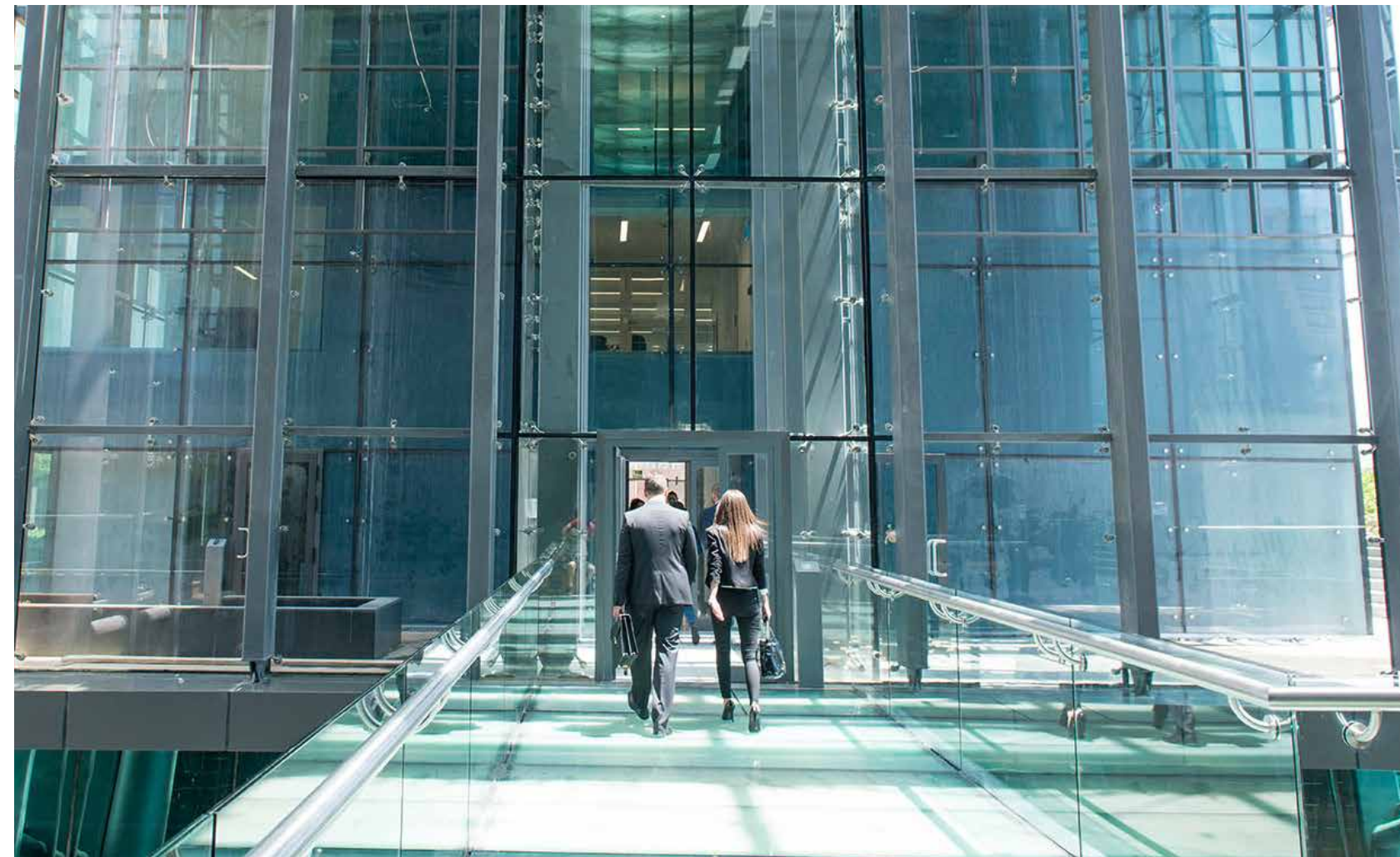




2014

ANNUAL REPORT

The Landmark for a **Valuable** Customer Experience



CONTENTS

Credit Libanais' Identity.....	4
Statement of the Chairman General Manager.....	6
Financial Highlights.....	10
Excellence Recognition Awards.....	14
CL Group Medium-Term Strategy.....	16

01 | Corporate Governance

Corporate Governance Framework.....	20
Composition of the Board of Directors.....	23
Biographies of the Board of Directors.....	24
Shareholding Structure.....	28
Board Committees.....	28
CL Executive Committees.....	30
Organizational Structure.....	34

02 | Macro Economic Operating Environment

03 | CL Core Banking Activities

Corporate Banking.....	50
Group Treasury, Global Markets and Wealth Management.....	56
Investment Banking (CLIB).....	60
Retail Banking Activities.....	66
Electronic Banking.....	74
Operations and Information Technology.....	80
Human Resources.....	84

04 | CL Control Functions

Internal Audit.....	92
Compliance and AML/CFT.....	96
Risk Management Strategy.....	100
Market, Financial Institutions and Country Risk Management.....	118
Operational Risk Management.....	119
Information Security Risks.....	120
Information Security Risks.....	120
Business Continuity Planning.....	122

06 | CL Corporate Responsibility

Corporate Responsibility and CL Strategy.....	126
Corporate Responsibility and Corporate Governance.....	128
Corporate Responsibility and Customer Optimization.....	130

Corporate Responsibility and Customer Experience.....	133
Corporate Responsibility and the Communities.....	136
Corporate Responsibility and Responsible Financing.....	137
Corporate Responsibility and the Environment.....	138

07 | Financial Results

Management Discussion and Analysis.....	144
Independent Auditor's Report.....	160
Consolidated Statement of Financial Position.....	164
Consolidated Statement of Comprehensive Income.....	166
Consolidated Statements of Changes in Equity.....	168
Consolidated Statement of Cash Flows.....	170
Notes to the Consolidated Financial Statements.....	172
CLA Financial Results.....	234
CLA Financial Results.....	248

08 | CL Branch Addresses

CL Branch Addresses Worldwide.....	264
CL Branch Addresses in Lebanon.....	266

CL Milestones

credit libanais' identity

Vision Statement

Vision

Credit Libanais' purpose is to enhance shareholder, customer, and employee value.

Core Values

Credit Libanais' core values are customer focus, innovation, teamwork and reward for performance

Mission

Credit Libanais is the preferred bank in Lebanon-for customers and employees.

Credit Libanais is primarily a retail bank and serves selected corporate customers.

Credit Libanais' Business Principles

We Serve

We deliver superior customer service. We gain customer satisfaction with service that exceeds customers' expectations.

We Act

We are action-oriented and encourage personal initiative. Can Do and Will Do are basic attitudes of all employees.

We Perform

We increase productivity each year. Revenue and Profit per employee are key measures for Bank performance.

We Improve

We embrace change. We continuously seek better solutions to problems for the customer and the Bank.

We Cooperate

We function as a team. Cooperation among individuals and units is fundamental in delivering the whole Bank to the customers.

We Communicate

We are open. We encourage continual dialogue across all units and levels.

We Empower

We emphasize delegation. Acceptance of personal accountability permeates our corporate culture.

We Build

We continuously upgrade our skills. Commitment to self-development and training are the cornerstones of our competitive advantage.

We Respect

We value each other's ideas. We treat colleagues fairly, sincerely and courteously regardless of differences in background.

Statement of the Chairman General Manager



The year 2014 was yet another good year for Credit Libanais Group with performance and financial results reflecting the strong foundations of the Bank, operating in local and regional stalemate. CL Group continued to support customers and deliver consistent shareholder-returns thanks to the Bank's prudent strategy, embedded prudent risk management, vigilant compliance, thorough corporate governance culture as well as to the Board's unwavering focus on growth. Our key strategic priorities continue to be the increasing efficiency of our operations while expanding into niche markets, locally and in foreign markets.

In 2014, the Lebanese economy suffered from the ongoing conflict in Syria, which has imposed several political, social, and economic challenges to the country. Moreover, the large inflow of Syrian refugees on its territories, aggravated by the national presidential void, contributed to increasing Lebanon's vulnerability through restraining its overall macroeconomic performance. Yet, despite these deteriorating conditions, CL Group relied on adaptability and agility as key drivers to continue to grow and serve customers.

In this context, CL Group's major indicators reported healthy increases in 2014: consolidated assets reached USD 9.16 billion, revealing a y-o-y increase of 9.60%, customer deposits neared USD 7.74 billion, posting a y-o-y increase of 8.12%, customer loans reached USD 2,86 billion, demonstrating a y-o-y increase of 9.88%, loans-to-deposits ratio firmed at 36.92%, pre-tax return on average equity (ROaE) stood at to 11.41%, pre-tax return on average assets (ROaA) reached 0.86%, while net profits amounted to USD 64.23 million.

In addition, CL Group demonstrated positive results across all sectors of the business, and reported a net interest income of USD 139.71 million, with net fees and commission income expanding to USD 37.51 million, fueling net financial revenues to USD 188.41 million. These results were recorded through the extensive domestic network of 73 branches in Lebanon covering the entire national territories, in addition

to branches in Cyprus, Bahrain and Iraq, as well as a representative office in Montreal, Canada and a subsidiary bank in Senegal.

Furthermore, CL Group preserved a healthy liquidity ratio of 76.73%. At yearend, shareholders' equity (including profits of the year) reached USD 794 million, with the capital adequacy ratio reaching 16.01% (according to Basel II regulations). In this context, CL Group is well-prepared to embrace the Basel III requirements and regularly conducts stress testing scenarios to mitigate potential risks.

In terms of organic growth, the year 2014 was the year of major accomplishments for our Group with the new Headquarters Tower that stood as one of the most technologically advanced high rises in Lebanon and the region, allowing for dynamic synergy among CL management teams in view of further improving CL Customer Experience. The Bank's new landmark responds to the latest trends in construction, technology and utilization sustainability. The new "Green IT" approach led us to consider the optimization of our environment with the introduction of new technology. Server virtualization is almost complete and the implementation of the DCIM (Data Center Information Management) will further enhance such optimization.

Moreover, the Bank has introduced an integrated unified communication system to optimize business processes and increase user productivity. Such an ability to communicate seamlessly via a

THE YEAR 2014 WAS THE YEAR OF MAJOR ACCOMPLISHMENTS FOR OUR GROUP WITH THE NEW HEADQUARTERS TOWER THAT STOOD AS ONE OF THE MOST TECHNOLOGICALLY

wide range of integrated components with tele-presence, audio and video conferencing allows for mobility, collaboration and business process integration.

During 2014, the Bank continued to strengthen its compliance function through appointing a dedicated FATCA team, acquiring automated solutions to adapt CL banking systems to local and international laws and regulations, and is proceeding as per the FATCA agenda. Moreover, to extend compliance to all stakeholders and strengthen the entire control environment, the Bank continuously conducts extensive training programs to familiarize all staff with constantly evolving new procedures and ensure proper implementation.

In corporate banking, we diversified our portfolio and capitalized on the utilization of Banque Du Liban subsidized lines of credit characterized by low interest rates, which are designed to stimulate the economy and boost the country's GDP. Furthermore, in our era where technology is transforming every aspect of the banking activity, and where customers connect with us through a panoply of smart devices, we opted to implement a sophisticated online banking platform with a view to empowering customers by providing them with a secure e-channel to perform their banking needs with our Group.

Based on our client-centric strategy and our stronger technological infrastructure, we constantly revamp our retail banking services to satisfy the ever-evolving customer needs throughout all the phases of their life. In 2014, CL reaffirmed its leading role in supporting stability in the lives of Lebanese families, by extending various affordable housing loan schemes: in this context, BDL subsidized housing loans increased by 66%; and other housing loans increased by 10%.

Furthermore, in view of creating value for small and medium enterprises while supporting their sustainable development, the Bank provides them with advisory services to grow and carries out SME-oriented initiatives in accordance with long-term objectives and secures credit facilities from low-cost, long term resources through local and international institutions (IFC, BDL, ESFD, Kafalat, Arab Fund, etc...). In this respect, SME outstanding facilities achieved a y-o-y growth of 10%, with core products performing very well, such as ESFD (Economic and Social Fund for Development) where the existing scheme grew by 70%. In parallel, average percentage of total unpaid bills related to retail products registered 0.72%, while the Non Performing Loans (NPL) ratio continued to remain well below the industry standards, owing to the tight

ADVANCED HIGH RISES IN LEBANON AND THE REGION, ALLOWING FOR DYNAMIC SYNERGY AMONG CL MANAGEMENT TEAMS IN VIEW OF FURTHER IMPROVING CL **CUSTOMER EXPERIENCE.**

monitoring and controls embedded in the activity model.

In recognition of outstanding achievement, Citibank awarded Credit Libanais sal with the "2014 US Dollar Payments Straight through processing excellence award". In fact, Credit Libanais provided high-quality international payment services with a standard transaction rate of 97% for Treasury Payments and a rate of 95% for Commercial Payments. Moreover, Standard Chartered Bank granted Credit Libanais the "2014 USD Clearing Straight Through Processing Excellence Awards".

On the other hand, in recognition to CL Group's CSR role and commitment to the communities where it operates, the Bank was granted the National and Social Impact Award, for its program titled: "Supporting Those Who Defend Us" designed to feed the Lebanese Army Martyrs' Fund and promote the Internal Security Forces anti-drug campaigns.

In 2014, CL Group's digital journey witnessed the introduction of the digital signage solution in several branches ensuring the dissemination of the Bank's latest products and services. Furthermore, we introduced the free application "CL e-bank" compatible with a large variety of mobile devices. We also reinforced our on-line communication plan on different distribution channels to reach out to customers in our hyper-connected digital age.

Notwithstanding the challenges that continue to face us locally, regionally and internationally, we remain well positioned to continue to grow, since we operate on solid foundations. Our continuous investment in our human capital, processes and technologies allows us to further boost the value creation in the communities where we operate.

On a final note, our business confidence could not have materialized without the hard work of our management teams and staff who assist our customers in becoming financially better off. I also want to particularly express my gratitude to our shareholders and Board of Directors for their invaluable confidence and continuous support, and for CL Group customers for their loyalty and continued trust.

Dr. Joseph Torbey
Chairman General Manager

financial highlights

As at 31 December	2014	2013	2012	2011	
Balance Sheet					(million LBP)
Total assets	13,812,327	12,602,250	11,981,081	10,814,554	
Customer deposits	11,665,846	10,790,958	10,493,393	9,486,202	
Shareholders' equity	1,197,015	1,148,350	933,205	858,493	
Liquid assets	8,951,213	8,165,539	8,128,316	7,472,366	
Loans & advances to customers	4,305,329	3,918,607	3,368,166	2,979,232	
Income Statement					
Net interest income	210,610	206,292	189,222	184,275	
Net financial income	284,035	288,423	276,387	261,214	
Net profit for the year	96,829	103,218	92,072	97,792	
Liquidity ratio	76.73%	75.67%	77.46%	78.83%	
Return on Average Assets (ROA)*	0.86%	0.84%	1.00%	1.13%	
Return on Average Equity (ROE)*	11.45%	12.06%	16.04%	18.48%	
Growth					
Total Assets	9.60%	5.18%	10.79%	9.83%	
Customer deposits	8.11%	2.84%	10.62%	11.45%	
Solvency ratio (As Basel II)	15.77%	16.63%	13.65%	14.15%	
Growth of loans	9.87%	16.34%	13.05%	19.49%	
Loan to deposit	36.91%	36.31%	32.10%	31.41%	
Liquidity/Assets	64.81%	64.79%	67.84%	69.10%	

* Excluding extraordinary items & Preferred Shares

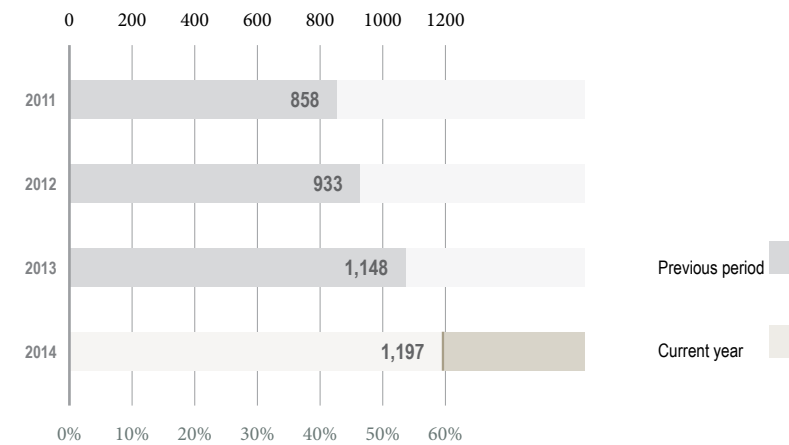
11.45%
pre-tax
Return On average
Equity (ROaE)

15.77%
Capital
Adequacy Ratio
(as per Basel II)

9.60%
growth
in total
assets

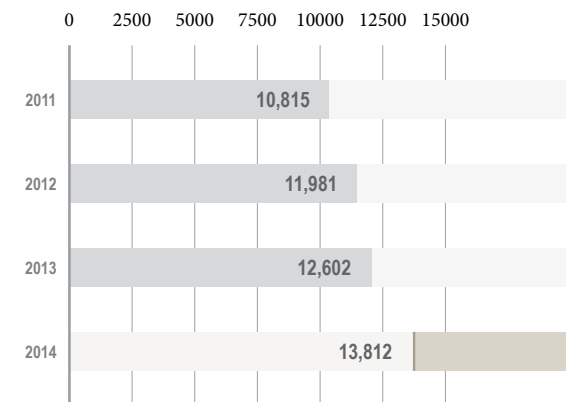
Strong Capital Base

Shareholders' Equity (billion LBP)



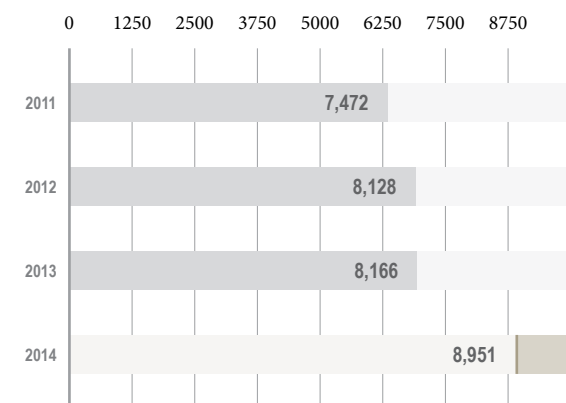
Growth Trend in Banking Activity

Total Assets (billion LBP)



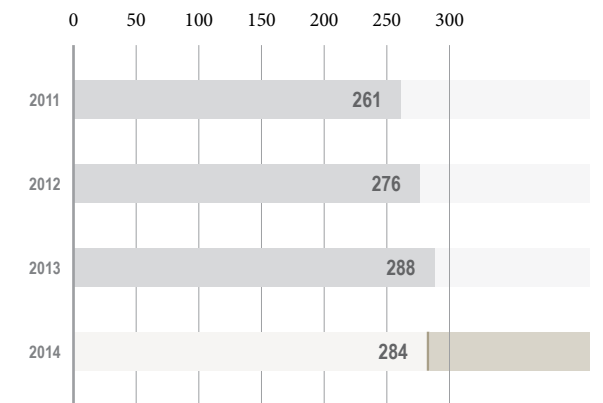
Growth Trend in Banking Activity

Liquid Assets (billion LBP)

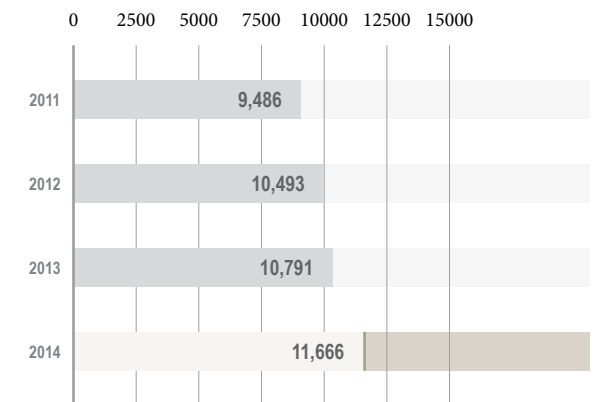


Sustainable Profitability and Value Creation

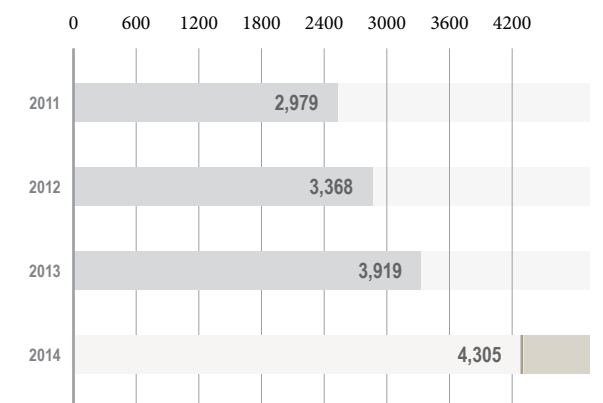
Net Financial Income (billion LBP)

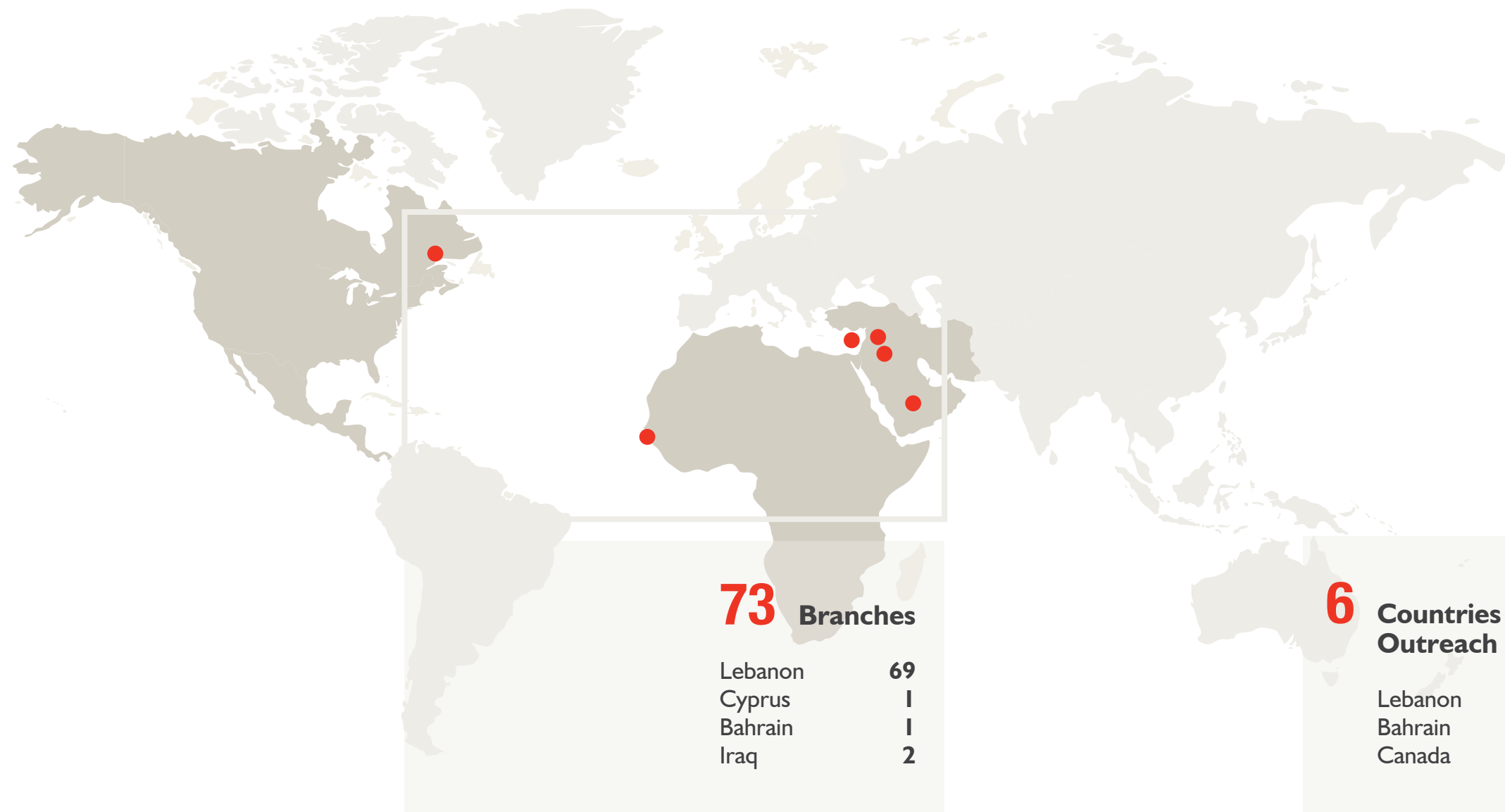


Total Customer Deposits (billion LBP)



Loans & Advances to Customers (billion LBP)





73 Branches

Lebanon	69
Cyprus	1
Bahrain	1
Iraq	2

6 Countries of Geographical Outreach

Lebanon	Cyprus
Bahrain	Iraq
Canada	Senegal

291.000

Customers served
in Lebanon at
Year End 2014

95

ATMs

24/7

Customer Service
Centre and Secure
Online Banking Services

www.creditlibanais.com
Lebanon: 1518
International: +961 | 900 | 111

excellence recognition awards



CITIBANK RECOGNIZES CREDIT LIBANAIS **FOR EXCELLENCE**

Citibank awarded Credit Libanais sal the “2014 US Dollar Payments Straight through processing excellence award”.

Indeed, Credit Libanais provided high-quality international payment services with a standard transaction rate of 97% for Treasury Payments and a rate of 95% for Commercial Payments.



STANDARD CHARTERED AWARDS CREDIT LIBANAIS **FOR EXCELLENCE**

The international bank Standard Chartered granted Credit Libanais the “2014 STP Excellence Award USD Clearing”. In fact, Credit Libanais processed international banking transactions with Standard Chartered with high precision and quality.



THE CORPORATE RESPONSIBILITY “NATIONAL AND SOCIAL IMPACT AWARD” TO CREDIT LIBANAIS

In recognition of CL Group’s CSR role and commitment to the communities where it operates, the Bank was granted the National and Social Impact Award, for its program titled: “Supporting Those Who Defend Us”.

The purpose of the CL’s program is to contribute to the funds supporting the Lebanese Army martyrs’ families, and that of the Internal Security Forces (ISF) dedicated to promoting anti-drug campaigns.



DEUTSCHE BANK GRANTS THE 2014 EURO STP AWARD TO CREDIT LIBANAIS

Deutsche Bank presented the 2014 Euro STP Excellence Award to Credit Libanais for the exceptional quality of payment messages.

CL group medium-term strategy



THE BANK BELIEVES THAT ITS BUSINESS PILLARS ARE WELL ESTABLISHED TO BALANCE ITS EARNINGS MIX AND SATISFY INCREASINGLY COMPLEX AND GLOBAL CUSTOMER NEEDS.

With the Medium-Term Strategy 2014-2018, Credit Libanais reaffirms its commitment to remain a leading global universal Bank, in its home market and in selected captive markets, in the Middle East and West Africa. The Bank will maintain its plans for further capital enhancement, organic growth and acquisitions, operational excellence and cultural changes, in order to differentiate and reposition itself against its local peers. The goals of the Bank are based on a number of key assumptions, taking into consideration the challenging

regional and local political environment, the dynamic changes in the local and international regulatory framework, the globalization and technical progress and the conservative projected local GDP growth in the range of 1.5% to 2% for the period under review.

The Bank believes that its business pillars are well established to balance its earnings mix and satisfy increasingly complex and global customer needs. The Strategy outlines the path towards creating distinctive

client centric approach and innovative banking services and products, tailored to our target markets, while maintaining firm risk management and compliance culture, combined with the best corporate governance practices. This shall be accompanied by an adequate optimization of the Bank's operational efficiencies, by improving the support functions and heightening the importance of IT in partnering with the Business. In parallel, the Bank will continue to strive towards enhancing the management and development of its human capital resources, adopting improved approaches to link reward to long term risk-adjusted performance. Furthermore, the Bank also has a major

responsibility to contribute to the sustainable financial stability of the communities where it operates, by setting high standards for corporate responsibility in its activities.

Certainly, the targets ahead are challenging amid tough operating conditions, with reduced revenues and squeezed margins in competitive markets, however, we at Credit Libanais are committed to maintaining our path towards excellence and to creating value for all our stakeholders. In Strategy 2014-2018, we will strengthen and redirect our focus onto eight major critical strategic pillars:

- 1- Drive Growth, Expansion and Business Diversification locally and abroad (West Africa and Middle East).
- 2- Maintain Sound Profitability Management improving Fee Income and Follow Responsible Cost Efficiency Management.
- 3- Maintain a Strategic Marketing vision based on Resources Optimization.
- 4- Focus on Sustainable Technological Growth and Engage in Digital Customer Journey.
- 5- Optimize People Capital, linking reward to long-term risk based performance.
- 6- Optimize capital allocation and preserve Sound Capital and Liquidity Management.
- 7- Maintain embedded prudent Risk Management, Compliance Culture and Corporate Governance Strategy.
- 8- Engage in a Transversal Corporate Responsibility Strategy, to ensure Sustainability across the People, Planet and Profit Dimensions.

Corporate Governance

Corporate
Governance
Framework

20

Composition of the
Board of Directors

23

Biographies of the
Board of Directors

24

Shareholding Structure

28

Board Committees

28

CL Executive
Committees

30

Organizational Structure

34

corporate governance framework

CL Group Corporate Governance

Credit Libanais Group is committed to safeguarding the interests of all stakeholders and recognizes the importance of good Corporate Governance for its sustainable success. In this respect, CL Group has established a dynamic action plan aimed at complying with local and international Corporate Governance standards.

CL Group governance framework and that of its major banking subsidiaries encompass the following areas:

- Organisation and functioning of the Board and its committees.
- Overall internal governance framework.
- Remuneration policies and systems.
- Clear lines of responsibility and accountability defined throughout the organization.
- Effective channels of communication ensuring implementation of Group strategy.
- Corporate and risk culture.
- Risk management framework.
- Internal control framework including audit and compliance.
- Disclosure and transparency.

Moreover, Credit Libanais' structure, functions and lines of communication support dissemination of the corporate strategy to all levels of the organization. CL adopts and implements national and international corporate governance practices which are defined in its Code of Corporate Governance. These are dispatched to staff and made available on the Bank's website.

Board of Directors Structure

The Bank has a robust and transparent organisational structure with clear responsibilities, including the Board and its committees. The Board is structured in terms of size, frequency of meetings and the support of specialized committees, to promote efficiency, deep review of business matters and a robust and critical discussion of issues.

Remuneration Policy

The remuneration policy supports the Bank's corporate values and is aligned with its business strategy's long-term interests and risk appetite. The Policy does not incentivise excessive risk-taking and there is appropriate allocation between variable and fixed remuneration.

Assets and Liabilities Management (ALM)

ALM function supports the capital and liquidity management process, governed by the Group ALCO. ALM is responsible for the development of the Group's investment policies, market risk, interest rate risk and liquidity risk, in addition to the hedging of foreign exchange exposures of capital investments abroad, managing capital ratios, and the Group-wide capital requirements.

Capital and Liquidity Adequacy as per Basel III requirements

CL Group abides by national and international requirements in terms of capital adequacy regulatory framework, internal capital adequacy assessment process, Basel III, liquidity coverage ratio, loan impairment, related specific and collective provisions as well as general reserves for retail loans portfolio. CL Group abides by the quantitative and qualitative requirements of the third pillar of the Basel accord and its subsequent updates.

Audit, Risk Management, Compliance and other Internal Controls

The Bank's Audit, Risk Management, Compliance and other Internal Control functions have the necessary authority, stature, independence, resources and access to the Board to carry out their duties in an independent and transparent manner. Those functions keep pace with changes related to the Bank's risk profile, including its organic and international growth. An open and timely internal communication within the Bank concerning risk, audit and compliance is ensured, both across the organization and through reporting to the Board and SEM.

Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

In the increasingly interconnected and risky business world, CL banking group gives particular attention to AML/CFT and complies with all national and international regulations issued, across all entities of the group, financial institutions, correspondents and customers, particularly those seeking to engage in cross-border transactions or to utilize correspondent banks.

The Foreign Account Tax Compliance Act (FATCA)

Lebanese banks as well as FFIs worldwide are required to comply with the US FATCA enacted in 2010 by Congress. In this respect, CL Group is proceeding as per the FATCA agenda and opted for the FATCA status of "Participating Financial Institution" across all local, foreign branches and subsidiaries, as well as financial institutions and correspondents. Extensive trainings is continuously conducted to ensure that staff understand and implement new procedures.

Group CL Reporting

Group CL reporting is made in accordance with International Financial Reporting Standards (IFRS), providing for a high degree of transparency and facilitating comparability with international peers. Complying with regulatory requirements, CL Group's Annual Report has become richer in terms of disclosure and information.

Internal Communications

To optimize top-down and bottom-up channels of communication between staff and management, the internal newsletter, Observer, is edited in three languages: Arabic, English and French. This internal communication platform informs, educates and encourages CL staff to share views across the Group, sister companies and entities abroad. The newsletter disseminates informative, argumentative, financial and economic articles to staff members. Moreover,

employees receive regular updates related to the latest developments in the banking industry, through the FX and Market Snapshots, Weekly Market Watch, Monthly Economic Wrap, and CL Indices. This plethora of information is communicated via various internal and external e-channels.

CL Group Employee Handbook

The handbook elaborates on the rights and duties of employees. It also incorporates CL's code of conduct, business ethics and requirements to ensure that activities are conducted with integrity and honesty and is made available to all staff on the Bank's intranet portal. In case of breaches to CL's core principles and values, a disciplinary council takes corrective action to ensure that CL culture of trust is well preserved and respected by all staff.

CL on the Internet

The Bank's internet website makes available all CL activities, products and services at the fingertips of customers on-the-go. It is continuously updated with pertinent information relevant to all stakeholders. CL's social media platforms are rapidly gaining ground in catering to the more demanding virtual customers.

Corporate Citizenship and Responsibility

Cognizant of its important role in society CL Group has embarked on a strategic Corporate Responsibility Project to ensure that sustainability is embedded in all aspects of our business. CR initiatives, are reported in the internal newsletter as well as in the Annual Report.

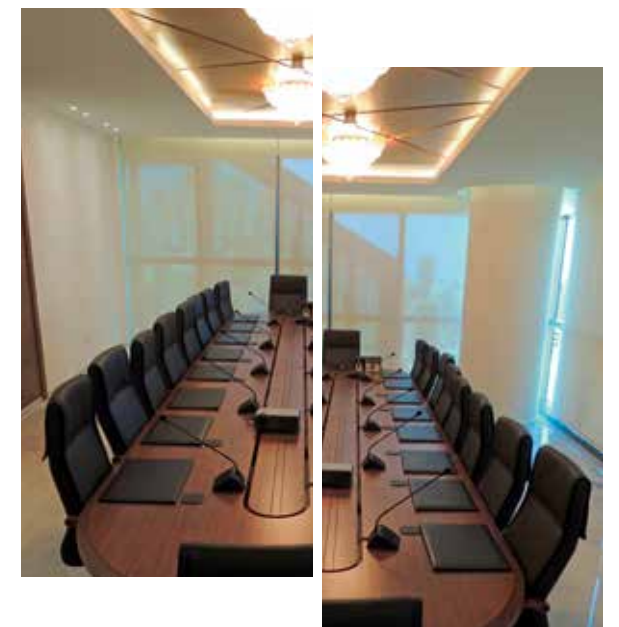
Composition of the Board of Directors

CL Group is governed by a board consisting of twelve members, who are leading bankers and businessmen enjoying wide expertise in Lebanon and the region. Board Members are elected by the General Assembly of shareholders for a term of three years.

The Board considers that it is of an appropriate size to oversee the Group's businesses, with a suitable diversity of backgrounds and a mix of experience and expertise to maximize efficiency. To fulfill its duties, it has put in place a governance structure which contributes to the effective oversight of all activities across branches and subsidiaries, both in Lebanon and internationally.

** During 2014, the following changes occurred to the Board of Directors' composition: (i) in connection with EFG Hermes' controlling majority in the capital of the Bank, the ordinary General Assembly accepted the resignation of Mr. Hassan Haykal, Mr. Mohamed Arafa and Mr. Ramsay Zaki, and elected three new Directors: Mr. Karim Awad, Mr. Efstratios Arapoglou and Mr. Mostapha Nasser, effective February 28, 2014 for the remainder of the current Board's term and (ii) the other nine Directors remain in office until the term of the current Board, which expires upon the convening of the General Assembly (expected in 2015) that examines the accounts of the financial year 2014.*

** On April 30th, 2015 following the expiration of the mandate of the current Board of Directors, the Ordinary General Assembly of the Bank met and elected the following members as Directors for a mandate of three years expiring on the date of the Ordinary General Assembly to be held in 2018 to approve the accounts of the financial year 2017. Members are: Dr Joseph Torbey, Mr. Karim Ali Awad Saleh Salame, CIH Bahrain International Holding SAL represented by Mr. Abdullah Saudi, H.E. Mr. Marwan Hamade, Mr. Mohamad Wajih El Bizri, Mr. Sarkis Demerjian, Mr. Efstratios Georgios Arapoglou, Mr. Mohamad Abdel Halim Arafa Arafa, Dr. Michel Khadige, Mr. Mostapha Nasser, Ms. Fatma Lotfy, and Mr. Philip El Khoury. The newly elected members convened in a Board meeting held on the same date and elected Dr. Joseph Torbey as Chairman General Manager.*



Biographies of the Board of Directors



Chairman General Manager

Dr. Joseph Torbey is the Chairman and Managing Director of Credit Libanais Group. After graduating from university, he held numerous public functions, including Controller at the Lebanese Audit Court and the Ministry of Finance, where he headed the Income Tax Department. Very active on the professional level, he held numerous public offices including Chairman of the Union of Arab Banks, the regional organization that comprises more than 320 Arab financial and banking institutions and Chairman of the Association of Banks in Lebanon which represents the banking profession and defends the interests of the Lebanese banking sector. He is currently Chairman of the World Union of Arab Bankers, the premier Arab professional organization for Arab bankers and finance professionals. On the academic front, he is the co-founder and first Chairman of the Board of Directors of the Institut Supérieur d'Études Bancaires (ISEB) at Université Saint-Joseph (Beirut); serves as Member of the Executive Committee of the Arab Academy for Banking and Financial Sciences (Jordan) since 2001; and is an Honorary Professor at the University of Vienna. He has a number of publications on taxation, economics and banking.



H. E. Mr Marwan Hamade served in various capacities in different cabinets in Lebanon, including minister of telecommunications, minister of economy and trade, minister of tourism, minister of health and minister for the displaced. He started his career as an economic and political columnist in An Nahar and L'Orient-Le-Jour daily newspapers before serving as an-Nahar Group President and Director. He served as a member of the Higher Council of the Lebanese Press; Consultant for the World Organization of Health for the Middle East; Member of the International Committee of Bioethics at UNESCO and is currently Member of the Strategic Council at Université Saint-Joseph, Lebanon.



Members

Mr. Karim Awad is Chief Executive Officer and board member of EFG Hermes, the leading investment bank of the Arab world. Since assuming leadership of the firm in 2013, Mr. Awad has led EFG Hermes' return to profitability by building a regional advisory pipeline. He enjoys a long track record advising major corporations on equity offerings, mergers and acquisitions transactions. Prior to assuming his current role, Mr. Awad was Chief Executive Officer of the Investment Banking platform with an overall responsibility for managing the firm's investment banking, securities brokerage, research, asset management and private equity divisions.



Mr. Yasser El Mallawany is the Non-Executive Vice Chairman of the EFG Hermes Board. Since becoming the Chief Executive Officer of the firm in 2008, Mr. El Mallawany has played a key role in driving the consolidation of Egypt's investment banking sector and facilitated the emergence of EFG Hermes as the leading Arab investment bank.

At the beginning of his career he served for 16 years at the Commercial International Bank (CIB), formerly Chase National Bank, and left as the General Manager of the Corporate Banking Division.



CIH Bahrain International Holding sal Represented by Mr. Abdullah Saudi

Mr. Abdullah Saudi, a world-renowned and respected international banker. Founder of the Libyan Arab Foreign Bank, where he served as Executive Chairman, establishing branches of the Bank worldwide. Founder of the Arab Banking Corporation, Bahrain where he served as President and Chief Executive. In addition to being voted one of the most Innovative Bankers by the representatives of governments and international commercial bankers attending the IMF and World Bank meetings in 1980, Mr. Saudi has won many international accolades, including an award at Georgetown University and the award of Best Banker from the Association of Arab American Banks in New York in 1991. He was the first to receive the Arab Banker of the Year award in 1993 from the Union of Arab Banks. In recognition of his role in the development of banking relationships between Arab and European states, Mr. Abdallah Saudi was awarded in 1977 by the King of Spain and the President of Italy and by the President of Tunisia in 1996. He is currently the Executive Chairman of ASA Consultants W.L.L., Bahrain.



Mr. Mohamad Wajih El-Bizri is an influential Lebanese businessman. He is the President of SIPES Group, one of the largest paint manufacturers in the Middle East, which has production facilities in six Arab countries. Mr. El-Bizri serves as the Honorary Consul of the Republic of South Africa in Lebanon. He is also the President of the International Chamber of Commerce in Lebanon, Vice President of the Association of Lebanese Industrialists and Vice President of Business in the Community Association in Lebanon.



Mr. Sarkis Demerdjian is a civil engineer and a prominent Lebanese businessman. He is the Chairman of Demco Group, Lebanon's leading steel supplier, trading and servicing company established in 1922, which has also ventured in the real estate industry, engaging various construction projects that preserve and respect the environment. Mr. Demerdjian sits on the Council of Trustees of AGBU (Armenian General Benevolent Union) established in 1906 and present in many countries around the world.



Mr. Efstratios Arapoglou is a Corporate Advisor with a long international executive career in Corporate and Investment banking, International Capital Markets and in managing, restructuring and advising Financial Institutions.

He has been CEO of Commercial Banking at EFG Hermes Holding SAE Group, operating in the Middle East and Africa, and served as Chairman and CEO of the National Bank of Greece Group, Chairman of the Hellenic Banks Association and Managing Director and Global Head of the Banks and Securities Industry for Citigroup. Mr. Arapoglou served on several boards of publicly listed companies in Europe, the Middle East and Africa, as well as on Boards of Educational Foundations, including the Institute of Corporate Culture affairs in Frankfurt as Chairman. He is Chairman of the International Advisory Board of Tufts University in Boston, Ma. and member of the Business Advisory Council for the International MBA program of Athens University of Economics and Business.



Mr. Rabah Jaber is an influential Lebanese businessman. A prominent investor in Lebanon and overseas, he is active in various sectors encompassing real estate development and investment, industry, construction as well as hotels and tourism.



Dr. Michel Khadige is a prominent and well known Lebanese banker, who has been serving Credit Libanais since 1988. Member of CL Board of Directors, he heads the Corporate Banking and Financial Institutions Division at the Bank. He is member of a number of Senior Executive Committees and member of the General Rules and Banking Regulations Committee at the Association of Banks in Lebanon.



Mr. Rabah Idriss is a well-known Lebanese businessman enjoying a wide expertise in the fields of finance, trade, and manufacture of food products, and is very active in professional organizations, such as the Chamber of Commerce and Agriculture of Beirut, among many others.



Mr. Mostapha Nasser is a Lebanese citizen. He holds a university degree in Literature and Philosophy from the Lebanese University in Beirut; he is a journalist and writer in several newspapers and advisor to Zeidan Group in Saudi Arabia. He was also advisor to some former prime ministers in Lebanon.

Shareholding Structure

The following table sets out the composition of the holders of the Common Shares, as of December 31, 2014.

Shareholders / Group of Shareholders	Country (Ultimate Economic Ownership)	Percentage Ownership ⁽¹⁾
EFG Hermes CL Holding SAL ⁽²⁾	Lebanon	63.74%
CIH Bahrain International Holding SAL ⁽³⁾	Lebanon	23.52%
Over 1,000 shareholders ⁽⁴⁾	Majority Lebanese	12.74%
Total Shareholding		100%

(1) Percentage ownership figures represent both Common Shares owned by the named Shareholders and are expressed as a percentage of the total number of Common Shares issued and outstanding.

(2) EFG Hermes CL Holding SAL is the major shareholder.

(3) CIH Bahrain International Holding SAL, majority owned by Capital Investment Holding Manama Bahrain (99%).

(4) More than 1000 other shareholders, mainly executives and employees of the Bank, each with less than five per cent.

Board Committees

The Board is supported by the Corporate Governance, Nominations, Human Resources and Remuneration Committee (CGNHRR Committee), the Audit Committee, the Risk Committee, and the Credit Policy Committee. Each Committee has an approved charter that sets out its mandate, scope and working procedures in order to support the Board in its duties.

Corporate Governance, Nominations, Human Resources and Remuneration Committee

In line with BDL Basic Circular No. 133 dated August 6, 2014, the Board has approved the Remuneration Policy and actively oversees its implementation. The Remuneration Policy provides a sufficient level of remuneration in accordance with the Bank's risk profile, to attract and retain the highest quality individuals. The Board ensures that the Remuneration Policy has appropriate incentives, which are aligned with prudent risk-taking and consistent with the Bank's long-term strategy. The Board also approved formal

performance standards consistent with the long-term objectives, strategy and financial soundness of Group CL, and monitors the performance of (i) employees at all levels against these standards in an objective and transparent manner and (ii) SEM on the basis of the Bank's long-term performance and not on the sole basis of previous year performance.

The remuneration includes basic fixed salary, risk-adjusted performance bonus in addition to a number of additional benefits. Furthermore, the remuneration of the Internal Control Function is based on the achievement of its employee's objectives and does not compromise their objectivity and independence. The Board approves the total granted remunerations as part of the annual budget and compares them against the future expected revenues in order to avoid any likely negative results on the Bank's profitability. Amounts of remuneration paid annually are disclosed in accordance with the International Financial Standards concerning related parties disclosures.

Audit Committee

The Audit Committee is composed of three Non-Executive Directors and one Independent Director who acts as its Chairman. The Audit Committee's main mission is to assist the Board in its responsibilities, in terms of: adequacy of accounting, financial reporting policies, internal control and compliance system. The Audit Committee also recommends the appointment, compensation, effectiveness and dismissal of external auditors; ensures the independence and effectiveness of the internal audit function; reviews and approves the scope and frequency of audits; and ensures that Senior Executive Management is taking the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal and external auditors. In addition, the Audit Committee oversees the establishment of accounting policies and practices by the Bank. The Audit Committee Charter complies with BDL Basic Circular N° 118 dated July 21, 2008. External auditors are appointed for a renewable period of three years, with the partner rotation principle applying for a maximum period of five years in line with BDL Basic Circular N° 122 dated August 13, 2009. The Audit Committee meets at least once quarterly, or more frequently as needed.

Risk Committee

The Risk Committee is composed of one Non-Executive Director and two Independent Directors, one of whom acts as its Chairman. The Risk Committee's main mission is to advise the Board on the Bank's overall current and future risk tolerance/appetite and strategy, and provide oversight of Senior Executive Management's activities in implementing group-wide risk management policies for capital and liquidity management, as well as credit, market, operational, compliance, reputational and other risks of Group CL. The effectiveness of the Risk Committee is further enhanced by receiving formal and informal

communication from the Bank's Risk Management and Chief Risk Officer (CRO). The Risk Committee Charter satisfies BDL Basic Circular N°118. The Risk Committee meets at least once quarterly, or more frequently as needed.

Credit Policy Committee

The Credit Policy Committee is headed by the Chairman - General Manager and includes one Non-Executive Director, the Group Head of Corporate Banking and Financial Institutions Division, the Group Head of Retail Banking and Branches Division, the Group Head of Risk Management and Strategy Division and the Group Head of Finance Division. The General Controller - Group Head of Internal Audit Division participates as an observer. The Credit Policy Committee's main mission is to set the Bank's lending policies at the level of Group CL, in line with the Board's objectives. The Credit Policy Committee defines credit risk strategies, policies and limits for the efficient management of the various counterparty risk exposures, industries, aggregate exposures by product, segment of activity and country exposure on a stand-alone and consolidated basis. The Committee meets at least once a year, or more frequently as needed.

Dividend Policy

Upon recommendation of the Board and approval of the General Assembly, CL Group has enjoyed a track record of dividend payments on common shares, for the past fourteen years, demonstrating the Bank's sustainability and value creation to shareholders.

CL Executive Committee

Chairman	Dr. Joseph Torbey	Chairman - General Manager
Members	Dr. Michel Khadige	Deputy General Manager - Corporate Banking and Financial institutions
	Mr. Michele Cherenti	Deputy General Manager - Retail Banking and Branches
	Mr. Georges Gerios	Deputy General Manager - Operations and Support Services
	Mr. Georges Karkabi	Deputy General Manager - Investment Banking
	Mr. Anthony Ussher	Deputy General Manager - E-Banking
	Mr. Elie Abimrad	General Controller - Internal Audit
	Mr. Alexandre Salem	Deputy General Manager - Treasury, Global Markets and Wealth Management
	Mrs. Nada Awad Rizkallah	Deputy General Manager - Risk Management and Strategy
	H.E. Dr. Alain Hakim	Assistant General Manager - Marketing and Business Development
	Mr. Badih Azzi	Assistant General Manager - Human Resources Division
	Mr. Najib Ghanem	Assistant General Manager - Information Technology
	Mr. Charbel Mourad	Assistant General Manager - Finance
Secretary	Mrs. Nina Elhajj Srouf	Head of Corporate Projects and Publications - CEO Office



CL Standing Committees

Group CL's various committees are established with clear missions, authorities and responsibilities. The Committees' respective authorities are of a decisive and consultative nature, where all recommendations that require Board approval are submitted through the Chairman - General Manager for review, decision-making or ratification. The Board is kept informed of all the major decisions governing the Bank's overall activities as submitted and recommended by the various committees.

Management Committee

The Management Committee regularly reviews the growth and performance of the Bank and ensures the execution of the Bank's policies and procedures as approved by the Board. The Management Committee plays a key role in ensuring the participation of key employees in managerial decision-making through regular communication and liaison with all regional

managers. This Committee meets at least quarterly or more frequently as needed.

Foreign Entities Committee

The Foreign Entities Committee approves the annual business plans of foreign entities, reviews their business performance and evaluates their risk exposure. The Foreign Entities Committee also ensures the compliance of foreign entities with applicable laws and regulations. The Committee places emphasis on the ongoing monitoring of risk management, anti-money laundering, terrorism financing, fraudulent activities and information security in foreign entities, and convenes at least quarterly or more frequently as needed.

Human Resources and Training Committee

The Human Resources and Training Committee is responsible for establishing the policies and procedures pertaining to human resources management and overseeing the execution of HR plans. The Committee also supervises orientation and training programs

to existing and new staff. It reviews and approves compensation policies and systems, as well as rewards and incentives in line with performance objectives set. The Committee also proposes the annual budget for training and development to the CGNHRR Committee, and convenes quarterly or more frequently as needed.

Sales and Business Development Committee

The Sales and Business Development Committee ensures the introduction, maintenance and promotion of the Bank's various products and services to the market. Moreover, it introduces new and profitable products and services and ensures adequate funding and analysis of the risk-adjusted-return on capital of such products and services. The Committee coordinates and implements the Bank's overall advertising strategy, and monitors results and feedback. It meets quarterly or more frequently as needed.

Banking Group Information Technology Steering Committee

The banking Group Information Technology Steering

Committee sets the general strategies and policies for developments relating to banking information technology, in accordance with the Bank's master strategic plan. The Committee's main objectives are to ensure the adequate functioning and development of information technology systems in line with the continuous development of systems, applications and services to support the Bank's expansion plans. This Committee convenes quarterly or more frequently as needed.

Business Continuity Planning Committee

The Business Continuity Planning Committee (BCP) ensures continuity of service to the Bank's customers and stakeholders in an efficient and timely manner in case of an eventual event that might disrupt the Bank's regular activities. The BCP Committee proposes policies, recommend priorities, and establishes plans to meet business continuity requirements; and ensures adequate communication and training is maintained at Bank. The BCP Committee meets at least quarterly or more frequently as needed.

ISO Executive Committee

The ISO Executive Committee oversees the development and implementation of the Bank's Quality Management System and assists in the continuous improvement and long-term effectiveness of quality systems impacting the Bank performance, as per the Bank's business requirements. It also provides a framework for establishing and reviewing quality objectives at all levels of the Bank. The ISO Executive Committee meets once a year or more frequently as needed.

Risk Committees

Group Asset and Liability Committee

The Group Asset and Liability Committee (ALCO) is responsible for managing and controlling the Bank's balance sheet and income statements and formulating the general financial strategy of each business unit. ALCO reviews all activities of the Bank which impact balance sheet items. It focuses on risks and strategic issues related to interest rate monitoring, liquidity management and market risks, as well as their control and mitigation. The ALCO reviews and validates all relevant policies and procedures and ensures their compliance with regulatory guidelines pertaining to liquidity risks, investment portfolio risks, interest rate and foreign exchange risks, market risks, political and country risks, risks relating to the pricing of loans and deposits, profitability risks, and risks of unrealized gains and losses resulting from long-term positions, prior to submitting such policies and procedures to the

Risk Committee and the Board for final approval. The ALCO meetings are held on a monthly basis, or more frequently as needed.

Credit Committees

The Bank has a number of Credit Committees with different levels of lending authority, depending on the business segments concerned and the exposure. Credit Committees are responsible for ensuring the adequacy of the Bank's lending policies and compliance of lending activities with the Bank's credit policy and applicable laws and regulations. The Credit Committees meet regularly and ensure the implementation and monitoring of their decisions by the business owners under the supervision and control of the Credit Administration and Control departments that report to the Credit Risk Management Department. The presence of a member of the Risk Management Division is an integral part of the credit approval process and the monitoring of the Credit Committees' decisions.

Financial Institutions and Country Credit Committee

The Financial Institutions and Country Credit Committee approves the banks and financial institutions whom the Bank deals with or intends to deal with. The Committee defines the credit lines to be granted for each banking and financial institution counterparty in compliance with applicable laws and regulations, and in line with the Board's strategic objectives and the Group's financial institutions credit policy. Risk Management is an integral part of the

approval process of the financial institutions, and the monitoring of the Committee's decisions. The Committee meets on a monthly basis or more frequently as need be.

Compliance, Anti-Money Laundering and Counter-Financing Terrorism Committee

The Compliance, Anti-Money Laundering and Counter-Financing of Terrorism Committee (Compliance, AML/CFT Committee) reviews all relevant policies and procedures, in accordance with local and international laws and regulations. It reviews the AML/CFT systems adopted by the Bank and ensures that adequate are implemented to check the Bank's clients and transactions. It closely monitors suspicious cases and takes pro-active steps to prevent AML/CFT fraudulent activities within the Bank. The Committee reports suspicious cases to the Special Investigation Commission at the BDL. It is also responsible for FATCA implementation and compliance. This Committee meets at least once quarterly, or on a need basis.

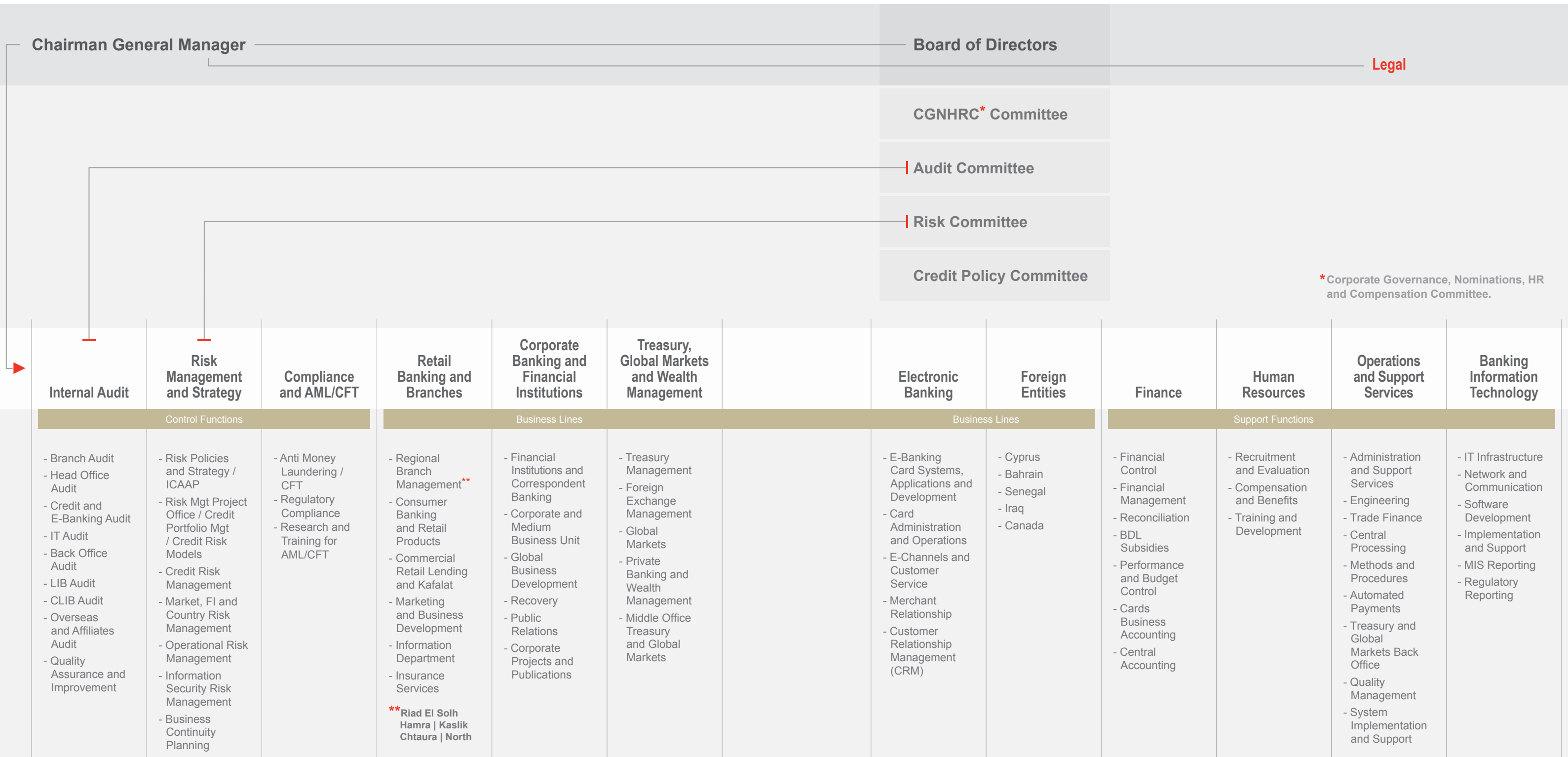
Banking Group Information Security Committee

CL Banking Group Information Security Committee reviews and approves Group CL's information security strategy, sets security policies and procedures and submits them for the approval of the Risk Committee and the Board. This Committee also reviews and approves the scope of security programs and related budgets; oversees the implementation of the security

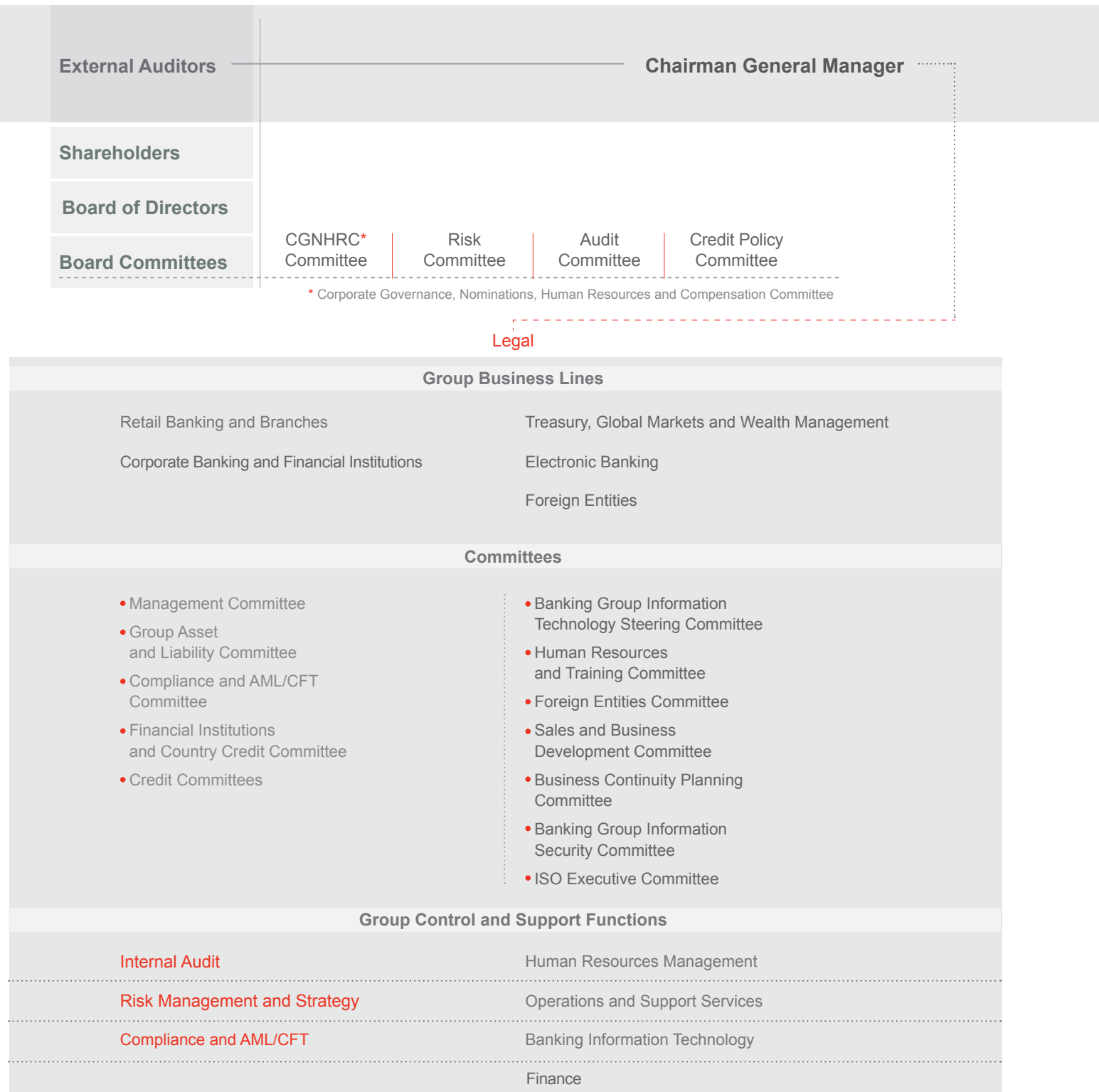
programs throughout the Bank and its affiliates; and provides solutions on how to deal with security breaches or control overrides. This Committee also recommends security training programs for the Bank's staff and convenes at least once quarterly.

CREDIT LIBANAIS'
STRUCTURE, FUNCTIONS AND
LINES OF COMMUNICATION
SUPPORT DISSEMINATION OF
THE CORPORATE STRATEGY
TO ALL LEVELS OF THE
ORGANIZATION.

Organizational Structure High Level Structure



Group Entities Structure



Group Entities

Credit Libanais SAL All subsidiaries are incorporated in Lebanon, except for Credit International SA, which is incorporated in Senegal.

Credit Libanais Investment Bank SAL	99.86%	Banking
Lebanese Islamic Bank SAL	99.84%	Banking
Credit International SA - Senegal	92.82%	Banking
Cedars Real Estate SAL	99.92%	Real Estate
Sté Hermes Tourism & Travel SAL	99.99%	Tourism and Ticketing
Soft Management SAL	47.00%	IT Solutions
Credit Libanais d'Assurances SAL	66.97%	Insurance
Business Development Center SARL	98.62%	Advertising
Capital Real Estate SAL	98.00%	Real Estate
Credilease SAL	99.26%	Financial Institutions
Collect SAL	44.94%	Collection Services of Receivables

Group Geographic Presence

Lebanon	Credit Libanais SAL - Group Credit Libanais Investment Bank SAL	Lebanese Islamic Bank SAL Credilease SAL	Credit Libanais d'Assurances et de Réassurances SAL
Cyprus	Limassol Branch		
Senegal	Credit International SA - CISA		
Bahrain	Manama Branch		
Canada	Representative Office		
Iraq	Baghdad Branch	Erbil Branch	

macro economic operating environment



DESPITE THE BLEAK SITUATION, THE INSTITUTE OF INTERNATIONAL FINANCE (IIF) EXPECTED A HIKE IN NET PRIVATE CAPITAL INFLOWS TO LEBANON TO AROUND **\$4.4 BILLION** IN THE YEAR 2014, FROM \$2.9 BILLION IN THE YEAR 2013.

Year 2014 in Review

Gales continued to rage unabated for yet another year, trapping the Lebanese economy in the eye of the storm for most of 2014 and blurring the country's alleyway to the year 2015. In fact, the glooms of the Syrian crisis further battered Lebanon's political and social stability throughout the year, blotching the country with a series of security incidents and pending political issues of which we mention the prevailing presidential void, the absence of a consensus pertaining to the parliamentary elections, military clashes in the regions of Ersal, Tripoli, and the Bekaa and the kidnapping of Lebanese soldiers. Lebanon also paddled through the various repercussions of the increasing number of Syrian refugees on its territories, which added pressure on public finances, unemployment rates, poverty levels, and overall social canvas.

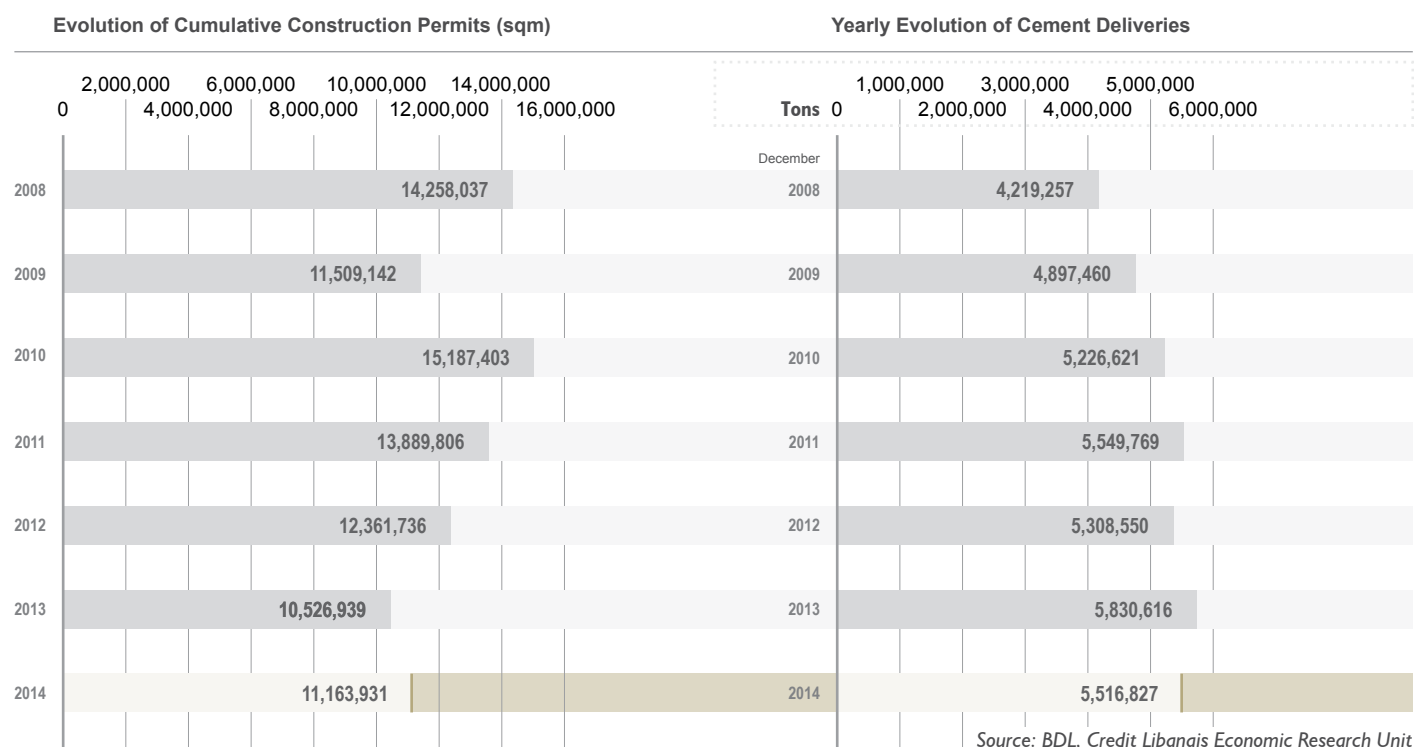
Despite such a bleak picture, the International Monetary Fund (IMF) upwardly revised its growth estimates for Lebanon for the year 2014 from 1.0% in its April 2014 World Economic Outlook (WEO) report to 1.8% in its October 2014 WEO report. In parallel, the Institute

of International Finance (IIF) expected a hike in net private capital inflows to Lebanon to around \$4.4 billion in the year 2014, from \$2.9 billion in the year 2013. In a related note, the net foreign assets of Lebanon's financial sector witnessed a deterioration during the year, with a deficit of \$1,406.9 million as at end December 2014, compared to a deficit of \$1,127.1 million the year before.

The Lebanese real estate sector was also capable of defying the destructive wave threatening the Lebanese economy, managing to report a 2.20% annual increase in the number of real estate transactions to 70,721 in the full year 2014, from 69,198 transactions in 2013. Concurrently, the aggregate value of real estate transactions burgeoned by 2.77% y-o-y to \$8.95 billion in 2014, from \$8.71 billion in 2013. It is worth noting, however, that the share of foreigners in real estate sale transactions narrowed to 1.69% as at end of year 2014, from 1.85% in 2013. In a related context, Lebanon's construction permits came in 6.05% higher on a yearly basis at 11,163,931 sqm in the year 2014, whereas cement deliveries fell by 5.38% y-o-y to 5,516,827 tons.

Real Estate Transactions	For the Year		
	2014	2013	YOY % Change
Number of Sale Transactions	70,721	69,198	2.20%
Value of Transactions (USD Billion)	8.95	8.71	2.77%
Average Value per Transactions (USD)	126,575	125,841	0.58%

Source: General Directorate of Land Registry and Cadastre, Credit Libanais Economic Research Unit



program “KAFALAT”, amassing a stake of 48.14% (399 guarantees) of total Kafalat guaranteed projects during the year 2014, followed by the industrial sector (35.15%) and the tourism sector (11.21%).

As far as tourism activity is concerned, the year 2014 witnessed a shy 6.03% improvement in the number of tourists flooding into the country to 1,354,647 visitors as at end of December, noting that said number may be upwardly biased by the inclusion of Lebanese visitors in the headcount. Similarly, the total number of passengers via the Beirut International Airport (BIA) edged 4.84%

higher to 6,567,833 (including transit travelers) in the year 2014. The hospitality sector, however, continued to suffer from a low occupancy rate of 52% in the full year 2014 at Beirut’s four and five-star hotels, with the average room rate and yield dropping by 2.7% and 2.8% y-o-y respectively, compared to double-digit drops in the year 2013. Nevertheless, tax-free spending in Lebanon managed to increase by 8% y-o-y in the last quarter of 2014, with spending by French tourists rallying by 50% and spending by Saudi Arabians increasing by 36%, followed by U.S. tourists (+33%) and Jordanian tourists (+21%).

From another standpoint, Lebanon’s industrial sector continued to whirl within a downward spiral amid the sustained political, security, and economic instabilities reigning on the local front and in neighboring Syria, with tensions on the Lebanese-Syrian borders paralyzing trade activities between Lebanon and many Arab countries for another consecutive year. This was

mirrored by the 6.93% annual contraction in Lebanon’s industrial exports to \$3,150 million as at end of year 2014, down from \$3,384 million in 2013. Industrial imports of equipment and machinery were no exception, shedding 10.42% y-o-y to \$269.1 million as at end of 2014, compared to \$300.4 million a year earlier.

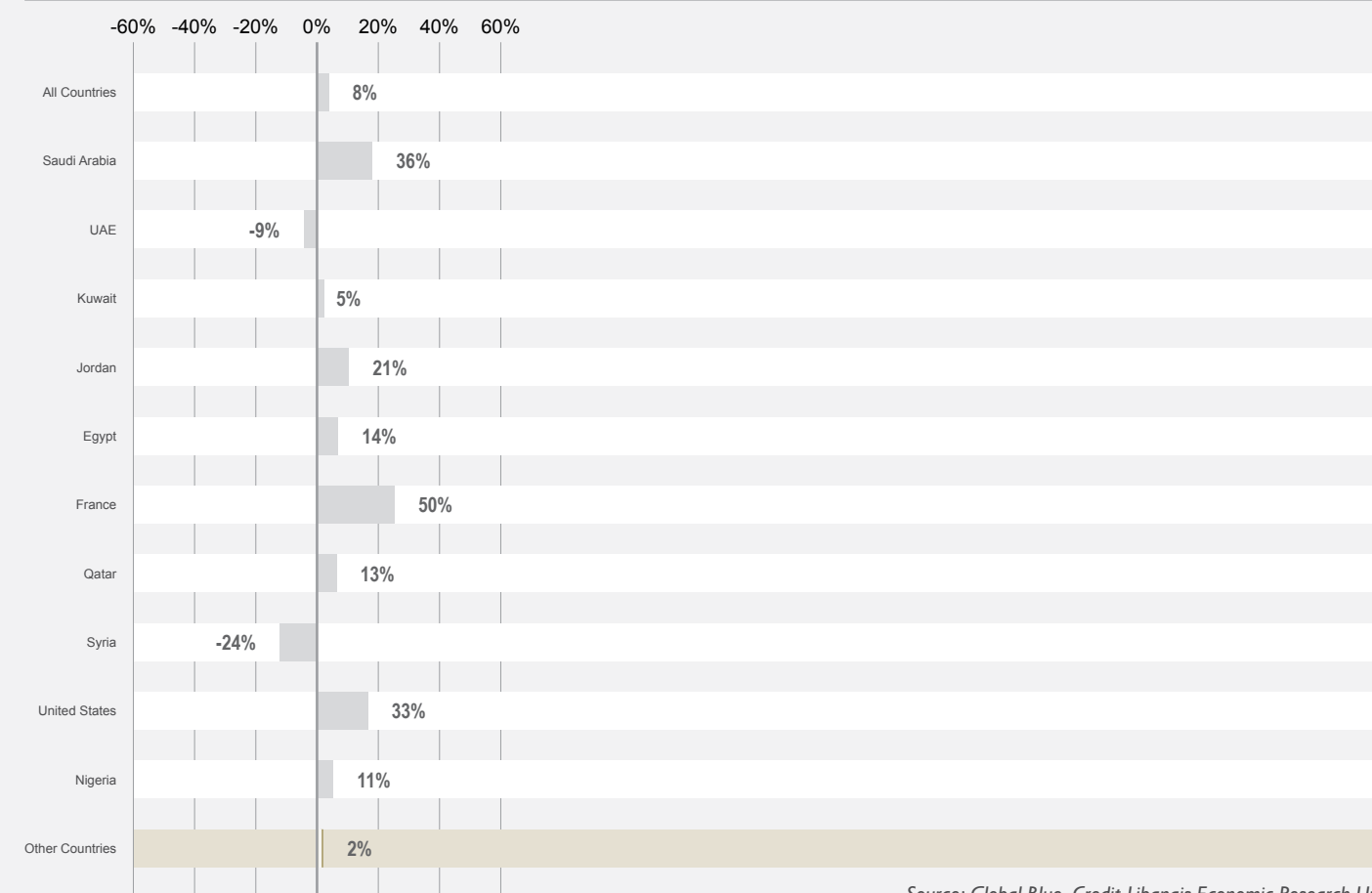
	For the Year			million USD
	2014	2013	YOY % Change	
Industrial Exports	3,149.8	3,384.3	-6.93%	
Industrial Imports of Equipment & Machinery	269.1	300.4	-10.42%	

Source: Lebanese Ministry of Industry, Credit Libanais Economic Research Unit

The outlook was not any better for Lebanon’s agricultural sector, which, according to experts in the field, had to face several natural factors throughout the year 2014, mainly the drought that had been prevailing since late 2013, which brought upon noticeable damages to potato and wheat crops among others. Frost also damaged the country’s stone fruits at different intervals of the year, creating additional

challenges for Lebanese farmers. Despite such harsh weather conditions, a rather satisfactory amount of vegetables and fruit were harvested in 2014, yet remain in stock amid the ongoing war in Syria, through which around 80% of Lebanon’s agricultural exports are channeled. It is worth noting that the Lebanese agricultural sector detains the largest number of guarantees provided by the government-subsidized

Annual Growth in Spending in the Fourth Quarter of 2014



Source: Global Blue, Credit Libanais Economic Research Unit

As for Lebanon's energy sector, onshore seismic surveys were conducted throughout the year 2014, yet the related results have not been disclosed to the public and are expected to be released by around mid-2015. The bidding process was also postponed on several occasions, leading to no palpable progress in Lebanon's hydrocarbon sector.

From a public finance standpoint, the Lebanese government continued to bear the additional costs of hosting over 1 million Syrian refugees on its territories, which has put increased pressure on its health, education, and infrastructure expenses.

Public Debt	December	2014	2013	YOY % Change	billion USD
Gross Public Debt		66.56	63.49	4.84%	
- Domestic Debt		40.96	37.35	9.66%	
- External Debt		25.60	26.13	-2.04%	
Public Sector Deposits		9.26	10.28	-9.87%	
Net Public Debt		57.30	53.21	7.69%	

Source: The Association of Banks in Lebanon, Credit Libanais Economic Research Unit

Also from a public finance perspective, the Ministry of Finance issued ten-year treasury notes carrying an attractive yield of 7.98% per annum on served occasions during 2014. Concurrently, the Lebanese government successfully completed a voluntary debt exchange offer during the month of April 2014 with a participation rate of 79.84%. In figures, government notes maturing in May 2014 and worth some \$703.86 million were exchanged for longer term notes. In total, the transaction resulted in bond issues worth some \$1.4 billion, split between notes maturing in 2020 (\$600 million) and 2026 (\$800 million tap). The 2020 notes were issued at a price of \$100 and carry a yield of 5.80% per annum, while the 2026 notes were reopened at a tap price of \$99.147, carrying a yield of 6.70% per annum at issue. Local investors accounted for 88.5% of total subscriptions in the 2020 notes and 66% of subscriptions in the 2026 notes, with demand

Consequently, Lebanon's gross public debt burden grew heavier in 2014, adding \$3.07 billion on an annual basis to attain \$66.56 billion as at end of December. Domestic borrowing remained the government's main source of financing in the year 2014 (61.54% of gross public debt), specifically from banks (around 51% of LBP-denominated debt), in an attempt to finance the recurrent budget deficits and roll over maturing debt. Nonetheless, and despite the prevalence of such a burden, Lebanon managed to tame, to some extent, its debt-to-GDP ratio to around 140% by the end of 2014, from nearly 141% in the year 2013.

from international investors representing 25% for both maturities. In a similar context, the Lebanese Ministry of Finance announced in late 2014 its intention to issue new Republic of Lebanon (ROL) Eurobonds for an aggregate amount of \$4.4 billion in several stages, and this in an endeavor to finance the government's needs for the years 2015, 2016, and 2017.

Lebanon's snowballing public debt burden remains, however, tamed by the robust reserves portfolio at Banque Du Liban (BDL), with the ratio of total reserves (gold and foreign currencies) to gross public debt nearing the 74% mark. It is worth noting that total reserves at BDL appreciated by \$2.41 billion in 2014 to reach \$48.81 billion at end of December, with the foreign assets (foreign currency reserves) portfolio increasing by 7.28% y-o-y to \$37.86 billion. The value of gold reserves, on the other hand, shed \$0.15 billion

(1.37%) in 2014 to \$10.95 billion, as gold prices in the international market tumbled amid the upturn in US financial markets. Lebanon, however, preserved its 19th rank in the world and 3rd in the region in terms of gold

End of year	2014	2013	2012	2011	2010	2009	2008	billion USD
Gold	10.95	11.10	15.31	14.40	13.01	10.06	8.03	
Foreign Assets	37.86	35.29	35.74	32.24	30.60	28.30	19.73	
Total Reserves	48.81	46.40	51.05	46.64	43.61	38.36	27.76	

Source: Banque Du Liban, Credit Libanais Economic Research Unit

On the other hand, and from a budget angle, Lebanon's budget deficit continued to be a drain on the government, notwithstanding the noticeable improvement throughout most of the year 2014. More specifically, Lebanon's fiscal deficit (budgetary & treasury) narrowed to around \$3.07 billion in the year

2014, down from \$4.22 billion a year earlier, thanks to some 15.48% annual expansion in government revenues to just over \$10.87 billion, coupled with a shy 2.28% y-o-y increase in government expenditures (including debt service) to around \$13.95 billion.

Public Finance	For the Year			million USD
	2014	2013	YOY % Change	
Revenues	10,879	9,420	15.48%	
Expenditures (including debt servicing)	13,952	13,640	2.28%	
Debt servicing	4,380	3,980	10.03%	
Total deficit	(3,073)	(4,220)	-27.19%	
Total Primary Surplus / (Deficit)	1,307	(240)	-645.32%	
Deficit / Total Expenditures	22.02%	30.94%		

Source: The Lebanese Ministry of Finance, Credit Libanais Economic Research Unit

On the current account side of the balance of payment, the ongoing tumult in neighboring Syria weighed heavily on Lebanon's trade activities, yet its impact on the country's trade deficit was somewhat muted amid the simultaneous drop in imports. In details, Lebanon's balance of trade deficit narrowed to \$17.18 billion as at the end of the year 2014, compared to a slightly higher deficit of \$17.29 billion by the end of the previous year.

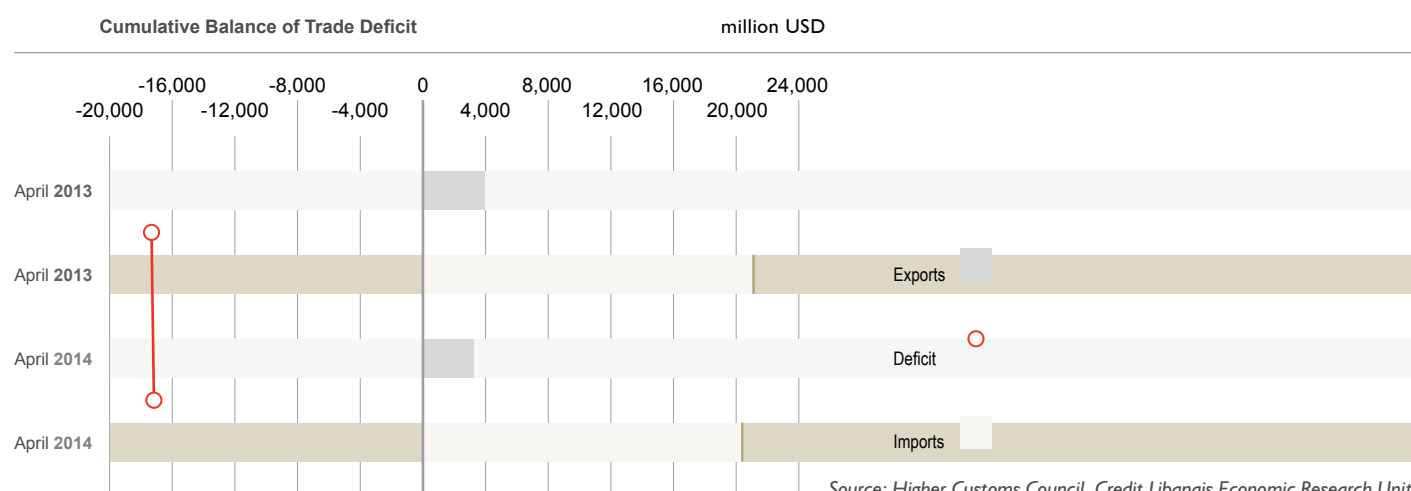
As previously mentioned, the Lebanese-Syrian borders constitute a center point for land trade exchanges from Lebanon to the region, the thing which explains the significant drop in Lebanese exports through the Syrian territories. In this perspective, Lebanon's total exports plunged by 15.83% y-o-y to \$3.31 billion, while imports fell by 3.46% to around \$20.49 billion.

LEBANESE BANKS REMAINED DETERMINED TO PROVE ONCE AGAIN THEIR **EVER-PRAISED IMMUNITY** DESPITE THE LOCAL AND REGIONAL STALEMATE, POSTING

A HEALTHY ANNUAL INCREASE of 6.60% IN THEIR BALANCE SHEET TO \$175.70 BILLION AS AT END OF YEAR 2014.

Balance of Trade	For the Year		YOY % Change	million USD
	2014	2013		
Exports	3,313	3,936	-15.83%	
Imports	20,494	21,228	-3.46%	
Trade Balance	(17,181)	(17,292)	-0.64%	

Source: Higher Customs Council, Credit Libanais Economic Research Unit



Source: Higher Customs Council, Credit Libanais Economic Research Unit

In related news, the port of Beirut's freight activity was up by a mere 0.15% y-o-y to 8,281 thousand tons in the year 2014, with that of the port of Tripoli gaining some 1.33% on an annual basis to 1,343 thousand tons, succumbing to the swelling tensions in the northern region, which paralyzed the cross-border circulation of merchandise.

As far as customs receipts are concerned, customs collections shed 4.59% y-o-y to around \$2,771 million by end of year 2014, as a result of some 2.92% contraction in VAT revenues to around \$1,365 million and a 6.15% drop in customs revenues to \$1,406 million.

	For the Year		% Change	million USD
	2014	2013		
Customs Revenues	1,406	1,499	-6.15%	
VAT Revenues	1,365	1,406	-2.92%	
Customs Collections	2,771	2,905	-4.59%	

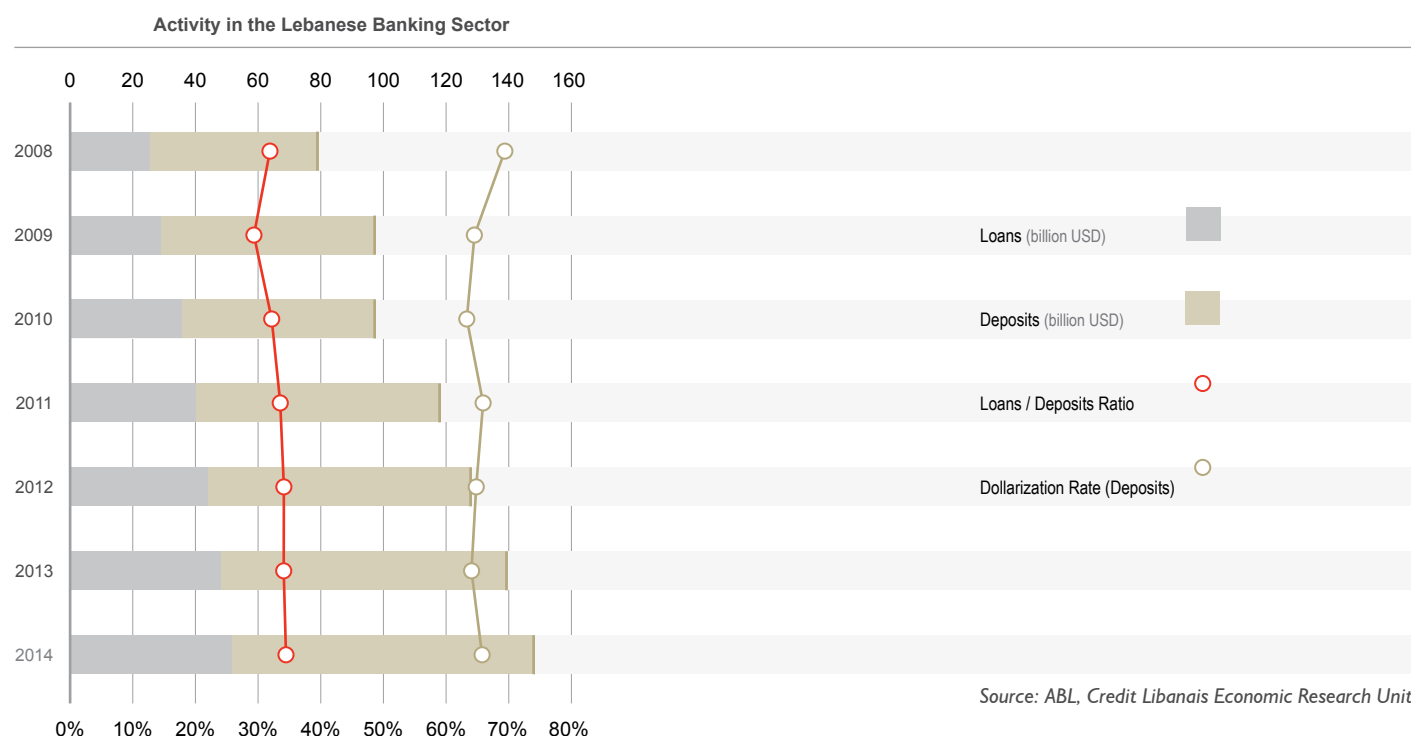
Source: Lebanese Customs, Credit Libanais Economic Research Unit

As already unveiled, the sluggish macroeconomic activity during the year 2014 has prompted the international rating agency, Moody's Investors Service, to downgrade Lebanon's government bond rating from B1 to B2 on December 16, 2014, while maintaining the country's "Negative" outlook. In addition, the rating agency downwardly revised the country's foreign currency deposit ceiling from B1 to B2, while keeping the foreign currency bond ceiling unchanged at Ba3. Concurrently, Moody's downgraded Lebanon's local currency bond and bank deposit ceilings to Ba2, from Ba1 previously. The agency cited Lebanon's high debt burden, added to the prevailing political instability in the region and the spillovers of the Syrian conflict, as the major factors behind its decision to downgrade the country's sovereign rating. In figures, the rating agency shed light on the rising public debt, expecting the country's debt to GDP ratio to reach 140% in 2015. Concurrently, the agency warned that Lebanon's public finances may further deteriorate in the upcoming years, mainly owing to the spillovers of the Syrian crisis leading to large fiscal deficits. The agency also noted that the current presidential void in the country makes it difficult to implement the fiscal consolidation needed to strengthen public finances and alleviate its burden on the economy. Fitch Ratings, on the other hand, affirmed Lebanon's "Negative" Outlook on December 12, 2014, while maintaining the country's long-term local and foreign currency Issuer Default Rating (IDR) unchanged at "B". The agency also affirmed Lebanon's senior unsecured local and foreign currency bonds issue ratings at "B", with the country ceiling and short-term foreign currency IDR both remaining unchanged at "B". Fitch noted that the major factors constraining Lebanon's sovereign ratings mainly arise from the political stalemate prevailing in the country and the

spillovers of the Syrian conflict. The agency praised, however, the Lebanese banking sector's high liquidity, the increasing inflows of deposits, and Lebanon's high GDP per capita and human development indicators, which outperformed other countries with a similar rating.

As far as inflation is concerned, the timid drop in Lebanon's consumer price index (CPI) can be explained by the downturn in fuel prices in the year 2014, triggered by increased production in the international market amid the discoveries of shale gas in the United States and the uninterrupted supply by the OPEC as a result of the excess reserves in GCC oil exporting countries, which was not met by an increase in demand. More specifically, the average price of a Lebanese basket of consumer goods fell by a shy 0.71% y-o-y to 99.29 in 2014, down from 100.00 a year before, according to the Central Administration of Statistics (CAS). Figures released by the Association of Banks in Lebanon (ABL) also point to a 1.66% annual drop in the consumer price index (CPI) to 146.44 as at end of December 2014.

In the banking sector, Lebanese banks remained determined to prove once again their ever-praised immunity despite the local and regional stalemate, posting a healthy annual increase of 6.60% in their balance sheet to \$175.70 billion as at end of year 2014, a rise of 6.09% in customer deposits to \$147.64 billion, and some growth of 7.42% in the loans' portfolio to \$50.90 billion. The sector remained highly liquid in the year 2014, enjoying a primary liquidity ratio of 78.06% as at end of December. In parallel, the deposit dollarization rate in the banking sector fell to 65.71% at end of 2014, compared to 66.10% a year before, despite the prevailing political and security tensions.



The high exposure of the banking sector to the sovereign, however, prompted Moody's Investors Service to downwardly revise the long-term deposit rating of 3 Lebanese banks in December, namely Bank Audi, BLOM Bank, and Byblos Bank, to "B2", from "Ba3" for local-currency deposits and "B1" for foreign-currency deposits, while maintaining a "Negative" outlook for all three banks. Moody's also changed its baseline credit assessments of the aforementioned banks from "b1" to "b2", and lowered the long-term national scale ratings (NSRs) of Bank Audi and BLOM Bank to Aa3.lb and that of Byblos Bank to A1.lb. In parallel, Fitch Ratings maintained Bank Audi and Byblos Bank's long-term Issuer Default Rating (IDR) rating at "B" and Viability rating at "b", while attributing a "Negative" outlook for

both banks. Nevertheless, Fitch praised the two banks' strong domestic franchise, experienced management, high liquidity levels, and strong deposit base.

Also in the banking sector, interest rate levels did not show major fluctuations in the year 2014, with the average interest rate on Lebanese Pound denominated deposits rising to 5.56% during the month of December 2014, up from 5.44% in December 2013. Similarly, the average interest rate on U.S. Dollar denominated deposits rose to 3.07% in December 2014, from 2.95% in the same month in 2013. Commercial banks' discount and lending rate stood at 7.49% on LBP denominated loans and 6.97% on USD denominated loans.

Interest Rate Levels	December 2014		November 2014		December 2013		million USD
	LBP	USD	LBP	USD	LBP	USD	
Average Rate on Deposits	5.56%	3.07%	5.55%	3.10%	5.44%	2.95%	
Term Savings & Deposits Rate	5.93%	3.54%	5.95%	3.56%	5.83%	3.44%	
Discount & Loans Rate	7.49%	6.97%	6.96%	7.01%	7.29%	6.88%	

Source: Banque du Liban, Credit Libanais Economic Research Unit

Further on Lebanon's interest rate environment, the ABL lifted the Beirut Reference Rate on lending in Lebanese Pounds on several occasions during the year 2014, raising the LBP/BRR rate by 14 basis points (bps) to 8.71% as at end of year, from 8.57% as of January 1,

2014. The ABL has similarly advocated banks to raise the U.S. Dollar lending benchmark rate sequentially throughout the year, with the Beirut Dollar Reference Rate upwardly revised by 20 bps y-o-y to 6.12%.

	Rates as of January 1, 2014	Rates as of January 1, 2015	Change (bps)
BRR on LBP Lending	8.57%	8.71%	14
BRR on USD Lending	5.92%	6.12%	20

Source: ABL, Credit Libanais Economic Research Unit

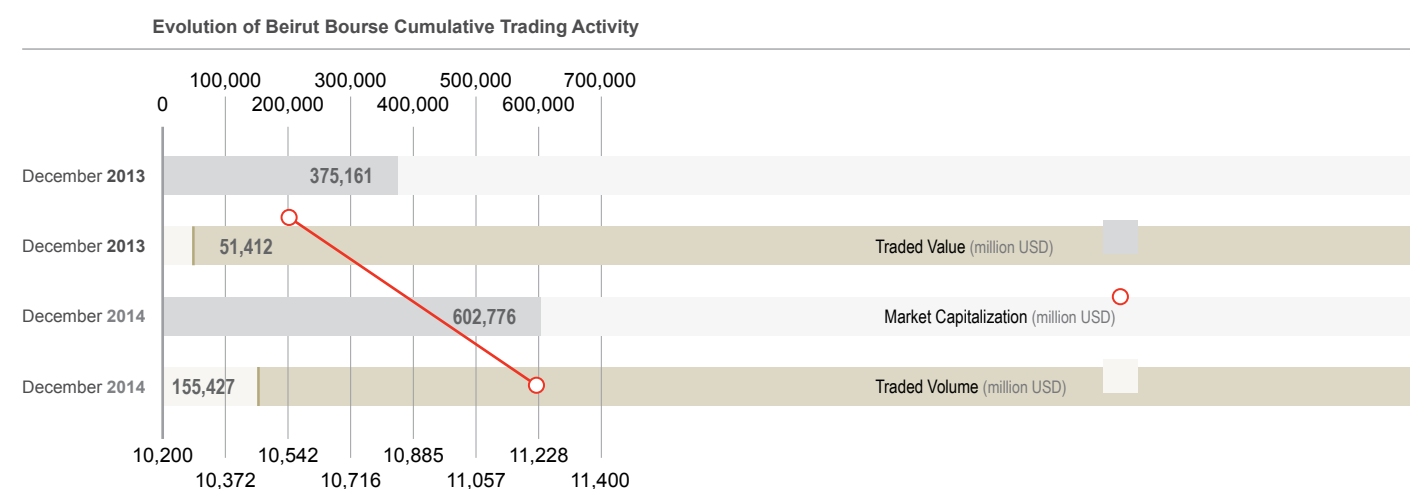
On the Beirut Bourse front, activity saw a major rebound in the year 2014 after being held hostage by the regional turmoil since the onset of the Arab Spring revolutions in the year 2011. In figures, traded volume gained a staggering 202.32% y-o-y to around 155.43 million shares, shoring up traded value to \$602.78 million. The BSE's valuation multipliers remained,

however, almost flat year-on-year, with the weighted average Price to Earning (P/E) ratio ending the year at 7.80x and the weighted average Price to Book (P/BV) ratio reaching 0.97x. In this context, the BSE ranked 5th in the Arab region and 46th in the world in terms of earnings in the year 2014 according to Bespoke Investment Group.

Analysis of the BSE Activity During the Year

	2014	2013	YOY % Change	
Traded Value (\$ 000)	602,776	375,161	60.67%	million USD
Traded Volume (000)	155,427	51,412	202.32%	
Market Capitalization (\$ Million)	11,222	10,545	6.42%	
Traded Value/Market Capitalization	5.37%	3.56%		
Turnover Ratio	8.98%	3.07%		
Weighted Average P/E	7.80	7.73		
Weighted Average P/BV	0.97	1.01		

Source: BSE, Credit Libanais Economic Research Unit



CL Core Banking Activities

Corporate Banking 50

Group Treasury, Global Markets and Wealth Management 56

Investment Bank (CLIB) 60

Retail Banking Activities 66

Electronic Banking 74

Operations and Information Technology 80

Human Resources 84

corporate banking



OUR CORE VALUES
REST ON INTEGRITY,
RESPONSIBILITY,
RESPONSIVENESS AND
EFFICIENCY.

At CL Group Corporate Banking Division we aim to be the Bank of choice for high net worth corporate customers and envisage establishing segment leadership in local and foreign markets.

Our mission is to reinforce customer loyalty, maintain the highest portfolio quality rating and achieve sustainable profitable growth.

Our Core Values rest on integrity, responsibility, responsiveness and efficiency, cooperative teamwork approach and win-win culture, stretching capabilities and continuous improvement are our core values.

In 2014, in light of the increasingly complex surrounding geopolitical risks, CL Corporate Banking Division adopted a conservative and selective lending strategy to ensure safe and sustainable growth. In fact, we adopted the culture of preventive risk mitigation among the Heads of Business Units and Relationship Managers.

Meanwhile, we strived to stay close to our customers' needs by seeking continuous feedback through proactive face to face interactions, and the offering of tailored products and services.

We have also been stringent in boosting our lending portfolio quality by seeking real guarantees such as mortgages, fire and life insurance policies and assignment of proceeds, and scrutinizing compliance with financial and non-financial covenants, cash flows, customer management succession planning and the guarantors' wealth sufficiency; on the other hand, we further developed our Risk Based Pricing methodology, in line with the capital adequacy requirements of the Basel III framework.

WHILE IN THE MIDST OF THE HUNT TO INCREASE PROFITABILITY AND MARKET VALUE, WE DID NOT LOSE SIGHT OF THE SOCIAL RESPONSIBILITY INITIATIVES AND THE FULL COMPLIANCE WITH AML REGULATIONS.



2014 in Review

The year 2014 was marked by the crystallization of a 5-Year Strategy that reconfirmed the Corporate Banking role as a major enabler for the achievement of the Bank's goals and objectives by projecting a substantial increase in the contribution of corporate lending to the total Bank Loans Portfolio.

In line with the stated conservative and selective lending approach, the Corporate Banking Division targeted, over the elapsed year, safe and stable economic sectors. In fact, we posted a 10% growth in utilized funded facilities and safeguarded our high risk rating by leveraging our efficient and effective recovery processes. At the same time, we increased the non-interest income by implementing supplementary arrangement and commitments fees and by having a higher focus on commission based trade finance activities, such as Letters of credits, Letters of guarantees and Documentary collections, contributing to a 20% increase in the unfunded facilities utilization.

We also maximized the utilization of BDL lines of credit characterized by low interest rates subsidized by the government, aiming at stimulating the economy and boosting the country's GDP.

Moreover, we benefited from our financial partnerships with several external parties for supporting our customers' financing needs through long term loans with affordable conditions, using our lines of credit held with the Arab Trade Program (ATFP), The European Investment Bank (EIB), The International Finance Corporation (IFC) and others.

In the same context, we note the support provided by the Corporate Banking Division to the various economic sectors through the enrollment in several international and local incentive programs such as the IFC program for financing sustainable energy projects and the BDL initiative to support knowledge-economy based startups.

In 2014, the Corporate Banking Division further boosted the cross selling of products such as salaries domiciliation, POS Machines, Fire and Life insurances, personal loans, housing loans, car loans, credit cards and others.

While in the midst of the hunt to increase profitability and market value, we did not lose sight of the social responsibility initiatives and the full compliance with AML regulations and Corporate Governance guidelines.

In 2014, aiming at increasing customers' loyalty and raising the barriers for the competition, we concluded the Corporate Online Banking Vendor selection process, and will be implementing throughout 2015, a state-of-the-art online banking platform to provide an innovative channel and a new approach to dealing with corporate customers in a paperless and remote environment.

Due to the nature of the transactions involved and the high personalization and customization required for products and services, human capital remains the most valuable asset of the Corporate Banking Division. As such, we continued to enhance our appraisal management system and budgeting processes, fully supported by the HR Division who enrolled employees in the "Talent Development Program" and the "Product Knowledge Campaign". Moreover, we endeavored to reinforce the Employees' loyalty by offering them promising career paths.

Foreign Entities

The Foreign Entities function's main mission is to promote and support the CL franchise abroad. The strategy of identifying lucrative growth markets, where Lebanese and other Arab communities prosper is paralleled by the intimate understanding of each

new market and its legislative banking laws and requirements.

The Foreign Entities Committee convenes regularly to review and monitor periodic performance of the branches abroad against preset targets. It assesses the market conditions, and other credit and operational risks in each of the respective markets, and ensures full compliance and transparency with auditors, regulators, and stakeholders.

CL branches across 3 continents (Europe, Middle East and Africa) promote the core values that have been nurtured for many years back home. Customer focus and teamwork are just a few examples of the values that guide us in delivering superior banking solutions and services to our valued diaspora network.

The deployment of modern technology and IT solutions remains the key success factor in bringing our branches abroad to a seamless operating platform with CL Group Head Office and branch network in Lebanon. The intranet portal evolution has extended the reach of CL products and service capabilities. Customers are now able to remotely check their investment portfolios and stay in touch with market and price fluctuations, which enables them to make more informed and timely decisions.

2014 in Review

Cyprus Branch

During 2014, the economy witnessed some contraction, and is expected to deliver 0% growth in 2015. The bailout package of 10 billion Euros by the “Troika”: the European Commission, the European Central Bank and the International Monetary Fund (IMF) underline some changes that must be applied by the authorities in order to improve the credit rating and market perception. Major economic sectors, such as construction, industry and commerce declined, while a negative sentiment loomed over cautious consumers and throughout the retail trade sectors as a whole. Our branch worked diligently to maintain its client base, and achieved reasonable results, considering the overall market conditions.

Bahrain Branch

Global uncertainty has depressed oil prices. Continuing the pattern of recent years, global growth remains fragile and highly uneven. Despite the recent downturn in global oil markets, economic growth in Bahrain remained robust with clear indications that infrastructure spending is significantly boosting the momentum of the non-oil sector. This serves as an important source of economic resilience at a time of renewed weakness in much of the global economy.

At the regional level, the growth dynamics remained favorable despite some signs of cooling. The strong performance of the GCC economies will be supportive of growth in Bahrain. GCC growth is above all due to robust non-oil growth drivers, and a massive infrastructure pipeline of projects has cushioned the effects of lower oil prices.

Against this backdrop, along with unfavorable conditions in other markets, Bahrain has managed to attract some new investors across different economic sectors. Tourism projects were on the rise in 2014, with the opening of 2 new 5 star hotel resorts. The financial sector continued to maintain the highest standards of regulatory and banking practices in the region.

CL Bahrain branch portfolio registered an unprecedented growth, as a result of attracting new client assets, and participating in syndicated loan operations. Hence, the YOY +125% growth in total assets that reached over \$185 million, YOY +181% growth in total deposits that reached over \$155 million, YOY +170% growth in loans portfolio that reached nearly \$8 million, and last, YOY +50% growth in Net Profit that reached \$1.96 million.

Iraq Branches

2014 proved to be yet another challenging year for Iraq. The renewed war conditions resulted in lower than expected growth rates. The disputes over oil exports between Baghdad and Kurdistan also halted the previously anticipated growth levels, and resulted in budget cuts. Deterioration in the economy was witnessed across wide sectors such as housing, building materials, manpower supply, and consumer households.

In the financial sector, most of the big players sustained lower returns, as the liquidity crunch hit the market. Demand for housing loans declined, and more defaults on existing mortgages emerged. Consumer spending declined, and overall investments slowed down.

Combined results from our 2 branches came short of our projected growth targets. However, we remain well poised in the market, and will continue to engage in correspondent banking and related L/C activities. Going forward, the financial system in Iraq is evolving. Our long experience in electronic banking should give us a competitive advantage, as the new laws that will govern the electronic banking services shall become effective in 2015.

Credit International SA – CISA Senegal

In Senegal, the economy continues to be driven by a number of main players within the private sector. During 2014, the construction sector recorded a growth of 6% during 2014, up from 3.3% the previous year, while other sectors like agriculture and industry declined. The effects of natural disasters, unemployment, and the recent outbreak of Ebola, were the main contributors to the unfavorable environment.

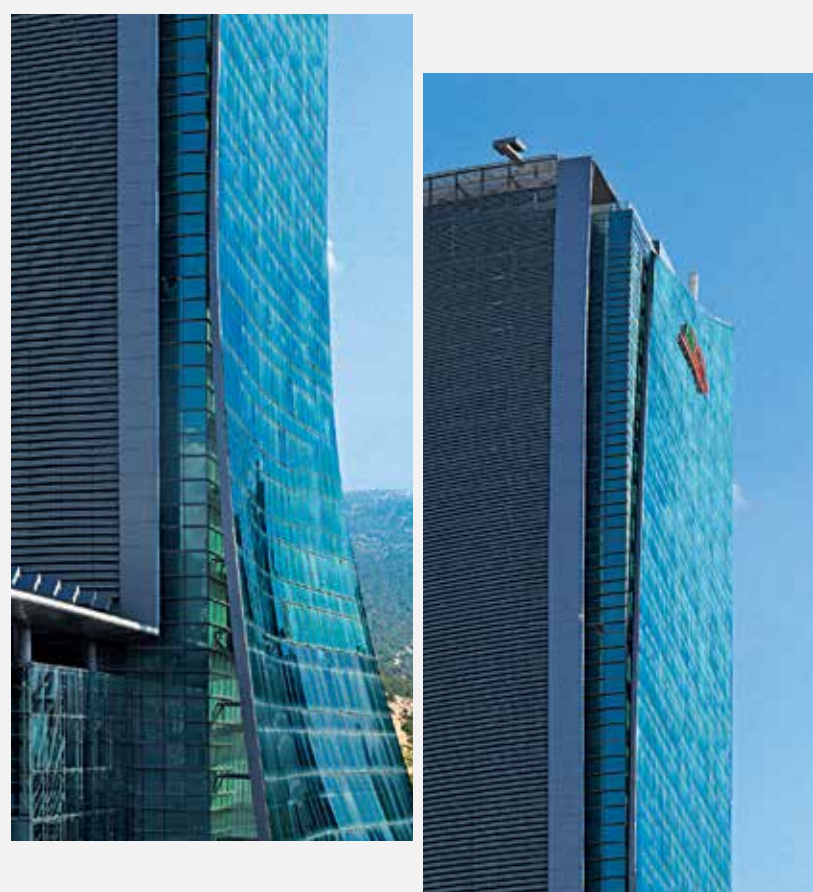
Nevertheless, Senegal is expected to grow at a steady rate of 6.7% - 8% in the coming 3 years. Our presence will continue to thrive on a large network of Lebanese and other businesses, especially in the areas of trade finance, L/Cs and L/Gs, and we expect further growth and favorable results in 2015 and beyond.

Global Business Development Desk

The Global Business Development Desk continues to actively identify target group of Lebanese, regional and international institutions, domestically and in the MENA region, in line with the Group expansion and business development strategy.



treasury, global markets and wealth management



IN 2014 WE FOLLOWED
A MORE PROACTIVE
APPROACH WHILE
CLOSELY MONITORING
OUR PORTFOLIOS AND
TAKING APPROPRIATE
MEASURES TO
LIMIT AVOIDABLE
EXPOSURES.

As the trusted advisor of customers in Lebanon and the region, CL Group Treasury, Global Markets and Wealth Management grew on the solid values of excellence, integrity and creativity.

Ethics and deontology principles are highly respected by our team of experts who invest their efforts in building a strong and reputable image for the Treasury, Global Markets and Wealth Management division with the objective of becoming a leading player in local and regional markets. We aim to be viewed as the team of choice in terms of customer satisfaction, employee engagement, profitability and growth. In addition, we are in full compliance with the Central Bank of Lebanon and the Capital Markets Authority requirements and regulations and have always adopted the best banking international practices, norms and standards.

CL Group's Treasury, Global Markets and Wealth Management puts a broad range of investment solutions at the disposal of customers, as well as portfolio management and brokerage services, including equities, fixed income, foreign exchange trading, multi-asset class investment funds, exchange traded funds (ETFs), hedge funds, structured products with various underlying instruments, capital protected products, Sharia'a-compliant investment products, custody

services and safekeeping of various types of financial instruments. The Bank also provides private banking customers with continuous updated perspectives pertaining to market trends and economic forecasts. Credit Libanais' private banking and wealth management team is backed by an in-house research unit that regularly communicates market reports and updates to customers, to assist them in making informed decisions regarding their future investments and portfolio allocations.

With the continued geopolitical developments in the region in addition to the slow-down witnessed in the Chinese economy and the European economic problems affected by Greece's ongoing crisis, 2014 was another challenging year, despite the improvement of the US markets that turned positive due to substantial improvements in major economic indicators.

Amidst such mixed developments, in 2014 we followed a more proactive approach while closely monitoring our portfolios and taking appropriate measures to limit avoidable exposures.

This has resulted in a positive growth in both financial results and assets under management, positively driven by increased volumes of customers seeking well-balanced investment opportunities.

Treasury and Foreign Exchange

Our Group Treasury continued to further build its capabilities by diversifying funding operations and effectively managing risks. The optimization of synergies throughout the Group enabled us to closely select investment opportunities in various markets and optimize our Asset/Liability management model. The Group Treasury and Foreign Exchange desk supports various activities of our growing branch network, subsidiaries and affiliates both domestically and internationally. In parallel, we strive to diversify our customer base and products, by offering a variety of services related to interest rates and foreign exchange markets. Our activities encompass deposits, foreign exchange, lending, and raising money to fund assets and cater to specific transactions. Our professional trading desk offers a combination of praised financial services supported by efficient channels of execution.

Our money market and foreign exchange business also experienced excellent results with record customer volumes, positively affected by a period of exceptional volatility of Foreign Exchange and increasing customer hedging needs. All this despite challenges faced by historically low interest rates and yields and further tightening of the international regulatory framework. Risks inherent to these activities are mainly driven by exposure to foreign exchange fluctuations and interest rate mismatches. We identify these sensitivity risks by regularly running simulations and conducting stress test analyses that enable us to better manage exposures according to changes in market conditions and trends

Global Markets

Fixed Income Markets

CL Group Global Markets Division comprises the sale, trading and structuring of a wide range of financial products including bonds, equities, equity-linked products, commodities and securitized instruments.

Proprietary trading activity focuses on fixed income trading where Credit Libanais acts as a Market-Maker on all major fixed income markets, which increases our capacity to satisfy customers' transaction needs at very competitive terms and conditions. In 2014, CL Group's fixed income trading desk performed well despite the various challenges and continued difficult market conditions.

Our market share and income streams increased in terms of volume and geographic coverage.

Risks inherent to our proprietary activities are managed according to strict investment policies through a system of continuous monitoring of position limits, and sensitivity analysis of our portfolios, in terms of credit risk, market risk and country risk exposures.

Equity Markets

The prevailing favorable conditions affected by policies implemented by the US Federal Reserve that kept interest rates at historically low levels in addition to the positive improvements of the macro-economic outlook in the US contributed to the shifting of customers towards equity trading, which reflected positively on the volume of transactions conducted.

The European market, despite following a relatively bullish trend, was affected throughout 2014 by uncertainties related to both Greece and Ukraine's sensitive problems. Accordingly, CL Group's experienced team was able to seize attractive market opportunities to attract new customers and further develop existing business relationships. We succeeded in branching out our coverage and developing our offering terms to increase our market share. In 2014, mutual funds witnessed a regain in activity, based on customer needs for risk mitigation and investment diversification. Investors showed a continuous increased interest in ETFs, covering different economic sectors, commodities, and various geographic areas, mostly driven by capital gains or portfolio hedging. Over the elapsed year, Beirut Stock Exchange (BSE), in which Credit Libanais holds a member seat through its subsidiary Credit Libanais Investment Bank, witnessed a limited demand and low volumes due to a dull performance caused by regional turmoil and domestic political tensions.

Private Banking and Wealth Management

Driven by highly trained and qualified professionals enjoying extensive knowledge and expertise, our private banking and wealth management team offers personalized investment advice to high net-worth individuals. The team's main drivers remain the long term satisfactory relationships with customers, with special emphasis on capital preservation and growth. During 2014, CL Group's Financial Advisors followed a proactive approach in developing their customer

base, taking advantage of the markets' improved outlook allowing investors to lock interesting levels of gains on their portfolios. Our advisory team constantly assists customers in developing investment strategies, identifying appropriate entry and exit options, while monitoring portfolios on an on-going basis.

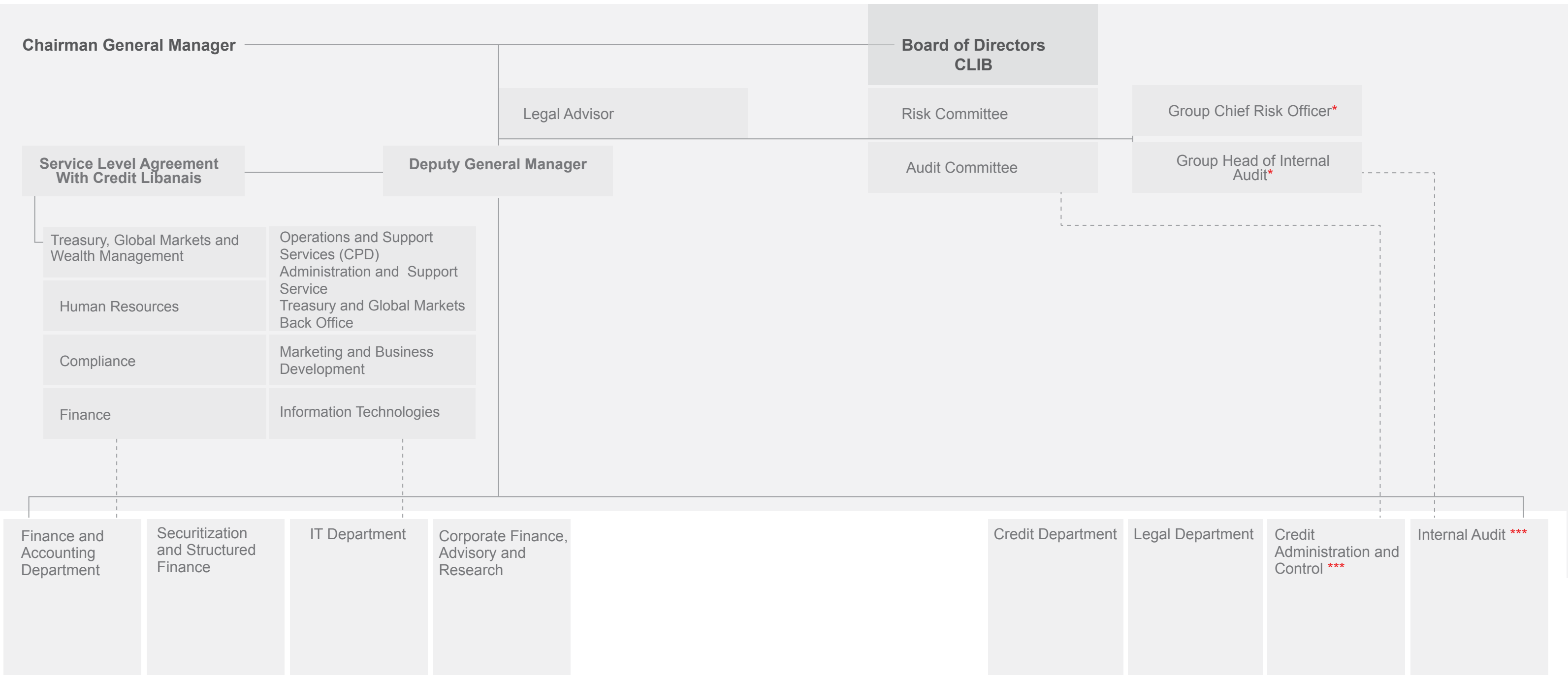
Our primary concern remains the proper allocation of assets and investments to each particular investor, allowing them to meet their specific requirements and investment objectives.

Our comprehensive services include tailored-made investment products, innovative solutions in terms of assets and product allocation, as well as geographic diversification. Our Investment advisory process is based on customers' risk tolerance, diversification objectives, and risk/return expectations.

For a more efficient interaction and portfolios follow-up, we have implemented a new online banking service that allows our customers to benefit from a quasi-live update of the value and performance of their securities holdings and portfolios.



investment banking (CLIB)



Credit Libanais Investment Bank (CLIB) Profile

A fully-owned (99.83%) subsidiary of Credit Libanais, Credit Libanais Investment Bank assumes the role of the investment banking arm of Credit Libanais. Since its establishment in 1996, Credit Libanais Investment Bank has offered a plethora of services to its customers in accordance with legislative decree number 50, dated July 1983.

Owing to a dedicated team of professionals, Credit Libanais Investment Bank is constantly on the hunt for new business opportunities and engaging in non-organic growth opportunities for the Group, as well as for local, regional and international private and institutional customers in an endeavor to preserve the Bank's strong market positioning among its peers in Lebanon.

CLIB strategy pivots around bolstering its position in equity project financing and advisory services and continuing to provide a wide array of investment banking services, namely:

- A complete set of medium and long term investment plans.
- Financial services.
- Issuance of bonds and Certificates of Deposit.
- Syndication of loans. Establishment / participation in investment funds.
- Granting of medium and long term loans.
- Corporate finance and advisory activities.

Credit Libanais Investment Bank (CLIB) furnishes its customers with a comprehensive bouquet of advisory and financing solutions ranging from term lending to highly structured and specialized products across the investment banking spectrum.

During the year 2014, CLIB analyzed and participated in several local and regional mandates including securitization and investments in private equity venture capital funds, generating as such sizeable revenue streams for the group. In addition, Credit Libanais Investment Bank has studied acquisition opportunities, for the benefit of its mother company Credit Libanais, both on the local and international fronts. In this context, net profits deriving from investment banking activities accounted for 11.81% of the Group's consolidated net profits in 2014.

The year 2014 in Review

The Lebanese economy remained subdued for the fourth consecutive year, clawed by the Syrian crisis with the effect of the latter intensifying year after year. Notwithstanding the economic and political impasse, CLIB succeeded in expanding its commercial and investment banking portfolios, while preserving a healthy asset quality. In details, CLIB improved its position in 2014 among investment banks in Lebanon despite some 5.09% contraction in commercial loans (SME & Corporate) which was offset by a 5.27% increase in housing loans. Meanwhile customer deposits at CLIB rose by a robust 13.64% in 2014 resulting in a parallel 11.85% year-on-year increase in the total balance sheet.

Apart from conventional commercial banking services, CLIB is extending its customers an array of investment banking services including funding for project finance, direct equity financing, access to investment funds, financial intermediation, corporate advisory services and research, only to name a few.

CLIB Corporate Finance and Advisory Department

The year 2014 was a solid year for the Corporate Finance Department at Credit Libanais Investment Bank despite the strained geopolitical situation locally and in the region. More specifically, CLIB continued to play an advisory role to the Credit Libanais Group in terms of spotting and analyzing business ventures and assessing attractive investment opportunities domestically and internationally. In addition, the department analyzed and engaged in several securitization transactions, particularly in the automotive sector. It also studied several regional expansion ventures whether Greenfield or in the form of acquisitions. CLIB, in this context, acted as advisor and placement agent regarding the potential sale of a minority stake in a bank operating in West Africa.

On the asset management side, CLIB advisory arm structured and back-tested a USD-denominated fixed-income fund expected to be launched in the second quarter of the year 2015. In addition, the department advised on engaging in a €2 million investment ticket in a Euro-denominated money market fund.

Finally, CLIB was active in injecting equity in funds labeled under BDL's intermediary circular 331 which encourages banks to participate in start-up companies, accelerators and incubators. More particularly, CLIB and Credit Libanais committed to equity finance some \$4 million under the umbrella of three Lebanese venture capital funds that invest in start-up companies that operate in the knowledge-based economy.

Services

CLIB Corporate Finance and Advisory Department is well equipped to offer a wide array of tailor-made financial services and solutions to private and institutional customers, locally, regionally and internationally, specifically in the following areas:

Financial Advisory

These include engineering financial solutions designed to meet the strategic and organizational needs of institutional customers. This includes financial assistance to customers in need of:

- Evaluating the financial performance of their businesses.
- Assessing the viability of an expansion / investment alternative.
- Seeking financial reengineering / turnaround.
- Opening their capital to prospective investors.
- Merging with / acquiring another business unit.
- Strategic alliances and partnering transactions.

Debt and Equity Placements

Services include advising customers to help them make a more informed decision regarding the desirable capital structure, locating financing sources, as well as negotiating and repositioning their company more favorably.

Mergers and Acquisitions

Services revolve around offering comprehensive assistance to customers seeking to merge with or acquire other private or public business units. CLIB will get involved in every step of the transaction including:

- The preparation of the sale.
- The determination of the strategy.
- The search.
- The determination of the best financing structure.
- The negotiation of the contract.
- The due diligence.
- The valuation.

Recapitalization and Strategic Advisory

Services consist of restructuring a company's capital structure with the aim of rendering its debt/equity assortment more sustainable.

Loan Syndication

CLIB offers professional services in the structuring, pricing, and management of syndicated loan facilities, in addition to participating in loan syndications arranged by other banks. This calls for performing in-depth due diligence on the corporate customer in an endeavor to analyze the different aspects of a loan syndication such as risk, enforceability of contracts, pledges, guarantees, ability to redeem the loan on time, among others.

CLIB Research Unit

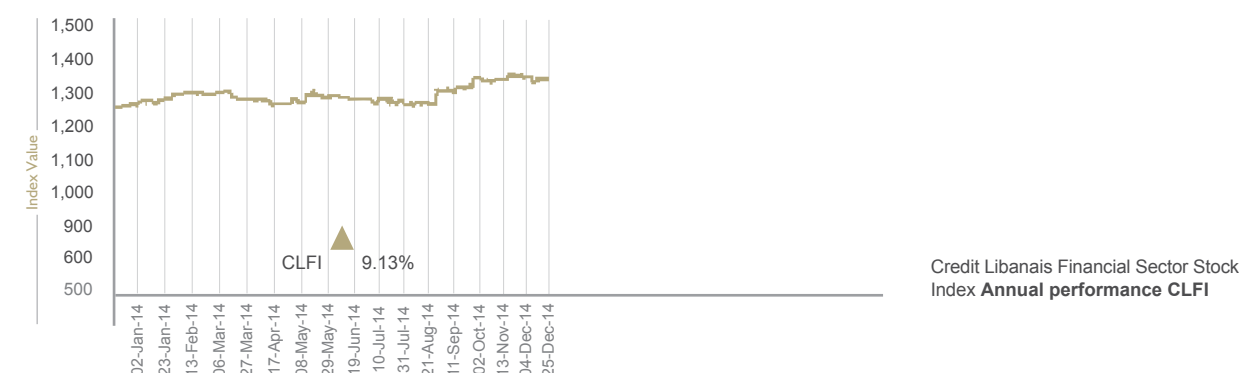
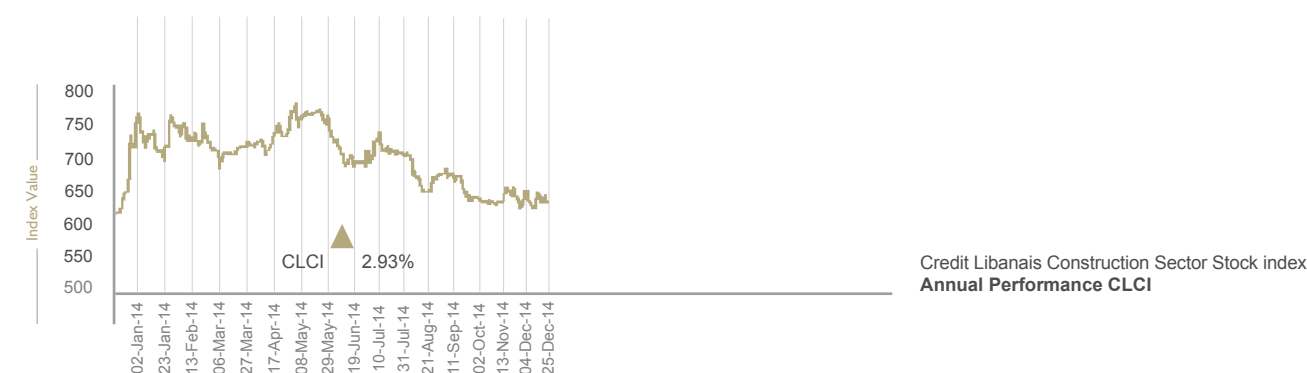
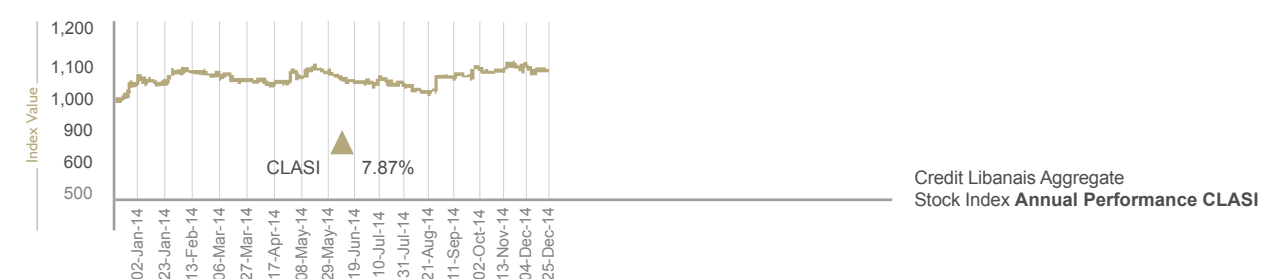
The Economic Research Unit, and via its weekly economic newsletter, sheds light on major local economic developments as well as the local money market, fixed income and equity markets. In 2014, the Economic Research Unit continued to widen the global reach of its economic publications via weaving new alliances with renowned financial hubs and pertinent newswires around the globe, including Reuters, Bloomberg, Zawya, MenaFn, FX Street, among others.

The Economic Research Unit at Credit Libanais Investment Bank also published four research reports during the year 2014 relating to the Beirut Stock Exchange (BSE), the Gold commodity, the Euro currency and Lebanon's Hydrocarbon sector.

The Research Unit succeeded as such in making the headlines of the economic sections of major local and regional television channels, newspapers and bulletins. In addition, the Unit was active in several economic interviews with local and foreign newspapers and magazines, covering a variety of economic and banking topics.

Through its three domestic stock market benchmarks, namely the Credit Libanais Aggregate Stock Index (CLASI), the Credit Libanais Financial Sector Stock Index (CLFI) and the Credit Libanais Construction Sector Stock Index (CLCI), CLIB's Research Unit continues to monitor the daily performance and activity of the Beirut Bourse (BSE), hence providing insights for local and regional stock market enthusiasts with the objective of taking more rationalized investment decisions.

	Inception Date	Inception Value	Value on January 1, 2014	Value on December 31, 2014	% Change in 2014	% Change since Inception	Year High	Year Low	All Time High	All Time Low
CLASI	Oct-06	1,000	1,004.78	1,083.93	7.87%	8.39%	1,103.50	1,004.78	1,801.01	836.11
CLFI	Oct-06	1,000	1,256.75	1,371.53	9.13%	37.15%	1,394.58	1,256.75	1,666.64	864.82
CLCI	Oct-06	1,000	613.33	631.31	2.93%	-36.87%	747.45	613.33	1,948.82	586.63



retail banking activities

RETAIL COMMERCIAL LENDING UNDERTAKES INITIATIVES IN ACCORDANCE WITH LONG TERM OBJECTIVES TO CREATE VALUE FOR SMES.

Since its inception, Credit Libanais planted the seeds for a modern Lebanon by encouraging and empowering young and mature Lebanese entrepreneurs. Our firm values stem from the belief that the prosperity of future generations depends on the sustainable development and the responsible usage of the resources at hand. Our mission is to reaffirm our leading position as a leader by continuing to ensure an excellent customer experience while contributing to Lebanon's economic growth.

In 2014, CL's approach of "Contemporary banking fine-tuned through a selective yield management" continued to drive success while further enhancing CL's customer experience in the current market's challenging circumstances. Our global view continues to be energized by our ongoing and significant growth rate in fundamental banking products. The growth achieved has been in line with long-term strategies to diversify business activities towards a universal banking model and to expand regionally and internationally.

Credit Libanais Group continues to offer customized solutions that meet the needs of individuals and companies doing business in local and international markets, covering various aspects of asset conversion cycles.

The Retail Banking at CL aims to:

- Maintain a long-term sustainable ROE.
- Be the leading bank for individuals and SME.
- Be the best bank in Lebanon in terms of customer experience and satisfaction.
- Create small economies in molecular geographic area.
- Serve the ever evolving customers' needs in an ever-evolving world.

Based on the historical successful performance, and while carrying out operations with the responsibility of creating value for the Lebanese economy, CL generates and renders fast, flexible and reliable services. Moreover, we deliver quality and swift services to customer's ever evolving needs.

To swiftly serve customers, CL continuously upgrades its technology infrastructure in accordance with the demands and needs of modern times, and creates

banking services on the axis of customer satisfaction and the creation of a valuable CL Customer Experience across all retail banking segments. CL further highlights its commitment to increase efficiency and reach out to the most distant customers, while expanding activities in remote markets and diversifying geographic presence.

2014 in Review

During 2014, retail banking once again achieved a good performance despite deteriorating surrounding market conditions. Adaptability and strategic thinking were the key drivers in doing so.

Originated total lending (Commercial Lending and Products) contributed to a 51.20% share of the total of the bank, compared to 50.87% of the previous year (CL and CLIB).

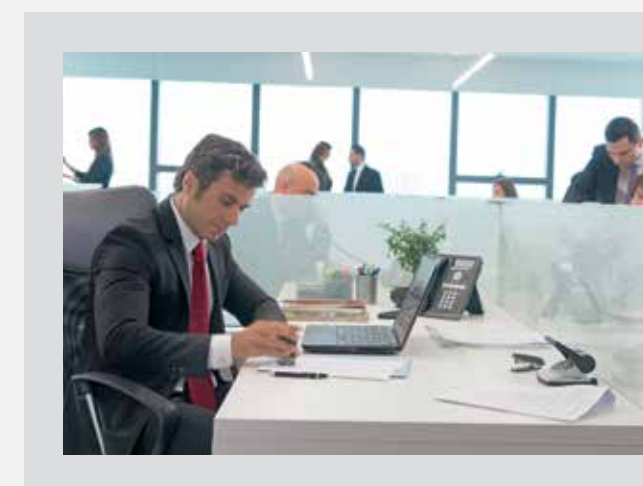
Moreover, total retail products with specific focus on the public sector amounted to 41% of total lending of the Bank while retail commercial lending represented 10% (CL and CLIB).

Growth continued to be the expression of the equilibrium in the composition of all strategic business lines adjusted to the current prevailing market conditions where retail banking activities operate: Customer deposits in December 2014 reached USD 7.74 billion compared to USD 7.16 billion in December 2013 with a growth of over 8%. Net banking income contribution to the group continued to be the highest with 32.03% while engaging 20.41% of total assets. At a ratio of 1.57, it represents the best return on assets employed, or financial efficiency.

Among the products, subsidized housing loans increased by 32%; while Iskan loans (housing) increased by 10%.

Commercial Lending carried out its SME-oriented initiatives in accordance with long-term objectives to create value for these enterprises, to support their sustainable development and maintain their focus on green environment. SMEs are seen as the Bank's business partners, and are provided with information and advisory services to grow their businesses.

Retail commercial lending undertakes initiatives in accordance with long term objectives to create value for SMEs and to support their sustainable development. Credit Libanais, entered into several partnerships to secure credit facilities from low-cost, long term resources, joining efforts with local and international finance institutions (IFC, BDL, ESFD, Kafalat, Arab Fund, etc...). SMEs were further supported to specifically boost their exports or develop their presence in the tourism or other sectors.



SMES ARE SEEN AS THE BANK'S BUSINESS PARTNERS, AND ARE PROVIDED WITH INFORMATION AND ADVISORY SERVICES TO GROW THEIR BUSINESSES.



Packages were created featuring special products and services geared toward the specific needs of SMEs in related segments or geographic areas, with a particular emphasis on credit products designed in synchronization with the cash flow patterns, adjusted to cyclicity.

The SME department made a difference thanks to the Bank's far reaching branch network, product diversity, information services and partnerships.

Customer Relationship Management (CRM)

The key issue remained the complete standardization of action across the Bank by using the continuously upgraded Customer Relationship Management (CRM) system which supports the enhancement of customer-oriented perspectives and the attainment of effective

customer relationship management within Credit Libanais. Efforts conducted within this area are administered under three main themes: developing the customer relationship management infrastructure, creating advanced in-house customer analytics and improving the Bank's effectiveness at all points of contact with the customer via integrated channels in view of identifying and serving comprehensive needs. With an organic growth across the domestic network of 69 of branches, divided in 5 Regional Managements, CL was confirmed as having one of the largest branch networks among banks in the country.

The network is completed by the branches in Limassol (Cyprus), Manama (Bahrain), Erbil and Bagdad (Iraq) as well as the representative office in Montreal, Canada and Credit International SA subsidiary, fully operational in Senegal since 2010.

With more than 50 years of banking experience, Credit Libanais has constantly been able to promptly adapt to changing and developing circumstances, quickly generating appropriate solutions according to economic conditions and financial patterns.

Bancassurance

Credit Libanais insurance services are offered in coordination with Credit Libanais d'Assurance et Reassurances (CLA), the insurance arm of the Group. CLA products offered through this synergy cover individual retirement plans, life insurance, car insurance and fire insurance.

In an effort to further build on the customer experience, Credit Libanais concentrates on designing insurance products based on customer requirements, while giving special care to customers' needs and expectations.

Based on such analyses, CLA delivers the right product to the client through the efficient channel at a competitive price and innovative approaches.

marketing and business development



The Marketing and Development function aims at developing an effective approach to serve retail and corporate customers while insuring growth through sales activities and communication. This strategy implemented consistently over time, focuses on developing awareness of our brand and on building trust around it.

The Marketing and Development division is geared by core values based on integrity, team quality, transparency and making a difference while handling change with flexibility and innovation. The sound business environment enhances pride in the organization, and gives each individual the opportunity to better reach their professional goals. Our core values guide us, inspire and stimulate progress; most importantly, we strive to embed those values into how we act and make decisions through teamwork and cooperation.

We challenge ourselves by aligning our vision, mission, strategic objectives and tactical action plans. The strategic marketing planning and the deployment of actions plans provide an easy way to measure progress and ensure that team members are clear about their responsibilities. Marketing plans are deployed through sales, CRM and advertising campaigns while analyzing relevant data such as strengths, weaknesses, opportunities and threats. Marketing plans take into account early indications of major shifts in technology, market, products, customer preferences and competition, organize the sales force and provide measurable results in view of validating outcomes with projected results.

Product Development

The Bank is constantly challenging predictable perception and developing new solutions to meet customer requirements by adding value and building

trust and commitments that last. CL delivers professional personalized customer service and a wide array of financial products. The strategy is based on a market segmentation analysis that enables the targeting of niche markets which exhibit similar needs and purchase behavior and on tailored partnerships and offers with key players in the market.

Loyalty Program and Visa Campaigns

As part of the CL loyalty scheme designed to motivate cardholders to increase the use of their cards, a new promotion was launched allowing customers to double their loyalty points whenever they used their Credit Libanais cards at Hermes Tourism and Travel, an affiliate of Credit Libanais Group. Cardholders were able to redeem their accumulated and doubled points for travel tickets with the airline company of their choice

and for hotel stays, thus increasing their chances of traveling and exploring new countries, anytime they want.

This offer was part of the CL Loyalty Program, which allows cardholders to collect points whenever they settle their purchases using their cards, in Lebanon and around the world, and redeem them for insurance services, payment of their domiciled phone and electricity bills, valuable gifts and rewards including home appliances, accessories, electronics, gift vouchers and travel packages.

New merchants joined Credit Libanais' loyalty program with the purpose of granting cardholders exceptional privileges and rewards with every amount spent with their cards and offering enhanced loyalty scheme performance for the redemption of their points.

In 2014, the points redemption rate increased by 60% YOY.

Credit Libanais was once again part of the campaign launched by Visa International during the months of January and February 2014, offering customers the chance to win an all-expenses-paid trip to Brazil to attend the world's most passionately followed sporting event, the 2014 FIFA World Cup. Two lucky CL winners won a trip for 2 to this magical event in Rio.

Customer Relationship Management (CRM)

CRM is the most important tool adopted by Credit Libanais for meeting customer expectations at different stages, while at the same time achieving market share and profitability goals.

Through the deployment of an integrated Customer Relation Management strategy and continuous

Marketing/CRM campaigns based on database sector segmentation, the Marketing and Development division works toward developing long term customer relationship and increasing the perceived value of products while proposing new ones. Therefore, we succeeded in initiating cross selling and upselling opportunities as well as understanding the propensities of different customer segments.

Sales Force Team

The segmentation strategy per region and product, along with its geographical structure, contributed towards improving adaptability to the Lebanese market, thus enhancing productivity and effectiveness. Within this framework, the sales force team extended the sales and marketing action by focusing on the bank's group network to cover CL sister companies.

The concerns and accomplishments of the sales team tend to vary in order to establish long term relationships with the Bank's customers, provide services in a variety of ways, and make any necessary adjustments to improve the approach for future new product launches.

In 2014, the Sales Force team increased its participation in the Bank's group results, by establishing new channels of distribution for this business.

The Public Sector

Credit Libanais attained a high volume of salary domiciliation through its medium and long term marketing strategy, and through extensive domiciliation campaigns launched targeting mainly the ISF, Lebanese army, general security and other military institutions and covering most of the Lebanese territory. The Bank holds a 20% market share of the Lebanese Army's salary

domiciliation and some 34% of the Internal Security Forces' salary domiciliation.

CL provides special housing schemes to military institutions, as well as special payment cards with dedicated loyalty schemes. In this context, CL developed the MasterCard Titanium card program, designed to support the Lebanese Army martyrs' families, and promote anti-drug campaigns planned by the Internal Security Forces (ISF). Credit Libanais Group won the 2014 National and Social Impact Award for its program "Supporting Those Who Defend Us" in recognition of its corporate responsibility policy, during a national ceremony organized early 2014.

Mystery Shopper Program

This program was carried out for the eighth year in coordination with IPSOS-Lebanon, in order to provide objective feedback on our touch-points.

During 2014, the revised Mystery shopper programs assisted us in our recommendations to the concerned staff, and in finding ways to improve performance and services, enhance staff product knowledge and sales skills that ought to result in increased customer satisfaction and retention levels.

Marketing Intelligence Unit

In 2014, the unit employed and managed several tools, among which competitive intelligence, Media monitoring, collection of news, materials and other pertinent information, customer satisfaction and retention campaigns, closed accounts follow-ups, and so on; backed up by data, collected from the Mystery Shopper Program, Customer Relation Management (CRM), internal resources, and external research partners.

Based on this continuous data and information gathering, several reports were distributed throughout the year.

Advertising and Communication

CL communication and advertising strategy is based on a mix of communications. Several campaigns were executed with creative concepts, strategic media planning, and social media development, which enabled the Bank to reach a wider audience and generate valuable relationships with customers.

CL also maintained an active presence in the media through efficient and consistent above the line advertising on TV stations, thus reaching a broad range of viewers. Moreover, extensive coverage through radio, outdoor campaigns and the print media was carried out.

Below the line advertising constitutes a large part of Credit Libanais' communication plan. In 2014, the Bank continued to improve its image and identity by reshaping its advertisements via e-mails, SMS, Did you Know letters, and statement of account messages.

This has been also applied to the online advertising channels. Accordingly, CL website, app, newsletters, Social Media and other related platforms were updated with a fresh new look that offered CL customers with a pleasant experience each time they visited the Bank's online channels.

electronic banking

CL electronic banking and customer service functions strive to enhance customers' experience by providing advanced banking services channeled through several electronic delivery channels.

In 2014, several technological advancements were introduced, namely:

- The digital signage throughout several Credit Libanais branches, to communicate CL messages, products and offers on videos and visuals.
- Advanced queuing dispensers with high-tech features and touch screens, whereby customers can select the desired service and transaction specification, to be swiftly served.
- A new digital communication plan to improve CL online presence on different distribution channels.
- New social media apps to optimize interaction and connectivity with customers.

To reach out to our customers on-the-go, we provide the following e-services:

Online Banking

In 2014, CL online banking service has been largely developed with the addition of several new services and features, namely:

- Merchant Funds Transfer, allowing merchants having a CCM POS terminal to manage their accounts and transfer funds with a simple click.

- Loyalty Points Balance inquiry, assisting customers to check their reward points online.
- E-Payment services developed for the payment of government taxes online as well as dues to the Order of Engineers and Architects in Beirut, via CL payment gateway, Net Commerce.
- Private Banking and Wealth Management portal for corporate customers enabling them to get real time access to their portfolio.

Mobile Banking

"CL e-bank" mobile application is made available in all stores and is compatible with smart phones and devices.

CL e-bank allows customers to interact with the Bank 24/7 and perform all banking transactions related to accounts and cards, instantly and securely.



ATM Network

Our large network of ATMs offers value added services to customers in terms of cash and check deposits and withdrawals, 24/7.

Customer Service Center

Reachable at 1518 (Hotline) CL customer service processes a large volume of phone requests, Monday through Saturday from 8:00hrs to 20:00hrs. Agents at the inbound call center provide product support, customers' information inquiries and complaints. Outbound calls are operated for telemarketing and unpaid bills of collection.

Social Media

CL actively and dynamically interacts on Social Media channels: Facebook, Twitter, LinkedIn, YouTube and WordPress. In 2014, our social customers reached some 40,000.

SMS Transaction Alert Service for Cards and Accounts

Credit Libanais SMS cards and accounts alert system is a powerful security and anti-fraud tool that notifies subscribers of cards and accounts transactions via SMS sent to the subscriber each time a transaction is made. SMS cards alerts also help customers keep track of their spending.



CL E-BANK ALLOWS CUSTOMERS TO INTERACT WITH THE BANK 24/7 AND PERFORM ALL BANKING TRANSACTIONS INSTANTLY AND SECURELY.

affiliated companies

Credit Card Management sal (CCM)

CCM is the largest processor for card payment acceptance and issuance in Lebanon. CCM offers a single point of contact to all merchants looking to accept international cards such as Visa, MasterCard and Amex on all point of sale solutions: in-store top counter POS to wireless and mobile POS. CCM also offers merchants proprietary loyalty and gift card programs customized to their needs and businesses.

Online services are made available to existing customers; merchants can securely access their POS information, manage their proprietary card schemes in terms of card issuance requests, turnovers and earnings, and generation of accounting and management reports.

CCM continued to deploy new series of POS embedded with more flexibility features and wireless connectivity options, to better satisfy our customers.

In 2014, CCM enhanced the features, services and reporting tools already available from the secured web interface of the petroleum smart card solution. The new added flexibility allows gas stations to target new customers and follow up on promoting card activity and encouraging increased usage and retention.

The product was offered to additional customers who requested specific customizations, namely some CRM capabilities.

Prepaid cards were very much in demand with merchants, who were especially pleased with the ability to issue cards as per customer request.

CCM facilitated the sale of the cards' sales by allowing the merchant to set the card limit and validity at the point of sale during the time of the sale. This added feature lowered the cost of unused card stocks with the merchants.

Over the elapsed year, CCM continued to deploy PayMobey, the mobile payment service application on some 3000 CCM POS. Today, PayMobey remains the best solution for remote payment in a non face to face environment offering convenience and security.

CCM General inquiries	+ 961 1 901230
Website	www.ccm.com.lb
Help desk	+ 961 1 899915
E mail	ccmhelpdesk@ccm.com.lb

www.ccm.com.lb

NetCommerce

The Payment Gateway for Internet Credit Card Processing

NetCommerce SAL has been a leading provider of internet payment services and e-business solutions since 1999, enabling Lebanese merchants to access worldwide markets and sell their products and services online in real-time, using Visa and MasterCard card types.

A Reputation You Can Trust

With a growing portfolio of more than 900 merchants who trust NetCommerce to process their payment transactions securely and reliably, NetCommerce has become the largest payment gateway in Lebanon, processing hundreds of thousands of transactions each year from various operating industries.

The Most Secure and Reliable Solution for Payment Online

NetCommerce adopts the latest world technology and security implementations to deliver innovative reliable, and secure payment processing solutions, and allows both merchants and cardholders to trade and purchase online with confidence.

- NetCommerce uses VeriSign Authentication Services and solutions that allow companies and consumers to engage in e-commerce transactions securely.
- NetCommerce is PCI-DSS (Payment Card Industry Data Security Standard) compliant since March 2010. This program applies the latest security implementation derived by Visa and MasterCard in the protection of cardholder data and payment services.

- NetCommerce also implements the Verified by Visa and MasterCard Secure Code protocols. These protocols provide 3D-Secure payment authentication between the merchant, cardholder, issuing bank, and acquiring bank on each transaction to better authenticate each payment online.

Ease of Integration

NetCommerce has self developed its payment platform to respond to the different needs of the Lebanese market, with the ability to develop custom and vertical solutions that tailor both market and customer needs.

NetCommerce has facilitated the integration into its payment interface, with different options that best suit the different merchants' needs.

NetCommerce's forecast and expectations for the years to come is to continue gaining a significant market share by acquiring new markets, remain in line with technology and provide payment solutions for high tech emerging businesses, E-Government projects, and mobile technologies. In this respect and in addition to the previous success in governmental projects, NetCommerce efforts has continued to address new governmental services, Ministries, and Syndicates to further move the online payment services in Lebanon towards a successful e-government.

NetCommerce General Inquiries	+ 961 1 879 709
Website	www.netcommerce.com.lb
Help desk	+ 961 1 879 709 (ext: 11)
E mail	info@netcommerce.com.lb

IPN The International Payment Network

Established in 1996 at the initiative of Credit Libanais and the participation of 5 other major Lebanese banks, International Payment Network sal (IPN) grew to become Lebanon’s leading ATM Network Switch. Currently owned by 5 leading banks, it manages the most extensive network in the country with around 900 ATMs and services more than 17 member banks.

To ensure an excellent service to customers in terms of Automated Teller Machines, IPN continuously reinvests in state of art technology and has finalized the main part of its software solution from Base 24 to Base 24 EPS, known to be the most innovative finance services solution worldwide, which currently runs under the Non Stop High Availability System NS series.

From the security perspective, following the EMV compliance rightfully acquired several years ago, IPN is certified since 2011 as PCI compliant according to the norms of Visa and MasterCard international, and since 2012 as ISO 9001:2008 compliant.

IPN services in terms of ATM Services include Cash Withdrawal, Balance Inquiry, Mini Statement, Mobile Recharge, Account Transfers, Pin Change, BNA (band and envelop deposit), Bills Payment and much more.

IPN services in terms of ATM Solutions include Installation of ATMs, Choice of ATM supplier, Customized Screens and Receipts, Management of ATMs Cash Position, Control of Consumables, Control of Captured Cards, Encryption Key Management, 24/7 Service Desk Support, Anti-Skimming Detective Alert, Assistance in Applying for all Visa/MasterCard/Amex Mandate Certifications, and Host-to-Host connections.

IPN General inquiries	+ 961 1 871 248
Help desk	+ 961 1 878 470 (ext: 11)
E mail	atmhelpdesk@ipn.com.lb

Credilease

Credilease is a financial institution affiliated to Credit Libanais sal, which extends a range of credit facilities to customers, in a fast and personalized manner. Solutions brought are efficient, confidential and competitive and are specifically designed to meet the individual and corporate needs of each customer. At Credilease, we understand the financial challenges each business faces. For this reason, we strive to provide financial alternatives to respond to all customers in our competitive world.

Credilease offers the following financial services:

- Leasing operations such as rent to own: machinery, transport equipment, industrial equipment, hospital equipment.
- Credit facilities such as car loans, personal loans, housing loans, subsidized loans.
- Consumer finance loans as well as credit facilities to household and consumer appliances sectors.

- Credilease is also ready to extend investment and private banking activities including equity and wealth management services.

A highly trained and skilled team is always available to develop the best suitable personalized service needed. Employees are knowledgeable and equipped with the latest technological tools to provide a fast, reliable and confidential service.

Credit Libanais Tower, Corniche el Nahr Adlieh – Beirut, Lebanon	
Tel/Fax	+961 1 425760/1/2/3/4
E mail	gbkhoury@credilease.com
Website	www.creditlibanais.com



operations and banking information technologies

The Quality Management System (QMS)

The success of Credit Libanais Group depends on our people. We are proud of staff involvement and aware of the commitment of top-level management toward the implementation of the ISO requirements and toward the mission to ensure continuous improvement within the Bank.

QMS is a management system for directing and controlling an organization with regards to quality. QMS provides us with a framework for continuous improvement that helps us achieve the quality objectives and enhances customer satisfaction. By adopting the QMS system, we achieved:

- Improved business planning.
- Greater quality awareness.
- Improved communication.
- Higher customer satisfaction.
- Reduced costs of non-quality.
- Greater control of processes and activities throughout the organization.

It is noteworthy that the International Standard will undergo a dramatic revision toward the end of 2015, concerning new requirements. Given the success that Credit Libanais has achieved throughout the years in terms of implementing and maintaining the ISO standards, the Bank will continue on its quest for perfection and will successfully implement the new requirements to the highest possible standards.

In 2014, Credit Libanais renewed its ISO Certification for the third time since 2012. The SGS ISO External Auditors performed the ISO Surveillance Audit visit in October 2014, and the results were very positive.

The Quality Department, under the Operations Division assisted the International Payment Network IPN (subsidiary) in obtaining the ISO Certification in 2012. In addition, the IPN performed the successful implementation of the QMS system in accordance with the requirements of ISO 9001:2008 Standard, and the benefits of this achievement are demonstrated each year, during the SGS External Audit reports – a success that continues year after year.

Following closely on the heels of this achievement, another success story is in the making: The management of the Credit Libanais d'Assurances et de Réassurances - CLA (Sister Company) has decided to apply for the ISO Certification. Our plan is to complete this important project and obtain certification by 2015.

Banking Information Technologies

Credit Libanais has concluded a notable year filled with goals achieved and obstacles surmounted. We successfully completed and made significant progress on key projects that speed access to technology resources, and upgraded services to provide more efficient and reliable services.

Our achievements have built a solid base for future progress, positioning us to enhance resources to play a key role in the development of the Bank's major initiatives.

Next year and beyond will see us engaging in new approaches for solving problems through professional IT solutions in order to provide maximized value, while serving the mission of the Bank by providing the highest

level of services to customers everywhere, through multiple delivery channels and supported by the latest technology.

In this respect, CL Group's core banking system, which is a customer-centric universal banking system, provides full universal banking functionalities for both front and back office deployments. It is embedded with enhancements for the wide range of retail banking instruments such as lending, deposits, and payments in addition to supporting business and enterprise banking requirements, including treasury and trade services. Innovation is crucial for success, yet the focus remains on efficiency and productivity.

A thorough review of the Bank's infrastructure, products and services has taken place and we have identified areas that need to be addressed, in particular the environmental protection. The new "Green IT" approach led us to consider the optimization of our environment with the introduction of new technology. Server virtualization is almost complete and the implementation of the DCIM (Data Center Information Management) will further enhance such optimization.

“GREEN IT” NEW APPROACH LED US TO CONSIDER THE OPTIMIZATION OF OUR ENVIRONMENT. SERVERS VIRTUALIZATION AND THE IMPLEMENTATION OF THE DCIM (DATA CENTER INFORMATION MANAGEMENT) WILL FURTHER ENHANCE SUCH OPTIMIZATION.

In 2014, the fully data center in the new Credit Libanais Headquarter Tower is one of the best data centers in the area, one that has been visited by many peers in the local and regional markets. A high-capacity cooling system uses chilled water to make the data center more robust and less prone to failures, and significantly decreases running costs. Furthermore a modular UPS system adjusts capacity to actual IT loads with more than 95% efficiency.

Based on CL strategy to utilize the same core banking system for all foreign branches to improve efficiency, we undertook a project to migrate all branches to Equation core banking system installed in Lebanon. This unification will reduce operation and maintenance costs and improve management reports and MIS.

In addition to the existing online banking facilities offered to customers, Credit Libanais shall give corporate customers in Lebanon and the region real time and secured access to CL's entire current products and services basket. Customers shall be able to complete their everyday banking transactions more efficiently, reducing the costs and burdens associated with cash management (cash flow, reconciliation,

treasury, foreign trade transactions, deposit/treasury deals and other payments processes).

The year 2014 also witnessed the implementation of the first phase of FATCA (Foreign Account Tax Compliance Act) covering Credit Libanais Group in Lebanon and abroad.

Moreover, we provided the treasury department with a telephony and recording solution that enables the trader to handle customer orders in trading currencies or equity in a very efficient way.

IT launched the project to replace the existing application in the administration department which was based on a very old technology, with the new ERP (Enterprise Resource Planning) software based on the latest available software in the market, allowing for accounts payable, budgeting and administration processing.

Credit Libanais' intranet is currently being upgraded to the latest SharePoint edition, to allow for more collaboration and swifter communication among management and staff.



human resources



IN AN ATTEMPT TO KEEP UP WITH THE COMPETITION AND RETAIN OUR HIGHLY QUALIFIED TALENT, WE CONTINUE WITH OUR INTERNAL HIRING PRACTICE, WHERE OUR TALENTED PEOPLE ARE ASSIGNED NEW AND HIGHER RESPONSIBILITIES COUNTING ON EXPERIENCES.

Recruitment and On-Boarding

Providing the Bank with the required human capital to meet its operational and strategic goals is a challenging matter that we continuously seek to accomplish. We aim to recruit the right set of competencies at the right time in order to always provide high quality service to our stakeholders.

CL's recruitment process ensures the selection of the most qualified and best available staff in line with the principles of non-discrimination and equal opportunities, according to the Bank' vision, mission and values.

Different sources are exploited to widen the candidate pool for each vacancy: the large numbers of applications that are submitted are always reviewed in order to find the most appropriate ones for the openings at hand. We participate in the yearly job fairs of local universities to attract fresh graduates. In fact, more than 3066 CVs were received during the year 2014.

To ensure the good integration of our joining members, we guarantee they go through the on-boarding process to have a full overview of our vision, mission and values, so they can easily adapt to our environment and culture.

For the year 2014, the hiring ratio reached 5.5%, thus accompanying the expansion of our business.

In an attempt to keep up with the competition and retain our highly qualified talent, we continue with our internal hiring practice, where our talented people are assigned new and higher responsibilities based on experience. Each high-value individual is given the opportunity of taking part in the Bank's success and growth.

We count on this process to keep our people motivated, and look for ways to enhance the way we do business, as it constitutes our competitive strength in attracting new talent.

Performance Appraisals

Our performance system translates our Bank's overall strategy of departmental and individual plans taking part in the growth and profit of the Bank. Our practices in this field ensure a positive work environment through the proper management of the performance appraisal system, by providing status reports on the achievement of goals and identifying talented people who have the ability to move forward in their career and assume greater responsibilities.

As we look for the continuous enhancement of our practices, we put the plan of implementing the Key Performance Indicators (KPIs) within our performance system; a step forward in our management style - a means to keep a subjective matter as objective as possible, counting on tangible and achievable results.

Remuneration Policy

In line with the Central Bank requirements set out in the basic circular # 133 dated 6 August 2014, the remuneration policy and procedure was prepared and validated by the HR Committee in December 2014 prior to its submission to the CGNHRR committee for approval on the 20th of January 2015. In their meeting held in March 2015, the Board of Directors reviewed and approved the remuneration policy and procedure.

The remuneration policy translates Credit Libanais' objectives for good corporate governance. It ensures effective remuneration, promoting long term profitability and appropriate risk-taking behavior. The policy is consistent with the Bank's long-term strategy which aims at strengthening CL's position amongst alpha banks in Lebanon. It also ensures attracting and retaining our talent, as well as motivating and rewarding good risk-based performance, while observing the applicable laws and regulations.

The remuneration policy is applicable to all Credit Libanais employees, at all levels and grades, in Lebanon and abroad. It also considers the remuneration of staff engaged in internal control functions, as independent of the performance of the business areas they control.

The policy covers the basic fixed remuneration, reflecting relevant professional experience and organizational responsibility, in addition to the variable

remuneration reflecting a sustainable and risk adjusted performance. Moreover, it defines the performance measurement system and the rewarding criteria including the employee's commitment to the risk management policy and procedure, total revenues generated by the employee for the Bank and the risks associated with the operations performed, linking rewards to performance.

Employee Relations

Staying close to customers is an important slogan, applied to all Credit Libanais activities, including the human resources function, which is always close to employees: communicating, listening, resolving their issues and taking appropriate actions towards keeping a motivated and positive working environment.

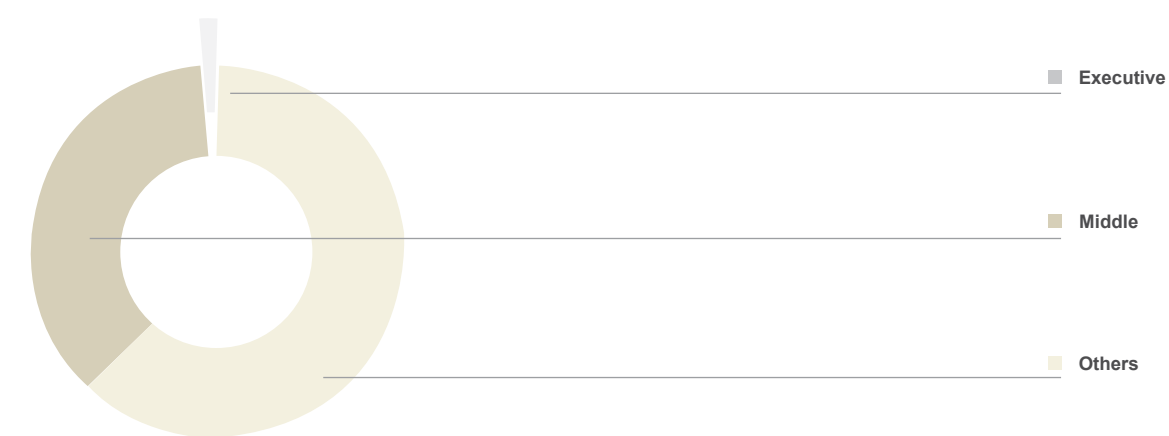
Our HR practices keep our people confident, satisfied and motivated, and have a positive effect on the Bank's business and results, within applicable laws and regulations.

Training and Development

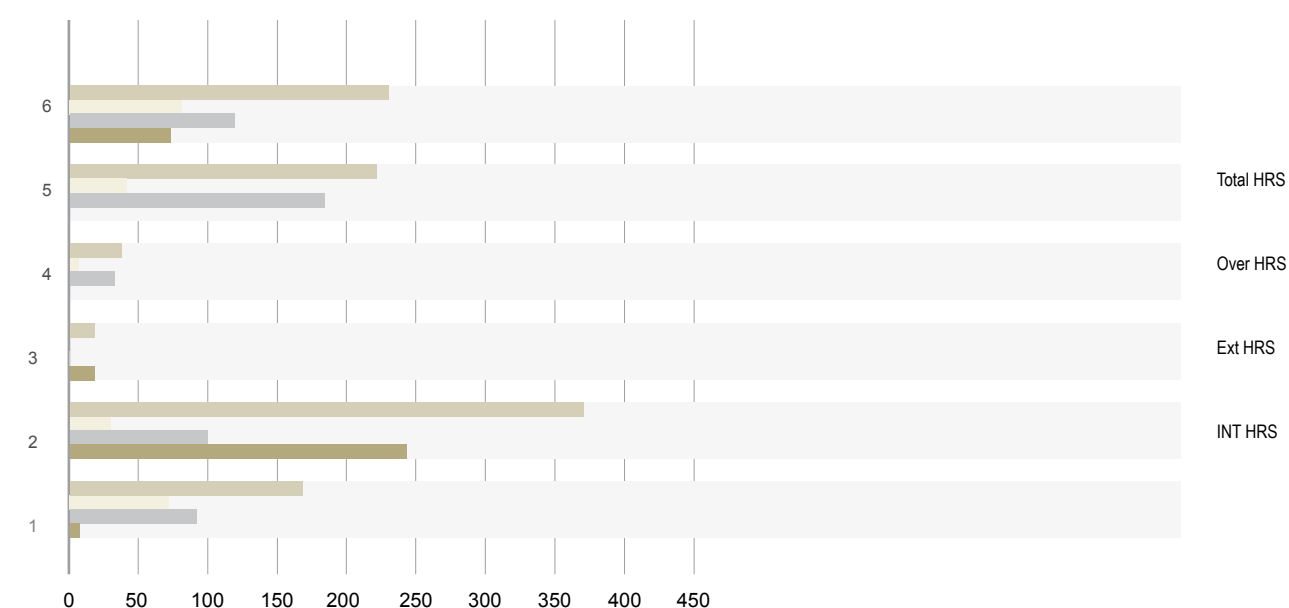
In 2014, CL Training and Development's efforts focused on the main areas:

- Training activities.
- Training of New recruits.
- E-learning program.
- Focused training.
- Schools.
- ABL and BDL trainings.
- Career management programs.
- Summer intership.

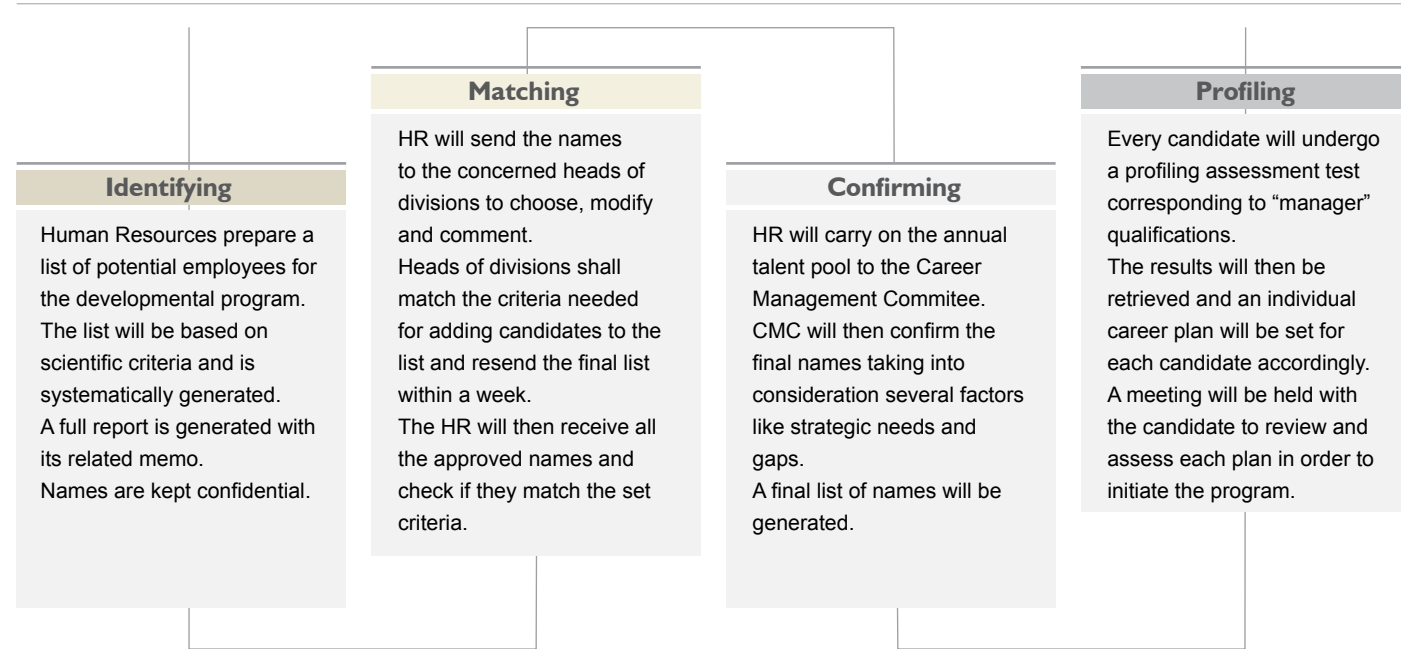
Training By Category



Training Activities by Field



Talent Management Program



Career Management Pools



Career Management Programs - 2014

Purpose of the Career Management Program:

This Program is an organizational process which involves potential employees, addresses their ambitions, assigns roles and responsibilities aligned with their potential performance and promotes/prepares them for job opportunities so as to accommodate the growth of our people. As a result a pool of employees channeled and ready to undertake new assignments and positions is created to supply the Bank upon need. The Training and Development Department, based on a proactive approach, assesses, trains and matches potential candidates for certain needed functions in accordance with the of required positions and strategic plans.

Summer Internships

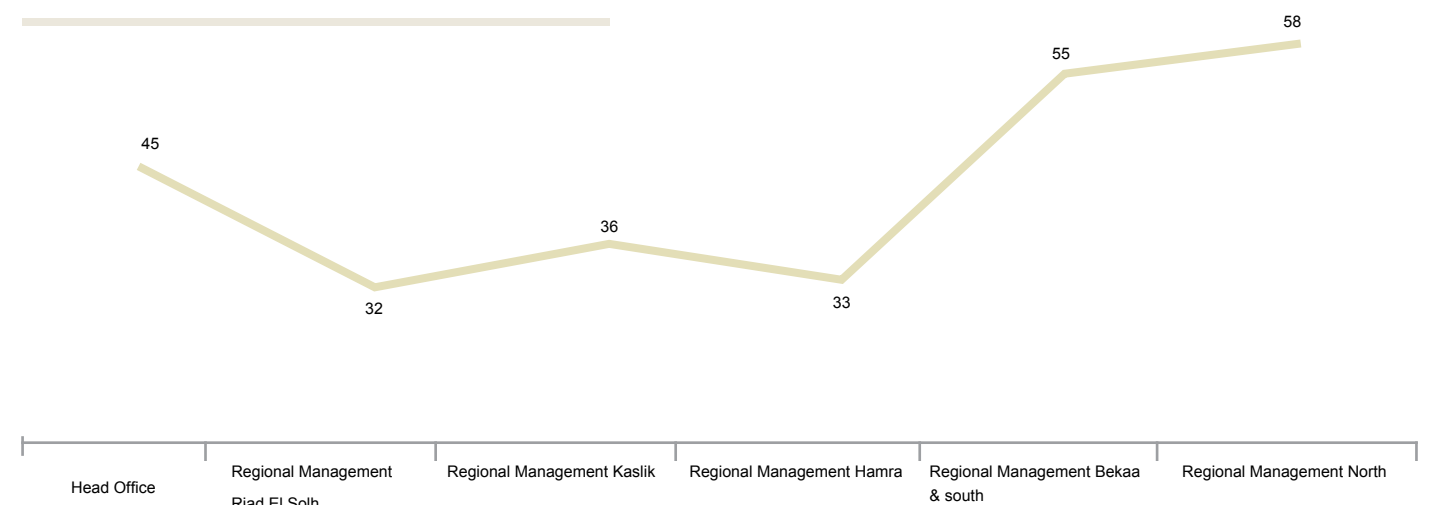
Summer internships is a continuous program that provide us with an opportunity to evaluate the talents of a new generation of workers. In 2014, a considerable number of candidates were accepted from various renowned universities in Lebanon.

E-Learning Program

CL is proud to be the first retail Bank in the region to have implemented and benefited from the E-learning process. The usage rate competed with top companies worldwide, according to the European e-learning barometer. Flexibility is a major benefit of e-learning since it offers our staff the possibility of taking courses anytime anywhere from the comfort of their home or office. CL's e-learning program yielded excellent results; the majority of staff members are registered users. Learners' satisfaction, surveys and results are extremely high.

Summer Internships

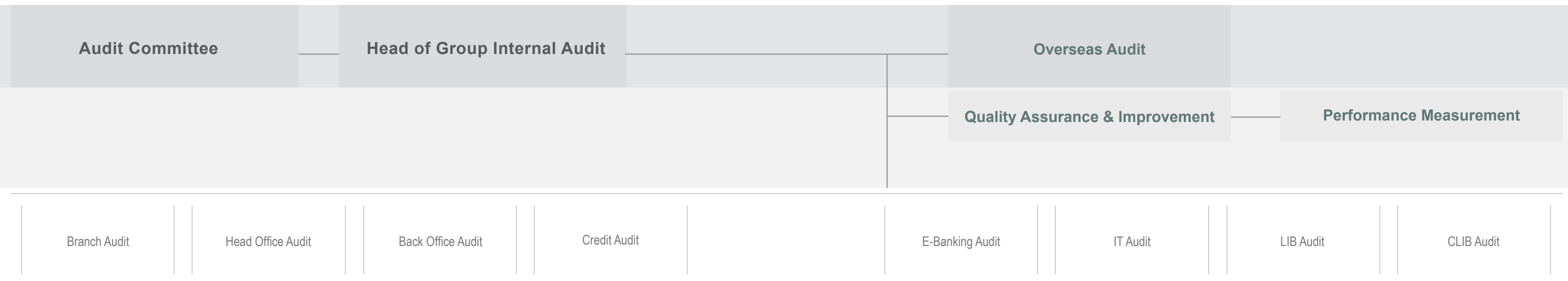
Numbers of interns in each region and head office



CL Control Functions

Internal Audit	92
Compliance and AML/CFT	96
Risk Management Strategy	100
Market, Financial Institutions and Country Risk Management	118
Operational Risk Management	119
Information Security Risks	120
Business Continuity Planning	122

internal audit



Internal Audit Division

The Internal Audit Division (IAD) is responsible for strengthening Credit Libanais' business risk/control environment by providing comprehensive and independent professional audit and consulting services to all divisions and entities operating within the Bank, and by assisting management in maintaining proper controls over the Bank's assets, thus adding value to the overall business performance.

Group CL Internal Audit Division (IAD) strives to provide the best quality of internal audit services while adding value to all business units.

The Internal Audit Division (IAD) provides assurance to the Board through its Audit Committee that:

- The deployed internal controls are adequate to mitigate risks.
- Governance processes are effective and efficient.
- Organizational goals and objectives are met.

Objectives

Group CL (IAD)' main objectives are to:

- Align audit activities with the Bank's strategy.
- Address risky activities and processes by providing tailored recommendations and implementing best practices.
- Add value to the business risk control environments.
- Ensure the adequate implementation of risk management procedures and methodologies and the efficient functioning of the internal control framework
- Complete a full coverage of the audit areas mentioned in the audit year plan.
- Assign a risk control grade for each business unit and monitor its improvement over time.

Other Objectives consist of:

- Providing consultancy services regarding organizing and improving the risk control framework.

- Stimulating objectivity, uniformity, comparability,
- Confidentiality and transparency.
- Accelerating and promoting improvements.
- Fulfilling and properly handling management requests and special assignments in a timely manner.
- Meeting the auditees' expectations and assessments.
- Conducting independent and objective audit reviews and evaluations.
- Conducting adequate tests and reviews of information systems.
- Appraising management regarding:
 - Effectiveness of measures taken to assess and manage risks.
 - Reliability, consistency and integrity of data.
 - Measures taken to safeguard assets, documents and records.
 - Compliance with policies, laws and regulations
 - Respect of the code of conduct and the Bank's values.

The following factors are key components of an effective internal audit function:

Organizational Structure of the IAD

The IAD is business-centric, and is composed of specialized audit departments that have gained sufficient experience in the business and can provide best services and recommendations to improve the activities of business units. These departments include Branch Audit, Head Office Audit, Credit Audit, E-banking & Cards Audit, IT Audit, Back-Office Audit, Overseas Audit (Limassol, Bahrain, Senegal, Iraq), other affiliated banks (Credit Libanais Investment Bank and Lebanese Islamic Bank) and subsidiaries (Credilease, CLA, etc). Department Heads enjoy sufficient expertise to manage a team composed of senior and junior auditors, and to deliver high quality audit and consulting services. They report hierarchically to the Head of IAD (Chief Audit Executive) who in turn reports to the Board of Directors, through the Audit Committee.

Knowledge Management

All departments include staff that have full knowledge and expertise over the business areas they examine. They are experts in their domain of specialization, capable of delivering high quality services to auditees, whether the latter are branches, centralized departments or affiliated companies.

Audit Methodology and Approach

The division follows a risk-based approach when auditing business units. This consists of identifying and assessing the inherent risks to the business, the effectiveness of the controls that mitigate those risks, and the residual risks after these controls are in place. Based on this risk approach, emphasis and priority are placed on the business areas where the highest risks are considered.

Professional Staff

Sufficient technical and on-the-job training is performed to allow our team to excel in their missions. Personal development plans are performed for every auditor. Training and education is part of the personal development plan in order to maintain proficiency. Auditors are encouraged to enroll for the CIA (Certified Internal Auditors) certification to enhance their professional knowledge and skills. In this respect, some members have already started attending the CIA courses, in addition to the E-learning courses that were made available to all audit staff to enhance their technical knowledge and continuously improve their professional skills.

Support and Development

The Quality Assurance and Improvement Department within the IAD covers all aspects of internal audit activities and continuously monitors its effectiveness through developing quality assurance techniques. Quality Assurance & Improvement helps the IAD in

adding value, improving the Bank's operations and providing assurance to the Board that the Internal Audit function is in conformity with the set standards and the Code of Ethics.

Branch Audit

All branches are risk rated according to the level of internal control exercised by branch management and to operational risks inherent to their activities. Based on the risk rating assigned to them, corrective measures are taken to enhance the branches' risk profiles and to address the observations and deficiencies raised in the audit reports.

The Internal Audit reports contributed to the issuance of new procedural notes and policies that improved the internal control framework and enhanced management oversight of branch operations.

The department exercised regular follow-up with the branches in order to ensure that the reported audit deficiencies were properly addressed and regularized. Audit assignments in branches were conducted according to the annual audit plan approved by the Board Audit Committee for the year 2014.

Head Office Audit

This department covered all centralized departments as scheduled in the year plan of 2014 and conducted on-site missions among the different business divisions and support functions.

Credit Audit

Periodic risk-based audits, credit processes and portfolios were undertaken by the Credit Audit Department. Audits included consideration of the adequacy and clarity of credit policy and procedure manuals; as well as in depth analysis of a sample of accounts IAD covered credit assignments as scheduled in the year plan of 2014 which encompassed retail products, retail and corporate commercial facilities and credit risk management processes.

Overseas Audit

IAD audited the operations of overseas operations (Limassol, Bahrain and Iraq) during 2014. The reports issued were discussed with local management and communicated to the regulatory authorities.

Back-Office Audit

The IAD exercises an off-site review over the MIS and exception reports, operations and activities of branches, and exchanges inquiries with branch management for particular deficiencies. IAD closely liaises with the branch audit function that performs on-site visits to branches, thus complementing the oversight function exercised by the IA Division and improving the overall internal audit function.

IT Audit

Several audit assignments were performed on the IT functions which covered various applications and processes applied at the Bank level. IT general control reviews were also conducted to enhance physical and logical security of IT environment.

Special Assignments

Special assignments were performed by the IAD at the request of the General Management and different issues that needed additional investigation and proper follow-up were tackled.

Affiliated Banks/Subsidiaries

Resident auditors are assigned to review the operations and activities of the affiliated banks (CLIB and LIB). Internal Audit reports issued based on an approved year plan for 2014 were duly submitted to their respective Audit Board Committees.

In addition to the above, an audit field visit was performed at Credit International SA (Senegal) covering all activities of the Bank.

In accordance with regulatory requirements, the IAD covered the non-banking subsidiaries during 2014.

Quality Assurance and Improvement Department

The timely follow-up conducted by this department on all audited businesses, to ensure that all observations raised in the internal audit reports were well implemented within the agreed upon time frame, showed a significant improvement during the year 2014.

Review reports are being submitted to management and to the Audit Committee on a quarterly basis showing the major audit findings that might affect the realization of the Bank's objectives, in addition to a briefing showing the compliance of auditees with the audit recommendations and their current status.

Major Achievements in 2014

- Introduction of new tools and techniques to better manage and properly allocate the audit resources and enhance the internal audit function within the Group.
- Standardization of the audit reports, including the introduction of a systematic rating methodology of audit observations and the assignment of an overall audit rating for auditees.
- Audit coverage included all branches and departments within the last 2 years (Audit Cycle).
- 800 training hours were invested in our audit team through internal and external sessions pertaining to relevant business and banking topics. In addition, many auditors are currently preparing for the CIA certification (Certified Internal Auditors).
- The Audit Committee met on a regular basis (4 meetings in 2014 attended by all members) to discuss major activities and findings that occurred during the internal audit assignments. Out of which 2 meetings were dedicated to discuss with the external auditors the financial reporting and accounting issues, and one meeting with the Head of Compliance and AML to discuss developments and actions taken by the Bank to combat money laundering and financing terrorism.

compliance and AML/CFT

THE COMPLIANCE FUNCTION HAS THE NECESSARY INDEPENDENCE, AUTHORITY, RESOURCES, EXPERTISE AND ACCESS TO INFORMATION TO PERFORM ITS DUTIES.

During 2014, CL Group continued to strengthen its compliance function through appointing a dedicated FATCA team and acquiring automated solutions to adapt CL banking systems to local and international laws and regulations and is proceeding as per the FATCA/IRS timetable agenda. Moreover, to extend compliance to all stakeholders and strengthen the entire control environment, we implemented a compliance procedural framework focused on FATCA integration through the Bank group as we amended KYC forms and conducted FATCA due diligence with our FFIs, in an effort to ensure a sound correspondent banking network. Extensive training programs are continuously conducted to familiarize our staff with such new procedures and regulatory requirements.

A rigorous compliance culture toned at the top is spread throughout Credit Libanais Group. Our compliance policy applied through a strict body of procedures and appropriate rules of conduct, complies with international, regional and local banking regulatory standards. We ensure the effectiveness and competences of the firm's structures, processes and procedures in place in order to prevent, manage and mitigate compliance risks. Credit Libanais Group has embedded Regulatory Compliance across all entities, locally and abroad, to ensure application of sound banking practices within a safe financial environment, while abiding by highly recognized ethics and codes of conduct.

The Bank has put in place a compliance policy, procedural manuals, applicable standards and processes to reinforce the application of compliance best practices through a dynamic organizational strategy and ensure sustainable business advantages. The compliance code of ethics is duly respected throughout the organization

The compliance function sets out the Bank's mechanisms and procedures in view of:

- Protecting the reputation of the Bank and increasing its credibility towards all stakeholders concerned with the safety of the financial institutions' interests and sound reputation.
- Maintaining efficient AML/CFT compliance procedures and compliant business strategies with respect to legal and regulatory frameworks.
- Ensuring that policies and controls are efficiently applicable top down within the Bank with respect to the code of compliance ethics and the regulatory compliance regulations.
- Minimizing the exposure to irregularities by implementing a preventive compliance program to mitigate risks.
- Sustaining sound relationships with the banking and financial community globally by conducting transparent and comprehensive banking practices.

Board of Directors and Senior Management's involvement in enhancing the Compliance Culture

Group CL Compliance strategy is designed in accordance with the Board of Directors and Senior Management guidelines. In fact, the compliance tone is set at the top to ensure effective and responsible follow-up of the implementation of policies and procedures throughout the whole financial institution.

Moreover, senior management assesses the activities of the Compliance Division for performance adequacy and efficiency.

The compliance function has the necessary independence, authority, resources, expertise and access to information to perform its duties.

Legal and Regulatory Compliance

In accordance with local and international regulations, CL Group Legal Compliance Department identifies, prevents and mitigates legal risks; while ensuring compliance with local and foreign regulators' directives (Central Bank of Lebanon, Banking Control Commission, Special Investigation Commission, Association of Banks or other Central Banks or regulators where the Bank has presence abroad).

The AML /CFT Compliance

In accordance with law 318 of April, 2001 and all subsequent BDL circulars regulating the control of financial and banking operations for Fighting Money Laundering and countering financing terrorism the AML/CFT Compliance Department ensures a rigorous control on banking transactions, correspondent banking relations and all regulated banking operations requesting a stringent AML/CFT program.

AML/CFT department is entrusted with the following duties:

- Developing a corporate AML program including documented policies and procedures, designation of compliance officers and compliance enhanced training programs for the Bank employees.
- Monitoring activities in view of identifying unusual or suspicious transactions, or ranging outside the risk profile parameters either set by legislation or in accordance with the Bank's risk assessment policies.
- Reporting unusual or suspicious transactions to the Central Bank's Special Investigation Commission (SIC), investigating details surrounding the suspicious transactions and documenting the resolution.
- Identifying, documenting and assessing compliance risks associated with customer's activities on a proactive basis.
- Assessing the adequacy of the Bank's compliance procedures and guidelines, promptly remediating any identified deficiencies or irregularities and proposing adequate adjustments.
- Providing guidance and advice to staff in collaboration with the legal department and relevant business units.
- Assisting management in educating staff on compliance issues, and acting as a contact point within the Bank for compliance queries from staff members.
- Providing technical expertise to AML/CFT delegates by administrating in-house training. AML/CFT delegates will also enhance their performing skills by following external training sessions.
- Monitoring compliance by performing sufficient compliance risk assessments and independent testing.

AML/CFT Procedural Framework

Know Your Customer

Enhanced KYC management is the due diligence that financial institutions must perform to identify their customers and establish related relevant information to undertake business with them;

Establishment of Customer Identity

The Bank establishes and maintains relationships exclusively with those customers whose source of wealth and funds, as well as the nature of the business activities undertaken with our Bank, can be reasonably established as legitimate.

Moreover a reasonably designed Risk Based Approach framework and methodology for customer identification and verification is applied when assessing the degrees of potential Money Laundering risks associated with customers and transactions which represent higher risks to our Bank. In this respect Credit Libanais operates an Enhanced Due Diligence (EDD) in customer screening and monitoring which relies on the following steps:

- Application of appropriate Due Diligence when entering into a relationship with customers.
- An on-going monitoring of customer's profiles and transactions throughout the course of the relationship.
- Update of customer profiles and establishment of a clean customer's database that enables customer identification processes as well as the assignment of adequate banking services and products to the right customers for business relationship enhancement.

Establishment of a Beneficial Owner

Whenever the Bank is required to identify a customer, the ultimate beneficial owner(s) are also effectively identified.

Establishment of Account Purpose

Prior to opening an account for a customer, the Bank gathers sufficient information from the customer concerning the purpose and reasons for the opening of the account.

Enhanced Customer Due Diligence

Enhanced customer due diligence is performed on those customers identified as having a higher risk profile. Additional inquiries are made or information is obtained from those customers.

AML/CFT Compliance Officers

A successful Compliance Officer is a qualified delegate that abides by the Bank's corporate culture, places emphasis on compliance, and possesses the ability to manage compliance risks while permitting business development.

In this respect, the Bank has integrated compliance officers' function in the branches as per the directives of the Central Bank of Lebanon (Intermediate Circular 371) in order to apply rigorous compliance controls and stringent monitoring of banking operations and financial transactions at the branch level.

Compliance Management Tools

The latest tools are accessible to the AML/CFT function for more efficiency and effectiveness. Those are:

The AML/CFT Reporter

AML-Reporter is an automated activity monitoring system designed to mitigate reputation and regulatory risk. In conjunction with the bank's AML (Anti-Money Laundering) program, the software helps meet the requirements of local regulators, as well as the recommendations of the international FATF (Financial Action Task Force) and now MENAFATF (Middle East and North Africa Financial Action Task Force) recommendations.

The Alert Management and Check Surveillance Tool within the AML/CFT Reporter

The AML/CFT Reporter is implemented at both the branch level and the AML/CFT Compliance Unit level. An online system allows both ends to monitor accounts and analyze alerts when an unusual activity or suspicious customer profile breaks the expected client's profile.

The Designated Name Filtering System (DNFS)

The bank also has an integrated automated filtering tool that can assist it in comparing our customer Database and funds transfer activity to International black-listed names and the ones provided by the Special Investigation Commission (SIC), and other lists of undesirables published globally.

AML/CFT Committee

The AML/CFT Committee ensures that crucial compliance issues are coordinated and communicated throughout the Bank. Its main goal is to reflect the involvement of the whole bank's Management in the decision making process regarding AML/CFT issues.

AML/CFT Compliance Awareness and Training

In view of ensuring the understanding of the compliance regulatory requirements and adequate application of the procedural framework, CL has implemented an AML/Compliance Training Unit which focuses on providing all Bank employees with adequate AML/Compliance in-house training sessions.

Moreover this Unit is dedicated to conducting AML/CFT and Compliance research in view of assessing the risks associated with the implementation of new products and activities at the Bank.

Moreover, the Training Unit provides the Bank with procedural directives in the form of Compliance Guidelines and a Duties and Responsibilities Manual. In parallel, the Unit ensures the communication of the Code of Conduct and Business Ethics and the promotion of the compliance culture internally, in accordance with BDL Basic circular 128.

FATCA Implementation Process

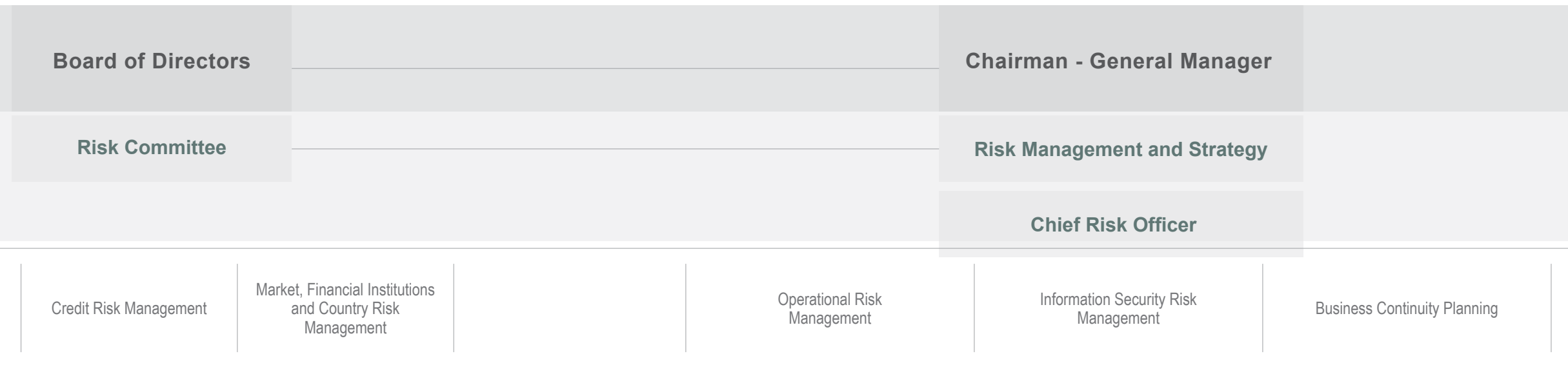
The Lebanese financial banking sector regulators issued directives to banks operating in Lebanon and their foreign entities, to act as FATCA Compliant Participating Foreign Financial Institutions PFFI by the US Internal Revenue Services (IRS) and enacted on March 18, 2010.

Credit Libanais Group successfully registered since April 2014 to the Internal Revenue Services - IRS, as a compliant PFFI to FATCA, and fully implemented FATCA provisions regarding Foreign Financial Institutions' duties towards the American fiscal authorities.

Accordingly, Credit Libanais group has established the required procedural programs to implement a "FATCA Strategy" and a "FATCA Action Plan" throughout CL Group. Moreover, a FATCA solution was acquired from a specialized vendor in order to assist Credit Libanais FFIs in the identification and reporting process of customers who must abide by FATCA regulations.

Therefore, CL group acts as an entirely FATCA Compliant Group. A designated working group of FATCA experts ensures the proper follow up and implementation process to avoid compliance breaches. FATCA focused training encompassing all Bank employees is regularly conducted and supervised by the Compliance Division, across all units and entities.

risk management and strategy



Risk Management and Strategy

The Risk Management and Strategy function is fully independent of the commercial lines of business, reporting to the Chairman - General Manager and the Board through the Board Risk Committee. Its scope covers local and foreign banking and the financial institutions arms of CL Group. Duties are carried out through an integrated strategic risk planning and process review, supported by sound risk management practices and an effective framework. The cornerstone of this function is a strong risk management culture supported by a robust set of policies, procedures and limits, managed by professionals and other functional teams.

Risk Appetite Framework

CL Group applies the following six overarching principles in the risk identification, monitoring and

management throughout the organization:

- Balancing risk and reward is achieved through (a) aligning risk appetite with the Bank's overall business strategy, (b) diversifying risk, (c) pricing appropriately for risk, and (d) mitigating risk through preventive controls.
- Management of risk is shared at all levels of the organization.
- Effective decision-making is based on a strong understanding of risk.
- All business activities are conducted with a view to not risking the Bank's reputation.
- Ensuring that provided services are suitable for and understood by the Bank's customers.
- Applying appropriate judgment as a mandate throughout the organization for the management of risk.

Enterprise-wide Risk Management Framework (ERM)

The Bank follows a comprehensive ERM Framework, appropriately scaled to its size, complexity and risk profile. Under ERM, the Board is responsible for confirming the risk appetite/tolerance, and monitoring compliance to risk management processes. Management is responsible for identifying, evaluating, mitigating and reporting on risk exposures.

The ERM framework involves an objective, pro-active enterprise-wide view of all risks and their associated risk appetite/tolerance to ensure that they are fully aligned with the Bank's objectives and strategies, and reflect the quality, competencies and capacity of

Below are the BDL ratios and deadlines introduced by Basic Circular N°. 44 and its amendments, which are more conservative and have earlier deadlines than the Basel III requirements:

Minimum Regulatory Requirements	As at 31 December	2015	2014	2013	2012
Common Equity Tier 1 Ratio		8%	7%	6%	5%
Tier 1 Equity Ratio		10%	9.5%	8.5%	8%
Total Regulatory Capital Ratio		12%	11.5%	10.5%	10%

BDL adopted a capital conservation buffer of 2% and 2.5% to be effective in 2014 and 2015 respectively, which is incorporated in the above ratios. Group CL performed capital stress tests which proved the Bank's capacity to comply with the above new regulatory ratios on due dates.

Risk Policies and Strategy / ICAAP Enterprise Risk Management (ERM) Policies

The Board approves and ensures the implementation of

the Bank's people, technology and capital.

ERM process aggregates risks across the entire Group to assess the Bank's risk profile in relation to its risk absorption capacity.

Basel II/III - Solvency Supervision and Capital Adequacy Framework

At CL Group, Capital and liquidity requirements issued and reviewed by the Basel Committee on Banking Supervision (BCBS), covering capital adequacy, capital buffers, and liquidity risk management are applied on a cross-border level across local and foreign subsidiaries. Moreover, CL Group fully complies with BDL and BCC regulatory requirements in accordance with the Basel II/III framework.

appropriate and prudent ERM policies that set out the risk limits for all significant risk areas and reviews and confirms that the Bank's risk exposure is aligned with its risk appetite/tolerance. In parallel, Senior Executive Management implements the ERM policies, processes and controls which address the identification, measurement, evaluation and mitigation of significant risk exposures; it also ensures reporting on ERM processes and findings, including the level and direction of risk exposures and the extent of risk management activities.

ERM policies include the following:

Capital Management

Capital Management's fundamental elements include the implementation of a policy that addresses the quantity, quality and composition of capital needed, reflecting the Bank's inherent risks related to current and planned operations; the distribution of dividends and redemption of capital instruments to shareholders; and monitoring and reporting requirements.

Credit Risk Management

Credit Risk Management implements policies that address the authorized types and classes of credit instruments; limits or exclusions on credit exposures including concentration; assessment criteria and credit risk mitigants for each authorized credit instrument; effective credit assessment process; defined and prudent levels of decision-making authority for approving credit exposures; the management of delinquent and impaired loans; and monitoring and Board reporting requirements.

Operational Risk Management

Operational Risk Management's fundamental constituents include implementing a policy that addresses the defined and prudent levels of decision-making authority; the security and operation of the Management Information Systems; the technology development and maintenance; the safeguarding of the Bank's premises, assets and records of financial and other key information; the disaster recovery and business continuity plans; the outsourcing of services; the internal controls; the internal audit; and monitoring and Board reporting requirements.

Market Risk Management

Market Risk Management's fundamental parts include

implementing a policy that addresses the authorized types, limits and concentration of investments, other financial instruments, and assets; the defined and prudent levels of decision-making authority; identifying, measuring, providing for and recording market impairments; and monitoring and Board reporting requirements.

Asset and Liability Risk Management

CL Group Asset and Liability Risk Management's fundamental basics include implementing a policy that addresses the limits on the balance sheet mix and maturities of capital, deposits, loans and investments; criteria for pricing of deposits and loans; limits on the exposure to Foreign Currency Risk; limits on the exposure to changes in interest rates; use of appropriate techniques for measuring the Bank's Asset and Liability Risk and evaluating the potential impact under current and reasonably foreseeable scenarios; the use of analysis and appropriate consultation for the purchase of derivatives for hedging purposes; and monitoring and Board reporting requirements.

Liquidity Risk Management

Liquidity Risk Management's fundamental features include implementing a policy that addresses the limits on the sources, quality and amount of liquid assets to meet normal operational and contingency funding for significant deposit withdrawals and regulatory requirements; and monitoring and Board reporting requirements.

Internal Capital Adequacy Assessment Process

The Bank operates with capital positions well above the minimum regulatory capital ratios, with an amount of capital that is commensurate with its risk profile on

stand-alone and consolidated basis. In addition, the Bank has robust, forward-looking capital planning processes and governance, which account for its inherent risks and permit continued operations during times of economic and financial stress.

As per regulatory requirements, CL Group refined its risk methodologies and included more sensitive risk measures for the evaluation of the Internal Capital Adequacy Assessment Processes (ICAAP), to ensure that the Bank holds adequate capital to maintain ready access to funding, continue operations and meet its obligations to creditors and counterparties, and continues to serve as a credit intermediary, even under adverse conditions. Consequently, the Bank submitted the Fourth Internal Capital Adequacy Assessment Report (ICAAR) on a consolidated basis for the BCC review and ensured that standalone capital ratios are appropriate. Various stress tests were conducted and the preliminary results of the ICAAP showed that the Bank is able to sustain the low to medium stress tests without reducing the capital conservation buffer.

The Board, its Risk Committee and the ALCO approved the ICAAR, under audit supervision.

Risk Profile

Based on the detailed analysis of the different types of the Bank's risks, the Bank considers that there is a low risk of the Bank encountering difficulties in the future, considering its overall medium-high inherent risk, its good internal governance, risk management and control that are appropriate to its activities. Based on the review of all types of risk, the Bank's overall risk profile is ranked medium-low with some increasing trend, due to the unstable political and economic environment in Lebanon and the potential future expansion plans.

Noting that, the quality of capital, the approved capital targets including the buffers and the capital planning, reflect appropriate levels. Therefore, the assessment of the capital adequacy is ranked good.

Capital Structure and Regulatory Capital Ratios

Group Credit Libanais maintains an actively managed capital base to cover risks inherent to the business. The adequacy of the Bank's capital is monitored using, amongst other measures, the rules and ratios established by the BDL and the BCC, especially BDL Basic Circulars N°. 44 and N°. 43 as amended on November 12, 2014 and August 11, 2014 respectively and BCC Memo N°. 5/2014 issued on August 14, 2014.

The Bank is being supervised on stand-alone and consolidated basis and, as such, receives information on the capital adequacy of, and sets capital requirements for, the Bank as a whole. Subsidiaries are (i) directly regulated by their host banking supervisors, who set and monitor their capital adequacy requirements and (ii) monitored at Credit Libanais Head Office level, which conducts fully consolidated regulatory reporting.

Effective strategies and policies are being additionally established and reviewed periodically by the Bank, with the aim of maintaining adequate levels of individual capital.

Regulatory Capital Structure

	2014	2013	
Common Equity Tier 1 Capital resources			C/V millions of LBP
Share capital	257,400	257,400	
Share premium account			
Legal reserves	92,852	84,265	
Reserves for unspecified banking risks	90,019	76,030	
Other reserves	210,756	200,154	
Reserves for Assets under Liquidation	11,807	8,809	
Reserves for irrecoverable bad debts as per BDL Circular N°. 73	4,010	4,246	
Retained earnings	180,426	157,768	
Profit or loss account (taking into account interim net losses)	96,794	102,874	
Minority Interest	791	558	
Revaluation of fixed assets	65,584	65,584	
Net unrealized Profit / Loss on Financial Assets held at FVOCI	27,744	22,002	
Foreign Currency Position	188	(599)	
Common Equity Tier 1	1,038,370	979,091	
Common Equity Tier 1 Regulatory Adjustments			
Profit and loss account	(96,794)	(102,874)	
Gross unrealized Profit on Financial Assets held at FVOCI	(30,338)	(24,679)	
Revaluation of fixed assets	(65,584)	(65,584)	
Reserves for Assets under Liquidation	(11,807)	(8,809)	
Reserves for irrecoverable bad debts as per BDL Circular N°. 73	(4,010)	(4,246)	
Intangible assets including goodwill	(6,013)	(4,569)	
Foreign Currency Position	(188)		
Excess over limits of articles 152 and 153 of the Code of Money and Credit	(13,278)	(2,579)	
Other Common Equity Deductions			
Common Equity Tier 1 After Deductions	810,359	765,751	

	2014	2013	C/V millions of LBP
Share Capital - Non-cumulative perpetual preferred shares	11,000	11,000	
Share premium - Non-cumulative preferred shares	139,750	139,750	
Additional Tier 1 Capital	150,750	150,750	
Additional Tier 1 Capital Regulatory Adjustments			
Total Tier 1 Capital	961,109	916,501	
Tier 2 Capital Resources			
Medium to long-term subordinated debt instruments	113,063	113,063	
Real estate revaluation approved by the BDL and qualifying under Tier 2 Capital	7,828	7,828	
50% of the Foreign Currency Position	94		
50% of the gross unrealized profit on Financial Assets held at FVOCI	15,169	12,340	
(Other Tier 2 Capital Deductions)	(45,225)	(22,613)	
Total Tier 2 Capital	90,928	110,618	
Total Capital	1,052,037	1,027,119	
Total Risk Weighted Assets	6,669,803	6,175,641	
Common Equity Tier 1 Ratio	12.15%	12.40%	
Tier 1 Capital Ratio	14.41%	14.84%	
Total Capital Ratio	15.77%	16.63%	

The above three ratios are higher than Basel III regulatory requirements, so the Bank is considered as well capitalized.

Pillar I Capital Requirements

The tables below set out Pillar 1 Capital Requirements and associated risk weighted assets for Group Credit Libanais with separate disclosures for the credit risk, market risk and operational risk requirements.

	2014	2013	C/V millions of LBP
Pillar 1 Capital Requirements for:			
Credit risk	484,844	447,425	
Market risk	8,377	7,991	
Operational risk	40,364	38,636	
Total Pillar 1 Capital Requirements	533,585	494,052	

Credit Risk: Standardized Approach by Exposure Class

Disclosure of the amount of exposures subject to the Standardized Approach of Credit Risk and their related risk weighted assets and capital requirements.

Interest Rate Levels	2014			2013			C/V millions of LBP
	Exposure Value	Risk Weighted Assets	Capital Requirements	Exposure Value	Risk Weighted Assets	Capital Requirements	
Central governments and central banks	7,604,718	2,102,509	168,201	6,665,147	1,771,044	141,684	
Public Sector Entities (PSEs)	10,503	---	---	---	---	---	
Banks	1,045,620	283,556	22,685	1,174,664	316,939	25,355	
Corporates	1,817,885	1,840,914	147,273	1,925,855	1,717,314	137,385	
Small and Medium Enterprises (SMEs)	760,431	477,792	38,223	889,771	560,101	44,808	
Retail	462,760	346,619	27,730	471,058	353,307	28,265	
Residential Mortgage Loan	1,245,974	434,874	34,790	1,078,258	376,280	30,102	
Claims secured by Commercial Real Estate	51,988	51,988	4,159	48,791	48,620	3,890	
Securitization positions standardized approach	8,584	5,253	420	9,110	5,120	410	
Non-performing loans	86,625	57,453	4,596	49,882	43,982	3,519	
Other Assets	659,971	459,588	36,767	619,663	400,103	32,008	
Total for Credit Risk	13,755,059	6,060,544	484,844	12,932,199	5,592,810	447,425	

Market risk: Standardized Approach

Disclosure of the level of Market Risk in terms of capital requirements and risk weighted assets as per the Standardized Approach, which is detailed in the BCC Circular N°. 256 dated September 26, 2007.

	2014	2013	C/V millions of LBP
Equity Position Risk	0	0	
Interest Rate Risk (FVTP&L):			
Specific Risk	1,876	2,220	
General Market Risk	926	1,583	
Equities Risk (FVTP&L):			
Specific Risk	134	433	
General Market Risk	134	433	
Foreign Exchange Risk	5,308	3,322	
Total Capital Requirements for Market Risk	8,377	7,991	
Total Risk Weighted Assets for Market Risk	104,714	99,886	

Disclosure of the level of Operational Risk in terms of capital requirements and risk weighted assets as per the Basic Indicator Approach, which is detailed in the BCC Circular N°. 257 dated October 08, 2007.

C/V millions of LBP	2014	2013
Capital Requirements for Operational Risk	40,364	38,636
Risk Weighted Assets for Operational Risk	504,544	482,944

Internal Capital Required (Pillar 1 + Pillar 2)

This section of the ICAAP relates to the identification and individual quantification of the different risks to which the Bank is or might be exposed in the future and their subsequent aggregation. The Internal Capital Required (ICR) under the ICAAP: (a) is the sum of the capital requirements needed under Pillar 1 and Pillar 2, (b) is considered in the capital planning, and (c) is finally used to determine the Capital Targets, since the Bank, in the present and in the future period covered by its capital plan, holds a level of capital tailored to its risks and an appropriate buffer in excess of the minimum capital requirements under Pillar 1.

Capital Targets

Group Credit Libanais indicates its policies and targets for the distribution of capital among the various significant legally independent institutions, considering the individual risks of each entity, and specifically indicating the policy and capital targets of the Group. Group Credit Libanais sets its capital targets that are the result of the ICAAP, which include:

- Internal Capital Required calculated above; and
- the capital conservation buffer of 2% addressed in its capital planning.

The aforementioned targets are compared with the capital effectively available at the Group level as at December 31, 2014, stating available capital resources in excess of the minimum capital requirements.

Capital Planning

In light of the new Basel III requirements and Group

Credit Libanais' expansion plans locally and abroad, a semi-annual 5-year capital planning exercise is prepared, on a stand-alone and consolidated basis, which is presented to the Board after being approved by the ALCO and the Board Risk Committee.

Risk Management Project Office

In 2014, Risk Management launched several internal projects or organizational improvements aiming at a proper measurement and management of risks within a governance structure ensuring timely information and escalation, well beyond increasingly demanding regulatory requirements now leading to Basel III. The ultimate objective remains to optimize the allocation of capital and reduce uncertainty, and thus, the cost of capital. The projects encompass:

- Reviewing and assisting in the implementation of the Board-approved Code of Corporate Governance at all the Group entities level, which include, inter alia, the Bank's five-year strategy as per BCC Circular N°. 262 dated 2009, and the remuneration policy and system as per the requirements of BDL Basic Circular N°. 133 dated August 6, 2014.
- Managing the Corporate Governance, Nomination, Human Resources and Remuneration Committee and the Risk Management Committee's agendas, documentation, and follow up on the implementation of related decisions.
- Contributing to the upgrading of the data warehouse for timely database risk aggregation at the Group level.
- Upgrading the core banking system and related risks.

Credit Portfolio Management

The Bank's approach to controlling various risks begins with optimizing the diversification of its commitments. The management criteria set out in its internal policies include measures designed to maintain a healthy degree of diversification of credit risk in its portfolios as set out in the BDL Basic Circular N°. 48, dated August 13, 1998 and BCC Circular N°. 276 dated June 21, 2013. These instructions are mainly reflected in the application of various aggregate limits on the scope of its commitments.

The criteria established for portfolio diversification and related limits, which are set by type of business segments, products, entities, credit risk mitigants, economic sector, regional and country exposures, are based on the findings of sector-based studies and analyses conducted by the Risk Management and Strategy Division at Group level, and are approved by the Credit Policy Committee. Continuous analyses are performed to anticipate problems with a sector or borrower before they materialize as defaulted payments.

Credit Risk Management

Our credit risk management principles are guided by the six overall risk management principles discussed in the Risk Management overview section. In particular, the following principles are complemented by the items below with respect to credit risk management. The effective balancing of risk and return is achieved through:

- Ensuring that credit quality is not compromised for growth.
- Diversifying credit risks in transactions, relationships and portfolios.
- Using our credit risk rating and scoring systems, policies and tools.

- Appropriate pricing of the credit risks taken; applying consistent credit risk exposure measurements; and
- Mitigating credit risk through prevention and early detection and warning signals' controls.

Our business activities are conducted in such a way as to avoid any reputational risks. The Bank has selective lending criteria in this respect, such as avoiding:

- Granting credit to entities subject to economic sanctions.
- Credit transactions that facilitate illegal activity, or contribute to misleading financial statements or regulatory reporting.
- Credit transactions involving undocumented agreements, disbursements or transfers and funds.
- Credit facilities granted to a business or individuals engaged in activities inconsistent with generally accepted standards of ethical behavior in the community.

Credit Risk Management Framework

The Credit Risk Management (CRM) Framework is broadly categorized into the following main components: (a) the Board, its Risk Committee, the Credit Policy Committee, Credit Committees and Senior Executive Management's oversight; (b) organizational structure; and (c) systems and procedures for identification, acceptance, measurement, monitoring and control of risks.

Credit Risk Governance

Board Oversight

The Board approves the Bank's Credit Risk strategy and policies relating to credit risk and its management as per regulatory requirements, based on the Bank's overall business strategy, at least once annually. The Board's responsibilities include: (a) delineating the Bank's overall risk tolerance/appetite in relation to credit risk in the Bank's strategy; (b) ensuring that the Bank's overall credit risk exposure is maintained at prudent levels and consistent with the available capital;



(c) ensuring that Senior Executive Management as well as individuals responsible for CRM possess sound expertise and knowledge to accomplish the CRM function; (d) ensuring that the Bank implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of credit risk; and (e) ensuring that appropriate plans and procedures for CRM are in place.

Credit Risk Tolerance/Appetite

The Bank has a Board-approved statement of credit risk appetite in place.

Credit Strategy

The Bank's credit strategy determines its risk appetite, and develops a plan to optimize return while keeping credit risk within predetermined limits. The strategy provides continuity in approach and takes into account the cyclical aspect of the country's economy and the resulting shifts in composition and quality of overall credit portfolio.

Credit Risk Policy

Credit Risk Management contributes together with Senior Executive Management to develop and establish credit risk policies and credit administration procedures, as part of the overall CRM Framework. Such policies and procedures provide guidance to the staff on various types of lending including corporate, SME, retail lending products and corporate finance, and are disseminated to all the concerned parties in the Bank. It is the prime responsibility of Senior Executive Management to ensure effective implementation of the Risk policies approved by the Board.

Limit setting

Limits are used to ensure the portfolio is well diversified and within the risk tolerance/appetite, as approved by the Board and they are set by type of business segments, products, entities, credit risk mitigants, economic sector, regional and country exposures.

Credit Risk Management Functions

To maintain the overall credit risk exposure within the parameters set by the Board, the Bank established a sound risk management structure to facilitate effective management oversight and proper execution of CRM and control processes as follows:

Credit Risk Management

The Bank's Credit Risk Management, fully independent of the commercial lines of business, reports to the Chief Risk Officer and ensures clear segregation of functions. Responsibilities of the Credit Risk Management include: (a) following a holistic approach in the management of credit risks inherent in the Bank's portfolio and ensuring that they remain within the risk appetite/tolerance established by the Board; (b) ensuring that business lines comply with risk parameters and prudential limits established by the Board; (c) establishing systems and procedures relating to risk identification, Management Information System, monitoring of loan/investment portfolio quality, early warning signals and impairments; (d) working out remedial measures when deficiencies/problems are identified; and (e) undertaking portfolio evaluations and conducting comprehensive studies on the environment to test the resilience of the loan portfolio.

Credit Origination

The Bank operates within a sound and well-defined criteria for new credits, as well as for the expansion of existing credits. Credits are extended within the target markets and lending strategy of the Bank. Before approving any credit facility, the Bank makes an assessment of the risk profile of the customer/transaction. Upon structuring credit facilities, the Bank appraises the amount and timing of the cash flows, as well as the financial position of the borrower and purpose of the funding. Due consideration is given to the risk reward trade-off in granting a credit facility and credit is priced to cover all embedded costs, Expected Credit Losses (ECL) and Risk Adjusted Return On Capital (RAROC).

Commercial Facilities

For commercial facilities, the Bank's credit approval process is either initiated by a Relationship Manager (RM) for corporate clients with a turnover above US\$ 2 million or total aggregate facilities exceeding US\$ 500,000- and by the Account Manager (AM) or branch managers for Retail Commercial clients (SMEs) with a turnover below US\$ 2 million or total aggregate facilities below US\$ 500,000-. Standard Credit presentations are prepared and submitted by the RM/AM to the relevant Credit Committee members and in parallel to the Credit Risk analysts who provide an independent recommendation to be taken into consideration by the Credit Committee members prior to taking a final decision.

Once approved, all reviewed or new files, whether

related to a corporate or retail commercial facility, are submitted to the respective Credit Administration and Control (CAC) Department for review before disbursement after having been completed by RM/AM, in order to monitor that all the required terms and conditions, approved by the Credit Committee are duly satisfied and complied with, to end up with a credit file prepared in line with the BCC Circular N°. 238 October 23, 2002.

Once disbursed, the Credit Department's (at both Corporate and Retail Commercial) RM/AM is responsible for the daily monitoring and performance of the facilities. Review and renewal of facilities are subject to the same approval process as the original granted facilities and are conducted a least once annually or twice for files classified under watch.

Retail Lending Products

For Retail Lending Products, the Bank's credit initiation process begins at the branch level or at the dealers' level, where applications are submitted based on a standard loan application form. The credit application information is replicated on the Fair Isaac Corporation (FICO) system, in order to generate a risk score for the loan in a standardized manner to assist in the decision process.

The respective Retail Lending Unit reviews the loan application, performs the preliminary credit assessment and forwards the application with the recommendation to the respective delegated Credit Committee for decision. Decisions are based on the Lending products standard criteria approved by the Bank's Central

Credit Committee which are reviewed annually taking into consideration the market conditions and the products' performance.

Credit Administration

The Credit Administration Function is an essential monitoring part of the credit granting process and performs the following major monitoring and control functions: (a) Legal Documentation Review, (b) Credit Disbursement and Limits Management, (c) Credit Monitoring, (d) Loan Repayment, (e) Maintenance and Custody of Credit Files, and (f) Collateral and Security Documents.

Credit Risk Measurement

Capitalization under Pillar I

In the calculation of the Credit Risk capital requirements, the following regulations are complied with:

- The Standardized Approach, according to the BDL Basic Circular N°. 104 dated April 1, 2006.
- Distribution of Loans portfolio, according to the BDL Basic Circular N°. 115 dated December 14, 2007, which classifies the credit exposures as Retail, SME, Corporate, Residential and Commercial Real Estate portfolios, as well as past due loans.
- Credit Risk Mitigation, according to the BDL Basic Circular N°. 121 dated June 26, 2009 and the BCC Circular N°. 261 dated August 21, 2009, which is a technique used to reduce credit risks associated with an exposure through the application of Credit Risk Mitigants.

In this respect, the Bank uses the comprehensive approach for the treatment of collateral.

Internal Credit Risk Rating

The Credit Risk Rating is a summary indicator of the Bank's individual credit exposure. An internal rating system categorizes all credits into various classes on the basis of underlying credit quality. Credit Libanais uses Moody's Financial Analyst and Risk Advisor for Credit Risk Rating of commercial facilities and FICO for credit scoring for Retail Lending Products.

Credit Risk Rating System

The corporate and SME Credit Risk Rating System is designed to measure and identify the risks inherent in our credit activities in an accurate and consistent manner. Each obligor is assigned a borrower rating (BR), reflecting the probability of default (PD), after an assessment of the credit quality of the obligor. Generally, the key risk factors assessed include industry, markets, firm's competitiveness, company's qualitative assessment, management quality and financial performance indicators.

In line with the BDL Basic Circular N°. 58 dated November 10, 1998, the Bank maps the BDL classification against Moody's risk rating as per the table below:

BDL Classification	Supervisory BDL Description	Supervisory Moody's Grading	Moody's Loan Grading Description
1	Normal	1	Excellent
1	Normal	2	Strong
1	Normal	3	Good
1	Normal	4	Satisfactory
2	Follow up	5	Adequate
3	Watch and Settlement	6	Marginal
3	Watch and Settlement	7	Vulnerable
4	Substandard	8	Substandard
5	Doubtful	9	Doubtful
6	Loss	10	Loss

Credit Risk Scoring System

In January 2011, Credit Libanais implemented the Fair Isaac Corporation (FICO) system that provides a single, flexible, accessible and consistent way of rapidly processing credit applications related to retail lending products. Implementing the FICO system makes it easier to ensure compliance with the Bank's Credit Risk Policy parameters, by deploying automated standardized business and acceptance rules and scoring processes. The FICO solution facilitates the use of risk-based decision-making as a tool, thus enabling the Bank to be more risk oriented in its customer selection and to improve and streamline the scorecard development process, which translates into tangible business benefits and improvement of the overall credit decision-making process.

Credit Risk Monitoring and Control

Credit risk monitoring refers to continuous monitoring of individual credits inclusive of off-balance sheet exposures to obligors, as well as the overall credit portfolio of the Bank. The Bank enunciates a system that enables it to monitor the quality of the credit portfolio on a day-to-day basis and take remedial measures as and when any deterioration occurs. This enables the Bank to ascertain whether loans are being serviced as per facility terms, the adequacy of provisions, that the overall risk profile is within the limits established by management and the compliance of regulatory limits. The establishment of an efficient and effective credit monitoring system enables Senior Executive Management to monitor the overall quality of the total credit portfolio and its trends.

Consequently, the management fine tunes or reassesses its credit strategy/policy accordingly before encountering any major setback.

Delegation of Authority

The Bank establishes responsibility for credit sanctions and delegates authority to approve credits or changes in credit terms. The Board approves the overall lending authority structure, and explicitly delegates credit sanctioning authority to Senior Executive Management and the Credit Committees. Lending authority assigned to officers is commensurate with the experience, ability and personal character. The Bank develops risk-based authority structures where lending power is tied to the risk ratings of the obligor and the type of the lending product. The Bank adopts multiple credit approval levels for the credit origination such as credit ratings, risk approvals etc. to institute an effective system of checks and balances. The Credit Risk Policy specifies the escalation process to ensure appropriate reporting and approval of credit extension beyond prescribed limits. It also defines the authorities for unsecured credit while remaining within the home and host regulatory limits, approvals of disbursement in excess of limits and any other exceptions to credit policy.

Managing Collection of Delinquent Loans

A loan is delinquent if any of its scheduled payments are in arrears by a period greater than three days. Loans which are in arrears are actively managed by the Collection Department with the intent of avoiding loss, or mitigating it to the greatest extent possible. Therefore, the Bank established a process whereby unpaid loans are effectively dealt with in a timely manner. Management makes general provisions for delinquent loans on a monthly basis, in accordance with the requirements of BDL Basic Circular N°. 81 and BCC Circular N°. 280. The Board receives periodic reports on the status of delinquent loans.

All collection activities are documented in the file of each delinquent loan. Delinquent loans or excesses over limits are regularly communicated to the Senior Executive Management and pertinent credit committees. The following three stages are considered when treating delinquent loans: (1) a collection campaign through SMS and outbound calls is launched for customers with one unpaid bill, (2) a first warning letter demanding payment is issued for customers with two unpaid bills, (3) a second warning letter is sent in case of three unpaid bills, and (4) retail lending products are automatically transferred to recovery after the fourth unpaid bill with downgrade to BDL 4 classification. For commercial files, decisions of downgrade are taken at the level of the respective credit committees, which regularly review the list of irregular and unpaid files.

Managing Problem Credits

The Bank establishes strict systems and policies to identify and follow up on problem loans in line with the guidelines specified in the BDL Basic Circular N°. 58 and its amendments. Once the loan is identified as problematic, it is managed under a dedicated remedial function independent of the originating business lines. The resources, expertise and more concentrated focus of this function improve collection results. The problem loan management process encompasses the following elements at least:

- a- Negotiation and follow-up: a proactive effort is taken in dealing with defaulting obligors to implement remedial plans at an early stage, to prevent the Bank from litigations and loan losses.
- b- Workout remedial strategies: appropriate remedial strategies such as restructuring of loan facility, enhancement of credit limits or reduction of interest rates help improve obligor's repayment capacity.
- c- Review of collateral and performance of an impairment test: the Bank ascertains the loan

recoverable amount by marking to market the values of available collateral with formal valuation and an impairment test is performed in order to determine the specific provisions needed.

d- Status Report and Review: problem credits are subject to more frequent reviews and monitoring. Progress made on problem loans is reported to the Recovery Committee, including all the proposals for impairment and provisioning in accordance with the recovery progress.

Policy and Tools for the Monitoring and Recovery of Impaired Assets

The BDL Basic Circular N°. 58 requires, inter alia, banks to classify loans into six categories as follows:

- 1- loans classified as "Normal" represent loans that systematically respect all engagements and conditions relative to granted lines.
- 2- loans classified as "Follow Up" represent loans that show some reduction in profitability and financial performance, have some missing documents, are not in full compliance with the BDL and the BCC Circulars and have been overdue for review for more than six months.
- 3- loans classified as "Watch and Settlement" represent loans for which overdue repayments are between 60 and 90 days in arrears, show deteriorating financials or conditions of the economic sector or the country where the loans are used, have been rescheduled more than once since the date of granting, are in excess over limit and the customer has non-performing loans at other banks. These loans are reviewed on a semi-annual basis;
- 4- loans classified as "Substandard" represent non-performing loans with deteriorating creditworthiness and witnessing unpaid facilities or excesses above 90 days and below 180 days overdue repayment. For these classified loans, all interest and commissions are reserved and no longer recognized in the income statement of the Bank.

5- loans classified as "Doubtful" represent loans that display most of the criteria of "substandard loans" albeit with a higher degree of severity. Partial specific provision should be allocated against the loans after an impairment test, taking into consideration the expected cash flow to be generated from any existing credit risk mitigants. All interest and commissions are reserved and no longer recognized in the income statement of the Bank; and

6- loans classified as "Loss" represent loans that display most of the criteria of "doubtful loans" and denote a very limited or non-existent capacity of reimbursement. Full specific provision should be allocated against these loans and all interest and commissions are reserved and no longer recognized in the income statement of the Bank.

Consequently, the Bank believes that it has satisfied all the related regulatory requirements.

In line with BDL Basic Circular N°. 81 revised December 24, 2014 and BCC Circular N°. 280 dated January 02, 2015, which refer to BCC Memo 14/2009 dated October 16, 2009 and BCC Memo 15/2013 dated December 12, 2013, the Bank has amended its own model for setting out retail specific and collective provisions based on the new requirements, whereas non-retail collective provision levels are based on six-year historical credit loss information, which is verified by the External Auditors. The Bank periodically reviews the SME and Corporate loan portfolios and allocates specific provisions for loans. This exercise covers incurred losses for credit activity of Group CL.

In line with BCC Circular N°. 280, the Bank allocated at least the following percentage of specific and collective provisions based on the net outstanding amount of retail loans as per the table below:

Minimum	Past Due Days	BDL Supervisory Classification	BDL Supervisory Description	Housing Loan	Car Loan	Credit Cards Loan	Other Retail Loan
	0 - 30 Days****	1	Normal	**	0.25%	0.25%	0.25%**
	31 - 60 Days	1 / 2	Normal / Follow up	---	15%	25%	15%
	61 - 90 Days	3	Watch and Settlement	---	20%	35%	25%
	91 - 120 Days	4	Substandard	---	30%	40%	35%
	121 - 180 Days				40%	50%	50%
	181 - 360 Days	5 / 6	Doubtful / Loss	25%*	50%	100%	100%
	1 - 2 Years			50%*	100%		
	2 - 5 Years			100%*			
	Above 5 Years			100% of the outstanding regardless of the value of the mortgage			
<p>* Provisions are calculated on a net outstanding housing loan amount after deducting the value of the real estate securing the loan or 60% of the fair value of the mortgage, whichever is lower</p> <p>** Excluding housing, student and education loans</p>				<p>*** Accrual of interest is ceased</p> <p>**** As per article 7.4 of BCC 280, the Bank is required to: (i) set aside collective provisions of at least 0.25% of retail loans past due 30 days or less by the end of 2014, (ii) 0.5% by the end of 2015, (iii) 1% by the end of 2016, and (iv) 1.5% by the end of 2015</p>			

In addition, the Bank set aside general reserves in LBP of at least 0.5% of net outstanding retail loans past due 30 days or less by the end of 2014 after excluding the related amount of the collective provision, and (ii) will increase this percentage by 0.5% annually over the next six years starting in 2015. Housing, student and education loans are excluded from retail loans when calculating the general reserves for the retail loan portfolio. The general reserves are deducted from the net profit and included in Common Equity Tier 1 capital.

Moreover, the Bank set aside general reserves in LBP of at least 0.25% of net outstanding performing non-retail loans by the end of 2014 after excluding the related amount of the collective provision, and (ii) will increase this percentage by 0.5% annually over the next three years starting in 2015. Non-retail loans for which the BCC has requested the allocation of provisions and credits granted against pledged securities are excluded from non-retail loans when calculating the general reserves for the non-retail loan portfolio. The general reserves are deducted from the net profit.

In addition to the BCC's periodic reviews, the Bank's external and internal auditors conduct an annual review of the Bank's loan portfolio, and provide recommendations for the allocation of additional or new provisions.

With reference to the BDL Basic Circular N°. 50 dated October 15, 1998, the Bank maintains a general reserve on an annual basis which is included in Tier 1 Capital and charged against net profits, for unspecified risks of an amount equal to a minimum of 0.2% and a maximum of 0.3% of the Bank's total RWA, as determined with reference to the BDL's capital adequacy requirements. This reserve is required to reach 1.25% of RWA, at the end of the tenth fiscal year and 2% of RWA, at the end of the twentieth fiscal year, which the Bank is in compliance with.

Settlement Risk

Our trading activities may give rise to risk at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of the counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For many types of transactions, we mitigate the settlement risk by closing the transaction through a clearing agent. Acceptance of settlement risk requires approval from the Financial Institutions and Country Credit Committee.

Environmental and Social Risks

The Bank continuously endeavors to ensure effective Social and Environmental Management practices in all its lending activities and seeks to effectively manage and mitigate environmental and social risks in the projects they finance.

International Finance Corporation (IFC)

Group Credit Libanais is directed by its agreement with the IFC to adhere to sound banking principles and promote the full range of its activities in environmentally and socially reliable developments. The Bank addresses this mandate and its general principles by ensuring that all loans granted to customers undergo environmental and social appraisal along with the financial, economic and legal analysis of customers prior to granting any facilities.

Social and Environmental Management System (SEMS)

The Credit Risk Management has developed the SEMS with the basic objective of ensuring that the environmental and social implications of a potential customer are identified and assessed early in the Bank's planning and decision-making process and that these environmental considerations are incorporated into the preparation and approval of facilities. The procedures outline how the Bank incorporates these objectives into its overall appraisal process and, during implementation, at a practical level. The procedures summarize the nature of the environmental appraisal and monitoring activities undertaken during the different stages of a project's life cycle and the responsibilities for carrying them out. The purpose of such procedures is to improve the decision-making process and to ensure that the loan under consideration is socially and environmentally sound and sustainable.

Market, Financial Institutions and Country Risk Management

Market Risk Management

Group Credit Libanais is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis. The overall objective of managing market risk is to avoid unexpected losses due to changes in market prices and to optimize the use of market risk capital. The Bank manages these potential exposures on a daily basis within pre-defined limits for each of the major types of market risks established within the Bank's policies and commensurate with the risk appetite approved by the Board.

Interest Rate Risk

The interest rate risk the Bank is exposed to in its banking book is assessed from both, the net interest income and the economic value of equity (EVE) perspectives using interest rate re-pricing gap analysis according to the BCC Circular N°. 250 dated May 23, 2006 and duration gap analysis on stand-alone and consolidated levels. On the other hand, the management of interest rate risk in the trading book is achieved through mark-to-market, limit establishment, exposure and sensitivity analysis. Group Credit Libanais' interest rate risk positions are monitored by Treasury and Market Risk Management, and hedging strategies are used to ensure positions are maintained within established limits. One of the principal objectives of Group Credit Libanais is to optimize net interest income. In order to manage this risk optimally, the function is under the supervision of the Group Asset and Liability Committee (ALCO), which regularly monitors all interest rate risk positions, to ensure they comply with interest rate risk limits.

Foreign Exchange Risk (Currency Risk)

Non-trading currency risk derives from the Group's investments in overseas subsidiaries, associates and

branches. Credit Libanais does not maintain material non-trading open currency positions in line with the local regulatory requirements, other than the structural foreign currency translation exposures arising from its investments in foreign subsidiaries and associated undertakings and their related currency funding.

Credit Libanais applies various hedging strategies to manage and minimize adverse effects arising from these exposures. The policy requires structural and capital ratio foreign exchange positions to be reviewed regularly by the Group Asset and Liability Management Committee (ALCO). The Bank is allowed to hold a net trading position not exceeding 1% of its net shareholders' equity, as long as the global foreign position does not exceed 40% of its net shareholders' equity, and that at the same time the Bank is abiding in a timely and consistent manner with the required solvency ratios as per the BDL Basic Circular N°. 32 dated April 24, 1997.

Equity Position Risk

The bank has established a comprehensive transaction and position based limits framework against which regular monitoring is performed. The Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in as part of the Investment Policy.

Liquidity Risk and Funding Management

The Bank's Liquidity Risk Management Policy establishes specific liquidity gap limits and includes cash flow projections and emergency funding mechanisms. The monitoring and control of liquidity risk is established on an ongoing basis and involves balance sheet ratio analysis and the measurement of the cash flow gaps and stress positions. In accordance with the BDL circulars, the ratio of net liquid assets to deposits and commitments in foreign currencies and Lebanese Pounds should not be less than 10% and 40%, respectively. In addition, The BDL imposes that

the Bank's loan to deposit ratio does not exceed 70% and that net foreign currency liquidity over the Bank's Liabilities should be no less than 10%, noting that the Bank complies with these ratios. Moreover, the Bank abides by the new Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as required by the Basel III framework.

Financial Institutions Risk Management

The Financial Institutions' Credit Risk strategy, policies and procedures serve as a basis for the Financial Institutions standard credit application presentation and review. The Bank defined a framework and an action plan for activities with Banks and Financial Institutions in which credit risk is inherent and has set the criteria for risk acceptance and the guidelines followed in the FI Risk Management process. The key objective behind the Financial Institutions Risk Management function is to assess, independently from correspondent banking initiating business lines, the inherent risks with specific Banks and Financial Institutions and how they are mitigated. A Financial Institutions Risk Administration Unit has been established, and has the responsibility of following-up and monitoring the relationships of the Bank with its financial counterparties.

Country Risk Management

To effectively control the level of risk associated with international activities, Group Credit Libanais has a Risk Management process that focuses on the broadly defined concept of Country and Cross border risks. A sound Country Risk Management process includes oversight by ALCO and Country exposure limits. Limits reflect several considerations, including the country's risk rating and the Bank's appetite for risk.

Operational Risk Management

Risk Governance Framework

The Bank's risk governance framework includes

well defined organizational responsibilities for risk management, typically referred to as the three lines of defense:

a- The first line of defense is the business line, which takes risks and is responsible and accountable for the ongoing management of such risks. This includes identifying, assessing and reporting such exposures, taking into account the Bank's risk appetite and its policies, procedures and controls. The manner in which the Business Lines execute their responsibilities reflects the Bank's existing risk culture.

b- The second line of defense includes: (1) the risk management function, which complements the Business Lines' risk activities through their monitoring and reporting responsibilities. Among other things, it is responsible for overseeing the Bank's risk-taking activities and assessing risks and issues independently of the Business Lines. The risk management function promotes the importance of Senior Executive Management and Business Lines managers in identifying and assessing risks critically rather than relying only on surveillance conducted by the risk management function, and (2) the compliance function, which, among other things, routinely monitors compliance with laws, corporate governance rules, regulations, codes and policies to which the Bank is subject. The Board approves compliance policies that are communicated to all staff. The compliance function ensures that the compliance policies are observed and reports to Senior Executive Management and, as appropriate, to the Board on how the Bank is managing its compliance risk.

c- The third line of defense consists of the Group internal audit function which conducts risk-based and general audits and reviews in order to provide assurance to the Board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied. The internal auditors are competent and appropriately trained and not involved in developing, implementing and operating the risk management function.

Operational Risk Management Environment

Identification and Assessment

Senior Executive Management ensures (i) the identification and assessment of the operational risks inherent in all material products, activities, processes and systems to make sure the inherent risks and incentives are well understood; and (ii) that there is an approval process for all new products, activities, processes and systems that fully assesses operational risks.

Monitoring and Reporting

Senior Executive Management implements a process which regularly monitors operational risk profiles and material exposures to losses. Appropriate reporting mechanisms are in place at the Board, Senior Executive Management, and business line levels that support proactive management of operational risk.

Control and Mitigation

The Bank has a strong control environment that utilizes policies, processes and systems; appropriate internal controls; and appropriate risk mitigation and/or transfer strategies. Typical practices to control/mitigate operational risk in Group CL include the following:

- a- segregation of duties to avoid conflicts of interests in the responsibilities of individual staff;
- b- maintaining safeguards for access to, and use of, the Bank's assets and records;
- c- accountability policy and ensuring that staff have appropriate expertise and training;
- d- regular verification and reconciliation of transactions with internal P&L critical accounts;
- e- written and updated procedures manuals; and
- f- insurance coverage used as an external mitigant.

During 2014, the Operational Risk Management Department (ORMD) continued its operational risk assessment and monitoring of the new core banking system Equation, ensuring adequate control environment, in addition to the Risk Control

Self-Assessment (RCSA) process conducted at Department/Unit levels, aiming at reviewing jointly with the assessed Department/Unit, the quality of the business processes and the effective controls in order to decide on a plan of action needed for mitigation of inherent business risks and improvement of the operational risk control process.

Throughout 2014, the ORMD continued to further build a suitable infrastructure for the Operational Risk Management (ORM) framework through: i) identification and assessment of the Operational Risks inherent in all material products, activities, processes and systems, ii) active participation in projects launched by the Bank; iii) review and assessment of Group procedures and operational manuals; iv) monitoring of critical P&L accounts, v) analysis of periodical reports vi) issuance of operational risk assessment case analysis recommending corrective measures to remedy high risks and vii) review of ORM reports.

Disclosures

The Bank's public disclosures allow stakeholders to assess its approach to operational risk management.

Operational Risk Management Function

The Operational Risk Management Function (ORMF) has a reporting structure independent of the risk generating business lines and is responsible for the design, maintenance and on-going development of the Operational Risk Framework within the Bank. This function includes the operational risk measurement and reporting processes, risk committees and responsibility for Board reporting.

Policies and Procedures

The ORM Policies and Procedures include the tasks performed at the ORMD, mainly: (i) Loss Data Collection and Analysis; (ii) Data Loss Reconciliation and Analysis of internal periodical reports received; (iii) generation of ORM reports and follow up on operational

risk cases analyzed and issued for remedial actions with concerned Business Units; (iv) ORM reporting to Senior Executive Management; (v) Risk Control Self Assessments; and (vi) Key Risk Indicators Methodology.

Internal Loss Data Collection and Analysis

In line with the BCC Circular N°. 252 dated September 14, 2006, the ORMD developed procedures, under which it launched the collection process on operational loss events/probable events/near misses. So far, this has resulted in building up an ample operational risk database. The resulting financial losses are being mapped within the seven loss events and the eight business lines of the Basel II accord. The guiding principle in operational risk management is that management, at all levels of the organization, is responsible for directing and managing operational risk. Operational risk management coordinators are assigned throughout the Bank to assist line management in fulfilling this responsibility and to act as the eye and ear of the ORMD. Extensive training sessions are periodically provided to the Operational Risk coordinators to improve the ORM environment and disseminate the risk culture.

Incidents, which are reported, are analyzed and fed into a risk map also originating from other sources such as Risk Control Self Assessments, Key Risk Indicators or audit reports, are used as a tool to follow up on outstanding issues and as the basis for reporting Operational Risk to Senior Executive Management and the Board.

Risk Control Self-Assessments (RCSA)

The Bank is implementing a number of programs and tools to support line management. These include RCSA which is a structured approach that helps line management to identify and assess inherent risks and take mitigating actions for risks which are rated high or medium. Risks are assessed with the assistance

of facilitators, who are usually Operational Risk Management consultants and the approach consists of helping the business and support lines to identify and assess Operational Risk and related controls inherent in their existing or new products, processes, activities or systems and either implement remedial action and internal controls at the Bank, or decide on the transfer of the risks where possible.

Key Risk Indicators (KRIs)

The ORMD identifies and develops appropriate Key Risk Indicators (KRIs) that provide management with early warning signals of Operational Risk issues, which are primarily a selection from a pool of operations/control indicators identified and tracked by various functions of the Bank on a periodic basis and are considered to be relevant to the management of tracking and escalation triggering.

Operational Risk Capital Requirements

As per the BDL Basic Circular N°. 104 and the BCC Circular N°. 257, the capital charge required to cover the Operational Risk is calculated using the Basel II Basic Indicator Approach (BIA).

Information Security Risks

The Information Security Team managed to safeguard Group Credit Libanais' "information asset" and in particular the IT Environment against numerous cyber-attacks by setting several security objectives at the beginning of the year and making sure that all of them are properly met.

To note that these objectives were aligned with international security standards "ISO27001" and "PCI-DSS".

With respect to the general policy affirming that security is the responsibility of each and every member, the Information Security Team achieved the following objectives with the collaboration of all Divisions and



team members from sister companies:

- Achieved and maintained PCI-DSS certification for sister companies.
- Developed a comprehensive security awareness program; and increased the security awareness of CL staff members in different key areas and topics by publishing the security awareness course online and requesting staff member to attend.
- Devised additional security standards for new applications and platforms and pursued IT team to implement them.
- Created, managed and maintained the access rights of Credit Libanais employees on Equation core banking application and managed all access rights to critical applications for the Group.
- Automated several security processes to increase efficiency and minimize the response time.
- Created a database consisting of logs and data entries intended to analyze threats, and if any, to remedy them promptly and efficiently.
- Conducted several security assessments for various applications, devices and operating systems which enhanced and increased their security posture.
- Enforced the implementation of the patch management which reduced the vulnerabilities and weaknesses of the IT environment.
- Applied and maintained security countermeasures on Credit Libanais' ATMs.
- Safeguarded Group Credit Libanais from cyber-attacks and from virus threats; and,

- Kept the findings of the internal and external IT auditors to a minimum for Group Credit Libanais and mitigated them promptly.

The year 2014 was a fruitful year for Group Credit Libanais from the information security perspective. Indeed, the Group increased its security posture and did not encounter any uncontrolled cyber threats or major security incidents. Moreover, the Group managed to maintain the PCI-DSS certification for the Bank and its sister companies.

Business Continuity Planning

Business Continuity is an ongoing priority for financial industry participants and financial authorities. Indeed the interest of banks in business continuity is the result of multiple factors, including the banks' pivotal role in the national and global economic activities, the concentration of clearing and settlement processes in most financial systems, and the deep interdependencies among financial industry participants and investors. At the same time, however, other factors such as the increasing complexity of operational risks in all areas of the financial system add to the challenge of promoting the Bank's resilience; For example, the financial system is intensely dependent on automation and, in turn, on those elements of the physical infrastructure that support automation, such as telecommunications and power. At CL, we recognize that business continuity is an institutional concern affecting all the business units/supporting functions

within the organization. Our Business Continuity program has reached a satisfactory level of maturity through the involvement and commitment of Senior Executive Management (SEM) and staff; it is supported by good management and not considered in isolation from other working practices.

As per applicable standards, the Business Continuity Management (BCM) framework at Group CL is based on a lifecycle comprising the following five elements:

- 1- BCM Program management is the heart of the Business Continuity process. Group CL has established an effective program management involving participation of bank SEM to ensure that the BCM process is correctly introduced, adequately supported and resourced, and established as part of the organization's culture.
- 2- Understanding the organization identifies the recovery requirements through availability risk assessments and business impact analyses of mission-critical processes, IT services and suppliers. It establishes the map of dependencies between Group CL activities and identifies the reliance it has on external organizations and any third party reliance.
- 3- Determining the BCM strategy outlines the strategic options and factors of plans that should address the most probable and highest impact risks, while being in line with the strategic business objectives/expectations and the Bank's risk management program.
- 4- Developing and implementing BCM response. This element focuses on the development and implementation of appropriate plans and arrangements for ensuring continuity, in accordance with the business goals and the strategic options of the Bank.
- 5- Exercising, maintaining, and reviewing is a key part of the BCM lifecycle at Group CL, for ensuring continuous validation, testing the efficiency of the plans, and maintaining all the needed resources, including people availability and readiness, thus ensuring overall preparedness.

In 2014, the Bank pursued the following activities:

- Convergence of all Group CL head office activities to the new CL tower in Adlieh in 2015 raised a new disaster recovery challenge that the Bank started to tackle during 2014. This included the review of existing plans for identifying the new risk scenarios and impacts, and accordingly budgeting/ implementing the new pre-requisites in terms of contingent resources, mainly facilities, IT equipment, and people.
- Maintenance of existing BCPs of critical activities up-to-date. This included the update of the plans, the contingency site and the technology that supports the recovery solution.
- Development of new plans for vital activities (with higher tolerance to interruption than the critical activities).
- Enhancement of both CL Group primary and disaster recovery sites and solutions for complete business goals– IT alignment, including the implementation of new technologies to enable improvements, and better support recovery time objectives (RTOs) and recovery point objectives (RPOs), while reducing recovery costs.
- Improvement of usage of automated solutions for business continuity planning, emergency notification and crisis/incident management.
- Ensuring adequate training for staff, enhancing the operational procedures, and promoting awareness across the Bank.

Credit Libanais was and is still committed to ensuring continuity of critical businesses and functions, in order to protect the bank's assets and all stakeholders' interests, safeguard revenues, improve investors and customers' security, and sustain confidence.

CL Corporate Responsibility

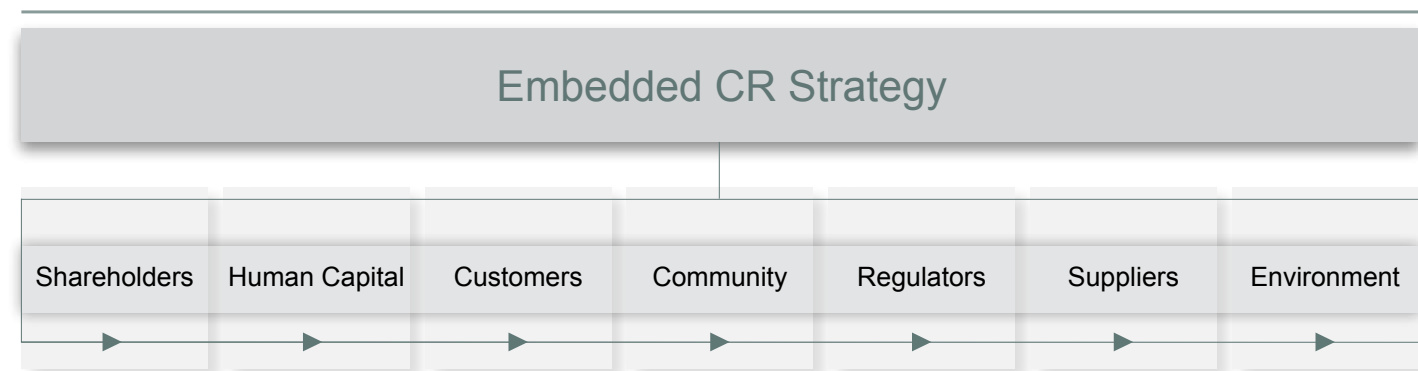
Corporate Responsibility and CL Strategy	126
Corporate Responsibility and Corporate Governance	128
Corporate Responsibility and People Capital Optimization	130
Corporate Responsibility and Customer Experience	133
Corporate Responsibility and the Communities	136
Corporate Responsibility and Responsible Financing	137
Corporate Responsibility and the Environment	138

corporate responsibility and CL strategy

At Credit Libanais, we are committed to our Corporate Responsibility towards customers, employees, communities and the environment, and aim to remain one of the best corporate accountable citizen and a source of major wealth creation where we operate.

Our Core Values are defined by high standards of ethics and integrity, respect of human and labor rights, as well as national and international banking regulations and best practices.

Founded in Beirut in 1961, Credit Libanais Group is today a leading universal banking group with total assets reaching USD 9.16 billion. Headquartered in Ashrafieh, Beirut-Lebanon, CL Group serves some 300,000 customers across its network of 73 local and foreign branches, and employs a workforce of 1631 employees. We operate in Lebanon, Cyprus, Bahrain, Senegal, Iraq and Canada.



corporate responsibility across all pillars of activities

Corporate Responsibility and Corporate Governance

Credit Libanais' most fundamental contribution to society is the robust business model and the sustainable revenues the Bank generates. Transparency and accountability ensure sustainability and growth across all layers of our organization.

Board Commitment to Corporate Governance

The Bank recognizes the paramount importance of corporate governance for its functioning, and exercises its duties and authorities through Board committees. The Board places high importance on the corporate impact on the communities where the Bank operates.

Code of Corporate Governance

CL commitment to corporate governance has four key elements: good relations with shareholders; effective cooperation between the management and Board of Directors; a system of performance-related compensation; and transparent and timely reporting. Effective governance processes are detailed in the Code of Corporate Governance as per BDL circulars and the guidelines of the Association of Banks in Lebanon.

Remuneration Policy

In line with the Central Bank requirements set out in the basic circular # 133 dated 6 August 2014, the remuneration policy and procedure was validated by the HR Committee prior to its submission to the CGNHRR committee for approval on the 20th of January 2015. In their meeting held in March 2015, the Board of Directors reviewed and approved the remuneration policy and procedure.

Preventing Financial Crime

Fraud and money laundering empoison all layers of society. Credit Libanais is firmly committed to fighting these crimes in accordance with national and international rules and regulations. We believe that financial crime prevention is not only the responsibility of the Group's dedicated compliance officers, but also the duty of every staff member in each area of activity. We have clear policies, procedures and rules of good conduct in place to prevent money laundering and financial crimes in all jurisdictions where the Bank operates.

Fighting Corruption

As stated in CL Employee Handbook, the Bank encourages all stakeholders to report any dishonest or illegal activity (violation of a law, rule, regulation, fraud, corruption) occurring at the Bank. CL prohibits retaliation of any kind against individuals who made reports in good faith, or complaints of violation of the business ethics and the code of conduct or other known or suspected illegal or unethical activity.

Transparency in Procurement

On the procurement side, purchases are made based on a bidding call, which are then presented to bids committee, screening committee, compliance committee and delivery acceptance committee. The installation of this purchasing system several years ago allowed the Bank to give equal opportunities to suppliers based on the quality of their goods and services, while ensuring that Credit Libanais receives best quality over price ratios.

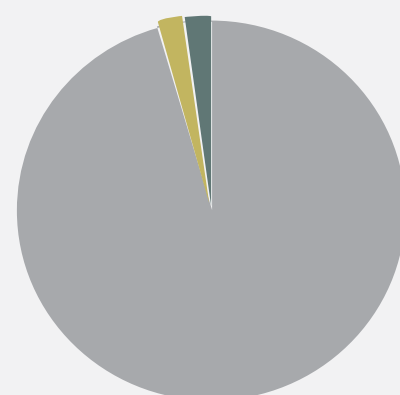


Corporate Responsibility and People Capital Optimization

Employees

CL People policy consists of improving the capability and commitment of our employees to drive sustainable high performance, while helping them thrive and achieve their goals. In 2014, we further built on the performance management system as well as the learning and development programs. We also encouraged transparency and open lines of communication, to ensure that our people fully embrace the purpose, strategy and values of the Bank.

CL Banking Group employees



Facts:

CL banking Group number of employees: 1631

Women in the workforce: 46%

Holders of university degrees: 83%

■ Dec - 14 CL

■ Dec - 14 CLIB

■ Dec - 14 LIB

Open Channels of Communications

To ensure an adequate communication of corporate news among CL Group's employees and facilitate top-down and bottom-up communication, the Corporate Projects and Publications department ensures that the publication of the Group's internal newsletter Observer, edited in three languages: Arabic, English and French, covers all the Groups' activities. The Observer internal communication platform informs, educates and encourages CL staff to share views across the Group, including sister companies and entities abroad. The goal of this internal publication is to disseminate informative, argumentative, financial and economic articles among staff members.

It also features CR initiatives, staff latest news, events, as well as performance achievements. Corporate Projects and Publications departments also ensures the preparation of the Annual Documentary movie broadcast during the Staff Annual Ceremony as well as the timely publishing of the Annual Report and other corporate publications.

Moreover, employees receive regular updates related to the latest developments in the banking industry, through the FX and Market Snapshots, Weekly Market Watch, Monthly Economic Wrap, and CL Indices. This plethora of information is communicated via various internal and external e-channels.

CREDIT LIBANAIS' MOST FUNDAMENTAL CONTRIBUTION TO SOCIETY IS THE ROBUST BUSINESS MODEL AND THE SUSTAINABLE REVENUES THE BANK GENERATES. TRANSPARENCY AND ACCOUNTABILITY ENSURE SUSTAINABILITY AND GROWTH ACROSS ALL LAYERS OF OUR ORGANIZATION.

A Customer-Centric Performance Culture

CL Group employees ensure that customers receive the same high quality of professional financial advice and know the consequences of their financial decisions.

The Working Environment and Employee Satisfaction

CL Group is committed to ensuring a pleasant, stimulating and attractive workplace for employees. Managers are responsible for creating a good working environment in their departments and branches.

Employment Opportunities and Recruitment

Credit Libanais is committed to the principles of equal employment opportunities and continues to encourage internal recruitment for more senior positions as a Group strategy for promoting organic growth.

We strive to support diversity at the banking Group and ensure equal opportunities for all staff. This policy governs all aspects of employment and career advancement: selection, job assignment, compensation, discipline, termination, and access to benefits and training. Any employee concerned about discrimination in the workplace is encouraged to raise such issues with their immediate supervisor or with the recruitment and evaluation department at the Human Resources division.

Moreover, CL Group is present in job fairs with major local colleges and universities to attract the best diverse talent to the Bank.

Competency Development

We are the first retail Bank in the region to have implemented and benefited from the E-learning process. The usage rate competed with top companies worldwide, according to the European e-learning barometer. Flexibility is a major benefit of e-learning since it offers our staff the possibility of taking courses anytime anywhere from the comfort of their home or office. CL's e-learning program yielded excellent results; the majority of staff members are registered users. Learners' satisfaction, surveys and results are extremely high.

Pay for Performance

CL Group relies on a pay-for-performance philosophy, where each employee's compensation for the current year is determined by a number of factors, including the employee's individual performance, e-learning achievement, direct supervisor's feedback, to name but a few.

Honoring Best Performers

Every year, during the Staff Annual Ceremony, Credit Libanais honors star employees across the Group, based on their performance. Different criteria are used in the evaluation process. The aim remains to use a comprehensive approach that highlights the efforts of devoted and efficient employees in view of rewarding them, since they are considered the Bank's most important and valuable assets.

Employee Health and Well-Being

Maintaining a healthy working environment is an important part of our effort to create a performance culture.

The health and safety of our staff is paramount to us. Regular fire drill simulations are conducted for staff and extensive training in safety and injury prevention is disseminated across the Bank. All Group entities are equipped with fire extinguishers and medical aid kits, in addition to evacuation sets distributed to wardens. Safety instruction boards and exit signs are installed in all branches and buildings. Moreover, we have designed and successfully implemented an Emergency Response Plan (ERP) across the Group, which consists of evaluating existing safety measures, collecting detailed contact information of all staff, appointing wardens responsible for staff evacuation, and conducting trainings. The ERP is activated in case of unexpected life-threatening events that may cause physical damage and critical disruption of operations.

Employee Engagement

To synergize employee engagement, a photography competition was launched to all CL Group staff in December 2014 around the theme: "Reaching Higher Heights". The event received enthusiastic participation and revealed the artistic talents of staff. The first three winners were honored during the Bank's annual ceremony with valuable prizes.



Photography Competition First Prize.

Employee Share Ownership Program

Citizenship starts internally. The Stock Ownership Program, introduced in 2006 thanks to the generous contribution of our shareholders, has been administered by the Bank since its creation. The program consists of ceding stocks to employees at a discount to book value as a motivational tool for employees.

Team Building Through Sports

CL's Basketball and Mini-Football teams are composed of CL employees from various divisions and regions of the Bank. Throughout the year, tournaments and competition games are organized, and our teams compete against major teams in Lebanon. Sports teams reinforce the group spirit and bring our people closer together.

In 2014, CL's football team also proudly won the championship of the inter banks foot-salle tournament. CL team won the final game, thanks to the excellent performance of CL team players, the support of fans, and the wonderful follow-up of the team's management and coach.

Sports and Recreation

To encourage staff participation in sports events, CL sponsored many events, including marathons in various Lebanese regions, triathlons, rallies, as well as basketball and football tournaments.



Photography Competition Second Prize.

Corporate Responsibility and Customer Experience

We manage our business responsibly and are aware of how our decisions affect customers; in fact our products and services primarily meet customers' financial needs and provide adequate financial return for the Bank, all the while creating benefits rather than risks for society and the environment. We have always genuinely believed that sustainability criteria are key elements of our success.

The availability of e-banking, video meetings with advisers, tablet and mobile apps also allow our customers do their banking around the clock wherever they are.

Tailored Customer Relationships

Our commercial customers are grouped into retail commercial and corporate customers depending on the turnover of each business. Based on the results of this exercise, we were able to better respond to their needs by offering them tailored services.

Customer Satisfaction

We strive to provide our customers with the best banking solutions, services and advice. Credit Libanais implemented a system for collecting, measuring and managing feedback from personal and business customers. We employ all relevant quantitative and qualitative research methodologies, including surveys delivered through online, mobile, and phone channels in addition to qualitative focus groups. We also conduct mystery shopper campaigns and advertise our electronic inbox for complaints to make it easier for customers to reach us. A more sophisticated method of familiarizing our customers with the highest levels of customer service is the use of courtesy campaigns regularly conducted by our Customer Service Center.

Social Media Platforms

Over the course of the year, we actively participated in launching CL's various social media campaigns on Facebook, Twitter, LinkedIn, YouTube and WordPress

in view of facilitating communication and increasing electronic community interaction with our Bank.

In 2014, several campaigns were launched, including:

- Rewarding Visa Cardholder CL's Customers with a trip to Brazil for FIFA World Cup.
- "Flip it" competition on Facebook during Christmas season and offering HTT travel tickets for two persons for the first-prize in addition to ten valuable gifts for winners of matching gift cards.
- A Marathon campaign to spread awareness and show engagement of Credit Libanais employees.
- A Mothers' day competition and offering gifts to the winners.
- CL Group news and events, such as the inaugurations of Jounieh and Jal EL Dib new branches.
- "United Hands For Lebanon" post, an Initiative calling citizens to become part of a virtual human chain across Lebanon.



Rewarding Visa Cardholder CL's Customers with a trip to Brazil for FIFA World Cup.

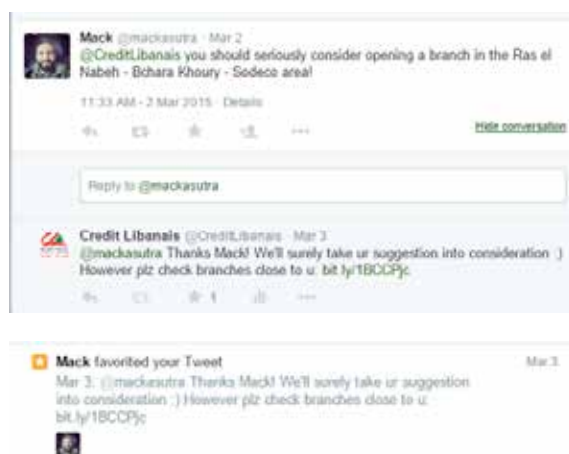


"Flip it" competition on Facebook. Travel tickets for the first-prize and valuable gifts for winners.

Social Media Dialogue

At CL Group, we learn much about our customers on social media platforms. Our aim is to provide transparency and openness and always reply in a friendly and moderate tone in view of engaging in a constructive dialogue that helps clarify the issue at hand.

Twitter Account



Card Issue



Credit Libanais SAL.



Information about cards



Corporate Responsibility and the Communities

We believe that safeguarding our culture and protecting our heritage and family values, is essential to maintaining our unique identity.

To materialize our sustainability strategy, we support:

- Economic growth in communities where we do business.
- Initiatives that help build well-being, wealth and capacity.
- Resources to promote economic self-sufficiency.

Focused Public Sector Initiatives

In a move towards facilitating the banking experience of public sector servants, special retail loans (car, personal, housing) targeting the Lebanese Army and Security Forces were designed by our Bank to this particular segment.

A Housing loan Protocol with the General Security forces

This protocol aims to support civil servants in Lebanon, encourage economic development and enhance social stability.

Settlement of subscription fees for lawyers over the internet

With CL online payment services, lawyers registered at the Beirut Bar Association can pay their subscription fees online in a secure and easy way.

BECAUSE YOUR TIME COUNTS



Banking Inclusion Strategy

Access to financial services is considered a basic human right by all international organizations. Being responsible towards the society, Credit Libanais further builds on its banking inclusion strategy to reach out to an increasing number of Lebanese in towns and remote areas across Lebanon. We ensure that everyone has access to financial services at an affordable cost (savings, deposit services, payment, transfer services and insurance).

While domiciling salaries of employees at our Bank enables the private and public sectors to easily their staff employees through a bank account, such a procedure usually reduces operating costs and boosts the efficiency of institutions. Consequently, new account holders cash their salaries at Credit Libanais and have access to a variety of banking products and services.

Facilitating Access to Capital through Lending Partnerships

We have partnered and continue to seek new alliances with international lending institutions with a view to providing access to affordable capital to wider segments of our communities. Such partnerships may be in the form of risk sharing, capital allocation or import guarantees. Whenever possible, we try to match these funds with existing subsidies in the Lebanese market in order to lower the cost of borrowing for our customers.

Building Capacity through Micro-Finance

Very small loans are the building blocks on which small entrepreneurs rely to earn their living. To this end, Credit Libanais partners with numerous local, regional and international agencies to make the financing of very small businesses also possible within the Lebanese economy.

Offering Attractive Facilities to SMEs

Credit Libanais has long partnered with Kafalat national institution to offer subsidized loans to small and medium businesses. We believe that the right financing helps less fortunate customers start up or expand their businesses.

Moreover, Credit Libanais has contracted a line of credit and a credit risk sharing agreement with the International Finance Corporation (IFC) to make affordable lending available to a wider segment of customers.

Continuous new financing schemes are devised according to new circulars issued by BDL to stimulate start-up businesses and the local economy.

Philanthropy

Our selected contributions to professional, educational, sports, cultural and social activities have positively impacted the communities where we work and by the same token, boosted CL's image in various Lebanese regions and towns.

Our areas of sponsorships encompass the following array of activities and initiatives:

Educational and Academic Events

We constantly contribute to university and school events that aim at offering professional guidance and presenting different employers to students. CL was present this year at major events such as job fairs and forums that were held in various Lebanese universities.

Professional Conferences

To encourage exchange of new developments among peer professionals and reinforce channels of communication in various industries, we sponsor many a conference over the course of the year.



"Union of Arab Banks Annual Conference 2014"

Cultural and Heritage Events

CL supports music and cultural festivals organized in all Lebanese cities and towns throughout the seasons, in view of encouraging arts, reviving traditions and preserving our unique heritage. We are a permanent supporter of the national silk eco-museum and other national organizations across Lebanese towns and cities.

CR and Sustainability initiatives bring us closer to our communities and enable us leverage our partnerships with them, thereby doubling the rewards. By helping them prosper, Credit Libanais prospers as well.

Corporate Responsibility and Responsible Financing

Credit Libanais Group always seeks sustainable investments in view of maximizing financial returns while achieving social and environmental good. We remain committed to regularly reviewing our credit facilities granting processes in view of securing profitable incentives for the Bank while alleviating our footprint and that of our customers and/or communities.

Responsible Investing

Our responsible finance schemes constantly assure customers that their funds are not invested in companies that violate internationally recognized principles in the areas of human rights, employee rights, the environment and anti-corruption.

Social and Environmental Management System (SEMS) in credit assessment

In collaboration with the International Finance Corporation (IFC), Credit Libanais created and adopted a tailor-made Social and Environmental Management System (SEMS) that consists of assessing the environmental and social risks and opportunities arising from customers' business activities.

Environmental Considerations and the International Finance Corporation (IFC)

Through our agreement with IFC, we strive to enhance and adhere to sound banking principles and promote an environmentally and socially reliable development across the full range of our activities.

Environmental Considerations and the European Investment Bank (EIB)

All projects financed by the Bank through the European Investment Bank (EIB) must comply with the environmental terms set by the bank. Credit Libanais is in acceptance and adherence with the EIB's environmental objectives, namely to:

- Preserve, protect and improve the quality of the environment.
- Protect human health, in relation to the environment;
- Ensure the prudent and rational utilization of natural resources to conserve nature.
- Promote measures to deal with regional or worldwide environmental problems, notably climate change and access to potable water and sanitation. In doing so, the Bank apply the principles of "prevention", "precaution" and "polluter countries", as embedded in the European Community policy.

In this perspective, all projects requesting financing from the EIB have to comply with the Environmental Survey covering both the environmental and the social impact of the project being financed.

Environmental Sustainability and Green Products

While green finance is still relatively new in Lebanon, Credit Libanais weighs the importance of regularly reviewing and updating its lending strategies to align them with industry standards in terms of Social and Responsible Investment (SRI). Our strategy centers around three priorities:

- Reducing the intensity of our environmental footprint.
- Promoting environmentally responsible business activity.
- Offering environmental products and services.

On the IT side, virtualization of servers is almost complete and the implementation of our DCIM (Data Center Information Management) further enhances such optimization.

Partnerships for the Modernization of Lebanon

CL offers, in line with the Central Bank's recommendations and recently issued circulars, green "facilities" to fund projects that have a positive environmental impact. Projects encompass eco-friendly initiatives in Lebanon, such as green architecture and ecological ventures, implementation of renewable energy, wind power, solar water heating panels, energy saving lighting systems, tiles cladding, and eco-bricks. Loans are granted at competitive interest rates and for long terms, as a token of Credit Libanais' commitment to the planet and a step towards green banking.

Corporate Responsibility and the Environment

A Sustainable Working Environment for employees

CL Group's recently executed landmark 32-story Head Office Tower in Ashrafieh is one of the most technologically advanced in the region and responds to the latest trends in construction and utilization sustainability.

At CL Group new Head Office Tower, special attention has been given to using environmentally friendly construction materials, taking into account the use of renewable energy sources for future daily utilization. Considerations such as efficiently using energy, water, and other natural resources, reducing waste, pollution and environmental degradation were also given broad attention in all phases of the project, from design to commissioning.

Architecture

- All facades are curtain wall unitized panel or spider systems with double glazing low-E.

Landscape

- Shrubs and trees with low water consumption needs were planted.
- A large part of the ground floor levels is covered with greenery.

Interior and Lighting

- All interior lightings are LED lights.
- Each floor features an average of 50% of open space configuration, in addition to low partitions for the desks, which allows a higher amount of natural light into the center of the floor.
- Open spaces and passageways are covered with carpet tiles that have total recycled content of 50% and are certified "Green Label Plus".
- All peripheral sunscreens are 100% PVC free, low VOC fabric, recyclable and feature a silver backing which increases reflectivity to sunlight, thus decreasing the heat intake into the interior space, and reducing the need for cooling during warm days.
- All gypsum board partitions are made of 95% recycled content.

Recycled, Reused and Sustainable Mechanics and Materials

- Energy recovery ventilators are placed at each floor level.
- Double glazing with low U-value.
- Central solar system for hot water production.
- Non-CFC Refrigerant.
- High efficiency equipment (VRV for cooling and heating).

Reduced Water Usage

- Central gray water treatment.
- Re-usage of treated gray water for flushing and irrigation.
- Re-usage of A/C condensate drain collection of water for flushing and irrigation.

AT CL GROUP, WE HAVE ALWAYS GENUINELY BELIEVED THAT SUSTAINABILITY CRITERIA ARE KEY ELEMENTS OF OUR SUCCESS.

Tier III Certified Data Center

CL Group main data center is about 450 m2 with 120 kW of net IT load and is designed to handle all the functions of the Bank. An additional 350-m2 space hosts the sister company Credit Card Management (CCM), which has a dedicated server room within CL data center.

The main data center environment is water cooled at relatively high temperatures. Normally water-cooled systems for buildings supply water at around 6°C; CL's data center uses a 10°C chilled water temperature, which greatly increases the efficiency and reduces cost.

Chillers also have variable speed compressors and variable chilled water pumps, and the fans of the chillers and those of the CRACs have EC variable speed fans, so that speed can be adjusted to exactly the amount of capacity needed.

CL Tier III data center features are summarized as follows:

- Chilled water-cooled white space. The chilled water system provides higher efficiencies than DX (direct expansion) systems and avoids heavy use of CFC (chlorofluorocarbons) derivatives.

- The chilled water system uses high water supply temperature (10°C versus 6°C for standard systems), which significantly increases efficiency and running costs.
- Operating at higher water temperature reduces the need to provide humidification in the computing space, thus saving energy.
- The chiller compressors and pumps are provided with electronically commutated (EC) technology, allowing the direct current motors to modulate from 0-100% to optimize energy consumption based on actual demand.
- A special variable primary chilled water system does not require secondary chilled water pumps, which further reduces energy expenditures.
- Computer room air conditioning units are provided with variable speed EC fans modulating from 0-100% to reduce energy consumption.
- Cold air containment prevents mixing of cold and return hot air, which further enhances the overall system efficiency.
- The fresh air for the data center is centrally pre-treated with an energy recovery unit through thermal exchange with office space exhaust.

- Associated office space is air conditioned by a VRV (variable refrigerant flow) system for high efficiency and lower energy expenditures.
- The system interfaces with the BMS (building management system) for scheduling and centralized parameterization to avoid operation during unoccupied periods.
- The latest VRV system technology provides cooling to the office space with Unit COP (coefficient of performance) greater than 4 using R-410 refrigerant. Re-circulated air from offices ventilates the UPS/battery room through transfer fans, which reduces the amount of treated fresh air.
- Modular UPS systems adjust capacity to actual IT loads. The efficiency of the UPS system is 95.5% at 25% load and 96% at 100% load.
- The lighting is switched by a lighting control system that includes automatic motion sensors and centralized parameterization and scheduling to avoid operation during unoccupied periods.
- The BMS integrates all subsystems, either directly or via SNMP (Simple Network Management Protocol), KNX, and data center infrastructure (DCIM) controls. The system allows an overall insight on the

operations of the data center, monitoring all energy expenditures, faults, and alerts.

- DCIM optimizes operations and increases overall efficiency.

Recycling Endeavors and Reducing Paper Consumption

- To help in the global effort of reducing paper waste, a scrupulous procedure is integrated at Credit Libanais to promote the recycling of used papers. This activity encourages the contribution of all divisions within the Group to separate papers that are collected at the Group level and delivered to a local recycling plant.
- Recycling of printer cartridges.
- To encourage environmental moves in the work place, personal printers are replaced by large departmental ones shared by many employees. New printers have the features to print double sided documents, thereby reducing paper consumption.

These endeavors constitute another building block in the green culture of banking we are perpetrating throughout CL Group.

Financial Results

Credit Libanais
Group

Management Discussion and Analysis	144
Independent Auditors' Report	160
Consolidated Statement of Financial Position	164
Consolidated Statement of Comprehensive Income	166
Consolidated Statement of Changes in Equity	168
Consolidated Statement of Cash Flows	170
Notes to the Consolidated Financial Statements	172
CLIB Financial Results	234
CLA Financial Results	248

management's discussion and analysis of financial condition and results of operations of credit libanais group

Basis of Presentation

The following discussion and analysis have been prepared based on the audited consolidated financial statements of the Group as at and for the years ended 31 December 2014 and 2013 and on selected financial information.

The consolidated financial statements of the Group as at 31 December 2014 represent the financial position of Credit Libanais Group which incorporates the activities of Credit Libanais SAL together with its wholly owned subsidiaries, Credit Libanais Investment Bank SAL (CLIB), Lebanese Islamic Bank SAL (LIB) and Credit International SA – Senegal (CISA) and other companies directly or indirectly owned by Credit Libanais SAL. All material inter-company transactions incurred during the years 2014 and 2013 were eliminated when preparing the consolidated financial statements in accordance with regulations and standards agreed upon for consolidation purposes.

Lebanese Banking Sector

Total Lebanese banking sector assets reached LBP 264,863 billion (or US\$ 175.70 billion) as at 31 December 2014, compared to LBP 248,468 billion as at 31 December 2013 (or US\$ 164.82 billion), reflecting an annual increase of LBP 16,395 billion or 6.60% year-on-year. Total loans to private sector made by the Lebanese banks increased by 7.42% in 2014 to LBP 76,730 billion (or US\$ 50.90 billion) as at 31 December 2014 up from LBP 71,427 billion as at 31 December 2013.

Total customer deposits, including non-resident private deposits, held by the Lebanese banking sector increased by 6.09% in 2014 to LBP 222,564 billion (or US\$ 147.64 billion) as at 31 December 2014 from LBP 209,793 billion as at 31 December 2013. In addition, the deposit dollarization rate decreased to 64.28% as at 31 December 2014, compared to 64.73% as at year-end 2013.

Analysis of Financial Position Total Assets

As at 31 December 2014, the Group had total assets of LBP 13,812.33 billion, compared to LBP 12,602.25 billion as at 31 December 2013, reflecting a year-on-year increase of LBP 1,210.08 billion or 9.60%. This increase in total assets, particularly in liquid assets, was substantially matched by increases in funding, which consisted primarily of customer deposits. The average growth in total assets of the Lebanese banking sector stood at 6.60% during the year 2014.

The Group's share of total assets of the Lebanese banking sector reached 5.21% at year-end 2014, compared to 5.07% at year-end 2013.

Sources of Funding

The following table sets out a breakdown of the Group's sources of funding as at 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	
Banks and Financial Institutions	498,115	176,634	182.00%	millions LBP
- Demand deposits	42,879	32,103	33.57%	
- Time deposits	455,236	144,531	214.97%	
Customer Deposits	11,665,846	10,790,958	8.11%	
- Demand deposits	1,249,246	1,179,616	5.90%	
- Time deposits	3,901,700	3,348,123	16.53%	
- Sight saving accounts	220,525	231,983	-4.94%	
- Time saving accounts	6,294,375	6,031,236	4.36%	
Total	12,163,961	10,967,592	10.91%	

Customer deposits

Total customer deposits of the Group increased by 8.11% to LBP 11,665.85 billion as at 31 December 2014 from LBP 10,790.96 billion as at 31 December 2013, while the average growth rate in total deposits of the Lebanese banking sector stood at 6.09% during the year 2014. Customer deposits represent the principal source of the Group's funding and comprised 85.63% and 84.46% of the Group's total assets as at 31 December 2013 and 2014, respectively.

As at 31 December 2014, savings accounts, which are mostly held by individuals and have, average maturities of approximately 3 to 6 months, represented the largest portion of the Group's customer deposits 55.85%. Demand deposits, which earn the minimum balance rate offered by the Group, represented 10.71% of total deposits; and time deposits, which are mostly held by businesses, represented 33.45% of total deposits.

The following table sets out the compositions of the Group's customer deposits, by currency, as at 31 December 2013 and 2014, respectively:

Deposits by Currency	Deposits		Increase	Percentage Change	
	2014	2013		Group	Sector
31 December					
In LBP (LBP billion)	5,316.43	4,979.60	336.83	6.76%	7.37%
In foreign currency (converted into USD million)	4,211.88	3,854.96	356.92	9.26%	5.35%
Total (LBP billion)	11,665.85	10,790.96	874.89	8.11%	6.09%

Year-on-year, foreign currency deposits were 9.26% higher as at 31 December 2014, compared to 31 December 2013, while LBP deposits increased by 6.76% over the year 2014, compared to an increase of 7.37% on LBP deposits in the Lebanese banking sector. As at 31 December 2014, customer deposits held in foreign currencies, principally US Dollars, represented 54.43% of total customer deposits as at such date, compared to 53.85% as at 31 December 2013 and marginally below the sector, while the banking sector's deposits dollarization decreased to 64.28% as at year-end 2014 from 64.73% as at year-end 2013. The Group's deposits in foreign currency were lower than the sector's average primarily because of the Group's retail activities in rural areas (Bekaa region) where customers traditionally use Lebanese Pound as the functional currency.

Foreign currency deposits are primarily comprised of time deposits and savings accounts.

Loans Portfolio

As at 31 December 2014, loans and advances to customers (net of provisions for doubtful debts and reserved interest) amounted to LBP 4,305.33 billion,

compared to LBP 3,918.61 billion as at 31 December 2013, reflecting a year-on-year increase of 9.87%. Over the same period, aggregate loans to private sector made by Lebanese banks grew by 7.42% during the year 2014. The growth in the Group's loans portfolio reflected primarily the extension of housing loans to individuals and commercial facilities to SMEs, which are subsidised or guaranteed by financial public institutions. The growth in the loans volume as at year-end 2014, compared to year-end 2013, consolidated the Group's position in the retail market, through the introduction of new consumer lending products resulting in the enlargement and diversification of its retail customer base.

The ratio of the Group's total loans to total assets was 31.17% as at 31 December 2014, compared to 31.09% as at 31 December 2013. This increase stems from the improvement in our lending activities, particularly on the corporate side without compromising the Group's conservative policy in terms of the quality of our portfolio. The Group's loans-to-deposits ratio improved to 36.91% as at 31 December 2014 compared to 36.31% as at 31 December 2013 and compared to the average of 35.24% for the Lebanese banking sector.

The table below sets out the composition of the Group's loans portfolio, by currency, as at 31 December 2014 and 2013, respectively:

Loans by Currency	Loans		Percentage Change		
	2014	2013	Increase	Group	Sector
31 December					
In LBP (LBP billion)	1,676.17	1,439.59	236.58	16.43%	11.89%
In foreign currency (converted into USD million)	1,744.06	1,644.46	99.60	6.06%	6.06%
Total (LBP billion)	4,035.33	3,918.61	386.72	9.87%	7.42%

Of the Group's total loans portfolio, LBP 1,676.17 billion or 38.93% were denominated in Lebanese Pounds, with the remaining 61.07% denominated in foreign currencies, principally in US Dollars, in exchange as at 31 December 2014. Loans in foreign currencies represented 41.41% of total foreign currency customer deposits as at 31 December 2014, compared to 42.66% of total foreign currency customer deposits as at 31 December 2013, and compared to the average of 40.53% for the Lebanese banking sector as at 31 December 2014.

To support and reinforce the loans portfolio during the difficult economic conditions prevailing in the country, Credit Libanais Group improved the level of provisions

set against non-performing loans (NPLs), increasing those by the amount of LBP 15.86 billion as provision charge during the year 2014, before deduction of the write back provision (compared to LBP 13.01 billion during the year 2013). Total provisions and suspended interest on non-performing loans amounted to LBP 124.95 billion at 31/12/2014 and represented 2.82% of the total loan portfolio, or 78.45% of non-performing loans. The Group continues to adopt a conservative policy in terms of provisions on NPLs, as confirmed by the amount of collections and recoveries realized every year resulting in substantial provisions written-back to the income statement for LBP 5.74 billion during the year 2014, compared to LBP 6.39 billion during the year 2013.

The following table sets out the composition of the Group's loans portfolio by the borrower's economic activity, after accounting for specified loan loss provisions as at 31 December 2014 and 2013:

Loans by Industry	31 December	2014	2013	Percentage Change	millions LBP
Retail (personal, consumer and housing loans)		1,841,422	1,598,215	15.22%	
Trade and Services		1,354,131	1,242,536	8.98%	
Industries		591,691	581,753	1.71%	
Construction and Real Estate		428,919	384,252	11.62%	
Brokerage		10,908	41,162	-73.50%	
Agriculture		78,258	70,689	10.71%	
Total		4,305,329	3,918,607	9.87%	

Personal, consumer and housing loans increased to 42.77% of total loans as at 31 December 2014, compared to 40.79% as at 31 December 2013, while trade and services loans decreased down to 31.45% of total loans as at 31 December 2014, compared to 31.71% as at 31 December 2013. The Group's industrial loans, construction loans, brokerage loans and agriculture loans comprised 13.74%, 9.96%, 0.25% and 1.82% of total loans, respectively, as at 31 December 2014, compared to 14.85%, 9.81%, 1.05% and 1.80% of total loans, respectively, as at 31 December 2013.

Liquidity

As at 31 December 2014, Credit Libanais Group maintained high liquidity levels which represented 72%

of total customer deposits and other liabilities and 65% of total assets, compared to 73% and 65% respectively, as at 31 December 2013. Liquidity was distributed on the basis of 49% in Lebanese Pounds and 51% in foreign currencies at 31 December 2014, compared to 51% and 49% respectively as at 31 December 2013.

As a result of the international financial crisis that almost affected the majority of banks operating all over the world, the Group reconsidered the risk exposures maintained with its bank correspondents and accordingly redistributed the liquidity held and the credit limits granted to them in a way to avoid high concentration of liquidity with a single correspondent and to deal with prime banks that can benefit from their government's financial support.

Lebanese government securities

The following table sets out the composition of the Group's portfolio of Lebanese treasury bills and Eurobonds as at 31 December 2014:

As at 31 December 2014	In LBP	In FC	Total	billions LBP
Ordinary Treasury bills	2,707.54	914.93	3,622.47	
Plus: Accrued interest on treasury bills	32.88	12.27	45.15	
Total	2,740.42	927.20	3,667.62	

The average rate of return on Lebanese Pounds ordinary treasury bills subscribed by Credit Libanais SAL and amounting to LBP 2,706.54 billion stood at 6.90%, whereas this yield stood at 6.68% on similar bills subscribed by the affiliated bank CLIB and amounting to LBP 1 billion. The overall yield on the Group's portfolio

of treasury bills held in Lebanese Pounds aggregated to 6.90% at 31 December 2014, compared to 6.92% at the end of the preceding year. The average yield on Lebanese Government treasury bills issued in foreign currencies was 6.61% at 31 December 2014, compared to 6.97% at the end of the preceding year.

The following table sets out the composition of the Group's portfolio of Lebanese treasury bills, by maturity, as at 31 December 2014:

As at 31 December 2014	In LBP	In FC	Total	billions LBP
Less than 6 months	475	9	484	
Between 7 and 12 months	290	2	292	
Between 13 and 18 months	215	89	304	
Between 19 and 24 months	215	51	266	
Between 2 and 5 years	1,004	264	1,267	
Over 5 years	509	500	1,009	
Total Lebanese treasury bills	2,708	915	3,622	

Investments and Marketable Securities

The Group held investments and marketable securities amounting to LBP 1,122.86 billion as at year-end 2014, compared to LBP 1,411.46 billion as at year-end 2013,

reflecting a decrease of LBP 288.60 billion or 20.45%. All investments consisted of instruments and papers issued by Lebanese banks and prime local and international companies and are quoted in regulated financial markets.

The following table sets out the composition of the Group's portfolio of investments and marketable securities, by type of instrument, as at 31 December 2014:

As at 31 December 2014	In LBP	In FC	Total	millions LBP
Corporate Bonds & Other Sovereign Bonds	---	64,684	64,684	
Certificates of deposit	---	25,588	25,588	
Unquoted & quoted Equity Securities & Preferred Shares	4,776	83,332	88,108	
Certificates of deposits issues by the Central Bank	496,370	448,112	944,482	
Total investment and marketable securities	501,146	621,716	1,122,862	

Average rate of return on bonds and certificates of deposit held in foreign currencies stood at 6.30% for the year ended 31 December 2014, compared to 6.17% for the year ended 31 December 2013.

comprises paid-up common share capital, reserves, retained earnings, and reserves for unspecified banking risks, less any unfavorable change in fair value of available-for-sale securities.

Shareholders' Equity

Shareholders' equity is divided into core capital (Tier I) and supplementary capital (Tier II). Tier I capital

The following table sets out the composition of the Group's shareholders' equity as at 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	millions LBP
Shareholders' equity				
Share capital - common shares	257,400	257,400	0.00%	
Share capital - preferred shares	11,000	11,000	0.00%	
Share premium - preferred shares	139,750	139,750	0.00%	
Capital reserves	186,183	160,464	16.03%	
Retained earnings	117,880	96,699	21.90%	
Fair value reserve	27,744	22,002	26.10%	
Other reserves	221,688	221,028	0.30%	
Profit for the year	91,253	98,629	-7.48%	
Total equity attributable to equity holders of the Bank	1,052,898	1,006,972	4.56%	
Non-controlling interest	23,741	20,917	13.50%	
Total equity	1,076,639	1,027,889	4.74%	

At 31 December 2014, the authorised and issued share capital comprised 23,400,000 ordinary shares with a nominal value of LBP 11,000. All shares rank equally with regards to the Bank's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time. All issued shares are fully paid.

In July 2013, the extraordinary general assembly of shareholders approved the issue of 1,000,000 perpetual non-cumulative preferred shares with a nominal value of LBP 11,000; increasing the share capital of the Bank from LBP 257,400 million to LBP 268,400 million, thus an increase of LBP 11,000 million. The share premium amounted to LBP 139,750 per share.

Holders of these shares receive a non-cumulative dividend at the Bank's discretion, or whenever

Asset / Liability Management

The Group's consolidated balance sheet is structured in terms of percentage of total assets as shown in the table below at 31 December 2013 and 2014:

Assets As at 31 December	2014		2013	
	2014	2013	2014	2013
Cash and banks	37%	35%	Due to banks	4%
Treasury bills and Eurobonds	27%	28%	Customers deposits	84%
Marketable securities	1%	2%	Long-term liabilities	---
Net loans and advances	31%	31%	Other creditors and payables	3%
Fixed assets	2%	2%	Shareholders' equity	9%
Other debtors and receivables	2%	2%		
Total Assets	100%	100%	Total Liabilities and Equity	100%

dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not have voting rights.

Equity to assets ratio reached 7.79% as at 31 December 2014, compared to 8.16% at year-end 2013.

Capital Adequacy

During 2014, the Group conducted a quantitative impact study to assess the implications of the Basel II Accord on the shareholders' equity of the Group. The capital adequacy ratio stood at 15.77% at year-end 2014 (compared to the minimum required 10.5%), after taking into consideration credit, market and operational risks of the Group.

Results of Operations

Interest Income

The following table sets out the principal components of the Group's interest income, by amount and as a percentage change therein, for each of the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	millions LBP
Financial Assets at amortised cost (including Lebanese government securities)	328,398	336,012	-2.27%	
Deposits with banks	91,896	61,920	48.41%	
Loans and Advances to Customers	285,940	267,761	6.79%	
Total	706,234	665,693	6.09%	

Interest on Financial Assets at amortised cost represents interest earned primarily on Lebanese treasury bills denominated in Lebanese Pounds and Government and corporate Eurobonds issued in foreign currencies (including principally US Dollars and Euro) Lebanese treasury bills continued to comprise the substantial majority of the Group's portfolio of Financial Assets classified at amortized cost in 2014 and 2013, reflecting the Group's significant portfolio of liquid assets that is largely financed by customer deposits gathered through the Group's branch network.

The overall yield on the portfolio of Lebanese treasury bills held by the Group in Lebanese Pounds was 6.90%

as at 31 December 2014, compared to 6.92% as at year-end 2013, and the average yield on Lebanese government Eurobonds issued in foreign currencies was 6.61% as at 31 December 2014 and 6.97% as at 31 December 2013.

Interest income on the Group's loans portfolio increased by 6.79% during the year 2014 primarily due to the extension of additional loans to retail and corporate customers during the year 2014 which increased by LBP 386.72 billion or 9.87%.

Accordingly, total interest income for the year ended 31 December 2014 increased by 6.09% compared to total interest income for the year ended 31 December 2013.

Interest Expense

The following table sets out the principal components of the Group's interest expense, by amount and as a percentage change therein, for each of the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	millions LBP
Loans from Central Bank of Lebanon	2,181	180	1,111.67%	
Customer deposits	482,614	447,525	+7.84%	
Deposits from banks	3,282	4,085	-19.66%	
Subordinated Debt Issued	7,547	7,611	-0.84%	
Total	459,624	459,401	7.88%	

The Group's interest expense is principally comprised of interest paid on customer deposits, as these constitute the primary source of funding for the Group and aggregate to 84.46% of total assets at 31 December 2014. The total amount of interest paid on customer deposits increased in 2014, compared to 2013, by 7.84% as a result of the increase in total Group's

customer deposits by 8.11% as at 31 December 2014 compared to 31 December 2013.

Net Interest Income

The following table sets out the Group's net interest income and net interest margin for each of the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	
Interest earned	706,234	665,693	6.09%	millions LBP
Interest paid	(495,624)	(459,401)	7.88%	
Net interest income	210,610	206,292	2.09%	
Net interest margin (%)	1.66%	1.75%		

The Group's net interest income increased by 2.09% in 2014 to LBP 210.61 billion for the year ended 31 December 2014 from LBP 206.29 billion for the year ended 31 December 2013 overcoming the diminishing returns of sovereign investments amidst the global economic downturn and the regional turmoil as well as the competitive market in terms of attracting deposits.

Non-interest income

The following table sets out the Group's non-interest income deriving from commissions, fees and other operating income for each of the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	
Fees and Commissions income	99,172	93,085	6.54%	millions LBP
Fees and Commissions expense	(42,631)	(36,983)	15.27%	
Net Commissions	56,541	56,102	0.78%	
Net trading income	17,958	18,229	-1.49%	
Net gain on financial investments	2,977	9,609	-69.02%	
Other operating income	6,077	4,872	24.73%	
Share of profit of investments in equity accounted investees	1,857	1,746	6.36%	
Total Non-interest Income	85,410	90,558	-5.68%	

Total net commissions, increased by 0.78% to LBP 56.54 billion for the year ended 31 December 2014, compared to LBP 56.10 billion for the year ended 31 December 2013. Net commissions, consisting primarily of commissions and fees on accounts, fees for issuances of letters of credit and letters of guarantee, origination and commitment fees on loans and transaction-processing, development of retail services, electronic banking products and other non-interest generated revenues such as fees from its plastic card businesses, including the sponsoring and processing of debit and charge cards such as Visa, MasterCard and Amex, the processing of transactions made through its network of point-of-sale ("POS") terminals installed at different locations throughout the country and the cross-selling of related financial services, including bancassurance products through the Group's insurance subsidiary Credit Libanais d'Assurances (CLA).

Net gain on Trading and Financial Investments amounted to LBP 20.94 billion in 2014, compared to LBP 27.84 billion in the preceding year.

The Group's non-interest income decreased by 5.68% down to LBP 85.41 billion at 31 December 2014, from LBP 90.56 billion at the end of the preceding year. It contributed to 30.07% of the Group's net financial income at 31 December 2014, compared to 31.40% at 31 December 2013.

Staff Expenses and Related Charges

The following table sets out the principal components of the Group's staff expenses and related charges for each of the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	
Wages and salaries	71,308	67,159	6.18%	millions LBP
Allowances to the Board of Directors	2,522	2,518	0.16%	
Compulsory social security obligations	10,573	10,239	3.26%	
Employee benefits obligation	4,099	4,914	-16.59%	
Other personnel expenses	16,026	15,340	4.47%	
Total staff expenses and related charges	104,528	100,170	4.35%	

Net Operating Income

The group increased the provisions allocated for loan losses by 21.91% at 2014. Allowances for loan losses amounted to LBP 15.86 billion for the year ended 31 December 2014, compared to LBP 13.01 billion for the preceding year.

Provisions written-back on loans decreased down to an amount of LBP 5.74 billion for the year ended 31 December 2014, compared to LBP 6.39 billion for the year ended 31 December 2013.

As a result of the combined effects of the foregoing, the Group's net financial income for the year ended 31 December 2014 amounted to LBP 284.04 billion, compared to LBP 288.43 billion for the year ended 31 December 2013, reflecting a year-on-year decrease of 1.52%.

Other operating income is the result of activities and operations incurred by the Group outside the normal course of banking business. It is constituted of Income received on sale of assets held in recovery of bad debts amounting to LBP 1.11 billion, rental income amounting to LBP 0.26 billion and other income amounting to LBP 4.69 billion.

Total staff expenses and related charges amounted to LBP 104.53 billion for the year ended 31 December 2014, compared to LBP 100.17 billion for the year ended 31 December 2013, reflecting a year-on-year

increase of 4.35%. The increase in staff expenses was largely attributable to year-on-year salaries increase and its implication on the related personnel charges and social security contribution.

General Operating Expenses

The following table sets out the principal components of the Group's general operating expenses for the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	
Taxes	5,975	6,090	-1.89%	millions LBP
Premiums for the guarantee of deposits	5,397	5,060	6.66%	
Rental charges and related expenses	6,456	6,493	-0.57%	
Lawyers, audit and consultancy fees	4,161	4,710	-11.66%	
Data processing services	3,275	3,335	-1.80%	
Mail and telecommunication (PTT, Swift)	3,060	3,151	-2.89%	
Maintenance and repairs	4,601	4,388	4.85%	
Electricity, water and heating	4,178	4,178	0.00%	
Travel and entertainment	2,444	2,538	-3.70%	
Transportation charges	3,037	3,191	-4.83%	
Insurance premiums	2,432	2,289	6.25%	
Advertising and public relations expenses	5,780	5,737	0.75%	
Computer maintenance and charges	2,403	1,849	29.96%	
Office stationery and printing	1,393	1,561	-10.76%	
Board of directors attendance allowances	2,406	2,374	1.35%	
Training, documentation and services fees	636	550	15.64%	
Other expenses	2,654	2,177	21.91%	
Total general operating expenses	60,288	59,671	1.03%	

General operating expenses increased by 1.03% to LBP 60.29 billion for the year ended 31 December 2014, compared to LBP 59.67 billion for the year ended 31 December 2013.

The Group's overall cost-to-income ratio increased to 59.27% as at 31 December 2014 compared to 57.52% as at 31 December 2013.

Profit before Tax

The following table sets out the Group's pre-tax profit for the years ended 31 December 2014 and 2013, respectively:

31 December	2014	2013	Percentage Change	
Profit before income tax	110,408	119,431	-7.55%	millions LBP
Income tax	(13,579)	(16,213)	-16.25%	
Net profit for the year	96,829	103,218	-6.19%	

The Group's pre-tax profits for the year 2014 amounted to LBP 110.41 billion (or the equivalent of US\$ 73.24 million), compared to LBP 119.43 (or the equivalent of US\$ 79.22 million) for the year 2013, a year-on-year decrease of 7.55%.

This drop in performance was in large part brought on by the political instability in the region especially the uncertainties related to the suspended presidential elections as well as the civil unrest, extremist movement and turmoil in surrounding countries namely our closest neighbours Syria and Iraq where our operations have suffered significantly. More specifically, profits from foreign exchange transactions in our Iraq branches which have significantly contributed to our profits in previous years have dramatically decreased due to the new regulatory requirements imposed which have limited banks' ability to compete in the FX market. This

has caused Credit Libanais' profits from FX to drop by around LBP 7.8 billion in 2014.

Furthermore, the previous year has witnessed extraordinary income in the form of profits generated from a swap operation of BDL CDs which has contributed around LBP 8.4 billion to the profits of 2013.

Lebanese banks have also had to adapt to the new stringent regulatory requirements in 2014 governing provisions for Non-Performing Loans issued in light of the local economic and political instability. This has resulted in our bank having to increase its provisions by around LBP 2.7 billion to comply.

Return on shareholders' equity (before tax) stood at 11.45% at year-end 2014, compared to 12.06% at year-end 2013. Return on average assets recorded 0.86% compared to 0.84% at the end of the preceding year.

Profit Appropriation

The Group's consolidated profits for the year ended 31 December 2014 are generated from the following entities:

As at 31 December 2014	Profits Before Tax	Income Tax	Net Profits	
Profit from Credit Libanais SAL	91,099	(12,282)	78,817	millions LBP
Profit from Credit Libanais Investment Bank SAL	12,163	(724)	11,439	
Loss from Credit International (Senegal)	456	(14)	442	
Profit from Credilease SAL	1,058	(144)	914	
Profit from Lebanese Islamic Bank SAL	35	---	35	
Eliminations of the inter-group dividend distributions	(7,576)	---	(7,576)	
Profits deriving from the Group's banking activities	97,235	(13,164)	84,071	
Group's share in profits of subsidiaries and affiliated companies	13,173	(415)	12,758	
Net profit for the year	110,408	(13,579)	96,829	

The General Assembly of Shareholders of Credit Libanais SAL met on 30 April 2015 approved the consolidated financial statements of Credit Libanais Group as at 31 December 2014, showing net profits (after tax) amounting to LBP 96.83 billion, and resolved the appropriation of the profits for the year 2014 deriving from Credit Libanais SAL and amounting to LBP 78.82 billion as follows:

- i- To transfer an amount of LBP 7.75 billion representing 10% of these profits to a legal reserve account as per the requirements of article 132 of the Code of Money and Credit.
- ii- To allocate an amount of LBP 12.03 billion to a special reserve for unspecified banking risks, computed on the basis of 2% of the total risk weighted assets and off balance sheet commitments as at the end of each financial year, as per BDL Circ. 1439.

- iii- To allocate 1.28 billion in reserves for Real Estate acquired in recovery of bad debts not yet disposed of, at the rate of 5% of their book value as per BCC memo 4/2008 dated 14/01/2008.
- iv- To allocate an amount of LBP 163.69 million representing unrealized profit on revaluation of financial instruments classified as FVTPL as per BCC circular N°. 270 dated September 19, 2011.
- v- To allocate an amount of LBP 10.55 billion representing dividends on preferred shares for the period between 01/01/2014 and 31/12/2014, at an annual return of 7% of the USD 100 million preferred shares issued; and to deduct the amount of tax charged by the bank as a result of the distribution of these dividends amounting to LBP 527.63 million.
- vi- To allocate an amount of LBP 5.59 billion

representing the collective reserve on the bank's loan portfolio as per BDL intermediary decision N°. 11917 dated December 24, 2012 which amends decision 7776 dated 21/02/2001.

- vii- To transfer the remaining profits, after the allocations and distributions listed above, to the retained earnings which will aggregate an amount of LBP 40.93 billion and to distribute out of these retained earnings an amount of LBP 23.40 billion to common shareholders of Credit Libanais SAL.

In closing, the Board of Directors of Credit Libanais SAL would like to express its gratitude for the continuous enthusiasm, confidence and support of our Shareholders and customers, and for the efforts and devotion of the Group's senior management and employees.

Yours Sincerely,

Dr. Joseph Torbey
Chairman and General Manager

independent auditors report

To the shareholders of Credit Libanais SAL

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

17 April 2015
Beirut, Lebanon

DFK Fiduciaire du Moyen-Orient

consolidated statement of financial position

As at 31 December	Note	2014	2013 Restated	
Assets				millions LBP
Cash and balances with Central Banks	8	3,084,948	2,046,850	
Balances with other banks and financial institutions	9	1,075,776	1,202,414	
Loans and advances to customers	10	4,269,371	3,897,098	
Loans and advances to related parties	42	35,958	21,509	
Debtors by acceptances		145,142	165,384	
Financial assets at fair value through other comprehensive income	11	86,433	75,047	
Financial assets at fair value through profit or loss	12	34,695	56,775	
Financial assets at amortised cost	13	4,669,361	4,784,453	
Investments in equity-accounted investees	14	19,812	17,733	
Property and equipment	15	226,180	173,707	
Intangible assets	16	6,013	4,569	
Assets held for sale	17	36,631	37,815	
Other assets	18	122,007	118,896	
Total Assets		13,812,327	12,602,250	
Liabilities				
Loans and deposits from Central Banks	19	397,350	77,462	
Deposits from other banks and financial institutions	20	100,765	99,172	
Deposits from customers	21	11,237,014	10,438,788	
Deposits from related parties	42	428,832	352,170	
Engagements by acceptances		145,142	165,384	
Subordinated debt issued	22	120,376	120,461	
Tax liabilities	23	16,716	17,848	
Other liabilities	24	250,408	264,366	
Provisions for risks and charges	25	39,085	38,710	
Total Liabilities		12,735,688	11,574,361	

As at 31 December	Note	2014	2013 Restated	
Shareholders' equity				millions LBP
Share capital - common shares	26	257,400	257,400	
Share capital - preferred shares	26	11,000	11,000	
Share premium - preferred shares	26	139,750	139,750	
Capital reserves	27	186,183	160,464	
Retained earnings		117,880	96,699	
Fair value reserve	28	27,744	22,002	
Other reserves	29	221,688	221,028	
Profit for the year		91,253	98,629	
Total equity attributable to equity holders of the Bank		1,052,898	1,006,972	
Non-controlling interest		23,741	20,917	
Total equity		1,076,639	1,027,889	
Total liabilities and equity		13,812,327	12,602,250	

The notes on pages 152 to 211 are an integral part of these consolidated financial statements.
The consolidated financial statements were approved by the Board of Directors on 17 April 2015.

Dr. Joseph Torbey
Chairman and General Manager

consolidated statement of comprehensive income

For the year ended 31 December	Note	2014	2013	
Interest income	30	706,234	665,693	millions LBP
Interest expense	30	(495,624)	(459,401)	
Net interest income		210,610	206,292	
Fee and commission income	31	99,172	93,085	
Fee and commission expense	31	(42,631)	(36,983)	
Net fee and commission income		56,541	56,102	
Net trading income	32	17,958	18,229	
Net gain on financial investments	33	2,977	9,609	
Other income	34	6,077	4,872	
Total operating income		294,163	295,104	
Net impairment on loans and advances	35	(10,128)	(6,625)	
Net impairment losses on financial investments		---	(56)	
Net operating income		284,035	288,423	
Personnel expenses	36	(104,528)	(100,170)	
Depreciation and amortisation	15, 16	(10,668)	(10,897)	
Other expenses	37	(60,288)	(59,671)	
Total operating expenses		(175,484)	(170,738)	
Share of profit of investments in equity accounted investees	14	1,857	1,746	
Profit before income tax		110,408	119,431	
Income tax expense	38	(13,579)	(16,213)	
Profit for the year		96,829	103,218	
Other comprehensive income, net of tax				
Items that will never be reclassified to profit or loss				
Fair value reserve (financial assets at fair value through other comprehensive income)				
Net change in fair value	28	5,742	9,820	
Other comprehensive income for the year, net of tax		5,742	9,820	
Total comprehensive income for the year		102,571	113,038	

As at 31 December	Note	2014	2013	
Profit attributable to:				millions LBP
Equity holders of the Bank		91,253	98,629	
Non-controlling interest		5,576	4,589	
Profit for the year		96,829	103,218	
Total comprehensive income attributable to:				
Equity holders of the Bank		96,995	108,449	
Non-controlling interest		5,576	4,589	
Total comprehensive income for the year		102,571	113,038	

The notes on pages 152 to 211 are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2014	Note	Share capital- common Shares	Share capital- preferred Shares	Share Premium- preferred Shares	Capital Reserves		Retained Earnings	Fair Value Reserve	Other Reserves	Profit for the Year	Total	Non-controlling Interest	Total Equity		
Balance at 31 December 2013		257,400	11,000	139,750	160,464		96,699	22,002	221,028	98,629	1,006,972	20,917	1,027,889	millions LBP	
Total comprehensive income for the year															
Profit for the year		---	---	---	---		---	---	---	91,253	91,253	5,576	96,829		
Other comprehensive income, net of tax															
Net change in fair value of financial assets at fair value through other comprehensive income		---	---	---	---		---	5,742	---	---	5,742	---	5,742		
Total other comprehensive income		---	---	---	---		---	5,742	---	---	5,742	---	5,742		
Total comprehensive income for the year		---	---	---	---		---	5,742	---	91,253	96,995	5,576	102,571		
Transactions with owners recorded directly in equity															
Contributions by and distributions to owners of the Bank															
Transfer to retained earnings		---	---	---	---		98,629	---	(1,046)	(98,629)	---	---	---		
Transfer to reserves		---	---	---	25,756		(24,719)	---	---	---	(9)	9	---		
Dividend to preferred shareholders for the period from 16 September 2013 to 31 December 2013	26	---	---	---	---		(3,201)	---	6,001	---	(3,201)	---	(3,201)		
Dividends to common shareholders	26	---	---	---	---		(53,223)	---	(8,931)	---	(47,222)	(2,359)	(49,581)		
Other movements		---	---	---	---		9,131	---	1,546	---	200	(1)	199		
Prior year adjustment		---	---	---	---		---	---	2,303	---	1,546	---	1,546		
Reserve for property acquired in settlement of debt		---	---	---	---		(2,303)	---	---	---	---	---	---		
Tax on previous year inter group dividends		---	---	---	---		(664)	---	---	---	(664)	(262)	(926)		
Allowances to directors		---	---	---	---		(2,469)	---	787	---	(2,469)	(139)	(2,608)		
Translation difference		---	---	---	(37)		---	---	660	---	750	---	750		
Total contributions by and distribution to owners		---	---	---	25,719		21,181	---	660	(98,629)	(51,069)	(2,752)	(53,821)		
Total transactions with owners of the Bank		---	---	---	25,719		21,181	---	221,688	(98,629)	(51,069)	(2,752)	(53,821)		
Balance at 31 December 2014		257,400	11,000	139,750	186,183		117,880	27,744		91,253	1,052,898	23,741	1,076,639		

The notes on pages 152 to 211 are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2013	Note	Share capital- common Shares	Share capital- preferred Shares	Share Premium- preferred Shares	Capital Reserves		Retained Earnings	Fair Value Reserve	Other Reserves	Profit for the Year	Total	Non-controlling Interest	Total Equity	
Balance at 1 January 2013 as previously reported		257,400	---	---	138,482		66,925	12,182	230,839	88,192	794,020	18,702	812,722	millions LBP
Prior year tax adjustment	43	---	---	---	---		(6,911)	---	---	---	(6,911)	---	(6,911)	
Restated balance at 1 January 2013		257,400	---	---	138,482		60,014	12,182	230,839	88,192	787,109	18,702	805,811	
Total comprehensive income for the year														
Profit for the year		---	---	---	---		---	---	---	98,629	98,629	4,589	103,218	
Other comprehensive income, net of tax														
Net change in fair value of financial assets at fair value through other comprehensive income		---	---	---	---		---	9,820	---	---	9,820	---	9,820	
Total other comprehensive income		---	---	---	---		---	9,820	---	---	9,820	---	9,820	
Total comprehensive income for the year		---	---	---	---		---	9,820	---	98,629	108,449	4,589	113,038	
Transactions with owners recorded directly in equity														
Contributions by and distributions to owners of the Bank														
Issue of preferred shares		---	11,000	139,750	---		---	---	---	---	150,750	---	150,750	
Transfer to retained earnings		---	---	---	---		88,192	---	---	(88,192)	---	---	---	
Transfer to reserves		---	---	---	22,023		(6,984)	---	(15,046)	---	(7)	7	---	
Other movements		---	---	---	---		---	---	278	---	278	---	278	
Dividends to equity holders	26	---	---	---	---		(40,416)	---	5,625	---	(34,791)	(2,052)	(36,843)	
Prior year adjustment		---	---	---	---		(1,343)	---	---	---	(1,343)	3	(1,340)	
Tax on previous year inter group dividends		---	---	---	---		(592)	---	---	---	(592)	(227)	(819)	
Allowances to directors		---	---	---	---		(2,172)	---	---	---	(2,172)	(105)	(2,277)	
Translation difference		---	---	---	(41)		---	---	(668)	---	(709)	---	(709)	
Total contributions by and distribution to owners		---	11,000	139,750	21,982		36,685	---	(9,811)	(88,192)	111,414	(2,374)	109,040	
Total transactions with owners of the Bank		---	11,000	139,750	21,982		36,685	---	(9,811)	(88,192)	111,414	(2,374)	109,040	
Balance at 31 December 2013		257,400	11,000	139,750	160,464		96,699	22,002	221,028	98,629	1,006,972	20,917	1,027,889	

The notes on pages 152 to 211 are an integral part of these consolidated financial statements.

consolidated statement of cash flows

For the year ended 31 December	Note	2014	2013	
Cash flows from operating activities				millions LBP
Profit for the year		96,829	103,218	
Adjustments for:				
- Depreciation and amortisation		10,668	10,897	
- Net impairment loss on loans and advances to customers		9,283	5,201	
- Net impairment loss on loans and advances to related parties		845	1,424	
- Net interest income		(210,610)	(206,292)	
- Net loss on sale of property and equipment		7	2	
- Net gain on assets held for sale		(1,105)	(3,917)	
- Tax expense		13,579	16,213	
- Share of profit of investments in equity-accounted investees		(2,079)	(458)	
- Other movements		1,746	278	
		(80,837)	(73,434)	
Changes in:				
- Cash and balances with Central Banks		(967,951)	(90,252)	
- Balances with other banks and financial institutions		16,482	(12,141)	
- Loans and advances to customers		(379,800)	(570,333)	
- Loans and advances to related parties		(15,291)	16,486	
- Other assets		(3,111)	22,623	
- Deposits from banks and financial institutions		(7,171)	(35,034)	
- Deposits from Central Banks		317,876	77,281	
- Deposits from customers		792,136	243,020	
- Deposits from related parties		76,113	52,562	
- Other liabilities		(13,967)	21,450	
- Provisions for risks and charges		375	3,738	
		(265,146)	(344,034)	
Interest received		694,797	658,757	
Interest paid		(489,110)	(457,644)	
Income taxes paid		(14,711)	(13,678)	
Net cash used in operating activities		(74,170)	(156,599)	

As at 31 December	Note	2014	2013	
Cash flows from investing activities				millions LBP
Net change in investment securities		125,098	76,212	
Acquisition of property and equipment		(61,082)	(43,224)	
Proceeds from the sale of property and equipment		82	158	
Acquisition of intangible assets		(3,613)	(1,708)	
Proceeds from the sale of intangible assets		21	116	
Net change in assets held for sale		2,289	10,997	
Net cash from investing activities		62,795	42,551	
Cash flows from financing activities				
Proceeds from issue of preferred shares		---	150,750	
Dividends to equity		(51,087)	(35,383)	
Allowances to directors		(2,469)	(2,172)	
Changes in non-controlling interest		(2,752)	(2,374)	
Net cash (used in) from financing activities		(56,308)	110,821	
Net decrease in cash and cash equivalents		(67,683)	(3,227)	
Cash and cash equivalents at 1 January		1,603,032	1,606,968	
Effect of exchange rate fluctuations on cash and cash equivalents held		750	(709)	
Cash and cash equivalents at 31 December	39	1,536,099	1,603,032	

The notes on pages 152 to 211 are an integral part of these consolidated financial statements.

notes to the consolidated financial statements

1- Reporting Entity

Credit Libanais SAL (the "Bank" or the "Group") is a Lebanese joint stock Company registered since 1961 in Lebanon under N°. 10742 in the Beirut register of Commerce, and under N°. 53 on the Bank's list at the Central Bank of Lebanon. The address of the Bank's registered office is Achrafieh, Kornich Nahr-Adlieh, Credit Libanais Headquarter Building, Beirut, Lebanon. The consolidated financial statements of the Bank as at and for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as the Group and individually as Group entities). The Group primarily is involved in retail, commercial and investment banking activities through their headquarters as well as their branches and subsidiaries located in Lebanon, Cyprus, Bahrain, Iraq and Senegal.

The parent company is EFG Hermes CL Holding SAL incorporated in Lebanon, and the ultimate parent company is EFG Hermes Holding SAE incorporated in Egypt.

2- Basis of preparation

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with IFRS. Details of the Group's accounting policies, including change during the year, are included in Notes 3 and 4.

(b) Basis of measurement

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

- Financial instruments at fair value through other comprehensive income are measured at fair value.
- Financial instruments at fair value through profit and loss are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Lebanese Pounds (LBP), which is the Bank's functional currency. All amounts have been rounded to the nearest million.

(d) Use of estimates and judgements

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

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

3- Changes in accounting policies

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

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

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

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

4- Significant accounting policies

Except for the change explained in Note 3, the accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Non-controlling interests

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency**(i) Foreign currency transactions**

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

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

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of financial assets at fair value through other comprehensive income are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to LBP at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated to LBP at spot exchange rates at the dates of the transactions. Foreign currency differences are recognised in Other Comprehensive Income, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

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

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

(d) Fees and commission

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

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

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

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(f) Net gain on financial investments

Net gain on financial investments relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes interest, dividends and net gain from exchange of financial assets at amortised cost.

(g) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities and preferred shares. Dividends are presented in net gain on financial investments.

(h) Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary

differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities

and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally in profit or loss.

(i) Financial assets and financial liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits and subordinated debt issued on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

Financial assets

The Group classifies its financial assets as measured at amortised cost or fair value.

See Notes 4(j), (k), (l) and (m).

A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- The asset is held within a business model whose

objective is to hold assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

The Group has designated certain financial assets at

fair value through profit or loss in either of the following circumstances:

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

The Group has made an election to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading – see accounting policies 4(m).

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. See Note 4(r).

(iii) Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability

assumed) and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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

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

Financial liabilities

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

When available, the Group measures the fair value

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

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

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

If an asset measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the

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

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

(vii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

The Group considers evidence of impairment for loans and advances and investment securities measured at amortised costs at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are

assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

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

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

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or investment securities at amortised cost. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Group writes off certain loans and advances and investment securities, when Group Credit determines that there is no realistic prospect of recovery.

(j) Cash and cash equivalents

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

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

(k) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets are measured at fair value with changes in fair value recognised as part of net trading income in profit or loss.

(l) Loans and advances

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

Subsequent to initial recognition loans and advances are measured at amortised cost using the effective interest method.

(m) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either amortised cost, fair value through profit or loss or fair value through other comprehensive income.

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

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

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

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

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

(n) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost

The estimated useful lives of significant items of property and equipment are as follows:

■ buildings	50 years
■ installations and improvements	16.67 years
■ furniture and equipment	12.5 years
■ vehicles	10 years
■ power generators	12.5 years

less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

(o) Intangible assets

Software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

(p) Assets held for sale

Properties acquired through the enforcement of security over loans and advances to customers are accounted for in accordance with the Directives issued by the Banking Regulators.

These assets are initially measured at fair value at the date of enforcement of the security. A reserve is constituted for assets not disposed of within two years of the date of enforcement at a rate of 20% or 5%.

The accumulated reserve is classified under "Other reserves" in equity.

(q) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying

amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

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

(r) Deposits and subordinated debt issued

Deposits and subordinated debt issued are the Group's sources of debt funding.

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

(s) Provisions

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

(t) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders.

Dividends for the year that are declared after the date of the balance sheet are dealt with in the subsequent events note.

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. The new standards which may be relevant to the Group are set out below. The Group does not plan to adopt these standard early.

(i) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. IFRS 15 is effective for annual reporting periods on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

(ii) IFRS 9 Financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets,

and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

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

The following amended standards are not expected to have a significant impact on the Bank's consolidated financial statements.

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).

5- Financial risk management

(a) Introduction and overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Board Risk Committee, Credit Policy Committee and the Asset and Liability Management Committee (ALCO), which are responsible for developing and monitoring Bank risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Risk Committee, the Credit Policy Committee and the Asset Liability Management Committee (ALCO) oversee how management monitors compliance with the Group's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails

to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Group considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading assets is managed independently by the market risk management function. The overall objective of managing market risk is to avoid unexpected losses due to changes in market prices and to optimise the use of market risk capital. The Group manages these potential exposures on a daily basis within predefined limits for each of the major types of market risk established within the Group's policies and commensurate with the risk appetite defined by the Board of Directors.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Risk Management Committee, Credit Policy Committee and allocated Credit Committees. An independent Credit Risk Management function, reporting to the Chief Risk Officer (CRO), is responsible for management of the Group's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned.

Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and sectors. The Group's approach to controlling this concentration of exposure is by the diversification of its commitments and by setting limits at level of aggregate of products, economic sectors, region and segments.
- Developing and maintaining the Group's credit risk rating system. This system is a summary indicator of the Group's individual credit exposure. An internal rating system categorises all credits into various classes on the basis of underlying credit quality. A well structured credit rating framework is an important tool for monitoring and controlling risk inherent in individual credits as well as in credit portfolios of the Group or a business line. The importance of internal credit rating framework becomes more eminent due to the fact that historically major losses to banks stemmed from default in loan portfolios. While the Group already has a system for rating individual credits in addition to the risk categories prescribed by the Central Bank of Lebanon, the Group established an internal rating framework. The internal rating framework benefits the Group in a number of ways such as: credit selection, amount of exposure, tenure and price of facility, frequency or intensity of monitoring, analysis of migration of deteriorating credits and more accurate computation of future loan loss provision; and deciding the level of approving authority of loan.
- Reviewing compliance with agreed exposure limits, including those for selected sectors, geography and product types. Regular reports on the credit quality of portfolios are provided to the Credit Policy Committee who may require appropriate corrective action to be taken.

- Providing advice, guidance and specialist skills to promote best practice throughout the Group in the management of credit risk.

Each Credit Officer is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each Credit Officer reports on all credit related matters to management and the Group Credit Committee.

Each Credit Officer is responsible for the quality and performance of his/her credit portfolio and for monitoring and controlling all credit risks in his/her portfolios, including those subject to central approval.

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

Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Group against those assets. Allowance for impairment held against assets classified within credit grades 1 to 6 is in respect of losses incurred but not yet specifically identified. The carrying amount of assets with credit grades 1 to 6 that are collectively impaired represents the estimated proportion of the total assets within these grades (rather than individually identified assets) to which such allowance is estimated to relate.

	Loans and Advances to Customers		Loans and Advances to Related Parties		Balances with Central Banks, Other Banks and Financial Institutions		Investment Debt Securities		millions LBP
	2014	2013	2014	2013	2014	2013	2014	2013	
Carrying amount	4,269,371	3,897,098	35,958	21,509	4,100,929	3,186,008	4,704,056	4,841,228	
Amount committed/guaranteed	---	---	---	---	---	---	---	---	
Individually impaired									
- Grade 4: Substandard	51,997	30,347	---	---	---	---	---	---	
- Grade 5: Impaired	116,220	123,672	---	3,742	10,189	10,385	---	---	
- Grade 6: Impaired	39,230	10,789	3,462	---	129	129	---	---	
- Gross amount	207,447	164,808	3,462	3,742	10,318	10,514	---	---	
- Allowance for impairment	(55,331)	(47,416)	(3,035)	(2,329)	(7,626)	(7,626)	---	---	
- Unrealised interest	(59,628)	(56,238)	(376)	(47)	---	---	---	---	
- Carrying amount	92,488	61,154	51	1,366	2,692	2,888	---	---	
Past due but not impaired									
- Grade 3: Low-fair risk	179,416	159,186	1,330	---	---	---	---	---	
- Carrying amount	179,416	159,186	1,330	---	---	---	---	---	
Neither past due nor impaired									
- Grades 1-2: Low-fair risk	4,000,309	3,682,803	34,572	20,141	4,064,081	3,165,072	4,629,512	4,760,254	
- Allowance for collective impairment	(18,198)	(19,645)	---	---	---	---	---	---	
- Interest receivable	15,356	13,600	5	2	34,156	18,048	74,544	80,974	
- Carrying amount	3,997,467	3,676,758	34,577	20,143	4,098,237	3,183,120	4,704,056	4,841,228	
Total carrying amount	4,269,371	3,897,098	35,958	21,509	4,100,929	3,186,008	4,704,056	4,841,228	

	Lending Commitments and Financial Guarantees		millions LBP
	2014	2013	
Amount committed/guaranteed	757,739	837,847	
Off balance sheet			
Maximum exposure			
Lending commitments			
Grade 1-3: low-fair risk	567,013	618,883	
Financial guarantees			
Grade 1-3: low-fair risk	190,726	218,964	
Total exposure	757,739	837,847	

Impaired loans and investment debt securities

The Group regards a loan and advance or a debt security as impaired where there is objective evidence that a loss event has occurred since initial recognition and such loss event has an impact on future estimated cash flows from the asset. In addition, a retail loan

is considered impaired if it is overdue for 90 days or more. Loans that are subject to a collective provision for losses incurred but not yet identified are not considered impaired. Impaired loans and advances are graded 4 to 6 in the Bank's internal credit risk grading system.

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

	Loans and Advances to Customers		Loans and Advances to Related Parties		Balances with Central Banks, Other Banks and Financial Institutions		millions LBP
	Gross	Net	Gross	Net	Gross	Net	
31 December 2014							
Grade 4: Individually impaired	51,997	40,014	---	---	---	---	
Grade 5: Individually impaired	116,220	52,474	---	---	10,189	2,692	
Grade 6: Individually impaired	39,230	---	3,462	51	129	---	
	207,447	92,488	3,462	51	10,318	2,692	
31 December 2013							
Grade 4: Individually impaired	30,347	21,059	---	---	---	---	
Grade 5: Individually impaired	123,672	40,095	3,742	1,366	10,385	2,888	
Grade 6: Individually impaired	10,789	---	---	---	129	---	
	164,808	61,154	3,742	1,366	10,514	2,888	

The Group believes that no impairment allowance is necessary with respect to investment debt securities.

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Write-off policy

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

Collateral held

Type of credit exposure

The Group holds collateral against certain of its credit exposures. The table below sets out the principal types of collateral held against loans and advances to customers and related parties.

	2014	2013	millions LBP
Principal type of collateral held for secured lending			
- Engagement by signature received	33,313	29,644	
- Personal guarantees received	3,310,088	3,094,487	
- Mortgages and real securities received	4,156,383	3,628,571	
- Mobilisation bills received as guarantee	398,076	659,969	
- Bills received as guarantee	3,602	3,741	
- Commitment and contingencies received	99,363	111,294	
	8,000,825	7,527,706	

The Group typically does not hold collateral against balances with other banks and financial institutions and against investment securities, and no such collateral was held at 31 December 2014 or 2013.

The Group did not obtain non-financial assets during the year by taking possession of collateral held as

security against loans and advances (2013: LBP 315 million).

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operations.

Concentration of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances and investment securities is shown below:

	Loans and Advances to Customers		Loans and Advances to Related Parties		Balances with Central Banks, Other Banks and Financial Institutions		Investment Debt Securities		millions LBP
	2014	2013	2014	2013	2014	2013	2014	2013	
Carrying amount	4,269,371	3,897,098	35,958	21,509	4,100,929	3,186,008	4,704,056	4,841,228	
Concentration by sector									
Retail	1,839,536	1,598,215	1,886	---	---	---	---	---	
Trade and services	1,352,338	1,240,196	1,793	2,340	---	---	---	---	
Industries	573,273	581,648	18,418	105	---	---	---	---	
Construction and real estate	415,362	367,805	13,557	16,447	---	---	---	---	
Brokerage	10,604	38,545	304	2,617	---	---	---	---	
Agriculture	78,258	70,689	---	---	---	---	---	---	
Banks and financial institutions	---	---	---	---	1,075,776	1,202,414	83,284	87,845	
Corporate	---	---	---	---	---	---	8,664	29,904	
Government	---	---	---	---	3,025,153	1,983,594	4,612,108	4,723,479	
	4,269,371	3,897,098	35,958	21,509	4,100,929	3,186,008	4,704,056	4,841,228	
Concentration by location									
Lebanon	4,165,778	3,814,217	35,958	21,491	3,091,863	2,029,680	4,588,531	4,718,351	
Middle East and Africa	84,094	69,836	---	18	340,166	331,704	105,421	84,140	
Europe	17,484	10,985	---	---	534,557	655,290	7,834	19,646	
Other	2,015	2,060	---	---	134,343	169,334	2,270	19,091	
	4,269,371	3,897,098	35,958	21,509	4,100,929	3,186,008	4,704,056	4,841,228	

Concentration by location for loans and advances to customers, related parties and banks and financial institutions are based on the country of domicile. Concentration by location for investment securities is based on the country of domicile of the issuer

of the security. At 31 December 2014, the lending commitments and financial guarantees, classified within credit grade 1 to 3, amounted to LBP 757,739 million (2013: LBP 837,847 million).

Trading assets

An analysis of the credit quality of the maximum credit exposure, based on the median rating of the three eligible rating agencies as per Basel II (Moody's, Standard & Poor's and Fitch) where applicable, is as follows:

	From A+ to A-	From BBB+ to BBB-	From BB+ to BB-	From B+ to B-	From CCC+ to CCC- or NR	Total	millions LBP
31 December 2014							
Financial assets at fair value through profit or loss	2,271	12,269	5,413	14,742	---	34,695	
31 December 2013							
Financial assets at fair value through profit or loss	15,562	18,214	---	22,848	151	56,775	

Settlement risk

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

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

(c) Liquidity risk

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

Management of liquidity risk

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation of this policy to the Risk Committee and ALCO. ALCO approves the Group's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Bank and foreign branches.

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

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.

In addition, the Group maintains statutory deposits with Central Banks. As per Lebanese banking regulations, the Group must retain non-interest bearing balances with the Central Bank of Lebanon equivalent to 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds. As for foreign currencies, the Group must retain with the Central Bank of Lebanon interest bearing statutory investments equivalent to 15% of all deposits regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration. In accordance, with the Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits and commitments in foreign currencies and Lebanese Pounds should not be less than 10% and 40% respectively. The highly liquid net assets consist of cash and balances with

Central Banks, balances with other banks and financial institutions less deposits from banks and financial institutions and deposits that mature within one year. Deposits and commitments are composed of total deposits from customers in addition to acceptances and loans that mature within one year.

When a branch is subject to a liquidity limit imposed by its local regulator, the branch is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Central Treasury. Central Treasury monitors compliance of all foreign branches with local regulatory limits on a daily basis.

Exposure to liquidity risk

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

	2014	2013
At 31 December	32.23%	30.85%

Maturity analysis for assets and liabilities

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

31 December 2014	Amount Without Maturity	1-3 Months	3-6 Months	6 Months to 1 Year	1-5 Years	More Than 5 Years	Total	
Assets								millions LBP
Cash and balances with Central Banks	93,864	732,582	165,825	262,305	366,322	1,464,050	3,084,948	
Balances with other banks and financial institutions	2,779	1,065,254	---	205	7,538	---	1,075,776	
Loans and advances to customers	89,646	1,457,834	74,373	134,025	867,721	1,645,772	4,269,371	
Loans and advances to related parties	57	34,406	---	---	32	1,463	35,958	
Debtors by acceptances	---	127,937	17,205	---	---	---	145,142	
Financial assets at fair value through other comprehensive income	55,779	---	---	---	---	30,654	86,433	
Financial assets at fair value through profit or loss	260	277	1,357	20,907	10,987	907	34,695	
Financial assets at amortised cost	74,283	231,391	471,698	284,734	2,271,781	1,335,474	4,669,361	
Investments in equity-accounted investees	19,812	---	---	---	---	---	19,812	
Property and equipment	226,180	---	---	---	---	---	226,180	
Intangible assets	6,013	---	---	---	---	---	6,013	
Assets held for sale	36,631	---	---	---	---	---	36,631	
Other assets	122,007	---	---	---	---	---	122,007	
Total assets	727,311	3,649,681	730,458	702,176	3,524,381	4,478,320	13,812,327	
Liabilities								
Loans and deposits from Central Bank	(9)	(21,158)	(5,401)	(12,180)	(114,306)	(244,296)	(397,350)	
Deposits from other banks and financial institutions	(535)	(63,932)	(10,208)	(4,276)	(19,825)	(1,989)	(100,765)	
Deposits from customers	(61,801)	(9,558,665)	(888,566)	(534,340)	(193,642)	---	(11,237,014)	
Deposits from related parties	(1,409)	(408,620)	(18,666)	(137)	---	---	(428,832)	
Engagement by acceptances	---	(127,937)	(17,205)	---	---	---	(145,142)	
Subordinated debt issued	(7,313)	---	---	---	(113,063)	---	(120,376)	
Tax liabilities	(5,354)	(4,019)	(7,343)	---	---	---	(16,716)	
Other liabilities	(211,897)	(38,511)	---	---	---	---	(250,408)	
Provisions for risks and charges	(39,085)	---	---	---	---	---	(39,085)	
Shareholders' equity	(1,076,639)	---	---	---	---	---	(1,076,639)	
Total liabilities and shareholders' equity	(1,404,042)	(10,222,842)	(947,389)	(550,933)	(440,836)	(246,285)	(13,812,327)	
Liquidity gap	(676,731)	(6,573,161)	(216,931)	151,243	3,083,545	4,232,035	---	
Cumulative gap	(676,731)	(7,249,892)	(7,466,823)	(7,315,580)	(4,232,035)	---	---	

31 December 2013	Amount Without Maturity	1-3 Months	3-6 Months	6 Months to 1 Year	1-5 Years	More Than 5 Years	Total	
Assets								millions LBP
Cash and balances with Central Banks	80,786	655,029	144,720	272,858	303,007	590,450	2,046,850	
Balances with other banks and financial institutions	3,406	1,183,925	15,083	---	---	---	1,202,414	
Loans and advances to customers	55,109	1,418,743	90,217	113,484	782,947	1,436,598	3,897,098	
Loans and advances to related parties	1,368	20,072	---	25	44	---	21,509	
Debtors by acceptances	---	153,992	11,153	239	---	---	165,384	
Financial assets at fair value through other comprehensive income	47,471	---	---	---	---	27,576	75,047	
Financial assets at fair value through profit or loss	614	---	1,197	---	26,984	27,980	56,775	
Financial assets at amortised cost	80,360	352,030	243,766	345,720	2,395,966	1,366,611	4,784,453	
Investments in equity-accounted investees	17,733	---	---	---	---	---	17,733	
Property and equipment	173,707	---	---	---	---	---	173,707	
Intangible assets	4,569	---	---	---	---	---	4,569	
Assets held for sale	37,815	---	---	---	---	---	37,815	
Other assets	118,896	---	---	---	---	---	118,896	
Total assets	621,834	3,783,791	506,136	732,326	3,508,948	3,449,215	12,602,250	
Liabilities								
Loans and deposits from Central Banks	---	(2,406)	(1,038)	(2,154)	(21,908)	(49,956)	(77,462)	
Deposits from other banks and financial institutions	(584)	(44,610)	(20,581)	(3,046)	(25,890)	(4,461)	(99,172)	
Deposits from customers	(55,711)	(9,013,654)	(819,490)	(424,218)	(125,715)	---	(10,438,788)	
Deposits from related parties	(860)	(336,724)	(14,586)	---	---	---	(352,170)	
Engagement by acceptances	---	(153,992)	(11,153)	(239)	---	---	(165,384)	
Subordinated debt issued	(7,398)	---	---	---	(113,063)	---	(120,461)	
Tax liabilities	---	(7,279)	(10,569)	---	---	---	(17,848)	
Other liabilities	(219,200)	(45,166)	---	---	---	---	(264,366)	
Provisions for risks and charges	(38,710)	---	---	---	---	---	(38,710)	
Shareholders' equity	(1,027,889)	---	---	---	---	---	(1,027,889)	
Total liabilities and shareholders' equity	(1,350,352)	(9,603,831)	(877,417)	(429,657)	(286,576)	(54,417)	(12,602,250)	
Liquidity gap	(728,518)	(5,820,040)	(371,281)	302,669	3,222,372	3,394,798	---	
Cumulative gap	(728,518)	(6,548,558)	(6,919,839)	(6,617,170)	(3,394,798)	---	---	

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

The Group's expected cash flows on some assets and liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

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

Liquidity reserves

	2014		2013		millions LBP
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Cash and balances with Central Banks	1,234,907	1,234,907	1,075,412	1,075,412	

(d) Market risks

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

Management of market risks

Overall authority for market risk management is vested

in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Group employs a range of tools to monitor and limit market risk exposures.

Exposure to interest rate risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed

principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. A summary of the Group's interest rate gap position is as follows:

31 December 2014	Carrying Amount	Less Than 3 Months	3-6 Months	6-12 Months	1-5 Years	More Than 5 Years	Non Interest Bearing	
Assets								millions LBP
Cash and balances with Central Banks	3,084,948	796,331	67,838	263,812	---	1,464,050	492,917	
Balances with other banks and financial institutions	1,075,776	685,874	---	205	7,538	---	382,159	
Loans and advances to customers	4,269,371	1,457,834	74,373	134,025	867,721	1,645,772	89,646	
Loans and advances to related parties	35,958	34,406	---	---	32	1,463	57	
Debtors by acceptances	145,142	---	---	---	---	---	145,142	
Financial assets at fair value through other comprehensive income	86,433	---	---	---	---	---	86,433	
Financial assets at fair value through profit or loss	34,695	---	---	---	---	---	34,695	
Financial assets at amortised cost	4,669,361	231,391	471,698	284,734	2,271,781	1,335,474	74,283	
Investments in equity-accounted investees	19,812	---	---	---	---	---	19,812	
Property and equipment	226,180	---	---	---	---	---	226,180	
Intangible assets	6,013	---	---	---	---	---	6,013	
Assets held for sale	36,631	---	---	---	---	---	36,631	
Other assets	122,007	---	---	---	---	---	122,007	
Total assets	13,812,327	3,205,836	613,909	682,776	3,147,072	4,446,759	1,715,975	
Liabilities								
Loans and deposits from Central Banks	(397,350)	(18,975)	(5,401)	(12,180)	(114,306)	(244,296)	(2,192)	
Deposits from other banks and financial institutions	(100,765)	(23,780)	(10,208)	(4,276)	(19,825)	(1,989)	(40,687)	
Deposits from customers	(11,237,014)	(8,398,280)	(888,566)	(534,340)	(193,642)	---	(1,222,186)	
Deposits from related parties	(428,832)	(377,627)	(18,666)	(137)	---	---	(32,402)	
Engagement by acceptances	(145,142)	---	---	---	---	---	(145,142)	
Subordinated debt issued	(120,376)	---	---	---	(113,063)	---	(7,313)	
Tax liabilities	(16,716)	---	---	---	---	---	(16,716)	
Other liabilities	(250,408)	---	---	---	---	---	(250,408)	
Provisions for risks and charges	(39,085)	---	---	---	---	---	(39,085)	
Shareholders' equity	(1,076,639)	---	---	---	---	---	(1,076,639)	
Total liabilities and equity	(13,812,327)	(8,818,662)	(922,841)	(550,933)	(440,836)	(246,285)	(2,832,770)	
Interest rate sensitivity gap	---	(5,612,826)	(308,932)	131,843	2,706,236	4,200,474	(1,116,795)	
Cumulative gap	---	(5,612,826)	(5,921,758)	(5,789,915)	(3,083,679)	1,116,795	---	

31 December 2013	Carrying Amount	Less Than 3 Months	3-6 Months	6-12 Months	1-5 Years	More Than 5 Years	Non Interest Bearing	
Assets								millions LBP
Cash and balances with Central Banks	2,046,850	656,121	144,720	272,858	---	590,450	382,701	
Balances with other banks and financial institutions	1,202,414	904,095	15,083	---	---	---	283,236	
Loans and advances to customers	3,897,098	1,418,743	90,217	113,484	782,947	1,436,598	55,109	
Loans and advances to related parties	21,509	20,072	---	25	44	---	1,368	
Debtors by acceptances	165,384	---	---	---	---	---	165,384	
Financial assets at fair value through other comprehensive income	75,047	---	---	---	---	---	75,047	
Financial assets at fair value through profit or loss	56,775	---	---	---	---	---	56,775	
Financial assets at amortised cost	4,784,453	352,030	243,766	345,720	2,395,966	1,366,611	80,360	
Investments in equity-accounted investees	17,733	---	---	---	---	---	17,733	
Property and equipment	173,707	---	---	---	---	---	173,707	
Intangible assets	4,569	---	---	---	---	---	4,569	
Assets held for sale	37,815	---	---	---	---	---	37,815	
Other assets	118,896	---	---	---	---	---	118,896	
Total assets	12,602,250	3,351,061	493,786	732,087	3,178,957	3,393,659	1,452,700	
Liabilities								
Loans and deposits from Central Banks	(77,462)	(2,226)	(1,038)	(2,154)	(21,908)	(49,956)	(180)	
Deposits from other banks and financial institutions	(99,172)	(13,271)	(20,581)	(3,046)	(25,890)	(4,461)	(31,923)	
Deposits from customers	(10,438,788)	(8,026,126)	(819,490)	(424,218)	(125,715)	---	(1,043,239)	
Deposits from related parties	(352,170)	(319,948)	(14,586)	---	---	---	(17,636)	
Engagement by acceptances	(165,384)	---	---	---	---	---	(165,384)	
Subordinated debt issued	(120,461)	---	---	---	(113,063)	---	(7,398)	
Tax liabilities	(17,848)	---	---	---	---	---	(17,848)	
Other liabilities	(264,366)	---	---	---	---	---	(264,366)	
Provisions for risks and charges	(38,710)	---	---	---	---	---	(38,710)	
Shareholders' equity	(1,027,889)	---	---	---	---	---	(1,027,889)	
Total liabilities and equity	(12,602,250)	(8,361,571)	(855,695)	(429,418)	(286,576)	(54,417)	(2,614,573)	
Interest rate sensitivity gap	---	(5,010,510)	(361,909)	302,669	2,892,381	3,339,242	(1,161,873)	
Cumulative gap	---	(5,010,510)	(5,372,419)	(5,069,750)	(2,177,369)	1,161,873	---	

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on

a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	Change in bp	Sensitivity of Net Interest Income	
31 December 2014			millions LBP
LBP	+100	(59,312)	
USD	+50	(11,886)	
EUR	+25	(1,063)	
31 December 2013			
LBP	+100	(47,938)	
USD	+50	(10,269)	
EUR	+25	46	

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

Exposure to currency risks

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

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

31 December	2014			2013			millions LBP
	LBP	Other	Total	LBP	Other	Total	
Assets							
Cash and balances with Central Banks	1,147,969	1,936,979	3,084,948	907,567	1,139,283	2,046,850	
Balances with other banks and financial institutions	30,902	1,044,874	1,075,776	19,494	1,182,920	1,202,414	
Loans and advances to customers	1,674,780	2,594,591	4,269,371	1,438,802	2,458,296	3,897,098	
Loans and advances to related parties	785	35,173	35,958	785	20,724	21,509	
Debtors by acceptances	---	145,142	145,142	55	165,329	165,384	
Financial assets at fair value through other comprehensive income	4,776	81,657	86,433	3,450	71,597	75,047	
Financial assets at fair value through profit or loss	---	34,695	34,695	---	56,775	56,775	
Financial assets at amortised cost	3,236,796	1,432,565	4,669,361	3,240,428	1,544,025	4,784,453	
Investments in equity-accounted investees	19,765	47	19,812	17,686	47	17,733	
Property and equipment	216,176	10,004	226,180	162,286	11,421	173,707	
Intangible assets	5,755	258	6,013	4,314	255	4,569	
Assets held for sale	6,798	29,833	36,631	6,827	30,988	37,815	
Other assets	100,101	21,906	122,007	102,108	16,788	118,896	
Total assets	6,444,603	7,367,724	13,812,327	5,903,802	6,698,448	12,602,250	
Liabilities							
Loans and deposits from Central Banks	391,781	5,569	397,350	77,462	---	77,462	
Deposits from other banks and financial institutions	13,239	87,526	100,765	13,134	86,038	99,172	
Deposits from customers	5,202,583	6,034,431	11,237,014	4,893,339	5,545,449	10,438,788	
Deposits from related parties	111,387	317,445	428,832	86,276	265,894	352,170	
Engagements by acceptances	---	145,142	145,142	55	165,329	165,384	
Subordinated debt issued	---	120,376	120,376	---	120,461	120,461	
Current tax liabilities	7,450	9,266	16,716	11,738	6,110	17,848	
Other liabilities	94,604	155,804	250,408	140,981	123,385	264,366	
Provisions for risks and charges	37,779	1,306	39,085	37,688	1,022	38,710	
Shareholders' equity	835,366	241,273	1,076,639	805,136	222,753	1,027,889	
Total liabilities and equity	6,694,189	7,118,138	13,812,327	6,065,809	6,536,441	12,602,250	
	(249,586)	249,586	---	(162,007)	162,007	---	

The Group is subject to currency risk on financial assets and liabilities denominated in currencies other than the Group's functional currency, which is the Lebanese Pound (LBP). Most of these financial assets and liabilities are denominated in US Dollars or Euros.

An analysis of the Group's sensitivity to a change in currency rates, assuming all other variables remain constant, is as follows:

	Increase in Currency Rate	Effect on Profit Before Tax	Effect on Equity	
31 December 2014				millions LBP
USD	1%	151	3,219	
EUR	1%	42	---	
BHD	1%	301	---	
XOF	1%	4	---	
31 December 2013				
USD	1%	(410)	3,096	
EUR	1%	51	---	
BHD	1%	307	---	
XOF	1%	5	---	

(e) Operational risks

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group

policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risks to management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.

- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is cost effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Audit Committee and senior management of the Group.

(f) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Lebanon, sets and monitors capital requirements for the Group as a whole. The Group's regulatory capital adequacy ratio at 31 December was as follows:

	2014	2013
Capital adequacy ratio - Tier 1 capital	14.41%	14.84%
Capital adequacy ratio - Total capital	15.77%	16.63%

To monitor the adequacy of its capital, the Group uses ratios established by the Bank for International Settlements (BIS). In line with Basel III and Central Bank of Lebanon Basic Circular N°. 44 amended by Central Bank of Lebanon Intermediary Circular N°. 282, the minimum requirements for capital adequacy ratios are set at 8% by the BIS and 12% by the Central Bank of Lebanon. These ratios measure capital adequacy (minimum 8% as required by BIS and 12% as required by the Central Bank of Lebanon) by comparing the Group's eligible capital with its statement of financial position, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the risk of open positions in currencies and debt and equity securities.

Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Six categories of risk weights (0%, 20%, 35%, 50%, 75%, 100%) are applied; for example cash and LBP placements with the Central Bank have a 0% risk weighting which means that no capital is required to support the holding of these assets.

Off-balance-sheet credit instruments are taken into account by applying different categories of conversion factors, designed to convert these items into statement of financial position equivalents.

The results of the capital adequacy computation exercise are presented to Senior Management and the Group's Risk Committee for regular review and

monitoring of the Group's overall capitalisation levels.

The resulting equivalent amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

The Group's regulatory capital comprises two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and NCI after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated

liabilities, and the element of the fair value reserve relating to unrealised gains and losses on equity instruments measured at fair value through other comprehensive income and real estate revaluation reserve.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements.

	2014	2013	
Risk weighted assets			millions LBP
Credit risk	6,060,544	5,592,810	
Market risk	104,715	99,886	
Operational risk	504,544	482,944	
Total risk weighted assets	6,669,803	6,175,640	

The Bank's regulatory capital position under Basel III at 31 December was as follows:

	2014	2013	
Tier 1 capital	961,109	916,501	millions LBP
Tier 2 capital	90,928	110,618	
Total regulatory capital	1,052,037	1,027,119	

6- Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 5).

Impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 4(i)(vii).

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the recoverable

amounts that are expected to be received. In estimating these recoverable amounts, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of amounts considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- Groups of homogenous loans that are not considered individually significant.
- Groups of assets that are individually significant but that were not found to be individually impaired.

Collective allowance for groups of assets that are individually significant but that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances, with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

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

An assessment as to whether an investment in sovereign debt (see Note 5(b)) is impaired may be complex. In making such an assessment, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of the creditworthiness.

- The ability of the country to access the capital markets for new debt issuance.
- The probability of debt being restructured resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

See Note 5(b) for the Group's assessment of whether there is objective evidence of impairment of its investments in sovereign debt, based on the above factors.

7- Fair values of financial instruments

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

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e.

as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and

require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2014	Carrying Amount			Total	Fair Value				Total	millions LBP
	Designated at Fair Value	Amortised Cost	Other Financial Liabilities		Level 1	Level 2	Level 3			
Financial assets measured at fair value										
Financial assets at fair value through profit or loss										
- Lebanese government eurobonds	11,467	---	---	11,467	11,467	---	---	11,467		
- Corporate bonds	15,221	---	---	15,221	15,221	---	---	15,221		
- Financial international sukuk	3,057	---	---	3,057	3,057	---	---	3,057		
- Certificates of deposits issued by banks	2,993	---	---	2,993	---	2,993	---	2,993		
- Certificates of deposits issued by the Central Bank of Lebanon	282	---	---	282	282	---	---	282		
- Other debt instruments	1,675	---	---	1,675	1,675	---	---	1,675		
Financial assets at fair value through other comprehensive income										
- Unquoted equity securities	7,362	---	---	7,362	---	---	7,362	7,362		
- Quoted equity securities	46,340	---	---	46,340	46,340	---	---	46,340		
- Preferred shares	32,731	---	---	32,731	9,476	23,255	---	32,731		
	121,128	---	---	121,128						
Financial assets not measured at fair value										
- Cash and balances with Central Banks	---	3,084,948	---	3,084,948	59,795	3,025,153	---	3,084,948		
- Balances with other banks and financial institutions	---	1,075,776	---	1,075,776	---	1,075,776	---	1,075,776		
- Loans and advances to customers	---	4,269,371	---	4,269,371	---	4,236,702	---	4,236,702		
- Loans and advances to related parties	---	35,958	---	35,958	---	35,978	---	35,978		
- Financial assets at amortised cost	---	4,669,361	---	4,669,361	1,424,984	3,252,112	---	4,677,096		
	---	13,135,414	---	13,135,414						
Financial liabilities not measured at fair value										
- Loans and deposits from Central Banks	---	---	(397,350)	(397,350)	---	(397,350)	---	(397,350)		
- Deposits from other banks and financial institutions	---	---	(100,765)	(100,765)	---	(100,765)	---	(100,765)		
- Deposits from customers	---	---	(11,237,014)	(11,237,014)	---	(11,237,301)	---	(11,237,301)		
- Deposits from related parties	---	---	(428,832)	(428,832)	---	(428,832)	---	(428,832)		
- Subordinated debt issued	---	---	(120,376)	(120,376)	---	(120,376)	---	(120,376)		
	---	---	(12,284,337)	(12,284,337)						

31 December 2013	Carrying Amount			Fair Value					millions LBP
	Designated at Fair Value	Amortised Cost	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value									
Financial assets at fair value through profit or loss									
- Lebanese government eurobonds	18,256	---	---	18,256	18,256	---	---	18,256	
- Other sovereign bonds	1,320	---	---	1,320	1,320	---	---	1,320	
- Corporate bonds	22,815	---	---	22,815	22,815	---	---	22,815	
- Non financial international sukuk	4,287	---	---	4,287	4,287	---	---	4,287	
- Certificates of deposits issued by banks	2,993	---	---	2,993	---	2,993	---	2,993	
- Certificates of deposits issued by the Central Bank of Lebanon	1,599	---	---	1,599	1,599	---	---	1,599	
- Other debt instruments	5,505	---	---	5,505	5,505	---	---	5,505	
Financial assets at fair value through other comprehensive income									
- Unquoted equity securities	5,907	---	---	5,907	---	---	5,907	5,907	
- Quoted equity securities	39,662	---	---	39,662	39,662	---	---	39,662	
- Quoted preferred shares	29,478	---	---	29,478	9,387	20,091	---	29,478	
	131,822	---	---	131,822					
Financial assets not measured at fair value									
- Cash and balances with Central Banks	---	2,046,850	---	2,046,850	63,256	1,983,594	---	2,046,850	
- Balances with other banks and financial institutions	---	1,202,414	---	1,202,414	---	1,202,414	---	1,202,414	
- Loans and advances to customers	---	3,897,098	---	3,897,098	---	3,935,917	---	3,935,917	
- Loans and advances to related parties	---	21,509	---	21,509	---	21,509	---	21,509	
- Financial assets at amortised cost	---	4,784,453	---	4,784,453	1,551,531	3,241,141	---	4,792,672	
	---	11,952,324	---	11,952,324					
Financial liabilities not measured at fair value									
- Loans and deposits from Central Banks	---	---	(77,462)	(77,462)	---	(77,462)	---	(77,462)	
- Deposits from other banks and financial institutions	---	---	(99,172)	(99,172)	---	(99,172)	---	(99,172)	
- Deposits from customers	---	---	(10,438,788)	(10,438,788)	---	(10,439,209)	---	(10,439,209)	
- Deposits from related parties	---	---	(352,170)	(352,170)	---	(352,170)	---	(352,170)	
- Subordinated debt issued	---	---	(120,461)	(120,461)	---	(120,461)	---	(120,461)	
	---	---	(11,088,053)	(11,088,053)					

8- Cash and balances with Central Banks

	2014	2013	
Cash	59,795	63,256	millions LBP
Unrestricted balances with Central Banks	1,756,177	890,652	
Mandatory reserves with the Central Bank of Lebanon	1,228,912	1,068,450	
Mandatory reserves with the Central Bank of Iraq	1,706	2,532	
Mandatory reserves with the Central Bank of Cyprus	520	836	
Mandatory reserves with the Central Bank of Bahrain	600	400	
Mandatory reserves with the Central Bank of Senegal	3,169	3,194	
Interest receivable	34,069	17,530	
	3,084,948	2,046,850	

In accordance with Central Bank of Lebanon regulations, the Bank is required to constitute mandatory reserves in Lebanese pounds (LBP) of 15% and 25% of the average weekly customers term and sight commitment accounts denominated in Lebanese pounds respectively. The Bank is also required to constitute mandatory reserves in foreign currency (FCY) calculated on the basis of 15% of total customers deposit accounts denominated in foreign currency, regardless of their nature.

Foreign branches and subsidiaries with banking operations are also subject to mandatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are operating.

Mandatory reserve deposits are not available for use in the Group's day-to-day operations. Cash in hand and LBP reserves are non-interest bearing, whereas FCY reserves are floating-rate assets.

9- Balances with other banks and financial institutions

	2014	2013	
Current accounts	379,380	279,830	millions LBP
Term deposits	683,064	891,712	
Loans and advances to banks	10,553	27,466	
Impaired loans to banks and financial institutions	10,318	10,514	
Less specific allowance for impairment	(7,626)	(7,626)	
Interest receivable	87	518	
	1,075,776	1,202,414	

10- Loans and advances to customers

2014	Gross Amount	Unrealised Interest	Impairment Allowance	Carrying Amount	
Regular retail customers:					millions LBP
Cash collateral	110,044	---	---	110,044	
Mortgage	1,430,371	---	---	1,430,371	
Personal	55,318	---	---	55,318	
Credit cards	38,237	---	---	38,237	
Other	395,141	---	---	395,141	
Regular corporate customers:					
Corporate	1,971,198	---	---	1,971,198	
Classified retail customers:					
Watch	41,893	---	---	41,893	
Substandard	40,498	(10,549)	---	29,949	
Doubtful	50,100	(20,071)	(14,066)	15,963	
Bad	15,128	(7,303)	(7,825)	---	
Classified corporate customers:					
Watch	137,523	---	---	137,523	
Substandard	11,499	(1,434)	---	10,065	
Doubtful	66,120	(11,134)	(18,475)	36,511	
Bad	24,102	(9,137)	(14,965)	---	
Collective allowance	---	---	(18,198)	(18,198)	
Accrued interest receivable	15,356	---	---	15,356	
	4,402,528	(59,628)	(73,529)	4,269,371	

2013	Gross Amount	Unrealised Interest	Impairment Allowance	Carrying Amount	
Regular retail customers:					millions LBP
Cash collateral	98,713	---	---	98,713	
Mortgage	1,265,852	---	---	1,265,852	
Personal	49,311	---	---	49,311	
Credit cards	38,795	---	---	38,795	
Other	431,475	---	---	431,475	
Regular corporate customers:					
Corporate	1,798,657	---	---	1,798,657	
Classified retail customers:					
Watch	24,098	---	---	24,098	
Substandard	25,172	(8,240)	---	16,932	
Doubtful	57,605	(23,601)	(18,166)	15,838	
Bad	9,416	(3,894)	(5,522)	---	
Classified corporate customers:					
Watch	135,088	---	---	135,088	
Substandard	5,175	(1,048)	---	4,127	
Doubtful	66,067	(19,113)	(22,697)	24,257	
Bad	1,373	(342)	(1,031)	---	
Collective allowance	---	---	(19,645)	(19,645)	
Accrued interest receivable	13,600	---	---	13,600	
	4,020,397	(56,238)	(67,061)	3,897,098	

Impairment allowance

	2014	2013	
Allowances for impairment			millions LBP
Balance at 1 January	67,061	66,014	
Impairment loss for the year:			
- Charge for the year	14,493	11,591	
- Recoveries and releases	(5,210)	(6,390)	
Transfer from provisions for risks and charges	818	---	
Write-offs	(3,633)	(4,154)	
Balance at 31 December	73,529	67,061	

Unrealised Interest

	2014	2013	
Balance at 1 January	56,238	67,082	millions LBP
Unrealised interest on non-performing loans	11,599	10,104	
Unrealised interest recovered	(8,209)	(9,800)	
Unrealised interest written-off	---	(11,148)	
Balance at 31 December	59,628	56,238	

II - Financial assets at fair value through other comprehensive income

	2014	2013	
Unquoted equity securities	7,362	5,907	millions LBP
Quoted equity securities	46,340	39,662	
Preferred shares	30,654	27,577	
Accrued dividend receivable	2,077	1,901	
Balance at 31 December	86,433	75,047	

I2- Financial assets at fair value through profit or loss

	2014	2013	
Lebanese government eurobonds	11,315	18,047	millions LBP
Other sovereign bonds	---	1,300	
Interest receivable	152	229	
	11,467	19,576	
Corporate bonds	15,146	22,594	
Interest receivable	75	221	
	15,221	22,815	
Non financial international sukuk	---	4,251	
Interest receivable	---	36	
	---	4,287	
Financial international sukuk	3,045	---	
Interest receivable	12	---	
	3,057	---	
Certificates of deposits issued by banks	2,985	2,985	
Interest receivable	8	8	
	2,993	2,993	
Certificates of deposits issued by the Central Bank of Lebanon	277	1,572	
Interest receivable	5	27	
	282	1,599	
Other debt instruments	1,666	5,412	
Interest receivable	9	93	
	1,675	5,505	
	34,695	56,775	

I3- Financial assets at amortised cost

	2014	2013	
Lebanese government treasury bills and eurobonds	3,571,370	3,419,830	millions LBP
Other sovereign bonds	32,288	14,990	
Interest receivable	52,501	50,408	
	3,656,159	3,485,228	
Certificates of deposits issued by the Central Bank	922,612	1,187,502	
Interest receivable	21,588	29,574	
	944,200	1,217,076	
Certificates of deposits issued by banks	22,536	22,513	
Interest receivable	60	60	
	22,596	22,573	
Other debt instruments - Corporate bonds	46,272	59,258	
Interest receivable	134	318	
	46,406	59,576	
	4,669,361	4,784,453	

I4- Investments in equity-accounted investees

Company	Country of Incorporation	2014	2013	
		Ownership Interest	Ownership Interest	
Agence Générale de Courtage d'Assurances S.A.L.	Lebanon	25.86%	25.86%	millions LBP
Credit Card Management S.A.L.	Lebanon	28.96%	28.96%	
International Payment Network S.A.L.	Lebanon	20.18%	20.18%	
Net Commerce S.A.L.	Lebanon	19.10%	19.10%	
Liberty Executive Center S.A.L.	Lebanon	0.00%	6.27%	
Hot spot Properties S.A.L.	Lebanon	48.12%	48.12%	
Dourrat Loubnan Al Iqaria S.A.L.	Lebanon	45.00%	45.00%	
Agence Générale de Courtage d'Assurances S.A.L.	Lebanon	9,859	7,751	
Credit Card Management S.A.L.	Lebanon	2,626	2,450	
International Payment Network S.A.L.	Lebanon	1,624	1,640	
Net Commerce S.A.L.	Lebanon	261	255	
Liberty Executive Center S.A.L.	Lebanon	---	12	
Hot spot Properties S.A.L.	Lebanon	1,681	2,025	
Dourrat Loubnan Al Iqaria S.A.L.	Lebanon	3,761	3,600	
		19,812	17,733	

During 2014, Liberty Executive Center SAL was liquidated.

The Group's share of its equity-accounted investees for the year was LBP 1,857 million (2013: LBP 1,746 million).

Summary financial information for equity-accounted investees is as follows.

	2014	2013	
Current assets	33,005	34,926	millions LBP
Non current assets	43,485	39,102	
Current liabilities	(18,309)	(17,833)	
Non current liabilities	(9,140)	(8,984)	
Net assets	49,041	47,211	
Income	17,286	17,090	
Expenses	(10,122)	(10,415)	
Profit	7,164	6,675	

I5- Property and equipment

	Land and Buildings	Installations and Improvements	Furniture and Equipment	Vehicles	Power Generators	Advances on Capital Expenditures	Total	
Cost								millions LBP
Balance at 1 January 2013	72,303	48,246	46,184	1,930	2,107	46,267	217,037	
Additions	---	183	3,303	141	108	39,489	43,224	
Disposals	(16)	(30)	(788)	(83)	---	(98)	(1,015)	
Transfers	---	1,151	312	---	63	(1,526)	---	
Balance at 31 December 2013	72,287	49,550	49,011	1,988	2,278	84,132	259,246	
Balance at 1 January 2014	72,287	49,550	49,011	1,988	2,278	84,132	259,246	
Additions	1,489	138	2,420	54	29	56,952	61,082	
Disposals	---	---	(949)	(34)	(2)	---	(985)	
Transfers	---	3,159	350	---	60	(3,569)	---	
Balance at 31 December 2014	73,776	52,847	50,832	2,008	2,365	137,515	319,343	
Depreciation								
Balance at 1 January 2013	13,663	33,964	27,647	1,061	1,156	---	77,491	
Depreciation for the year	1,090	3,261	4,169	174	208	---	8,902	
Disposals	---	(30)	(751)	(73)	---	---	(854)	
Balance at 31 December 2013	14,753	37,195	31,065	1,162	1,364	---	85,539	
Balance at 1 January 2014	14,753	37,195	31,065	1,162	1,364	---	85,539	
Depreciation for the year	1,092	2,824	4,216	178	210	---	8,520	
Disposals	---	---	(864)	(30)	(2)	---	(896)	
Balance at 31 December 2014	15,845	40,019	34,417	1,310	1,572	---	93,163	
Carrying amounts								
Balance at 1 January 2013	58,640	14,282	18,537	869	951	46,267	139,546	
Balance at 31 December 2013	57,534	12,355	17,946	826	914	84,132	173,707	
Balance at 31 December 2014	57,931	12,828	16,415	698	793	137,515	226,180	

I6- Intangible assets

	Key Money	Licenses	Software	Total	millions LBP
Cost					
Balance at 1 January 2013	1,853	3,872	16,675	22,400	
Additions	---	1,094	614	1,708	
Disposals	---	(7)	(258)	(265)	
Balance at 31 December 2013	1,853	4,959	17,031	23,843	
Balance at 1 January 2014	1,853	4,959	17,031	23,843	
Additions	30	3,301	282	3,613	
Disposals	---	(7)	(21)	(28)	
Balance at 31 December 2014	1,883	8,253	17,292	27,428	
Amortisation					
Balance at 1 January 2013	1,555	3,058	12,674	17,287	
Amortisation for the year	38	392	1,564	1,994	
Disposals	---	(7)	---	(7)	
Balance at 31 December 2013	1,593	3,443	14,238	19,274	
Balance at 1 January 2014	1,593	3,443	14,238	19,274	
Amortisation for the year	38	779	1,331	2,148	
Disposals	---	(7)	---	(7)	
Balance at 31 December 2014	1,631	4,215	15,569	21,415	
Carrying amounts					
Balance at 31 December 2013	260	1,516	2,793	4,569	
Balance at 31 December 2014	252	4,038	1,723	6,013	

I7- Assets held for sale

	2014	2013	millions LBP
Balance at 1 January	37,815	44,895	
Additions	---	315	
Disposals	(1,184)	(7,395)	
Balance at 31 December	36,631	37,815	

I8- Other assets

	2014	2013	millions LBP
Accounts receivable and prepayments	8,231	9,257	
Reinsurers' share of technical reserves	14,550	14,506	
Inventories of apartments	859	1,266	
Restricted deposits with the Central Treasury	6,015	6,015	
Deferred charges	4,744	1,972	
Other assets	87,608	85,880	
	122,007	118,896	

I9- Loans and deposits from Central Banks

	2014	2013	millions LBP
Current account	2,183	180	
Loans from Central Banks	395,158	77,282	
Accrued interest payable	9	---	
	397,350	77,462	

Following the Central Bank of Lebanon basic decision N°. 6116 related to basic circular N°. 23 and intermediate circular N°. 367 issued on 11 August 2014, the Central Bank of Lebanon offered the commercial

banks facilities that are subject to an interest rate of 1% per annum payable on a yearly basis. These facilities were given subject to granting mainly loans back to clients at an average interest rate of 5.2%.

20- Deposits from other banks and financial institutions

	2014	2013	
Current deposits	40,152	31,339	millions LBP
Term deposits	7,375	9,251	
Financial institutions	52,703	57,998	
Accrued interest payable	535	584	
	100,765	99,172	

21- Deposits from customers

	2014	2013	
Term deposits	3,637,981	3,123,914	millions LBP
Current deposits	1,180,772	1,119,969	
Savings	6,318,979	6,100,568	
Other credit balances	37,481	38,626	
Accrued interest payable	61,801	55,711	
	11,237,014	10,438,788	

22- Subordinated debt issued

	2014	2013	
Subordinated debt	113,063	113,063	millions LBP
Accrued interest payable	7,313	7,398	
	120,376	120,461	

During 2010, the Bank issued subordinated bonds for an amount of USD 75,000,000 bearing an interest rate of 6.75% payable annually and maturing on 15 January

2018. These subordinated debts are included in Tier 2 capital as per local regulatory requirements.

23- Tax liabilities

	2014	2013	
Income tax	1,234	2,753	millions LBP
Taxes on interest	5,294	5,260	
Taxes on salaries	2,049	2,019	
Deferred tax liabilities	5,354	4,355	
Other taxes	2,785	3,461	
	16,716	17,848	

24- Other liabilities

	2014	2013	
Margins held against documentary credits	38,511	45,166	millions LBP
Due to reinsurance	28,327	30,030	
Technical reserves for insurance companies	94,975	84,611	
Accrued expenses	3,974	9,757	
Unearned revenue	275	1,153	
Other creditors	34,269	43,653	
Other payables	50,077	49,996	
	250,408	264,366	

25- Provisions for risks and charges

	2014	2013	
Provision for structural exchange position (a)	5,611	5,318	millions LBP
Provision for employee benefits obligations (b)	31,683	29,045	
Provision for risks and charges (c)	1,516	4,070	
Provision for loss on foreign currency position (d)	275	277	
	39,085	38,710	

(a) Provision for structural exchange position

This provision is taken as per the requirement of Central Bank Circular number 32 related to foreign exchange position.

(b) Provision for employee benefits obligations

The movement in the provision for employee benefits obligations during the year was as follows.

	2014	2013	
Balance at 1 January	29,045	24,780	millions LBP
Provision raised during the year	3,827	4,843	
Provision used during the year	(1,133)	(538)	
Provision written-off during the year	(56)	(40)	
Balance at 31 December	31,683	29,045	

The provision for employee benefits obligations' amount recognised in the consolidated financial statements is not materially different from what would be required as per IAS 19 Employee benefits.

(c) Provision for risks and charges

The movement in the provision for risks and charges during the year was as follows.

	2014	2013	
Balance at 1 January	4,070	4,652	millions LBP
Provision raised during the year	158	307	
Provision used during the year	---	(899)	
Provision released	(1,868)	---	
Transfer to collective allowance	(818)	---	
Difference of exchange	(26)	10	
Balance at 31 December	1,516	4,070	

(d) Provision for loss on foreign currency position

As per local regulatory requirements the Group provides for an amount equivalent to 5 percent of its year-end foreign exchange position.

nominal value of LBP 11,000. All shares rank equally with regards to the Bank's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time. All issued shares are fully paid.

26- Share capital and share premium

At 31 December 2014, the authorised and issued share capital comprised 23,400,000 ordinary shares with a

Dividends

The following dividends were declared and paid by the Group during the year.

	2014	2013	
LBP 2,118.85 per ordinary share (2013: LBP 1,574.49)	49,581	36,843	millions LBP
LBP 3,201 per preferred share (2013: nil)	3,201	---	
	52,782	36,843	

Issue of preferred shares

In July 2013, the extraordinary general assembly of shareholders approved the issue of 1,000,000 perpetual non-cumulative preferred shares with a nominal value of LBP 11,000; increasing the share capital of the Bank from LBP 257,400 million to LBP 268,400 million, thus an increase of LBP 11,000 million. The share premium amounted to LBP 139,750 per share.

Holders of these shares receive a non-cumulative dividend at the Bank's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not have voting rights.

27- Capital reserves

	2014	2013	
General banking risks reserve (a)	90,396	76,105	millions LBP
Legal reserve (b)	92,980	84,359	
Reserve appropriated to capital increase (c)	2,807	---	
	186,183	160,464	

(a) General banking risks reserve

The Group is required, according to the Central Bank regulations and commencing at 1996, to set-up a reserve for general banking risks at a minimum of 0.2% and a maximum rate of 0.3% of the risk weighted assets and off-balance sheet financial instruments in local and foreign currencies. This reserve should not be less than 1.25% and 2% by the end of the 10th and the 20th years, respectively. This reserve is not available for distribution.

(b) Legal reserve

The Lebanese Commercial Law and the Group's

articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. This reserve is not available for distribution.

(c) Reserve appropriated to capital increase

As per Banking Control Commission circular N°. 173, the gain realised on the sale of an asset acquired in settlement of debt should be recognised in the statement of comprehensive income at the date of the sale and transferred subsequently to the statement of changes in equity under reserve appropriated to capital increase caption.

28- Fair value reserve

	2014	2013	
Fair value reserve	27,744	22,002	millions LBP

The movement in fair value reserve is as follows:

	2014	2013	
Balance at 1 January	22,002	12,182	millions LBP
Financial assets at fair value through other comprehensive income	5,742	9,820	
Balance at 31 December	27,744	22,002	

29- Other reserves

	2014	2013	
Reserve for property acquired in settlement of debt	11,807	8,809	millions LBP
Other reserves	209,881	212,219	
	221,688	221,028	

30- Net interest income

	Note	2014	2013	
Interest income				millions LBP
Cash and balances with Central Banks		88,270	58,207	
Balances with other banks and financial institutions		3,626	3,713	
Loans and advances to customers		284,860	266,460	
Loans and advances to related parties	42	1,080	1,301	
Financial assets at amortised cost		328,398	336,012	
Total interest income		706,234	665,693	
Interest expense				
Loans and deposits with Central Banks		(2,181)	(180)	
Deposits from other banks and financial institutions		(3,282)	(4,085)	
Deposits from customers		(462,209)	(432,191)	
Deposits from related parties	42	(20,405)	(15,334)	
Subordinated debt issued		(7,547)	(7,611)	
Total interest expense		(495,624)	(459,401)	
Net interest income		210,610	206,292	

31- Net fee and commission income

	2014	2013	
Fee and commission income			millions LBP
Fees on credit cards and ATM transactions	27,279	24,340	
Fees on transactions with customers	27,587	29,715	
Fees on various banking transactions	36,823	32,451	
Fees on letters of guarantee	7,483	6,579	
Total fee and commission income	99,172	93,085	
Fee and commission expense			
Fees on credit cards and ATM transactions	(27,508)	(24,032)	
Fees on various banking transactions	(15,123)	(12,951)	
Total fee and commission expense	(42,631)	(36,983)	
Net fee and commission income	56,541	56,102	

32- Net trading income

	2014	2013	
Net gain on trading portfolio	1,764	784	millions LBP
Net gain on sale of investments securities*	8,616	---	
Net gain on foreign currency position	7,578	17,445	
	17,958	18,229	

*During 2014, the Group sold for matching liquidity purposes eurobonds issued by the Lebanese Government and certificates of deposits issued by the Central Bank of Lebanon maturing on April 2015, March 2017, March 2020 and April 2021 amounting to USD 23 million, USD 19 million, USD 17 million and USD 18 million respectively. The gain on these transactions amounted to LBP 149 million, LBP 2,879 million, LBP 920 million and LBP 3,643 million respectively. Moreover, the Group also sold, for the same purpose, corporate bonds (Abbey National and Merrill Lynch & Co.) maturing on April 2016 and November 2018 amounting to USD 2 million and USD 5 million respectively. The gain on these transactions amounted to LBP 113 million and LBP 912 million.

33- Net gain on financial investments

	2014	2013	
Dividend received on quoted securities	2,478	2,242	millions LBP
Dividend received on unquoted securities	1,450	130	
Net gain from exchange of financial assets at amortised cost*	156	8,396	
Interest paid on islamic banking activities	(1,107)	(1,215)	
Net gain on sale of other financial investments	---	56	
	2,977	9,609	

*During 2013 and following the offer of the Central Bank of Lebanon:

(a) Certificates of deposits issued by the Central Bank of Lebanon maturing on January 2014 and December 2014 were sold against one certificate of deposit maturing in January 2023 amounting to LBP 154,000 million. The gain on the transaction amounted to LBP 6,187 million.

(b) Certificates of deposits issued by the Central Bank of Lebanon maturing on March 2014 and June 2014 were sold against one treasury bill maturing in September 2025 amounting to LBP 84,046 million. The gain on the transaction amounted to LBP 2,209 million.

During 2014 and following the offer of the Central Bank of Lebanon, the Bank sold Lebanese Republic Eurobonds maturing on May 2014 and bought Lebanese Republic Eurobonds maturing in April 2020 and November 2026 amounting to USD 19.5 million and USD 3 million respectively. The gain on the transaction amounted to LBP 156 million.

34- Other income

	2014	2013	
Gain on sale of assets held for sale	1,105	3,924	millions LBP
Rental income	262	297	
Gain on sale of property and equipment	20	3	
Other income	4,690	648	
	6,077	4,872	

35- Net impairment on loans and advances

	2014	2013	
Allowance for impairment on loans and advances to customers	(14,493)	(11,591)	millions LBP
Allowance for impairment on loans and advances to related parties	(1,375)	(1,424)	
Write-back of allowance for impairment on loans and advances to customers	5,210	6,390	
Write-back of allowance for impairment on loans and advances to related parties	530	---	
	(10,128)	(6,625)	

36- Personnel expenses

	2014	2013	
Wages and salaries	71,308	67,159	millions LBP
Allowances to the Board of Directors	2,522	2,518	
Compulsory social security obligations	10,573	10,239	
Employee benefits obligation	4,099	4,914	
Other personnel expenses	16,026	15,340	
	104,528	100,170	

37- Other expenses

	2014	2013	
Rental and building charges	6,456	6,493	millions LBP
Taxes and similar disbursements	5,975	6,090	
Advertising expenses	5,780	5,737	
Electricity, water and heating charges	4,178	4,178	
Insurance premiums	2,432	2,289	
Information technology costs	3,275	3,335	
Repairs and maintenance charges	4,601	4,388	
Postage and telecommunication charges	3,060	3,151	
Professional fees	4,161	4,710	
Premiums for the guarantee of deposits	5,397	5,060	
Travel and entertainment fees	2,444	2,538	
Computer maintenance charges	2,403	1,849	
Transportation charges	3,037	3,191	
Board of directors attendance allowance	2,406	2,374	
Stationery and office supplies	1,393	1,561	
Training charges	636	550	
Other expenses	2,654	2,177	
	60,288	59,671	

38- Income tax expense

	2014	2013	
Income tax expense on the Bank's operations	(12,058)	(13,458)	millions LBP
Income tax expense on subsidiaries and branches	(1,521)	(2,755)	
	(13,579)	(16,213)	

Reconciliation of income tax expense on the Bank's operations in Lebanon

	2014	2013	
Profit before income tax	110,408	119,431	millions LBP
Income tax expense	(13,579)	(16,213)	
Profit for the year	96,829	103,218	
Current tax liability	100	1,200	
Less: profit of branches abroad and subsidiaries	(19,343)	(28,767)	
Non-deductible expenses	5,437	8,794	
5% tax on interest received	11,958	12,258	
Less: dividends received	(13,574)	(4,999)	
Less: tax exempt income	(178)	(178)	
Taxable income	81,229	91,526	
Corporate income tax expense at 15%	12,184	13,729	
Less: tax paid on interest received*	(12,186)	(12,189)	
Excess of corporate tax over tax paid on interest	---	1,540	
Effective income tax rate	12.30%	13.58%	

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

39- Cash and cash equivalents

	2014	2013	
Cash and balances with Central Banks	513,211	459,603	millions LBP
Balances with other banks and financial institutions	1,065,223	1,174,948	
Loans and deposits with Central Banks	(2,183)	(180)	
Deposits from other banks and financial institutions	(40,152)	(31,339)	
	1,536,099	1,603,032	

40- Commitments and contingencies

	2014	2013	
Financing commitments			millions LBP
Financing commitments given to customers	499,097	560,809	
Financing commitments given to financial institutions	250,212	190,884	
Guarantees			
Guarantees given to customers	190,726	218,964	
Securities' commitments	99,363	111,294	
Restricted and non-restricted fiduciary accounts	10,671	11,346	
Commitments of signature received from financial intermediaries	33,313	29,644	
Other commitments received	7,868,149	7,386,768	
Assets under management	622,620	637,301	

41- Group entities

Company	Business Activity	Country of Incorporation	2014	2013
Credit Libanais Investment Bank SAL	Banking	Lebanon	99.86	99.86
Lebanese Islamic Bank SAL	Banking	Lebanon	99.84	99.84
Cedar's Real Estate SAL	Real estate	Lebanon	99.92	99.92
Soft Management SAL	IT solutions	Lebanon	47.00	47.00
Hermes Tourism and Travel SAL	Tourism and ticketing	Lebanon	99.99	99.99
Credit Libanais d'Assurances et de Reassurances SAL	Insurance	Lebanon	66.97	66.97
Business Development Center SARL	Advertising	Lebanon	98.62	98.62
Capital Real Estate SAL	Real estate	Lebanon	98.00	98.00
Credilease SAL	Leasing services	Lebanon	99.26	99.26
Collect SAL	Collection services of receivables	Lebanon	44.94	44.94
Credit International SA	Banking	Senegal	92.82	92.82
Credit Libanais SAL (Limassol Branch)	Banking	Cyprus	Branch	Branch
Credit Libanais SAL (Bahrain Branch)	Banking	Bahrain	Branch	Branch
Credit Libanais SAL (Baghdad Branch)	Banking	Iraq	Branch	Branch
Credit Libanais SAL (Erbil Branch)	Banking	Iraq	Branch	Branch

42- Related parties

(a) Transactions and balances with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2014	2013	
Direct facilities and credit balances			millions LBP
- Loans and advances	25,557	8,975	
- Deposits	399,042	320,140	
Indirect facilities			
- Letters of credit	67	265	
- Letters of guarantees	25	8,819	

Interest rates charged on balances outstanding from related parties are equal to the internally approved rates for employees of the Bank.

balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

No impairment losses have been recorded against

Key management personnel compensation for the year comprised:

	2014	2013	
Short-term employee benefits	10,622	10,113	millions LBP

(b) Balances with associated companies

	2014	2013	
Direct facilities and credit balances			millions LBP
- Loans and advances	10,396	12,532	
- Deposits	28,381	31,170	
Indirect facilities			
- Letters of guarantees	1,026	26	

(c) Loans and advances to related parties

	2014	2013	
Loans and advances to shareholders, directors and other key management personnel	25,557	8,975	millions LBP
Net loans and advances to associated companies	10,396	12,532	
Accrued interest receivable	5	2	
	35,958	21,509	

(d) Interest income on loans and advances to related parties

	2014	2013	
Interest income on loans and advances on related parties	1,080	1,301	millions LBP

(e) Deposits from related parties

	2014	2013	
Term deposits	263,719	217,288	millions LBP
Current deposits	30,993	17,196	
Savings	132,711	116,826	
Accrued interest payable	1,409	860	
	428,832	352,170	

(f) Interest expense on deposits from related parties

	2014	2013	
Interest expense on deposits from related parties	20,405	15,334	millions LBP

43- Prior year tax adjustment

In 2014, the Bank was assessed for additional taxes and penalties following the Ministry of Finance's inspection for the tax years 2008 to 2011. These additional taxes and penalties were settled in 2014.

Accordingly, the Bank has restated its consolidated financial statements by debiting retained earnings as at 1 January 2013 by LBP 6,911 million and crediting other liabilities by the same amount.

Financial Results

Credit Libanais Investment Bank
(CLIB)

Board of Directors	235
Management's Discussion and Analysis of Results	236
Statement of Financial Position	242
Statement of Comprehensive income	244
Statement of Cash Flows	245
Statement of Changes in Equity	246

board of directors

CHAIRMAN GENERAL MANAGER

Dr. Joseph Torbey

MEMBERS

H.E. Dr. Samir Makdessi

H.E. Mr. Jacques Joukhadarian

Dr. Chafic Moharram

Mr. Joe Issa El Houry

Dr. Michel Khadige

Mr. Moustafa Alaeddine

management discussion and analysis of results

Basis of Presentation

The following discussion and analysis have been prepared based on the audited consolidated financial statements of Credit Libanais Investment Bank ("CLIB") as at and for the years ended 31 December 2013 and 2014 and on selected financial information.

Analysis of Financial Position

1) Statement of Financial Position

a) Total Assets

CLIB's Assets have witnessed a healthy 12% growth in 2014, particularly in liquid assets which was substantially matched by an increase in funding consisting primarily of customer deposits.

The following table sketches the changes in major asset classes year-on-year.

As at end of	2014	2013	% Change	
Cash and balances with Central Banks	128,985	111,263	15.93	millions LBP
Balances with other banks and financial institutions	413	1,176	-64.84	
Head Office, branches, parent company, sisters, fin. Inst. & subs.	458,533	344,571	33.07	
Loans and advances to customers	342,129	341,729	0.12	
Loans and advances to related parties	393	573	-31.37	
Financial assets at fair value/OCI	20,063	18,301	9.63	
Financial assets at amortised cost	106,726	119,910	-11.00	
Investment in associates	38,969	39,157	-0.48	
Property & equipment	1,107	1,192	-7.09	
Intangible assets	977	1,938	-49.58	
Assets held for sale	15,403	15,403	0.00	
Other assets	3,142	3,299	-4.78	
Total Assets	1,116,840	998,512	11.85	

b) Liabilities & Shareholders' Equity

Total Liabilities showed a 13.47% increase to reach LBP 963 billion in 2014 compared to LBP 849 billion at yearend 2013. The 13.64% rise in total deposits, which constitute 99.44% of CLIB's liabilities, was the main driver behind this increase.

On the equity side, shareholders' equity increased to LBP 153.83 billion in 2014, an increase of 2.66% compared to the LBP 149.85 billion recorded in 2013.

The following table sketches the development of the liability and equity accounts during the period 2013-2014:

As at end of	2014	2013	% Change	
Loans and deposits with Central Banks	294	---	---	millions LBP
Head Office, branches, parent company, sisters, fin. Inst. & subs.	---	1	-100.00	
Deposits from Customers	934,892	826,751	13.08	
Deposits from related parties	22,706	15,892	42.88	
Current tax liabilities	1,191	2,033	-41.43	
Other liabilities	2,103	2,351	-10.55	
Provision for risks and charges	1,821	1,639	11.12	
Total Liabilities	963,007	848,667	13.47	

Shareholders' Equity	2014	2013	% Change	
Share capital-Common Shares	80,000	80,000	---	millions LBP
Capital reserves	38,955	33,474	16.38	
Available-for-sale financial instruments revaluation reserve	887	719	23.38	
Retained Earnings	12,996	15,572	-16.54	
Other reserves	9,556	8,892	7.46	
Result of the period	11,439	11,188	2.25	
Total Shareholders' Equity	153,833	149,845	2.66	
Total Liabilities & Shareholders' Equity	1,116,840	998,512	11.85	

The following table portrays the evolution of CLIB's sources and uses of funds during the period 2013-2014:

Sources of Funds As at end of	2014	2013	% of Total Sources	
Head Office	---	1	---	millions LBP
Customers' deposits	934,892	826,751	97.63	
Deposits from related parties	22,706	15,892	2.37	
Total	957,598	842,644	100.00	

The above table clearly states that the entirety of CLIB's financing is sourced from customer deposits

Uses of Funds As at end of	2014	2013	% of Total Uses	
Head Office, branches, parent company, sisters, fin. Inst. & subs.	458,533	344,571	57.24	millions LBP
Loans & advances to customers	342,129	341,729	42.71	
Loans & advances to related parties	393	573	0.05	
Total	801,056	686,873	100.00	

On the fund's utilization front, loans and advances to customers, while remaining flat YOY, were reduced to a 42.76% share of the total fund utilization in 2014 compared to 49.83% in 2013.

On the other hand, CLIB's current account with the Head Office, branches and parent company has witnessed a 33.07% increase in 2014 to constitute

the bulk of CLIB's funds deployment at a ratio of 57.24% in 2014 compared to 50.17% in 2013.

2) Statement of Income

Credit Libanais Investment Bank posted after tax net profits of LBP 11.44 billion in 2014, an increase of 2.25% from the LBP 11.19 billion registered in 2013.

The following table highlights the yearly change of the major items in CLIB's statement of income:

	2014	2013	% Change	
Interest and similar income	57,204	52,594	8.77	millions LBP
Interest and similar expense	(38,554)	(37,397)	3.10	
Net interest income	18,650	15,197	22.72	
Fees & commissions income	434	407	6.66	
Fees & commissions expense	(1,287)	(92)	1,304.53	
Net fees & commissions income / (loss)	(853)	315	-370.57	
Net gain (loss) on trading portfolio	(1,021)	432	-336.61	
Net gain on disposal of subsidiary	---	255	-100.00	
Net gain on financial investments	4,924	2,769	77.82	
Other operating income	803	2,821	-71.53	
Total operating income	22,503	21,789	3.28	
Credit loss expense	(1,393)	(979)	42.22	
Net operating income	21,110	20,810	1.44	
Staff costs	(3,227)	(3,225)	0.07	
Depreciation and amortization	(1,051)	(1,057)	-0.57	
Other operating expenses	(4,669)	(4,184)	11.60	
Total Operating Expenses	(8,947)	(8,466)	5.68	
Operating Profit	12,163	12,344	-1.47	
Profit before tax	12,163	12,344	-1.47	
Income Tax expense	(724)	(1,156)	-37.39	
Profit for the year	11,439	11,188	2.25	
Other comprehensive income				
Net gain on available-for-sale financial assets	168	100	68.00	
Total comprehensive income for the year, net of tax	11,607	11,288	2.83	

Profits of CLIB are stated on an individual basis and do not include the share of the bank in the companies in which it holds a direct interest.

After consolidating the share of CLIB in the profit of affiliated companies, Net profits for the year 2014 would aggregate LBP 16.12 billion compared to LBP 15.06 billion in 2013.

CLIB's Pre-tax consolidated return on average equity and on average assets reached 11.38% and 1.59% respectively in 2014, compared to 11.58% and 1.60% respectively in 2013.

statement of financial position

As at 31 December	2014	2013	
Assets			millions LBP
Cash and balances with the central bank	128,985	111,263	
Due from banks and financial institutions	413	1,176	
Head office, branches, parent company, foreign sister financial institutions & subsidiaries	458,533	344,571	
Loans and advances to customers	342,129	341,729	
Loans and advances to related parties	393	573	
Financial assets at Fair value through other comprehensive income	20,063	18,301	
Financial assets at amortized cost	106,726	119,910	
Investments in associates	38,969	39,157	
Property and equipment	1,107	1,192	
Intangible assets	977	1,938	
Assets acquired in recovery of bad debts	15,403	15,403	
Other assets	3,142	3,299	
Total Assets	1,116,840	998,512	
Liabilities			
Loans and deposits with Central Banks	294	---	
Head office, branches, parent company, foreign sister financial institutions & subsidiaries	---	1	
Customers' deposits	934,892	826,751	
Related parties' deposits	22,706	15,892	
Current tax liabilities	1,191	2,033	
Other liabilities	2,103	2,351	
Provision for risks and charges	1,821	1,639	
Total Liabilities	963,007	848,667	

	2014	2013	
Shareholders' Equity			millions LBP
Share capital - Common shares	80,000	80,000	
Legal reserves	23,352	22,233	
General Banking risks reserve	12,797	11,241	
Capital reserve	2,807	---	
Other reserves	3,504	4,271	
Reserve for property acquired in settlement of debt	4,753	3,323	
Special Reserves Against doubtful debts	1,298	1,298	
Fair value reserve	887	719	
Retained Earnings	12,996	15,572	
Profit for the year	11,439	11,188	
Total Equity Attributable to Equity Holders of the Bank	153,833	149,845	
Non-Controlling Interest	---	---	
Total Shareholders' Equity	153,833	149,845	
Total Liabilities & Shareholders' Equity	1,116,840	998,512	

statement of comprehensive income

As at 31 December	2014	2013	
Interest and similar income	57,204	52,594	millions LBP
Interest and similar expense	(38,554)	(37,397)	
Net interest income	18,650	15,197	
Fees and commission income	434	407	
Fees and commission expense	(1,287)	(92)	
Net fees and commission income (loss)	(853)	315	
Net gain/loss on financial investments	4,924	2,769	
Net gain/loss on disposal of subsidiaries	---	255	
Net gain on FVTPL financial instruments	(1,021)	432	
Other operating income	803	2,821	
Total Operating Income	22,503	21,789	
loss expense	(1,393)	(979)	
Net Operating Income	21,110	20,810	
Staff expenses	(3,227)	(3,225)	
Depreciation and Amortisation	(1,051)	(1,057)	
Other operating expenses	(4,669)	(4,184)	
Total Operating Expenses	(8,947)	(8,466)	
Profit Before Tax	12,163	12,344	
Income Tax Expense	(724)	(1,156)	
Profit for the Period	11,439	11,188	
Change in Fair Value of Financial Instruments through OCI	168	100	
Total comprehensive income for the year	11,607	11,288	

statement of cash flows

	2014	2013	
Cash Flows From Operating Activities			millions LBP
Profit before tax	12,162	12,344	
Adjustments for:			
Depreciation and Amortization	1,051	1,057	
Net (recovery) Impairment Loss on loans and advances to customers	1,389	979	
Net Provision for End of service indemnity	189	231	
Gain /Loss on sale of shares in an associate	---	(255)	
	14,791	14,356	
Financial Assets maturing later than 3 months	(36,444)	15,862	
Change in loans and advances to customers and related parties	(1,613)	(42,481)	
Change in other assets	158	(1,301)	
Change in deposits from customers	108,140	(38,819)	
Change in deposits from related parties	6,814	955	
Change in Current Tax Liabilities	(409)	161	
Change in other liabilities	(248)	(1,011)	
	91,189	(52,278)	
Income tax paid	(1,156)	(1,113)	
Settled End of Service indemnity	(3)	(4)	
Net cash flows from operating activities	90,030	(53,395)	
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(6)	(93)	
Proceeds from investments in associates	188	533	
Net change in investment securities	11,590	(10,908)	
Net change in assets acquired in recovery of bad debts	---	7,017	
Net cash used in investing activities	11,772	(3,451)	
Cash flows from financing activities			
Distribution of dividends	(8,000)	---	
Effect of exchange rate fluctuation on cash & cash	381	(138)	
Net cash from financing activities	(7,619)	(138)	
Net decrease in cash and cash equivalents	94,183	(56,984)	
Cash and cash equivalents at 1 January	58,785	115,769	
Cash and cash equivalents at 31 December	152,968	58,785	

statement of changes in equity

	Share Capital- Common Shares	Legal Reserve	General Banking Risks Reserve	Capital Reserve		Other Reserves	Reserve For Property Acquired in Settlement of Debt	Special Reserves Against Doubtful Debts	Fair Value Reserve	Retained Earnings	Profit For the Year	Total Equity	
Balance at 01 January 2014	80,000	22,233	11,241	---		4,271	3,323	1,298	719	15,572	11,188	149,845	millions LBP
Profit allocation 2013	---	1,119	1,556	2,807		---	600	---	---	5,106	(11,188)	---	
Distribution of dividends	---	---	---	---		---	---	---	---	(8,000)	---	(8,000)	
Transfer to retained earnings	---	---	---	---		(1,148)	---	---	---	1,148	---	---	
Reserve for property acquired in settlement of debt	---	---	---	---		---	830	---	---	(830)	---	---	
Adjustment	---	---	---	---		381	---	---	---	---	---	381	
Profit for the year	---	---	---	---		---	---	---	---	---	11,439	11,439	
Net Change in fair value of financial assets at fair value through OCI	---	---	---	---		---	---	---	168	---	---	168	
Total comprehensive income for the year 2014	---	---	---	---		---	---	---	168	---	11,439	11,607	
Balance at 31 December 2014	80,000	23,352	12,797	2,807		3,504	4,753	1,298	887	12,996	11,439	153,833	
Balance at 01 January 2013	80,000	21,367	9,754	---		3,298	3,516	1,386	619	10,098	8,657	138,695	
Profit allocation 2012	---	866	1,487	---		---	830	---	---	5,474	(8,657)	---	
Transfer to reserves	---	---	---	---		1,111	(1,023)	(88)	---	---	---	---	
Adjustment	---	---	---	---		(138)	---	---	---	---	---	(138)	
Profit for the year	---	---	---	---		---	---	---	---	---	11,188	11,188	
Net Change in fair value of financial assets at fair value through OCI	---	---	---	---		---	---	---	100	---	---	100	
Total comprehensive income for the year 2013	---	---	---	---		---	---	---	100	---	11,188	11,288	
Balance at 31 December 2013	80,000	22,233	11,241	---		4,271	3,323	1,298	719	15,572	11,188	149,845	

Financial Results

Credit Libanais d'Assurances et de Réassurances (CLA)

Board of Directors	249
Statement of the Chairman	250
Management's Discussion and Analysis of Results	252
Independent Auditors Report	254
Statement of Financial Position	256
Statement of Comprehensive income	258
Statement of Changes in Equity	259
Statement of Cash Flows	260

board of directors

CHAIRMAN GENERAL MANAGER

Mr. Jacques Sehnaoui

MEMBERS

Credit Libanais SAL *represented by Dr. Joseph Torbey*

The Honourable Mr. Said Mirza

Mr. Khaldoun Barakat

H.E. Mr. Jacques Joukhadarian

AGCA SAL *represented by Mr. Fady Rizk*

Mr. Elie Torbey

statement of the chairman



In 2014, the Insurance industry in Lebanon recorded a yearly growth in premiums of 5.6% compared to 7% last year. In this context, noteworthy that Credit Libanais d' Assurances et de Réassurances sal (CLA) recorded in 2013 a 9.46% growth in premiums.

During the current year under review, written premiums amounted to LBP 33.682 billion, well above the overall LBP 30.771 billion recorded in the 2013.

Moreover, in 2014 CLA net profit margin increased to reach 49.54% compared to 44.07% recorded in 2013, with a net profit recorded for the year under review amounting to LBP 16.685 billion and a return on equity (ROE) of 27.48%.

The reason behind the sustainable trend of profitable business over the years is mainly attributed to the conservative underwriting policy based on a full assessment of the risk to be insured, as well as the competence and devotion of CLA staff and management, backed by the continuous support of our shareholders and Directors. This strong management mix contributed to building the strong bond between CLA and its customer base, the main asset behind the sustained prosperity of the company.

Sincerely,

Jacques J. Sehnaoui
Chairman

management's discussion and analysis of results

A Year in Review

CLA's total assets increased confirming the company's strength since in 2014 the company total assets amounted to LBP 193.659 billion as compared to LBP 176.803 billion in 2013 with a percentage increase of 9.60%.

Cash flow statement for the company at the end of the year 2014 remained nearly similar to the cash flow statement of the year 2013. The net cash provided from operating activities decreased by only 4.58 % from LBP 15.115 billion in 2013 to LBP 14.424 billion in 2014.

The total gross written premium amounting to LBP 33.682 billion in 2014. As well as the Gross written premiums for the life insurance business amounted to LBP 19.872 billion in 2014.

The after tax profits recorded in 2014, amounting to LBP 16.684 billion as compared to LBP 13.561 billion in 2013 with a percentage increase of 23.02% mainly attributed to the increase of operating and financial income.

Performance by class of business Motor

The motor line of business showed a slight decrease in premiums from LBP 4.862 billion in 2013 to LBP 4.029 billion for the year under review.

The loss ratio for the motor class of business for the year 2014 based on accounting year production is 44.06 % as compared to 51.80 % in 2013.

Marine

The marine business showed a decrease in premiums from LBP 205 million in 2013 to LBP 125 million for 2014.

Fire

The premiums income for the fire business in 2014 totaled LBP 7.062 billion compared to LBP 5.519 billion achieved in the year 2013 this recording a percentage increase of 27.96%

Life

In 2014, the generated income under the life business totaled LBP 19.872 billion as compared to LBP 17.571 billion in 2013, a percentage increase of 13.09%.

The loss ratio recorded for the year under review is 17.73 % compared to the loss ratio of 7.74 % recorded in the year 2013.

Casualty

Casualty business premium income generated for the year 2014 amounted to LBP 2.594 billion as compared to LBP 2.614 billion in 2013, a percentage decrease of 0.8 %.

The lines of business falling under the casualty class are mainly Hospitalization, Workmen's compensation, personal accident, theft on property...etc.

The loss ratio calculated on this line of business is 18.14 % in 2014 while it was 61.12 % in 2013.

Technical Reserves

At the end of year 2014, an increase in the unexpired risks reserves has been recorded to become LBP 90.636 billion with a difference of LBP 9.662 billion between this year and the year 2013 when it recorded LBP 80.974 billion including the premium deficiency reserves.

Outstanding claims reserves increased from LBP 3.636 billion in 2013 to 4.339 LBP billion in 2014 including IBNR due to an increase in life claims.

As a result, CLA recorded as technical reserves LBP 94.975 billion in its books for 2014 as compared to LBP 84.610 billion in 2013 with an increase of 12.25%.

The loss ratio decreased from 25.84 % in 2013 to 23.58 % in 2014.

independent auditors report

To the shareholders of Credit Libanais
d'Assurances et de Reassurances sal

Report on the financial statements

We have audited the accompanying financial statements of Credit Libanais D'assurances et de Reassurances SAL which comprise the statement of financial position as of 31 December 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Credit Libanais D'Assurances et de Reassurances sal as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

10 February 2015
Beirut, Lebanon

DFK Fiduciaire du Moyen-Orient

statement of financial position

As at 31 December 2014	2014	2013	
Assets			thousands LBP
Property and equipment	455,706	398,914	
Intangible assets	230,786	349,230	
Deferred acquisition costs	9,955,845	9,516,002	
Financial assets at amortised cost	10,333,122	10,341,546	
Unquoted equity investments	5,636,306	5,636,306	
Premium receivables	1,484,852	893,961	
Receivables from related party	7,537,500	7,528,078	
Reinsurance balances receivable	3,899,101	3,773,188	
Other receivables	30,191	11,489	
Reinsurance assets	14,550,201	14,506,254	
Bank deposits	135,965,928	120,120,719	
Cash and cash equivalents	3,579,972	3,727,948	
Total Assets	193,659,509	176,803,637	
Equity and liabilities			
Equity			
Capital	10,005,000	10,005,000	
Legal reserve	3,335,000	3,335,000	
Other reserves	30,689,077	25,484,513	
Retained earnings	16,684,799	13,561,663	
Total Equity	60,713,875	52,386,177	

	2014	2013	
Liabilities			thousands LBP
Insurance liabilities	94,975,577	84,610,792	
Unearned reinsurance commission	3,347,654	3,504,316	
Retirement benefit obligation	1,185,708	1,240,588	
Accounts payable	52,297	5,294	
Other creditors and accruals	380,195	388,351	
Bank overdraft	---	146	
Reinsurance balances payable	28,224,061	30,117,064	
Reinsurance deposits	3,333,563	3,212,259	
Taxes payable	1,446,579	1,338,651	
Total Liabilities	132,945,634	124,417,460	
Total liabilities and equity	193,659,509	176,803,637	

statement of comprehensive income

For the year ended 31 December 2014	2014	2013	
Insurance premium revenue	33,682,354	30,771,889	thousands LBP
Insurance premium ceded to reinsurers	(7,847,269)	(7,661,973)	
Net insurance premium revenue	25,835,084	23,109,916	
Change in unearned premium revenue	(9,472,926)	(7,040,132)	
Net earned premium	16,362,159	16,069,785	
Net investment income	9,113,025	8,361,971	
Reinsurance commission income and profit sharing	3,235,554	1,652,629	
Other operating income	6,279	68,902	
Net income	28,717,016	26,153,286	
Insurance claims and loss adjustment expenses	(4,954,425)	(5,810,672)	
Insurance claims recovered from reinsurers	1,846,890	2,250,278	
Change in outstanding claims	(121,229)	(147,277)	
Net insurance claims	(3,228,763)	(3,707,671)	
Expense for acquisition of insurance contracts	(3,235,220)	(3,522,019)	
Expense for administration and other expenses	(4,650,322)	(4,453,275)	
Depreciation and amortisation expense	(182,899)	(186,456)	
Provision for end of service indemnities	(83,851)	(257,500)	
Net foreign exchange loss	(145,672)	(6,218)	
Net allowance for provision	(138,260)	(132,923)	
Expenses	(11,664,988)	(12,266,061)	
Profit before tax	17,052,029	13,887,225	
Income tax	(367,230)	(325,562)	
Total comprehensive income for the year	16,684,799	13,561,663	

statement of changes in equity

For the year ended 31 December 2014	Capital	Legal Reserve	Other Reserves	Profit For the Year	Total	
Balance as at 31 December 2012	10,005,000	3,231,412	21,412,762	11,391,914	46,041,088	thousands LBP
Allocation of 2012 profits	---	103,588	11,288,326	(11,391,914)	---	
Dividends and Bonuses distributed (note 21)	---	---	(7,216,575)	---	(7,216,575)	
Profit for the year 2013	---	---	---	13,561,663	13,561,663	
Balance as at 31/12/2013	10,005,000	3,335,000	25,484,513	13,561,663	52,386,177	
Allocation of 2013 profit	---	---	13,561,663	(13,561,663)	---	
Dividends and Bonuses distributed (note 21)	---	---	(8,357,100)	---	(8,357,100)	
Profit for the year 2014	---	---	---	16,684,799	16,684,799	
Balance as at 31/12/2014	10,005,000	3,335,000	30,689,077	16,684,799	60,713,875	

statement of cash flows

For the year ended 31 December 2014	2014	2013			2014	2013		
Operating activities			thousands LBP		Cash flows from investing activities		thousands LBP	
Profit for the year	17,052,029	13,887,225			Acquisition of Property and equipment	(134,810)		(25,290)
Adjusted for:					Acquisition of Intangible assets	(7,794)		(223,302)
Depreciation and amortisation charges	182,899	186,456			Increase in bank deposits (more than 3 months)	(40,261,883)		(891,152)
Provision for end of service indemnities	83,851	257,500			Matured bonds	---		4,552,500
Write off of Intangible assets	16,790	---			Subsidized loan granted to Dourat Loubnan	(9,422)		(7,528,078)
Interest income	(9,280,255)	(8,587,171)			Disposal of financial assets at fair value through OCI	---		1,510,342
Interest expense and related charges	167,230	225,200			Proceeds from disposal of property and equipment	10,779		2,421
Gain from sale of property and equipment	(6,212)	(1,214)			Interest income received	9,288,505		8,587,171
Allowance of provision for doubtful debts	138,260	132,923			Net cash (used in) provided from financing activities	(31,114,625)		5,984,611
Change in other creditors and accruals	(8,156)	24,204			Cash flows from financing activities			
Change in other receivables	(18,702)	23,746			Change in reinsurance deposits	121,304		(1,651,160)
Change in reinsurance assets	(43,946)	2,131,433			Dividends and bonuses distributed	(8,357,100)		(7,216,575)
Change in insurance liabilities	10,364,786	6,283,812			Net cash used in financing activities	(8,235,796)		(8,867,735)
Change in unearned reinsurance commissions	(156,661)	(278,081)			Net increase in cash and cash equivalents	(24,962,109)		12,232,233
Change in deferred acquisition cost	(439,844)	(117,087)			Cash & cash equivalents at the beginning of the year	107,887,797		95,655,564
Change in premiums and reinsurance payables	(1,881,861)	2,063,719			Cash & cash equivalents at the end of the year	82,961,549		107,887,796
Change in taxes payable	(259,448)	104,108						
Change in reinsurance balance receivables	(125,913)	64,244						
Change in premiums receivable	(729,150)	(758,781)						
Employees' end of service benefits paid	(138,730)	---						
Income tax paid	(325,562)	(301,679)						
Interest expense paid	(167,230)	(225,200)						
Net cash provided from operating activities	14,424,173	15,115,357						

CL Branches

Addresses

CL Branches
addresses Worldwide

264

CL Branches
addresses in Lebanon

266

CREDIT LIBANAIS



الائتماد اللبناني

correspondent banks network

Help line for transfers

Central Processing Department

Phone : + 961 1 258 106/9 Ext. 100/111

Fax : + 961 1 257 635/6

Australia

Westpac Banking Corporation - Sydney

Austria

UniCredit Bank AG - Vienna

Bahrain

National Bank of Bahrain - Manama

Belgium

KBC Bank NV - Brussels

Canada

National Bank of Canada - Montreal
Bank of Montreal - Montreal

Cyprus

Bank of Cyprus Public Company Ltd - Nicosia

Denmark

Danske Bank A/S - Copenhagen

France

Natixis - Paris

Germany

Deutsche Bank AG - Frankfurt
Commerzbank AG - Frankfurt

Italy

Intesa Sanpaolo SPA - Milan
UniCredit SPA - Milan

Japan

The Bank of Tokyo-Mitsubishi UFJ LTD - Tokyo

Kuwait

Gulf Bank KSC - Kuwait City
National Bank of Kuwait SAK - Kuwait City

Luxembourg

Clearstream Banking SA - Luxembourg

Norway

DNB Bank ASA - Oslo

Saudi Arabia

The National Commercial Bank - Jeddah
Al Rajhi Bank - Riyadh

Spain

Banco Bilbao Vizcaya Argentaria SA (BBVA) - Madrid
Banco de Sabadell - Sabadell

Sri Lanka

Bank of Ceylon - Colombo
Commercial Bank of Ceylon PLC - Colombo

Sweden

Skandinaviska Enskilda Banken AB (Publ) - Stockholm

Switzerland

Credit Suisse AG - Geneva

Turkey

Akbank TAS - Istanbul
Yapi Ve kredi Bankasi - Istanbul

UAE

The National Bank of Abu Dhabi - Abu Dhabi
Standard Chartered Bank - Dubai

UK

Citigroup Global Markets Limited - London
Standard Chartered Bank - London

USA

JP Morgan Chase Bank NA - New York
Citibank NA - New York
Standard Chartered Bank - New York
The Bank of New York Mellon - New York

Credit Libanais SAL

HEAD OFFICE

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1100 2811 - Beirut, Lebanon

P.O.Box: 16-6729

Fax: +961 1 608 126 - Phone: +961 1 608 000

Website: www.creditlibanais.com

E-mail: info@creditlibanais.com.lb - feedback@creditlibanais.com.lb

Credit Libanais Investment Bank (CLIB) SAL

HEAD OFFICE

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1100 2811 - Beirut, Lebanon

P.O.Box: 16-6729

Fax: +961 1 425 637 - Phone: +961 1 425 671/2/3/4

+961 1 608000

Website: www.creditlibanais.com

E-mail: info@creditlibanais.com.lb - feedback@creditlibanais.com.lb

Credit Libanais d'Assurances et de Reassurances (CLA) SAL

HEAD OFFICE

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1100 2811 - Beirut, Lebanon

P.O.Box: 16-6729

Fax: +961 1 608 390 - Phone: +961 1 608 400

Website: www.creditlibanais.com

E-mail: info@creditlibanais.com.lb - feedback@creditlibanais.com.lb

head office and branch network

Call Center

+961 1 900 111

Lebanon 1518

BEIRUT

Adlieh (Main Branch) Credit Libanais Tower Corniche El Nahr, Adlieh Roundabout,

Fax: (01) 608 047 - Phone: (01) 608 048/9 - 608 050

Branch Manager: **Mr. Rami Nassif**

Ashrafieh Zahret Al Ihsan St., Sausalito Bldg.

Fax: (01) 204 643 - Phone: (01) 216 540 - 204 641

Branch Manager: **Mr. Naji Khayat**

Badaro Badaro St., Khatoun Center

Fax: (01) 382 145 - Phone: (01) 387 878/9

Branch Manager: **Ms. Claudia Khoury**

Gefinor Clemenceau St., Gefinor Center 1st floor, Bloc C

Fax: (01) 740 168 - Phone: (01) 739 830/1

Branch Manager: **Ms. Noha Yammout**

Geitawi Facing Geitawi Hospital

Fax: (01) 582 087 - Phone: (01) 580 715/6

Branch Manager: **Mr. Costi Saroufim**

Hamra Hamra St., Ghanem Bldg.

Fax: (01) 340 390 - Phone: (01) 346 960 - 342 954/5 - 350 293

Branch Manager: **Mr. Ahmad Kechli**

Liberty Tower Hamra, Rome St., Liberty Tower Bldg.

Fax: (01) 740 017 - Phone: (01) 740 017/8/9

Branch Manager: **Mr. Kamal Abdel Sattar**

Mar Elias Mousaitbeh, Mar Elias St.

Fax: (01) 312 028 - Phone: (01) 819 116 - 312 021

Branch Manager: **Mr. Houssam El Hajj**

Mazraa Corniche El-Mazraa, Salam Blvd., Choueiry Bldg.

Fax: (01) 300 937 - Phone: (01) 313 590 - 317435

Branch Manager: **Mr. Bassam Matta**

Raouche Hajj Toufic Nassar Bldg.

Fax: (01) 807 475 - Phone: (01) 807 454 - 807 492

Branch Manager: **Mr. Saadeddine Akel**

Riad El Solh Beirut Central District, Riad El Solh Square, Asseily Bldg.

Fax: (01) 983 141 - Phone: (01) 983 141/2/3

Branch Manager: **Ms. Lina Dabaghi**

Rmeil Nahr St., Zoghbi Bldg.

Fax: (01) 445 275 - Phone: (01) 445 684 - 443806

Branch Manager: **Ms. Katia Ayoub**

Sassine Sassine Square, Independance Ave., Credit Libanais Bldg.

Fax: (01) 203 007 - Phone: (01) 332 889 - 218 608

Branch Manager: **Mr. Joseph S. Raad**

Sofil (Main Branch) Ashrafieh, Charles Malek Ave., Sofil Center

Fax: (01) 215 044 - Phone: (01) 200 028/9 - 201 292

Branch Manager: **Ms. Georgette Abdo**

Starco Mina El Hosn, George Picot St., Starco Center, Bloc A, 1st Floor

Phone/Fax: (01) 367 582/3

Branch Manager: **Mr. Ali Berro**

Verdun (Unesco) Unesco St., Boubes Bldg.

Phone/Fax: (01) 790 511 - 790 289

Branch Manager: **Ms. Fadia Hammoud**

MOUNT LEBANON

Amchit Main Road, Jafoury Bldg.

Fax: (09) 621 072 - Phone: (09) 622 781/2

Branch Manager: **Mr. Paul Ajaltouni**

Antelias Rahabneh St., Antelias Square, St. Elie Center

Fax: (04) 419 760 - Phone: (04) 418 582/3

Branch Manager: **Ms. Nouhad Torbey**

Awkar Main Road

Fax: (04) 544 763 - Phone: (04) 544 760/1/2

Branch Manager: **Ms. Amal El Azar**

Bauchrieh Industrial City St., Boulghourjian Bldg.

Fax: (01) 497 332 - **Phone:** (01) 497 092- 497 260

Branch Manager: **Ms. Hoda Gemayel**

Beit Mery Notre Dame St., Dr. Sawan Bldg.

Fax: (04) 871 176 - **Phone:** (04) 871 916 - 871 761

Branch Manager: **Mr. Adib Hamouche**

Bhamdoun Main Road, Bhamdoun Station, Mouttawah Center

Fax: (05) 260 247 - **Phone:** (05) 260 244/5/6/7

Branch Manager: **Mr. Imad Abdel Nour**

Bourj El Brajneh Zein Harb Road, Yassine Bldg.

Fax: (01) 450 471 - **Phone:** (01) 450 470/2

Branch Manager: **Mr. Nadim Hatoum**

Bourj Hammoud Municipality Square, Mukhtarian & Sarkissian Bldg.

Fax: (01) 265 299 - **Phone:** (01) 262 393

Branch Manager: **Ms. Arpie Tcheboukjian**

Broummana Main Road, Tawil Bldg.

Fax: (04) 862 105 - **Phone:** (04) 960 664 - 960 349

Branch Manager: **Mr. Naoum Labaki**

Chehim Main Road, El Chraifeh St., Raiif Abdallah Bldg.

Fax: (07) 242 405/6 - **Phone:** (07) 242 405/6/7

Branch Manager: **Mr. Ahmad Charafeddine**

Dekwaneh Main Road, Rawda Roundabout

Fax: (01) 686 903 - **Phone:** (01) 686 794/5

Branch Manager: **Ms. Reine Abi Hatab**

Dora Dora Roundabout, Bassil Bldg.

Fax: (01) 264 813 - **Phone:** (01) 251 832 - 260 358

Branch Manager: **Mr. Antoine Kmeid**

Fanar Fanar Roundabout, Samra Center

Fax: (01) 902 362 - **Phone:** (01) 902 360/1/2

Branch Manager: **Ms. Antoinette Tannoury**

Furn El Chebbak Damascus Road, Ghaoui Bldg.

Phone/Fax: (01) 281 518/9

Branch Manager: **Mr. Amin Zakhour**

Ghobeiry Airport Blvd., Moucharafieh Square, Wazneh Bldg.

Fax: (01) 552 781 - **Phone:** (01) 552 781/2

Branch Manager: **Mr. Fawaz Toufeili**

Hadeth Adib Al Chidiac St., Kafaa't Intersection, Wehbe Center

Fax: (05) 466 680 - **Phone:** (05) 466 681/2

Branch Manager: **Mr. Youssef Chartouni**

Haret Hreik Hady Nasrallah Blvd., Diab and Ayad Bldg.

Fax: (01) 278 004 - **Phone:** (01) 278 042/9 - 278 121

Branch Manager: **Mr. Noureddine Ballout**

Haret Hreik Menchieh St., Dabaja Bldg.

Fax: (01) 556 784 - **Phone:** (01) 556 780/1/2

Branch Manager: **Mr. Ali Mahfouz**

Haret Sakhr Jounieh highway, Credit Libanais Tower

Fax: (09) 636 842 - **Phone:** (09) 636 841 - (03) 675 004

Branch Manager: **Mr. Chakib Khoury**

Hazmieh Jisr El Bacha Main Road, S & S Center

Fax: (05) 952 425 - **Phone:** (05) 952 426

Branch Manager: **Ms. Randa Khater**

Jal El Dib Main Road, Next to Mar Takla Church, Facing The Public Garden

Fax: (04) 721 853 - **Phone:** (04) 721 850/1/2

Branch Manager: **Ms. Marie Abi Haidar**

Jbeil Main St., Kordahi & Matta Center

Fax: (09) 949 588 - **Phone:** (09) 942 588 - 949 558

Branch Manager: **Mr. Antoine Habib**

Jbeil Collège des Frères, Street 13, Khoury Business Center

Phone/Fax: (09) 540 496/7/8 - 540 534

Branch Manager: **Mr. Akram Khoury**

Jdeideh Nahr El Mott Roundabout, Montelibano Bldg.

Fax: (01) 887 780 - **Phone:** (01) 898 065 - 887 779

Branch Manager: **Mr. Kamal Zakhem**

Jisr Dora Highway, Karantina Bridge, Azar Bldg.

Fax: (01) 257 641 - **Phone:** (01) 257 640/1

Branch Manager: **Mr. Antoine Saba**

Jounieh Facing La Cité

Fax: (09) 832 075 - **Phone:** (09) 832 069/70 - 832 063/5

Branch Manager: **Mr. Michel Ghaliéh**

Kaslik Main Road, Kaslik Plaza Center

Fax: (09) 640 244 - **Phone:** (09) 639 945 - 640 794 - 640 118

Branch Manager: **Mr. Joseph Kmeid**

Khaldeh (Al-Kobbé) Saida Highway, Credit Libanais Bldg.

Fax: (05) 810 893 - **Phone:** (05) 810 891/2/3

Branch Manager: **Mr. Mahfoud Ghanem**

Kornet Chehwan Main Road, Forum 600 Center

Fax: (04) 913 911 - **Phone:** (04) 913 911 - 928 240

Branch Manager: **Mr. Joseph Mallouk**

Mkalles Main Road, Factory Center

Fax: (01) 698 753 - **Phone:** (01) 698 750/1/2/3/4

Branch Manager: **Mr. Emile Moukarzel**

Sin El Fil Fouad Chehab Road, St. Georges Center

Fax: (01) 491 899 - **Phone:** (01) 495 370/1 - 482 368

Branch Manager: **Mr. Atef Renno**

Zouk Jounieh Highway, Zeayter Bldg.

Fax: (09) 211 556 - **Phone:** (09) 210 485/7 - 211 542

Branch Manager: **Mr. Joseph B. Khoury**

Zouk Mosbeh Geita Main Road, Near Pizza Hut

Fax: (09) 211 083 - **Phone:** (09) 211 082 - 210 744 - 210 711

Branch Manager: **Ms. Amale Araman**

BEKAA

Bar Elias Damascus Road, Araji Bldg.

Fax: (08) 510 267 - **Phone:** (08) 510 265/6/7

Branch Manager: **Mr. Wajih Araji**

Chtaura Damascus Road, Rose Massabki Bldg.

Fax: (08) 544 802 - **Phone:** (08) 540 833 - 543 555/666

Branch Manager: **Mr. Wassim Rahal**

Ferzol Main Road, Ordre Salvatoriens Bldg.

Fax: (08) 950 540 - **Phone:** (08) 950 54/12/3/4

Branch Manager: **Mr. Michel Gerges**

Jeb Jannine Ismaïl Sharanek Bldg.

Fax: (08) 660 233 - **Phone:** (08) 660 233 - 660 710

Branch Manager: **Mr. Souheil Charanik**

Machghara Main Road, Albert Karam Bldg.

Phone/Fax: (08) 650 250 - 650 297

Branch Manager: **Mr. Antoine Hajjar**

Rachaya - Dahr El Ahmar Dib Mounzer Bldg.

Fax: (08) 590 303 - **Phone:** (08) 591 013/4

Branch Manager: **Mr. Nidal Abou Hjeili**

Zahle Hoch Al Omara, Deir Mar Chaaya Bldg.

Fax: (08) 800 459 - **Phone:** (08) 810 142/3 - 803 200

Branch Manager: **Mr. Aziz Chamma**

NORTH

Abdeh Abdeh Main Road, Haddad Bldg.

Fax: (06) 470 650/1/2 - **Phone:** (06) 470 650/1/2 - (03) 583 586

Branch Manager: **Mr. Aghiad Dandachi**

Amioun Koura Main Road, Azar Bldg.

Fax: (06) 952 714 - **Phone:** (06) 952 715/6/7

Branch Manager: **Mr. Esper El Azar**

Batroun Main Road, Juliette Adaymi Bldg.

Fax: (06) 642 168 - **Phone:** (06) 742 074/5

Branch Manager: **Mr. Nidal Farah**

Kobbe Kobbe Main Road, Yehya Center

Fax: (06) 393 902 - **Phone:** (06) 393 900/1

Branch Manager: **Mr. Walid Rima**

Tripoli - Azmi Azmi St., Haytham Center

Fax: (06) 215 900 - **Phone:** (06) 215 900/1/2

Branch Manager: **Mr. Nazih Naja**

Tripoli - Tell Abdel Hamid Karame St., Kantara Bldg.

Fax: (06) 430 350 - **Phone:** (06) 430 350/1/2 - 424 434

Branch Manager: **Mr. Fouad Kabbara**

Zghorta Main Road, Kareh & Mouawad Bldg.

Fax: (06) 668 601 - **Phone:** (06) 668 600/1/2/3

Branch Manager: **Ms. Elissar Frangieh**

SOUTH

Bint Jbeil Main Road, Charara Center

Fax: (07) 450 802 - **Phone:** (07) 450 800/1 - (03) 675 012

Branch Manager: **Mr. Ghassan Ghafari**

Nabatieh Main Road, Sabbagh Bldg.

Fax: (07) 767 911 - **Phone:** (07) 767 909/10/11

Branch Manager: **Mr. Zahi Jaffal**

Saida East Blvd., Elia Roundabout, Center Zaatari 2035

Fax: (07) 755 793 - **Phone:** (07) 755 790/1/2

Branch Manager: **Mr. Mohamad Saad**

Saida Riad El Solh St., Zaatary Bldg.

Fax: (07) 721 401 - **Phone:** (07) 721 401/2 - 751 101/2/3

Branch Manager: **Mr. Samih Kaakour**

Tyr Rest House St., Farran Bldg.

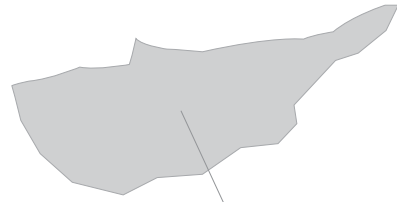
Fax/Phone: (07) 742 854/5/6

Branch Manager: **Mr. Riad Chebli**

Tyr Abbassieh Abbassieh, Main Road, Jal Al Baher, Sea Center

Fax: (07) 351 094 - **Phone:** (07) 351 064 - 351 074 - 351 084

Branch Manager: **Mr. Hussein Abdel Majid Saleh**



Cyprus Branch

Chrysalia Court, 1st Floor, 206 Arch. Makarios III Avenue, CY 3303
P.O.Box: 53-492, Limassol Cyprus
Fax: +357 25 376 807 - Phone: +357 25 376 444
Branch Manager: **Ms. Hayat Harfouche**
E-mail: limassol@creditlibanais.com.lb - feedback@creditlibanais.com



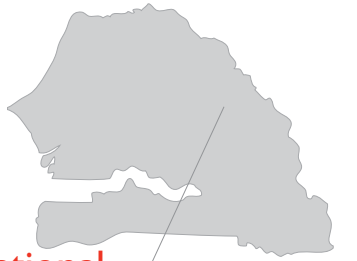
Bahrain Branch

Seef Area, 428, Road 2806
P.O.Box: 5576, Manama Kingdom of Bahrain
E-fax: +973 17 910 573 - Fax: +973 17 582 224 - Phone: +973 17 560 570
Mobile: +973 39 912 912 / +973 39 981 981
SWIFT/BIC: CLIB BH BB
Branch Manager: **Mr. Aghar Kanafani**
E-mail: bahrain@creditlibanais.com.lb - feedback@creditlibanais.com



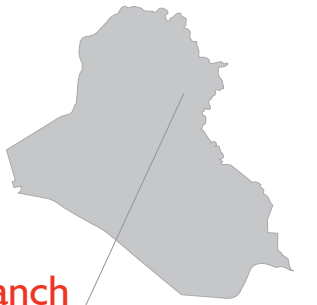
Representative Office- Montreal, Canada

**Montreal, Quebec, Place du Canada, 1010 de la Gauchetière Ouest
1325, 13th Floor, Montreal, Quebec H3B 2N2 Canada**
Fax: +1 514 866 6220 - Phone: +1 514 866 6688
+1 800 864 5512
Office Manager: **Mr. Elie Ayoub**
E-mail: info@creditlibanais-repoffice.com - feedback@creditlibanais.com



Credit International, SA (CISA) Senegal

**Credit International SA, Immeuble le Goelan, Boulevard Djily Mbaye,
Intersection Henri Dunan**
B.P.: 50117 Dakar RP
Fax: +221 33 822 80 80 - Phone: +221 33 829 64 64 / +221 33 889 18 18
General Manager: **Mr. Christian Khalife**
Website: www.cisenegal.com
E-mail: info@cisenegal.com



Erbil Branch

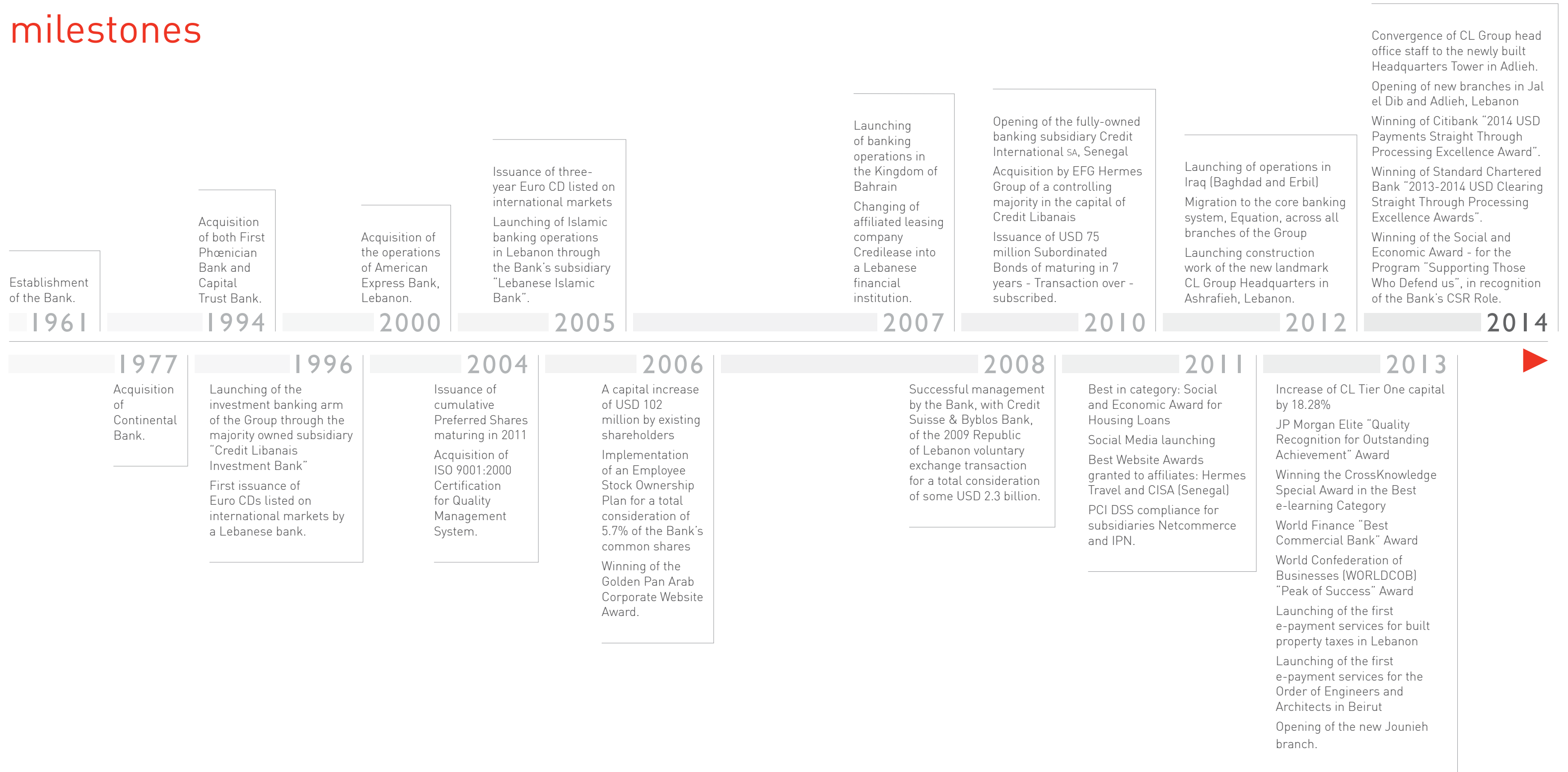
Newroz Street, Worech 44, Credit Libanais Bldg.
P.O. Box: 20 Newroz
Fax: +964 66 2296690 - Phone: +964 750 3000111 / +964 770 0000766 / +964 750 3000666 / +964 770 0000103
SWIFT/CIB: CLIB IQ BA
General Manager: **Mr. Fouad Kabbara**
Website: www.creditlibanais.com.lb
E-mail: erbil@creditlibanais.com.lb



Baghdad Branch

Street N°. 14, Selman Al Faek, 904, Credit Libanais Bldg.
P.O. Box: 81018, Abi Nawas
Fax: +964 727 0020385 - Phone: +964 770 0434434 / +964 750 5000555 -
Mobile: +964 750 5000111 / +964 770 0000665
SWIFT/BIC: CLIB IQ BA
General Manager: **Mr. Marwan Abi Hana**
Website: www.creditlibanais.com.lb
E-mail: baghdad@creditlibanais.com.lb

milestones





The Forest Stewardship Council www.FSC.org is an international organization promoting responsible forest management. FSC has developed principles for forest management of forest holdings, and a system of tracing, verifying and labeling timber and wood products, which originate from FSC-certified forests.

