on dealings with "Visa International"	1,809,462	1,809,882
Prepayments	28,636,742	26,987,796
Accrued income	1,305,606	1,262,887
Debit balances against credit balances (Note 23) (g)	-	65,903,489
Doubtful claims by banks	1,246,368	1,336,212
Provision for doubtful claims by banks	(1,246,368)	(1,336,212)
Sundry accounts receivable	62,119,443	79,292,960
Allowance for doubtful accounts receivable (h)	(3,761,276)	(3,761,276)
<b>TOTAL</b>	<b>210,294,318</b>	<b>328,181,041</b>

**(a)** Deferred assets on business acquisition represent what was compensated by the Central Bank of Lebanon in the form of future cash flows and benefits originated from the soft loans granted to the Group (refer to Note 20 f).

The Group is amortizing these deferred assets against the reduction of future economic benefits derived from the soft loans and thus the carrying value of these deferred assets corresponds to the present value of future cash flows expected to be derived from the soft loans.

The unamortized balance of deferred assets on acquired banks is allocated as follows at December 31:

LBP'000	2015	2014
Deferred assets on acquisition of Ahli International Bank SAL	35,803,125	42,963,750
Deferred assets on acquisition of Bank Lati SAL	1,027,819	2,629,333
<b>TOTAL</b>	<b>36,830,944</b>	<b>45,593,083</b>
Amortization charge for the year	(8,762,139)	(9,449,880)

Amortization charge is treated as a yield adjustment to the interest income on the pledged Lebanese Treasury bills acquired from the soft loan proceeds.

**(b)** Net outstanding deferred assets amounting to LBP 62 billion correspond to the Bank's Cypriot subsidiary carried over losses incurred since the crisis in Cyprus occurred up to December 31, 2015. These deferred assets are offset against future economic benefits derived from the low yield funding amounting to LBP 300 million provided by the Central Bank of

Lebanon referred to in Note 20, which were redeemed during January 2016 and replaced by exemption from compulsory reserves up to USD 200 million. Proceeds of the loan and subsequently the compulsory reserves are invested in fixed income securities whose return is appropriated to deferred assets.

The movement of deferred assets against future cash flows during the years 2015 and 2014 was as follows:

LBP'000	2015	2014
Net carrying value as at January 1,	84,954,950	84,217,433
Deferred assets originated with offset to		
Present value of contracted future cash flows	11,995,957	26,163,596
Write-back of provision on recovered debt (Note 8)	(10,083,886)	-
Write down during the year	(15,495,266)	(14,800,838)
Effect of foreign currency exchange differences	(9,427,384)	(10,625,241)
<b>NET CARRYING VALUE</b>	<b>61,944,371</b>	<b>84,954,950</b>

(c) Derivative assets held for risk management during 2014 represent a forward contract swap designated as a cash flows hedge. The Group used forward contract swaps to manage its exposure to exchange rate fluctuation on forward contracts with Central Bank of Syria by purchasing foreign currencies against selling Syrian Pound. At December 31, 2014 currencies with notional principal amounts of SYP 1.5 billion were designated as hedges of future cash flows against USD 7.7 million.

(d) Deferred tax asset represents deferred tax on losses incurred by a Group entity, which can be brought forward against future profits.

(e) The regulatory blocked deposits represent non-interest earning compulsory deposits placed with the Lebanese Treasury and Central Bank of Syria upon the inception of banks according to Article 132 of the Lebanese Code of Money

and Credit and Article 19 of the Syrian Law No.28 respectively and are refundable in case of cease of operations.

(f) Foreclosed assets not yet registered represent the value of loans written-off against enforcement of real estate security held and will be reallocated to "Assets Acquired in Settlement of Loans" when the registration in the name of the Group is finalized.

(g) Debit balances against credit balances are offset against an equal amount under other liabilities (Note 23) resulting from the acquisition and merger of "Ahli International Bank SAL". These balances were reversed during 2015.

(h) The majority of the allowance for doubtful accounts receivable relate to old advances made in previous years against purchases of property and equipment.

## 17• Deposits and Borrowings from Banks

LBP'000	2015	2014
Current deposits of banks and financial institutions	42,472,817	50,070,464
Current deposits - Central Bank of Lebanon	115,037	-
Current deposits - Central Bank of Syria	-	1,984,210
Current deposits - Related parties	82,963	7,260
Money market deposits - Central Bank of Belarus	-	4,799,511
Money market deposits - Central Bank of Syria	93,578,480	97,205,626
Money market deposits - Banks and financial institutions	83,242,762	337,557,877
Money market deposits - Related parties	41,166,000	25,674,180
Other short term borrowings	34,087,576	30,170,549
Accrued interest payable	559,224	1,368,208
Accrued interest payable - Related parties	7,077	1,388
<b>TOTAL</b>	<b>295,311,936</b>	<b>548,839,273</b>

## 18• Liabilities Designated at Fair Value Through Profit or Loss

LBP'000	2015
Customers' deposits with guaranteed capital at fair value through profit or loss	48,485,734
Accrued interest payable	381,543
<b>TOTAL</b>	<b>48,867,277</b>

Certain deposits from customers have been designated at fair value through profit or loss as they are matched with an embedded derivative. An accounting mismatch would arise if customers' deposits were accounted for at amortized cost, because the related derivative is measured at fair value with movements in the fair value taken through the statement of

profit or loss. By designating those deposits from customers at fair value, the movements in the fair value of these deposits are recorded in the statement of profit or loss. These instruments provide notional amounts protection for customers of LBP 49 billion equivalent to 100% of the initially invested amount.

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**19 • Customers' Accounts at Amortized Cost**

LBP'000	2015	2014
Deposits from customers:		
- Current / demand deposits	2,406,461,965	2,409,587,835
- Term deposits	20,080,920,063	19,180,970,421
- Collateral against loans and advances	1,549,108,044	1,099,049,407
Margins and other collateral from customers:		
- Margins for irrevocable import letters of credit	120,003,339	74,258,085
- Margins on letters of guarantee	82,808,302	80,618,265
- Other margins	72,342,616	83,495,100
- Blocked accounts	75,304,126	71,152,761
Accrued interest payable	146,857,401	135,682,882
<b>TOTAL</b>	<b>24,533,805,856</b>	<b>23,134,814,756</b>

Customers' deposits include related parties deposits detailed as follows:

LBP'000	2015	2014
Deposits from related parties:		
- Current / demand deposits	13,557,349	11,483,355
- Term deposits	1,819,976,102	1,831,461,462
- Collateral against loans and advances	199,551,681	3,328,564
Margins and other collateral from related parties:		
- Margins on letters of guarantee	8,316,474	10,244
- Other margins	-	24,874
- Blocked accounts	3,195,078	3,209,297
Accrued interest payable	18,615,693	17,477,147
<b>TOTAL</b>	<b>2,063,212,377</b>	<b>1,866,994,943</b>

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

LBP'000	December 31, 2015				
	LBP Base Accounts		F/Cy Base Accounts		Total
	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	
Less than LBP 200 million	3,698,364,359	38	3,205,961,190	22	6,904,325,549
From LBP 200 million to LBP 1.5 billion	3,418,787,092	35	3,804,448,555	26	7,223,235,647
Above LBP 1.5 billion	2,666,056,845	27	7,740,187,815	52	10,406,244,660
<b>TOTAL</b>	<b>9,783,208,296</b>	<b>100</b>	<b>14,750,597,560</b>	<b>100</b>	<b>24,533,805,856</b>

LBP'000	December 31, 2014				
	LBP Base Accounts		F/Cy Base Accounts		Total
	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	
Less than LBP 200 million	3,526,933,196	40	3,193,802,529	22	6,720,735,725
From LBP 200 million to LBP 1.5 billion	3,082,499,972	35	3,721,369,683	26	6,803,869,655
Above LBP 1.5 billion	2,256,103,561	25	7,354,105,815	52	9,610,209,376
<b>TOTAL</b>	<b>8,865,536,729</b>	<b>100</b>	<b>14,269,278,027</b>	<b>100</b>	<b>23,134,814,756</b>

Deposits from customers at amortized cost include coded deposit accounts totaling LBP 333.50 billion (LBP 368.95 billion in 2014). These accounts are subject to the provisions of Article 3 of the Lebanese Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of

these depositors to third parties, including its independent public accountants.

Deposits from customers include fiduciary deposits received from resident and non-resident banks for a total amount of LBP 40 billion and LBP 463 billion respectively (LBP 41 billion and LBP 309 billion respectively in 2014).

## 20 • Other Borrowings

LBP'000	2015	2014
Borrowings from European Investment Bank (a)	80,913,781	41,734,707
Borrowings from Agence Française de Développement (b)	5,153,780	9,566,311
Borrowings from International Finance Corporation (c)	19,597,500	4,522,500
Borrowings from Arab Trade Financing Program (d)	21,758,069	26,746,937
Borrowings from Central Bank of Lebanon (e)	877,084,076	682,744,082
Soft loans from Central Bank of Lebanon (f)	321,833,963	322,540,900
Revolving loan from Central Bank of Lebanon (g)	300,000,000	300,000,000
Borrowings from the German Investment and Development Company - DEG (related party) (h)	4,522,500	6,030,000
Borrowings from SANAD (i)	2,261,250	3,768,750
Accrued interest payable	5,179,644	5,111,680
<b>TOTAL</b>	<b>1,638,304,563</b>	<b>1,402,765,867</b>

### (a) Borrowings from European Investment Bank:

Borrowings from European Investment Bank represent term borrowings to finance loans extended to customers. These borrowings are divided into 2 types, a 12 years line of credit for touristic loans and a 10 years line of credit for industrial loans. These borrowings mature in 2019, 2020, 2022, 2025 and 2026.

### (b) Borrowing from Agence Française de Développement:

The borrowing from Agence Française de Développement represents a 10 years line of credit for a limit of Euro 15 million (LBP 25 billion) and is granted to help the small and medium enterprises that were affected by the July and August 2006 Lebanon war. This borrowing matures in 2017.

### (c) Borrowing from International Finance Corporation:

The borrowing from International Finance Corporation represents a 7 years line of credit for a limit of USD 3 million (LBP 5 billion). This borrowing is payable through fixed semi-annual installments starting June 2016.

During 2015, another borrowing in the amount of USD 10 million was granted to the Bank to be used to finance eligible sustainable energy finance projects. This borrowing is to be settled semiannually starting June 2016. This borrowing matures in 2024.

### (d) Borrowings from Arab Trade Financing Program:

The borrowing from Arab Trade Financing Program represents 2 revolving line of credit for USD 15 million (LBP 23 billion) and USD 4 million (LBP 6 billion) granted in years 2000 and 2011 to support inter-Arab Trade exchanges. These borrowings mature in 2016.

### (e) Borrowings from Central Bank of Lebanon:

During year 2011, the Group obtained borrowings from Central Bank of Lebanon representing 2 loans of 5 years line of credit for a limit of USD 200 million each (LBP 301 billion). Up to December 31, 2015, USD 110 million and USD 125 million were utilized (USD 110 million and USD 125 million up to December 31, 2014). These borrowings mature during 2016. These lines of credit are collateralized by Lebanese government bonds (Notes 9 and 44).

Borrowings from Central Bank of Lebanon includes also facilities in the aggregate amount of LBP 266.5 billion (LBP 328.5 billion as at December 31, 2014) following Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against loans that the Bank has granted, on its own responsibility, to its customers, pursuant to certain conditions, rules and mechanism. Part of these facilities is collateralized by Lebanese Treasury bills and certificates of deposit issued by Central Bank of Lebanon (Notes 9 and 44).

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**(f) Soft Loans from Central Bank of Lebanon:**

This caption represents soft loans granted by the Central Bank of Lebanon as detailed below:

LBP'000	Date Granted	Maturity Date	2015	2014
Soft loan against merger with Ahli International Bank SAL	December 26, 2014	December 21, 2020	243,589,400	243,589,400
Additional soft loan against merger with Bank Lati SAL	August 18, 2011	August 11, 2016	48,765,500	48,765,500
3 Soft loans against providing liquidity to cover 60% of the replacement value of buildings and equipment pertaining to four of the Bank's clients who were directly damaged from the July 2006 Lebanon war:				
- Loan 1	February 18, 2010	September 2, 2017	10,858,000	11,678,000
- Loan 2	July 8, 2010	June 29, 2017	774,000	774,000
- Loan 3	March 29, 2012	March 21, 2019	17,734,000	17,734,000
Soft loan against subsidized loan granted by the Group	December 30, 2015	December 30, 2021	113,063	-
<b>CARRYING VALUE</b>			<b>321,833,963</b>	<b>322,540,900</b>

Soft loans are secured against pledged Lebanese Treasury bills (Notes 9 and 44).

**(g) Revolving Loan from Central Bank of Lebanon:**

On December 30, 2013, the Group obtained a revolving loan in the amount of LBP 300 billion from the Central Bank of Lebanon for a period of one year maturing on December 31, 2014 and renewable for one additional year. This loan bears an average interest rate of 2.5% per annum and is collateralized by Lebanese Treasury bills (Note 9). The purpose of this loan is to provide low cost funding that allows the Group to generate positive spread over short term facilities expandable at the request of the borrower until the purpose of the debt to offset the Group's losses arising from its Cypriot subsidiary is achieved.

**(h) Borrowing from The German Investment and Development Company – DEG (related party):**

The borrowing from The German Investment and Development Company – DEG represents a loan for a limit of USD 6 million (LBP 9 billion), payable through 12 semi-annual payments of USD 500,000 each starting June 2013.

**(i) Borrowing from SANAD:**

The borrowing from SANAD (a non-resident specialized investment fund) represents a loan for USD 5 million (LBP 7.54 billion) obtained on December 28, 2011. The proceeds of the loan are to finance micro, small, and medium enterprises in Lebanon. This borrowing is payable through 10 semi-annual payments of USD 500,000 each starting July 2012.

The remaining contractual maturities of borrowings are as follows:

LBP'000	2015	2014
Less than one year	744,712,415	347,705,290
From 1 to 3 years	49,449,250	443,804,657
From 3 to 5 years	286,685,204	35,273,300
Over 5 years	557,457,694	575,982,620
<b>TOTAL</b>	<b>1,638,304,563</b>	<b>1,402,765,867</b>

The Group has not had any defaults of principal, interest or other breaches with respect to these borrowings.

## 21 • Subordinated Loans

LBP'000	2015	2014
Loan from Proparco (7.61%)	31,874,580	31,874,580
Capital securities	-	1,786,011
Non-convertible bonds	-	14,670,960
Convertible bonds	-	1,699,502
Accrued interest payable	-	3,548
<b>TOTAL</b>	<b>31,874,580</b>	<b>50,034,601</b>

### Loan from Proparco

This caption represents a loan according to a contract signed between the Bank and "Proparco" on January 19, 2010 for an amount of USD 21,144,000 and is to be settled over a period of 10 years including a 6 year grace period. The Group started to accrue interest effective June 30, 2010 and is payable on July 15 of each year starting year 2011. Repayment of principal starts on July 15, 2016.

### Capital Securities, Non-Convertible Bonds, Convertible Bonds

In its Extraordinary General Meeting held on May 28, 2015, the Cypriot entity resolved to proceed immediately with the redemption of the Capital securities, the Non-convertible and the Convertible bonds. On June 30, 2015, with the relevant approval of the Central Bank of Cyprus, the Group has completed the redemption of the capital securities and the bonds, in accordance with their respective terms and conditions.

## 22 • Certificates of Deposit

LBP'000	2014
Certificates of deposit	40,702,500
Accrued interest payable	658,628
<b>TOTAL</b>	<b>41,361,128</b>

On February 21, 2014, the Group issued certificates of deposit with 24 month maturity period and bearing a 4.375% rate per annum. The original program was issued by "Ahli International

Bank SAL" and became part of the Group as a result of the merger. These certificates of deposits matured during 2015.

## 23 • Other Liabilities

LBP'000	2015	2014
Current tax liability (a)	32,054,501	27,831,946
Deferred tax liability on items recognized in other comprehensive income (Note 29)	18,817,491	18,473,601
Deferred tax liability on undistributed profits of subsidiaries and associates of the Bank	39,955,687	37,165,503
Other deferred income tax liability	4,091,434	7,267,003
Withholding and other taxes payable	15,030,996	11,425,922
Due to the Social Security National Fund	2,306,057	3,082,161
Checks and incoming payment orders in course of settlement	37,191,597	52,686,191
Accrued expenses	63,657,678	63,956,903
Accrued interest payable - Cash contribution to capital	2,813	3,282
Accrued interest payable - Subordinated loan	2,466,083	2,466,083
Financial guarantee contracts issued	2,149,635	2,068,168
Credit balances against debit balances (Note 16)	-	65,903,489
Finance lease obligation (Note 12.2)	6,575,635	-
Effect of exchange rates changes on structural position	-	-
Sundry accounts payable	63,177,283	44,188,307
<b>TOTAL</b>	<b>287,476,890</b>	<b>336,518,559</b>

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(a) Below is the reconciliation of income tax expense:

LBP'000	2015	2014
Profit before tax	337,383,586	310,474,129
Income tax on enacted applicable rates	51,326,646	46,231,008
Effect of non-deductible expense and non-taxable income	7,256,130	5,053,819
<b>Income tax expense</b>	<b>58,582,776</b>	<b>51,284,827</b>
Less: Tax paid in advance	(26,293,295)	(22,840,328)
Net effect of deferred tax assets (Note 16 (d))	2,039,033	3,111,866
Deferred tax on temporary differences	38,796	(4,770,514)
Effect of exchange rates changes	(2,312,809)	1,046,095
<b>CURRENT TAX PAYABLE</b>	<b>32,054,501</b>	<b>27,831,946</b>

**24 • Provisions**

Provisions consist of the following:

LBP'000	2015	2014
Provision for staff termination indemnities	31,794,313	27,322,526
Provision for contingencies	9,573,170	10,383,677
Provision for loss on foreign currency position	258,735	460,281
Provision for off-balance sheet risk	596,285	246,719
<b>TOTAL</b>	<b>42,222,503</b>	<b>38,413,203</b>

The movement of provision for staff termination indemnities is as follows:

LBP'000	2015	2014
Balance January 1	27,322,526	22,697,384
Additions - Employees	7,189,969	2,835,732
Additions through business combination	-	2,562,834
Additions - Legal expenses	48,622	56,198
Write-back	-	-
Settlements	(2,766,804)	(829,622)
<b>BALANCE DECEMBER 31</b>	<b>31,794,313</b>	<b>27,322,526</b>

The movement of the provision for contingencies was as follows:

LBP'000	2015	2014
Balance January 1	10,383,677	18,112,382
Net additions (Note 39)	862,616	2,897,393
Additions through business combination	-	515,867
Write-off against devaluation of investment	(299,798)	-
Settlements	(193,925)	(895,135)
Reallocation to allowance for impairment of loans and advances (Note 8)	-	(8,325,200)
Effect of exchange rates changes	(1,179,400)	(1,921,630)
<b>BALANCE DECEMBER 31</b>	<b>9,573,170</b>	<b>10,383,677</b>

## 25 • Share Capital

At December 31, 2015, the authorized ordinary share capital of the Bank was LBP 430 billion consisting of 21,500,000 fully paid shares of LBP 20,000 each (LBP 420 billion consisting of 21,000,000 shares in 2014). The increase in the nominal value of these shares resulted from transfer from reserves restricted following a decision by the general assembly to reconstitute the capital which decreased by an amount of

LBP 10 billion as a result of the redemption of all Series "A" preference shares (Note 27).

Up to 2015 year-end, the Bank has established a fixed exchange position in the amount of USD 56,988,889 authorized by Central Bank of Lebanon to hedge its equity against exchange fluctuations within the limit of 60% of equity denominated in Lebanese Pounds.

## 26 • Shareholders' Cash Contribution to Capital

The shareholders' cash contribution to capital is for a total amount of LBP 17.1 billion (USD 11,352,494) as at December 31, 2015 and 2014 and it is subject to a yearly interest of 6% (7% in 2014) payable from unrestricted profits after securing the approval of Central Bank of Lebanon.

This sort of financial instrument is accounted for in foreign currency and therefore allows hedging against national currency exchange fluctuation.

## 27 • Preference Shares

On June 30, 2008, the Bank issued 500,000 non-cumulative convertible redeemable Series "A" preference shares with nominal value of LBP 20,000 each at an issue price of USD 200 per share. During 2015, the Bank redeemed the preference shares at a price equal to 103.5% of the issue price (USD 207 per share) as per the offering circular for a total additional amount of LBP 5.28 billion from the original price. This difference was recorded against retained earnings (Note 25).

On September 30, 2010, the Bank issued 425,000 non-cumulative convertible redeemable Series "B" preference shares with nominal value of LBP 20,000 each at an issue price of USD 200 per share.

On December 21, 2012, the Bank issued 375,000 non-cumulative redeemable Series "C" preference shares with nominal value of LBP 20,000 each at an issue price of USD 200 per share.

On December 15, 2014, the Bank issued 425,000 non-cumulative redeemable Series "D" preference shares with nominal value of LBP 20,000 each at an issue price of USD 200 per share.

On December 2015, the Bank issued 525,000 non-cumulative redeemable Series "E" preference shares with nominal value of LBP 20,000 each at an issue price of USD 200 per share.

## 28 • Reserves

Reserves consist of the following:

LBP'000	2015	2014
Legal reserve (a)	159,713,578	134,936,161
Reserve for general banking risks (b)	234,682,845	193,982,926
Reserve for assets acquired in satisfaction of loans - Note 12	65,875,409	54,797,626
Owned buildings revaluation reserve	44,171,033	43,694,235
Foreign currency translation reserve	(143,910,319)	(109,060,993)
Special reserve (c)	9,169,252	8,249,196
General reserve for performing loans (d)	2,150,631	-
<b>TOTAL</b>	<b>371,852,429</b>	<b>326,599,151</b>

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(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Code on the basis of 10% of net profit. This reserve is not available for distribution.

(b) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-financial position risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pound and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-financial position items. This reserve is not available for distribution.

(c) The special reserve is made based on regulatory requirements, in connection with the uncovered portion of the doubtful debts outstanding as at June 30, 2003.

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

- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.
- 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

**29 • Cumulative Change in Fair Value of Financial Assets**

This caption represents the cumulative change in fair value of investment securities at fair value through other comprehensive income. It consists of the following:

LBP'000	2015	2014
Cumulative unrealized gain on investments at fair value through other comprehensive income (Note 9)	185,089,583	179,138,929
Less: Deferred tax liability (Note 23)	(18,817,491)	(18,473,601)
Net	166,272,092	160,665,328
Share of non-controlling interests (Note 30)	(2,473,749)	(1,577,110)
<b>SHARE OF OWNERS OF THE BANK</b>	<b>163,798,343</b>	<b>159,088,218</b>

**30 • Non – Controlling Interests**

Non-controlling interests represent the minority share in the subsidiaries' equities as follows:

LBP'000	2015	2014
Capital	167,364,029	167,364,029
Change in fair value of investment securities through other comprehensive income (Note 29)	2,473,749	1,577,110
Preference shares	195,975,000	195,975,000
Reserves and retained earnings	55,252,949	59,164,088
Profit for the year	16,472,482	13,040,078
<b>TOTAL</b>	<b>437,538,209</b>	<b>437,120,305</b>

The following table summarizes financial information of subsidiaries that have material Non-Controlling Interests (NCI) before intra-group eliminations:

LBP*000	December 31, 2015	
	BLC Bank and its Direct Subsidiaries	Fransabank El Djazair SPA
NCI percentage	25.17%	32.00%
Cash and banks	1,492,644,455	167,717,684
Loans and advances	2,880,136,463	172,687,242
Investment securities	3,897,427,383	221,018
Foreclosed assets and investment properties	167,243,874	-
Other assets	187,522,364	48,918,903
Deposits from banks	(1,127,863)	(99,205)
Deposits from customers	(6,907,917,692)	(201,635,092)
Borrowings and subordinated bonds	(848,034,636)	-
Other liabilities and provisions	(106,230,205)	(12,505,705)
<b>NET ASSETS</b>	<b>761,664,143</b>	<b>175,304,845</b>
Carrying amount of NCI	191,710,865	56,097,550
Net financial revenues	236,106,192	20,757,998
Net allowance for impairment of loans	(36,253,113)	738,696
Other income (net)	12,528,899	-
Operating expenses	(131,303,002)	(12,766,544)
Comprehensive Income	(14,568,728)	(2,344,213)
Other Comprehensive Income (OCI)	3,514,734	(36,982,970)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>70,024,982</b>	<b>(30,597,033)</b>
Profit allocated to NCI	16,674,071	2,043,500
OCI allocated to NCI	909,670	(11,731,249)

LBP*000	December 31, 2014	
	BLC Bank and its Direct Subsidiaries	Fransabank El Djazair SPA
NCI percentage	25.17%	32.00%
Cash and banks	1,346,156,891	147,901,653
Loans and advances	2,929,670,148	202,369,342
Investment securities	3,441,081,136	268,670
Foreclosed assets and investment properties	145,290,025	-
Other assets	211,558,404	76,489,429
Deposits from banks	(51,410,251)	(139,520)
Deposits from customers	(6,466,234,609)	(198,594,488)
Borrowings and subordinated bonds	(737,382,211)	-
Other liabilities and provisions	(98,479,292)	(20,330,422)
<b>NET ASSETS</b>	<b>720,250,241</b>	<b>207,964,664</b>
Carrying amount of NCI	181,286,986	66,548,692
Net financial revenues	237,276,827	21,295,384
Net allowance for impairment of loans	(55,754,979)	143,037
Impairment on goodwill	-	-
Other income (net)	32,812,911	-
Operating expenses	(132,969,750)	(15,177,710)
Income tax expense	(14,973,176)	(1,238,378)
Other Comprehensive Income (OCI)	270,359	(26,055,219)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>66,662,192</b>	<b>(21,032,886)</b>
Profit allocated to NCI	16,425,571	1,607,149
OCI allocated to NCI	218,923	(8,407,656)

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**31 • Profit for the Year**

The consolidated profit is allocated as follows between the Bank and its subsidiaries (after intra-group eliminations):

LBP'000	Year Ended December 31, 2015		
	Owners of the Bank	Non-Controlling Interests	Total
Profit of the Bank	192,235,564	-	192,235,564
Profit / (loss) of subsidiaries:			
Fransa Invest Bank SAL	10,863,116	-	10,863,116
Fransabank (France) SA	2,005,032	1,337,908	3,342,940
Lebanese Leasing Company SAL	1,217,188	173,884	1,391,072
Switch and Electronics Services SAL	373,596	-	373,596
Sogefon SAL	(148,125)	-	(148,125)
Fransabank El Djazaïr SPA	4,342,437	2,043,500	6,385,937
Fransabank Insurance Services SAL	3,028,176	-	3,028,176
BLC Bank SAL and Subsidiaries	49,836,177	16,674,071	66,510,248
Express SARL	69,592	-	69,592
Fransabank Syria	(5,502,667)	(2,786,979)	(8,289,646)
Fransabank OJSC	2,676,170	362,170	3,038,340
Kuwaiti Lebanese Company for Real Estate Services SAL	-	-	-
Deferred tax on profit from associates and subsidiaries	(6,691,701)	(1,332,072)	(8,023,773)
<b>TOTAL</b>	<b>254,304,555</b>	<b>16,472,482</b>	<b>270,777,037</b>

LBP'000	Year Ended December 31, 2014		
	Owners of the Bank	Non-Controlling Interests	Total
Profit of the Bank	183,704,539	-	183,704,539
Profit/(loss) of subsidiaries:			
Fransa Invest Bank SAL	10,337,767	-	10,337,767
Fransabank France SA	874,442	583,493	1,457,935
Lebanese Leasing Company SAL	1,215,458	173,637	1,389,095
Switch and Electronics Services SAL	371,808	-	371,808
Sogefon SAL	(58,187)	-	(58,187)
Fransabank El Djazaïr SPA	3,415,190	1,607,149	5,022,339
Fransabank Insurance Services SAL	2,549,473	-	2,549,473
BLC Bank SAL and Subsidiaries	49,966,262	16,425,571	66,391,833
Express SARL	(120,913)	-	(120,913)
Fransabank Syria	(9,632,963)	(4,878,883)	(14,511,846)
Fransabank OJSC	2,350,072	318,039	2,668,111
Kuwaiti Lebanese Company for Real Estate Services SAL	(12,652)	-	(12,652)
Deferred tax on profit from associates and subsidiaries	(6,279,037)	(1,188,928)	(7,467,965)
<b>TOTAL</b>	<b>238,681,259</b>	<b>13,040,078</b>	<b>251,721,337</b>

**32 • Dividends Paid**

The following dividends were declared and paid by the Group:

LBP'000	2015	2014
LBP 2,500 per ordinary share paid by the Bank from 2014 net income (LBP 2,300 during 2014 paid from 2013 net income)	52,500,000	48,300,000
USD 17 (LBP 25,627.50) per preference share series "A" and USD 13.5 (LBP 20,351.25) per preference share series "B", "C" and "D" during 2014	29,497,593	29,094,750
Dividends paid by subsidiaries to non-controlling interests	19,769,437	14,037,706
<b>TOTAL</b>	<b>101,767,030</b>	<b>91,432,456</b>

### 33 • Interest Income

LBP'000	2015	2014
Interest income from:		
Deposits with Central Banks	235,232,701	219,788,545
Deposits with banks and financial institutions	4,375,070	5,111,628
Deposits with related party banks and financial institutions	214,716	1,231,520
Investment securities	682,003,635	625,101,078
Loans to banks	2,764,890	3,282,863
Loans and advances to customers	619,262,404	612,822,963
Loans and advances to related parties	2,584,767	1,377,259
Interest recognized on impaired loans and advances to customers (Note 8)	14,836,403	13,231,684
Interest recognized on impaired loans transferred to off-balance sheet	52,056	456,652
Other	6,009	7,300
<b>TOTAL</b>	<b>1,561,332,651</b>	<b>1,482,411,492</b>

Interest income realized on impaired loans and advances to customers represent recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery / rescheduling agreements are signed with customers.

Interest income on investments at fair value through profit or loss is reflected separately under "net interest and other gain / (loss) on investments securities at fair value through profit or loss" (Note 37).

### 34 • Interest Expense

LBP'000	2015	2014
Interest expense on:		
Deposits and borrowings from Central Banks	34,330	94,514
Deposits and borrowings from banks and financial institutions	5,032,865	3,762,681
Customers' deposits at amortized cost	927,162,068	840,314,683
Related parties' deposits at amortized cost	42,144,221	53,805,928
Other borrowings (Note 20)	31,880,923	25,986,009
Borrowings from related party (Note 20)	220,956	275,683
Subordinated loans	3,168,868	3,940,585
Obligation under finance lease (Note 12.2)	325,744	-
Certificates of deposits	248,815	800,292
Bonds issued by banks	6,200	47,480
Shareholders' cash contribution to capital (Note 26)	1,026,833	1,197,972
<b>TOTAL</b>	<b>1,011,251,823</b>	<b>930,225,827</b>

Interest expense on customers' accounts designated at fair value through profit or loss is reflected separately on the face of the consolidated statement of profit or loss.

### 35 • Fee and Commission Income

LBP'000	2015	2014
Commission on documentary credits	13,825,960	17,211,153
Commission on letters of guarantee	11,726,870	10,655,546
Service fees on customers' transactions	81,634,377	79,971,013
Commission on transactions with banks	679,329	959,971
Asset management fees	233,881	323,466
<b>TOTAL</b>	<b>108,100,417</b>	<b>109,121,149</b>

Fee and commission income include fee and commission from related parties with immaterial amounts.

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**36 • Fee and Commission Expense**

LBP'000	2015	2014
Commission on transactions with banks and financial institutions	3,298,376	2,857,770
Sundry	20,161,335	23,258,958
<b>TOTAL</b>	<b>23,459,711</b>	<b>26,116,728</b>

Fee and commission expenses include fee and commission to related parties with immaterial amounts.

**37 • Net Interest and Other Net Gain / (Loss) on Investments at Fair Value Through Profit or Loss**

LBP'000	2015	2014
Interest income	48,888,397	33,176,718
Dividends income	2,446,743	1,978,090
Net unrealized gain / (loss)	(1,920,339)	32,840,872
Net realized gain	17,683,444	5,227,281
<b>TOTAL</b>	<b>67,098,245</b>	<b>73,222,961</b>

**38 • Other Operating Income (Net)**

LBP'000	2015	2014
Dividends income on investment securities	3,904,459	3,667,030
Share in profits of associates (Note 11)	15,879,755	15,543,198
Foreign exchange gain	17,925,292	15,428,205
Gain on disposal of assets acquired in satisfaction of loans (Note 12.1)	1,090,847	6,621,178
Change in fair value of investment properties (Note 12.2)	(2,388,213)	(3,135,314)
Gain / (loss) on disposal of property and equipment	136,847	(169,371)
Other operating income – Net	6,363,237	7,061,768
<b>TOTAL</b>	<b>42,912,224</b>	<b>45,016,694</b>

**39 • Provisions for Charges (Net)**

LBP'000	2015	2014
Regulatory allowance for country risk – Deposit with banks (Note 6)	(5,988)	1,500
Regulatory allowance for country risk – Loans to banks (Note 7)	(24,324)	81,883
Write-back of impairment allowance of investment in securities (Note 9)	9,989	15,704
Impairment allowance for doubtful accounts receivable (Note 16)	-	34,158
Provision for contingencies (Note 24)	862,616	2,897,393
<b>TOTAL</b>	<b>842,293</b>	<b>3,030,638</b>

## 40 • Financial Instruments with Off-Balance Sheet Risks

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the statement of financial position. However,

documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

## 41 • Balances / Transactions with Related Parties

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

conducts sale and purchase transactions of investment securities with subsidiary banks and these transactions are made at net book value of the financial instruments.

Balances and transactions with related parties are as follows:

LBP'000	Notes	2015	2014
Current accounts with banks	6	-	8,218,962
Term placements with banks	6	5,210,983	3,080,793
Deposits from banks	17	82,963	7,260
Money market deposits from banks	17	41,166,000	25,674,180
Borrowings	20	4,522,500	6,030,000
Direct facilities & credit balances			
- Loans and advances	8	223,032,535	33,215,974
- Deposits at amortized cost	19	2,044,596,684	1,849,517,796
Indirect facilities			
- Letters of guarantees		8,408,430	492,410
- Letters of credit		-	-
- Acceptances		-	-
<b>Accrued interest receivable:</b>			
- Term placements with banks	6	-	1,826
- Loans and advances	8	74,121	22,097
<b>Accrued interest payable:</b>			
- Money market deposits from banks	17	7,077	1,388
- Deposits at amortized cost	19	18,615,693	17,477,147
- Borrowings	20	9,068	10,930
- Cash contribution to capital	26	2,813	3,282
<b>Statement of profit or loss accounts:</b>			
- Interest income from deposits with banks	33	214,716	1,231,520
- Interest income from Loans and advances	33	2,584,767	1,377,259
- Interest expense on deposits at amortized cost	34	42,144,221	53,805,928
- Interest expense on borrowings from related parties	34	220,956	275,683
- Interest expense on cash contribution to capital	34	1,026,833	1,197,972

Some loans and advances are covered by real estate mortgage to the extent of LBP 3.4 billion (LBP 4.9 billion in 2014) and by pledged deposits of the respective borrowers to the extent of LBP 198 billion (LBP 1.7 billion in 2014) and by pledged securities to the extent of LBP 4.3 billion (LBP 4.3 billion in 2014).

The remunerations to executive management amounted to LBP 38.8 billion during 2015 (LBP 37.3 billion during 2014). This includes accrued remuneration payable to the Bank's chairman and vice chairman calculated on the basis of 8% of profit before tax.

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**42 • Cash and Cash Equivalents**

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

LBP'000	2015	2014
Cash	230,236,685	193,048,656
Current accounts with Central Banks	215,865,729	335,678,434
Time deposits with Central Banks (maturities of 3 months or less)	1,162,077,342	900,873,005
Checks in course of collection	37,564,503	43,781,015
Current accounts with banks and financial institutions	316,431,143	344,035,540
Time deposits with banks and financial institutions (maturities of 3 months or less)	972,287,325	1,038,669,274
<b>TOTAL</b>	<b>2,934,462,727</b>	<b>2,856,085,924</b>

The following non-cash transactions were excluded from the statement of cash flows:

- (a) Positive change in fair value of investment securities at fair value through other comprehensive income of LBP 6 billion and related deferred tax liability of LBP 344 thousands during 2015 (LBP 66.1 billion and related deferred tax liability of LBP 7 billion during 2014).
- (b) Foreclosed assets in settlement of loans in the amount of LBP 21 billion during 2015 (LBP 15.8 billion during 2014).
- (c) Transfer of LBP 34 thousands from property and equipment to intangible assets (LBP 207 million during 2014).

- (d) Write-back of provision on recovered debt recorded as deferred asset against loans and advances in the amount of LBP 10 billion.

- (e) Transfer of provision for contingencies in the amount of LBP 8.3 billion to impairment allowance under loans and advances during 2014.

- (f) Debit balances against credit balances in the amount of LBP 65.9 billion during 2014.

- (g) Assets and liabilities acquired during 2014 through business combination (Note 15).

**43 • Distribution by Geographical Location**

Below is the distribution of assets and liabilities and statement of profit or loss by geographical location of various Group entities:

**43.1 Distribution of Assets and Liabilities by Geographical Location**

LBP'000	December 31, 2015						
	Lebanon	Syria	France	Algeria	Belarus	Cyprus	Total
<b>ASSETS:</b>							
Cash and banks	7,350,322,477	115,852,427	58,664,142	167,717,684	14,759,335	111,798,679	7,819,114,744
Loans to banks	66,799,768	-	-	-	4,163,807	-	70,963,575
Loans and advances to customers	7,780,150,295	79,521,323	444,262,747	172,687,242	419,536,338	583,885,970	9,480,043,915
Investments securities	11,089,781,839	45,238,422	15,202,265	221,018	26,453,247	261,812,857	11,438,709,648
Investment properties	77,443,175	-	-	-	-	-	77,443,175
Customers' liability under acceptances	251,860,907	-	18,787,173	42,640,726	-	117,787	313,406,593
Investments in associates	67,170,770	-	-	-	-	-	67,170,770
Goodwill	54,965,245	-	-	-	-	-	54,965,245
Other assets	630,727,722	22,511,327	1,940,605	48,918,903	15,616,443	98,915,480	818,630,480
<b>TOTAL ASSETS</b>	<b>27,369,222,198</b>	<b>263,123,499</b>	<b>538,856,932</b>	<b>432,185,573</b>	<b>480,529,170</b>	<b>1,056,530,773</b>	<b>30,140,448,145</b>
<b>LIABILITIES:</b>							
Deposits and borrowings from banks	71,866,094	167,077,098	51,477,739	12,863	4,878,142	-	295,311,936
Customers' accounts at FVTPL	48,867,277	-	-	-	-	-	48,867,277
Customers' accounts at amortized cost	23,016,185,084	155,843,415	167,153,945	201,635,092	33,451,826	959,536,494	24,533,805,856
Customers' acceptance liability	251,866,907	-	18,781,173	42,640,726	-	117,787	313,406,593
Other borrowings	1,638,304,563	-	-	-	-	-	1,638,304,563
Certificates of deposit	-	-	-	-	-	-	-
Subordinated loan	31,874,580	-	-	-	-	-	31,874,580
Other liabilities and provisions	290,487,005	2,783,036	3,380,499	12,505,705	284,908	20,258,240	329,699,393
<b>TOTAL LIABILITIES</b>	<b>25,349,451,510</b>	<b>325,703,549</b>	<b>240,793,356</b>	<b>256,794,386</b>	<b>38,614,876</b>	<b>979,912,521</b>	<b>27,191,270,198</b>

LBP'000

December 31, 2014

	Lebanon	Syria	France	Algeria	Belarus	Cyprus	Total
<b>ASSETS:</b>							
Cash and banks	7,343,038,772	106,662,532	40,887,759	147,901,653	36,931,096	271,219,202	7,946,641,014
Loans to banks	279,538,571	-	-	-	6,997,003	-	286,535,574
Loans and advances to customers	7,373,904,072	109,082,529	335,458,924	202,369,342	65,947,830	685,462,991	8,772,225,688
Investment securities	10,014,565,890	48,924,910	50,605	268,670	6,274,623	184,419,726	10,254,504,424
Investment properties	56,402,506	-	-	-	-	-	56,402,506
Customers' liability under acceptances	138,522,410	-	23,774,512	28,125,192	-	-	190,422,114
Investments in associates	59,825,856	-	-	-	-	-	59,825,856
Goodwill	55,654,472	-	-	-	-	-	55,654,472
Other assets	734,670,069	24,760,534	1,462,534	76,489,429	23,792,590	72,382,425	933,557,581
<b>TOTAL ASSETS</b>	<b>26,056,122,618</b>	<b>289,430,505</b>	<b>401,634,334</b>	<b>455,154,286</b>	<b>139,943,142</b>	<b>1,213,484,344</b>	<b>28,555,769,229</b>
<b>LIABILITIES:</b>							
Deposits and borrowings from banks	327,348,602	166,239,076	45,778,886	139,520	9,333,189	-	548,839,273
Customers' accounts at amortized cost	21,463,681,908	177,028,211	148,812,899	198,594,488	34,809,423	1,111,887,827	23,134,814,756
Customers' acceptance liability	138,522,410	-	23,774,512	28,125,192	-	-	190,422,114
Other borrowings	1,402,765,867	-	-	-	-	-	1,402,765,867
Certificates of deposit	41,361,128	-	-	-	-	-	41,361,128
Subordinated loan	31,874,580	-	-	-	-	18,160,021	50,034,601
Other liabilities and provisions	329,361,585	2,678,668	2,389,161	20,330,422	702,996	19,468,930	374,931,762
<b>TOTAL LIABILITIES</b>	<b>23,734,916,080</b>	<b>345,945,955</b>	<b>220,755,458</b>	<b>247,189,622</b>	<b>44,845,608</b>	<b>1,149,516,778</b>	<b>25,743,169,501</b>

### 43.2 Distribution of Statement of Profit or Loss by Geographical Location

LBP'000	Year Ended December 31, 2015						
	Lebanon	Syria	France	Algeria	Belarus	Cyprus	Total
Net interest income	464,461,101	5,547,470	12,245,389	12,816,960	7,575,661	47,434,247	550,080,828
Net fee and commission income	67,689,794	1,959,089	2,305,780	7,555,325	2,186,064	2,944,654	84,640,706
Investments at fair value through profit or loss	67,098,245	-	-	-	-	-	67,098,245
Liabilities designated at fair value through profit or loss	(1,931,890)	-	-	-	-	-	(1,931,890)
Other operating income	93,339,567	1,949,204	453,924	385,713	5,618,557	(1,266,921)	100,480,044
Impairment of loans and advances	(13,557,184)	(11,927,572)	(1,916,157)	(738,696)	(2,162,842)	(31,656,920)	(61,959,371)
Regulatory allowance for country risk - Deposits with Central Banks	(9,045,000)	-	-	-	-	-	(9,045,000)
Income originated from contractual future cash flows	11,995,957	-	-	-	-	-	11,995,957
Other expense	(340,995,340)	(6,609,037)	(6,855,280)	(12,766,544)	(7,339,434)	(29,410,298)	(403,975,933)
Income tax expense	(53,810,291)	(25,617)	(1,709,318)	(2,344,213)	(693,337)	-	(58,582,776)
Deferred tax on investees undistributed profits	(8,023,773)	-	-	-	-	-	(8,023,773)
<b>TOTAL</b>	<b>277,221,186</b>	<b>(9,106,463)</b>	<b>4,524,338</b>	<b>4,908,545</b>	<b>5,184,669</b>	<b>(11,955,238)</b>	<b>270,777,037</b>

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LBP'000	Year Ended December 31, 2014						
	Lebanon	Syria	France	Algeria	Belarus	Cyprus	Total
Net interest income	450,734,829	6,956,142	11,669,379	14,061,658	11,294,355	57,469,302	552,185,665
Net fee and commission income	64,638,704	(455,425)	2,863,448	7,052,620	4,611,797	4,293,277	83,004,421
Investments at fair value through profit or loss	73,222,961	-	-	-	-	-	73,222,961
Other operating income	73,309,845	1,338,618	279,396	181,106	4,220,732	(2,254,549)	77,075,148
Impairment of loans and advances	(20,711,311)	(20,814,839)	(3,583,573)	143,037	(3,708,058)	(50,871,696)	(99,546,440)
Income originated from contractual future cash flows	26,163,596	-	-	-	-	-	26,163,596
Other expenses	(326,500,171)	(7,043,504)	(7,636,332)	(15,177,710)	(10,503,081)	(34,770,424)	(401,631,222)
Income tax expense	(53,014,869)	4,363,988	(750,850)	(1,238,378)	(644,718)	-	(51,284,827)
Deferred tax on investees undistributed profits	(7,467,965)	-	-	-	-	-	(7,467,965)
<b>TOTAL</b>	<b>280,375,619</b>	<b>(15,655,020)</b>	<b>2,841,468</b>	<b>5,022,333</b>	<b>5,271,027</b>	<b>(26,134,090)</b>	<b>251,721,337</b>

**44 • Collateral Given**

Financial assets given as collateral are as follows at December 31:

LBP'000	December 31, 2015			
	Redemption Value of Pledged Assets	Corresponding Facilities		
		Nature of Facility	Amount of Facility	Maturity Date
Treasury bills at amortized cost	10,858,000	Soft Loan	10,858,000	September 2, 2017
Treasury bills at amortized cost	774,000	Soft Loan	774,000	June 29, 2017
Treasury bills at amortized cost	48,765,500	Soft Loan	48,765,500	August 11, 2016
Treasury bills at amortized cost	17,734,000	Soft Loan	17,734,000	March 21, 2019
Treasury bills at amortized cost	243,589,400	Soft Loan	243,589,400	December 21, 2020
Treasury bills at amortized cost	300,000,000	Revolving loan from Central Bank of Lebanon	300,000,000	December 31, 2015
Lebanese Government bonds at amortized cost	174,267,000	Stand-by line facility	165,825,000	Up to 5 years
Lebanese Government bonds at amortized cost	198,990,000	Stand-by line facility	188,437,500	Up to 5 years
Treasury bills at amortized cost	35,744,910	Facilities	309,124,740	Over 5 years
Treasury bills at amortized cost	247,250	Facilities	213,696,836	Over 5 years
<b>TOTAL</b>	<b>1,030,970,060</b>		<b>1,498,804,976</b>	

LBP'000

December 31, 2014

	Redemption Value of Pledged Assets	Corresponding Facilities		
		Nature of Facility	Amount of Facility	Maturity Date
Treasury bills at amortized cost	11,678,000	Soft Loan	11,678,000	September 2, 2017
Treasury bills at amortized cost	774,000	Soft Loan	774,000	June 29, 2017
Treasury bills at amortized cost	48,765,500	Soft Loan	48,765,500	August 11, 2016
Treasury bills at amortized cost	17,734,000	Soft Loan	17,734,000	March 21, 2019
Treasury bills at amortized cost	243,589,400	Soft Loan	243,589,400	December 21, 2020
Treasury bills at amortized cost	300,000,000	Revolving loan from Central Bank of Lebanon	300,000,000	December 31, 2015
Lebanese Government bonds at amortized cost	174,267,000	Stand-by line facility	165,825,000	Up to 5 years
Lebanese Government bonds at amortized cost	195,975,000	Stand-by line facility	188,437,500	Up to 5 years
Treasury bills at amortized cost	15,169,000	Facilities	174,432,681	Over 5 years
Treasury bills at amortized cost and Certificates of deposit issued by Central Bank of Lebanon	230,650 6,715,460	Facilities	188,437,500	Over 5 years
<b>TOTAL</b>	<b>1,014,898,010</b>		<b>1,339,673,581</b>	

## 45 • Risk Management of Financial Instruments

### Risk Management Framework

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

The Board of Directors, the Risk Management Committee and the Risk Management Division are responsible for overseeing the Group's risks, while the Internal Audit Department has the responsibility independently to review the implemented risk management process to ensure adequacy and effectiveness of the risk control procedures. The Risk Management Division ensures that the capital is adequate to cover all types of risks that the Group is exposed to and monitors compliance with risk management policies, procedures and risk limits. The Group assesses its risk profile to ensure that it is in line with the Bank's risk strategy and objectives. The Board of Directors receives quarterly risk reports on the Bank's risk profile and capital management process.

### Credit Risk

Credit risk is defined as the potential that a bank's borrower or counterparty fails to meet its obligations in accordance with agreed terms. The goal of Fransabank credit risk management is to maximize Bank's risk-adjusted rate of return by maintaining credit risk exposure within the acceptable limits consistent with prudential thresholds stipulated by the Central Bank of Lebanon and the Banking Control Commission. Fransabank SAL manages the credit risk inherent in the entire credit portfolio as well as the risk in individual credits. The role of credit risk management is to continuously identify, measure, control, monitor, and report on credit risk to the Board.

Management of credit risk mainly includes:

- Identifying credit risk through implementing credit processes related to credit origination, analysis, approval and review.
- Measuring credit risk by ensuring that the bank has enough capital to cover unexpected losses from its credit portfolio.
- Mitigating credit risk by ensuring the implementation of a sound internal control system and that credits are adequately collateralized.
- Monitoring credit risk by ensuring that credit exposures are within internal and regulatory set limits.
- Reporting on credit risk is realized through regular and timely escalation of credit risk reports based on the reporting lines which are evidenced by the Bank's organizational chart's hierarchal levels.

### Measurement of Credit Risk

#### Loans and Advances to Customers

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

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

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In accordance with Central Bank of Lebanon circular No.58 the Group's customers are categorized into six classifications as described below:

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

Loans' classifications are assessed and updated regularly.

Note 8 discloses the distribution of loans and advances to customers by classification.

Most of customers' exposures represent credit facilities granted to corporations which do not have external credit rating.

Loans classified in categories 1, 2 and 3 include the following past due but not impaired exposures:

LBP'000	2015	2014
Less than 30 days	79,896,683	39,912,259
Between 30-60 days	47,546,668	48,795,638
Between 60-90 days	124,894,110	52,541,238
Between 90-180 days	65,602,305	63,569,148
Beyond 180 days	97,763,348	55,707,384
<b>TOTAL</b>	<b>415,703,114</b>	<b>260,525,667</b>

Above past due accounts relate to Group entities operating in the following geographies:

LBP'000	2015	2014
Lebanon	361,710,033	215,805,888
Cyprus	27,095,000	24,655,000
Syria	26,898,081	20,064,779
<b>TOTAL</b>	<b>415,703,114</b>	<b>260,525,667</b>

### *Debt Investment Securities and Other Bills*

The risk of the debt instruments included in the investment portfolio relates mainly to sovereign risk (including Central Bank of Lebanon) to the extent of 94% in 2015 and 2014.

### **Limiting of Credit Risk**

The Bank manages the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower, and/or groups of related borrowers. Such risk is monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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

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*Concentration of Credit Risk by Geographical Location (Major Financial Assets)*

LBP'000	2015						
	Lebanon	Middle East & Africa	North America	Europe	Gulf	Other	Total
<b>Financial Assets:</b>							
Cash and Central Banks	6,122,929,928	300,557,798	-	57,226,097	-	-	6,480,713,823
Deposits with banks and financial institutions	116,966,894	140,429,613	98,654,395	708,905,169	258,798,395	14,646,455	1,338,400,921
Loans to banks	67,160,747	(188)	314,220	3,488,796	-	-	70,963,575
Loans and advances to customers	7,937,570,819	394,519,397	6,635,182	858,870,268	149,204,514	133,243,735	9,480,043,915
Investments securities	10,935,561,628	221,018	27,491,777	444,379,825	6,062,280	24,993,120	11,438,709,648
<b>TOTAL</b>	<b>25,180,190,016</b>	<b>835,727,638</b>	<b>133,095,574</b>	<b>2,072,870,155</b>	<b>414,065,189</b>	<b>172,883,310</b>	<b>28,808,831,882</b>

LBP'000	2014						
	Lebanon	Middle East & Africa	North America	Europe	Gulf	Other	Total
<b>Financial Assets:</b>							
Cash and Central Banks	6,108,823,393	234,914,395	-	163,708,294	-	-	6,507,446,082
Deposits with banks and financial institutions	236,788,327	94,572,891	126,700,766	776,365,492	201,901,301	2,866,155	1,439,194,932
Loans to banks	277,088,926	-	-	3,444,120	-	6,002,528	286,535,574
Loans and advances to customers	7,224,815,743	439,639,724	5,282,629	907,423,537	122,754,308	72,309,747	8,772,225,688
Investments securities	9,855,824,047	268,670	36,633,865	344,634,045	17,143,797	-	10,254,504,424
Derivative assets held for risk management	-	1,832,159	-	-	-	-	1,832,159
<b>TOTAL</b>	<b>23,703,340,436</b>	<b>771,227,839</b>	<b>168,617,260</b>	<b>2,195,575,488</b>	<b>341,799,406</b>	<b>81,178,430</b>	<b>27,261,738,859</b>

Other specific control and mitigation measures are outlined below:

**a) Collateral:**

The principal collateral types for loans and advances consist of mortgages over real estate properties and bank guarantees.

The Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

**b) Netting Arrangements:**

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

**Market Risks**

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

The overall authority for market risk is vested in ALCO.

*Foreign Exchange Risk*

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

Assets and liabilities are segregated as follows by major currencies:

LBP'000	December 31, 2015				
	LBP	USD	Euro	Other	Total
<b>ASSETS</b>					
Cash and Central Banks	2,961,949,018	2,875,140,596	383,338,707	260,285,502	6,480,713,823
Deposits with banks and financial institutions	46,825,775	987,367,608	154,465,315	149,742,223	1,338,400,921
Loans to banks	66,485,253	4,184,730	314,515	(20,923)	70,963,575
Loans and advances to customers	2,225,539,849	5,892,602,357	1,055,363,794	306,537,915	9,480,043,915
Investment securities	7,789,821,220	3,210,262,301	435,061,756	3,564,371	11,438,709,648
Customers' liability under acceptances	150,000	237,633,523	56,065,908	19,557,162	313,406,593
Investments in associates	45,199,055	21,971,715	-	-	67,170,770
Assets acquired in satisfaction of loans	57,627,071	142,973,949	-	-	200,601,020
Investment properties	-	-	77,443,175	-	77,443,175
Property and equipment	311,835,034	68,129,152	15,906,030	(1,049,974)	394,820,242
Intangible assets	10,538,518	-	39,926	2,336,456	12,914,900
Goodwill	48,903,653	-	6,061,592	-	54,965,245
Other assets	83,603,912	100,559,026	9,828,140	16,303,240	210,294,318
<b>TOTAL ASSETS</b>	<b>13,648,478,358</b>	<b>13,540,824,957</b>	<b>2,193,888,858</b>	<b>757,255,972</b>	<b>30,140,448,145</b>
<b>LIABILITIES</b>					
Deposits and borrowings from banks	12,367,726	154,839,829	94,453,738	33,650,643	295,311,936
Liabilities designated at fair value through profit or loss	-	48,867,277	-	-	48,867,277
Customers' accounts at amortized cost	9,783,208,197	12,284,002,960	2,005,842,470	460,752,229	24,533,805,856
Customers' acceptance liability	150,000	237,633,523	56,065,908	19,557,162	313,406,593
Other borrowings	1,149,207,020	483,909,747	5,187,796	-	1,638,304,563
Subordinated loan	-	31,874,580	-	-	31,874,580
Other liabilities	178,279,674	71,107,761	26,820,099	11,269,356	287,476,890
Provisions	34,779,558	1,508,100	1,045,378	4,889,467	42,222,503
<b>TOTAL LIABILITIES</b>	<b>11,157,992,175</b>	<b>13,313,743,777</b>	<b>2,189,415,389</b>	<b>530,118,857</b>	<b>27,191,270,198</b>
<b>NET ASSETS</b>	<b>2,490,486,183</b>	<b>227,081,180</b>	<b>4,473,469</b>	<b>227,137,115</b>	<b>2,949,177,947</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

LBP'000	December 31, 2014				
	LBP	USD	Euro	Other	Total
<b>ASSETS</b>					
Cash and Central Banks	2,942,773,681	2,934,649,275	424,773,871	205,249,255	6,507,446,082
Deposits with banks and financial institutions	205,870,369	884,339,923	235,665,838	113,318,802	1,439,194,932
Loans to banks	77,164,847	204,444,370	4,926,357	-	286,535,574
Loans and advances to customers	2,035,935,759	5,361,167,271	1,061,002,785	314,119,873	8,772,225,688
Investment securities	7,099,286,558	2,777,019,647	377,935,240	262,979	10,254,504,424
Customers' liability under acceptances	299,999	149,224,224	33,773,282	7,124,609	190,422,114
Investments in associates	38,064,508	21,761,348	-	-	59,825,856
Assets acquired in satisfaction of loans	48,488,116	152,250,403	-	-	200,738,519
Investment properties	-	-	56,402,506	-	56,402,506
Property and equipment	305,160,323	(1,047,426)	9,773,252	77,309,960	391,196,109
Intangible assets	10,277,611	-	1,302,903	1,861,398	13,441,912
Goodwill	48,903,653	-	6,750,819	-	55,654,472
Other assets	85,589,221	107,271,401	89,187,526	46,132,893	328,181,041
<b>TOTAL ASSETS</b>	<b>12,897,814,645</b>	<b>12,591,080,436</b>	<b>2,301,494,379</b>	<b>765,379,769</b>	<b>28,555,769,229</b>
<b>LIABILITIES</b>					
Deposits and borrowings from banks	61,942,723	365,466,489	74,231,367	47,198,694	548,839,273
Customers' accounts at amortized cost	8,865,536,728	11,812,653,317	2,052,892,359	403,732,352	23,134,814,756
Customers' acceptance liability	299,999	149,224,224	33,773,282	7,124,609	190,422,114
Other borrowings	955,562,121	437,574,295	9,629,451	-	1,402,765,867
Subordinated loan	-	31,874,580	18,160,021	-	50,034,601
Certificates of deposit	-	41,361,128	-	-	41,361,128
Other liabilities	235,018,970	67,600,743	24,174,725	9,724,121	336,518,559
Provisions	29,600,637	1,480,274	1,534,804	5,797,488	38,413,203
<b>TOTAL LIABILITIES</b>	<b>10,147,961,178</b>	<b>12,907,235,050</b>	<b>2,214,396,009</b>	<b>473,577,264</b>	<b>25,743,169,501</b>
<b>NET ASSETS</b>	<b>2,749,853,467</b>	<b>(316,154,614)</b>	<b>87,098,370</b>	<b>291,802,505</b>	<b>2,812,599,728</b>

*Interest Rate Risk*

Financial assets and financial liabilities are allocated by maturity bands as follows:

LBP'000	December 31, 2015				
	Not Subject to Interest	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
<b>FINANCIAL ASSETS:</b>					
Cash and Central Banks	1,114,682,182	2,329,680,233	1,525,275,780	1,511,075,628	6,480,713,823
Deposits with banks and Financial institutions	341,904,786	996,496,135	-	-	1,338,400,921
Loans to banks	1,231,958	18,439,616	53,582,001	(2,290,000)	70,963,575
Loans and advances to customers	707,448,947	7,223,792,858	837,993,209	710,808,901	9,480,043,915
Investment securities	519,079,797	753,683,832	4,029,640,486	6,136,305,533	11,438,709,648
<b>TOTAL</b>	<b>2,684,347,670</b>	<b>11,322,092,674</b>	<b>6,446,491,476</b>	<b>8,355,900,062</b>	<b>28,808,831,882</b>
<b>FINANCIAL LIABILITIES:</b>					
Deposits and borrowings from banks	42,520,949	252,790,987	-	-	295,311,936
Liabilities designated at fair value through profit or loss	381,543	-	48,485,734	-	48,867,277
Customers' accounts at amortized cost	2,100,701,532	22,368,969,257	63,174,200	960,867	24,533,805,856
Other borrowings	5,179,643	1,067,145,261	317,646,704	248,332,955	1,638,304,563
Subordinated loan	-	7,968,645	23,905,935	-	31,874,580
<b>TOTAL</b>	<b>2,148,783,667</b>	<b>23,696,874,150</b>	<b>453,212,573</b>	<b>249,293,822</b>	<b>26,548,164,212</b>

LBP'000

December 31, 2014

	Not Subject to Interest	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
<b>FINANCIAL ASSETS:</b>					
Cash and Central Banks	940,744,104	2,280,285,809	1,768,242,420	1,518,173,749	6,507,446,082
Deposits with banks and financial institutions	355,054,215	1,084,140,717	-	-	1,439,194,932
Loans to banks	538,551	224,432,073	37,241,950	24,323,000	286,535,574
Loans and advances to customers	498,481,303	7,049,373,901	796,681,241	427,689,243	8,772,225,688
Investment securities	491,521,185	995,280,810	3,661,291,849	5,106,410,580	10,254,504,424
Derivative assets held for risk management	1,832,159	-	-	-	1,832,159
<b>TOTAL</b>	<b>2,288,171,517</b>	<b>11,633,513,310</b>	<b>6,263,457,460</b>	<b>7,076,596,572</b>	<b>27,261,738,859</b>
<b>FINANCIAL LIABILITIES:</b>					
Deposits and borrowings from banks	40,641,248	508,198,025	-	-	548,839,273
Customers' accounts at amortized cost	1,991,791,023	21,025,535,667	117,488,066	-	23,134,814,756
Other borrowings	5,111,680	523,131,860	542,540,245	331,982,082	1,402,765,867
Subordinated loan	3,378	3,485,683	46,545,540	-	50,034,601
Certificates of deposit	658,628	-	40,702,500	-	41,361,128
<b>TOTAL</b>	<b>2,038,205,957</b>	<b>22,060,351,235</b>	<b>747,276,351</b>	<b>331,982,082</b>	<b>25,177,815,625</b>

## Liquidity Risk

Liquidity risk is the risk of being unable to meet net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To face this risk, management distributes its sources of funding and manages its assets

according to a cash policy that seeks to preserve an adequate liquidity balance and financial instruments than can be readily liquidated in the financial market. Management manages the maturities of its assets and liabilities in a way to provide and maintain a satisfactory liquidity ratio.

The table below shows the allocation of financial liabilities based on the earliest possible contractual maturity (undiscounted values). The expected maturities vary significantly from the contractual maturities, namely with regard to customers' deposits:

LBP'000

December 31, 2015

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>FINANCIAL LIABILITIES:</b>					
Deposits and borrowings from banks	198,814,065	77,497,871	19,000,000	-	295,311,936
Liabilities designated at fair value through profit or loss	-	381,543	48,485,734	-	48,867,277
Customers' accounts at amortized cost	20,779,574,150	3,674,810,994	78,459,846	960,866	24,533,805,856
Other borrowings	321,383,928	423,328,486	336,134,454	557,457,695	1,638,304,563
Subordinated loan	-	7,968,645	23,905,935	-	31,874,580
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>21,299,772,143</b>	<b>4,183,987,539</b>	<b>505,985,969</b>	<b>558,418,561</b>	<b>26,548,164,212</b>

LBP'000

December 31, 2014

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>FINANCIAL LIABILITIES:</b>					
Deposits and borrowings from banks	510,169,107	38,670,166	-	-	548,839,273
Customers' accounts at amortized cost	19,630,060,926	3,380,420,379	124,333,451	-	23,134,814,756
Other borrowings	36,853,157	323,304,133	692,892,495	349,716,082	1,402,765,867
Subordinated loan	3,378	18,156,643	31,874,580	-	50,034,601
Certificates of deposit	658,628	-	40,702,500	-	41,361,128
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>20,177,745,196</b>	<b>3,760,551,321</b>	<b>889,803,026</b>	<b>349,716,082</b>	<b>25,177,815,625</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**46 • Fair Value of Financial Assets and Liabilities**

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets

and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

LBP'000		December 31, 2015					
		Note	Carrying Amount	FAIR VALUE			TOTAL
Level 1	Level 2			Level 3			
<b>Financial Assets Measured at Fair Value:</b>							
Investments at fair value through profit or loss:							
	Equities and preference shares	9	37,701,873	32,658,903	-	5,042,970	37,701,873
	Lebanese Treasury bills	9	105,600,971	-	105,600,971	-	105,600,971
	Lebanese Government bonds	9	167,966,737	-	25,632,031	-	25,632,031
	Foreign Eurobonds issued by banks	9	180,671,358	-	180,671,358	-	180,671,358
	Certificates of deposit issued by Central Bank of Lebanon	9	302,290,477	-	302,290,477	-	302,290,477
	Mutual fund	9	3,526,818	-	3,526,818	-	3,526,818
Investments at fair value through other comprehensive income:							
	Quoted equities	9	12,919,633	12,919,633	-	-	12,919,633
	Unquoted equity	9	240,533,685	-	-	240,533,685	240,533,685
	Other unquoted equities	9	38,559,325	-	-	38,559,325	38,559,325
	<b>TOTAL</b>		<b>1,089,770,877</b>	<b>45,578,536</b>	<b>617,721,655</b>	<b>284,135,980</b>	<b>947,436,171</b>
<b>Financial Assets not Measured at Fair Value:</b>							
	Term placement with Central Bank of Lebanon	5	4,587,562,527	-	4,879,895,444	-	4,879,895,444
	Loans and advances to banks	7	70,963,575	-	62,023,016	-	62,023,016
	Loans and advances to customers	8	9,480,043,915	-	9,375,287,767	-	9,375,287,767
Investments at amortized cost:							
	Preference shares	9	19,398,510	-	19,398,510	-	19,398,510
	Lebanese Treasury bills	9	3,141,117,736	-	3,121,567,483	-	3,121,567,483
	Lebanese Government bonds	9	2,656,092,119	-	2,667,267,088	-	2,667,267,088
	Foreign Government bonds	9	262,385,022	-	271,390,213	358,785	271,748,998
	Foreign Eurobonds issued by banks	9	16,783,106	4,782,534	12,259,092	-	17,041,626
	Subordinated Eurobonds	9	1,605,016	-	1,605,016	-	1,605,016
	Certificates of deposit issued by Central Bank of Lebanon	9	4,143,154,067	-	4,137,026,582	-	4,137,026,582
	Certificates of deposit issued by banks	9	40,547,134	-	40,472,305	-	40,472,305
	Corporate bonds	9	38,246,358	-	39,034,435	-	39,034,435
	Asset-backed securities	9	50,407,823	-	50,407,823	-	50,407,823
	<b>TOTAL</b>		<b>24,508,306,908</b>	<b>4,782,534</b>	<b>24,677,634,774</b>	<b>358,785</b>	<b>24,682,776,093</b>
<b>Financial Liabilities Measured at Fair Value:</b>							
	Liabilities designated at fair value through profit or loss	18	48,867,277	48,867,277	-	-	48,867,277
	<b>TOTAL</b>		<b>48,867,277</b>	<b>48,867,277</b>	<b>-</b>	<b>-</b>	<b>48,867,277</b>
<b>Financial Liabilities not Measured at Fair Value:</b>							
	Other borrowings	19	1,638,304,563	-	1,632,301,832	-	1,632,301,832
	Subordinated loan	20	31,874,580	-	35,338,753	-	35,338,753
	<b>TOTAL</b>		<b>1,670,179,143</b>	<b>-</b>	<b>1,667,640,585</b>	<b>-</b>	<b>1,667,640,585</b>

LBP'000

December 31, 2014

	Note	Carrying Amount	FAIR VALUE			
			Level 1	Level 2	Level 3	TOTAL
<b>Financial Assets Measured at Fair Value:</b>						
Investments at fair value through profit or loss:						
Equities and preference shares	9	39,496,357	35,367,497	-	4,128,860	39,496,357
Lebanese Treasury bills	9	287,574,670	-	287,574,670	-	287,574,670
Lebanese Government bonds	9	25,632,031	-	25,632,031	-	25,632,031
Foreign Government bonds	9	13,063,681	-	13,063,681	-	13,063,681
Foreign Eurobonds issued by banks	9	182,487,388	-	182,487,388	-	182,487,388
Certificates of deposit issued by Central Bank of Lebanon	9	436,648,043	-	436,648,043	-	436,648,043
Mutual fund	9	3,502,722	-	3,502,722	-	3,502,722
Investments at fair value through other comprehensive income:						
Quoted equities	9	11,139,141	11,139,141	-	-	11,139,141
Unquoted equity	9	240,533,685	-	-	240,533,685	240,533,685
Other unquoted equities	9	25,889,032	-	-	25,889,032	25,889,032
<b>TOTAL</b>		<b>1,265,966,750</b>	<b>46,506,638</b>	<b>948,908,535</b>	<b>270,551,577</b>	<b>1,265,966,750</b>
<b>Financial Assets not Measured at Fair Value:</b>						
Term placement with Central Bank of Lebanon	5	5,219,771,900	-	5,445,516,349	-	5,445,516,349
Loans and advances to banks	7	286,535,574	-	278,608,712	-	278,608,712
Loans and advances to customers	8	8,772,225,688	-	8,733,978,938	-	8,733,978,938
Investments at amortized cost:						
Preference shares	9	17,333,235	-	17,333,235	-	17,333,235
Lebanese Treasury bills	9	3,190,518,195	-	3,196,704,383	-	3,196,704,383
Lebanese Government bonds	9	2,183,582,745	-	2,216,845,729	-	2,216,845,729
Foreign Government bonds	9	155,768,232	-	157,328,209	358,785	157,686,994
Foreign Eurobonds issued by banks	9	14,018,968	5,445,389	9,506,192	-	14,951,581
Subordinated Eurobonds	9	1,605,016	-	1,605,016	-	1,605,016
Certificates of deposit issued by Central Bank of Lebanon	9	3,285,206,745	-	3,329,222,519	-	3,329,222,519
Certificates of deposit issued by banks	9	40,565,096	-	40,469,643	-	40,469,643
Corporate bonds	9	41,449,629	-	42,326,675	-	42,326,675
Asset-backed securities	9	58,489,813	-	58,489,813	-	58,489,813
<b>TOTAL</b>		<b>23,267,070,836</b>	<b>5,445,389</b>	<b>23,527,935,413</b>	<b>358,785</b>	<b>23,533,739,587</b>
<b>Financial Liabilities not Measured at Fair Value:</b>						
Other borrowings	20	1,402,765,867	-	1,392,681,139	-	1,392,681,139
Subordinated loan	21	50,034,601	-	54,824,495	-	54,824,495
<b>TOTAL</b>		<b>1,452,800,468</b>	<b>-</b>	<b>1,447,505,634</b>	<b>-</b>	<b>1,447,505,634</b>

**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

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

The directors consider that the carrying amounts of cash, compulsory and other short term deposits with Central Bank,

deposits from banks and accounts payable approximate their fair values due to the short-term maturities of these instruments. For customers' accounts, this is largely due to their short term contractual maturities.

*Valuation Techniques, Significant Unobservable Inputs, and Sensitivity of the Input to the Fair Value*

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

<b>Financial Instruments</b>	<b>Date of Valuation</b>	<b>Valuation Technique and Key Inputs</b>	<b>Significant Unobservable Inputs</b>
Lebanese Treasury bills	31-Dec-15/14	DCF at a discount rate determined based on the yield curve applicable to Lebanese Treasury bills, adjusted for illiquidity	N/A
Certificates of deposits in LBP issued by Central Bank	31-Dec-15/14	DCF at a discount rate determined based on the yield curve applicable to Lebanese Treasury bills, adjusted for illiquidity	N/A
Certificates of deposits in foreign currencies issued by Central Bank	31-Dec-15/14	DCF at discount rates based on observable yield curves at the measurement date	N/A
Lebanese Government bonds	31-Dec-15/14	DCF at discount rates determined based on the yield on USA Treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor	N/A
Term deposits with Central Bank of Lebanon	31-Dec-15/14	DCF at discount rates based on observable yield curves at the measurement date	N/A
Loans and advances to customers	31-Dec-15/14	DCF at discount rates based on average rate of return of the receivables bearing fixed interest rate for more than one year	N/A
Foreign Government bonds	31-Dec-15/14	Quoted prices for similar assets in active markets	N/A
Unquoted equity at FVTOCI	31-Dec-15/14	Income approach (DCF)	Yearly growth rate 1%; discount rate 12%; growth rate at perpetuity 2%
Other unquoted equities at FVTOCI	31-Dec-15/14	N/A	N/A
Other borrowings	31-Dec-15/14	DCF at discount rates based on average rate of return of the payables bearing fixed interest rate for more than one year	N/A
Subordinated loan	31-Dec-15/14	DCF at discount rates based on average rate of return of the payables bearing fixed interest rate for more than one year	N/A

## 47 • Capital Management

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator. The Group's foreign entities are also required to respect particular ratios according to the competent authorities of supervisions.

The Group's capital is split as follows:

**Common Tier I Capital:** Comprises share capital after deduction of Treasury shares, certain reserves from appropriation of

profits, retained earnings. Goodwill is deducted from Tier I Capital.

**Tier I Capital:** Comprises Common Tier I capital, shareholders' cash contribution to capital and preference shares.

**Tier II Capital:** Comprises qualifying subordinated liabilities, collective impairment allowance and cumulative change in fair value for investment at fair value through other comprehensive income.

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

LBP'000	2015	2014
Tier I capital	2,318,904,000	2,174,564,000
<i>Of which: common Tier I</i>	<i>1,631,062,000</i>	<i>1,500,879,000</i>
Tier II capital	202,486,000	212,580,000
<b>Total regulatory capital</b>	<b>2,521,390,000</b>	<b>2,387,144,000</b>
Credit risk	15,137,737,000	13,904,779,000
Market risk	587,042,000	615,931,000
Operational risk	1,382,957,000	1,319,938,000
<b>RISK-WEIGHTED ASSETS OF CREDIT, MARKET AND OPERATIONAL RISKS</b>	<b>17,107,736,000</b>	<b>15,840,648,000</b>
Capital adequacy ratio:		
<b>COMMON TIER I</b>	<b>9.53%</b>	<b>9.47%</b>
<b>TIER I</b>	<b>13.55%</b>	<b>13.73%</b>
<b>TOTAL CAPITAL (TIER I AND II)</b>	<b>14.74%</b>	<b>15.07%</b>

## 48 • Approval of the Financial Statements

The consolidated financial statements were approved by the Bank's Board of Directors in its meeting held on April 15, 2016.





GROUP  
NETWORK



## Lebanon - Parent Company, Subsidiaries & Associates

# 124 BRANCHES

Subdivided as follows:

- 
- **74 Fransabank branches**
- 
- **48 BLC Bank branches**
- 
- **1 branch for Fransa Invest Bank**
- 
- **1 branch for BLC Invest**
- 

### Parent Company

#### Fransabank SAL

74 branches

- 20 branches in Beirut
- 26 branches in Mount Lebanon
- 11 branches in Northern Lebanon
- 7 branches in Bekaa Region
- 10 branches in Southern Lebanon

### Subsidiaries

#### BLC Bank SAL (with BLC Services & BLC Finance)

48 branches

- 9 branches in Beirut
- 20 branches in Mount Lebanon
- 6 branches in Northern Lebanon
- 3 branches in Bekaa Region
- 4 branches in Southern Lebanon
- 6 branches non-operational

#### Fransa Invest Bank SAL (FIB)

#### BLC Invest SAL

#### Société Générale Foncière SAL (Sogefon)

#### Lebanese Leasing Company SAL (LLC)

#### Fransabank Insurance Services Company SAL

#### Switch & Electronic Services SAL

#### Société Express SARL

### Associated Companies

#### Bancassurance SAL

#### International Payment Network SAL

# Fransabank SAL

## Headquarters

Fransabank Center, Hamra Str.,  
P.O.Box 11-0393  
Riad El Solh Beirut 1107 2803  
Lebanon

Tel (961) 1 340180/8  
(961) 1 745761/4  
(961) 3 650700  
Fax (961) 1 354572  
Cable FRANSBANK  
Swift FSAB LB BX  
Email fsb@fransabank.com  
Website www.fransabank.com  
Call Center (961) 1 734000  
1552  
Forex Tel (961) 1 343706  
(961) 1 344216  
Reuters FRBK

## Retail@Fransabank

Fransabank Center,  
Hamra Str., Ground Floor  
Tel (961) 1 340180/8  
Fax (961) 1 740281

## Beirut

### Ain El Mreisseh

Nawrass Bldg., Opposite  
Ain El Mreisseh Mosque  
Tel (961) 1 373240/1/2  
Fax (961) 1 373243

### Ashrafieh (Rmeil)

Akra Bldg., St. Louis Str., Rmeil  
Tel (961) 1 571844/499  
Fax (961) 1 446804

### Ashrafieh (Sassine)

Notre Dame Center, Sassine Square  
Tel (961) 1 203466/7  
Fax (961) 1 200651

### Ashrafieh (Sodeco)

Dakota Bldg., Sodeco  
Tel (961) 1 423573/4/5  
(961) 70 677360  
Fax (961) 1 423577

### Bab Idriss

Fransabank Bldg., [Ex. Ahli International  
Bank Bldg.], Omar Daouk Str., Bab Idriss,  
Beirut Central District  
Tel (961) 1 970920/921  
Fax (961) 1 970952

## Badaro

Khatoun Bldg., Badaro Str.  
Tel (961) 1 387024  
(961) 1 386900/1  
Fax (961) 1 390409

## Basta

Fransabank Bldg., Cross Roads  
of Saleh Ben Yehia, Basta Str.  
Tel (961) 1 663116/8  
Fax (961) 1 663117

## Foch

Focheville Bldg., Foch Str.  
Beirut Central District  
Tel (961) 78 809280  
(961) 1 998230/240  
Fax (961) 1 998230

## Hamra

Fransabank Center, Hamra Str.,  
1<sup>st</sup> Floor  
Tel (961) 1 340180/1/8  
(961) 1 750679  
Fax (961) 1 341413

## Hamra (Ras Beirut)

Hoss Bldg., Emile Eddé Str., 2<sup>nd</sup> Floor  
Tel (961) 1 340270  
Fax (961) 1 742843

## Hamra (Sadat)

Itani Bldg., Sadat Str.  
Tel (961) 1 743135/6  
Fax (961) 1 743138

## Jnah

Assaf Bldg., Adnan El Hakim Str.  
Tel (961) 1 857972/3/4  
Fax (961) 1 857972

## Mar Elias

Metco Center, Moussaitbeh,  
Mar Elias Str.  
Tel (961) 1 818529/30  
(961) 1 817770  
Fax (961) 1 300617

## Moussaitbeh

Al Lou'loua Bldg., Selim Salam Str.  
Tel (961) 1 308791/2/3  
(961) 70 677651  
Fax (961) 1 305189

## Saifi

Andraos Bldg., El-Arz Str.  
Tel (961) 1 442418  
(961) 3 650703  
Fax (961) 1 442417

## Starco

Starco Center, Bloc C,  
Omar Daouk Str.  
Tel (961) 1 367346/8  
Fax (961) 1 367350

## Tabaris

Saifi 311 Bldg., Fouad Chehab Avenue  
Tel (961) 1 203422  
(961) 1 328600  
Fax (961) 1 201141

## Tarik Jdide

Kassar Bldg., Loubos Str.  
Tel (961) 1 702930/1  
(961) 3 650705  
Fax (961) 1 309090

## Verdun

Verdun 730 Center,  
Rachid Karame Str., 1<sup>st</sup> Floor  
Tel (961) 1 788690/1/2/3/4  
(961) 3 650709  
Fax (961) 1 788691

## Verdun (Mazraa)

Diamond Tower, Rachid Karame Str., 1<sup>st</sup> Floor  
Tel (961) 1 797079  
Fax (961) 1 797082

## Mount Lebanon

### Aley

Said Chehayeb Bldg. (DANA),  
Main Road  
Tel (961) 5 557042/3/4  
Fax (961) 5 557046

### Antelias

Order Antonin Maronite Bldg.,  
Catholicossat Armenien Str.  
Tel (961) 4 417240/1  
Fax (961) 4 412990

### Baakline

Akram El Eid Center, El Marj  
Tel (961) 5 303005  
(961) 5 301267  
Fax (961) 5 303006

### Bauchrieh

Bakhos & Aoun Bldg., Square One Center  
Tel (961) 1 897490/1/2  
Fax (961) 1 898786

### Bikfaya

Adel Dagher Bldg., Bikfaya Square  
Tel (961) 4 986901/2  
(961) 70 910700  
Fax (961) 4 986903

**Bourj El Brajneh**

Ahmad Nabhouh Bldg.,  
Ain El Sekkeh, Dr. Hosni Jalloul Str.  
Tel (961) 1 453200/1  
(961) 3 740410  
Fax (961) 1 453203

**Bourj Hammoud**

Harboyan Center,  
Near St. Vartan Church,  
Bourj Hammoud entrance, 2<sup>nd</sup> Floor  
Tel (961) 1 258101/2/3  
Fax (961) 1 264446

**Chehim**

Wehbe Center, Main Road  
Tel (961) 7 241916/7  
Fax (961) 7 241921

**Chiyah**

Tayyar Bldg., facing Moawad junctions,  
Ghobeiri Blvd., Chiyah  
Next to the Ministry of Labor  
Tel (961) 1 279671/3  
(961) 3 740412  
Fax (961) 1 279680

**Choueifat**

Mahmoud El Khesheh Bldg.,  
Haret Al Oumara, Saida Main Road  
Tel (961) 5 431152  
(961) 5 431178  
Fax (961) 5 431183

**Dora**

Kassardjian Bldg., Dora Highway, 1<sup>st</sup> Floor  
Tel (961) 1 899121  
Fax (961) 1 894721

**Elyssar (Mazraat Yachouh)**

Fransabank Bldg.,  
Mazraat Yachouh, Bikfaya Main Road  
Tel (961) 4 914803/4/7  
Fax (961) 4 914805

**Furn El Chebbak**

Saadeh Center,  
Facing Planete Abraj, Beirut/Damascus Str.  
Tel (961) 1 293025/6  
Fax (961) 1 293027

**Galerie Semaan**

Hadath, Galerie Semaan Bldg. & Str.  
Tel (961) 5 957657 - (961) 5 954630  
Fax (961) 5 954632

**Hadath**

Bechara Beik Karam Str., Al Saha,  
Near Al Saydeh Church, Main Road  
Tel (961) 5 463975/7  
Fax (961) 5 463980

**Hazmieh**

Unigroup Bldg., Sayyad Square  
Tel (961) 5 459602  
(961) 5 450350  
Fax (961) 5 457312

**Jal El Dib**

Le Baron Center, Jal El Dib Highway,  
1<sup>st</sup> Floor  
Tel (961) 1 889884/5  
Fax (961) 1 902959

**Jbeil**

Byblos Sun Bldg., Jbeil Roundabout  
Tel (961) 9 945108  
(961) 3 650719  
Fax (961) 9 540968

**Jdeideh**

Barbar Bou-Jawdeh Bldg. & Str., 1<sup>st</sup> Floor  
Tel (961) 1 881680  
Fax (961) 1 883891

**Jounieh**

Saint Paul Center, P.T.T. Str.  
Tel (961) 9 830190/1  
Fax (961) 9 830192

**Kaslik**

Damaa Center, Zouk Highway  
Tel (961) 9 210769  
Fax (961) 9 210773

**Mansourieh**

Maalouf Center, Opposite P.T.T.,  
Main Road  
Tel (961) 4 409840/1  
Fax (961) 4 409840

**Mreijeh**

Chahine Bldg., Hadi Nasrallah Blv.  
Tel (961) 1 469014/015/016  
Fax (961) 1 469006

**Sarba**

Antoine & Youssef Kallas Bldg.,  
Sarba Highway  
Tel (961) 9 640293  
(961) 9 640060  
Fax (961) 9 640543

**Sin El Fil**

Kibinian & Kazangian Bldg.,  
Delta Center, Horch Tabet  
Tel (961) 1 510571/2/3  
(961) 3 650708  
Fax (961) 1 481680

**Zouk**

Zouk Mosbeh, Jeita Main Road  
Tel (961) 9 217271/2/3  
Fax (961) 9 219696

**North****Chekka**

Ragheb Center, Main Road  
Tel (961) 6 540642/3  
Fax (961) 6 545035

**Dahr El Ain**

Michel Frangieh Bldg., Main Road  
Dahr El Ain, Koura  
Tel (961) 78 809580/680  
Fax (961) 1 340180

**Halba**

Marwan Ibrahim Bldg., Main Road  
Tel (961) 6 693330/1/2  
Fax (961) 6 692001

**Meryata**

Ayoush Bldg., Ardeh Str.  
Tel (961) 6 255560/1/2  
Fax (961) 6 255564

**Tripoli (Abou Samra)**

Sayadi Bldg., Saadoun Square  
Tel (961) 6 424617/9  
Fax (961) 6 424611

**Tripoli (Al Mina)**

Hassan & Hassane Abbas Bldg.,  
Bawabet Al Mina Str.  
Tel (961) 6 611524  
(961) 6 611249/50  
Fax (961) 6 611250

**Tripoli (Boulevard)**

Awkaf Bldg., Fouad Chehab Blvd.  
Tel (961) 6 430106  
Fax (961) 6 432720

**Tripoli (Gemmayzat)**

Fattal Bldg., Gemmayzat Str.  
Tel (961) 6 430012/3  
Fax (961) 6 625735

**Tripoli (Maarad)**

Ordre des Ingénieurs Bldg.,  
« Damm et Farez » District  
Tel (961) 78 809780  
Fax (961) 6 411514

**Tripoli (Tell)**

Gaston Habib Bldg., Kayal Square  
Tel (961) 6 442815  
(961) 6 441881/2  
Fax (961) 6 441881/2

**Zgharta**

El-Kareh & Zakhia Center, Road 1,  
Zgharta EL-Abbeh  
Tel (961) 6 667951/2/3  
(961) 70 676255  
Fax (961) 6 667956

## Bekaa

### Baalbeck

Mohammad Said El Lakiss Bldg.,  
Ras Al-Ayn, Main Road  
Tel (961) 8 378800/1/2  
(961) 8 371800/1  
Fax (961) 8 370379

### Bednayeil

Ali Fouad Sleiman Bldg., Main Road  
Tel (961) 8 911124/5  
Fax (961) 8 911124

### Chtaura

Haddad Bldg., Main Road  
Tel (961) 8 541988  
(961) 8 542498  
Fax (961) 8 543843

### Laboue

Near Laboue Square, Main Road  
Tel (961) 8 230801/2/3  
Fax (961) 8 230805

### Riyak

Hosch Hala, Main Road  
Tel (961) 8 900333/444/555  
Fax (961) 8 900107

### Zahle (Barbara)

Ghossain Bldg., St. Barbe Str.  
Tel (961) 8 811060  
(961) 8 803715  
Fax (961) 8 822335

### Zahle (Warde)

Warde Center, Main Road  
Tel (961) 8 803566  
(961) 8 821411  
Fax (961) 8 810187

## South

### Bint Jbeil

Fransabank Bldg., Saf El-Hawa,  
Main Road  
Tel (961) 7 450701/2/3/4  
(961) 3 239092  
Fax (961) 7 450701

### Ghazieh

Khalifeh Center, Ghazieh, Main Road  
Tel (961) 7 224430/60  
Fax (961) 7 224480

### Jezzine

St. Therese Center, Jezzine Highway  
Tel (961) 7 780941  
(961) 7 780052  
Fax (961) 7 780941

### Marjeyoun

Raef Abla Bldg., Main Road  
Tel (961) 7 830139/140  
(961) 3 334923  
Fax (961) 7 830139

### Nabatieh

Kodeih Center, Sabbah Str.  
Tel (961) 7 760258  
(961) 7 764264  
Fax (961) 7 761750

### Nakoura

Hamzeh Bldg., Near UNIFIL,  
Main Road, 1<sup>st</sup> Floor  
Tel (961) 7 460235/6/7  
(961) 3 067702  
Fax (961) 7 460236

### Saida

Fransabank Bldg., Riad El Solh Str.  
Tel (961) 7 722180/1  
(961) 3 650701  
Fax (961) 7 721194

### Saida (Fakhreddine)

Moukhalasieh Bldg., Fakhreddine Str.,  
1<sup>st</sup> Floor  
Tel (961) 7 728930  
Fax (961) 7 728931

### Tyr

Abou Saleh Bldg., Senegal Str.,  
Tyr Main Entrance, 1<sup>st</sup> Floor  
Tel (961) 7 345253  
(961) 7 345315  
Fax (961) 7 345308

### Tyr (Abbassieh)

Khalaf Bldg., Jal El Bahr,  
Main Road  
Tel (961) 7 740388  
(961) 7 740486  
Fax (961) 7 740084

## Off-Premises ATMs

### Beirut

- Achrafieh, ABC Mall
- American University of Beirut
- Beirut Central District,  
Biel Convention Center
- Beirut Central District, UFA Insurance
- Verdun, Verdun 730 Center
- Verdun, Verdun 732 Center
- Adlieh, General Security
- Mar Elias, Caserne El Helou

### Mount Lebanon

- Bauchrieh, Sin El Fil Blvd., Chaer Center
- Bourj Hammoud, Total Medawar
- Dbayeh, Club La Marina
- Hazmieh, City Center Beirut
- Yarzeh, Ministry of Defense
- Aley, Kabrechmoun
- Obeid Supermarket
- Faraya, Mema Gas Station
- Aoukar, US Embassy
- Jounieh, Caliprix Supermarket
- Jbeil, Cordahi Center
- Ghazir, Açaf Flora

### North

- Ehden, Sérail Hotel Ehden
- Kalamoun, Miramar Hotel
- Ordre des Avocats de Tripoli  
et de Liban Nord

### Bekaa

- Zahle, Tell Chiha Hospital

### South

- Tyr, Electricité du Liban
- Nakoura, United Nations Center

## **BLC Bank SAL**

BLC Bank Bldg., Adlieh Square  
P.O.Box 11-1126 Beirut, Lebanon  
Tel (961) 1 387000  
(961) 1 429000  
Fax (961) 1 616984  
Email info@blcbank.com  
Website www.blcbank.com

## **Fransa Invest Bank SAL (FIB)**

Fransabank Center, Hamra Str., 1<sup>st</sup> Floor  
P.O.Box 11-0393 Riad El Solh Beirut  
1107 2803, Lebanon  
Tel (961) 1 745978/9  
Fax (961) 1 351030  
Email fib@fransabank.com  
Website www.fibleb.com

## **BLC Invest Bank SAL**

Royal Tower Bldg., Nicolas Turk Str., Ashrafieh  
P.O.Box 17-5454 Beirut, Lebanon  
Tel (961) 1 566207/8/9  
Fax (961) 1 565311  
Email info@blcinvest.com

## **Lebanese Leasing Company SAL (LLC)**

Fransabank Center, Hamra Str., 9<sup>th</sup> Floor  
P.O.Box 11-0144 Beirut, Lebanon  
Tel (961) 1 738610/1/2/3  
(961) 1 750310/1  
Fax (961) 1 738614  
Email llc@leasing.com.lb

## **Bancassurance SAL**

Semiramis Bldg., Weygand Str., Bab Idriss,  
4<sup>th</sup> Floor (opposite to Beirut Souks)  
P.O.Box 11-6729 Beirut, Lebanon  
Tel / Fax 961 1 960 100  
Email Bancassurance@ebancassurance.com  
Website www.ebancassurance.com

## **Société Générale Foncière SAL (Sogefon)**

Fransabank Center, Hamra Str., 6<sup>th</sup> Floor  
P.O.Box 11-0393 Riad El Solh Beirut  
1107 2803, Lebanon  
Tel (961) 1 749418  
Fax (961) 1 340180 - Ext. 1816

## Overseas Subsidiaries

### FRANCE

#### Fransabank (France) SA

##### Headquarters & Main Branch

104, Champs-Elysées Avenue, 75008 Paris, France  
Tel (33) 1 53 76 84 00  
Fax (33) 1 45 63 57 00  
Swift FRAF FR PP  
Email info@fransabank.fr  
Website www.fransabank.fr

### ALGERIA

#### Fransabank El Djazaïr SPA

##### Headquarters & Main Branch

45B, Lot Petite Provence, Sidi Yahia, Hydra, 16405, Algiers, Algeria  
Tel (213) 21 48 12 96 / 21 48 27 48 - Headquarters  
Tel (213) 21 48 00 29 / 21 48 02 12 - Main Branch  
Fax (213) 21 60 66 06  
Swift FSBK DZ AL  
Email info@fransabank.dz  
Website www.fransabank.dz

##### New Headquarters & New Main Branch

*(under construction)*  
Résidence des Pins, Bloc A, Commune de Chéraga, Algiers, Algeria

##### Oran

Cité Dar El Beida, Cooperative EL-Zouhour, no.12, Oran, Algeria  
Tel (213) 41 46 09 06 / 41 46 07 02  
Fax (213) 41 46 07 05 / 31 62 96 28

##### Constantine

Cité Ali Besbas, Lot G no 23, Sidi Mabrouk, Constantine, Algeria  
Tel (213) 31 62 93 66 / 31 62 96 28  
Fax (213) 31 63 06 40

##### Blida

*(under construction)*  
Avenue Mokhtar Kertli, Lotissement Les Palmiers no. 01, Blida, Algeria

### SYRIA

#### Fransabank Syria SA

##### Damascus

##### Headquarters & Main Branch

Al Mahdi Ben Barakeh Str., Al Otaki Bldg.  
Abou Remmaneh, Damascus, Syria  
Tel (963) 11 33 53 030  
Fax (963) 11 33 53 037  
Swift FSBS SY DA  
Email info@fransabank.sy

##### Baghdad Street

Baghdad Str., facing Lycée (Al Horria), Damascus, Syria  
Tel (963) 11 23 26 890/1  
Fax (963) 11 23 26 892

##### Rif Damascus

##### Sit Zaynab

Sit Zaynab Str., Safir Hotel, Rif Damascus, Syria  
Tel (963) 11 64 86 011/12  
Fax (963) 11 64 86 014  
*(Temporarily closed)*

##### Aleppo

##### Al Aziziyeh

Al Aziziyeh Str., Shallal Roundabout, facing Public Garden, Kurdi Bldg., Aleppo, Syria  
Tel (963) 21 22 42 601/2  
Fax (963) 21 22 42 603

##### Faisal

Faisal Avenue, facing Georges Salem Institute, Aleppo, Syria  
Tel (963) 21 22 18 265/8  
Fax (963) 21 22 18 270

##### Homs

Hachem Al Atasi Avenue, Plaza Bldg., Homs, Syria  
Tel (963) 31 24 56 030/1  
Fax (963) 31 24 56 033  
*(Temporarily closed)*

##### Tartous

Thawra Avenue, Ali Abdel Latif Ismail Bldg., Tartous, Syria  
Tel (963) 43 32 90 60  
Fax (963) 43 32 90 64

##### Latakia

West Ridge, Latakia, Syria  
Tel (963) 41 45 98 29/30/31  
Fax (963) 41 45 99 07

##### Damascus Free zone

Baramkeh, Jamarek Sq., Free Zone, Damascus, Syria  
Tel (963) 11 23 21 008  
Fax (963) 11 21 33 184

## BELARUS

### Fransabank OJSC

#### Minsk

##### Headquarters & Main Branch

95A, Nezavisimosty Avenue,  
220012 Minsk, Republic of Belarus  
Tel (375) 17 389 36 36  
Fax (375) 17 389 36 37  
Swift GTBN BY 22  
Email office@fransabank.by  
Website www.fransabank.by

#### Branch 1

4 Kalvariyskaya Str., 220004 Minsk, Republic of Belarus  
Tel (375) 17 389 37 59  
Fax (375) 17 210 07 15

#### Branch 2

9 Dombrovskaya Str., 220140, Minsk, Republic of Belarus  
Tel (375) 17 389 37 47  
Fax (375) 17 313 29 08

#### Branch 3

7 Jinovitcha Str., 220124, Minsk, Republic of Belarus  
Tel/Fax (375) 29 344 82 07

#### Gomel

5A Krasnoarmeiskaya Str., 246017 Gomel, Republic of Belarus  
Tel/Fax (375) 23 275 02 48  
(375) 23 275 03 39  
(375) 23 275 02 53

#### Grodno

10, Dominikanskaya Str., 230023 Grodno, Republic of Belarus  
Tel (375) 15 277 35 30  
Fax (375) 15 277 04 06

#### Brest

##### Branch 1

16 Masherova Ave, 224022 Brest, Republic of Belarus  
Tel (375) 15 277 35 30  
Fax (375) 15 277 04 06

##### Branch 2

46 Sovetskaya Str., 224005 Brest, Republic of Belarus  
Tel/Fax (375) 16 223 56 05

#### Lida

12, Kyaza Gedechina Blvd., 231291 Lida, Republic of Belarus  
Tel (375) 15 452 88 58  
Fax (375) 15 460 61 37

## IRAQ

### Fransabank SAL, Iraq Branches

#### Erbil

##### Headquarters & Branch

St. 100m, Facing Cristal Erbil Hotel, Kurdistan Region, Iraq  
Tel (964) 771 822 9164 / (964) 750 760 9118  
Email Omar.Daham@fransabankiraq.com

#### Baghdad

Dr. Salman Faek Str., Al Wahad District 902/14, no 48  
Karrada, Baghdad, Iraq  
Tel (964) 781 452 6312 / (964) 771 822 9163  
Email Georges.Salibi@fransabankiraq.com

## CYPRUS

### USB Bank PLC Subsidiary of BLC Bank

#### Headquarters

83 Digeni Akrita Avenue, 1070 Nicosia, Cyprus  
Tel (357) 22 88 33 33  
Fax (357) 22 87 58 99  
Swift UVNK CY 2N  
Email usbmail@usbbank.com.cy  
Website www.usbbank.com.cy

#### 14 branches subdivided into

5 branches in Nicosia  
3 branches in Limassol  
3 branches in Paphos  
2 branches in Famagusta  
1 branch in Larnaca

## Overseas Associate

### SUDAN

#### United Capital Bank

##### Headquarters & Main Branch

Plot 411, Square 65, Mamoun Beheiry Str.,  
South the Green Square  
P.O.Box 8210 Al Amarat, Khartoum, Sudan  
Tel (249) 183 24 77 00 - Headquarters  
Fax (249) 183 23 50 00 - Headquarters  
Fax (249) 183 24 84 90 - Main Branch  
Swift CBSK SD KH  
Email Yousif@bankalmal.net  
Website www.bankalmal.net

##### Khartoum

Plot 130, Square 8, Industry Str., North Bahri,  
P.O.Box 1173 Khartoum, Sudan  
Tel (249) 185 32 44 80  
Fax (249) 185 32 40 01

##### Rabak

Plot 390, Square 3, Rabak  
P.O.Box 203 Rabak, Sudan  
Tel (249) 572 82 94 80  
Fax (249) 572 82 94 81

##### Omdurman

Plot 6, Square 5/4, Alarda North, South Hilal Stadium,  
Omdurman  
P.O.Box 1500 Khartoum, Sudan  
Tel (249) 183 73 19 99  
Fax (249) 183 73 19 98

## Representative Offices

### IVORY COAST (ABIDJAN)

#### Fransabank SAL

Acacias Building, Clozel Street - Plateau, Abidjan,  
Ivory Coast  
Tel (225) 57 07 42 75 / (961) 3 23 58 03  
Fax (225) 20 24 26 82  
Email mohamed.moukhader@fransabank.com

### CUBA (HAVANA)

#### Fransabank SAL

Calle 72 n 505 e/5ta - AVE. y 5ta A, Miramar Playa -  
Ciudad de la Habana - Cuba  
Tel (537) 204 92 72 / 204 93 05/6  
Fax (537) 204 92 73  
Email fsbinfo@fsb.co.cu

### UAE (ABU DHABI)

#### BLC Bank SAL

Khalidiya Park Bldg., 1<sup>st</sup> Floor, Khalidiya Str.  
P.O. Box 6204, Abu Dhabi, UAE  
Tel (971) 2 65 05 777  
Fax (971) 2 65 05 778  
Website www.blcbank.com



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[www.fransabank.com](http://www.fransabank.com)