

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

**CAPITAL LBP 689,113,198,400 FULLY PAID,
TOTAL EQUITY 2,958,531,000,000 | C.R.B.14150,
LIST OF BANKS NO. 39, HEAD OFFICE - BEIRUT**



BOARD OF DIRECTORS

Dr. François S. Bassil | Chairman & General Manager
Mr. Semaan F. Bassil | Vice-Chairman & General Manager
H.E. Mr. Arthur G. Nazarian | Director
Baron Dr. Guy L. Quaden | Director
Des' S. O Shea | Director
Mr. Ahmad T. Tabbarah | Director
Mr. Bassam A. Nassar | Director
Faysal M. Ali El Tabsh | Director
Dr. Henry T. Azzam | Director

Mr. Abdulhadi A. Shayif | Director*
Mr. Alain C. Tohmé | Director
Mr. Yves R. Jacquot | Director**

AUDITING FIRMS

Ernst & Young | Semaan, Gholam & Co.

(*) The mandate of Mr. Abdulhadi Shayif expired on 15 May 2015.

(**) The Ordinary General Assembly of Shareholders elected Mr. Yves R. Jacquot to the Board of Directors on 15 May 2015.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014 (LBP millions)

	31-DEC-14	31-DEC-13
ASSETS		
Cash and balances with central banks	7,048,785	5,809,930
Due from banks and financial institutions	2,913,279	3,353,314
Loans to banks and financial institutions and reverse repurchase agreements	393,712	614,866
Financial assets given as collateral	7,005	7,005
Derivative financial instruments	6,715	3,824
Shares and participations held at fair value through profit or loss	35,942	32,964
Debt instruments and other financial assets held at fair value through profit or loss	119,640	124,483
of which: Net loans and advances designated at fair value through profit or loss	-	-
Net loans and advances to customers at amortized cost*	7,099,163	6,776,850
Net loans and advances to related parties at amortized cost	28,033	23,732
Debtors by acceptances	302,939	445,957
Shares and participations held at fair value through other comprehensive income	98,718	86,895
Debt instruments held at amortized cost	10,260,119	10,198,193
Property and equipment	236,379	243,230
Intangible assets	652	811
Assets taken in settlement of debt	36,677	36,379
Other assets	106,780	107,835
TOTAL ASSETS*	28,694,538	27,866,268

(*) After Deducting:

Reserved Interest on sub-standard, doubtful, and bad loans	97,461	81,854
Specific Provisions for doubtful and bad loans	222,680	213,603
Provisions Based on Collective Assessment	148,135	130,669

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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	31-DEC-14	31-DEC-13
LIABILITIES AND EQUITY		
LIABILITIES		
Due to central banks	71,146	51,502
Due to banks and financial institutions	911,173	1,392,562
Derivative financial instruments	5,427	3,063
Customers' deposits at amortized cost	23,377,789	21,970,185
Deposits from related parties at amortized cost	312,813	264,477
Engagements by acceptances	302,939	445,957
Debt issued and other borrowed funds	445,387	506,489
Other liabilities	163,903	195,704
Provision for risks and charges	145,429	138,375
Subordinated notes	414,580	412,368
TOTAL LIABILITIES	26,150,586	25,380,682
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital – Common ordinary shares	684,273	684,273
Share capital – Preferred shares	4,840	4,840
Issue premium – Common ordinary shares	229,014	229,014
Issue premium – Preferred shares	591,083	588,671
Reserves not available for distribution (legal and statutory)	748,879	672,318
Reserves available for distribution	95,943	97,253
Treasury shares	(6,425)	(10,054)
Retained earnings	39,899	52,118
Revaluation reserve of real estate	5,689	5,689
Reserve on revaluation of financial assets at fair value through OCI	(7,533)	(16,644)
Net results of the financial period - profit	252,792	224,683
Foreign currency translation reserve	(164,357)	(123,650)
	2,474,097	2,408,511
NON-CONTROLLING INTEREST	69,855	77,075
TOTAL EQUITY	2,543,952	2,485,586
TOTAL LIABILITIES AND EQUITY	28,694,538	27,866,268

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31-Dec-14	Banks	Customers	Total
Guarantees and contingent liabilities			
Financial guarantees	-	185,758	185,758
Other guarantees	356,209	993,718	1,349,927
	356,209	1,179,476	1,535,685
Commitments			
Documentary credits	328,749	236,000	564,749
Undrawn credit lines	-	2,354,802	2,354,802
	328,749	2,590,802	2,919,551
31-Dec-13	Banks	Customers	Total
Guarantees and contingent liabilities			
Financial guarantees	-	172,986	172,986
Other guarantees	413,441	1,065,181	1,478,622
	413,441	1,238,167	1,651,608
Commitments			
Documentary credits	442,552	342,448	785,000
Undrawn credit lines	-	2,080,962	2,080,962
	442,552	2,423,410	2,865,962

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AUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014 (LBP millions)

	31-DEC-14	31-DEC-13
Interest and similar income	1,413,234	1,295,959
Interest and similar expense	(1,049,537)	(950,115)
NET INTEREST INCOME	363,697	345,844
Fees and Commissions income	149,631	154,040
Fees and Commissions expense	(13,767)	(15,047)
NET FEES AND COMMISSIONS INCOME	135,864	138,993
Net gain from financial instruments at fair value through profit or loss of which: interest revenues/charges	66,942 7,639	86,098 17,514
Net gain or loss on financial assets at amortized cost	104,818	79,862
Revenue from financial assets at fair value through other comprehensive income	2,736	1,144
Other operating income	21,859	23,542
TOTAL OPERATING INCOME	695,916	675,483
Credit loss expense	(39,428)	(79,132)
NET OPERATING INCOME	656,488	596,351
Personnel expenses	(167,617)	(162,226)
Depreciation of property and equipment	(24,882)	(27,218)
Amortisation of intangibles assets	(159)	(159)
Other operating expenses	(132,041)	(126,961)
TOTAL OPERATING EXPENSES	(324,699)	(316,564)
OPERATING PROFIT	331,789	279,787
Net gain on disposal of fixed assets	20	21
PROFIT BEFORE TAX	331,809	279,808
Income tax expense	(67,277)	(44,359)
PROFIT FOR THE PERIOD	264,532	235,449
Attributable to:		
Equity holders of the parent	252,792	224,683
Minority interests	11,740	10,766
	264,532	235,449
Earnings per share		
Equity holders of the parent for the year:	LL	LL
Basic earnings per share - Common ordinary shares	363.21	313.68
Diluted earnings per share - Common ordinary shares	339.79	298.022

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AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014 (LBP millions)	31-Dec-14	31-Dec-13
PROFIT FOR THE YEAR	264,532	235,449
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to the income statement in subsequent periods:		
Exchange difference on translation of foreign operations	(47,460)	(61,299)
Net other comprehensive loss to be reclassified to the income statement in subsequent periods	(47,460)	(61,299)
Items not to be reclassified to the income statement in subsequent periods:		
Net unrealized gain from financial assets at fair value through other comprehensive income	10,657	8,222
Income tax effect	(1,546)	(1,232)
Re-measurement gains on defined benefit plans	9,111	6,990
	977	2,741
Net other comprehensive income not to be reclassified to the income statement in subsequent periods	10,088	9,731
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(37,372)	(51,568)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	227,160	183,881
Attributable to:		
Equity holders of the parent	227,342	203,526
Non-controlling interests	(182)	(19,645)
	227,160	183,881

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AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014 (LBP millions)

	31-DEC-14	31-DEC-13
OPERATING ACTIVITIES		
Profit before tax	331,809	279,808
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	25,041	27,377
Provision for loans and advances and direct write offs, net	43,361	80,448
Write-back of provision for other doubtful bank accounts, net	(446)	(897)
Write-back of provision for financial assets at amortized cost, net	(3,487)	(419)
Gain on disposal of property and equipment	(20)	(21)
Gain on disposal of assets obtained in settlement of debt	(2,190)	(5,791)
Provisions for risks and charges, net	10,957	14,399
Unrealized fair value gains on financial instruments at fair value through profit or loss	(4,574)	(4,520)
Realized gains from financial assets	(108,936)	(76,407)
Derivative financial instruments	(527)	2,800
Operating profit before working capital changes	290,988	316,777
Changes in operating assets and liabilities		
Due from central banks	(969,530)	(490,715)
Due to central banks	17,911	32,792
Due from banks and financial institutions	(37,020)	(13,231)
Financial assets given as collateral	-	1,918
Financial assets at fair value through profit or loss	10,557	144,527
Due to banks and financial institutions	(76,022)	(33,291)
Net loans and advances to customers and related parties	(369,975)	(670,112)
Assets obtained in settlement of debt	(2,563)	(5,687)
Proceeds from sale of assets obtained in settlement of debt	4,455	8,301
Other assets	(6,648)	(9,587)
Customers' and related parties' deposits	1,455,940	2,059,029
Other liabilities	(36,796)	(99,068)
Cash from operations	281,297	1,241,653
Provision for risks and charges paid	(1,816)	(3,748)
Taxation paid	(56,494)	(47,788)
Net cash from operating activities	222,987	1,190,117
INVESTING ACTIVITIES		
Financial assets at amortized cost	46,379	(972,286)
Financial assets at fair value through other comprehensive income	(1,431)	(10)
Loans to banks and financial institutions and reserve purchase agreements	221,154	(156,159)
Purchase of property and equipment and intangible assets	(23,834)	(18,674)
Proceeds from sale of property and equipment	182	237
Net cash from (used in) investing activities	242,450	(1,146,892)
FINANCING ACTIVITIES		
Debts issued and other borrowed funds	(61,102)	(2,222)
Subordinated debt	2,212	1,472
Treasury shares	3,426	(6)
Dividends paid to equity holders of the parent (net)	(161,012)	(160,837)
Dividends paid to non-controlling interests	(4,225)	(3,209)
Acquisition of additional non-controlling interests	(10,553)	-
Net cash used in financing activities	(231,254)	(164,802)
Net effect of foreign exchange	(38,725)	(43,725)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,458	(165,302)
Cash and cash equivalents at 1 January	4,455,785	4,621,087
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4,651,243	4,455,785
Operational cash flows from interest and dividends		
Interest paid	(1,043,104)	(925,827)
Interest received	1,415,702	1,306,114
Dividend received	3,293	1,715