FIRST NATIONAL BANK

FNB ANNUAL REPORT 2014

FIRST NATIONAL BANK S.A.L.

ANNUAL REPORT 2014

CONTENT

CHAIRMAN'S LETTER

Despite regional unrest and geopolitical uncertainties, the Lebanese economy and the banking sector in particular were able to maintain stability. The year 2014 was another remarkable year for FNB Group. The Bank reconfirmed its commitment to quantitative and qualitative growth by further enhancing its universal banking strategy and expanding its market share in the MENA region.

During 2014, the Bank accomplished an overall performance which exceeded the Lebanese banking industry's growth. Assets increased by 10.7% and deposits by 9.9% compared to 6.6% and 6.1%, respectively, for the domestic market.

The Net Profit growth of 14% was well ahead of the 2% domestic net profit growth of the Alpha banks achieved within a sound and robust risk management framework. The compounded average growth in net profit recorded a remarkable 24.4% annualized rate over the last five years, resulting in an enhanced return on average common equity of 12.2% in 2014.

The growth in Net Profit was supported by a qualitative and healthy expansion in our funding structure, whereby assets increased by 10.7% to reach approximately $4 billion, and was primarily funded by a solid increase in deposits to reach approximately $3.25 billion.
Furthermore, loans and advances to customers grew to reach $0.94 billion while maintaining a conservative loans-to-deposits ratio close to 29% at a group level.

The capital adequacy ratio further increased in 2014 to 11.72% before allocation of profits. This ratio would exceed the 12.5% threshold after the allocation of the 2014 balance of profits to equity. The above indicators, in line with our three-year strategic plan, were achieved as a result of adopting a diversified business model by expanding our retail products and services to better satisfy our customer base and create long-term value for our shareholders.

Two major achievements made this year enhanced further the Bank's positioning in relation to international financial institutions and widened the Bank's spectrum of services provided to customers.

The Bank successfully concluded a deal with the European Investment Bank ("EIB") to become one of its prominent shareholders by issuing "Series A" preferred shares convertible to common shares at the option of EIB. This transaction was considered by EIB as a first and unique transaction of its kind in the region. A rigorous financial and legal due diligence process for several months preceded the decision of EIB to invest in the bank, thus providing FNB with another seal of confidence in the bank's solid financial and operational framework. The benefits of the association of FNB and EIB go beyond the monetary value of the transaction.
Moreover, the second achievement was the acquisition of Corporate Finance House ("CFH") Group, a company specialized in financial advisory, which remarkably enriched universal banking services provided by FNB Group by offering a consumer and investment banking platform to its customers. This achievement will further expand the geographic presence of FNB in the MENA region through CFH Group's strong investor and clientele network in the region.

During 2014, in an effort to enhance corporate governance practices across the Group, we engaged an external corporate governance consultant to perform a thorough review of the bank's corporate governance processes. Sound corporate governance practices will further enhance accountability across the Group and promote long-term value for our shareholders.

In an effort to transform FNB from a traditional bank into a financial institution within the smart banking industry, the bank invested in new technology allowing for further automation across the Group. Significant improvements of our online banking platform were introduced to offer our customers more convenient and efficient services.

I seize the opportunity to thank our employees for their loyalty and our shareholders for their continuous confidence in the bank. Looking ahead, we remain confident that our focused and committed team will always be the key to our ongoing success in the years to come.

Rami El Nimer
Chairman - General Manager

CORPORATE GOVERNANCE

STATUTORY BODY
MANAGEMENT

STATUTORY BODY

The corporate governance guidelines, adopted by First National Bank, provide a framework to regulate the relationships between shareholders, supervisors and management.

A clear separation between the oversight, vision setting, supervision and execution is reflected in the corporate governance structure. The board makes every effort to balance the interest of its shareholders, customers, employees and suppliers.

Furthermore, the Board ensures effective governance, supervises the management of the bank's business and affairs, and exercises reasonable business judgment on behalf of the bank. In all actions taken by the board, the members act on a fully informed basis, in good faith, with due diligence, keeping in mind the best interests of the bank. In discharging their obligation, board members rely, among other things, on the honesty and integrity of the bank's senior management and its outside advisors and external auditors.

CHAIRMAN

The Chairman and Vice Chairman of the Board are appointed by the Board of Directors for a maximum period of three years. The Chairman may delegate some or all of his authority to another person who operates under his supervision, but remains responsible for the acts and performance of his delegates. The General Managers, Deputy General Managers and Assistant General Managers are endorsed by the board upon the recommendation of the Chairman. They assist the Chairman in the daily operations of the bank. The Chairman has extensive powers to execute resolutions adopted by the shareholders at the Ordinary or Extraordinary General Assembly and to represent the bank in its different activities.

BOARD OF DIRECTORS

The Board of Directors consists of nine elected members and is chaired by Mr. Rami El Nimer. The election of the members takes place at the Annual General Assembly of Shareholders for a maximum period of three years renewable. Board members need General Assembly authorization to be elected members in other entities with similar business activities. The renewal of this authorization is mandatory at each Annual General Assembly of Shareholders.

The Board of Directors of First National Bank in 2014 was composed of the following 9 members:

Mr. Rami Refaat El Nimer is an experienced banker who has many notable achievements in the banking industry. He has served as a Director and Chairman for the bank since March 2001. Additionally, Mr. El Nimer holds other corporate responsibilities within the business community.

Mr. Khaled Abdallah Al Sagar is the Vice-Chairman of the bank. He has been a Director at FNB since June 1996. Mr. Al Sagar held the role of Chairman of the Board for a three year term starting April 3, 1998 until March 23, 2001. He is an active member of the Al Sager Group, a leading merchant and industrial conglomerate in Kuwait.

Mr. Abdallah Saoud Al Humaidhi has been a Director of the bank since June 1996. He is also a member of the Board of Directors of the Arab Banking Corporation in Bahrain, representing the government of Kuwait. Mr. Al Humaidhi is the Chairman and Managing Director of Commercial Facilities Company K.S.C., and a Board Member of the Chamber of Commerce & Industry in Kuwait, in addition to other Kuwaiti organizations.

Promotion des Investissements S.A.L. (Holding) has been represented on the board through its representative since April 2000. It is a Lebanese holding company that primarily invests its financial and industrial concerns in Lebanon.

Mr. Roland Elias Haraoui has been a board member since December 2001. He is a Lebanese businessman with an exceptional leadership profile.

Al Muttahida Lil Istithmar (Lebanon) s.a.l. (Holding) has been elected, through its representative, as a board member since 2004. It is a Lebanese holding company that invests its financial and industrial concerns in Lebanon.

Mr. Arfan Khalil Ayass has been a Director at the bank since August 2009. He is a member of the American Institute of Certified Public Accountants, the Lebanese Society of Certified Public Accountants. Mr. Ayass is currently a faculty member of Rafic Hariri University.

Mr. Fawzi Elias Farah has been a Director at the bank since May 2014. He is the Founder and Principal Partner of the CFH Group. He held various banking positions in New York and Kuwait. He is an International Advisor to the Olayan School of Business at the American University of Beirut, Member of the Board of Trustees at the American Community School, and Member of the Board of the International Chamber of Commerce-Lebanon Chapter.

Mr. Moustapha Hadi M. Saoud El Assaad has been a Director at the bank since September 2014. Between 2004 -2008 Mr. El Assaad was the General Manager of Qatar National Bank – Paris, and was also associated with other International Banks. He is an International Expert and member of the French Institute of Directors in Paris (IFA); He actually participates in advising and developing several Banks.

MANAGEMENT
FNB S.A.L. (FIRST NATIONAL BANK)

GENERAL MANAGEMENT

MR. RAMI R. EL NIMER
(Chairman-General Manager)

MR. ELIAS S. BAZ
(General Manager)

MR. NAJIB M. SEMAAN
(General Manager)

MR. GHAITHAN S. TAYARA
(Deputy General Manager)

MR. MAHMOUD G. FRANCIS
(Assistant General Manager)

MR. TONY W. DABBAGHIAN
(Assistant General Manager)

MR. ROBERT H. EL HADDAD
(Group Chief Audit Executive)

MR. ANTOINE C. WAKIM
(Chief Financial Officer)

HEAD OFFICE - MANAGERS

MR. ADAM H. MANSOUR
(Group Chief Compliance Officer)

MR. ADONIS F. SHEHAYEB
(Management Information Systems Department)

MS. AMINA H. BIZRI
(Anti-Money Laundering Department)

MR. ANTOINE G. HAFEZ
(Business Development Department)

MR. ASSAAD K. SALIBA
(Foreign Exchange Department)

MS. CARINE N. JBEILY
(Retail Credit Department)

MS. CAROLE A. ABI SAAD
(Organization & Methods Department)

MS. CHANTAL R. FREIJI
(Financial Institution & Correspondent Banking Department)

MR. CHARLES W. SKAFF
(Administration Department)

MS. DIMA H. EL DAIRY
(Marketing & Communication Department)

MR. ELIE G. ABOU ZEIDAN
(Legal Department)

MR. ELIE M. RAHAL
(Trade Finance Department)

MR. GEORGE K. BOUSTANY
(Information Technology Security Department)

MR. JOHN N. CHALOUHI
(Chief Risk Officer)

MR. JOSEPH E. ESTEPHAN
(Recovery & Restructuring Department)

MS. MARIE-ROSE E. KALLAS
(Corporate Credit Analysis Department)

MS. MARIE-THERESE E. OBEID
(International Corporate Credit Banking Department)

MR. MARWAN B. KHAWAND
(Information Technology Department)

MR. NABIL J. SEMAAN
(Human Resources Department)

MS. NADA F. EL ZEIN
(Credit Appraisal Department)

MR. NAJI N. MAALOUF
(Corporate Banking Department)

MR. PHILIPPE A. ABOU AZAR
(Small & Medium Enterprises Banking Department)

MR. RAYMOND N. YAZBECK
(Credit Administration Department)

MS. RAYMONDA D. ABBOUD
(Credit Inspection Department)

MR. SALIM L. KARROUM
(Operations Department)

MS. SOUMAYA Y. HARIS
(Head of Group Treasury)

MR. WALID B. RIZK
(Electronic Banking Department)

ADVISORS

MR. GEORGE N. AOUAD
(Advisor to Chairman-General Manager)

MR. NABIL M. SOUBRA
(Consultant to Chairman – Foreign Affairs)

ME. JEAN CLAUDE M. CHAMOUN
(Legal Advisor)

ME. MANSOUR A. BREIDI
(Legal Advisor)

ME. RAWI B. KANAAN
(Legal Advisor)

ME. SAKHER C. EL HACHEM
(Legal Advisor)

ABOU SLEIMAN AND PARTNERS
(Legal Advisor)

MENA CITY LAWYERS
(Legal Advisor)

SAADE, DEBS AND PARTNERS
(Legal Advisor)

AUDITORS

DELOITTE & TOUCHE
FIDUCIAIRE DU MOYEN-ORIENT

MECG S.A.L. (MIDDLE EAST CAPITAL GROUP)

GENERAL MANAGEMENT

MR. NAJIB M. SEMAAN
(Chairman-General Manager)

CFC S.A.L. (CAPITAL FINANCE COMPANY)

GENERAL MANAGEMENT

MR. TAREK I. KOMBARJI
(Chief Executive Officer)

MR. RONY M. KHONEISSER
(Assistant General Manager)

MS. MYRIAM J. MOUANESS
(Financial Control Director)

CFH GROUP (CORPORATE FINANCE HOUSE GROUP)

GENERAL MANAGEMENT

MR. FAWZI E. FARAH
(Chief Executive Officer)

MR. ABDUL KARIM M. B. CHAMSEDDINE
(Chief Operating Officer & Deputy CEO)

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION
KEY FIGURES OF THE FNB GROUP
ECONOMIC ENVIRONMENT
BANKING SECTOR
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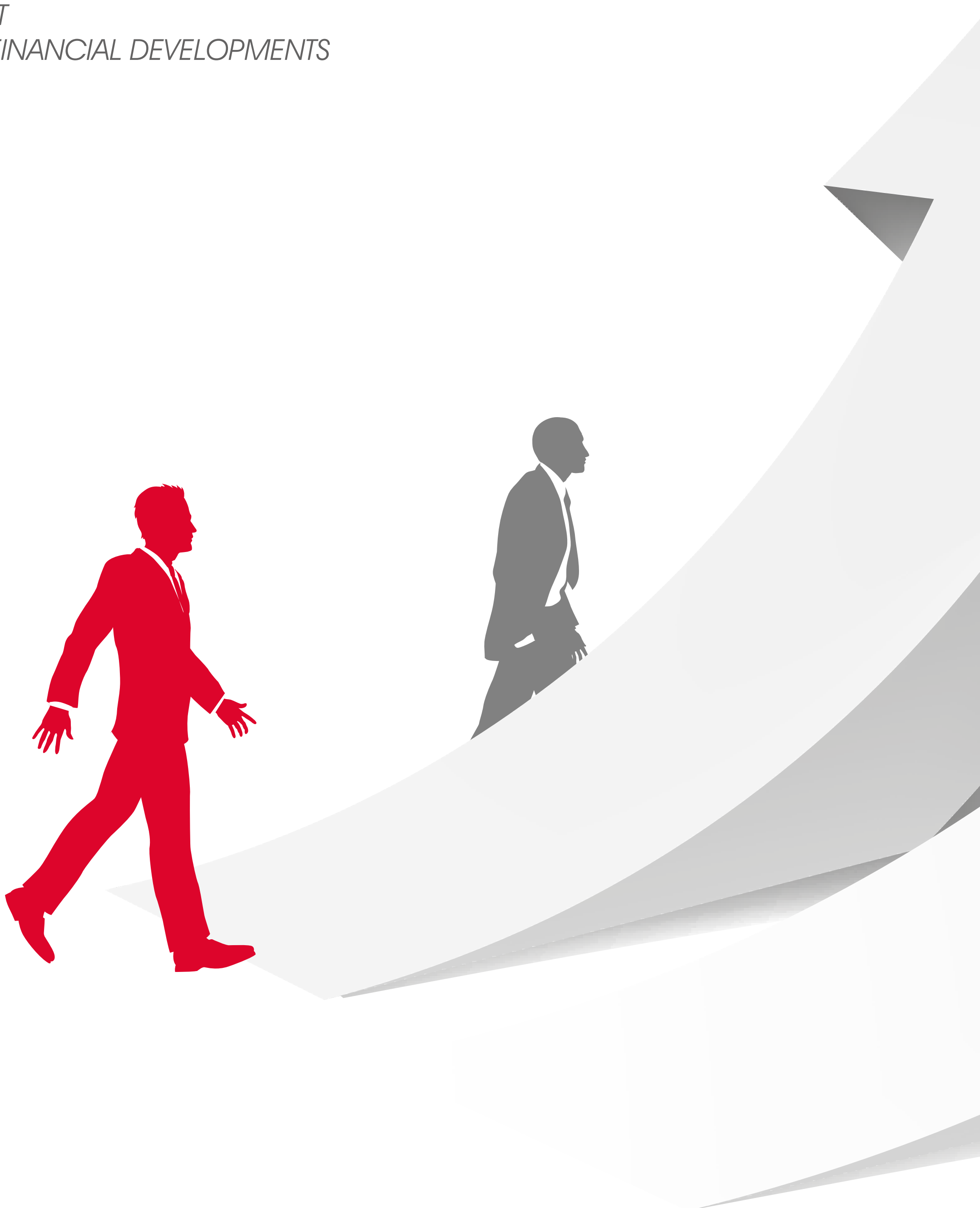
SOURCES OF FUNDS
USES OF FUNDS
PROFITABILITY
CAPITAL MEASUREMENT
FINANCIAL AND NON-FINANCIAL DEVELOPMENTS



INTRODUCTION

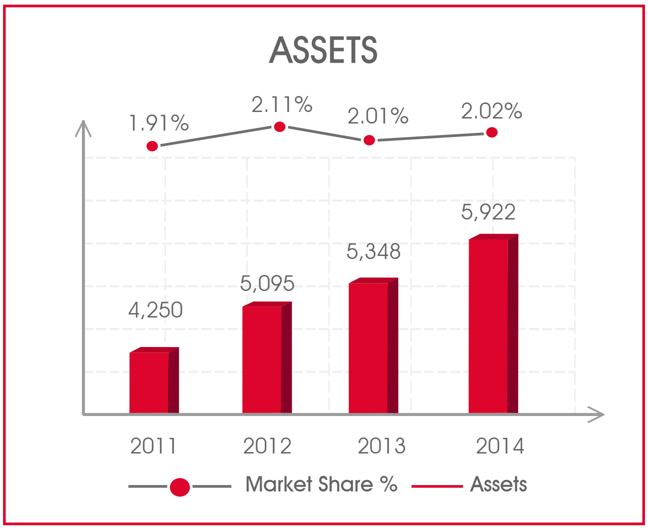
First National Bank Group S.A.L. is a commercial bank operating in Lebanon categorized within the Alpha Group banks. The economic studies of 2014 have indicated that FNB's expansion is notably ranked among the highest in Lebanon's banking industry. FNB was mentioned on the cover of BilanBanques 2014 as "Best Performance". Founded in 1994, FNB has introduced a wide range of innovative products and upscale banking services to customers, with a major focus on corporate, SME, individuals and the public sector.

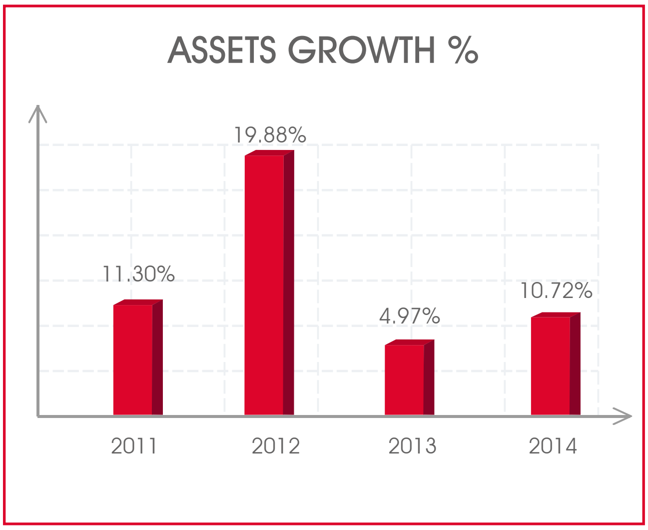
The acquisition of Middle East Capital Group (MECG) in 2008 and Capital Finance Company (CFC) in 2010 as well as Corporate Finance House (CFH) in 2014 bolstered volume, encouraged development and strengthened the Group's network coverage which led to opportunities throughout the MENA region, Europe and the rest of the world.

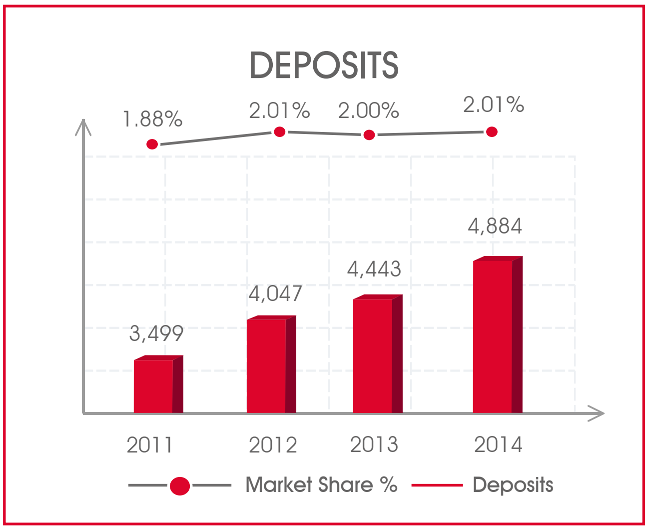
The Management Discussion and Analysis displays the consolidated key financial figures of First National Bank S.A.L. and the main highlights of 2014. The charts demonstrate the cyclical trend of FNB results to better address the informational needs of the public and the regulators, specifically the stakeholders.

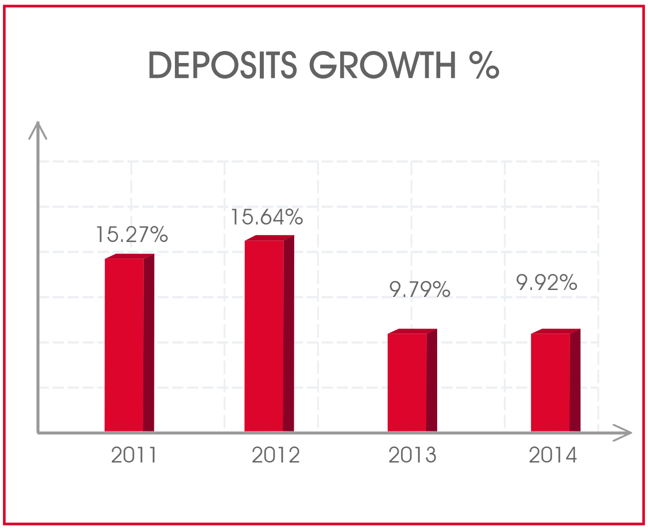
The terms "the bank" and "FNB", used without other qualifying descriptions, refer to First National Bank S.A.L. The term "Group" refers to FNB consolidated (with Middle East Capital Group "MECG", Capital Finance Company "CFC" and Corporate Finance House "CFH"). All statements of financial position are consolidated and expressed in Lebanese pounds (LBP) unless otherwise stated, and are based on the audited consolidated statements of the external auditors, Deloitte & Touche and DFK Fiduciaire du Moyen-Orient. All references to the banking sector refer to the 55 banks operating in Lebanese territory and all references to peer groups or markets are those of the Alpha Group with total deposits exceeding 2 billion dollars each, as per bank data financial statements.

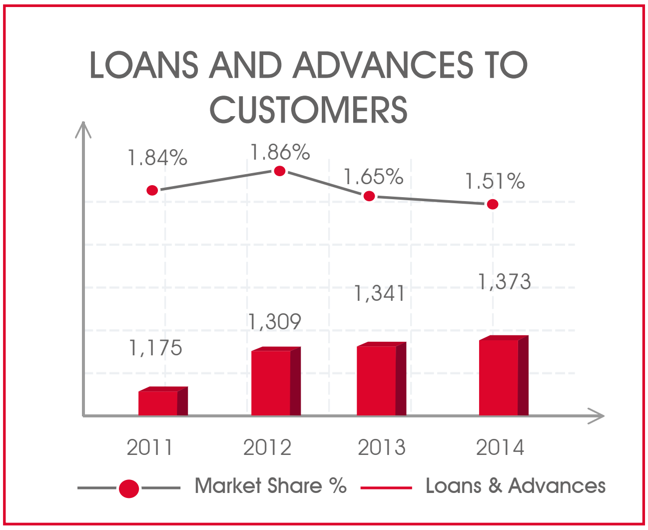
KEY FIGURES OF THE FNB GROUP IN BILLIONS OF LBP

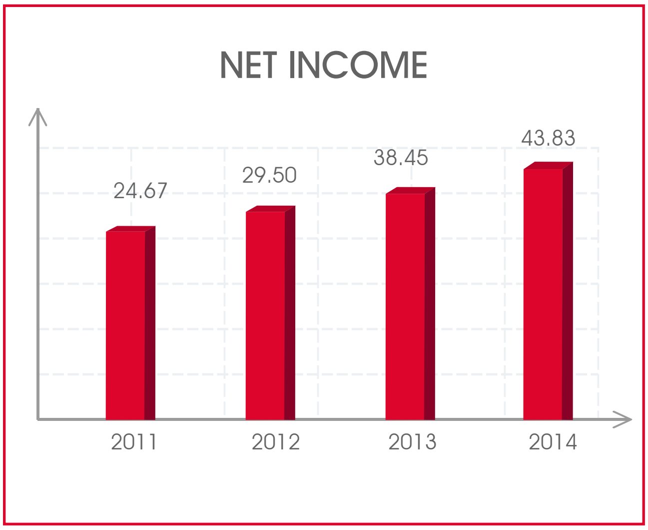












ECONOMIC ENVIRONMENT

The economic indicators of the year 2014 show a slight improvement in the Lebanese economic performance refraining by which the contraction whitnessed in previous years. However, the spillovers of the external environment, mainly the Syrian crisis and the drop in oil prices, did not allow the reflection of the capacity observed internally. In 2013, the GDP reached USD 47.2 billion and was estimated to exceed USD 50 billion in 2014. Moreover, the BDL coincident indicator reflects the progress in the general state of the economy presenting a slight correction, reaching 292.5 in 2014 compared to 267.9 in 2013, hence increasing by 9.18% from last year's figures.

While a sluggish investor attitude has been observed in the market, resiliency in product consumption was supported by the Lebanese residents and the Syrian refugees' spending which was partially maintained by the United Nations financial support system. The Consolidated Balance Sheet of Lebanese commercial banks showed a 6.6% growth rate in 2014 compared to a higher rate of 8.5% in the previous year.

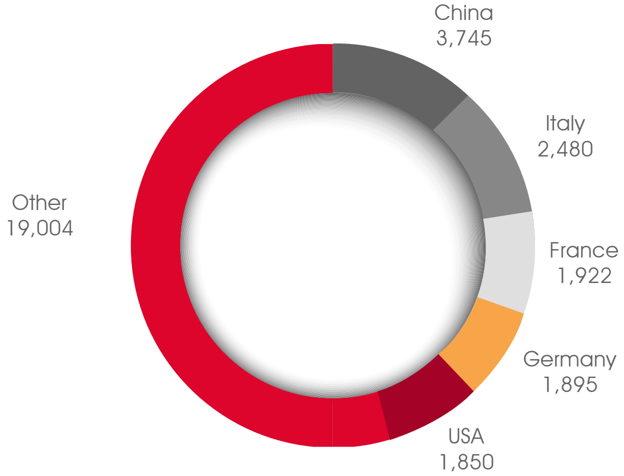
The inflows could not overcome the Lebanese trade deficit despite the heavy pressure on the balance of payments. As a result, a slow increase in deficit recorded USD 115.5 million in December 2014 through a cumulative yearly deficit of USD 1,407.5 million at year-end. On the other hand, according to the Ministry of Finance figures, the net total public debt reached LBP 86,380 billion at the end of 2014, an increase of 7.7% from the previous year. This result is the outcome of the decrease in imports and exports by 3.5% and 15.8%, respectively, standing at USD 20,493.7 million and USD 3,312.8 million.

Furthermore, the central bank reserves in foreign currency reached LBP 39,218.3 million with an annual increase of 7.7% as per BDL publications, and the average exchange rate of Lebanese pounds against the dollar remained at LBP 1,507.5. Interest rates on the Lebanese Treasury bills, the least risky of all the financial instruments in the Lebanese financial market despite being concentrated in the financial statements of Lebanese banks, remained unchanged during the year. Interest rates of the commercial banks witnessed a growth during December 2014 reaching 7.49% for LBP loans and 5.56% for LBP deposits. The stock of money and quasi money (M3) was amplified by a 5.9% progress in 2014, compared to 6.9% in 2013 and 7% in 2012.

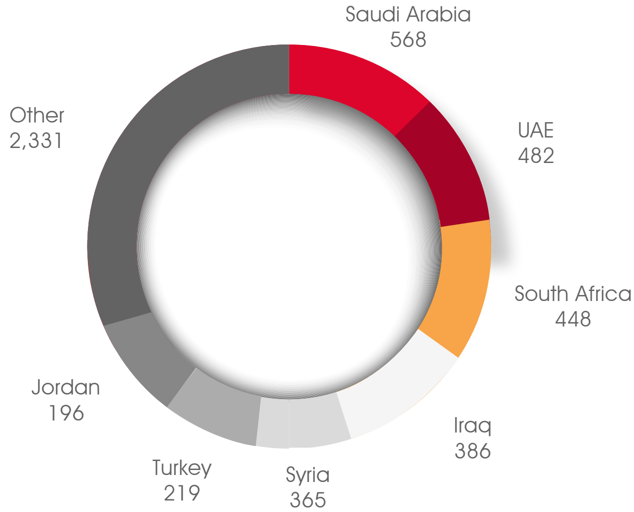
The average inflation rate, driven by the weak growth in the money supply, attained approximately 3.5% compared to the 2.6% estimated by the IMF. The debt/GDP ratio is estimated at 140.1%.

The investors' decelerating attitude displayed a decline in cement deliveries, registering a 5.4% decrease in 2014 compared to a rise of 4.8% in construction permits, which indicates a promising investment activity for the year to come.

IMPORTS BY ORIGIN IN 2014 IN BILLION LBP



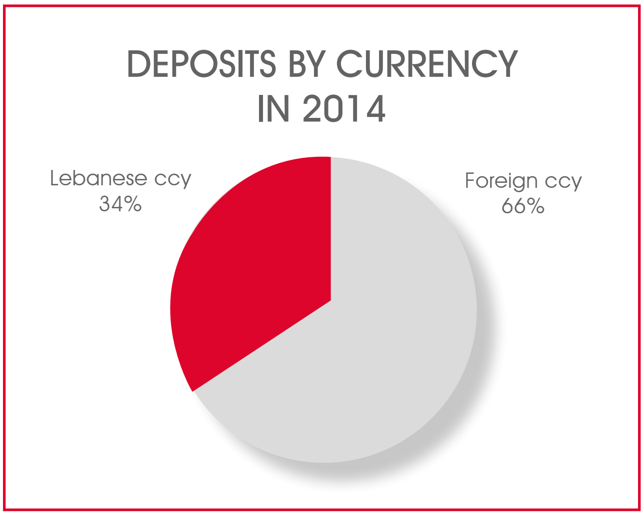
EXPORTS BY DESTINATION IN 2014 IN BILLION LBP

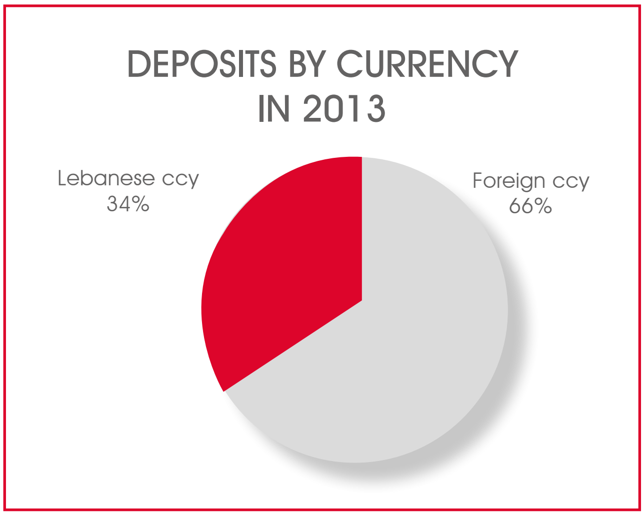


Source: Association of Banks in Lebanon. Economic Letter 2014

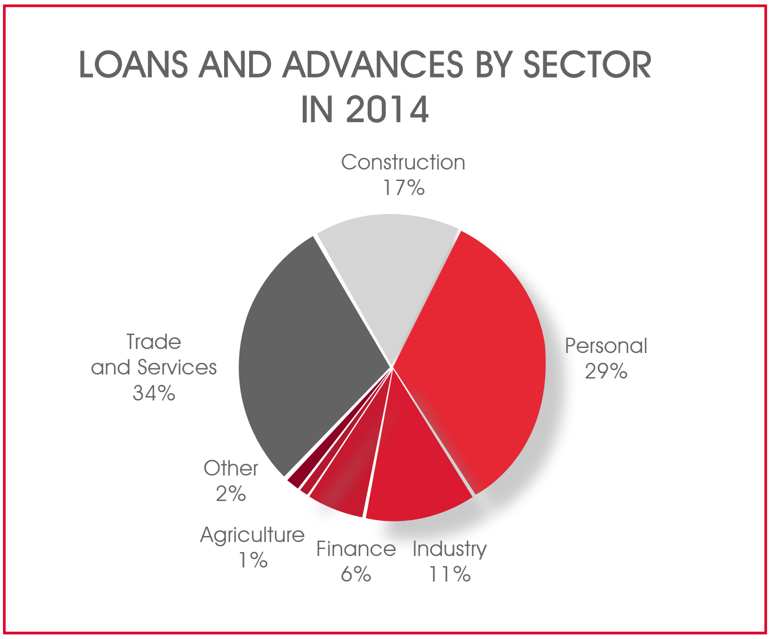
BANKING SECTOR

The Consolidated Statement of Financial Position for the commercial banks expanded by 6.6% in 2014 compared to 8.5% in 2013, reaching LBP 264,863 billion. Total resident and non-resident private sector deposits with a conventional growth recorded LBP 217,721 billion, increasing by 6.04% in 2014 compared to 8.97% in 2013. The dollarization rate of total bank deposits soared to 65.71% on average in December 2014 from 66.13% at the end of 2013.





Loans and advances to customers have evolved steadily despite the market at the end of 2014. Loans and advances to the private sector increased by an annual 7.42% compared to 9.04% in 2013, amounting to LBP 76,730 billion in 2014.



Source: BDL Monthly Bulletin, December 2014

FNB GROUP PERFORMANCE

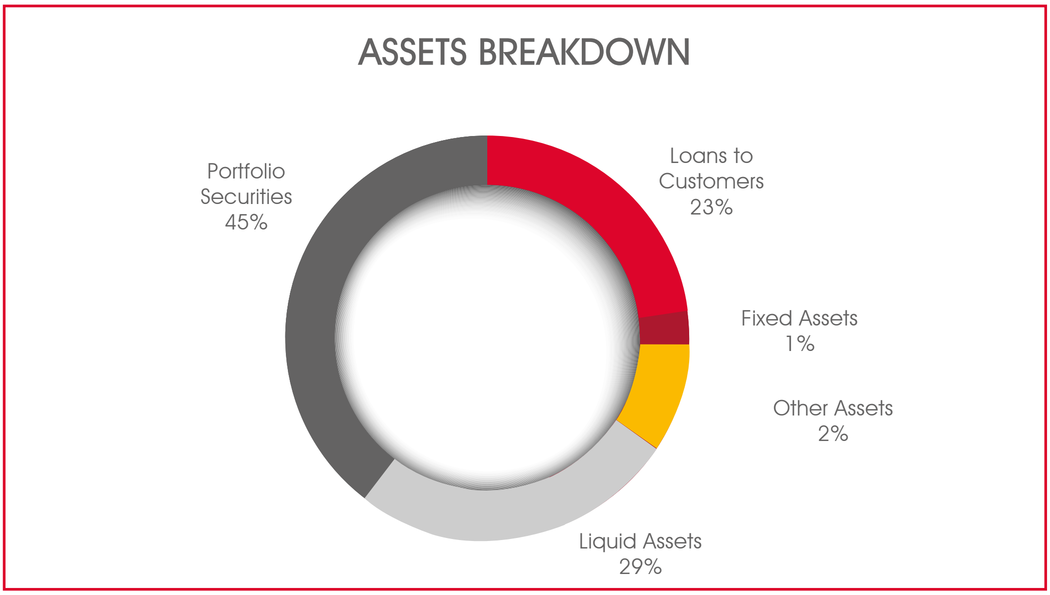
I. KEY PERFORMANCE INDICATORS

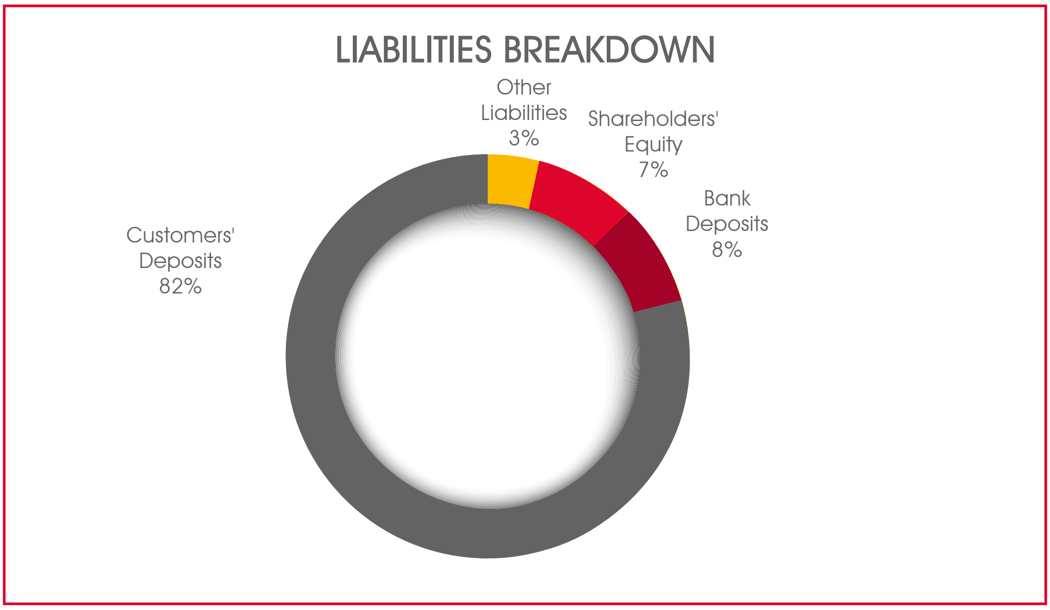
KEY PERFORMANCE METRICS	2014	2013	2012
Assets Quality			
Loans to deposits	28.11%	30.19%	32.36%
Net doubtful loans/ Total loans	0.31%	0.65%	0.71%
Loan loss provisions/ Gross loans	7.76%	6.94%	7.32%
Net doubtful loans/ Equity	0.98%	2.32%	2.65%
Gross doubtful loans/ Gross loans	7.05%	6.54%	7.19%
Capital Adequacy			
Average shareholders' equity to assets	7.24%	6.96%	6.63%
Shareholders' equity to loans and acceptances	30.97%	27.76%	26.51%
Profitability			
ROAA	0.78%	0.74%	0.63%
ROAE	10.75%	10.59%	10.13%
Net interest income to average assets	1.72%	1.92%	1.79%
Total interest paid to total interest received	69.02%	67.27%	68.24%
Cost to income	56.12%	58.69%	60.07%

II. FINANCIAL STATEMENTS

BALANCE SHEET (LBP MILLION)	DEC-14	DEC-13	VARIANCE	GROWTH (%)
Liquid assets	1,730,382	1,541,774	188,608	12.2%
Portfolio securitues	2,633,709	2,345,577	288,132	12.3%
Loans to customers	1,372,706	1,341,289	31,417	2.3%
Other assets	106,506	54,086	52,421	96.9%
Fixed assets	78,368	65,702	12,666	19.3%
Total assets	**5,921,670**	**5,348,427**	**573,243**	**10.7%**

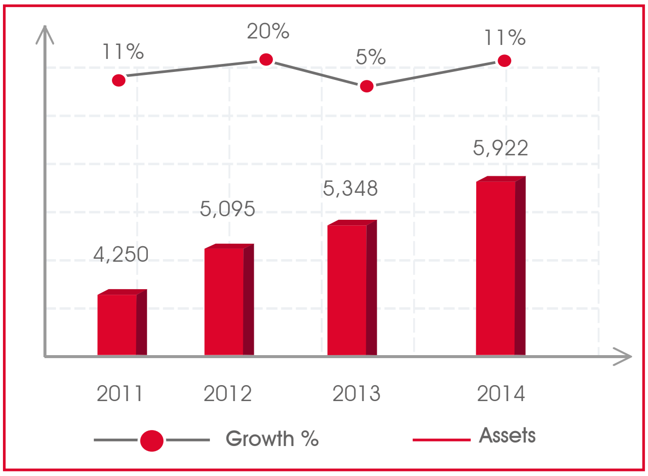
Bank deposits	468,113	442,757	25,356	5,7%
Customer's deposits	4,883,507	4,442,654	440,853	9.9%
Other liabilities	131,099	86,518	44,580	51,5%
Shareholders equity	401,264	376,498	24,767	6,6%
Blocked deposits for issuance of preferred shares	37,688	-	-	
Total liabilities and shareholders' equity	**5,921,670**	**5,348,427**	**573,243**	**10,7%**
Number of branches	25	24		
Number of staff	623	600		





I/ TOTAL ASSETS

The consolidated assets of the FNB Group as of December 31, 2014 amounted to approximately LBP 5,922 billion (USD 3.93 billion), marking an 11% increase from LBP 5,348 billion as of December 31, 2013.



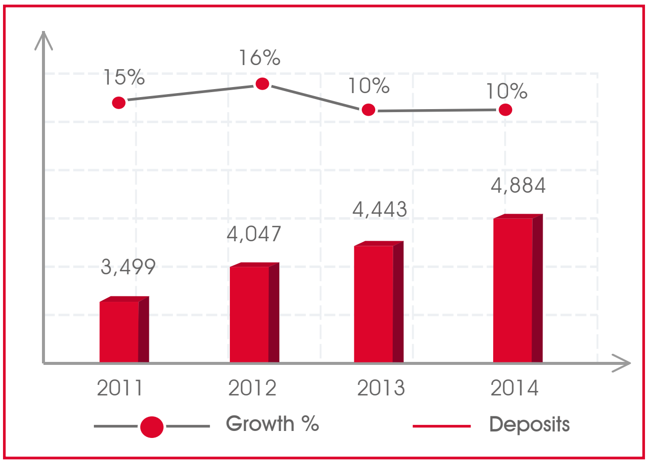
Billion LBP

Sources of Funds

The FNB Group's source of funding comes mainly from deposits from customers representing approximately 82% of total sources. Other sources of funds are from banks and financial institutions which represent 8%, equity 7%, and other sources 3%.

II/ CUSTOMERS' DEPOSITS

On December 31, 2014, the Group had accumulated a balance of LBP 4,884 billion (USD 3,240 million) in Customers' Deposits as compared to LBP 4,443 billion (USD 2,947 million) in 2013, reflecting a growth rate of 9.9%.



Billion LBP

Dollarization

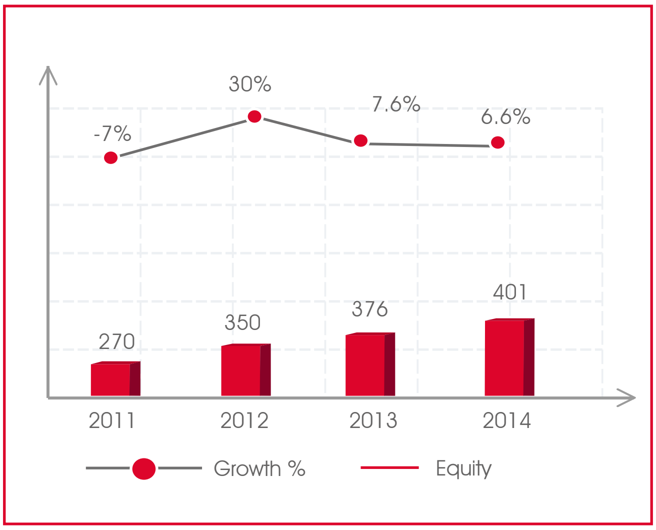
Deposits in Lebanese pounds increased by 8.5% in 2014 from LBP 1,596 billion as of December 31, 2013 to LBP 1,731 billion as of December 31, 2014, while deposits in foreign currency increased by 10.7% from LBP 2,846 billion as of December 31, 2013 to LBP 3,152 billion in December 31, 2014. The dollarization ratio in 2014 slightly increased to 64.6% as compared to 64.1% in 2013.

III/ BANKS AND FINANCIAL INSTITUTIONS

As of December 31, 2014, deposits and borrowings from banks and financial institutions amounted to LBP 468.1 billion.

IV/ EQUITY

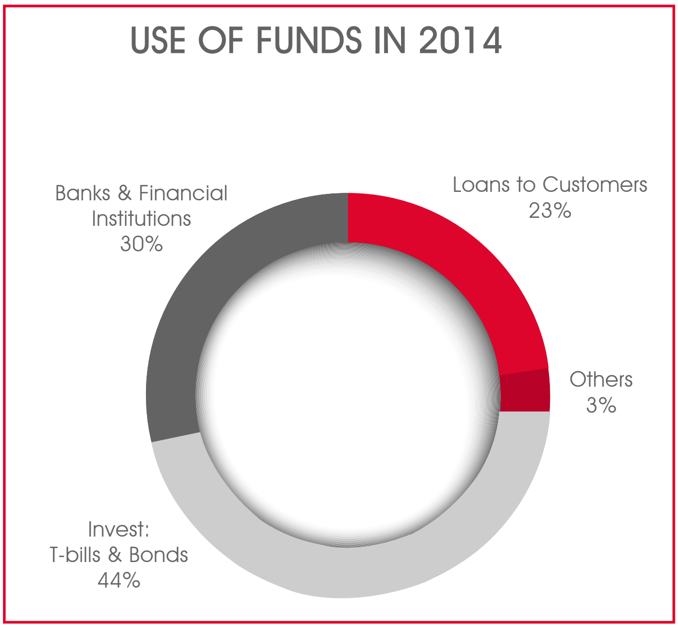
As of December 31, 2014, the Group Shareholders' Equity stood at LBP 401 billion (USD 266 million) compared to LBP 376 billion (USD 249 million) as of December 31, 2013.

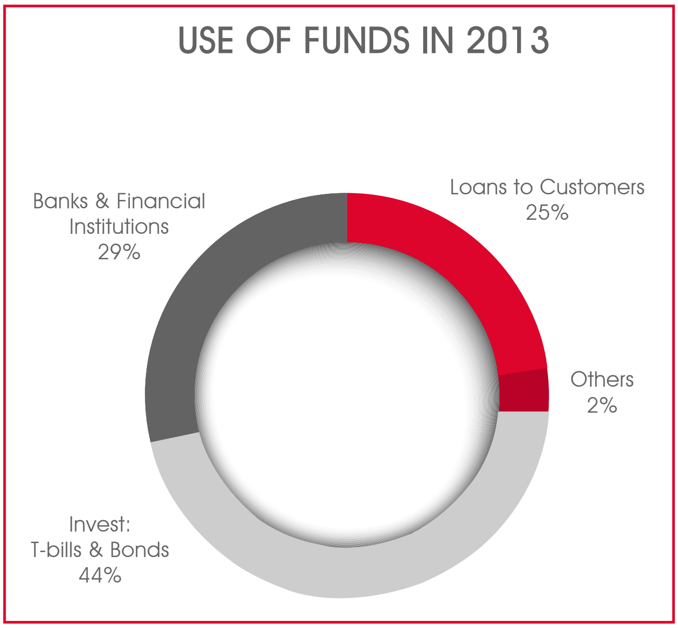


Billion LBP

Use of Funds

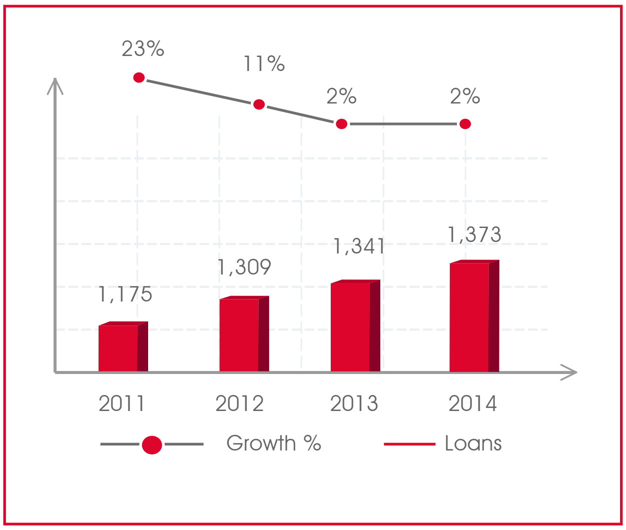
The FNB Group's use of funding is classified in 3 main categories: Investments (T-bills & Bonds), Banks and Financial Institutions, and Loans and Advances to Customers.





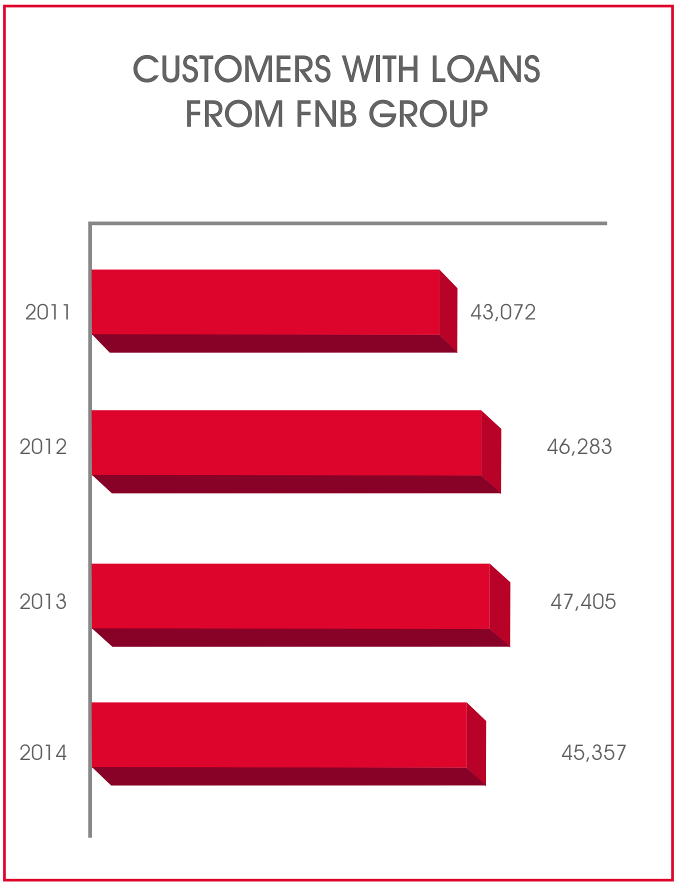
V/ LOANS AND ADVANCES TO CUSTOMERS

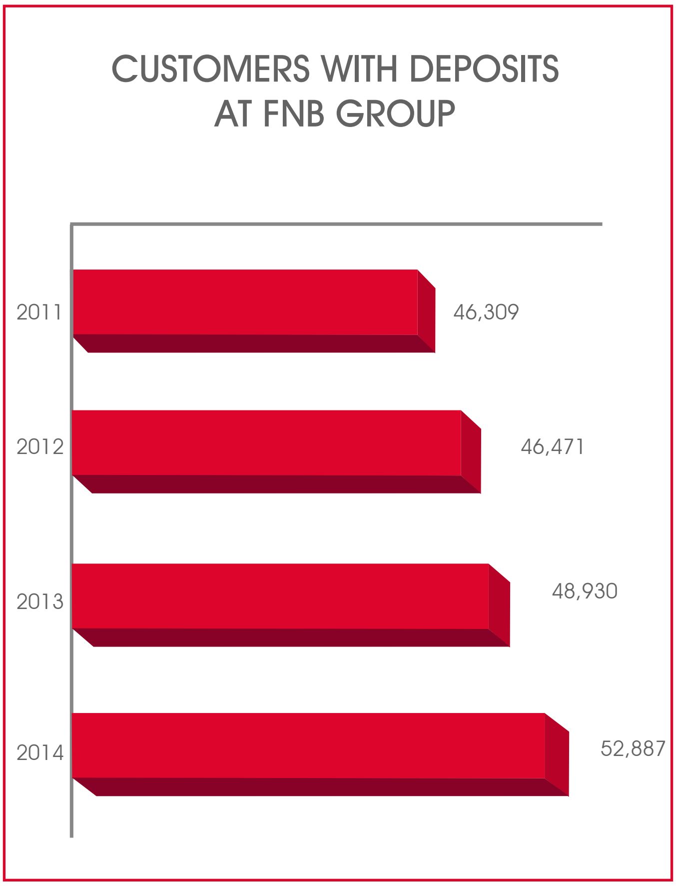
The Group was also successful in developing its retail, SME and corporate lending sector. Loans and advances to customers increased by LBP 31.4 billion (USD 21 million) during 2014 to reach LBP 1,373 billion (USD 911 million) as of December 31, 2014, reflecting a growth rate of 2.34%.



Billion LBP

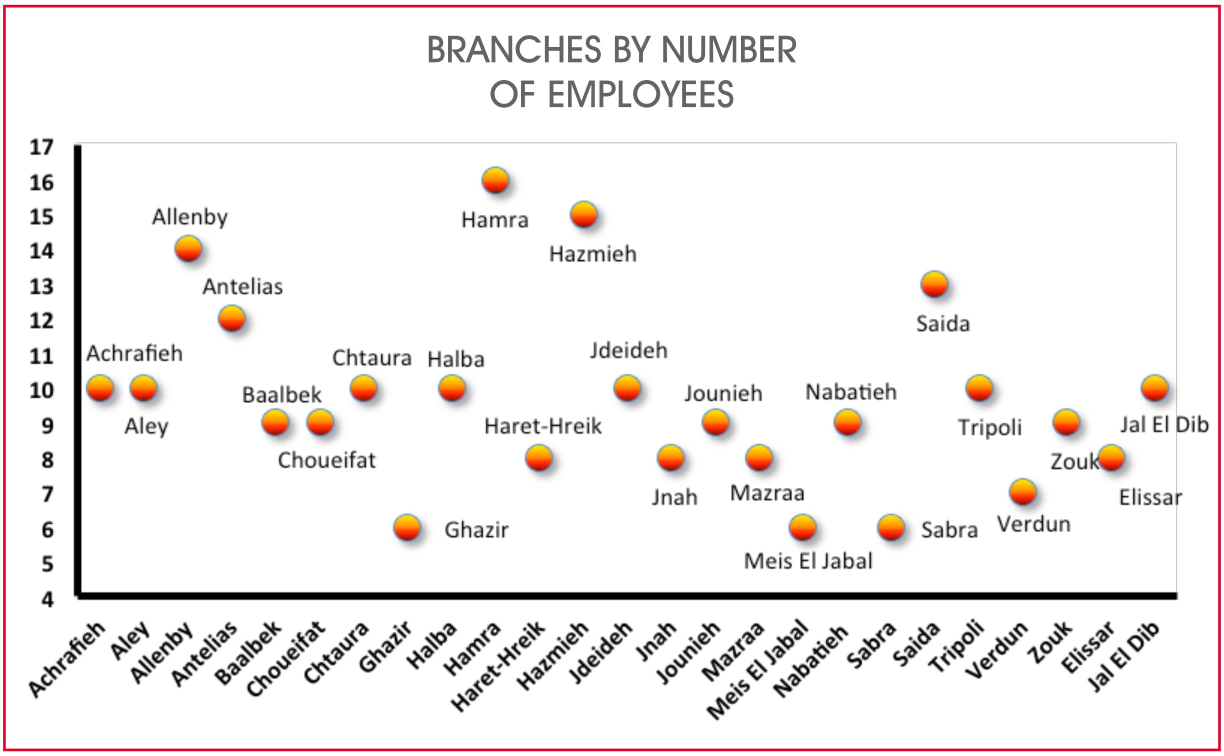
a) Number of Customers at the End of 2014

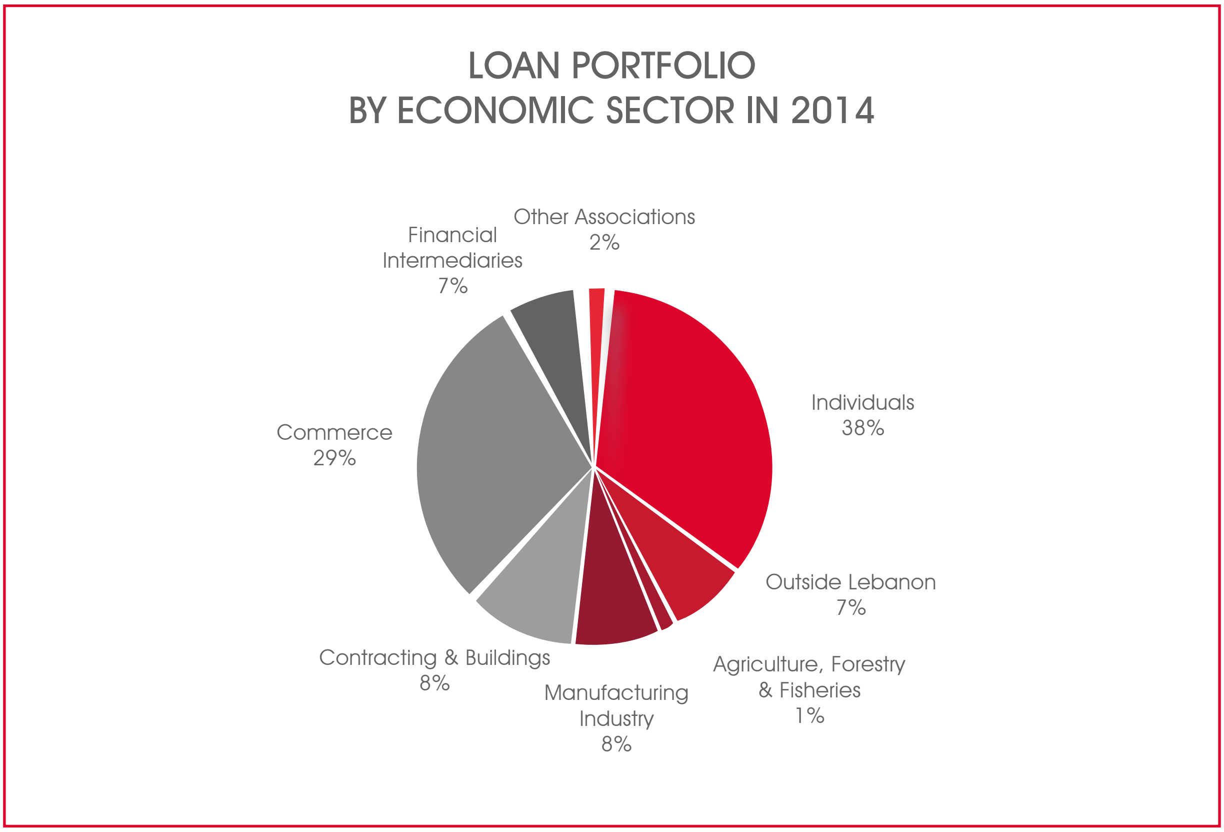




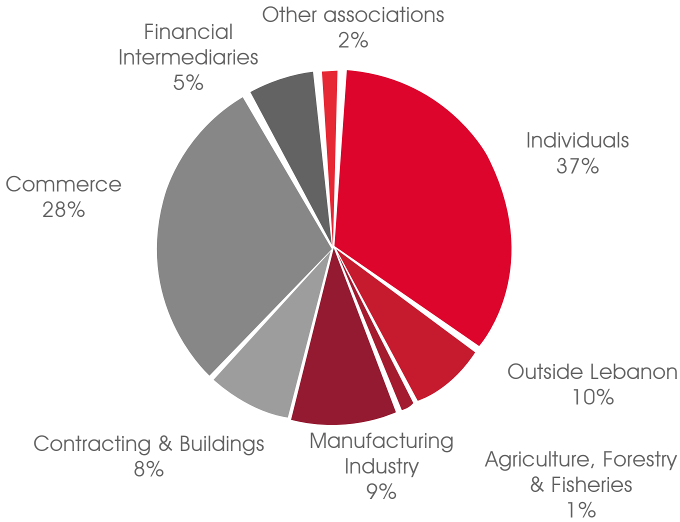
b) Branches and ATMs

The bank operates 28 ATMs within the 25 branches and there are 16 additional free-standing ATMs in order to allow banking access throughout Lebanon.





LOAN PORTFOLIO BY ECONOMIC SECTOR IN 2013

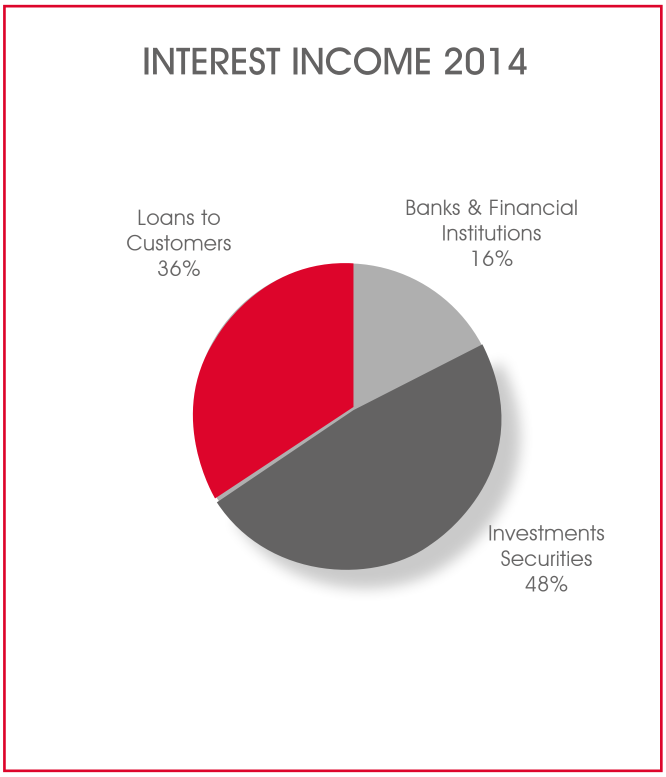


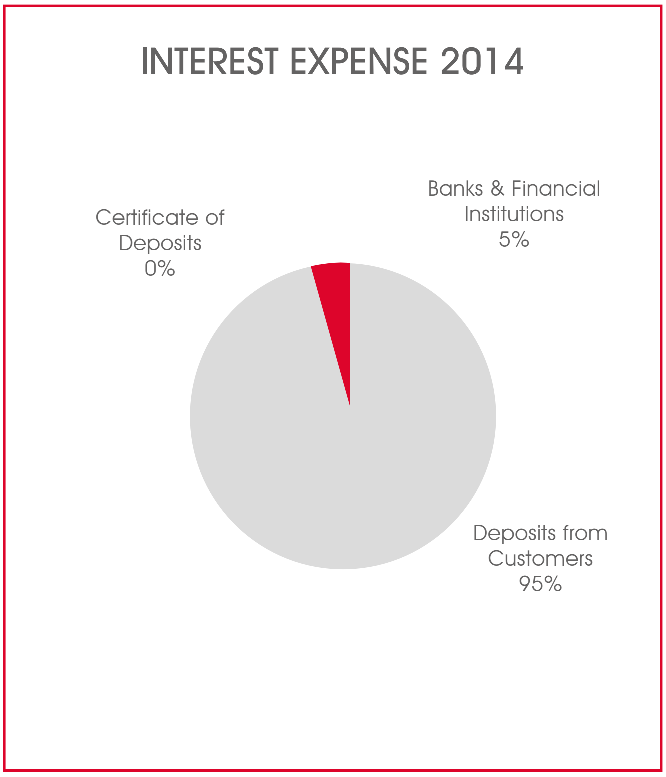
III. PROFITABILITY

Despite the stagnation of the markets, the massive efforts employed by FNB members resulted in financial success. On December 31, 2014, the footing of the FNB Group recorded a net income of LBP 43.8 billion (USD 29.1 million) as compared to LBP 38.5 billion (USD 25.5 million) at the end of 2013, reflecting an annual growth rate of 14%.

INCOME STATEMENT LBP MILLION	DEC-2014	DEC-2013	VARIANCE	GROWTH(%)
Interest income	68,553	77,952	(9,400)	-12.1%
Non-interest income	68,175	41,572	26,603	64.0%
Total income	136,727	119,524	17,203	14.4%
Operating expenses	(76,729)	(70,151)	(6,578)	9.4%
Loan loss provisions	(10,322)	(3,071)	(7,252)	236.2%
Write-off of bad debts				
Tax	(5,843)	(7,848)	2,005	-25.5%
Total expenses	(92,895)	(81,070)	(11,825)	14.6%
Net income	43,832	38,455	5,378	14.0%

The distribution of both interest income and interest expense is illustrated as follows:





Net Fees and Commissions reached LBP 12.6 billion as of December 31, 2014.

IV. CAPITAL MEASUREMENT

The central bank of Lebanon addresses the regulatory capital requirements to assist the bank in preserving and monitoring a strong capital base. The FNB Group, operating under BDL jurisdictions, fully complies with this set of regulations (Basel II-compliant and in line with the Basel III approach optimization by the year 2015).

Risk-weighted assets and capital are examined periodically to assess the quantum of capital available to support growth and optimally deploy capital to achieve the targeted returns.

	2014	2013	2012
Capital adequacy ratio Basel II:	11.72%	11.22%	8.69%

FINANCIAL AND NON-FINANCIAL DEVELOPMENTS

AUDIT

The Internal Audit Department of FNB Group is composed of dynamic, qualified and skilled staff members distinguished by their extensive knowledge and experience in auditing, banking and accounting.

During 2014, the Internal Audit Department successfully completed all planned audits within the mandated timeframes. While performing their assignments, the staff members stayed abreast of the constant changes in the audit and control fields through internal and external training sessions pertaining to different business and banking topics. They tackled new areas to introduce improvements to the existing controls and the audit methodology.

In 2015, the Internal Audit Department intends to increase the depth of its audits, identify new areas and stay well-informed of updates and changes, new regulations, internal and external requirements as well as new standards. New software audit tools will be introduced during the year to automate, manage, track, maintain and standardize the work and reporting of the department.

COMPLIANCE & REVIEW

The Compliance & Review Department (CRD) has played an increasingly integral and important part in managing the compliance and anti-money laundering risks of the bank given the developments in the financial environment locally, regionally and internationally. Some of these developments involve:

- Office of Foreign Assets Control (OFAC) and the European Union's sanctions on Syria, Iran, Sudan, Ukraine and Russia;
- U.S. Treasury's Foreign Account Tax Compliance Act (FATCA); and
- Banque du Liban's Basic Circular No. 128 requiring the banks operating in Lebanon to establish a compliance department with specific requirements as to its mission, authority, staff qualifications and structure.

In response, the Chairman issued a memo on 25 September 2014 centralizing the compliance function at FNB, MECG and CFC under the auspices of the Compliance Department at FNB.

The CRD and the AML Unit, in coordination with the Organizations & Methods Department, successfully developed and implemented policies and procedures manual to ensure compliance with the BDL's Basic Circular, the FATCA regulations as well as the OFAC and EU sanctions on the above listed countries. This manual is being regularly updated as new regulations are issued by the respective authorities locally, regionally and internationally.

In 2014, the bank continued to work with Deloitte on the implementation of the FATCA project at FNB and its subsidiaries. In this regard, the CRD and AML Unit conducted extensive training for the branches and the employees at the head office relating to the FATCA and AML regulations.

The CRD and the AML Unit reviewed the bank's risk-based model to incorporate new criteria and classifications of customers, business activities and countries. They continually updated the automated screening process of new customers against the well-established lists such as the Designated Name Filtering System (DNFS) and the Special Investigation Commission (SIC). In addition, the AML Unit modified the Know-Your-Customer (KYC) process to comply with the requirements of the Special Investigation Commission's Notification #13, the FATCA and the Risk Based Approach (RBA).

In 2015, the CRD and AML Unit will continue to work on the above listed projects and conduct the extensive training to spread the compliance and the anti-money laundering cultures across the bank and its subsidiaries.

CORRESPONDENT BANKING

Since 2013 all efforts were exerted to enhance our Correspondent Banking relationships. We continue to initiate new banking relations in order to broaden our scope of operations and our forecast for further achievements should soon be realized.

Looking ahead, it is our objective to establish sound banking relationships with local and international banks with the intention of upholding and preserving good ethics in all business dealings.
Having consideration that foreign banks are becoming more confident in the Lebanese banking sector, we are certain this will further promote our future operations. It is to be noted that regular monitoring of our strategy is applied to determine that our correspondent banking relationships are in good order.

In an endeavour to ensure that all our correspondent banking relations are well controlled by adequate AML systems, periodic reviews by the Compliance Committee are executed for purposes of abiding by local and international regulations.

First National Bank will continue to play a major role in Trade Finance operations, which we believe will ultimately generate good profits. Needless to mention that FNB is very active in the Secondary Market Business both locally and internationally.

HUMAN RESOURCES

In 2014, the achievements of the Human Resources Department were highlighted by a number of enhancements and implementations made on various levels.

The HR files were entirely updated with all the missing documents, and a new modern, professional and easy-to-search method was put into practice.

Furthermore, the HR system has been upgraded from the old Sets Workforce to the new online web-based People 365 system. This tedious implementation process is nearing completion as it is currently in the final parallel run stage.

Additionally, The Human Resources Department streamlined all the medical insurance processes, including ambulatory claims, thus increasing the efficiency of claim reimbursement from insurance and NSSF to 100%.

The Remuneration Policy was drafted and submitted to the Remuneration Committee of the Board of Directors. Also, the capacity planning project pertaining to all the control and support functions of the bank was finalized.

For the first year, the e-learning program was successfully completed with a completion rate of 47%, which is significantly higher than the 35% national average.

Moreover, an exceptionally great effort was made to satisfy and even exceed the BDL 103 certification requirements of the bank, after they had been delayed for the past 8 years.

In October, the Human Resources Department conducted the first FNB Management Academy gathering, which was attended by 57 managers of the bank. The seminar was entitled "Creating Synergy by Moving from Independence to Interdependence".

In coordination with Branch Management and other concerned departments of the bank, an onboarding program was started for new hires in branches whereby new employees carry out an orientation rotation, which lasts from 2 days to 2 weeks depending on the position they occupy.

In August 2014, the Human Resources Department organized a field day for employees and their families during which seniority awards were granted to employees who have over 20 years of service with the bank. Both management and employees enjoyed this event filled with activities and shared ideas as well as experiences in an atmosphere of collegiality and partnership.

In 2015, an HR audit project will be carried out in order to identify and bridge potential gaps.

The Human Resources Department will work closely with the Remuneration Committee of the Board to fine-tune the organizational structures, career ladders and job classification systems of the bank and render them fairer and more attractive. The department will also strive to better manage the training budget in the strategy to increase the return on investment in all the training activities and to instill a culture of equal opportunity among all the staff.

Lastly, the Human Resources Department intends to enhance, in partnership with all the departments and branches of the bank, the overall service delivery in the department. The job descriptions of all the positions of the bank are currently being drafted and are scheduled to be completed before the end of the year.

INFORMATION TECHNOLOGY

During 2014, the bank enhanced its IT platform and solutions to better serve its customers and provide technological solutions to continuously respond to their needs.

The bank improved its online banking platform by adding extra security layers to prevent any unauthorized access. Additional services were deployed to significantly improve our customers' online experience such as:

- Term deposit and loan accounts enquiry
- Debit and credit card services
- Personal and intra accounts transfer
- Online taxation payment through the Ministry of Finance (MOF)

In 2014, FNB introduced its rewards program. It provided the bank customers a tool to collect loyalty and cashback points for every credit card POS transaction. Loyalty points can be redeemed online by choosing gifts from a web-enabled catalogue portal.

Additional interfaces were created to cater to the needs of universities and schools willing to deal with our bank. This service allows the students of these entities to pay their tuition fees at FNB branches and these institutions can access and control their accounts on a daily basis through the established interface.

Another achievement was the TI Plus module implementation at the Trade Finance department, an automation process of all the export letters of credit (LC) and letters of guarantee (LG) transactions.

As for the IBank CLEAR application, additional development and enhancement were carried out in order to receive and process incoming direct debits and credits (such as salaries, EDL bills, telephone bills) and dispatch the related transactions to the branches and head office for execution.

In compliance with the BDL and FATCA regulations, a Know-Your-Customer (KYC) form was introduced as a data collection document embodying a full description of the customer status (personal and financial information) aiming to detect and prevent any potential money laundering or tax evasion case (tax withheld for US citizens).

Customer relationship management (CRM) was implemented in the third quarter of 2014. The first phase objectives were to automate and organize the KYC and manage the relationship to the benefit of the customer and the bank.

Server virtualization and data protection were achieved by finalizing the implementation of the storage and backup solutions acquired earlier, which helped FNB meet today's technological challenges and be prepared for private cloud infrastructure deployment.

MARKETING

In 2014, FNB witnessed an increase in the number of sales on the credit cards as the rewards program showed a lot of interest for the customers who were able to spend their points on a wide variety of items online. The bank also changed the credit cards design and added an arrow on top as a 'going forward' sign. Due to the success of the rewards program, FNB is now planning on getting a white label user-friendly mobile application for the rewards program in order to provide customers with a better service.

The Bancassurance Unit focused on building a sales culture within the bank to improve the quality of service and to develop a solid long-term relationship with the customers. A summer campaign was held where clients were offered one free monthly premium upon subscribing to a savings plan (retirement or education). Employees were properly trained to increase their product knowledge and a new incentive scheme was put into effect to provide motivation. This strategy proved its success, and FNB became number 1 in the sales of Bancassurance savings plans.

In line with FNB's commitment towards Corporate Social Responsibility, the bank sponsored numerous social and public events such as the Roads for Life fundraising Gala Dinner, the Beirut Marathon, the Liban Jazz concerts at Music Hall and the Spring of Beirut with the Samir Kassir Foundation in which classical music, dance and poetry readings were performed. Additionally, FNB also sponsored the 2014 International Zouk Mikael Festival and invited its VIP clients to a sunset cocktail reception followed by a live performance at the festival.

Lastly, FNB is proud to announce its partnership with the European Investment Bank (EIB) through which EIB will be a holder of preferred shares with an option to become a common shareholder in FNB throughout the coming seven years.

RISK MANAGEMENT

The Risk Department of FNB operates independently from the business and provides oversight on risk management and controls on a group level. The risk function is headed by the Chief Risk Officer who reports directly to the General Manager, with access to the Board of Directors through the Board Risk Committee. The risk management function at FNB operates separately and independently on a group level with overall responsibility for monitoring the Group's risk policies, following up and reporting on risk issues across risk types and organizational units, and providing an oversight on risk management and controls in place.

During 2014, FNB made notable steps in managing risks in a more robust and holistic manner across the Group, with the main objective of strengthening the risk strategy and governance. We view risk culture as the foundation upon which a strong enterprise-wide risk management framework is built. Creating and embedding a strong risk culture is the cornerstone of effective risk management for the Group and our clients.

We further aimed at strengthening our risk management processes by optimizing capital and resources, improving risk management controls, enhancing enterprise-wide risk reporting for superior risk oversight, and streamlining risk practices for more effectiveness and consistency across the Group.

Amidst significant economic and political turmoil, we were able to meet new regulatory requirements and further improve risk management effectiveness to drive value creation for the Group. Taking cognizance of the current situation, the Group continued to plan, monitor and respond to the internal and external risk factors in an anticipative manner.

Diligent adherence to our core credit principles of proactive and prudent risk management has resulted in low credit losses, thus maintaining the good quality of our credit portfolio. This has been achieved by the stringent application of our existing risk management philosophy of strict underwriting standards, active concentration risk management and risk mitigation strategies, concurrently with proper portfolio monitoring and management practices organized in three lines of defense.

The Operational Risk Management (ORM) function, in coordination with the Organization and Methods Unit (OMU), has provided the operational risk framework across the group, based on a Board approved operational risk policy and strategy. These efforts included enhancing our ORM training effectiveness, engaging and sharing knowledge with our branch network, and certifying our personnel. The bank strives to ensure proper segregation of duties between the units that enter into business transactions with customers or otherwise expose the Group to risk and the units in charge of risk oversight and control.

The risk and capital strategy is being developed annually through the Internal Capital Adequacy Assessment Process (ICAAP) report, ensuring group-wide alignment of risk with capital position. The report is submitted to senior management and the Board of Directors on an annual basis.

TREASURY

FNB has developed its Treasury and Capital Markets Division to offer the best service to its clients while being strongly competitive in the Lebanese financial market.
The primary functions of the Treasury are to resolve complex and financial challenges such as liquidity and cash flow management, interest rates and foreign exchange exposure.

The mission of our Treasury Department is to provide our clients with tailored financing and risk management solutions, to give access to local and international capital markets and to deliver investment solutions and structured products that meet the clients' needs.

FNB's Treasury Department uses a conservative approach toward investment while abiding by the central bank's circulars. Our experienced team of specialists deals with the top world-class correspondent and is equipped with advanced platforms to assist clients in a safe and timely manner.

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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DFK FIDUCIAIRE DU MOYEN-ORIENT
A member firm of DFK International

To The Shareholders
First National Bank S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of First National Bank S.A.L. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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, within the framework of banking laws in Lebanon. The procedures selected depend on the auditor's 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 the 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 present fairly, in all material respects, the financial position of First National Bank S.A.L. and its Subsidiaries as of December 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
May, 20, 2015

DFK Fiduciaire du Moyen-Orient

Deloitte & Touche

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	DECEMBER 31, 2014	DECEMBER 31, 2013
		LBP'000	LBP'000
ASSETS			
Cash and deposits with Central Bank of Lebanon	5	1,122,174,568	1,042,899,090
Deposits with banks and financial institutions	6	590,768,142	487,814,954
Trading asset at fair value through profit or loss	7	459,444,394	297,770,239
Loans to banks	8	17,438,941	11,059,989
Loans and advances to customers	9	1,372,705,687	1,341,288,674
Due from related parties	10	3,470,586	5,353
Financial assets at fair value through other comprehensive income	11	9,469,583	2,415,724
Financial assets at amortized cost	12	2,164,794,890	2,045,390,943
Customers' liability under acceptances	13	44,773,576	14,790,430
Other assets	14	28,496,409	16,738,557
Investment in and loan to an associate	15	241,212	241,212
Assets acquired in satisfaction of loans	16	3,014,977	2,489,951
Property and equipment	17	77,871,136	65,142,032
Goodwill	18	27,006,068	20,379,656
Total Assets		**5,921,670,169**	**5,348,426,804**

	NOTES	2014	2013
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:			
Guarantees and standby letters of credit	35	120,367,577	150,926,983
Documentary and commercial letters of credit	35	31,152,945	37,650,499
Forward exchange contracts	35	71,980,762	27,120,743
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	36	385,032,890	436,383,223

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	NOTES	DECEMBER 31, 2014	DECEMBER 31, 2013
		LBP'000	LBP'000
LIABILITIES			
Deposits & borrowings from banks and financial institutions	19	468,112,613	442,756,575
Customers' deposits and credit accounts	20	4,883,506,797	4,442,654,235
Liability under acceptances	13	44,773,576	14,790,430
Other liabilities	21	54,026,288	62,231,012
Provisions	22	9,642,676	9,496,896
Cumulative preferred shares	23	22,656,235	-
Total liabilities		**5,482,718,185**	**4,971,929,148**
Blocked Deposits for issuance of preferred shares	25	37,687,500	-

	NOTES	DECEMBER 31, 2014	DECEMBER 31, 2013
EQUITY			
Capital	24	160,800,000	154,500,000
Additional paid-in capital	24	39,921,454	28,173,355
Preferred shares	25	60,292,500	60,292,500
Treasury preferred shares	25	(22,605,000)	-
Reserves	26	54,465,200	44,123,169
Cumulative change in fair value of equity securities at fair value through other comprehensive income	11	(3,255,779)	(3,255,779)
Retained earnings		67,346,843	53,767,466
Profit for the year		43,780,440	38,429,877
Equity attributable to owners of the Bank		400,745,658	376,030,588
Non-controlling interests	27	518,826	467,068
Total equity		**401,264,484**	**376,497,656**
Total Liabilties and Equity		**5,921,670,169**	**5,348,426,804**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	YEAR ENDED - DECEMBER 31, 2014	2013
		LBP'000	LBP'000
Interest income	28	284,949,039	275,105,673
Interest expense	29	(216,396,415)	(197,153,299)
Net interest income		**68,552,624**	**77,952,374**
Fee and commission income	30	18,666,037	17,856,966
Fee and commission expense	31	(6,090,140)	(5,268,996)
Net fee and commission income		**12,575,897**	**12,587,970**
Net interest and gain or loss on financial assets at fair value through profit or loss	32	39,651,561	20,436,865
Other operating income (net)	33	15,947,205	8,547,145
Net financial revenues		**136,727,287**	**119,524,354**
Allowance for impairment of loans and advances to customers (net)	9	(10,322,266)	(3,070,503)
Net financial revenues after allowance for impairment		**126,405,021**	**116,453,851**
Staff costs		(46,453,992)	(43,209,851)
Administrative expenses		(26,338,057)	(23,511,012)
Depreciation and amortization	34	(3,937,337)	(3,430,409)
Profit before income tax		49,675,635	46,302,579
Income tax expense	21	(5,843,437)	(7,848,065)
Profit for the year		**43,832,198**	**38,454,514**
Attributable to:			
Owners of the Bank		43,780,440	38,429,877
Non-controlling interests		51,758	24,637
		43,832,198	**38,454,514**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	YEAR ENDED - DECEMBER 31,	
	2014	2013
	LBP'000	
Profit for the year	43,832,198	38,454,514
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Unrealized gain on financial assets at fair value through other comprehensive income	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	**43,832,198**	**38,454,514**
Attributable to:		
Owners of the Bank	43,780,440	38,429,877
Non-controlling interests	51,758	24,637
	43,832,198	**38,454,514**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	ADDITIONAL PAID-IN-CAPITAL	PREFERRED SHARES	TREASURY PREFERRED SHARES	LEGAL RESERVE
	LBP'000				
Balances at December 31, 2012	**154,500,000**	**28,173,355**	**22,605,000**	**-**	**8,881,136**
Issuance of preferred shares	-	-	37,687,500	-	-
Allocation of 2012 profit	-	-	-	-	2,894,906
Dividends paid (Note 38)	-	-	-	-	-
Effect of a newly consolidated subsidiary	-	-	-	-	-
Transfer of reserve for assets acquired in satisfaction of loans	-	-	-	-	-
Total comprehensive income for the year 2013	-	-	-	-	-
Balances at December 31, 2013	**154,500,000**	**28,173,355**	**60,292,500**	**-**	**11,776,042**
Increase in capital (Note 24)	6,300,000	11,748,099	-	-	-
Acquisition of treasury shares (Note 25)	-	-	-	(22,605,000)	-
Allocation of 2013 profit	-	-	-	-	3,301,699
Dividends paid (Note 38)	-	-	-	-	-
Total comprehensive income for the year 2014	-	-	-	-	-
Balances at December 31, 2014	**160,800,000**	**39,921,454**	**60,292,500**	**(22,605,000)**	**15,077,741**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

RESERVE FOR GENERAL BANKING RISKS	RESERVE FOR ASSETS ACQUIRED IN SATISFACTION OF LOANS	CUMULATIVE CHANGE IN FAIR VALUE OF EQUITY SECURITIES	RETAINED EARNINGS	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK	NON-CONTROLLING INTERESTS	TOTAL EQUITY
LBP'000							
24,376,564	**1,423,669**	**(3,255,779)**	**45,558,161**	**29,480,995**	**311,743,101**	**442,705**	**312,185,806**
-	-	-	-	-	37,687,500	-	37,687,500
6,845,448	7,657	-	19,732,984	(29,480,995)	-	-	-
-	-	-	(11,804,720)	-	(11,804,720)	-	(11,804,720)
-	-	-	(25,170)	-	(25,170)	(274)	(25,444)
-	(306,211)	-	306,211	-	-	-	-
-	-	-	-	38,429,877	38,429,877	24,637	38,454,514
31,222,012	**1,125,115**	**(3,255,779)**	**53,767,466**	**38,429,877**	**376,030,588**	**467,068**	**376,497,656**
-	-	-	-	-	18,048,099	-	18,048,099
-	-	-	-	-	(22,605,000)	-	(22,605,000)
7,032,677	7,655	-	28,087,846	(38,429,877)	-	-	-
-	-	-	(14,508,469)	-	(14,508,469)	-	(14,508,469)
-	-	-	-	43,780,440	43,780,440	51,758	43,832,198
38,254,689	**1,132,770**	**(3,255,779)**	**67,346,843**	**43,780,440**	**400,745,658**	**518,826**	**401,264,484**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED - DECEMBER 31, 2014	2013
		LBP'000	
Cash Flow from operating activities:			
Profit for the year		43,832,198	38,454,514
Adjustments for:			
Interest income		(284,949,039)	(275,105,633)
Interest expense		216,396,415	197,153,299
Income tax expense		5,843,437	7,848,065
Amortization of premiums and discounts	12	17,654,929	17,665,621
Write-off of provision for early redemption of financial assets at amortized cost		451,446	936,239
Depreciation and amortization	34	3,937,337	3,430,409
Allowance for impairment of loans and advances to customers		10,322,266	3,070,503
Loss on disposal of equipment		118,444	40,084
Loss/(gain) on sale of assets acquired in satisfaction of loans	33	295,259	(340,750)
Net change in fair value of financial asset at fair value through profit or loss	32	(9,507,690)	(1,192,354)
Provisions set up during the year	22	1,488,662	2,626,961
Difference of exchange on financial assets at fair value through other comprehensive income		195,150	-
Effect of a newly consolidated subsidiary		-	(25,444)
Share of gain of an associate	33	-	(255,479)
		6,078,814	**(5,694,005)**
Net increase in term placements with banks and compulsory reserve		(98,356,414)	(35,344,643)
Net increase in loans to banks		(6,384,631)	(7,527,557)
Net increase in loans and advances to customers		(44,146,574)	(37,133,485)
Net increase in due from related parties		(1,690,922)	(143)
Net increase in investment securities		(286,937,704)	(154,385,748)
Net decrease in financial assets at fair value through other comprehensive income		1,543,695	-
Net increase in other assets		(11,326,969)	(4,207,299)
Net increase/(decrease) in deposits from banks and financial institutions		25,090,074	(185,692,637)

Net increase in customers' deposits and credit accounts		441,338,236	394,737,207
Net (decrease)/ increase in other liabilities		(9,726,975)	12,243,029
Settlement of provisions	22	(1,464,234)	(220,357)
Net cash generated from/(used in) operations		**14,016,396**	**(23,225,638)**
Proceeds from disposal of assets acquired in satisfaction of loans	16	521,329	2,595,905
Income tax paid		(8,390,633)	(5,311,686)
Interests received		281,785,401	274,205,761
Interests paid		(216,616,125)	(196,413,899)
Net cash generated by operating activities		**71,316,368**	**51,850,443**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED - DECEMBER 31,	
		2014	2013
		LBP'000	
Cash flows from investing activities:			
Decrease in investing in and loans to an associate	15	-	589,303
Cash received through business combination	39	977,351	-
Purchase of property and equipment	17	(13,769,710)	(21,327,980)
Proceeds from disposal of equipment	17	170,615	22,465
Net cash used in investing activities		**(12,621,744)**	**(20,716,212)**
Cash flows from financing activities:			
Settlement of certificates of deposit		-	(5,782,837)
Issuance of cumulative preferred shares	23	22,656,235	-
Treasury preferred shares		(22,605,000)	-
Blocked deposits for issuance of preferred shares	25	37,687,500	-
Dividends paid	38	(14,508,469)	(11,804,720)
Net cash generated by/(used in) financing activities		**23,230,266**	**(17,587,557)**
Net increase in cash and cash equivalents		81,924,890	13,546,673
Cash and cash equivalents - Beginning of year		433,686,213	420,139,540
Cash and cash equivalents-End of year	39	**515,611,104**	**433,686,213**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

First National Bank S.A.L. (the "Bank") is a Lebanese joint stock company established in 1991 and registered in the Commercial Register under the Number 67480 and in the Central Bank of Lebanon list of banks under number 108. The Bank carries out a full range of banking services through a network of twenty four branches in various Lebanese regions. The consolidated financial statements of the Bank as at December 31, 2014 comprise the Bank and its subsidiaries, Middle East Capital Group and its Subsidiaries ("MECG") (2014 and 2013: 98.92%.), Capital Finance Company S.A.L. ("CFC") (2014 and 2013: 100%) and Corporate Finance House ("CFH") (2014: 100% acquired by MECG Group) and are hereafter referred to as (the "Group").

The Bank's headquarters are located in Beirut, Lebanon.

2. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

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

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

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

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

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

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

Amendments to IAS32 Offsetting Financial Assets and Financial Liabilities

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

Amendments to IAS36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with definite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by *IFRS 13 Fair Value Measurements.* The amendments require retrospective application.

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

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

IFRIC 21 Levies

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

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

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but not yet effective. Except for IFRS 9 on the provisioning for impairment and new classification and measurement of debt securities, the Directors of the Group do not anticipate that the application of these amendments will have a significant effect on the Group's consolidated financial statements.

- Annual Improvements to IFRSs 2010-2012 Cycle that include amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. Effective for annual periods beginning on or after July 1, 2014.
- Annual Improvements to IFRSs 2011-2013 Cycle that include amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. Effective for annual periods beginning on or after July 1, 2014.
- *IFRS 15 Revenue from Contracts with Customers*- establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Effective for annual periods beginning on or after January 1, 2017.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* -7 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined under IFRS 3 Business Combinations. Effective for annual periods beginning on or after January1, 2016.
- Amendments to IAS 16 and IAS 38 *Classification of Acceptable Methods of Depreciation and Amortization* – Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.
- The amendments to IAS 38 introduce rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. Effective for annual periods beginning on or after January 1, 2016.
- Amendments to IAS 27 *Separate Financial Statements* permit investments in subsidiaries,joint ventures and associates to be optionally accounted for using the equity method of accounting in separate financial statements. Effective for annual periods beginning on or after January1, 2016.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture to (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business; i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an invest or transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by a direct sale of the assets themselves. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IAS 1 *Presentation of Financial Statements* address perceived impediments to prepares of financial statements exercising their judgment in presenting the financial reports. Effective for annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) clarify certain aspects of applying the consolidation exception for investment entities. Effective for annual periods beginning on or after January 1, 2016.
- Annual Improvements to IFRSs 2012-2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19, and IAS 34. Effective for annual periods beginning on or after January 1, 2016.
- IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit early application for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applyingthe other requirements of IFRS 9. The main amendments to hedge accounting are summarized by (i) The 80 – 125% rule for testing of hedge effectiveness is no longer required, (ii) hedge effectiveness is measured prospectively with no more consideration for retrospective testing, (iii) funding of foreign investments in foreign currency can be considered as a hedge and related foreign currency adjustment is deferred under equity, (iv) hedging instrument can be re-designated and periodically revisited to eliminate mismatch, and (v) cash flow hedge for fixed income securities classified at amortized cost has become eligible. Effective for annual periods beginning on or after January 1, 2018.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation
The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value as set out in the accounting policies below.

Assets and liabilities are grouped according to their nature and are presented in an approximate order that reflects their relative liquidity.

The principal accounting policies applied are set out below:

A. Basis of Consolidation:

The consolidated financial statements of First National Bank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (Subsidiaries). Control is achieved when the Group:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have,the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Group. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.
All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated subsidiaries as at December 31, 2014 comprise:

COMPANY NAME	COUNTRY OF INCORPORATION	DATE OF INCORPORATION/ ACQUISITION	PERCENTAGE OF OWNERSHIP	BUSINESS ACTIVITY
Capital Finance Company S.A.L.	Lebanon	January 8, 2010	100%	Retail loans
Middle East Capital Group Limited (MECG Group)	Guernsey	December 8, 1995	98.92%	Finance
SUBSIDIARIES OF MECG GROUP:				
Middle East Capital Group Holding S.A.L.	Lebanon	December 1, 1995	100%	Holding company
Middle East Capital Group S.A.L.	Lebanon	August 3, 1996	100%	Finance
Middle East Capital Group Offshore) S.A.L.	Lebanon	July 22, 1996	100%	Finance

Middle East Capital Asset Management Limited	Guernsey	March 19, 1999	100%	Dormant company
MECG Development S.A.L.	Lebanon	July 28, 2005	99%	Management company
Real Estate Management Company S.A.L.	Lebanon	May 24, 2004	100%	Management company
Corporate Finance House Limited and subsidiaries	Guernsey	January 1, 2014	100%	Investment banking

During 2014, Corporate Finance House Limited was included in the scope of consolidated effective January 1, 2014 as a result of the acquisition of its total shares by the Group.

During 2013, Real Estate Management Company S.A.L. was included in the scope of consolidation effective January 1, 2013. The said Company was not previously consolidated on the ground of immateriality.

B. Business Combinations:

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

C. Goodwill:

Goodwill arising on an acquisition of a business is carried at cost. Refer to Note 3B for the measurement of goodwill at initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

D. Foreign Currencies:

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

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

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

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

E. Recognition and Derecognition of Financial Assets and Liabilities:

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

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

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

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

Upon derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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

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

F. Classification of Financial Assets:

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

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

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL"). In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL are measured at FVTPL.

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

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

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

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

Designation at FVTOCI is not permitted if the equity investment is held for trading.
A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Reclassification:

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

Reclassification is not allowed where:

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

G. Financial Liabilities and Equity Instruments:

Classification as debt or equity:

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

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

Financial Liabilities at fair value through profit or loss:

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

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

Financial liabilities at FVTPL are stated at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss. Such gains or losses that are recognized in profit or loss incorporate any interest paid on the financial liabilities and are included in the "Net interest and gain and loss on liabilities at FVTPL" in the consolidated statement of profit or loss.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss.

Financial Liabilities Subsequently Measured at Amortized Cost:

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method.

Financial Guarantee Contract Liabilities:

Financial guarantees contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

These contracts can have various judicial forms (guarantees, letters of credit, credit-insurance contracts).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

H. Offsetting:

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

I. Fair Value Measurement of Financial Instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

J. Impairment of Financial Assets:

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

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

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

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts.

Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

K. Derivative Financial Instruments:

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

L. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not held for trading. Loans and advances are measured at amortized cost net of unearned interest and provision for credit losses where applicable. Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

M. Investments in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

N. Property and Equipment:

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any.
Depreciation is recognized so as to write off the cost or valuation of property and equipment (other than advance payments on capital expenditures) less their residual values, if any, over their useful lives, using the straight-line method as follows:

	Rates
Buildings	2%
Office improvements and installations	15%
Furniture, fixtures and equipment	8-25%
Computer equipment	20%
Vehicles	10%

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

O. Intangible Assets:

Intangible assets are amortized on a straight-line basis over the period of 3 years. Intangible assets are subject to impairment testing.

P. Assets acquired in satisfaction of loans:

Real estate properties acquired through the enforcement of collateral over loans and advances, in accordance with the Central Bank of Lebanon main circular 78 and the Banking Control Commission circulars 173 and 267, are initially recognized at their fair value as approved by Banking Control Commission and are subsequently measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities that require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation, the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

Upon sale of repossessed assets, any gain or loss realized is recognized as a separate line item in the consolidated statement of profit or loss.

Q. Operating Lease Agreements:

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the consolidated statement of income on a straight line basis over the lease term.

R. Impairment of Tangible and Intangible Assets (Other than Goodwill):

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

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

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

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

The fair value of the Group's owned properties and of properties acquired in satisfaction of loans debts, is the estimated market value as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment of an illiquidity factor and market constraints.

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

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

T. Provisions:

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

U. Revenue and Expense Recognition:

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

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

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

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

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

Interest income, dividend income, realized and unrealized fair value changes and foreign exchange differences on financial assets at fair value through profit or loss are presented separately in the consolidated statement of profit or loss.

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

V. Income Tax:

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

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

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

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

W. Fiduciary Accounts:

Fiduciary accounts are held or invested on behalf of individuals and others either on a discretionary or non-discretionary basis and the related risks and rewards belong to the account holders. Accordingly, these deposits are reflected as off-balance sheet accounts.

X. Cash and Cash Equivalents:

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Classification of Financial Assets:

Business Model:

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

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

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

Characteristics of the Financial Asset:

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

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

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

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

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

B. Key Sources of Estimation Uncertainty:

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

Allowances for Credit Losses - Loans and Advances to Customers:

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

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 31. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainly of market factors, pricing assumptions and other risks affecting the specific instrument.

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

Impairment of goodwill:

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. CASH AND DEPOSITS WITH CENTRAL BANK OF LEBANON

This caption consists of the following:

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Cash on hand	29,246,419	29,609,442
Current accounts with Central Bank of Lebanon	138,521,882	132,433,856
Term placements with Central Bank of Lebanon	941,744,670	870,057,750
Accrued interest receivable	12,661,597	10,798,042
	1,122,174,568	**1,042,899,090**

Current accounts at Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pound in the amount of LBP102billion (LBP76billion as of December 31, 2013) computed on the basis of 25% and 15% of the weekly average of demand deposits and term deposits in Lebanese Pound respectively, in accordance with local banking regulations. This compulsory reserve is not available for use in the daily banking activities.

Term placements with Central Bank of Lebanon bear the following maturities:the equivalent in foreign currencies of LBP512billion (LBP461billion in 2013) deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non-resident financial institutions with remaining maturity of less than one year.

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

	DECEMBER 31, 2014			
	LBP BASE ACCOUNTS		F/CY BASE ACCOUNTS	
MATURITY	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2015	-	-	71,303,220	0.54
2016	-	-	60,300,000	1.14
2017	-	-	341,052,750	1.43
2018	-	-	30,150,000	1.14
2019	-	-	52,762,500	1.40
2021	75,000,000	8.60	-	-
2022	200,000,000	8.51	-	-
2023	25,000,000	8.24	-	-
2024	-	-	86,176,200	7.27
	300,000,000		**641,744,670**	

	DECEMBER 31, 2013			
	LBP BASE ACCOUNTS		F/CY BASE ACCOUNTS	
MATURITY	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2014	22,500,000	2.86	45,225,000	1.15
2015	-	-	52,762,500	0.74
2016	-	-	60,300,000	1.14
2017	-	-	359,120,250	1.49
2018	-	-	30,150,000	1.14
2021	75,000,000	8.60	-	-
2022	200,000,000	8.51	-	-
2023	25,000,000	8.24	-	-
	322,500,000		**547,557,750**	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This caption consists of the following:

	December 31, 2014	December 31, 2013
	LBP'000	LBP'000
Checks in course of collection	5,675,216	10,704,692
Current accounts with banks and fihnancial institutions	249,747,611	180,368,257
Term placements with banks and financial institutions	310,846,682	288,712,863
Cash margin against facilities	23,581,475	7,195,790
Accrued interest receivable	917,158	833,352
	590,768,142	**487,814,954**

Cash margin against facilities represents cash margin against trade finance and foreign exchange transactions with non-resident banks.

Term placements bear the following maturities:

DECEMBER 31, 2014

MATURITY	LBP BASE ACCOUNTS AMOUNT	LBP BASE ACCOUNTS AVERAGE INTEREST RATE	F/CY BASE ACCOUNTS AMOUNT	F/CY BASE ACCOUNTS AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2015	23,030,220	7.42	238,144,336	1.75
2016	-	-	49,672,126	3.97
	23,030,220		**287,816,462**	

DECEMBER 31, 2013

MATURITY	LBP BASE ACCOUNTS AMOUNT	LBP BASE ACCOUNTS AVERAGE INTEREST RATE	F/CY BASE ACCOUNTS AMOUNT	F/CY BASE ACCOUNTS AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2014	22,840,880	6.90	234,289,858	1.84
2015	-	-	31,582,125	2.30
	22,840,880		**265,871,983**	

Term placements with banks and financial institutions include an amount of LBP23billion placed against Money market deposits in "Deposits and borrowings from banks and financial institutions" (Note 19). This amount matures during the first half of January 2015.

7. TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption consists of the following:

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Quoted equity securities	9,699,851	9,037,749
Unquoted equity securities	21,995,824	16,234,499
Lebanese government bonds	39,368,711	35,732,453
Lebanese treasury bills	131,270,946	21,791,631
Certificates of deposit issued by the Central Bank of Lebanon	248,543,990	206,194,600
Corporate bonds	-	2,820,609
	450,879,322	291,811,541
Accrued interest receivable	8,565,072	5,958,698
	459,444,394	**297,770,239**

The change in fair value gain of the trading assets at fair value through profit or loss amounted to LBP9.5billion in 2014 (LBP1.2billion in 2013) and is reflected in the consolidated statement of profit or loss under "Net interest and gain or loss on trading assets at fair value through profit or loss" (Note 32).

8. LOANS TO BANKS

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

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Loans to banks	9,937,500	10,487,500
Discounted documentary letters of credit	7,474,688	540,057
Accrued interest receivable	26,753	32,432
	17,438,941	**11,059,989**

Loans to banks mature as follows:

MATURITY	DECEMBER 31, 2014			
	LBP BASE ACCOUNTS		F/Cy BASE ACCOUNTS	
	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2015	-	-	7,537,500	1.08
2016	150,000	4.35	-	-
2019	2,250,000	4.35	-	-
	2,400,000		**7,537,500**	

MATURITY	DECEMBER 31, 2013			
	LBP BASE ACCOUNTS		F/Cy BASE ACCOUNTS	
	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2014	-	-	7,537,500	1.10
2016	300,000	4.35	-	-
2017	2,650,000	4.35	-	-
	2,950,000		**7,537,500**	

9. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Loans and advances to customers	1,328,449,751	1,316,710,041
Loans and advances to related parties	24,804,468	6,770,661
Bills discounted (net)	1,546,368	2,669,528
Creditors accidentally debtors	2,692,909	8,966,716
Substandard loans (net of unearned interest)	23,257,299	8,954,120
Bad and doubtful debts (net of unearned interest)	32,929,045	31,856,301
Less: Allowance for impairment	(28,231,891)	(19,226,539)
Provision for impairment of collectively assessed loans	(12,325,878)	(11,531,599)
	1,373,122,071	1,345,169,229
Less: Pledged guarantee funds to cover shortage in provision	(416,384)	(3,880,555)
	1,372,705,687	**1,341,288,674**

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

	DECEMBER 31, 2014			
	LOAN BALANCE NET OF DEFERRED INTEREST	UNEARNED INTEREST	IMPAIRMENT ALLOWANCE	CARRYING VALUE
	LBP'000			
Corporate customers:				
Commercial loans	346,645,692	-	-	346,645,692
Overdrafts	393,542,368	-	-	393,542,368
Other corporate loans	75,167,469	-	-	75,167,469
Retail customers:				
Car loans	82,593,826	-	-	82,593,826
Credit cards	18,530,116	-	-	18,530,116
Housing loans	229,420,363	-	-	229,420,363
Overdrafts	64,794,818	-	-	64,794,818
Personal loans and other	142,356,543	-	-	142,356,543
Substandard loans	25,768,353	(2,511,054)	-	23,257,299
Doubtful loans	104,940,863	(72,011,818)	(28,231,891)	4,697,154
Less: Provisions for collectively assessed loans	-	-	(12,325,878)	(12,325,878)
	1,483,760,411	**(74,522,872)**	**(40,557,769)**	**1,368,679,770**
Accrued interest receivable	4,442,301	-	-	4,442,301
	1,488,202,712	**(74,522,872)**	**(40,557,769)**	**1,373,122,071**

	DECEMBER 31, 2013			
	LOAN BALANCE NET OF DEFERRED INTEREST	UNEARNED INTEREST	IMPAIRMENT ALLOWANCE	CARRYING VALUE
	LBP'000			
Corporate customers:				
Commercial loans	331,993,035	-	-	331,993,035
Overdrafts	355,989,226	-	-	355,989,226
Other corporate loans	107,989,616	-	-	107,989,616
Retail customers:				
Car loans	88,226,217	-	-	88,226,217
Credit cards	19,195,968	-	-	19,195,968
Housing loans	212,736,071	-	-	212,736,071
Overdrafts	56,873,236	-	-	56,873,236
Personal loans and other	156,605,830	-	-	156,605,830
Substandard loans	11,868,318	(2,914,198)	-	8,954,120
Doubtful loans	94,310,101	(62,453,800)	(19,226,539)	12,629,762
Less: Provisions for collectively assessed loans	-	-	(11,531,599)	(11,531,599)
	1,435,787,618	**(65,367,998)**	**(30,758,138)**	**1,339,661,482**
Accrued interest receivable	5,507,747	-	-	5,507,747
	1,441,295,365	**(65,367,998)**	**(30,758,138)**	**1,345,169,229**

The movement of unearned interest during 2014 and 2013 is summarized as follows:

	2014	
	SUBSTANDARD LOANS	DOUBTFUL LOANS
	LBP'000	
Balance, January 1	2,914,198	62,453,800
Additions	1,150,992	10,294,380
Settlements/recoveries	(1,021,985)	(733,002)
Transfer to off-balance sheet	(532,151)	-
Difference in exchange	-	(3,360)
Balance, December 31	**2,511,054**	**72,011,818**

	2013	
	SUBSTANDARD LOANS	DOUBTFUL LOANS
	LBP'000	
Balance, January 1	2,166,826	68,443,456
Additions	747,775	11,785,751
Settlements/recoveries	-	(6,731,537)
Transfer to off-balance-sheet	(403)	(11,043,870)
Balance, December 31	**2,914,198**	**62,453,800**

The movement of allowance for impairment of individually assessed loans and allowance for impairment of collectively assessed loans is summarized as follows:

	2014	2013
	LBP'000	
Balance, January 1	30,758,138	29,030,012
Additions	11,405,598	4,473,839
Recoveries	(1,083,332)	(1,403,336)
Write offs	(501,244)	(1,093,386)
Transfer to off-balance sheet	(16,923)	(85,792)
Transfer to other liabilities	-	(163,199)
Effect of exchange rates fluctuation	(4,468)	-
Balance, December 31	**40,557,769**	**30,758,138**

Pledged guarantee funds were deposited by the shareholders of the Banks in order to cover any shortfull in the amount of provisions set up for certain classified loans and advances to customers. Major part of the provision was settled/utilized during the year. The movement of pledged guarantee fund during 2014 and 2013 is summarized as follows:

	2014	2013
	LBP'000	
Balance, January 1	3,880,555	3,797,051
Interest charged to income	61,856	149,834
Settlements/ utilizations	(3,526,027)	(66,330)
Balance, December 31	**416,384**	**3,880,555**

10. DUE FROM RELATED PARTIES

This caption consists of the following:

	2014	2013
	LBP'000	
Park View Realty S.A.L. (under liquidation)	5,353	5,353
Middle East Real Estate Opportunities Fund (MEREO I) LP	113,011	-
Middle East Real Estate Opportunities Fund (MEREO II) LP	289,660	-
Philadelphia Investment Group	1,449,421	-
FK Realization	814,041	-
Gustav Immobilien 1 Limited	386,648	-
FK Realization Limited	189,423	-
Others	223,029	-
	3,470,586	**5,353**

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income outstanding at December 31, 2014 and 2013 consist of the following:

		DECEMBER 31, 2014		
		F/CY BASE ACCOUNT		CUMULATIVE CHANGE IN
	INCORPORATED IN	COST	FAIR VALUE	FAIR VALUE
	LBP'000			
Capital Plaza Holding S.A.L.	Lebanon	496,362	496,362	-
Middle East Real Estate opportunities Fund (MEREO I) LP	British Virgin Island	823,868	823,868	-
Middle East Real Estate opportunities Fund II(MEREO II) LP	British Virgin Island	998,410	998,410	-
Philadelphia Invest. Group Ltd.	British Virgin Island	1,813,990	1,813,990	-
Inkchip Holding S.A.L.	Lebanon	845,854	845,854	-
Gustav Immobilien I Limited (BVI)	Germany	2,075,375	2,075,375	-
Syria Gulf Bank	Syria	6,246,051	2,415,724	(3,830,327)
		13,299,910	**9,469,583**	**(3,830,327)**
Deferred tax (Note 14)		-	-	574,548
		13,299,910	**9,469,583**	**(3,255,779)**

		DECEMBER 31, 2013		
		F/CY BASE ACCOUNT		CUMULATIVE CHANGE IN
	INCORPORATED IN	COST	FAIR VALUE	FAIR VALUE
	LBP'000			
Syria Gulf Bank	Syria	6,246,051	2,415,724	(3,830,327)
Deferred tax (Note 14)		-	-	574,548
		-	-	**(3,255,779)**

12. FINANCIAL ASSETS AT AMORTIZED COST

Financial assets at amortized cost outstanding at December 31, 2014 and 2013 consist of the following:

	DECEMBER 31, 2014				
	LBP		F/CY		TOTAL AMORTIZED COST
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE	
	LBP'000				
Lebanese treasury bills	588,470,053	597,218,123	-	-	588,470,053
Lebanese government bonds	-	-	786,888,833	815,573,917	786,888,833
Certificates of deposit issued by the Central Bank of Lebanon	325,768,744	333,217,004	401,332,297	410,553,907	727,101,041
Corporate bonds	-	-	18,914,493	19,406,325	18,914,493
Certificates of deposit issued by local banks	-	-	9,016,139	9,045,000	9,016,139
	914,238,797	**930,435,127**	**1,216,151,762**	**1,254,579,149**	**2,130,390,559**
Accrued interest receivable	17,075,090	17,075,090	17,329,241	17,329,241	34,404,331
	931,313,887	**947,510,217**	**1,233,481,003**	**1,271,908,390**	**2,164,794,890**

	DECEMBER 31, 2013				
	LBP		F/CY		TOTAL AMORTIZED COST
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE	
	LBP'000				
Lebanese treasury bills	549,773,415	560,001,000	-	-	549,773,415
Lebanese government bonds	-	-	828,724,333	846,640,525	828,724,333
Certificates of deposit issued by the Central Bank of Lebanon	275,369,831	275,052,820	274,165,667	278,528,715	549,535,498
Corporate bonds	-	-	73,628,254	79,837,144	73,628,254
Certificates of deposit issued by local banks	-	-	9,006,375	8,954,550	9,006,375
	825,143,246	**835,053,820**	**1,185,524,629**	**1,213,960,934**	**2,010,667,875**
Accrued interest receivable	17,999,876	17,999,876	16,723,192	16,723,192	34,723,068
	843,143,122	**853,053,696**	**1,202,247,821**	**1,230,684,126**	**2,045,390,943**

Financial assets at amortized cost are segregated over their remaining periods to maturity as follows:

	DECEMBER 31, 2014	
	LBP	
	NOMINAL VALUE	AMORTIZED COST
	LBP'000	
REMAINING PERIOD TO MATURITY		
Lebanese treasury bills:		
- Up to 1 year	59,300,000	59,540,750
- 1 year to 3 years	203,131,457	203,588,607
- 3 years to 5 years	161,052,565	162,421,771
- 5 years to 10 years	153,286,790	156,306,520
- More than 10 years	6,591,300	6,612,405
	583,362,112	**588,470,053**
Lebanese Government bonds:		
- Up to 1 year	-	-
- 1 year to 3 years	-	-
- 3 years to 5 years	-	-
- 5 years to 10 years	-	-
- More than 10 years	-	-
	-	-
Certificates of deposit issued by the Central Bank of Lebanon:		
- Up to 1 year	-	-
- 1 year to 3 years	46,000,000	47,144,506
- 5 years to 10 years	181,000,000	182,979,945
- More than 10 years	95,000,000	95,644,293
	322,000,000	**325,768,744**
Corporate bonds		
- Up to 1 year	-	-
- 1 year to 3 years	-	-
- 3 years to 5 years	-	-
- 5 years to 10 years	-	-
- More than 10 years	-	-
	-	-
Certificates of deposit issued by local banks:		
- 1 year to 3 years	-	-
	905,362,112	**914,238,797**

DECEMBER 31, 2014				
LBP	FOREIGN CURRENCY (C/V LBP)			TOTAL AMORTIZED COST
FAIR VALUE	NOMINAL VALUE	AMORTIZED COST	FAIR VALUE	
LBP'000				
59,300,000	-	-	-	59,540,750
207,319,097	-	-	-	203,588,607
166,598,655	-	-	-	162,421,771
157,153,540	-	-	-	156,306,520
6,846,831	-	-	-	6,612,405
597,218,123	-	-	-	**588,470,053**
-	23,754,990	24,125,984	24,320,167	24,125,984
-	214,522,428	223,728,590	232,627,428	223,728,590
-	230,476,549	227,062,185	233,385,093	227,062,185
-	241,879,883	251,164,143	262,455,844	251,164,143
-	60,874,358	60,807,931	62,785,385	60,807,931
-	**771,508,208**	**786,888,833**	**815,573,917**	**786,888,833**
-	194,045,400	197,115,673	197,926,308	197,115,673
48,217,200	-	-	-	47,144,506
187,204,815	203,512,500	204,216,624	212,627,599	387,196,569
97,794,989	-	-	-	95,644,293
333,217,004	**397,557,900**	**401,332,297**	**410,553,907**	**727,101,041**
-	4,800	4,800	4,800	4,800
-	10,552,500	10,540,925	10,688,175	10,540,925
-	4,673,250	4,901,518	5,246,100	4,901,518
-	1,959,750	1,959,750	1,959,750	1,959,750
-	1,507,500	1,507,500	1,507,500	1,507,500
-	**18,697,800**	**18,914,493**	**19,406,325**	**18,914,493**
-	9,045,000	9,016,139	9,045,000	9,016,139
930,435,127	**1,196,808,908**	**1,216,151,762**	**1,254,579,149**	**2,130,390,559**

	DECEMBER 31, 2013	
	LBP	
	NOMINAL VALUE	AMORTIZED COST
	LBP'000	
REMAINING PERIOD TO MATURITY		
Lebanese treasury bills:		
- Up to 1 year	50,000,000	50,180,353
- 1 year to 3 years	62,045,000	62,408,818
- 3 years to 5 years	360,428,748	363,008,977
- 5 years to 10 years	68,500,000	69,083,967
- More than 10 years	5,091,300	5,091,300
	546,065,048	**549,773,415**
Lebanese Government bonds:		
- Up to 1 year	-	-
- 1 year to 3 years	-	-
- 3 years to 5 years	-	-
- 5 years to 10 years	-	-
- More than 10 years	-	-
	-	-
Certificates of deposit issued by the Central Bank of Lebanon:		
- Up to 1 year	50,000,000	50,001,954
- 1 year to 3 years	52,000,000	53,844,108
- 3 years to 5 years	69,000,000	71,828,501
- 5 years to 10 years	100,000,000	99,695,268
	271,000,000	**275,369,831**
Corporate bonds		
- 1 year to 3 years	-	-
- 3 years to 5 years	-	-
- 5 years to 10 years	-	-
	-	-
Certificates of deposit issued by local banks:		
- 3 years to 5 years	-	-
	817,065,048	**825,143,246**

DECEMBER 31, 2013				
LBP	FOREIGN CURRENCY (C/V LBP)			
FAIR VALUE	NOMINAL VALUE	AMORTIZED COST	FAIR VALUE	TOTAL AMORTIZED COST
LBP'000				
51,134,100	-	-	-	50,180,353
63,326,760	-	-	-	62,408,818
369,818,086	-	-	-	363,008,977
70,522,309	-	-	-	69,083,967
5,199,745	-	-	-	5,091,300
560,001,000	-	-	-	**549,773,415**
-	39,350,912	39,731,738	39,972,255	39,731,738
-	118,294,838	126,322,023	132,634,467	126,322,023
-	322,509,296	322,808,579	332,343,953	322,808,579
-	268,306,358	279,060,629	281,756,875	279,060,629
-	60,874,358	60,801,364	59,932,975	60,801,364
-	**809,335,762**	**828,724,333**	**846,640,525**	**828,724,333**
50,239,200	-	-	-	50,001,954
52,222,000	216,868,950	228,791,974	233,134,121	282,636,082
71,397,200	-	-	-	71,828,501
101,194,420	45,225,100	45,373,693	45,394,594	145,068,961
275,052,820	**262,094,050**	**274,165,667**	**278,528,715**	**549,535,498**
-	36,652,295	36,611,063	38,705,510	36,611,063
-	13,266,000	12,410,656	12,418,830	12,410,656
-	24,807,538	24,606,535	28,712,804	24,606,535
-	**74,725,833**	**73,628,254**	**79,837,144**	**73,628,254**
-	9,045,000	9,006,375	8,954,550	9,006,375
835,053,820	**1,155,200,645**	**1,185,524,629**	**1,213,960,934**	**2,010,667,875**

The movement of financial assets at amortized cost is as follows:

	DECEMBER 31, 2014		
	LBP	F/CY	TOTAL
	LBP'000		
Balance at January 1, 2014	825,143,246	1,185,524,629	2,010,667,875
Additions	317,093,578	238,094,299	555,187,877
Redemptions	(100,000,000)	(81,221,956)	(181,221,956)
Amortization of premiums and discounts	(2,368,610)	(15,286,319)	(17,654,929)
Swaps (Net of premiums and discounts)	(77,583,330)	(22,637,962)	(100,221,292)
Sales (Net of premiums and discounts)	(48,046,087)	(84,870,204)	(132,916,291)
Difference in exchange	-	(3,450,725)	(3,450,725)
Balance at December 31, 2014	**914,238,797**	**1,216,151,762**	**2,130,390,559**

	DECEMBER 31, 2013		
	LBP	F/CY	TOTAL
	LBP'000		
Balance at January 1, 2013	943,550,343	1,156,167,890	2,099,718,233
Additions	152,879,451	137,110,241	289,989,692
Redemptions	(40,500,000)	(95,883,230)	(136,383,230)
Amortization of premiums and discounts	(3,751,319)	(13,914,302)	(17,665,621)
Swaps (Net of premiums and discounts)	(227,035,229)	-	(227,035,229)
Difference in exchange	-	2,044,030	2,044,030
Balance at December 31, 2013	**825,143,246**	**1,185,524,629**	**2,010,667,875**

As of December 31, 2014, the Group had corporate bonds issued by non-resident banks in the amount of LBP6billion (USD4million) (USD21million in 2013) and Lebanese government bonds in the amount of LBP164billion (USD109million) (USD33million in 2013) classified as financial assets at amortized cost and pledged against repurchase agreements with a non-resident bank (Note 19).

As of December 31, 2014 and 2013, the Group had Lebanese treasury bills in the amount of LBP2.7billion pledged against a soft loan granted by the Central Bank of Lebanon (Note 19).

Certificates of deposit issued by the Central Bank of Lebanon included as of December 31, 2013 an aggregate amount of LBP33.56billion (USD22.26million) maturing in 2015 with a put option exercisable at an early redemption value of 91.63% of par in year 2012. The Group followed the policy of providing for the difference of 8.37% between the nominal value and the early redemption value in 2012. During 2014, the Group exercised the put option on the remaining part of these certificates of deposit with a nominal value of USD22.26million which resulted in a gain of LBP1.38billion recognized under "Other operating income" (net) in the consolidated statement of profit or loss (Note 33).

During 2014, the Group sold investment securities classified at amortized cost in the amount of LBP99.35billion which resulted in a gain in the amount of LBP5.33billion recognized under "Other operating income" (net) in the consolidated statement of profit or loss (Note 33).

During 2014, the Group sold and repurchased certificates of deposit issued by The Central Bank of Lebanon classified at amortized cost in the amount of LBP15billion maturing in 2020 which resulted in a discount of LBP475million, added to the nominal value of the repurchased securities and which will be amortized over maturity.

During 2014, the Group exchanged certificates of deposit and Lebanese Government Bonds in the amount of LBP100.22billion maturing in 2014, 2016 and 2017 against certificates of deposit and Lebanese Government bonds for the aggregate amount of LBP98.49billion with longer maturities. This operation resulted in a net gain of LBP1million (Note 33).

During 2013, the Group exchanged Lebanese treasury bills and certificates of deposit issued by the Central Bank of Lebanon in the amount of LBP135.1billion maturing in 2013 and LBP91.93billion maturing in 2014, against Lebanese treasury bills and certificates of deposit issued by the Central Bank of Lebanon with longer maturities, out of which LBP192billion were classified as trading assets at fair value through profit or loss, which resulted in a gain in the amount of LBP4.09billion that was recognized in "Other operating income, net" in the consolidated statement of profit or loss (Note 33).

13. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

14. OTHER ASSETS

This caption consists of the following:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Prepaid expenses	5,951,680	6,335,318
Deferred charges	835,299	444,836
Refundable guarantee deposits	169,201	168,841
Stamps	62,585	54,994
Change in fair value of forward exchange contracts	210,866	-
Deferred tax assets (Note 11)	574,548	574,548
Intangible assets (a)	496,562	559,553
Receivables from financial services contracts (c)	1,874,337	-
Due from Social Security Fund	3,863,976	3,118,747
Other debit balances (b)	13,624,465	4,648,830
Regulatory blocked fund (d)	1,500,000	1,500,000
Provision for doubtful receivables	(667,110)	(667,110)
	28,496,409	**16,738,557**

(a) The movement of intangible assets during 2014 and 2013 was as follows:

	LBP'000
Cost:	
Balance, January 1, 2013	1,900,948
Additions	269,967
Balance, December 31, 2013	2,170,915
Additions	157,573
Balance, December 31, 2014	2,328,488
Accumulated Amortization:	
Balance, January 1, 2013	(1,409,820)
Additions (Note 34)	(201,542)
Balance, December 31, 2013	(1,611,362)
Additions (Note 34)	(220,564)
Balance at December 31, 2014	(1,831,926)
Net Carrying Value:	
December 31, 2014	**496,592**
December 31, 2013	**559,553**

- (b) Other debit balances includes an amount of LBP10billion (USD6.5million) as at December 31, 2014 representing the value of a check issued to participate in an auction on plot number 5298 in Mazraa - Beirut for the opening of a new branch in that area. The Group is still in the process of acquiring and registering the complete shares of this plot.
- (c) Receivables from financial services contracts as at December 31, 2014 represent an amount due on services rendered by the newly acquired subsidiary Corporate Finance House Limited.
- (d) Regulatory blocked fund represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon establishment of "First National Bank S.A.L.". This deposit is refundable in case of cease of operations, according to article 132 of the Money and Credit Law.

15. INVESTMENT IN AND LOAN TO AN ASSOCIATE

This caption represents a 12.77% equity stake in Park View Realty Company S.A.L., currently under liquidation, as at December 31, 2014 and 2013:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Value of the investment	228,094	228,094
Loan	13,118	13,118
	241,212	**241,212**

The investment in Park View Realty S.A.L. is classified as an investment in an associate since the Group is represented on the investee's Board of Directors and significant influence is demonstrated in 2014 and 2013.

The movement of the investment in Park View Realty S.A.L. was as follows:

	2014	2013
	LBP'000	
Balance, January 1	228,094	410,118
Dividends received	-	(437,503)
Group's share of associate gains (Note 33)	-	255,479
Balance, December 31	**228,094**	**228,094**

16. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans represent real estate properties and vehicles that have been acquired through enforcement of security over loans and advances to customers.

The movement of assets acquired in satisfaction of loans during 2014 and 2013 was as follows:

	2014	2013
	LBP'000	
Balance, January 1	2,489,951	3,898,676
Additions	1,372,425	896,127
Disposals	(816,588)	(2,255,155)
Reversals	(30,811)	(49,697)
Balance, December 31	**3,014,977**	**2,489,951**

The acquisition of assets in settlement of loans is regulated by the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits after deduction of legal reserves and reserves for general banking risk over a period of 5 years and accumulated under equity. This reserve was reduced to 5% when certain conditions linked to the restructuring of non performing loan's portfolio were met as per local banking regulations. During 2013, the Group appropriated a reserve of LBP7.7million from 2012 profits (LBP107million in 2012 from 2011 profits). An amount of LBP306million was transferred in 2013 to retained earnings upon the sale of the related foreclosed assets.

During 2014, the Group sold assets acquired in satisfaction of loans for an aggregate consideration of LBP786billion (LBP2.6billion in 2013) resulting in a net loss of LBP295million (gain of LBP341million in 2013) (Note 33).

17. PROPERTY AND EQUIPMENT

The movement of property and equipment during 2014 and 2013 was as follows:

	LAND	BUILDINGS	FURNITURE, OFFICE AND COMPUTER EQUIPMENT
	LBP'000		
Cost:			
Balance, January 1, 2013	13,959,738	13,162,244	25,546,285
Additions and transfers	5,460,991	-	3,758,335
Disposals	-	-	(226,194)
Balance, December 31, 2013	**19,420,729**	**13,162,244**	**29,078,426**
Additions and transfers	6,163,481	11,007,560	2,787,165
Additions through business combination	-	-	111,193
Disposals	-	-	(2,098,244)
Balance, December 31, 2014	**25,584,210**	**24,169,804**	**29,878,540**
Accumulated Depreciation:			
Balance, January 1, 2013	-	(3,284,726)	(16,357,276)
Depreciation expense (Note 34)	-	(310,475)	(2,060,606)
Eliminated on disposals	-	-	163,646
Balance, December 31, 2013	-	**(3,595,201)**	**(18,254,236)**
Depreciation expense (Note 34)	-	(428,915)	(2,445,959)
Additions through business combination	-	-	(43,212)
Eliminated on disposals	-	-	1,893,010
Balance, December 31, 2014	-	**(4,024,116)**	**(18,850,397)**
Net Carrying Value:			
December 31, 2014	**25,584,210**	**20,145,688**	**11,028,143**
December 31, 2013	**19,420,729**	**9,567,043**	**10,824,190**

VEHICLES	IMPROVEMENTS AND INSTALLATIONS	ADVANCE PAYMENT	TOTAL
LBP'000			
616,139	11,176,866	8,662,497	73,123,769
2,074	2,759,571	9,347,009	21,327,980
-	-	-	(226,194)
618,213	**13,936,437**	**18,009,506**	**94,225,555**
439,278	639,597	(4,403,118)	16,633,963
2,525	65,783	-	179,501
(235,678)	(4,195)	-	(2,338,117)
824,338	**14,637,622**	**13,606,388**	**108,700,902**
(265,290)	(6,111,010)	-	(26,018,302)
(58,812)	(798,974)	-	(3,228,867)
-	-	-	163,646
(324,102)	**(6,909,984)**	-	**(29,083,523)**
(70,858)	(771,041)	-	(3,716,773)
(737)	(34,579)	-	(78,528)
151,853	4,195	-	2,049,058
(243,844)	**(7,711,409)**	-	**(30,829,766)**
580,494	**6,926,213**	**13,606,388**	**77,871,136**
294,111	**7,026,453**	**18,009,506**	**65,142,032**

Additions to buildings in 2014 represent transfers from advance payment representing the acquisition of the plot number 2059 in Verdun - Beirut in the amount of LBP5.9billion and the acquisition of three branches in Halba, Saida and Haret Hreik in the aggregate amount of LBP5.1billion.

Additions to land in 2013 represent the acquisition of the plot number 4190 in Achrafieh to build a new headquarter for the Bank.

Advance payment represents the cost of the renovation and construction of the Bank branches and new headquarters. The movement of these payments on the account during the years 2014 and 2013 are as follows:

	HAZMIEH BRANCH	VERDUN BRANCH	BAALBEK BRANCH	JAL EL DIB BRANCH	MATHAF NEW HEAD OFFICE	OTHER BRANCHES	TOTAL
	LBP'000						
Balance, January 1, 2013	1,208,000	-	1,520,513	-	45,390	5,888,594	8,662,497
Additions	1,363,500	5,967,679	151,307	1,307,015	771,328	4,820,618	14,381,447
Transfers	-	-	(1,671,820)	-	-	(3,362,618)	(5,034,438)
Balance, December 31, 2013	**2,571,500**	**5,967,679**	-	**1,307,015**	**816,718**	**7,346,594**	**18,009,506**
Additions	48,510	805,599	-	1,667,352	3,379,055	3,051,092	8,951,608
Transfers	(5,397)	(5,986,276)	-	(18,257)	(406,037)	(6,938,759)	13,354,726
Balance, December 31, 2014	**2,614,613**	**787,002**	-	**2,956,110**	**3,789,736**	**3,458,927**	**13,606,388**

18. GOODWILL

This caption consists of the following:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Goodwill on acquisition of Société Bancaire du Liban ("SBL")	2,400,000	2,400,000
Goodwill on acquisition of Capital Finance Company S.A.L. in 2009	17,979,656	17,979,656
Goodwill on acquisition of Corporate Finance House Limited in 2014	6,626,412	-
	27,006,068	**20,379,656**

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share in the identifiable assets, liability and contingent liabilities of the fully acquired subsidiary "Corporate Finance House Limited Group" during 2014 as summarized below:

	LBP'000
Fair value of net asset acquired	11,418,363
Less: Consideration - Fair value of equity security issued by the Bank	(18,044,975)
Goodwill	**6,626,412**

19. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

Deposits and borrowings from banks and financial institutions are reflected at amortized cost and consist of the following:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Current deposits of banks and financial institutions	55,321,510	67,688,020
Money market deposits – A	300,810,002	279,750,336
Short term borrowings – B	4,919,385	45,082,357
Borrowings under sale and repurchase agreements – C	90,450,000	45,225,000
Other borrowings – D	14,782,452	3,447,562
Accrued interest payable	1,829,264	1,563,300
	468,112,613	**442,756,575**

A. The maturities of money market deposits are as follows:

	DECEMBER 31, 2014			
	LBP BASE ACCOUNTS		F/CY BASE ACCOUNTS	
MATURITY	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2015	118,923,826	4.64	181,886,176	1.44

MATURITY	DECEMBER 31, 2013			
	LBP BASE ACCOUNTS		F/CY BASE ACCOUNTS	
	AMOUNT	AVERAGE INTEREST RATE	AMOUNT	AVERAGE INTEREST RATE
	LBP'000	%	LBP'000	%
2014	63,554,533	4.42	189,060,803	1.88
2015	-	-	13,567,500	5.40
2016	-	-	13,567,500	5.43
	63,554,533		**216,195,803**	

Short term borrowings are denominated in foreign currencies, carry interest at the rate of 4.25% per annum and mature within one year.

C. Borrowings under sale and repurchase agreements consist of the following:

MATURITY	DECEMBER 31, 2014	
	F/CY BASE ACCOUNTS	
	AMOUNT	AVERAGE INTEREST RATE
2015	45,225,000	Semi-Annual USD LIBOR+2.40%
2017	45,225,000	The lower between semi-annual USD LIBOR+2.50% or 4.75%
	90,450,000	

MATURITY	DECEMBER 31, 2013	
	F/CY BASE ACCOUNTS	
	AMOUNT	AVERAGE INTEREST RATE
2014	**45,225,000**	Semi-Annual USD LIBOR+2.40%

Sale and repurchase agreements consist of repurchase agreement contracts with a non-resident bank in the amount of LBP90.45billion (C/V USD60million) (USD30million in 2013) against pledged Lebanese government bonds with a nominal value of USD109million (C/V LBP164billion) (USD33million in 2013) and corporate bonds issued by foreign banks with a nominal value of USD4million (C/V LBP6billion) (USD21million in 2013) classified under "Financial assets at amortized cost" (Note 12), and Lebanese government bonds with a nominal value of USD289thousands (C/V LBP436million) classified under "Trading assets at fair value through profit or loss" (Note 7).

D. Other borrowings consist of the following:

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Loan from the European Investment Bank (i)	611,884	702,562
Soft loan from the Central Bank of Lebanon (ii)	2,745,000	2,745,000
Central Bank of Lebanon - incentive loans (iii)	11,425,568	-
	14,782,452	**3,447,562**

(i) Borrowings from the European Investment Bank are managed by the Central Bank of Lebanon and financed by the European Investment Bank upon the agreement signed between the Lebanese Republic and the European Investment Bank on December 14, 1999. The purpose of these loans is to finance projects in the industrial sector. These borrowings matures during 2020.

(ii) During 2011, the Central Bank of Lebanon ("BDL") granted the Group a soft loan in the amount of LBP2.7billion in accordance with Decision number 6116 dated March 7, 1996 subject to an annual interest rate of 2.2%. The loan proceeds are invested in Lebanese treasury bills for the same amount classified at amortized cost and maturing in January 2016. The treasury bills are pledged in favor of BDL until full repayment of the loan. The present value of the net investment proceeds will be used to finance the write-off of a debtor's exposure under credit facilities used to refinance the construction of property and acquisition of equipment damaged during the July 2006 war.

(iii) During 2014, the Central Bank of Lebanon granted the Group facilities in the amount of LBP11.4billion in accordance with Basic Decision No. 6116 of March 7, 1996 and its amendment in circular 313. The loan proceeds were lent to their customers, pursuant to certain conditions, rules and mechanism. These facilities subject to an annual interest rate of 1% paid on a monthly basis. These facilities mature as follows:

MATURITY	DECEMBER 31, 2014
	LBP'000
5 to 10 years	2,424,315
10 to 20 years	4,135,824
More than 20 years	4,865,429
	11,425,568

20. CUSTOMERS' DEPOSITS AND CREDIT ACCOUNTS

Customers' deposits and credit accounts are stated at amortized cost and are detailed as follows:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Current and demand deposits	448,944,283	350,667,543
Term deposits	690,174,185	655,230,547
Saving accounts	2,887,156,320	2,637,909,146
Related party deposits	144,225,986	99,301,621
Collateral against loans and advances - Related parties	131,761	42,754,209
Collateral against loans and advances - Customers	349,764,822	337,891,088
Fiduciary accounts	226,286,649	216,866,725
Margins for irrevocable letters of credit	13,424,465	10,361,128
Margins on letters of guarantee	18,977,977	68,083,832
Escrow account for the acquisition of Bank's shares	81,317,627	-
	4,860,404,075	**4,419,065,839**
Accrued interest payable	23,102,722	23,588,396
	4,883,506,797	**4,442,654,235**

Customers' deposits include coded accounts as at December 31, 2014 amounting to LBP22billion (LBP33billion as at December 31, 2013). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956. Under the provisions of this article, the Group's management cannot reveal the identities of the depositors to third parties, including its independent auditors.

Escrow account for the acquisition of Bank's shares represents amounts deposited in 2014 by potential investors to buy the shares of one of the Bank's existing shareholders. Subsequent to the statement of financial position date, the balance of the escrow account was transferred to the account of the former shareholder following the transfer of all his shares to the new shareholders.

Customers' deposits include an escrow account deposited by the former shareholders of Société Bancaire du Liban S.A.L. ("SBL") to cover any shortage in the transferred allowance for bad and doubtful debts accounts or for those accounts that needed to be downgraded at the merger date. The balance of this pledged deposit as at December 31, 2014 and 2013 amounted to USD207,000 equivalent to LBP312million. There has been no transfer to "Escrow account to cover shortage in provisions" under "Loans and advances" during 2014 and 2013. This escrow account earned interest at the rate of 3.21% per annum during 2014 and 2013.

Deposits are allocated by brackets as follows:

	DECEMBER 31, 2014			
	DEPOSITS IN LBP		DEPOSITS IN F/CY	
	TOTAL DEPOSITS	% TO TOTAL DEPOSITS	TOTAL DEPOSITS	% TO TOTAL DEPOSITS
	LBP'000	%	LBP'000	%
Related parties	67,710,863	4.04	76,646,884	2.50
Customers:				
Less than LBP200million	400,352,077	23.09	456,227,465	14.46
Between LBP200million and LBP1.5billion	545,444,430	31.46	899,905,062	28.53
More than LBP1.5billion	717,819,295	41.41	1,719,400,721	54.51
	1,663,615,802		3,075,533,248	
	1,731,326,665	**100**	**3,152,180,132**	**100**

	DECEMBER 31, 2013			
	DEPOSITS IN LBP		DEPOSITS IN F/CY	
	TOTAL DEPOSITS	% TO TOTAL DEPOSITS	TOTAL DEPOSITS	% TO TOTAL DEPOSITS
	LBP'000	%	LBP'000	%
Related parties	49,710,700	3.24	92,345,130	3.58
Customers:				
Less than LBP200million	382,366,551	23.92	442,226,588	15.48
Between LBP200million and LBP1.5billion	499,049,837	31.22	830,867,109	29.09
More than LBP1.5billion	665,228,758	41.62	1,480,859,562	51.85
	1,546,645,146		2,753,953,259	
	1,596,355,846	**100**	**2,846,298,389**	**100**

The average balances of deposits and related cost of funds over the last three years were as follows:

	AVERAGE BALANCE OF DEPOSITS	ALLOCATION OF DEPOSITS **LBP**	ALLOCATION OF DEPOSITS **F/CY**	COST OF FUNDS	AVERAGE INTEREST RATE
	LBP'000	**%**	**%**	**LBP'000**	
2014	4,677,694,293	36	64	205,549,419	4.39
2013	4,235,413,038	36	64	184,954,314	4.36
2012	3,782,003,431	34	66	175,106,759	4.63

21. OTHER LIABILITIES

This caption consists of the following:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Withheld taxes and other taxes payable	2,724,443	2,316,494
Corporate income tax payable	1,218,540	3,881,767
Due to the National Social Security Fund	633,407	651,999
Checks and incoming payment orders in course of settlement	10,484,480	11,220,413
Accrued expenses	8,650,772	9,101,778
Provision for early redemption of investment securities (Note 12)	-	1,231,218
Payables on land acquisition	2,864,250	-
Deferred income	8,548,723	9,410,768
Due to insurance companies and collectors of bills	8,935,038	10,901,505
Sundry accounts payable	9,805,871	13,515,070
Accrued interest on cumulative preferred shares	160,764	-
	54,026,288	**62,231,012**

The maturity of the dues to insurance companies and collectors of bills related to retail loans are allocated based on the maturity of the related outstanding loans.

Income tax expense is determined as follows:

	2014		2013	
	PROFIT BEFORE TAX (AFTER CONSOLIDATION ADJUSTMENTS)	INCOME TAX EXPENSE	PROFIT BEFORE TAX (AFTER CONSOLIDATION ADJUSTMENTS)	INCOME TAX EXPENSE
	LBP'000			
First National Bank S.A.L.	39,252,893	5,294,256	35,096,975	5,649,177
Capital Finance Company S.A.L.	5,455,302	-	9,037,890	1,738,336
Middle East Capital Group S.A.L.	4,967,440	549,181	2,167,714	460,552
	49,675,635	**5,843,437**	**46,302,579**	**7,848,065**

During 2014, Capital Finance Company S.A.L. has written-back provisions for credit losses booked in previous years in the amount of LBP8.7billion that were considered as non-tax deductible in those years, and accordingly they were considered as non-taxable income for the purpose of computing the income tax for fiscal year 2014 and has reconstituted its provision for credit loans in accordance with new circulars issued by The Central Bank of Lebanon and the Banking Control Commission.

Deferred income includes unearned commission on insurance policies related to outstanding retail loans maturing after year end. These unearned commissions are recognized to income over the term of the related loans. Furthermore, it includes file fees and difference on collection charges that are recognized as yield adjustment over the loan repayment period.

During 2014, an amount of LBP780million out of the provision for early redemption of investment securities was amortized and reflected under "Interest income" in the consolidated statement of profit or loss, the remaining balance amounted to LBP451million out of the LBP1.2billion outstanding as at December 31, 2013 was transferred to "Other operating income (net)" in the consolidated statement of profit or loss upon the sale of all related securities (Note 12).

During 2014, the tax returns of the Bank were subject to examination by tax authorities for the years from 2009 till 2012. This examination resulted in an additional tax liability of LBP1.7billion applied against accrued expenses and fully paid during the year.

During 2013, the tax returns of 2 subsidiaries were subject to examination by tax authorities. This examination resulted in an additional tax liability of LBP505million including penalties that was applied against provision for contingencies.

The tax returns of the Bank for the years 2013 and 2014 remain subject to examination and final assessment by the tax authorities and any additional tax liability depends on the outcome of such review.

The Group's management does not anticipate significant additional tax and social security liabilities with regard to years that are still subject to examination with respect to the Bank and its subsidiaries.

22. PROVISIONS

Provisions consist of the following:

	DECEMBER 31, 2014 LBP'000	DECEMBER 31, 2013 LBP'000
Provision for staff end-of-service indemnities	9,418,623	8,258,225
Provision for contingencies	197,569	1,143,603
Provision for foreign currency fluctuations	26,484	95,068
	9,642,676	**9,496,896**

The movement of the provision for staff end-of-service indemnities is as follows:

	DECEMBER 31, 2014 LBP'000	DECEMBER 31, 2013 LBP'000
Balance, January 1	8,258,225	6,773,788
Additions	1,266,079	1,633,393
Settlements	(227,033)	(148,956)
Additions through business combination	121,352	-
Balance, December 31	**9,418,623**	**8,258,225**

The movement of the provision for contingencies was as follows:

	DECEMBER 31, 2014 LBP'000	DECEMBER 31, 2013 LBP'000
Balance, January 1	1,143,603	311,682
Additions	291,167	903,321
Settlements	(1,237,201)	(71,400)
Balance, December 31	**197,569**	**1,143,603**

The provision for contingencies is set up to cover possible claims and charges in connection with the Group's activities and includes amounts to cover the likelihood of additional levies due to uncertainties.

23. CUMULATIVE PREFERRED SHARES

The Extraordinary General Assembly approved in its meeting held on June 6, 2014 the issuance of 150,000 cumulative series "A" preferred shares with fixed maturity at a nominal value of LBP10,000 per share in the aggregate amount of LBP1.5billion and an aggregate premium of LBP21.1billion on the entire issued shares to the sole subscriber "European Investment Bank" in accordance with the terms and conditions specified in the Extraordinary General Assembly indicated above. The preferred shares earn dividends of USD4.5 per share and mature in seven years.

24. SHARE CAPITAL

The Extraordinary General Assembly approved in its meeting held on October 23, 2014 the increase of capital from LBP154.5billion to LBP160.8billion through the issuance of 630,000 nominative shares of LBP10,000 each with a share premium of LBP18,647 (C/V USD12.37) for each newly issued share against the full acquisition of Corporate Finance House Limited's shares (a newly acquired subsidiary). The capital of the Bank as at December 31, 2014 became composed of 16,080,000 shares of par value of LBP10,000 each fully paid (15,450,000 shares of par value of LBP10,000 each as at December 31, 2013) with an additional paid-in capital of LBP39.92billion as at December 31, 2014 (LBP28.17billion as at December 31, 2013).

25. PREFERRED SHARES

This caption consists in 2014 and 2013 of the following:

	DECEMBER 31,	
	NOMINAL VALUE	PREMIUM
	LBP'000	
Preferred shares series "1"	1,500,000	21,105,000
Preferred shares series "2"	2,500,000	35,187,500
	4,000,000	**56,292,500**

The Extraordinary General Assembly held on November 23, 2009 approved the issuance of 150,000 non-cumulative perpetual redeemable series "1" Preferred shares, with a nominal value of LBP10,000 each, and an aggregate premium of LBP21.1billion (USD14million) on the entire issued shares in accordance with the terms and conditions of the Extraordinary General Assembly held on May 8, 2009. The preferred shares earn dividends of USD4.25 each for the year 2009 and USD8.25 for the years thereafter.

The Extraordinary General Assembly approved in its meeting held on October 23, 2014 the redemption of its series "1" preferred shares mentioned above at a price specified in the prospectus with a total redemption value of LBP22.6billion and is reflected in the consolidated statement of financial position under "Treasury preferred shares" pending the completion of the required legal formalities and the approval of the Central Bank of Lebanon to issue 150,000 nominative shares to be distributed proportionally to all shareholders.

The Extraordinary General Assembly of the Bank approved in its meeting held on October 28, 2012 the issuance of 250,000 non-cumulative perpetual redeemable series "2" preferred shares with a nominal value of LBP10,000 each, totaling LBP2.5billion and an aggregate premium of LBP35.2billion (C/V USD23.34million) on the entire issued shares paid in cash by the subscribers in accordance with the terms and conditions specified in the Extraordinary General Assembly indicated above.

The Extraordinary General Assembly approved in its meeting held on October 23, 2014 the issuance of 250,000 non-cumulative perpetual redeemable series "3" preferred shares with a nominal value of LBP10,000 each, totaling LBP2.5billion and an aggregate premium of LBP35.2billion (C/V USD23.34million) on the entire issued shares to be paid in cash by the subscribers in accordance with the terms and conditions specified in the Extraordinary General Assembly indicated above. The amounts paid by the subscribers during 2014 were deposited in an escrow account pending the completion of the required legal formalities and the approval of the Central Bank of Lebanon to issue these shares. The issuance of series "3" preferred shares was completed in February 2015 following the approval of the Central Bank of Lebanon.

26. RESERVES

Provisions consist of the following:

	DECEMBER 31,	
	2014	2013
	LBP'000	
Legal reserves (i)	15,077,741	11,776,042
Reserves for general banking risks (ii)	38,254,689	31,222,012
Reserves for assets acquired in satisfaction of loan (Note 16)	1,132,770	1,125,115
	54,465,200	**44,123,169**

(i) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of net profit. This reserve is not available for distribution.

(ii) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve should reach 1.25% of total risk weighted assets, off-balance sheet risk and global exchange position at year 10 and 2% of that amount at year 20. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Group's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

27. NON-CONTROLLING INTERESTS

This caption consists of the following:

	December 31, 2014	December 31, 2013
	LBP'000	LBP'000
Capital	436,211	436,211
Reserves	17,290	13,408
Accumulated profits	65,325	17,449
	518,826	**467,068**

28. INTEREST INCOME

This caption consists of the following:

	2014	2013
	LBP'000	LBP'000
Interest income from:		
Term deposits with Central Bank	37,904,295	32,738,854
Deposits with banks and financial institutions	7,419,554	5,301,955
Financial assets at amortized cost	135,713,116	132,832,307
Loans to banks	183,650	315,484
Loans and advances to customers	102,424,560	102,556,987
Loans and advances to related parties	1,303,864	1,360,086
	284,949,039	**275,105,673**

29. INTEREST EXPENSE

This caption consists of the following:

	2014	2013
	LBP'000	LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	9,931,294	12,049,701
Customers' deposits	199,561,226	177,650,100
Related parties' deposits	6,712,242	7,405,098
Certificates of deposit	-	48,400
Interest expense on cumulative preferred shares (Note 23)	191,653	-
	216,396,415	**197,153,299**

30. FEE AND COMMISSION INCOME

This caption consists of the following:

	2014	2013
	LBP'000	
Commission on documentary credits	2,020,146	2,519,293
Commission on letters of guarantee	2,297,456	1,986,240
Commission on certificates of deposit	31,197	18,440
Service fees on customers' transactions	11,273,462	10,398,731
Brokerage fees	2,731,589	2,602,096
Commission on transactions with banks	312,187	332,166
	18,666,037	**17,856,966**

31. FEE AND COMMISSION EXPENSE

This caption consists of the following:

	2014	2013
	LBP'000	
Commission on transactions with banks	3,072,526	2,296,598
Commission on private banking transactions	3,017,614	2,972,398
	6,090,140	**5,268,996**

32. NET INTEREST AND GAIN OR LOSS ON TRADING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption consists of the following:

	2014	2013
	LBP'000	
Interest income	27,008,807	16,755,487
Unrealized gain (Note 7)	9,507,690	1,192,354
Net realized gain on sold securities	1,579,963	1,280,440
Dividend income	1,555,101	1,208,584
	39,651,561	**20,436,865**

33. OTHER OPERATING INCOME (NET)

This caption consists of the following:

	2014 LBP'000	2013 LBP'000
Revenue from financial services provided - A	5,725,931	-
Gain from Sale and Swap of investments at amortized cost (Note 12) - B	6,703,647	4,088,464
Share of gain of an associate (Note 15)	-	255,479
Net (loss)/gain on disposal of assets acquired in satisfaction of loans	(295,259)	340,750
Net foreign exchange gains	3,759,855	3,393,458
Other	53,031	468,994
	15,947,205	**8,547,145**

A. Revenue from financial services provided by the newly acquired subsidiary Corporate Finance House Limited are broken down as follows:

	2014 LBP'000
Placement and structuring	2,304,213
Management	1,123,576
Advisory	1,544,392
Other brokerage fees	753,750
	5,725,931

B. Gain from Sale and Swap of investments at amortized cost are broken down as follows:

	YEAR ENDED DECEMBER 31, 2014			
	TRANSACTION TYPE	AMORTIZED COST AS OF SALE/ SWAP DATE LBP'000	MATURITY	PROFIT/ (LOSS) LBP'000
Lebanese government bonds	Swap	22,637,962	2014	6,348
Certificates of deposit issued by the Central Bank of Lebanon	Swap	10,227,562	2016	(127)
Certificates of deposit issued by the Central Bank of Lebanon	Swap	67,355,768	2017	(5,546)
		100,221,292		**675**

Certificates of deposit issued by the Central Bank of Lebanon (with the option of early redemption)	Put option	33,556,950	2015	1,377,798
Lebanese treasury bills	Sale	33,046,087	2015	129,914
Certificates of deposit issued by the Central Bank of Lebanon	Sale	15,000,000	2020	-
Corporate bonds	Sale	22,612,500	2015	1,017,563
Corporate bonds	Sale	436,008	2016	(7,046)
Corporate bonds	Sale	10,936,041	2017	48,287
Corporate bonds	Sale	17,328,705	2021	4,136,456
		99,359,341		**5,325,174**
		233,137,583		**6,703,647**

	YEAR ENDED DECEMBER 31, 2013			
	TRANSACTION TYPE	AMORTIZED COST AS OF SALE/ SWAP DATE	MATURITY	PROFITS
		LBP'000		LBP'000
Lebanese treasury bills	Swap	5,063,557	2014	81,777
Certificates of deposit issued by the Central Bank of Lebanon	Swap	86,871,228	2014	666,324
Certificates of deposit issued by the Central Bank of Lebanon	Swap	135,100,444	2013	3,340,363
		227,035,229		**4,088,464**

34. DEPRECIATION AND AMORTIZATION

This caption consists of the following:

	2014	2013
	LBP'000	
Depreciation of property and equipment (Note 17)	3,716,773	3,228,867
Amortization of intangible assets (Note 14)	220,564	201,542
	3,937,337	**3,430,409**

35. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

Forward exchange contracts outstanding as of December 31, 2014 and 2013 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.

36. FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT

Fiduciary assets are invested as follows:

	DECEMBER 31,2014		
	RESIDENT	NON-RESIDENT	TOTAL
	LBP'000		
Debt and equity securities	313,973,210	69,314,174	383,287,384
Deposits with financial institutions	1,745,506	-	1,745,506
	315,718,716	**69,314,174**	**385,032,890**

	DECEMBER 31,2013		
	RESIDENT	NON-RESIDENT	TOTAL
	LBP'000		
Debt and equity securities	334,401,029	95,991,540	430,392,569
Deposits with financial institutions	5,990,654	-	5,990,654
	340,391,683	**95,991,540**	**436,383,223**

37. BALANCES / TRANSACTIONS WITH RELATED PARTIES

This caption consists of the following:

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members and related companies:		
Direct facilities and credit accounts:		
- Secured loans and advances	19,996,898	4,518,607
- Unsecured loans and advances	4,807,569	2,252,054
- Deposits	144,357,747	142,055,830
Indirect facilities	10,000,000	42,649,000

Interest rates charged on balances outstanding are the same rates that would be charged in an arm's length transaction. Secured loans and advances are covered by pledged deposits of the respective borrowers to the extent of LBP131million (LBP43billion as of December 31, 2013). In addition, loans and advances were covered by real mortgages to the extent of LBP3.7billion (LBP2.8billion as of December 31, 2013).

Directors' and senior staff remuneration amounted to LBP4.07billion during 2014 (LBP4.53billion during 2013).

38. DIVIDENDS PAID

This caption consists of the following:

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Preferred Shares	4,465,970	4,465,970
Ordinary Shares	10,042,499	7,338,750
	14,508,469	**11,804,720**

The general assembly of the Bank held on May 29, 2014 approved the dividend distribution of LBP650 for each common share and USD8.25 (c/v LBP12,437) for each preferred share - Series 1 and USD6.9 (c/v LBP10,400) for each preferred share - Series 2.

The general assembly of the Bank held on June 30, 2013 approved the dividend distribution of LBP475 for each common share and USD8.25 (c/v LBP12,437) for each preferred share - Series 1 and USD6.9 (c/v LBP10,400) for each preferred share - Series 2.

39. CASH AND CASH EQUIVALENTS

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

	DECEMBER 31, 2014	DECEMBER 31, 2013
	LBP'000	LBP'000
Cash	29,246,419	29,609,442
Current accounts with Central Bank of Lebanon	36,073,517	56,668,823
Time deposits with Central Bank of Lebanon	18,540,720	22,500,000
Current accounts with banks and financial institutions and purchased checks	255,422,827	191,072,949
Time deposits with banks and financial institutions	176,327,621	133,834,999
	515,611,104	**433,686,213**

Time deposits with and from Central Bank of Lebanon and banks and financial institutions included above represent inter-bank placements and borrowings with an original term of 90 days or less.

The following operating, investment and financing activities, which represent non-cash items were excluded from the consolidated statement of cash flows as follows:

(a) The payables on land acquisition in the amount of LBP2.8billion during 2014 against the property and equipment.

(b) The additions acquired through business combination and detailed below:

	LBP'000
Assets:	
Financial assets at fair value through other comprehensive income	8,792,705
Due from related parties (Net)	1,774,311
Property and equipment	100,973
Other assets	651,449
Goodwill	6,626,412
	17,945,850
Liabilities:	
Other liabilities	753,750
Provisions	121,352
	875,102
Shareholders' equity:	
Share capital	6,300,000
Additional paid-in capital	11,748,099
	18,048,099
Cash received through business combination	**977,351**

40. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to comply with the capital requirements set by the Central Bank of Lebanon, the Group's main regulator, to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

Risk weighted assets and capital are monitored periodically to assess the quantum of capital available to support growth and optimally deploy capital to achieve targeted returns.

The Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad. In addition, the bank is required to observe the minimum capital adequacy ratio set by the regulator.

The Group monitors the adequacy of its capital using the methodology and ratios established by Central Bank of Lebanon. These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

The Group's capital is split as follows:

Tier I Capital: Comprises share capital after deduction of treasury shares, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits and retained earnings. Goodwill and cumulative unfavorable change in fair value of financial assets classified through other comprehensive income.

Tier II Capital: Comprises qualifying subordinated liabilities, cumulative favorable change in fair value of financial assets classified through other comprehensive income.

Certain investments in financial and non-financial institutions are ineligible and are deducted from Tier I and Tier II.

Also, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

Investments in associates are deducted from Tier I and Tier II capital.

Also, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

The Group's capital adequacy ratio was as follows:

	DECEMBER 31,	
	2014	2013
	LBP MILLION	
Common equity Tier I	268,361	279,792
Additional Tier I capital	97,980	60,293
Net Tier I capital	366,341	340,085
Tier II capital	22,656	-
Total regulatory capital (Tier I + Tier II)	388,997	340,085
Credit risk	2,820,895	2,636,868
Market risk	297,899	212,479

Operational risk	199,473	181,332
Risk-weighted assets and risk-weighted off-balance sheet items	**3,318,267**	**3,030,679**
Common equity ratio	**8.09%**	**9.23%**
Tier I ratio	**11.04%**	**11.22%**
Risk based capital adequacy ratio - Tier I and Tier II capital	**11.72%**	**11.22%**

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

A - Credit Risk

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

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance affecting a particular industry or geographical location.

1 – Management of credit risk

The Board of Directors has the responsibility to approve the Group's general credit policy as recommended by the Credit Committee. The Credit Committee has the responsibility for the development of the credit function strategy and implementing principles, frameworks, policies and limits.

2 – Measurement of credit risk

Policies and principles that the Group follows on loans and advances are included in "Management of Credit Risk" which stipulates the Group's general credit policy.

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

A. Managing credit risk based on the risk profile of the borrower, repayment source and the nature of the underlying collateral given current events and conditions.

B. Measuring credit risk through reviewing the following:

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

In accordance with Central Bank of Lebanon circular No.58 the Group's customers are categorized into six classifications as described below:

CLASSIFICATION	DESCRIPTION
1	**Standard monitoring** Indicates that borrowers are able to honor their commitments and there is no reason to doubt their ability to repay principal and interest in full and in a timely manner. Some of the indicators related to this category are: continuous cash inflows, timely submission of financial statements and / or sufficient collateral.
2	**Watch List** Loans and advances rated Watch List are loans that are not impaired but for which the Group determines that they require special monitoring.
3	**Special monitoring** Indicates that borrowers are able to honor their current commitments, although repayment may be adversely affected by specific factors. Such borrowers are subject to special monitoring. Major characteristics of this category are: inadequate loan information such as annual financial statements availability, condition of and control over collateral held is questionable and/or declining profitability.
4	**Substandard** Indicates that borrowers' ability to serve their commitments is in question. In this context, borrowers cannot depend on their normal business revenues to pay back principal and interest, i.e. losses may occur. The main characteristics of this category are severe decline in profitability and in cash inflows. In this case, the Group considers interests and commissions as unrealized but does not establish an allowance for impairment.
5	**Doubtful** Indicates that borrowers cannot honor their commitments in full and on time. Significant losses will be incurred even collateral held is invoked due to payment overdues. The net realizable value of collateral held is insufficient to cover payment of principal and interest. In this case, the Group considers interests and commissions as unrealized and established an allowance for impairment accordingly.
6	**Bad** Indicates that commitments cannot be covered even after taking all possible measures and resorting to necessary legal procedures. Some signals of this category would be inexistence of collateral low value of collateral and / or, losing contact with the borrower. In this case, the bank considers interests and commissions as unrealized, ceases their accumulation, and provides the whole amount of the exposure's balance.

If the debtor's default on the loan is temporary, management of the Group identifies and manages to work a plan to reschedule the payments due and/or obtain additional collateral before downgrading the loan to substandard or doubtful.

3 - Risk mitigation policies

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees
- Business other assets (such as inventories and accounts receivable)

4 - Financial assets with credit risk exposure and related concentrations

Concentration of financial assets and liabilities by geographical area:

	DECEMBER 31,2014					
	LEBANON	MIDDLE EAST & AFRICA	NORTH AMERICA	EUROPE	OTHER	TOTAL
	LBP'000					
Financial Assets						
Cash and deposits with Central Bank of Lebanon	1,122,174,568	-	-	-	-	1,122,174,568
Deposits with banks and financial institutions	236,735,365	33,082,789	59,057,860	260,686,043	1,206,085	590,768,142
Trading asset at fair value through profit or loss	457,933,161	3,733	1,507,500	-	-	459,444,394
Loans to banks	2,335,298	15,103,643	-	-	-	17,438,941
Loans and advances to customers	1,272,716,754	90,084,301	3,301,472	6,602,995	165	1,372,705,687
Due from related parties	91,656	950,396	-	2,428,534	-	3,470,586
Financial assets at fair value through other comprehensive income	1,342,216	6,051,992	-	2,075,375	-	9,469,583
Financial assets at amortized cost	2,151,222,590	-	-	13,572,300	-	2,164,794,890
Customers' liability under acceptances	37,254,166	7,519,410	-	-	-	44,773,576
Other financial assets	6,118,380	-	-	-	-	6,118,380
	5,287,924,154	**152,796,264**	**63,866,832**	**285,365,247**	**1,206,250**	**5,791,158,747**
Financial Liabilities						
Deposits and borrowings from banks and financial institutions	186,257,689	184,577,857	-	97,277,067	-	468,112,613
Customers' deposits and credit accounts	4,298,045,697	392,188,082	38,384,680	149,880,428	5,007,910	4,883,506,797
Liability under acceptances	11,644,439	10,148,918	978,777	19,156,451	2,844,991	44,773,576
Other financial liabilities	36,696,029	-	-	-	-	36,696,029
Cumulative preferred shares	-	-	-	22,656,235	-	22,656,235
	4,532,643,854	**586,914,857**	**39,363,457**	**288,970,181**	**7,852,901**	**5,455,745,250**

	DECEMBER 31,2013					
	LEBANON	MIDDLE EAST & AFRICA	NORTH AMERICA	EUROPE	OTHER	TOTAL
	LBP'000					
Financial Assets						
Cash and deposits with Central Bank of Lebanon	1,042,899,090	-	-	-	-	1,042,899,090
Deposits with banks and financial institutions	202,461,701	38,186,168	114,544,898	131,947,435	674,752	487,814,954
Trading asset at fair value through profit or loss	293,190,569	520,797	1,781,473	2,277,400	-	297,770,239
Loans to banks	2,982,432	8,077,557	-	-	-	11,059,989
Loans and advances to customers	1,208,125,416	119,476,333	384,055	12,854,680	448,190	1,341,288,674
Due from related parties	5,353	-	-	-	-	5,353
Financial assets at fair value through other comprehensive income	-	2,415,724	-	-	-	2,415,724
Financial assets at amortized cost	1,975,928,570	-	-	68,910,590	551,783	2,045,390,943
Customers' liability under acceptances	13,477,056	1,313,374	-	-	-	14,790,430
Other financial assets	3,287,588	-	-	-	-	3,287,588
	4,742,357,775	**169,989,953**	**116,710,426**	**215,990,105**	**1,674,725**	**5,246,722,984**
Financial Liabilities						
Deposits and borrowings from banks and financial institutions	188,838,931	195,532,848	25,046	57,493,911	865,839	442,756,575
Customers’ deposits	4,066,778,122	312,949,311	12,351,533	29,826,364	20,748,905	4,442,654,235
Liability under acceptances	1,370,579	701,229	6,042,680	5,327,549	1,348,393	14,790,430
Other financial liabilities	42,487,248	-	-	-	-	42,487,248
	4,299,474,880	**509,183,388**	**18,419,259**	**92,647,824**	**22,963,137**	**4,942,688,488**

B - Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

1- Management of liquidity risk

Liquidity management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels. Through ALCO, the Board of Directors is responsible for establishing the liquidity policy which includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met;
- Maintenance of a portfolio of liquid and marketable assets;
- Diversification of funding; and
- Maintenance of adequate contingency plans.

2- Exposure to liquidity risk

The Group ensures that its local entities are in compliance with the liquidity limits in Lebanese Pound and foreign currencies as established by the Central Bank of Lebanon.

The tables below show the Group's financial liabilities segregated by maturity:

	DECEMBER 31, 2014	
	NOT SUBJECT TO MATURITY	UP TO 3 MONTHS
	LBP'000	
Financial Liabilities		
Deposits and borrowings from banks and financial institutions	57,137,481	305,742,680
Customer's deposits and credit accounts	1,127,591,207	2,918,218,802
Liability under acceptances	-	1,085,000
Other financial liabilities	28,033,991	2,057,053
Cumulative preferred shares	-	-
	1,212,762,679	**3,227,103,535**

	DECEMBER 31, 2013	
	NOT SUBJECT TO MATURITY	UP TO 3 MONTHS
	LBP'000	
Financial Liabilities		
Deposits and borrowings from banks and financial institutions	61,573,246	297,084,517
Customer's deposits and credit accounts	954,334,721	2,833,392,514
Liability under acceptances	-	-
Other financial liabilities	31,585,743	2,879,985
	1,047,493,710	**3,133,357,016**

DECEMBER 31, 2014				
3 TO 12 MONTHS	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
LBP'000				
45,225,000	47,970,000	-	12,037,452	468,112,613
694,319,745	142,233,905	1,143,138	-	4,883,506,797
43,688,576	-	-	-	44,773,576
2,867,543	3,497,648	511,664	1,130	36,696,029
-	-	-	22,656,235	22,656,235
786,100,864	**193,701,553**	**1,654,802**	**34,694,817**	**5,455,745,250**

DECEMBER 31, 2013				
3 TO 12 MONTHS	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
LBP'000				
8,291,250	61,537,500	13,567,500	702,562	442,756,575
598,399,399	48,256,489	8,271,112	-	4,442,654,235
14,790,430	-	-	-	14,790,430
3,175,628	4,243,951	601,941	-	42,487,248
624,656,707	**114,037,940**	**22,440,553**	**702,562**	**4,942,688,488**

C - Market Risks

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

1. Currency Risk:

The Group carries on exchange risk associated with the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Bank takes preventive measures against this risk on setting up limits on the level of exposure by currency and in total for both overnight and intra-day positions in line with the limits authorized by the regulatory authorities.

Below is the carrying of assets and liabilities segregated by major currencies to reflect the Group's exposure to foreign currency exchange risk at year end.

	DECEMBER 31, 2014				
	LBP	USD	EURO	OTHER	TOTAL
	LBP'000				
ASSETS					
Cash and deposits with Central Bank of Lebanon	429,148,791	514,199,892	175,425,907	3,399,978	1,122,174,568
Deposits with banks and financial institutions	15,606,754	318,373,332	161,545,706	95,242,350	590,768,142
Trading asset at fair value through profit or loss	355,119,736	104,175,497	-	149,161	459,444,394
Loans to banks	2,426,753	15,012,188	-	-	17,438,941
Loans and advances to customers	373,081,089	974,131,466	21,322,580	4,170,552	1,372,705,687
Due from related parties	-	3,470,586	-	-	3,470,586
Financial assets at fair value through other comprehensive income	-	7,394,208	2,075,375	-	9,469,583
Financial assets at amortized cost	931,313,888	1,196,089,227	37,391,775	-	2,164,794,890
Customers' liability under acceptances	-	36,151,857	4,947,156	3,674,563	44,773,576
Investment in and loan to an associate	241,212	-	-	-	241,212
Assets acquired in satisfaction of loans	7,215	3,007,762	-	-	3,014,977
Property and equipment	67,058,869	10,812,267	-	-	77,871,136
Other assets	11,856,798	15,814,228	394,428	430,955	28,496,409
Goodwill	-	27,006,068	-	-	27,006,068
	2,185,861,105	**3,225,638,578**	**403,102,927**	**107,067,559**	**5,921,670,169**

	DECEMBER 31, 2014				
	LBP	USD	EURO	OTHER	TOTAL
	LBP'000				
LIABILITIES					
Deposits from banks and financial institutions	135,013,318	319,216,989	12,201,785	1,680,521	468,112,613
Customers' deposits and credit balances	1,731,326,666	2,633,995,417	428,041,285	90,143,429	4,883,506,797
Liability under acceptances	-	36,151,857	4,947,156	3,674,563	44,773,576
Other liabilities	22,750,799	30,597,324	476,150	202,015	54,026,288
Provisions	9,641,078	1,598	-	-	9,642,676
Cumulative preferred shares	1,500,000	21,156,235	-	-	22,656,235
	1,900,231,861	**3,041,119,420**	**445,666,376**	**95,700,528**	**5,482,718,185**
Currencies to be delivered	-	(55,103,565)	(6,443,341)	(10,433,856)	(71,980,762)
Currencies to be received	5,994,150	9,791,761	51,955,158	4,450,559	72,191,628
	5,994,150	**(45,311,804)**	**45,511,817**	**(5,983,297)**	**210,866**
Net exchange position	**291,623,394**	**139,207,354**	**2,948,368**	**5,383,734**	**439,162,850**

	DECEMBER 31, 2013				
	LBP	USD	EURO	OTHER	TOTAL
	LBP'000				
ASSETS					
Cash and deposits with Central Bankof Lebanon	425,889,323	417,165,734	196,589,720	3,254,313	1,042,899,090
Deposits with banks and financial institutions	33,176,919	330,706,075	44,855,338	79,076,622	487,814,954
Trading asset at fair value through profit or loss	230,869,956	66,646,018	71,964	182,301	297,770,239
Loans to banks	2,982,432	8,077,557	-	-	11,059,989
Loans and advances to customers	390,447,199	911,003,256	35,650,659	4,187,560	1,341,288,674

	DECEMBER 31, 2013				
	LBP	USD	EURO	OTHER	TOTAL
	LBP'000				
Financial assets at fair value through other comprehensive income	-	2,415,724	-	-	2,415,724
Financial assets at amortized cost	843,143,109	1,152,974,584	49,273,250	-	2,045,390,943
Customers' liability under acceptances	-	10,516,883	4,273,547	-	14,790,430
Investment in and loan to an associate	7,215	2,482,736	-	-	2,489,951
Assets acquired in satisfaction of loans	-	241,212	-	-	241,212
Property and equipment	59,286,391	5,855,641	-	-	65,142,032
Due from related parties	-	5,353	-	-	5,353
Other assets	10,336,610	6,182,972	176,094	37,528	16,738,557
Goodwill	-	20,379,656	-	-	20,379,656
	1,996,139,154	**2,934,653,401**	**330,890,572**	**86,738,324**	**5,348,421,451**

	DECEMBER 31, 2013				
	LBP	USD	EURO	OTHER	TOTAL
	LBP'000				
LIABILITIES					
Deposits and borrowings from banks and financial institutions	67,608,908	372,273,089	1,741,067	1,133,511	442,756,575
Customers' deposits and credit accounts	1,596,355,845	2,440,627,855	324,855,537	80,814,998	4,442,654,235
Liability under acceptances	-	10,516,883	4,273,547	-	14,790,430
Other liabilities	26,679,613	35,068,909	389,107	93,383	62,231,012
Provisions	8,958,251	538,645	-	-	9,496,896
	1,699,602,617	**2,859,025,381**	**331,259,258**	**82,041,892**	**4,971,929,148**
Currencies to be delivered	(10,224,588)	(9,591,452)	(7,832,257)	(9,697,034)	(37,345,331)
Currencies to be received	-	23,653,897	8,391,607	5,206,886	37,252,390
	(10,224,588)	**14,062,445**	**559,350**	**(4,490,148)**	**(92,941)**
Net exchange position	**286,311,949**	**89,690,465**	**190,664**	**206,284**	**376,399,362**

2. Exposure to Interest Rate Risk:

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies regularly reviewed by the asset and liability committee.

Below is the distribution of financial assets and liabilities by re-pricing time bands:

	DECEMBER 31, 2014	
	NOT SUBJECT TO INTEREST	UP TO 3 MONTHS
	LBP'000	
Financial Assets		
Cash and deposits with Central Bank of Lebanon	144,356,381	84,763,937
Deposits with banks and financial institutions	256,339,985	212,577,802
Trading asset at fair value through profit or loss	37,989,446	-
Loans to banks	26,753	15,012,188
Loans and advances to customers	15,329,050	897,063,353
Due from related parties	3,470,586	-
Financial assets at fair value through other comprehensive income	9,469,583	-
Financial assets at amortized cost	34,404,331	18,910,022
Customer's liability under acceptances	44,773,576	-
Other financial assets	6,118,380	-
	552,278,071	**1,228,327,302**
Financial Liabilities		
Deposits and borrowings from banks and financial institutions	1,829,264	361,050,897
Customers' deposit and credit accounts	36,156,102	3,984,377,990
Liability under acceptances	44,773,576	-
Other financial liabilities	36,696,029	-
Cumulative preferred shares	-	-
	119,454,971	**4,345,428,887**
Net gap position	**432,823,080**	**3,117,101,585**

DECEMBER 31, 2014				
3 TO 12 MONTHS	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
LBP'000				
22,612,500	431,502,750	352,762,500	86,176,500	1,122,174,568
72,178,230	49,672,125	-	-	590,768,142
1,153,238	25,324,728	379,930,230	15,046,752	459,444,394
-	150,000	-	2,250,000	17,438,941
255,384,222	125,933,353	42,796,988	36,198,721	1,372,705,687
-	-	-	-	3,470,586
			-	9,469,583
-	-	-		
261,877,185	494,018,767	961,199,111	394,385,474	2,164,794,890
-	-	-	-	44,773,576
-	-	-	-	6,118,380
613,205,375	**1,126,601,723**	**1,736,688,829**	**534,057,447**	**5,791,158,747**
45,225,000	47,970,000	611,884	11,425,568	468,112,613
682,451,551	177,549,316	2,971,838	-	4,883,506,797
-	-	-	-	44,773,576
-	-	-	-	36,696,029
-	-	-	22,656,235	22,656,235
727,676,551	**225,519,316**	**3,583,722**	**34,081,803**	**5,455,745,250**
(114,471,176)	**901,082,407**	**1,733,105,107**	**499,975,644**	**335,413,477**

	DECEMBER 31, 2013	
	NOT SUBJECT TO INTEREST	UP TO 3 MONTHS
	LBP'000	
Financial Assets		
Cash and deposits with Central Bank of Lebanon	172,841,340	870,057,750
Deposits with banks and financial institutions	194,089,486	262,272,300
Trading asset at fair value through profit or loss	29,336,520	-
Loans to banks	32,432	11,027,557
Loans and advances to customers	4,375,284	969,566,385
Due from related parties	5,353	-
Financial assets at fair value through other comprehensive income	2,415,724	-
Financial assets at amortized cost	34,723,068	-
Customer's liability under acceptances	-	-
Other financial assets	3,287,588	-
	441,106,795	**2,112,923,992**
Financial Liabilities		
Deposits and borrowings from banks and financial institutions	1,563,300	405,767,025
Customers' deposit and credit accounts	23,543,68	3,927,821,215
Liability under acceptances	14,790,430	-
Other financial liabilities	42,487,248	-
	82,384,661	**4,333,588,240**
Net gap position	**358,722,134**	**(2,220,664,248)**

DECEMBER 31, 2013				
3 TO 12 MONTHS	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
LBP'000				
-	-	-	-	1,042,899,090
31,453,168	-	-	-	487,814,954
-	2,575,074	232,132,166	33,726,479	297,770,239
-	-	-	-	11,059,989
150,391,225	106,379,989	81,849,214	28,726,577	1,341,288,674
-	-	-	-	5,353
-	-	-	-	2,415,724
139,914,045	507,977,986	583,712,755	779,063,089	2,045,390,943
14,790,430	-	-	-	14,790,430
-	-	-	-	3,287,588
336,548,868	**616,933,049**	**897,694,135**	**841,516,145**	**5,246,722,984**
8,291,250	27,135,000	-	-	442,756,575
441,418,282	41,599,943	8,271,112	-	4,442,654,235
-	-	-	-	14,790,430
-	-	-	-	42,487,248
449,709,532	**68,734,943**	**8,271,112**	-	**4,942,688,488**
(113,160,664)	**548,198,106**	**889,423,023**	**841,516,145**	**304,034,496**

42. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	DECEMBER 31, 2014	
	NOTES	CARRYING AMOUNT
	LBP'000	
Financial assets measured at:		
Fair value through profit or loss		
Quoted equity securities	7	9,699,851
Unquoted equity securities	7	21,995,824
Lebanese treasury bills	7	131,270,946
Lebanese government bonds	7	39,368,711
Certificates of deposit issued by the Central Bank of Lebanon	7	248,543,990
		450,879,322
Fair value through other comprehensive income:		
Quoted equity securities	11	2,415,724
Unquoted equity securities	11	7,053,859
		9,469,583
Financial assets measured at amortized cost:		
Cash and deposits with Central Bank	5	1,122,174,568
Loans and advances to customers	9	1,372,705,687
		2,494,880,255
Investment securities:		
Lebanese treasury bills	12	588,470,053
Lebanese government bonds	12	786,888,833
Certificates of deposit issued by the Central Bank of Lebanon	12	727,101,041
Corporate bonds	12	18,914,493
Certificates of deposit issued by local banks	12	9,016,139
		2,130,390,559
		5,085,619,719
Financial liabilities measured at amortized cost:		
Customers' deposits and credit accounts	20	4,883,506,797
Other financial liabilities	21	54,026,288
		4,937,533,085

	DECEMBER 31, 2014			
	FAIR VALUE			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	LBP'000			
	9,699,851	-	-	9,699,851
	-	-	21,995,824	21,995,824
	-	131,270,946	-	131,270,946
	-	39,368,711	-	39,368,711
	-	248,543,990	-	248,543,990
	9,699,851	**419,183,647**	**21,995,824**	**450,879,322**
	2,415,724	-	-	2,415,724
	-	-	7,053,859	7,053,859
	2,415,724	-	**7,053,859**	**9,469,583**
	-	1,150,804,754	-	1,150,804,754
	-	-	1,246,966,746	1,246,966,746
	-	**1,150,804,754**	**1,246,966,746**	**2,397,771,500**
	-	597,218,123	-	597,218,123
	-	815,573,917	-	815,573,917
	-	743,770,911	-	743,770,911
	8,246,025	-	11,160,300	19,406,325
	-	9,045,000	-	9,045,000
	8,246,025	**2,165,607,951**	**11,160,300**	**2,185,014,276**
	20,361,600	**3,735,596,352**	**1,287,176,729**	**5,043,134,681**
	-	-	4,838,340,719	4,838,340,719
	-	-	53,447,645	53,447,645
	-	-	**4,891,788,364**	**4,891,788,364**

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

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

DECEMBER 31, 2014	
FINANCIAL ASSETS	**DATE OF VALUATION**
At fair value through profit or loss:	
Lebanese treasury bills	December 31, 2014
Lebanese Government bonds	December 31, 2014
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	December 31, 2014
Quoted equity securities	December 31, 2014
Certificates of deposit issued by the Central Bank of Lebanon in foreign currency	December 31, 2014
Unquoted equity securities	December 31, 2014
At fair value through other comprehensive income:	
Unquoted equity securities	December 31, 2014
Quoted equity securities	December 31, 2014
At amortized cost:	
Cash and deposits with the Central Bank of Lebanon	December 31, 2014
Loans and advances to customers	December 31, 2014
Lebanese treasury bills	December 31, 2014
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	December 31, 2014
Certificates of deposit issued by the Central Bank of Lebanon in foreign currency	December 31, 2014
Certificates of deposit issued by local banks	December 31, 2014
Unquoted corporate bonds	December 31, 2014
Quoted corporate bonds	December 31, 2014
Lebanese Government bonds	December 31, 2014

DECEMBER 31, 2014	
VALUATION TECHNIQUE AND KEY INPUTS	OTHER MATTERS
DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity	N/A
Average market price in inactive market	N/A
DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity	N/A
Quoted prices in an active market	N/A
Average market price in inactive market	N/A
Management estimate based on unobservable input related to market volatility and liquidity	N/A
Fair value base on NAV	N/A
Quoted prices in an active market	N/A
DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency	N/A
DCF at a discount rate extrapolated across the maturity spectrum and in line with market rates	N/A
DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity	N/A
DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bonds, adjusted for illiquidity.	N/A
Average market price in inactive market	N/A
Management estimate based on observable input in inactive market	N/A
Management estimate based on observable input in inactive market	N/A
Quoted prices in an active market	N/A
Average market price in an inactive market	N/A

DECEMBER 31, 2014	
FINANCIAL LIABILITIES	**DATE OF VALUATION**
At amortized cost:	
Deposits and borrowings from banks and financial institutions	December 31, 2014
Customers' deposits and credit accounts	December 31, 2014
Other financial liabilities	December 31, 2014

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2014 were approved by the Board of Directors in its meeting held on May 20, 2015.

DECEMBER 31, 2014	
VALUATION TECHNIQUE AND KEY INPUTS	OTHER MATTERS
DCF at a discount rate determined based on the yield curve of Central Bank of Lebanon placements for maturities greater than one year and Libor based interbank rates for maturities less than one year by currency	N/A
DCF based on market rates by currency and maturity bands extrapolated across the maturity spectrum and in line with sectorial rates published by Central Bank of Lebanon.	N/A
DCF at a discount rate determined based on the maturity spectrum and in line with market rates.	N/A

ADDRESSES

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Fax: *(961-1) 973090*
Call Center: *1244*
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Telex no. *48627 FNBB*
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Branch Manager: Mrs. Nadine A. Zaher

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Branch Manager: Mr. Eric P. Vasdekis

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Bakaa, Riyad Fakih Center
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Branch Manager: Mr. Firas A. Abi Farraj

ANTELIAS
Hage Center, Antelias
Tel: (04) 419323-4-6-8
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Branch Manager: Mr. Mohamad S. Shreif

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Branch Manager: Mrs. Maya N. Nasr

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Branch Manager: Mr. Abed S. Chami

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Branch Manager: Mrs. Nathalie V. Saloumi

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Branch Manager: Mr. Mohamad H. Chokr

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Branch Manager: Mr. Hussein G. Fakhreddine

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Fouad Chehab Street (Serail St.), Al Turk Bldg.
Tel: (09) 645001-2-5
Fax: (09) 645003
Branch Manager: Mr. Elie H. Khalil

MAIS Al JABAL
Mais el Jabal Main street, Blida, Hicham Attieh Haydoura Bldg. , Ground Floor
Tel: (03) 399334 / (07) 865800-1-3
Fax: (07) 865802
Branch Manager: Mr. Nabil H. Serhan

MAZRAA
Main Road, Khaled Al Ashi Bldg.
Tel: (01) 314340 / 314339 / 305219 / 305220
Fax: (01) 302527
Branch Manager: Mrs. Rania M. Qubaa

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Mazraat Yachouh, Elissar, Main Road, Irani Bldg
Tel: (04) 928560-1-2-3
Fax: (04) 928570
Branch Manager: Mrs. Nada A. Kanj

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Fax : (07) 531983
Branch Manager: Mr. Hassan I. Ghosn

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Deckerman Area, Jezzine Street, Golden Tower Bldg.
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Fax: (07) 727704
Branch Manager: Mr. Ghassan R. Abou Zahr

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Fax: (01) 843804

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Fax: (06) 431713
Branch Manager: Mr. Ahmad Saoud A. Hajar

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Verdun, Rachid Karami Street, Omar Saab Bldg.
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Fax: (01) 355904
Branch Manager: Mr. Wajih S. Akkari

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Fax: (09) 225539
Acting Temporary Branch Manager: Mr. Antoine G. Hafez

LIST OF FREE-STANDING ATMS

ATM	ADDRESS
Adlieh	General Security - Adlieh Bldg 1 & 3
Aintoura	Saint Joseph College
Baalback	Rayyan Hospital
Beirut - Clemenceau	CFC - Weavers Center
Beirut - DT	Allenby - Staff
Dekwaneh	Nasr Market - Slave Street - Hagop Kichichian Bldg.
Gemmayzeh	Electricite du Liban Premises
Ghineh	Ghineh Municipality
Hamra	Makdissy Street - Beirut Bldg
Jdeidet El Metn	Roumieh Highway - A.N Boukather Bldg
Kadisha	Kadisha - Electricite du Liban Premises
Kaslik	Jouneih Sea Road - Lebanese Army Officers Club
Mkalles	Jisr El Bacha - OTV Bldg
Riyak - Bekaa	Riyak Hospital - Main Entrance
Zouk Mosbeh	Sea Road - EDL Premises - Administration Bldg

FNB'S MAJOR CORRESPONDENT BANKS

Australia- Sydney	Westpac Banking Corporation
Austria	UniCredit Bank
Bahrain	Arab Banking Corporation
Belgium- Brussels	ING Bank KBC Bank
China	Bank of China Industrial & Commercial Bank of China
Denmark- Copenhagen	Danske Bank
France	UBAF El Khaliji Bank
Germany	Commerzbank Deutsche Bank
Iraq	Trade Bank of Iraq Rafidain
Italy	Unicredit Bank Intesa Sanpaolo UBAE
Jordan	Cairo Amman bank
Kingdom of Saudi Arabia	Riyad Bank Saudi Hollandi Bank
Kuwait	Gulf Bank National Bank of Kuwait
Norway – Oslo	DNB Bank
Qatar – Doha	Qatar National Bank
Spain	Banco de Sabadel Caixa Bank
Sri Lanka – Colombo	People's Bank
Sweden	Skandinaviska Enskilda Banken
Switzerland	Credit Suisse UBS
Turkey	AKbank
UAE	Emirates NBD Invest Bank Mashreqbank
UK	Barclays Bank
USA	The Bank of New York Mellon Standard Chartered Bank Wells Fargo

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